



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

ECONOMICS LEGISLATION COMMITTEE

ESTIMATES

**(Supplementary Budget Estimates)**

WEDNESDAY, 21 OCTOBER 2009

CANBERRA

BY AUTHORITY OF THE SENATE



## **INTERNET**

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

The internet address is:

**<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:

**<http://parlinfoweb.aph.gov.au>**



---

**SENATE ECONOMICS**  
**LEGISLATION COMMITTEE**  
**Wednesday, 21 October 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, Hurley, 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, Back, Barnett, Birmingham, Bob Brown, Boswell, Bushby, Cameron, Colbeck, Coonan, Eggleston, Farrell, Fierravanti-Wells, Heffernan, Hurley, Joyce, Ludlam, Ian Macdonald, Minchin, Parry, Pratt, Ronaldson and Siewert

**Committee met at 9.00 am**

**INNOVATION, INDUSTRY, SCIENCE AND RESEARCH PORTFOLIO**

**In Attendance**

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

Senator Penny Wong, Minister for Climate Change and Water

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

Mr Mark Paterson, Secretary

Ms Patricia Kelly, Deputy Secretary

Ms Sue Weston, Deputy Secretary

**AusIndustry Division**

Mr Bill Peel, Head of Division

Mr Chris Burch, General Manager, Research Development and Venture Capital Branch

Ms Merryn Kennedy, Acting General Manager, Innovation Branch

Ms Wendy Launder, General Manager, Business Development and Commercialisation Branch

Mr Paul Sexton, General Manager, Customer Services Branch

Dr Russell Edwards, State Manager, Customer Services Branch, NSW Office

**Corporate Division**

Mrs Melissa McClusky, Head of Division

Ms Cherie Ellison, General Manager, Business Collaboration Branch

Mr Brad Medland, General Manager, Corporate Finance Branch

Ms Chris Butler, General Manager, Corporate Strategy Branch

Mr Jim Cullen, Manager, Employment Services Section

**eBusiness Division**

Mr Craig Penniford, Head of Division and Chief Information Officer  
Mr Paul Mornement, Acting General Manager, ICT Systems  
Mr Mike Sibly, General Manager, Online eBusiness Services Branch  
Mr Steve Stirling, General Manager, ICT Operations Branch

**Enterprise Connect Division**

Mrs Judith Zielke, Head of Division  
Mr John Dean, General Manager, Enterprise Connect Branch  
Mr Brian Phillips, Acting General Manager, Trade and International Branch

**Industry and Small Business Policy Division**

Mr Barry Jones, Head of Division  
Mr Richard Snabel, General Manager, Industry Policy and Economic Analysis Branch  
Mr Troy Greenwell, General Manager, Business Conditions Branch  
Ms Ann Bray, General Manager, Business Registration and Licensing Branch  
Mr Michael Schwager, General Manager, Small Business and Deregulation Branch

**Innovation Division**

Mr Ken Pettifer, Head of Division  
Ms Tricia Berman, General Manager, Innovation Policy Branch  
Mr Peter Chesworth, General Manager, Pharmaceuticals, Health Industries and Enabling Technologies Branch  
Mr Troy Weber, General Manager, Innovation Analysis Branch

**Manufacturing Division**

Mr Steve Payne, Head of Division  
Mr Mark Durrant, General Manager, Automotive and Engineering Branch  
Mr Ivan Donaldson, General Manager, Australian Building Codes Board  
Mr Mike Lawson, General Manager, Competitive Industry Branch  
Dr Michael Green, General Manager, Innovation and Space Branch  
Mr Murray Fearn, Acting General Manager, Working Groups Unit  
Mr Darren Atkinson, Manager, Pulp and Paper Industry Strategy Unit  
Mr Jeff Beeston, Manager, Automotive Policy Section, Automotive and Engineering Branch  
Mr Alan Coleman, Manager, TCF Policy Section

**National Measurement Institute**

Dr Laurie Besley, Chief Executive Officer

**Science and Infrastructure Division**

Ms Anne-Marie Lansdown, Head of Division  
Dr John Lewis, Acting General Manager, International Science and EIF Branch  
Mr David Luchetti, General Manager, Science Policy and Programs Branch  
Ms Julia Evans, General Manager, Research Infrastructure Branch

**Research Division**

Ms Jessie Borthwick, Head of Division  
Ms Stella Morahan, General Manager, Cooperative Research Centres  
Dr Anne Byrne, General Manager, Research Funding and Policy Branch  
Dr Caroline Perkins, General Manager, Compacts and Co-ordination Branch

**Australian Nuclear Science and Technology Organisation**

Dr Adrian (Adi) Paterson, Chief Executive Officer  
Dr Ron Cameron, Executive General Manager, Business and Enterprise  
Mr Steve McIntosh, Senior Adviser, Government Liaison  
Mr Ian Baker, Budget and Insurance Accountant

**Australian Research Council**

Professor Margaret Sheil, Chief Executive Officer  
Mr Andrew Cameron, Chief Finance Officer  
Professor Andrew Wells, Executive Director  
Ms Leanne Harvey, General Manager

**Commonwealth Scientific and Industrial Research Organisation**

Dr Megan Clark, Chief Executive Officer  
Dr Alastair Robertson, Deputy Chief Executive Officer, Science Strategy and Investment  
Mr Mike Whelan, Deputy Chief Executive, Operations  
Dr Alex Zelinsky, Group Executive, Information Sciences  
Dr Brian Keating, Director, CSIRO Sustainable Agriculture Flagship  
Dr Beverley Ronalds, Group Executive, Energy  
Dr Andrew Johnson, Group Executive, Environment  
Dr Steve Morton, Group Executive, Manufacturing, Materials and Minerals  
Dr Joanne Daly, Group Executive, Agribusiness

**IP Australia**

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

**Office of the Chief Scientist**

Professor Penny Sackett, Chief Scientist

**Australian Nuclear Science and Technology Organisation**

**CHAIR (Senator Hurley)**—I declare open this public hearing 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 has set Friday, 11 December 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 extract read as follows:*

**Public interest immunity claims**

That the Senate—

- 
- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
  - (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
  - (c) orders that the following operate as an order of continuing effect:
    - (1) If:
      - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
      - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.
    - (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.
    - (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
    - (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.
    - (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
    - (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
    - (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).
    - (8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(Extract, Senate Standing Orders, pp 124-125)

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. Minister, would you like to make an opening statement?

**Senator Carr**—Good morning. No, we have no opening statement.

**CHAIR**—Officers, do you have any opening statement?

**Dr Paterson**—Good morning, chair, no, opening statement. Adrian Paterson, CEO of ANSTO.

**Senator ABETZ**—I thought the opening statement from you, Dr Paterson, would have been about the wonderful visit by the minister to ANSTO. Allow me first of all to ask: minister, have you visited ANSTO as minister?

**Senator Carr**—I believe I may well have. I have regular meetings with ANSTO.

**Senator ABETZ**—I asked whether you had visited, not whether you had regular meetings. We are getting off to a bad start here, minister. Have you visited ANSTO since becoming minister?

**Senator Carr**—I think I have mentioned that already. I suggest you check the *Hansard*. I have already answered that.

**Senator ABETZ**—You have regular meetings with them.

**Senator Carr**—No, I said I have visited ANSTO. I have regular meetings—

**Senator ABETZ**—Excellent.

**Senator Carr**—I suggest that, if we are off to a bad start, you check your hearing.

**Senator ABETZ**—Can I congratulate you on finally visiting ANSTO. I will not ask ANSTO what they had to do is finally entice the minister to visit. I welcome that development. Can I ask whether ANSTO applied for any laureate fellowships or future fellowships?

**Dr Paterson**—There were no applications for laureate fellowships, but we did put forward a staff member for a future fellowship.

**Senator ABETZ**—And that was?

**Dr Paterson**—Was not successful.

**Senator ABETZ**—Not successful. Was there any reason why you did not put forward an application for a laureate fellowship? Is there a technical reason, for example? I just note that the CSIRO has and I was wondering whether there were any blockages or reasons as to why ANSTO had not.

**Dr Paterson**—There are no technical blockages or limitations on our ability to apply for these fellowships. What we do is we evaluate the criteria, we look at the relevant staff that may be put forward for these and then we come to a judgment and make decisions about who we put forward.

**Senator ABETZ**—Which is fair enough and I accept that. But you did apply under the International Science Linkages program and I understand you were successful to the tune of \$880,000. Are you at liberty to indicate to us in general terms how those funds will be

expended and with whom, or with what organisation you intend to develop your international linkages—or should I say further develop your international linkages because I am sure you have many international linkages—under this particular program?

**Dr Paterson**—We will take that one on notice and provide you full details of the linkages, because I do not have the information immediately available.

**Senator ABETZ**—That is fine. Can I congratulate you on being able to access some of that funding. Can I ask you in relation to the reactor—it would not be an estimates without a question about the reactor. All going well?

**Dr Paterson**—The reactor was returned to power last night after a normal shutdown and is currently operating at full power with all of the irradiations that are planned taking place in the reactor. We had a successful campaign for the last operating cycle. Since the return to service of the reactor after the issues were dealt with around the fuel, we have had more than 400 full reactor days and our availability—

**Senator ABETZ**—Out of how many days, if I may interrupt.

**Dr Paterson**—Of the planned days that we intend the reactor to be available we are currently at about 85 per cent availability.

**Senator ABETZ**—How does that compare with—if there are such creatures—similar reactors elsewhere?

**Dr Paterson**—For a reactor of this age, the results currently are good but not exceptional. We have set targets to further extend the availability of the reactor as we work through all of the issues of understanding exactly how it operates and making it more reliable and effective.

**Senator ABETZ**—And there is no difficulty with that element that I touched when I visited. That is still operating successfully, is it?

**Dr Paterson**—We understand everything is operating successfully, even the stuff that you touched.

**Senator ABETZ**—Excellent. Well, that will be a first that something I touched did not go bad. That is very good. Thank you very much for that. As I promised ANSTO, as far as I was concerned they would be entitled to a cup of coffee at Aussies at 9.10 but I am not sure if my other colleagues have questions.

**Senator EGGLESTON**—Your reactor is back up and running, which is very good news. What are the implications for that in terms of production of medical isotopes, in particular molybdenum which I understand was one that was not being produced in Australia during your problem period?

**Dr Paterson**—The production of molybdenum is now taking place. Since we last briefed this committee, ANSTO has received a licence from ARPANSA, the nuclear regulator, to operate the molybdenum facility which we use to extract it from the target plates. We have been regularly producing molybdenum and small amounts of this molybdenum have gone into generators that go to Australian hospitals. But we are taking a cautious and conservative approach and have continued to import in parallel until we fully understand the reliable and robust operation of the moly plant. But I can say to you that this week in our generator

provision to Australian hospitals there will be moly that has been produced in the OPAL reactor and there will be some imported moly as well.

**Senator EGGLESTON**—Were you importing molybdenum from Canada and what is the situation?

**Dr Paterson**—No, our supply chain has been through the Safari reactor and the associated infrastructure in South Africa. We have a good and well-established relationship with them. They are now one of the most reliable suppliers in the world during the moly crisis and, because of the nature of that relationship and the careful articulation of the work, there has to date been no impact on delivery of generators into Australia.

**Senator EGGLESTON**—I understood there were four reactors in the world, according to a story in the *Canberra Times* on 14 August, producing 'moly', as we are calling it—Canada, the Netherlands, France and South Africa. So suppose the South African suppliers were not available, would we be able to access supplies of this vital isotope from other sources? Have you had agreements to that effect established?

**Dr Paterson**—We would not easily be able to import from the European-based reactors, mainly because they are signed up in predetermined agreements with other suppliers and they see their dominant mission to supply into the European setting. Therefore we do work very closely with all of the reactor communities. In fact we are part of a high-level group which does this, which has been constituted through the crisis to try to harmonise the schedules of the reactors in order to mitigate the risk of non-supply. But there will be periods in the next six months where it will be difficult for all of the suppliers globally to fully articulate the schedules and there remains a risk to supply of molybdenum in Australia.

**Senator EGGLESTON**—So are you saying that in effect there is an international agreement between the countries with the capacity to produce molybdenum to ensure that there is an adequate supply around the world—number one, is that what you imply?

**Dr Cameron**—Ron Cameron, ANSTO. Due to the global shortage there have been international efforts to look at schedules for reactor operation and molybdenum production to make sure those are optimised to the full extent so that operators are working together to ensure they are not down at the same time, for example. In doing that they have managed to provide a reasonable supply through this really difficult period. But we know that at the start of next year one of the other major reactors in Europe will go down for a shutdown and it looks likely that there will be a global shortage, so the Australian indigenous supply is really very important.

**Senator EGGLESTON**—So when this other reactor goes down in Europe next year you will be able to maintain the supply as totally required to Australian hospitals and medical facilities?

**Dr Cameron**—It clearly is, and always was, our intention with this plant to be able to totally source our own supply, but of course there are periods of time when our own reactor is down for a scheduled shutdown. It is those sorts of periods of time that will cause difficulty because, as Dr Paterson said, there really is no surplus capacity out there in the world that we can use.

**Senator EGGLESTON**—Have you any plans to develop an excess capacity to export molybdenum?

**Dr Paterson**—We do have a plan to move in the next month to two production runs per week; we are currently at one run per week; we have staffed up to achieve this. This will allow us to supply the Australian market under normal operations and also allow us to assist the Japanese who have really, I think, had a tough time during this crisis with less than 25 per cent of the moly they would normally have in their setting. We will therefore try to assist them with that process. And then we have supplies into Taiwan, small supplies in China, and potentially into Canada and the United States. We have been certified for our moly to be used in generators in both Canada and in the United States, so there is an opportunity to do that. We are working very hard with the international community to increase the assurance of supply at this very difficult time.

We have also established a planning capacity to look at the doubling of our production capabilities in order to see if we can be more effective by getting into a level of production which would be of the order of 10 per cent of the global supply. But this will take a couple of years. This is not something we are going to do in a very short period of time. We are also going to approach ARPANSA in the next couple of months to ask for a variation of our licence so that we can move from two runs a week to four runs a week, and that would allow us to provide significant amounts into the East Asian region and into Canada and the west coast of the United States. So we want to try to assist as much as possible to be effective in supplying moly in this global setting, and at the same time working with all of the partners to ensure that there is better coverage while reactors are in shutdowns and not in shutdowns so that it is articulated more favourably for total supply.

**Senator EGGLESTON**—When you say East Asia, you mentioned Japan but are you talking about China?

**Dr Paterson**—China, Indonesia, Malaysia—they have smaller needs because of the state of evolution of their medical and health care systems, but those needs are growing and we want to be able to assist if we can.

**Senator EGGLESTON**—I would have thought a small relative need in China would be a huge one in absolute terms. They have a huge population and many hospitals. Do they have their own indigenous capacity to produce molybdenum?

**Dr Cameron**—Yes, they do. They have a number of research reactors and production facilities. However, they have none under construction and therefore, as their needs grow, their indigenous capability becomes used up very quickly. And as we have said for all reactors, when they are shut down then they have to look to get some import. So with regard to China it is a top-up capability that we are looking to supply, not a full capability which you rightly say would be an enormous requirement.

**Senator EGGLESTON**—I would like to ask you a question on another topic. There have been a couple of articles in the *Financial Review* and the *Canberra Times* referring to an agreement between ANSTO and the ANU to join forces for research purposes. Would you like to tell us what that involves, what the cost will be and so on?

**Dr Paterson**—We have developed a memorandum of understanding which has been signed between ourselves and the ANU. This arose from discussions that I had with the vice chancellor and with a number of academics in the physics and in the engineering fields. In the area of physics, we have a very close relationship that needs to be stronger in the area of accelerator science. Traditionally the ANU has worked in the high energy physics area, and we have tended to work in the applications area of using accelerators for dating and for specialised studies using stable isotopes. It makes sense that we spend more time together harmonising the activities ensuring that there is good training, that we can maintain the equipment more effectively and that over time we can build up the accelerator capability of Australia. Indeed, with the new funding for accelerators at ANSTO which was part of the Super Science Initiative and also a tranche of funding for their accelerators, we have made sure that we are working very closely not to duplicate anything but to ensure that there is maximum leverage of that new infrastructural funding.

The second area where we are collaborating closely is in the area of environmental research using nuclear techniques for understanding the history of climate. We have some close associations in those areas. We also are developing a close collaboration in the study of nuclear fusion. They have a facility, the H1 facility, which is a very important part of fusion research globally, and we believe that we can bring some insight into the materials that are used and the control paradigms that are used for modern fusion devices. They have the particular capability with the plasmas and with the particular magnetic configurations, so we will be strengthening that work.

In addition, I have had early discussions with the vice chancellor arising from the MOU to see if we can increase the number of people who are studying nuclear science and technology and coming through to postgraduate studies in that regard. So there is a number of discussions that are taking place. We enjoy that relationship. It is certainly leveraging our capabilities and hopefully similarly to the ANU.

**Senator EGGLESTON**—You said it included research into climate change, are you able to advise us whether or not the current debate could be informed by your research?

**Dr Paterson**—I believe it is absolutely important that there is a good history of climate in order to understand the future of climate. We spend a lot of time understanding some of the profound questions that can be answered using stable isotope techniques in particular and accelerator-based sciences to get a longer time series over longer durations so that we can get a better understanding of what has indeed happened to climate over the last periods of time and correlating that with all of the driving and forcing factors. We believe that is absolutely essential to underpin excellence in future climate studies.

**Senator EGGLESTON**—I understand that you are also researching waste-free energy sources through nuclear fusion which you mentioned.

**Dr Paterson**—That is correct.

**Senator EGGLESTON**—What other energy uses are you researching and looking at? Are you looking at uranium-based nuclear power as future energy sources?

**Dr Paterson**—We do not undertake any scientific work in the area of fission based nuclear power but we do track, from a policy advice and support point of view, the global

developments in this regard so that we can provide support on these aspects. But we do not have any mandate to undertake research in these fields, and there are no current activities.

**Senator EGGLESTON**—Thank you. The other question, which I noticed an article about in the *Age* and *Sydney Morning Herald* back in April, was that you were working with the Cooperative Research Centre for Biomedical Imaging Development in their production of a radioactive drug targeting epilepsy as a condition and targeting particular brain receptors. Do you wish to inform the committee about that?

**Dr Paterson**—This is a very important cooperative research centre that includes ourselves, colleagues in Melbourne in the clinical medical research domain and two companies that are involved in different aspects of radiopharmaceutical research. The compounds that have been identified are important compounds. The work that we undertake in the CRC for biomedical imaging focuses on trying to develop these compounds clinically to see if they can indeed serve the purpose of detecting epilepsy and other conditions. I have sat in on a number of the board meetings of this CRC at the invitation of the chair. I think it is an excellent consortium. It is very focused and it is being driven quite strategically.

On the detector and imaging side, we partner with Monash and others to really look and see how we can improve the quality of the detectors that are used so that the imaging can be done with lower levels of radiation dose to patients because, if you can improve the imaging and lower the doses, you improve the outcomes in many ways. The imaging work is less advanced than the clinical work at this point, but the detector work is really starting to develop very effectively and in a very pragmatic way as well. It is a focused output oriented group and I think they have done very good work. That has been reported to me also by people who are associated with other dimensions of the work.

**Senator EGGLESTON**—When you say detecting receptors, are you detecting areas of brain damage rather than particular receptors?

**Dr Paterson**—Typically in this part of medical science one develops compounds that attach to rather particular parts of our physiology, of our brain. Where structures have defects in them, if you can get those molecules to attach more effectively to places where epilepsy, Alzheimer's or other diseases are associated, you can then image the progression of the disease and understand the case management more effectively. So you are indeed right: this is what it is all about.

**Senator LUDLAM**—Thanks very much for coming in. I have a couple of questions regarding health and safety standards at ANSTO and in particular at ANSTO Radiopharmaceuticals and Industrials, ARI. First, could you briefly explain for us to the relationship between ANSTO and ARI?

**Dr Paterson**—ARI is one of our business units which is fully embedded in ANSTO, so it is directly under the control of the executive management structures of ANSTO.

**Senator LUDLAM**—I understand that an audit arising from an investigation of an event that took place in August 2008 found that there were deficiencies and opportunities for improvement in the safety management systems at ARI. Can you confirm that for us?

**Dr Paterson**—An audit was undertaken and there was a finding that we could improve the reporting of incident management.

**Senator LUDLAM**—We will go to that in a moment. I just want to have you talk through the details of the incident in question. My understanding is that it involved a vial of molybdenum-99 being dislodged from manipulator grips, presumably in one of the hot cells in the plant, which was then left where it had dropped and remained unreported for several hours exposing workers to radiation. Is that a correct characterisation of the incident?

**Dr Paterson**—I think that the wording that you have used is similar to wording that I have seen in the reports that I have reviewed but not identical.

**Senator LUDLAM**—I am not after the wording—is that an approximate description of the incident?

**Dr Paterson**—I think ‘several hours’ would be something that I would have to go back and take on notice. There was a period of time where that vial was dropped and it was not timeously reported.

**Senator LUDLAM**—My understanding is that it was roughly three hours. But if your understanding is different, then if you could take that on notice for us, I would appreciate that. The audit found that proper processes were not followed: evacuation of the area did not occur, timely communication and event reporting, thorough investigation and follow-up did not occur. Is that your understanding also?

**Dr Paterson**—I think that that is a fair summary.

**Senator LUDLAM**—Is it the case that one of the staff present during that incident handling radioactive substances had not completed occupational health and safety induction training or the one-day radiation safety course, nor the ANSTO or ARI induction check lists?

**Dr Paterson**—I will take that on notice.

**Senator LUDLAM**—Is that because you are not aware of whether that is the case?

**Dr Paterson**—In the reports that I have seen, that has not been part of those reports.

**Senator LUDLAM**—So would it be surprising to you if there was somebody working in that environment who had not completed all those safety checks?

**Dr Paterson**—Yes.

**Senator LUDLAM**—What is ANSTO or ARI’s policy about staff working in those environments?

**Dr Paterson**—The policy construct is very clear: all radiation workers have to be trained to the level of understanding the radiological situation in which they operate, the attendant risks, the mitigation of those risks, and the safe working procedures that are attendant to the normal operation of the plant.

**Senator LUDLAM**—Okay, that sounds sensible. How long has that plant been in operation for?

**Dr Paterson**—It has been operating of the order of 30 years.

**Senator LUDLAM**—So it would be very surprising, I suppose to both of us, if there still were not procedures in place that prevented people who had not had adequate radiation safety training from entering those areas of sources?

**Dr Cameron**—If I could just explain: the system we use at ANSTO is that each area is assessed for potential exposure and is therefore classified according to that. So a blue area or a white area, et cetera, indicates its potential for exposure. Therefore for each of those areas, given its classification, measures will be put in place to detect and monitor those areas for radiation. In addition, workers who go into those areas will be trained for working in those areas, and in addition they themselves will have personal monitors so that their radiation exposure is monitored and checked each month.

**Senator LUDLAM**—We will come to that in a moment. So the area that I am describing where this incident occurred, what is the classification of that as far as the different degrees that you are talking about?

**Dr Cameron**—It would be a blue area.

**Senator LUDLAM**—Blue is—

**Dr Cameron**—A white area is essentially an uncontrolled area and the blue area is our next level of control.

**Senator LUDLAM**—What is the highest level?

**Dr Cameron**—The highest level would be a red area, but red areas would be where people would not be allowed to go in.

**Senator LUDLAM**—Where human beings may not go. So blue is a hazardous workplace. How does somebody who has not completed that degree of radiation safety training find their way into an area like that?

**Dr Cameron**—There could be a number of ways. Generally what would happen is that in the course of their training they would be supervised by somebody else when they go into an area to be instructed in how it works. So people who are not fully qualified or certified for the areas would be escorted or supervised while they are there. They also would have personal monitors.

**Senator LUDLAM**—Dr Paterson has asked to take that question about that person's presence in that area on notice. Is that something that you are aware of though? Were you aware that in that incident there was somebody in that area who had not had the training?

**Dr Cameron**—I am not aware that that was the case but, as we said, we are happy to investigate further.

**Senator LUDLAM**—Thank you. Is it correct that the EPDs, the dosimeters that your staff use when they are in those areas, are not located on a part of the body that could have been affected by this incident? My understanding is the source was actually placed at quite a low level meaning at least one worker received a dose that was not actually received because the badge is placed higher on his body. Where do workers wear those dosimeters?

**Dr Cameron**—There are two types of dosimeters. There is the TLD, which is like the old film badge, which they wear continuously. And then many of them will also carry an



electronic personal dosimeter, an EPD, which gives instant readout of what is going on. Generally they will wear those either on the chest level or around about their waist level. If we do suspect that there has been an exposure from another level, then we are able to calculate from the angle and the dose received what the exposure should be. So we can revert to theoretical methods of calculating if the dose happened to come from a different part.

**Senator LUDLAM**—Because the radiation is not behaving like a gas or a vapour, is it, it is a beam; it is quite directional.

**Dr Cameron**—It can be a beam or but it diffuses quite quickly.

**Senator LUDLAM**—I understand that one of the recommendations that arose from this incident is that ANSTO investigate the design of equipment so that the vials cannot be dropped into inaccessible locations. Can you describe for us what has happened to the equipment that the operators in that part of the facility are using, whether there has been any redesign or whether the plant was shut down and the equipment was modified or replaced?

**Dr Paterson**—There have been a number of improvement activities. The specific incident was investigated, and mitigation actions have been put in place to reduce the likelihood of it happening again. In the reports that I have seen, the likelihood is now much lower but not completely excluded. We have a continuous improvement program which resulted in part as a result of this particular incident, and I meet weekly with that group of people. We are looking at all of the significant and important risks on a weekly basis. We are taking action on the highest priority ones and working down through that list.

Secondly, the incident reporting format has been changed. All radiological incidents that are dose related, with doses that are above normal daily levels, when these are identified as occurring they are reported to me on the same day that they occur. They are also reported to the general manager in charge of the facility. The incident reporting is now driven from a management perspective in a completely different way. In addition, we have changed the reporting mechanism to ensure that the radiation physics people, who do the calculations that Dr Cameron was talking about, are fully involved on the day of the incident and are able to fully assess all of the impacts.

In the case of this particular incident, the thesis that the dosimeters were not correctly placed to assess the dose properly and accurately has been found to be a faulty thesis. We do believe we know what the dose levels were and we do believe that the dosimeters were effective. This will be checked in the further review of the incident report by ARPANSA who have complementary knowledge which shall be able to validate this. So we had a similar concern that it may not have been able to take a full reading but we do not believe that that is the case any more.

**Senator LUDLAM**—Because it is not about incorrect placing, is it, that is where they are supposed to wear it. But if you are taking a dose that is below the belt then you will need to calculate indirectly what the dose was.

**Dr Paterson**—Yes. In this particular case the dosimeter readings were evaluated and the calculations were made, and the dose levels were not at a level that would have created significant concern.

**Senator LUDLAM**—I will just quote one of the recommendations back to you:

Levels of radiation and contamination and the associated reporting and investigation should be developed. For example, internal contamination and external contamination on the skin should always result in an event report being raised. Level of contamination on PPE and reporting levels for example 50 cps. This needs to be determined in conjunction with RPA.

Can you confirm for us that levels of radiation and contamination are not yet determined in that incident or do you have a fairly good idea of what actually occurred?

**Dr Paterson**—I think there is a pretty good idea of what happened in this incident. I can also say there have been a number of other incidents which are now reported, as I indicated, on the day that they happen. The process of evaluation has been considerably strengthened and is done in a much more timely fashion. It is absolutely essential that the radiological risks in that production facility are known in detail and timeously so we can mitigate any risks.

**Senator LUDLAM**—What I found the most difficult to understand was how, if this plant has been operating for 30 years, these procedures are only just being put in place in the last 12 months as a result of these sorts of exposures of staff?

**Dr Paterson**—The procedures have always been in place. I think the procedures have operated in a satisfactory manner and the long-range tracking of dose accumulation in workers has been very satisfactory. Over the last 10 years the dose levels to workers in that facility have come down continuously every year, and that trend is likely to continue. Therefore we do believe there has been an improvement in radiological performance. We are investigating the root causes of these recent incidents to understand whether it is to do with the training and supervision of staff or whether it is to do with defects in the facility. There are a number of these that are being investigated. When that full assessment is complete I will be happy to report as to what we believe the root causes were and what actions need to be taken to mitigate future risk.

**Senator LUDLAM**—We might come back to you on that at the next estimates session. Can you confirm that a worker was taken out of the lab for 12 months due to a high-level dose incident occurring in April 2007 and can you describe for us the nature of that incident?

**Dr Cameron**—Yes, senator, that is the case. There are from time to time examples of where, when we read a badge, we find there is a reading that is more than what we would expect for that worker. In that case, our normal procedure is to do a full investigation and, in doing that full investigation, the worker is removed from the area while that goes on. In most cases we are able to show that it was not a real exposure to the worker. What we find sometimes is that a worker will leave a badge near a source and the badge will get exposed, and we are able to show that was not a real exposure to the worker. But in this particular case we were not able to be sure in a 100 per cent way that it could not have been an exposure to the worker. So as a precautionary thing we took the worker out of the area for the period of time. The reason that is done is that essentially the dose constraint we set is an annual one. We do not like people to exceed a dose constraint on an annual basis so to make sure that he did not he has to be out of the area for a 12-month period before he can come back in again.

**Senator LUDLAM**—I understand that. I am wondering if you can describe the nature of the incident for us though.

**Dr Cameron**—The incident was the determination of a high level on a badge. An investigation was done. The investigation indicated that it was most likely to have been due to placement of a badge next to a source and not an exposure to a worker, but we could not definitely rule out that was the case. The interesting thing was there was an inconsistency between the badge which showed a high reading and his EPD which did not. That would indicate that he probably did not receive that exposure but, as a precautionary action, we took him out of the area for 12 months.

**CHAIR**—Thank you, Senator Ludlam. I am sorry, we are out of time, Senator Barnett.

**Senator BARNETT**—I did seek the call earlier. I can do it in a couple of minutes. I will be very brief and please take them on notice. In this new carbon constrained world since the Switkowski report, can you provide evidence or reports which highlight the improvements in technology with respect to health, safety and the environment? Secondly, in the carbon constrained world that we are heading into, I am interested in the cost differential. The Switkowski report referred to the 20 per cent-plus cost differential regarding nuclear power. Of course, that is all about to change and it is obviously going to be more advantageous for nuclear. I was wondering if you can point to the latest research, the latest reports, since the Switkowski report to assist me and the parliament in determining the merit of nuclear power as an option, which is certainly something that I would strongly support. I am happy for you to take that on notice.

**Dr Paterson**—Thank you, senator, we will take it on notice. Our normal practice in this regard would be to read the report that you allude to, which was not an ANSTO report, and also to provide globally available information on costings.

**Senator BARNETT**—Thank you very much.

**CHAIR**—Thank you to ANSTO for coming in. I will ask the Commonwealth Scientific and Industrial Research Organisation to come to the table.

[9.40 a.m.]

#### **Commonwealth Scientific and Industrial Research Organisation**

**CHAIR**—Welcome, Dr Clark. Would you like to make an opening statement?

**Dr Clark**—I have a short opening statement but I would prefer to table it. Also, this year we are making available to the committee an adjunct to our annual report which is a showcase of our annual science this year. We will make that available to members today.

**CHAIR**—Thank you. We will circulate that report to the committee. We will move to questions.

**Senator PRATT**—I would like to ask some questions about the Australian Square Kilometre Array Pathfinder project. Specifically, I believe there have been some announcements recently regarding a new facility in Geraldton. What is the role of that facility and what opportunities will there be within Geraldton and the region related to that new facility that has just been announced?

**Dr Clark**—Today I am joined by Dr Alex Zelinsky, who covers the area of ASKAP. I will ask him to come to the table.

**Dr Zelinsky**—As part of the Australian Square Kilometre Array Pathfinder project we were originally planning to have a small computer located in Geraldton. But with the announcement of connectivity of fibre between Geraldton and Perth an opportunity presented itself to have the facility located in Perth. With the recent Pawsey High-Performance Computing Centre announcement of the high-performance computer in Perth, we have looked to consolidate the super computing facilities in Perth. However, Geraldton is actually an important technical facilities access point and we are providing a portal there for access to the super computing facility, which will be available to the local community—there will be guaranteed access to that facility. Prior to this announcement, a small supercomputer was to be located there but there was no access to that machine for other problems. But with the construction of the larger machine that has actually allowed access for the local community.

**Senator PRATT**—What kinds of uses will that small supercomputer have?

**Dr Zelinsky**—The original supercomputer was just to be used for correlations of radio signals for the imaging of the skies. It was purely a scientific machine. The supercomputer which will be built at the Pawsey centre will be primarily for SKA science but it will also actually support other forms of super computing, such as geothermal applications in the mining area, et cetera.

**Senator Carr**—It has a much wider usage in mining, chemistry and water. The facility will have a much broader scope. I recently had a meeting with the Mayor of the City of Geraldton, Councillor Ian Carpenter, where we outlined the proposals for a \$4 million facility to be developed at Geraldton which will provide the people of Geraldton with access to additional computer facilities that would otherwise not be the case. On top of that the decision of the government to put as a priority the broadband link between Perth and Geraldton will have considerable advantage for the Geraldton region. So there is an opportunity here in terms of the provision of the new facility for CSIRO in Geraldton—access to that facility at the university precinct in Geraldton to provide additional job opportunities in the Geraldton region.

**Senator PRATT**—Thank you.

**Senator EGGLESTON**—On the same subject of supercomputers, a couple of years ago I was approached by a professor from Curtin University who had been seconded from Edinburgh University about using grid technology based on a supercomputer for communications links to the countries to our north. Has CSIRO had any involvement in the possibility of using Perth as an access point for communications to the East Asian countries based on the use of the supercomputer in Perth?

**Dr Clark**—Our grid computing activities comes under the area of Dr Zelinsky. He can give you an overview of what we currently do in grid computing and also address the issue internationally.

**Dr Zelinsky**—Yes, Senator, we do have some activities in grid science research which is essentially when you network computers together to form a supercomputer or a high-powered computer by multiple computers working together. We do have the technology under development and a lot of that work has been done out of our exploration and mining division in Perth. That is where the group has been centred. They have developed some of those

programs as part of the NCRIS programs. However, I am unaware of their role in any provision of computing facilities offshore into the Asia-Pacific area. I would have to take that part of your question on notice.

**Senator EGGLESTON**—I understand that CSIRO has a carbon capture model, according to an article in the *Canberra Times* of 21 August. Would you like to tell us a little about that?

**Dr Clark**—Are you referring to our carbon capture technology or our modelling of carbon capture?

**Senator EGGLESTON**—I think I am talking about your technology—or perhaps both. My note here says ‘your carbon capture model’—and what impact that would have if no emissions trading scheme or CPRS was adopted. The article suggested that planting trees to store carbon and create a wildlife habitat, restoring overgrazed agricultural land, reducing land clearing and better protecting native forests would cut emissions by 953 million tonnes a year over a 40-year period.

**Dr Clark**—You are referring there to our modelling work. Dr Keating can cover that area.

**Dr Keating**—The article you are referring to was referring to a report from CSIRO that was commissioned by the Queensland government. It looked at the potential for land based sequestration of greenhouse gases both in soils and forests. That large number you referred to was a technical potential. It indicates the size of the carbon sink that is possible through forests or soil sequestration. Of course, what is possible in practice would depend on a large number of other factors coming into play—in terms of whether that is practically feasible.

**Senator EGGLESTON**—It did suggest, however, that carbon capture through forests would have a much greater impact on cutting our emissions than a proposed ETS would—according to the article.

**Dr Keating**—I cannot speak for exactly what is in the press article. The report itself has been released and is available on the web. As I said, that report highlights the significant potential of biosequestration, the storage of carbon in forests and soils, in the overall mix of carbon abatement options. It highlights the uncertainties and the various trade-off issues that exist in the multiple activities that happen in our landscape—food production, water, biodiversity as well as carbon storage.

**Senator EGGLESTON**—It is a very interesting issue, though. There was another article in the *Sydney Morning Herald* on 3 August in which it was said that the CSIRO were concerned that a carbon price cap would hit the national power supply, reducing the supply of new electricity generation capacity below what is required to reliably deliver power to customers or delivering less risky but most likely higher emission technologies. In particular, the article says it:

... may stifle investment in renewable technologies and threaten Australia’s power supply.

This was in a submission to the government’s energy review. Would you like to provide to the committee a little more detail of the CSIRO’s views on this?

**Dr Keating**—That is from another area of the CSIRO. I will seek some guidance on that.

**Dr Clark**—Dr Bev Ronalds from our energy group can comment on that particular area and on our activities in the renewables space.

**Dr Ronalds**—Senator, could you please repeat your question?

**Senator EGGLESTON**—The question was relating to a submission the CSIRO made, according to the *Sydney Morning Herald* of 3 August this year, to the government energy review in which the CSIRO researchers write that price caps in a carbon market may cause Australia to increase its reliance on high emissions energy, such as coal, as demand for electricity increases and reduce investment in renewable energy technologies. I thought that was a very interesting and somewhat provocative submission so I ask you to comment on it.

**Dr Ronalds**—I can possibly make a couple of comments here. I recall that our submission noted that the inclusion of lower emissions in our energy mix is likely to increase the prices. For example, to put carbon capture and storage onto a fossil energy generation plant will increase the cost. So there is that factor to be dealt with, which can influence the future energy mix. In addition, because currently most renewable energies are more expensive than the energy generation we use to date, in order for them to be freely available in the market we believe that there would need to be some form of subsidy or some accounting of additional costs. It was comments around those factors which I believe were mentioned in the report.

**Senator EGGLESTON**—It suggests that the imposition of carbon price caps might well increase the price of electricity to consumers. Would you agree with that?

**Dr Clark**—Senator, we do not comment on aspects of policy. I think Dr Ronalds—

**Senator EGGLESTON**—This is an article in the *Sydney Morning Herald* which comments on your submission, with respect, Dr Clark. Since it is in your submission I think it is a valid question to ask in this arena.

**Senator Carr**—What was the question again, Senator?

**Senator EGGLESTON**—There is a suggestion here that carbon price caps, according to the CSIRO submission, may result in higher prices for electricity to Australian consumers.

**Dr Clark**—Dr Ronalds has answered that question.

**Senator EGGLESTON**—Thank you. We simply note that.

**Senator ABETZ**—Thank you, chair. It would not be CSIRO without an update on the cricket ball. Can you tell me that it is coming along well?

**Dr Clark**—Certainly with Cricket Australia, together with the Institute of Sport, we have now submitted a proposal. We understand that Cricket Australia board have approved that in principle and are now looking for funding and partners for that. We are awaiting the response from that.

**Senator ABETZ**—So the scientists have not set to work yet.

**Dr Clark**—No.

**Senator ABETZ**—We will wait and see next time how far we have progressed it. On a more serious matter, CSIRO was able to settle a substantial issue in the ICT sector—can I call it that?—

**Dr Clark**—That is right.

**Senator ABETZ**—with a number of producers or manufacturers, but Sony was not part of the settlement, was it?

**Dr Clark**—That is right.

**Senator ABETZ**—What are we doing about Sony because, if I might suggest—and I am sure this is not controversial—it is a fairly major player in the marketplace.

**Dr Clark**—What we can say and we have said publicly is that we have filed infringements now against Sony, Acer and Lenovo.

**Senator ABETZ**—When were they filed?

**Dr Clark**—We filed those in September of this year.

**Senator ABETZ**—Thank you for that. I wish you well in pursuing that.

**Dr Clark**—Thank you.

**Senator ABETZ**—Where you were successful and you got some substantial funds into kitty—and well done on that—that has now in effect become a CSIRO endowment fund—if I can call it that.

**Dr Clark**—Yes, that is right.

**Senator ABETZ**—Just so I understand, is CSIRO spending the interest earned on this endowment fund, or are you actually drawing down on its capital as well?

**Dr Clark**—We will be drawing down on the capital. We have limited that drawdown to no more than \$25 million a year.

**Senator ABETZ**—Which would mean that the endowment fund will only last for about five years?

**Dr Clark**—We would expect the endowment fund to continue, and we would certainly expect, over the period of time, to look for other opportunities for the board to make decisions to gift into the endowment fund. Certainly we will be seeking other opportunities to attract investment into that fund. You asked a question on interest.

**Mr Whelan**—The intention of the board in gifting the money to the Science and Industry Endowment Fund is for the capital and any interest earned to be spent over a period of six to 10 years, as Dr Clark has indicated, with a maximum spend in any one year of \$25 million.

**Senator ABETZ**—Fair enough. That is a decision that has been made. I would have thought that with a lump of money like that it may have been worthwhile to actually set it aside as a genuine endowment and just live off the interest, for future generations, rather than absorbing the capital and using it. But that is a management decision and I will not canvass that any further. Mr Whelan, I think last time you told me that the implementation of SAP was going well. Can you quickly remind me what SAP stands for?

**Mr Whelan**—I do not know what the acronym stands for; it is a German software company. But in the case of CSIRO we have implemented some software provided by the company, SAP, to underpin our financial project management asset and human resource system.

**Senator ABETZ**—That is the BETR program?

**Mr Whelan**—That is correct.

**Senator ABETZ**—You told us that was going well.

**Mr Whelan**—Yes. It was implemented. We have produced our first—

**Senator ABETZ**—All right, but until it was implemented there were a lot of hiccups along the way.

**Mr Whelan**—It was a very challenging project.

**Senator ABETZ**—Yes. Were we told about that last time?

**Mr Whelan**—The subject of the implementation of that project has been a fairly consistent issue that this committee has pursued questions about. I am sure that if we went back through the *Hansard* we would find that its progress, the cost of the project and its status have been regularly questioned in this committee.

**Senator ABETZ**—This required high-level briefings to the board, didn't it?

**Mr Whelan**—We brief the board on all major projects. As Dr Zelinsky was talking about earlier, we briefed the board on ASKAP, a major project, and on the replacement of the marine research vessel. This project, which had a total budget somewhere in excess of \$110 million, was certainly something we briefed the board on regularly.

**Senator ABETZ**—But was it a high-level briefing for the board? It was not amongst all the other board papers. This was a high-level briefing to the board.

**Mr Whelan**—I could not discriminate as to whether it was any higher or lower than any other briefing. There would have been a specific board paper on this matter, as there would be on other major capital projects.

**Senator ABETZ**—Why can't you discriminate in this when I have reason to believe that the board was given a document by Mr Craig Roy on 14 October 2007 headed 'Purpose: to provide a high-level briefing to the board'? Can you please take that on notice and then tell us whether that which I am quoting from in fact does exist? I have had experience when these things might not exist in reality other than in somebody's mind, so let us get that clear on the record. Then, if it does exist and it does use the language 'high-level briefing', can you give an explanation as to your reluctance here to acknowledge that it was of such sufficient gravity as to be described internally in the CSIRO as a high-level briefing?

**Dr Clark**—Senator, the terminology 'high-level briefing' I think was simply the matter of the overview rather than any level of priority. We simply provide updates to the board. The process has been—

**Senator ABETZ**—With great respect, Dr Clark, is everything that is provided to the board described as a high-level briefing to the board?

**Dr Clark**—It is not an indication of its priority. It is simply whether it was an overview, and we have been giving the board—

**Senator ABETZ**—Excuse me, Dr Clark—just so we can get this terminology right: say, if a one-cent discrepancy in petty cash went to the board, might that be a high-level briefing as well?



**Mr Whelan**—No, Senator.

**Senator ABETZ**—No. High-level briefing has a particular meaning. This was a big project. It had a lot of problems and it made good sense that a high-level briefing went to the board. There is no argument with any of that. I just wonder why CSIRO is reluctant to acknowledge that it did get to the stage of high-level briefings to the board.

**Mr Whelan**—There is no reluctance from CSIRO indicating to you or anybody else that the board maintained an active interest in this project and received regular briefings on it. I am more than happy to check the document that you have to see whether it was titled in the way that you suggested it was, and, if it was, we will confirm that. Could I just reiterate that we would provide—

**Senator ABETZ**—To assist you, it was attachment 3B.

**Mr Whelan**—We would provide reports on major capital projects to the board on a regular basis, and often those reports are ‘high-level’ in the sense that they have been through management steering committee processes before getting to the board. Certainly in our hierarchy the board is a higher level than management.

**Senator ABETZ**—This implementation did cause a lot of dislocation amongst the staff, did it not?

**Mr Whelan**—Sorry, Senator, I missed the question.

**Senator ABETZ**—It caused a lot of dislocation in the operations within CSIRO.

**Mr Whelan**—The implementation of changing all of CSIRO’s business systems was a nontrivial project and it impacted every single staff member in CSIRO.

**Senator ABETZ**—And negatively impacted.

**Mr Whelan**—Not entirely, no, Senator. It certainly required changes to people’s work practices, but for a significant number of staff it actually led to improvements in their processes.

**Senator ABETZ**—At the end of the day it did, but whilst the transition was taking place—

**Mr Whelan**—It was a very challenging transition, Senator.

**Senator ABETZ**—It did cause problems that are not substantial problems.

**Mr Whelan**—I would not describe them as substantial problems, but the implementation of an SAP system in any environment is not a trivial exercise. It was a complex and challenging project for CSIRO.

**Senator ABETZ**—Did any loss of productivity occur?

**Mr Whelan**—There would have been periods during the implementation when people would have been less productive than they would otherwise have been.

**Senator ABETZ**—Right; thank you very much. I think we can be agreed. Who was responsible within CSIRO for this very difficult implementation? Was it CSIRO or was it the company that was contracted? What have been the consequences? If it was the officials’ problem or of it was the company’s problem, how has it been resolved?

**Mr Whelan**—Perhaps I could just step back. The system has been successfully implemented; it has been operating for—

**Senator ABETZ**—Now it has. I accept that.

**Mr Whelan**—I will just clarify. I will come to your question. The system has been successfully implemented. It has been in operation for more than 12 months.

**Senator ABETZ**—That is right.

**Mr Whelan**—We have produced our first set of financial statements and year-end close on that system.

**Senator ABETZ**—That is right. Time is short, I am sorry, so if you could answer the specifics, that would be helpful.

**Mr Whelan**—I just want to clarify. I am not sure I would characterise its implementation and the output of it as a problem. That is the point I want to make. With respect to who is responsible, a member of the executive team was responsible for its implementation and CSIRO partnered with another organisation, Fujitsu, to implement the system.

**Senator ABETZ**—So some loss of productivity is not a matter of concern to you during its implementation phase?

**Mr Whelan**—Certainly any impact on productivity is something we have to carefully manage. But we did anticipate that there would be some impact as a result of its implementation. We rescheduled other changes in the organisation to accommodate it so we were not overloading staff with too much change in that period of time. I have lived through four SAP implementations and this particular one was certainly no more impactful than any of those others.

**Senator ABETZ**—No more?

**Mr Whelan**—I would have thought that, on balance, in the scheme of things, it was a pretty good implementation.

**Senator ABETZ**—Although there was loss of productivity and there was a request that all line managers appropriately acknowledge the dedication and performance and explore opportunities to assist the most impacted staff through this period of high activity.

**Mr Whelan**—Indeed, as I indicated to you, we took a very measured approach to its implementation; we were quite conscious of its impact and we sought to support staff through that process.

**Senator ABETZ**—How many credit cards are alive and well in CSIRO? I understand it might be 9,800.

**Mr Whelan**—I think you asked a question on notice at the last hearing on that. Do you have the question number there, just to assist me?

**Senator ABETZ**—Yes, I do. It is not a memory test. It is BI20. I was told that that there were 5,100 Visa credit cards and 4,700 Diners credit cards. Am I at liberty—I have not done anything with this, but I wanted to make sure—to add those two figures together to indicate that CSIRO has 9,800 credit cards?

**Mr Whelan**—Yes, you can, Senator.

**Senator ABETZ**—How many staff does CSIRO have?

**Mr Whelan**—It has approximately 6,500 staff.

**Senator ABETZ**—It has 6,500 staff with 9,800 credit cards. When is the next job vacancy in CSIRO? I would like to have two credit cards. Tell me why are there so many credit cards?

**Senator CAMERON**—You could buy Godwin some lunch.

**Senator ABETZ**—Yes, I could indeed.

**CHAIR**—As Senator Abetz pointed out, we are short on time—so if you could continue Senator Abetz.

**Mr Whelan**—When CSIRO introduced the use of credit cards in 1995 it did so to replace the issuing of travel allowances. When it did that it looked to provide a credit card that met that purpose. CSIRO implemented a Diners card to support that process. As the organisation looked at the operational efficiencies that accrued from using credit cards for that purpose we then expanded the application of the credit card program to other purchasers. The Diners card, while widely accepted for travel purposes, is not always accepted for procurement purposes. CSIRO added a second card to its card regime—the Visa card, which is more widely accepted. So there are some officers in CSIRO who carry both cards.

**Senator ABETZ**—You would be one of them, no doubt.

**Mr Whelan**—I do, but in my case I do not do a lot of procurement, so I think my Visa card collects dust. But I do travel a bit and therefore my Diners card gets a bit of use.

**Senator ABETZ**—What happens to the frequent flyer and other points that credit cards often attract as bonuses?

**Mr Whelan**—I am reasonably certain that CSIRO's credit card arrangements were changed, such that we took a cash payment for the points that were accumulated and they do not transfer to individuals.

**Senator ABETZ**—Very good. How much is that earning you?

**Mr Whelan**—I would have to take that on notice.

**Senator ABETZ**—Take that on notice. Time is short. In the modelling that the CSIRO has done in relation to climate change, is there a disclaimer at the end of each of those modelling exercises? If so, what is it?

**Dr Clark**—Our modelling in the carbon area is covered by Dr Andrew Johnson, who joins us today.

**Dr A Johnson**—What is your question, Senator, specifically?

**Senator ABETZ**—Does the modelling and information that CSIRO puts out on climate change have a disclaimer attached to it? If so, what is it?

**Dr A Johnson**—The modelling that we undertake, like any scientific endeavour, always contains assumptions and caveats with respect to uncertainties and risks. As you know, as part of the rigorous process we go through and the peer review that we undertake, those

uncertainties and risks are always made explicit. Without knowing the specific study or the specific modelling exercise you refer to, as a general principle it is a matter of course that we would do that.

**Senator ABETZ**—But there is the one disclaimer, isn't there, that is attached to all your modelling exercises? Or do you have specific ones for climate change as opposed to other modelling exercises?

**Dr A Johnson**—I am not aware of a universal disclaimer, if that is what you are referring to. But, as I have indicated, as a matter of principle we would indicate in all our scientific work where there are assumptions or caveats to the work that we have done and make that explicit to the reader.

**Senator ABETZ**—If it does not occasion too much work, could you provide us with a list of the various disclaimers that the CSIRO does use and whether, in relation to climate change, you use this disclaimer? For what it is worth, allegedly in 2003 the CSIRO predicted that Mount Hotham and Mount Buller would lose 25 per cent of their snow cover by 2020. First of all, let us establish that there was such a report and, if so, whether CSIRO produced it and then whether they added this disclaimer:

The projections in this report are based on results from computer models that involve simplifications of real physical processes that are not fully understood. Accordingly, no responsibility will be accepted by CSIRO for the accuracy of the projections inferred from this report or for any person's interpretations, conclusions or actions based on this information.

Could check up for me whether that disclaimer was used in 2003 and whether it is continuing to be used in relation to climate change modelling?

**Senator Carr**—Do you have the name of the report that you are quoting from?

**Senator ABETZ**—No, I do not, but I do have for you that it was, allegedly, a report from CSIRO in 2003.

**Senator Carr**—Do you have the author's name?

**Senator ABETZ**—I do not at this stage.

**Senator Carr**—Do you have a page number from the report?

**Senator ABETZ**—I have given the information. If you want to change places, Minister, I am always happy to do so.

**Senator Carr**—I am just trying to help find the information.

**Senator ABETZ**—In relation to CO<sub>2</sub> issues, has the CSIRO done any study on the carbon footprint of wholly electric cars—not hybrids but plug-in electric vehicles? If those electric vehicles had to be fuelled, or refuelled, from the electricity grid, which uses brown coal, would the CO<sub>2</sub> footprint of those battery powered vehicles be worse, courtesy of the brown coal that is being burned, than if they were using petrol?

**Dr Clark**—With any electric vehicle that connects to the grid, how the grid is powered and managed of course are completely connected.

**Senator ABETZ**—Absolutely, and that is why I am asking the question. Have you done any studies? I assume the answer is either yes or no as to whether you have looked at that.

**Dr Clark**—In terms of the detail of our modelling on electric cars, Dr Bev Ronalds covers that area. We continue to do modelling and will continue to do further modelling in the future in these particular areas of trade-off and interactions.

**CHAIR**—Senator Abetz, we also have questions from Senator Joyce, Senator Macdonald and possibly Senator Heffernan.

**Senator ABETZ**—In that case, I will quickly put some other questions on notice. But can we just have this cleared up: is there a specific study in relation to the CO2 footprint of the refuelling of electric powered vehicles if their power source is from brown coal?

**Dr Ronalds**—As part of our modelling, and particularly the Future Fuels Forum work that we undertook a couple of years ago, we looked at a range of options for hybrid vehicles and plug-in vehicles compared to a range of fuels. The particular question you are asking may or may not have been one of those permutations, and we could take that on notice and investigate.

**Senator ABETZ**—Thank you. CSIRO does a bit of work in the nanotechnology area, do you?

**Dr Clark**—We do.

**Senator ABETZ**—I should withdraw that—I dare say you do a lot of work, not a little. But what amount of research are you doing in relation to the risk element—risk minimisation—in the nanotechnology area?

**Dr Clark**—One of our four areas of focus in our manufacturing is the safety aspects of nanotechnology. Steve Morton is with us today; his group covers that area. So it is one of our four key focus areas, and Steve could give you quite a lot of detail.

**Senator ABETZ**—Given the time, unfortunately, not as much detail as I would like, but he could assist us as to the CSIRO's considered opinion—and when I say 'opinion', I mean scientific opinion—as to whether not nanomaterials possibly should go through a similar process to that for new chemicals before they are allowed to be used within the community, through some sort of a registration system.

**Dr Morton**—The regulatory responsibility for clearing the use of new materials clearly lies with other parts of government, and the question as to what the process ought to be should be directed to them. But, obviously, CSIRO takes that responsibility very seriously.

**Senator ABETZ**—Is there a good scientific reason or rationale for that to occur in a risk-management environment, given what we know about nanomaterials?

**Dr Morton**—There is every reason to look very carefully at potential health and safety and environmental issues, yes.

**Senator ABETZ**—I am not sure that there is actually a nano registration board, for want of a better term, at this stage—Dr Morton?

**Senator Carr**—That is a matter of policy development.

**Senator ABETZ**—So in which portfolio, Minister, should I be asking that question?

**Senator Carr**—You should ask it under innovation.

**Senator ABETZ**—So it is within this department?

**Senator Carr**—It is with this department—that is, the development of the National Enabling Technologies Strategy within this department. In terms of registration there will be other agencies of government as well, but that is the appropriate point at which to discuss the development of that strategy.

**Senator ABETZ**—What other areas of government, Minister?

**Senator Carr**—The regulations in terms of the introduction of new chemicals are—

**Senator ABETZ**—Are we going to go to NICNAS or the APVMA? There is a host of potential bodies that we could be going to.

**Senator Carr**—I suggest you deal with that under the Innovation Division's questions.

**Senator ABETZ**—Perhaps at the beginning of that session an official who has been listening in might be able to answer that for us. Given time constraints, I will hand over but, if there is time left, I do have other questions.

**CHAIR**—Thank you, Senator Abetz.

**Senator IAN MACDONALD**—I just wanted to briefly touch on the CSIRO report on the northern Australian water yield released recently. Again, congratulations to CSIRO on the good work they do right across the board, particularly in the north. The summary of the report talks about development opportunities and constraints. It is pretty limited on the opportunities front. In fact, it makes no reference to water in the north of Queensland as opposed to the Northern Territory. Is there some reason for that?

**Dr A Johnson**—You are correct in your assessment. It makes no commentary about the water resources in north-east Queensland for two reasons. Firstly, the study was commissioned by COAG, so CSIRO responded to not only the terms of reference that COAG set but also the geographic boundaries that we were asked to do. Your neck of the woods, everywhere south of the Daintree River, including Burdekin and other rivers, were not part of the study. Indeed, as you would know, a significant amount is already known about rivers such as the Burdekin and Fitzroy, which are major drainages in north-east Queensland.

**Senator IAN MACDONALD**—Sure. I take your point in relation to coastal or eastern flowing rivers. All of your data, though, relates to the Flinders River. There is a lot of talk about and work being done on irrigation on the Gilbert River. That does not seem to have rated a mention anywhere. Dr Johnson, I know that you are aware that there are proposals along the Flinders for wet season storage not year-round storage. They do not seem to have rated a mention either.

**Dr A Johnson**—Just to be clear, the terms of reference for the study were not to make commentary about the utilisation of those available water resources, the various uses of which there are potentially many. It simply sought to quantify for the first time in a rigorous way the amount of potentially available ground and surface water resources in the north and, importantly, made sure that information was available as critical input into other mechanisms such as the Northern Australia Land and Water Taskforce. These sorts of issues are referred to within their terms of reference.

**Senator IAN MACDONALD**—I appreciate that it was simply a desktop study. There was no new research done.

**Dr A Johnson**—That is not correct. There was certainly no new data collected but I would argue pretty strongly that the integration of the massive amount of data that sits across the north into a single place, modelling of the future land use and climate scenarios and then the interpretation of those results was a major scientific achievement and required significant innovation to undertake. No, there was no new data collected but, yes, there was significant new science done.

**Senator IAN MACDONALD**—I will have to catch up with you some day and you will have to explain that to me in a little more detail. I appreciate that time is constrained here. Just as a general comment, the media release of this report had some magnificently new information like that it does not rain 365 days a year and that there is a wet and a dry season! We did not need CSIRO to tell us that. It also says that there is little or no rain for three to six months a year. I do not know about the six months. We did not need CSIRO wasting their time to tell us that. It also says that Northern Australia experiences very high rainfall during the wet season. Well, hello! I appreciate the media release on the report is not the report; it is some politician's view of the report, so I do not criticise CSIRO for that. By comparison, you have done work in the Murray-Darling and elsewhere in Australia, and this is part of an overall scheme. What is your broad assessment of water availability across the north compared to what you have learned from the Murray-Darling survey and others?

**Dr A Johnson**—It is important to recognise that you are dealing with two very different systems.

**Senator IAN MACDONALD**—Of course.

**Dr A Johnson**—As you referred to in your opening comments, the dynamics of water in the northern rivers systems is fundamentally different to what we see in the Murray-Darling Basin. I perhaps see where you are heading, and I will attempt to answer you if I can. It is clear from the work that we have done that for the first time we have been able to quantify the quantity of water that is available and wherever possible quantify the interannual variability.

So the general comments you referred to were in the press release that was issued by the parliamentary secretary and the department. The report goes into some significant detail and teases out for the first time just what some of those water dynamics are on a catchment-by-catchment basis for 64 basins across the north. I think some of that information provides—

**Senator IAN MACDONALD**—But that is not my question. Part of it says, 'Historical climate records indicate a slight increase in rainfall intensity,' and it goes on to say that it has been wetter than in the previous 66 years. I am really asking for a general comment about there being more rainfall or it being wetter. How does that compare with the rest of Australia?

**Dr A Johnson**—I apologise—I misinterpreted your question. Certainly compared with the projections for southern Australia, where the science is projecting a significant drying influence, the projections for the north are most likely for a neutral to possibly a slight drying influence.

**Senator IAN MACDONALD**—A slight drying?

**Dr A Johnson**—Possibly. As you see in the report, there is a significant degree of variability across the region. So when you are looking at the region from Broome to the eastern side of Cape York, that is over 3,000 kilometres east-west. So there is significant variability depending on where across that region you are, and the report goes into some detail around that.

The other point that needs to be taken into account is not just the annual rainfall but the variation in that rainfall between years, the timing of the rainfall within a year and, more importantly, particularly from an agricultural point of view, the evapotranspiration—the increase or decrease in evaporation. The projections for the future are that, across the north, the amount of evapotranspiration will increase. So in terms of net available water for use—for agriculture, for example—I would say we are certainly not trending into a wetter scenario. It is neutral or, if anything, slightly drier.

**Senator IAN MACDONALD**—Again, my question was about a comparison with the south of Australia. Let me put it another way: is it likely that there will be more water available in the north than in the south in the future?

**Dr A Johnson**—Yes. Certainly the quantity of water discharged from the northern catchments will likely be greater than what occurs in the south, yes.

**Senator IAN MACDONALD**—Dr Johnson, perhaps I could catch up with you some other time. I have a lot of questions about this and I am not going to get the opportunity to ask them here.

**Dr A Johnson**—Yes, I am happy to provide a briefing.

**Senator JOYCE**—Will the Australian ETS change the temperature of the globe?

**Dr A Johnson**—That is a matter for policy. I think you should really be directing that to the government.

**Senator ABETZ**—It is a science question.

**Senator JOYCE**—It is a science question. Will the change to carbon emissions as brought about by the ETS change the temperature of the globe? That is a science question. You must know the answer to it.

**CHAIR**—Senator Joyce, you are talking about legislation that has not yet gone through the parliament. I think it is hard for a scientist to give—

**Senator JOYCE**—Will a five per cent reduction in carbon emissions from Australia change the temperature of the globe?

**Senator ABETZ**—Just add your disclaimer.

**Dr A Johnson**—That is a very complex question. It is driven by a range of both global and national factors. I cannot—

**Senator JOYCE**—No, just the domestic process.

**Dr A Johnson**—The short answer is that which I have just given you—that there are a range of factors both globally and locally that determine the answer to that question. I cannot give you an answer to that question.



**Senator JOYCE**—You do not want to give an answer or you cannot?

**Dr A Johnson**—I cannot give you an answer to that question now. It depends on the specifics of—

**Senator JOYCE**—I will make it specific: a five per cent reduction of carbon emissions in Australia. Will that have an effect on the temperature of the globe?

**Dr A Johnson**—It is possible but, again, it would depend on a range of factors which I am not in a position to answer.

**Senator JOYCE**—You seem very hesitant to go through it.

**Senator EGGLESTON**—It must be embarrassing for the witness, I think.

**Senator Carr**—What is going to be embarrassing is when you vote against the legislation.

**Senator JOYCE**—The next thing I want to go to is something completely different. It is Dominette the cow. You have done the mapping of the gene path of Dominette the cow. Is this going to end up in a commercialised field? Is there going to be access to this technology, or is it going to be copyrighted?

**Dr Clark**—Joanne Daly heads our agricultural area. It covers all of our genetics in the animal space as well as the plant space. We have a number of activities in animal genetics too.

**CHAIR**—We will adjourn for a short break and resume with the Australian Research Council. Thank you to Dr Clark and the CSIRO for attending this morning.

**Proceedings suspended from 10.30 am to 10.45 am**

**Australian Research Council**

**CHAIR**—The committee calls the Australian Research Council. Do you have an opening statement you would like to make, Professor Sheil?

**Prof. Sheil**—No.

**CHAIR**—In that case we will go straight to questions.

**Senator ABETZ**—Welcome, Professor Shiel and members of the ARC. Do you have two big volumes to give me like the CSIRO just did, or not?

**Prof. Sheil**—No, we do not.

**Senator ABETZ**—That means less reading, and I might be thankful for that in fact. Professor Shiel, can you tell us about the new grant management system. I understand it goes under the acronym of GAMS, is that right?

**Prof. Sheil**—No, it is the research management system, or RMS.

**Senator ABETZ**—All right, I was nearly there. Now this new system was launched earlier this year—on what date was that?

**Prof. Sheil**—It was opened in March 2009. That was the first time it was open for a particular scheme. It was open for the Linkage Projects scheme at that time.

**Senator ABETZ**—And are you aware of complaints about that system?

**Prof. Sheil**—Yes, I am.

**Senator ABETZ**—Which included that confidential grants were sent to the wrong recipients.

**Prof. Sheil**—I am not aware of that specific complaint—you would have to provide me with more information.

**Senator ABETZ**—What specific complaints are you aware of?

**Prof. Sheil**—The complaints we had in relation to RMS were broadly in two categories. One was the fact that it was a new system and so there were issues around people and users becoming familiar with the new issue.

**Senator ABETZ**—Yes, that is understandable.

**Prof. Sheil**—The second series related to technical issues. One was due to the fact that we had four servers operating the system and one had a memory problem. That was causing timeouts with only a proportion of the applications so it was very difficult to track down but we have isolated and resolved that issue. There was a problem with generating pdf files from some particular applicants who used systems to produce their applications—computer systems that we had not actually explored. We have now resolved that issue. The design of the budget tables was fairly clunky—which, combined with the memory leakage problem, meant that some people entered information into the budget tables and then had a timeout and so had to re-enter it. All of those three technical issues have been resolved. We reopened for the Linkage Projects scheme round 2 on 7 October and, by and large, the number of inquiries and issues being raised by the sector is much smaller this time.

**Senator ABETZ**—So information which might be described to be of a confidential nature did not find its way to the wrong recipients of that information or unintended recipients?

**Prof. Sheil**—I am not aware of that issue.

**Senator ABETZ**—If you could you please take that on notice and come back to us on that, as to whether anything like that or of that nature did occur, then I would be much obliged. In relation to the bionic eye deal, you have released the funding rules for it and applicants have been given a two-month window within which to finalise their bids. That has expired. So how are we going with the bionic eye?

**Prof. Sheil**—The selection process has not been finalised. Some applicants have not been called to interview and have been advised of that. We are in the process of finalising the recommendations—the team is in the process of finalising recommendations to me, which I in turn will obviously process and forward to my minister.

**Senator ABETZ**—Are you able to tell us how many applicants there were?

**Prof. Sheil**—There were seven.

**Senator ABETZ**—And how many have been told they will not be required—in effect ‘thanks but no thanks’.

**Prof. Sheil**—Four.

**Senator ABETZ**—So we have three definite players in the game?

**Prof. Sheil**—Yes.

**Senator ABETZ**—Reading through your strategic plan 2009-10 to 2011-12 that was published in July of this year we have got—and I was about to describe it as a centrefold but it is hardly a centrefold—on pages 6 and 7 of the document we see the key objectives for research and then priority actions for 2009-10. We see five dot points. Are those by five dot points listed in any priority order?

**Prof. Sheil**—No.

**Senator ABETZ**—So they are just listed randomly? So the bionic eye just randomly hit the top of the pops?

**Prof. Sheil**—There is no order in there.

**Senator ABETZ**—In relation to priority actions, clearly those five areas must be seen as important. Do you say they are all of exactly equal weight? If you had to junk one of those priorities, which one would it be?

**Prof. Sheil**—With respect, if I had wanted to junk one of the priorities then I would not have included it.

**Senator ABETZ**—Yes, but if you had to.

**Prof. Sheil**—That is a hypothetical question.

**Senator CAMERON**—It is not a priority then, is it?

**Prof. Sheil**—No, exactly. All of those require a different level of service or a different level of effort from the organisation but each of them are priorities for this financial year.

**Senator ABETZ**—So you are saying that you have five favourites?

**Prof. Sheil**—No, I have five things—

**Senator ABETZ**—So which one is your favourite?

**Prof. Sheil**—I do not have a favourite.

**Senator ABETZ**—So we have priority actions which are not listed in any priority and we do not really know which of the priority actions should be the top priority.

**Senator ABETZ**—There is only room on the top usually for one thing, I thought. So they are all five top priorities and you will not distinguish between them for us.

**Prof. Sheil**—They are all priority actions—with different intent, different purposes and different levels of resources; but they are all equally important to us.

**Senator ABETZ**—Going back to page 5, you have national research priorities. By whom were they determined?

**Prof. Sheil**—They were determined by a process that predates—

**Senator Carr**—It was your government. We have not changed them

**Senator ABETZ**—So you have seen no need to change them.

**Senator Carr**—It is a question of whether or not they will be changed and—

**Senator ABETZ**—So it was all our government but now when I say you have not changed them for two years all of a sudden they are no good—

**Senator Carr**—You asked the question: who determined them? Your government determined them. If you ask the question: do we see any need to change them then that is a separate issue.

**Senator ABETZ**—Yes, and we are going through this step by step. That is why we ask one question at a time. I asked who determined them. You have told us. I am now asking: have you seen the need to change them? That is the way estimates works. I would have thought that after 11½ years of it you would have been sufficiently experienced.

**Senator Carr**—I think we could compare our record here.

**Senator PRATT**—You clearly need a lot more practice asking questions, Senator Abetz.

**Senator ABETZ**—Senator Pratt, if there is one senator I would not be relying on for any advice on anything then it would be yourself.

**CHAIR**—Can we come back to asking questions of the Australian Research Council, please.

**Senator ABETZ**—So those four points under national research priorities were, very capably, determined by the previous government. Did the minister sign off on these priorities or did a board or did you predecessor, Professor Sheil, recommend these priorities? How did they come into being?

**Prof. Sheil**—As I indicated, the process by which they were determined predated my time at the ARC.

**Senator ABETZ**—Feel free to take this on notice if you do not know the history of it.

**Senator Carr**—I think you will find that they were determined in Dr Nelson's term in the DEST portfolio. These are matters that have been looked at through the innovation review. We are in a process of constantly looking at these questions. I cannot say that they will be set in stone. Those are the terms that we are relying on at the moment.

**Senator ABETZ**—So when do we think this review of these priorities might be finished, or is it going to be an ever-ongoing process?

**Senator Carr**—The Prime Minister's Science and Engineering Council has look at them from time to time. I have a look at them from time to time and presumably the ARC will have a look at them from time to time. We do not have a formal process of review; these are constantly examined. As you will find, they are very general.

**Senator ABETZ**—I agree with all that. I just want to know what the process was, but there is no formal process. Do we still have a chief financial officer?

**Prof. Sheil**—Yes, we do. Mr Cameron is with us today.

**Senator ABETZ**—Welcome, Mr Cameron. Are you a new chief financial officer for the organisation?

**Mr Cameron**—No. I have been with the ARC for six years.

**Senator CAMERON**—You have appeared in Senate estimates, have you not?

**Mr Cameron**—That is correct.

**Senator CAMERON**—Senator Abetz must have missed that last time.

**CHAIR**—Please continue, Senator Abetz.

**Senator ABETZ**—Is there another position which has a similar title to your own?

**Mr Cameron**—No.

**Senator ABETZ**—That may have had a vacancy caused in it in recent times?

**Mr Cameron**—My position has been advertised. I will be moving to another job next week.

**Senator ABETZ**—Thank you very much. So you are leaving and we are looking for a new chief financial officer.

**Mr Cameron**—That is correct.

**Senator ABETZ**—You see, Senator Cameron, I was pretty much on the money, albeit I was not quite on the money.

**Senator CAMERON**—No; you were a long way off.

**Senator ABETZ**—Mr Cameron, I wish you well, wherever you might be going, and I wish the organisation well in finding a replacement. Are the ARC able to advise us how many applicants will be funded through all its various grant processes? Take that on notice if you need to.

**Prof. Sheil**—We have a range of applications under consideration due to be announced. We have announced some. If you specify over which period, we are happy to take that on notice, but we do actually table the outcomes of all our grants.

**Senator Carr**—It is all in the annual report.

**Senator ABETZ**—Which is coming out when?

**Prof. Sheil**—The annual report has been produced and has been tabled.

**Senator ABETZ**—When was that tabled?

**Prof. Sheil**—Last Friday.

**Senator ABETZ**—Thank you. I have not caught up with that. Moving on to our favourite topic, the ERA. I understand, Professor Sheil, and correct me if I am wrong, that the term ‘compacts’ is often used in discussing the ERA.

**Prof. Sheil**—Compacts is a process that is managed by the department.

**Senator ABETZ**—Should I be asking those questions under the department at a later stage or would you be able to value add if we were to discuss it now?

**Prof. Sheil**—You should ask the department.

**Senator ABETZ**—All right. We will set that one aside. I am told it is under outcome 2. In relation to the list of journals that may or may not be on a particular list and how they will be classified, you told me last time that experts have been consulted in relation to this. Are you at liberty to tell us who those experts are in relation to—is it two disciplines you are looking at at the moment?

**Prof. Sheil**—We have two discipline clusters under trial at the moment.

**Senator ABETZ**—You have a separate expert panel for both of those?

**Prof. Sheil**—Yes, we have.

**Senator ABETZ**—Are we able to be told who the experts are who are advising on both those panels?

**Prof. Sheil**—The PCE panel members have been announced and that information is public.

**Senator ABETZ**—The PCE?

**Prof. Sheil**—Physical sciences. And the humanities one has been announced too.

**Senator ABETZ**—When were they announced?

**Prof. Sheil**—Ms Harvey will answer that.

**Senator ABETZ**—You can take it on notice. If you have it handy, that will be good.

**Ms Harvey**—In fact, we released the names—I will just find the actual date. I could just give you the list now, if you would like it.

**Senator ABETZ**—Do not take the time. If the secretariat could—

**Ms Harvey**—It is on the website; I just do not have the press release in front of me.

**Senator Carr**—Get your office to read the website, I suggest, Senator.

**Senator ABETZ**—When was it posted; do you know? Take it notice if you do not have it.

**Ms Harvey**—We will just find out and let you know. It was early September, but we will find out exactly.

**Senator ABETZ**—Of this year?

**Ms Harvey**—Yes.

**Senator ABETZ**—How long has this expert panel been in operation? Since before September of this year, has it not?

**Ms Harvey**—Yes, that is correct.

**Senator ABETZ**—For how long have they been operating?

**Ms Harvey**—Excuse me, I just want to clarify the question. Are you asking about the research evaluation committees that are looking at the assessment of the research with regard to physics, chemistry and earth sciences, or are you asking about the experts that we have been drawing on to get advice about the journal list? There are two separate lists.

**Senator ABETZ**—The experts. I think I used the term ‘experts’.

**Ms Harvey**—For the journal list?

**Senator ABETZ**—Yes. If there is any confusion—

**Ms Harvey**—In that case, we have not announced who they are.

**Senator ABETZ**—That is what I thought.

**Ms Harvey**—We announced who the peak bodies are that we are consulting with, and that is on our website. We continually update that. We have 450 reviewers who are currently assisting us with the journal rankings. When we complete the journal rankings, we will certainly be notifying who they were, but we are still in the midst of doing it.

**Senator ABETZ**—But who are the expert panel?

**Ms Harvey**—For the journal-ranking list?

**Senator ABETZ**—Yes.

**Ms Harvey**—They are not a panel as such. They are—

**Senator ABETZ**—Call them whatever you like—the group of experts.

**Ms Harvey**—Yes. There are 450 individual academics who are assisting us across the different fields of research, and when we have completed and compiled the list and advertised it we will also be saying who those people were and thanking those people for that support.

**Senator ABETZ**—But why can't we be told now who is on that not panel but list?

**Ms Harvey**—Because we are still finalising the field of research associations and the rankings. Until that is finalised, we would not like to put the people who are assisting us in a position of being asked how that is going. Instead, we have a process through the Australian Research Council for people to come to us, which we then farm out to the appropriate experts.

**Senator ABETZ**—So we are undertaking an evaluation of journals as we speak?

**Ms Harvey**—With regard to an evaluation of journals, what we look at is: do they meet the criterion for being on the ERA journal list?

**Senator ABETZ**—With great respect: is evaluation taking place as we speak? I do not need to know about—

**Ms Harvey**—Not of the journals themselves, but an assessment with regard to three factors certainly is underway.

**Senator ABETZ**—And that is being undertaken by this group of 450?

**Ms Harvey**—Yes.

**Senator ABETZ**—Thank you. And why can't we be told the list of 450?

**Ms Harvey**—When we complete the process we will be telling.

**Senator ABETZ**—But why can't we be told now, because they are undertaking the work as we speak?

**Ms Harvey**—Because they are in the midst of looking at the different work that they have to do. What we do is leave it that way, and we funnel all feedback and all questions through the Australian Research Council.

**Senator ABETZ**—You are not going to tell me who is on the list. I cannot see any reason why not. Can I say to you that there are many players in the field from universities and elsewhere who are genuinely interested in knowing and have found the same frustration as I have at not being able to find out who is undertaking what will be vitally important work and being able to make comment, potentially, about the suitability of certain people to undertake

this work. Let us move on. Are we going to be told the justification for the rankings of each of the journals? They are going to get an A, B, C or something, aren't they?

**Ms Harvey**—Yes.

**Senator ABETZ**—Is that right?

**Ms Harvey**—Yes, that is correct: A-star, A, B and C.

**Senator ABETZ**—What is the basis going to be? Is it just going to be that journal X has got rating A or that it has got rating A with a justification?

**Ms Harvey**—There are approximately 40,000 journals that we are considering, so we will be releasing the list with their ratings and what the descriptors are—that is, what a journal looks like in the A-star rating. We will not be doing an individual justification of each journal. Instead, it will just be: here are the criteria; whether they have met those or not; the different rankings; and what the criteria of those rankings are. We will be publishing the list that way.

**Senator ABETZ**—I am advised that the European Science Foundation's European reference index have in fact published the names of all the experts that are advising them or have advised them. It seems to me that that might be something that we could do and that there is no reason why you would not be publishing their names at this stage. But that is up to the ARC and the minister to determine. Can I move on to another area which is of concern to some scientists, and that is that much good science does not get published in peer reviewed scientific journals because it does not announce something breathtakingly new. Is that something you have been advised about or has been presented to you, Professor Sheil or Ms Harvey?

**Prof. Sheil**—I am not quite sure what the question is.

**Senator ABETZ**—You can have excellent science and excellent research, as I understand Flinders University has—

**Senator Carr**—But the editors do not want to publish it. Is that the question—why do editors choose to reject certain articles?

**Senator ABETZ**—That is another issue. If somebody comes up with a paper that is then peer reviewed or is against the current thinking of the reviewers or the editors, the chances of it being published in some journals, unfortunately, is minimal. Some scientists have in fact been reduced to self-publication, and then of course their ideas have taken off—but they have been thwarted at the beginning.

**Senator Carr**—Can you give an example of that?

**Senator ABETZ**—What I want to see is how we can protect against that potentiality. Flinders University in South Australia established an array of tidal measuring situations in the Pacific Ocean. That was a fairly substantial body of research but unfortunately it has not been published, for whatever reason. As a result, the university and other people, as I understand it, will not be getting the ticks for having their very serious and good work actually published. That is an example, Minister.

**Prof. Sheil**—I am happy to comment on that. I will come at it from the perspective of someone who has managed research across a broad range of disciplines. In general I think it is



fair to say that there are more outlets for scientific publishing, for scientists to publish in, than there are in other disciplines. The criticism that we cannot get published or that there are difficulties in getting published, particularly from young scientists, is very rare. It is a much more common refrain from other disciplines, particularly the humanities. I have been a journal editor myself. I have managed a lot of scientific research programs. Not being able to get published is not something scientists very frequently allude to as an issue.

**Senator ABETZ**—Not very frequently, but I think by that statement you acknowledge that some do, or that it can happen. So the issue is: how can we appropriately protect against that risk, which you have now acknowledged?

**Prof. Sheil**—I could not comment any further without knowing anything about the quality of the particular piece of work at hand.

**Senator ABETZ**—Yes, but surely you should be on guard against that possibility, even as a potential situation, in the construct that is being built.

**Ms Harvey**—If I could just clarify: for research, which is broadly defined as adding to the stock of knowledge, to be included in ERA, it has to have a research component and it does not have to have been published in a journal. There are a range of research outputs included under ERA, not just journals. Journals are not the only way that we count where research is done.

**Senator ABETZ**—But they are a substantial way?

**Prof. Sheil**—It depends on the discipline.

**Ms Harvey**—Exactly.

**Senator ABETZ**—So the journal rating is going to depend on the discipline. I suppose that, in the law, journals would be very, very important. Would that be a good example? As a comparison of disciplines, the sciences might not be as reliant upon journal articles, whereas in the law they would be a lot more important.

**Prof. Sheil**—A better comparison would be that most areas of science, areas that are traditionally applied in nature, are reliant on journals. Computer science is an example where published conference proceedings are valued equally to or more highly than journals. Similarly, a number of areas of engineering are in that category. Within disciplines there is variation in publishing practices as well.

**Senator ABETZ**—In relation to law journals, you would be aware of the media from 2 October dealing with law journals and the huge criticism from a variety of very eminent professors and legal academics who are very concerned about what is happening in this area. Journals read closely by the profession, including the *Australian Law Journal* and the *Australian Bar Review*, received Cs. My memory just reaches back to when I used to devour those journals, as they were pretty important to my professional life. How do they get a rating of C when nearly every legal academic in the country is left perplexed by this assessment?

**Ms Harvey**—Perhaps I could go through the process of how we have arrived at where we are regarding the law journals. In fact, we asked the Council of Australian Law Deans several years ago for help in developing that list. The then president suggested a list that we could

use, which we put out for consultation. In fact, it was a list developed by the Washington and Lee University School of Law. It came originally as a suggestion from the—

**Senator ABETZ**—From where?

**Ms Harvey**—The then president of the Council of Australian Law Deans suggested that, as a starting point for consultation with the law deans, we use the Washington and Lee University School of Law list.

**Senator ABETZ**—Washington?

**Ms Harvey**—Yes. It is a list that they had developed.

**Senator ABETZ**—Would that be a well-known Australian institution?

**Ms Harvey**—The then president of the Council of Australian Law Deans suggested we use that list as the starting point, which is what we did. We put it out for consultation and, since then, we have been working with the Council of Australian Law Deans to work through what the rankings should be and what field of research assignments should be done for those journals. They have assisted us in that. They have an officer who has been helping us, to make sure that where we arrive with the rankings is appropriate for the study of law in Australia.

**Senator ABETZ**—Can you confirm that the Council of Australian Law Deans originally refused to assist with a ranking process, citing that the criteria leaned towards American journals?

**Ms Harvey**—I cannot confirm that, because we were dealing with the then president. I understand that there might have been, underneath that—

**Senator ABETZ**—‘Originally refused’ is the assertion.

**Ms Harvey**—No. As I said, the then president assisted us with that.

**Senator ABETZ**—The president?

**Ms Harvey**—The then president. He is not the president at the moment. It was several years ago.

**Senator ABETZ**—Are we talking about the Council of Australian Law Deans or just the then president?

**Ms Harvey**—We approach all peak bodies and learned societies through the president or their equivalent head, so we approached CALD, which is the body in question here, through the then president and wrote to them.

**Senator ABETZ**—Fine. I am informed that the council at the time originally refused to assist, for the reason that I have outlined. I will quickly ask a question; take it on notice. Can you tell us how much of ARC funding goes to the Go8 universities?

**Prof. Sheil**—Again, I could tell you if you cited a particular period.

**Senator ABETZ**—In the last financial year—sorry, make it in the last three financial years. That will give us a very good trend.

**Prof. Sheil**—We have that information with us; we can provide it.

**Senator ABETZ**—Thank you. With respect to the selection panels for the moneys that you hand out on behalf of the taxpayers, are we able to be provided with a list of those people who assist in that regard and the institutions from which they come. Let us be quite clear about this: as I travel around I am told by some regional and other universities that the Go8 seem to get a disproportionate sum and part of the reason may well be that the panels have substantial representation from the Go8. What I am seeking is the raw data so that an independent assessment can be made of that assertion.

**Prof. Sheil**—All that data is in the annual report, so the list of the members of the college of experts and their institutions is in the annual report. It is also on our website.

**Senator ABETZ**—But can it be compiled? Unfortunately, we are getting this response a number of times from departments that it is on the website—

**Senator Carr**—Similar answers were given—

**Senator ABETZ**—Chair, Minister, can I finish or not?

**CHAIR**—Yes, Senator Abetz.

**Senator ABETZ**—References are made to websites and that is fine, but sometimes you have to trawl through and know which things—

**Senator Carr**—That is what you have staff for. These officers are not here to provide your research, when you should come to this committee a bit better prepared.

**Senator ABETZ**—Chair, can I finish?

**CHAIR**—Senator Abetz.

**Senator ABETZ**—If the ARC could provide that—and I would be particularly unimpressed, Minister, if the response were to come back that that would be an unreasonable use of resource, given that your ministerial colleague Minister Garrett has about 3,000 staff and a four-point something billion budget. They claimed at estimates yesterday that one phone call would be an unreasonable use of resources.

**Senator Carr**—Senator, I think you reading the annual report would be a good place to start.

**CHAIR**—I do not think we should continue this debate. Senator Ludlam has a couple of questions. We are short of time.

**Senator ABETZ**—Can I ask whether that question has been taken on notice.

**Senator Carr**—No. You can indicate that I have asked you to read the annual report where this information is contained.

**Senator ABETZ**—Can I ask that the question be taken on notice.

**Prof. Sheil**—All the information is in the annual report. We are happy to provide that as well.

**Senator ABETZ**—But with the capacity to disaggregate it and put it all together from various sources, the chances are—

**Senator Carr**—That is not the role of this committee.

**Senator ABETZ**—The chances are that there are various programs et cetera within the ARC that could be put together in a convenient form and any assistance in that regard would be appreciated. The fact that the regional universities have asked me to ask this question, with all their staff—and they are not fully understanding the situation—might give you an indication that I am not the only one suffering under this liability, Minister.

**CHAIR**—We have that request on record.

**Senator LUDLAM**—I have a couple of questions relating to a particular project that I believe is underway at the moment. Could you point out to me where I can find it in your annual report, because I have not been able to. It is a Special Projects Program award of \$133,500 to fund the National Academies Forum to undertake a study on understanding the formation of attitudes to nuclear power in Australia. Are you aware of that project?

**Prof. Sheil**—Yes, I am.

**Senator LUDLAM**—I wonder whether it is in the annual report or am I looking in the wrong place?

**Prof. Sheil**—That project was initiated in 2007, so it would have been listed under the Learned Academies Special Projects scheme for the 2007-08 year.

**Senator LUDLAM**—When does that work conclude?

**Prof. Sheil**—We award the funds to the academy and then they commission and undertake the work, so we would not yet have received the final report on that project.

**Senator LUDLAM**—That is not quite what I asked. Are you aware when that project is due to report?

**Mr Paterson**—Responding to Senator Abetz's question, the detail of all the ARC committee members is at appendix 6 of the ARC report, at pages 205 to 212. It is a complete list of the members and there is no other material in the appendix. So the list you asked for is published.

**Senator ABETZ**—With the institution from which they come and the discipline in which they are involved?

**Prof. Sheil**—Yes.

**Senator ABETZ**—Mr Paterson, are you finding that in the document in front of you?

**Mr Paterson**—I am seeing the name of the individual, the date of their appointment, the expiry of their appointment and the organisation that they represent. Not every person is from an institution.

**Senator ABETZ**—But what about the discipline they represent at the particular institution? We have Professor Astheimer, University of Wollongong, for example, on page 205.

**Mr Paterson**—The discipline is biological sciences and biotechnology.

**Senator ABETZ**—From what area—

**Senator LUDLAM**—Can we come back to this later?

**Senator ABETZ**—I apologise to Senator Ludlam.

**CHAIR**—I am not sure how long Senator Heffernan will be on IP Australia. If the committee wants to continue on this we—

**Senator ABETZ**—It was an unintended interruption and I apologise.

**Senator LUDLAM**—I understand. I do not have long. How did you go finding a reporting date?

**Prof. Sheil**—We understand that it is a three-year project, but we will confirm that.

**Senator LUDLAM**—Initiated in late 2007?

**Prof. Sheil**—Yes, it was initiated in 2007.

**Senator LUDLAM**—I will check that annual report. Can you tell us who the partners are who are implementing the project and give us as much information as you can about your understanding of who is conducting it and who they are working with?

**Prof. Sheil**—The applicant for that particular project was the National Academies Forum, which is the umbrella organisation that comprises the four presidents of the four academies. Under the Learned Academies Special Projects scheme either an individual academy can apply or the National Academy Forum can apply. In the case of a project that is initiated by the National Academies Forum, one particular academy would take the lead on managing the project and employing the people to do the work, ensuring appropriate reporting. In that particular case it was the Academy of the Humanities, and the executive director of the Academy of the Humanities would have overseen that employment relationship with the people doing the work. We do not micromanage individual projects looking at which individuals are employed on particular projects unless they are a named participant on the project such as a fellow, for example.

**Senator LUDLAM**—By micromanaging, I presume you are telling us that you are not involved in the day-to-day running of that piece of research but that you would be able to provide us with the information, seeing that it is funding you are auspicing? Can you tell us who initiated that piece of research in particular? Where did the idea come from?

**Prof. Sheil**—I can tell you that the applicant was the National Academies Forum. The applicants for all our schemes are an organisation, not an individual. An individual will not have been named in a particular program, but that particular one was initiated by the National Academies Forum.

**Senator LUDLAM**—You have just said that it has come from humanities, so I will leave it there. Are they formally partnered with particular organisations for that research? I will let you know why I am asking that. I am on the Australian Uranium Association email list. Obviously, they have got a strong interest in how opinions of Australians are formed around nuclear power and related issues. They received an invitation by the researchers to distribute the survey, which I believe they did. I wonder who else the researchers would have asked to distribute that survey and which other organisations were invited to be a part of that consultation?

**Prof. Sheil**—That is a level of detail that we would not have at hand at the moment. When they produce a final report, and indeed their annual report, we would have that sort of information, but we do not have that level of detail about an individual project.

**Senator LUDLAM**—Okay, but it would be in an annual report. This has been running since 2007. I understand that they have not provided a final report yet but I am just wondering whether you could provide us with anything that was in their 2007 or 2008 annual reports that might inform the committee about the organisations that the researchers have either partnered with in a formal way or are consulting with directly.

**Prof. Sheil**—We will take that on notice and look at what we can provide within the constraints of the reports that we have received.

**Ms Harvey**—If I could just clarify, the annual reports are on a calendar year basis. So we would be able to check the 2008 calendar year. If you are expecting two though, there will only be one.

**Senator LUDLAM**—No, that's fine. That will give us an insight into a year and a half. It is practically up to the halfway point of that research, which will be very helpful. For what purposes is this research being undertaken? It is not a study into the views of Australians; it is in how to change those views. It is a very interesting tilt at the issue. So for what reason is that research being undertaken and can you explain for us why it was chosen for funding?

**Prof. Sheil**—As I indicated, the project was initiated in 2007 when the debate around nuclear energy was at its height. The project had the support of all the four learned academies—as I indicated, it was from the National Academies Forum. The funding went through a peer review process and the reviewers recommended the proposal for funding because the view was that the interdisciplinary research program would provide a better understanding of concerns and decision-making in relation to technology generally, not just nuclear energy.

**Senator LUDLAM**—This one is very specifically about nuclear energy. I am not aware that those researchers are investigating other forms of technology but this one was very specifically about nuclear energy. Who would you describe as the beneficiaries of a piece of research about how to change public opinions on nuclear power?

**CHAIR**—We are short of time, Senator Ludlam, and you are going into detail that I think the ARC has already indicated that—

**Senator LUDLAM**—Can we just have that question stand? I am interested to know. This is publicly funded research. Who benefits from such research on a question of that nature?

**Senator Carr**—A range of people. Why do you assume that any particular group will benefit from it? I would expect that this research would be undertaken with the usual high quality that I expect from the ARC and that we will all benefit.

**Senator LUDLAM**—I am not casting aspersions on the quality. It is a pretty simple question.

**Senator Carr**—No; then isn't the answer obvious: that we all benefit?

**Senator LUDLAM**—I am not sure how I will benefit from that.

**CHAIR**—We are now getting into debate and we are well over time. So I thank the Office of the Chief Scientist for attending this morning and ask IP Australia to come to the table.

[11.29 am]

#### **IP Australia**

**CHAIR**—Welcome to you, IP Australia. Thank you for coming in.

**Senator EGGLESTON**—I would like to ask a general question about intellectual property rights in universities. There has been a controversy in Western Australia concerning a surgeon, Professor Bruce Gray, who developed a technique for treating secondary metastatic cancer in the liver, among other things. He developed this while he was a professor at the University of Western Australia. He has recently been involved in a court case in which he claimed the intellectual property rights. I just wondered whether you might like to comment in any way about the rights of universities, wherever they are, to claim intellectual property ownership of research done by their employees. You do not necessarily have to refer to the Gray case but, if you wish to, please do so.

**Senator ABETZ**—This is an area that I am interested in as well. Therefore, rather than asking my lot of questions, can we just tag that onto your general discussion of it. The minister told us that he would seek more advice once the court decision had been studied. So if you could assist in that area in the discussion that would be helpful.

**Mr Noonan**—That particular case is on appeal to the High Court at the moment. Since we last discussed it, a full bench of the Federal Court has handed down a decision which affirmed the original decision of Mr Justice French, as he then was, and the University of Western Australia has now appealed that.

**Senator ABETZ**—Does he have to disqualify himself now? I dare say it is the same Justice French who is now the Chief Justice of the High Court.

**Mr Noonan**—It is. They are seeking leave to appeal to the High Court at the moment. It will be a matter for the court to resolve.

**Senator ABETZ**—He could make history and say he was wrong!

**Mr Noonan**—There is a limit to what I can say about that particular case given that it is still on appeal, but I think the general lesson that it provides for universities is that they need to be quite clear about the ownership of intellectual property. The University of Western Australia has encountered two problems. First of all, the particular contract of employment that it had with Professor Gray was held by the first two courts that considered it not to include covering inventions that may have been developed during the course of employment. Second of all, there were some university regulations which might have saved the university but there were serious defects in a way that they had been developed and promulgated with the result that the lower two courts found that they were not of assistance either. I do not see anything in the first two decisions to say that universities could not get both those areas right if they thought through the issues carefully. In particular, an employment contract, for instance, which specifically addressed inventions that were developed in the course of employment would entirely solve the problem. Similarly—although this will vary from university to university—some will have the capacity to have university regulations which

could deal with the issue perfectly well, provided they are drafted with a mind to the state of the law.

**Senator EGGLESTON**—Is there no implication that if an individual working for a university whose job is stated to involve research and is using university facilities for that research there is a claim by the university to the intellectual property so generated?

**Mr Noonan**—I think that gets into what is a point of controversy on appeal, because I imagine the University of Western Australia, without speaking for them, will be arguing on appeal that the duty to research which was clearly in Mr Gray's contract had implicitly within it the right to any inventions that were developed during the course of that research work. But the first two courts that have considered this have held that that was not the case. But the general point that I was making was that, since this area of concern has been opened up, there is no doubt that a university going forward could cover inventions that were developed in the course of research work just by having a correctly drafted clause in the employment contract.

**Senator EGGLESTON**—Thank you very much. There is just one other issue I would like to ask you about, and that concerns somebody called John Keogh, who applied for a patent through Australia's patents-granting agency. He applied for a patent for a 'circular transportation device', which turned out to be the wheel, and he was awarded Harvard University's Ig Nobel Prize for technology. This article in the *Sydney Morning Herald* says that the application drew attention to:

... some of the more glaring inadequacies in Australian patent law, where any member of the public may lodge an innovation patent application online, pay a fee and have the application rubber stamped within a matter of a few weeks, no questions asked. It made people laugh but did nothing to reform Australian innovation patent law.

That is an amusing incident but it does seem to highlight a deficiency in our patent law. Do you have any comment on that?

**Mr Noonan**—There are two types of patents in the Australian system. One is called a standard patent, which is the overwhelming majority of the work that we do. The key test for it—which distinguishes it from the second type of patent—requires an inventive step, which is quite a high threshold. The example that you gave, and any other obvious step forward in the technology, would not qualify for a standard patent. We also have—it was introduced in about 2000—the innovation patent, which was designed to be a simpler instrument. It has a shorter duration—only eight years, as against 20 for the standard patent. It was designed to be easier and cheaper to obtain, particularly for small and medium sized enterprises. Only about five per cent of our applications per year are innovation patents, but they do have a lower threshold for qualification. It is called an innovative step.

Recently there has been a court decision about the innovative step, called the Delnorth decision, which had to do with roadside posts—the kinds of posts that line the side of the road and occasionally get knocked over and spring back into shape. The court decided that even obvious enhancements to the previous knowledge could qualify for an innovation patent. That is something that there are different views about. There is clearly a balance to be drawn. On the one hand, we do not want to make it hard or expensive for SMEs in particular to gain



some protection for their intellectual property; but at the same time we have to consider whether that standard might be a little too low at the moment.

**Senator EGGLESTON**—Are you planning to adjust the legislation, to amend it?

**Mr Noonan**—Not at the moment, but it is a question that has been the subject of debate in the couple of months since the decision. I think that at the moment there are no plans to amend the legislation, but the innovation patent, having been in operation for a number of years, is the kind of thing we will look at from time to time. Certainly the Delnorth decision would be something we would be considering in that context.

**Senator ABETZ**—Is the IP review all on track?

**Mr Noonan**—This is the review of various matters of IP law where we have published some discussion papers?

**Senator ABETZ**—Yes.

**Mr Noonan**—Yes. We have published a total of seven papers, and the discussion period for the last two only just closed a few days ago. So now we are looking at submissions with a view to bringing forward recommendations about where we go to from here.

**Senator ABETZ**—And part of that review will be considering the very real difficulties of small business in accessing the protections?

**Mr Noonan**—Not specifically in those reviews. There is at the moment a report from the Advisory Council on Intellectual Property on post-grant enforcement strategies, which does have a number of proposals in it that would be relevant to SMEs in particular, such as greater use of mediation and so forth. That committee will be reporting to the government in due course.

**Senator ABETZ**—Mr McAffery is in charge of domestic policy. Is that correct?

**Mr Noonan**—He is an officer within IP Australia in that area.

**Senator ABETZ**—Does he have a review role or is he part of a secretariat for reviewing?

**Mr Noonan**—He has been participating in the first review that I talked about, the seven discussion papers.

**Senator ABETZ**—A constituent has written to him with some suggestions, and I wanted to make sure that I was heading in the right direction. Possibly this is a policy question for you as well, Minister. I do not need a detailed answer now; I just want to float the idea. Have IP Australia become a clearing house for those who do not necessarily want to develop their own ideas, so that the intellectual property can potentially stay in Australia and be developed in Australia? As I understand it, often what happens is that people develop things but do not want to pursue them themselves. Then the idea just sits on a shelf somewhere or somebody from overseas gets wind of it and buys it up. If, potentially, IP Australia could act as a clearing house that may be of assistance. I just bounce that ball. I do not necessarily need a response unless you think it is a terrible idea. In that case, put it on notice so it is not broadcast.

**Mr Noonan**—In response to that, there would be real difficulties in IP Australia promoting or helping to develop particular ideas regarding inventions, given that we are the agency that is responsible for deciding whether a patent should be granted in relation to that innovation.

**Senator ABETZ**—Not to assist—just as a parking place where, if people want to take up innovations, it becomes a public repository of ideas. That is all. I would not suggest developing them into commercial propositions.

**Mr Noonan**—One way in which we are conscious that we can assist is by publishing data about patents. The patents that have been lodged with IP Australia go back over a century, so that is a very valuable source of ideas for people. We have been working in recent years on IT systems that provide easier access to potential inventors who may want to see what has been done in the past.

**Senator HEFFERNAN**—Welcome to IP Australia. Before I start, I also would like to congratulate the CSIRO because they have solved one of the great mysteries that have intrigued me since I came to this place. Having discovered that there are 22,000 genes in a cow and that 80 per cent of those are human related, I now know that Senator Barnaby Joyce is more hereford than human and, Senator Carr, you are more belgian blue cow. I wondered where you got that look from. You are a belgian blue. Smile—go on!

**Senator Carr**—Get on with your questions, will you! I will have a lot more to smile about at the end of it.

**Senator HEFFERNAN**—It is a fact, now that they have plotted the gene for cattle, that 80 per cent of the cattle genome is hooked up to the human genome. As you know, Ms Beattie, we have an inquiry into human gene patenting and the quandary that that presents, so I have a couple of questions. Sir John Sulston, who is a Nobel laureate and gene expert, has said about gene patents: ‘Promoters of gene patents argue that genes are patentable when they are isolated and purified or removed from the body and placed in a form so they can be replicated outside the human body’—though that seems absurd to the professor; he says, ‘That seems absurd to me.’ He continues: ‘The essence of a gene is the formation it provides, the sequence. Copying it into another format makes no difference. It is like taking a hardback book written by someone else, publishing it in a paperback and then claiming authorship because the binding is different.’ IP Australia has repeatedly told the committee on the inquiry that it does not grant patents on genes, as they occur in nature. Is that true?

**Ms Beattie**—That is in our submissions.

**Senator HEFFERNAN**—Yes. It has told the committee that it grants patents on genes only if there is a function described in a practical application and demonstrated—by which I presume you mean something like using the gene in a diagnostic test.

Taking a look at claim 1—and as you know I have all these folders of patents—Australian patent 686004 is the BRCA1 patent that IP granted to Myriad. I can supply you with claim 1 if you do not have it there. It states:

An isolated nucleic acid coding for a mutant or polymorphic BRCA1 polypeptide, said nucleic acid containing in comparison to the BRCA1 polypeptide encoding sequence set forth in SEQ.ID No:1 one or more mutations or polymorphisms selected from the mutations set forth in Tables 12, 12A and 14 and the polymorphisms set forth in Tables 18 and 19.

That is claim No. 1—sorry for all those words. Could you explain to the committee where in that claim there is a reference to either the function of a gene or its practical use?

**Ms Beattie**—The patent specification describes the invention and the practical application. It needs to do that in order to satisfy the test for inventiveness. First of all, it is the specification that would give you the isolated nucleic acid molecule and what its practical function is. If that specification provides that, then it is considered to be an invention under Australian law. That does not mean that the individual claim has to claim the product—that is, the nucleic acid—and its use within the same claim. In fact, the patent does not have to have a claim to the use—that is, a method claim. If it does, it would have it as a separate claim. That is standard claim construction under patent law.

**Senator HEFFERNAN**—As you know, there are actually 30 claims in the patent.

**Ms Beattie**—Yes.

**Senator HEFFERNAN**—There is nothing in that claim, which, as you know, specifies the scope of the patent monopoly so that, if anyone does something that falls within the claim, they infringe the patent monopoly—that is obvious. It must refer either to the function of the BRCA1 gene mutation or its use in a practical way.

**Ms Beattie**—As I explained, the patent claims are structured in a way where you would have a product claim and a method claim, which includes a use claim. So the claims themselves would encompass those things. That does not mean that they have to have it. It depends on what it is that they are seeking the patent protection for.

**Senator HEFFERNAN**—It looks to me like the BRCA claim is nothing more than a claim to the isolated gene mutations of BRCA1, as defined in the claim. Where do I get away from being instructed by the claim?

**Ms Beattie**—You would have to read the entire set of claims in order to determine the scope of the invention that is being claimed.

**Senator HEFFERNAN**—I have. I have them here and I have read them. As you know from the inquiry, the problem we have is the broad scale of these claims. Bear in mind we are now going to have to give consideration to this in the animal world. People are starting to claim patents on hereford cattle like Barnaby here, blue belgians like the minister or brahman like me.

**Senator JOYCE**—Psychotic brahman.

**Senator HEFFERNAN**—Yes, psychotic brahman.

**Senator Carr**—Mad cow.

**Senator HEFFERNAN**—Mad cow. But this is a serious problem, because we have taken evidence from everyone from Professor Ian Frazer down and there is nobody who can point to the lack of risk of litigation for anyone who has access to the BRCA1 gene for research—for instance, Westmead Hospital—if they do not negotiate with, in the case of BRCA1, gene technologies Australia, which has a licence from Myriad. You are not likely to concede, and I realise this is a lawyers feast, and this by convention and the first isolation you declared was room enough for you to move to patent the isolation. The isolation is no longer patentable because any PhD student can do it on a computer. Are you of the view that the earlier patents that were issued are too broad?

**Ms Beattie**—They were examined in accordance with the Australian patent law as it applied at the time, in accordance with the prior art that existed at the time, and they were granted in accordance with the law. The issue about their validity is something that would have to be tested through the courts, through the standard processes.

**Senator HEFFERNAN**—That has never happened. I mean we are talking about a law of the 1920s—

**CHAIR**—Senator Heffernan, we are well behind time.

**Senator HEFFERNAN**—I am sorry, Chair; I apologise. We are talking about a law of the 1920s that has never been tested in court. We have all our wonderful public institutions being held to ransom by a law that is out of date. Could I also point out for the benefit of the committee that it is interesting that this actually says we are closer—

**CHAIR**—Is this a question?

**Senator HEFFERNAN**—Yes, it is. It says that cows are closer to humans than mice and rats, which is a good indication. Is it not a fact that if Gene Technologies Australia goes bust, goes broke, part of the sale of its assets will be their patents, which you or anyone, or a money launderer at the back of Lakemba, could buy the rights to those patents, live on the Gold Coast and have no interest other than the dividend stream from the patent. Is that not a fact?

**CHAIR**—I do not know that that is a question for IP Australia.

**Senator HEFFERNAN**—It is a question, because it is a fact. It is a fact. Anyone can buy the patent, can they not?

**CHAIR**—I do not know that it is relevant to the agency.

**Senator HEFFERNAN**—It is very relevant.

**Senator Carr**—As you indicated, Senator, this is a matter of parliamentary inquiry. It is very difficult to ask the officers questions that require an opinion. They are not required under the standing orders to offer opinions.

**CHAIR**—That is right.

**Senator HEFFERNAN**—I am grateful for your time, Madam Chair.

**CHAIR**—Thank you, Senator Heffernan and thank you to IP Australia for coming in this morning.

**Senator HEFFERNAN**—I am grateful to IP Australia and I am grateful that I have discovered that you are a belgian blue, mate.

[11.52 am]

#### Office of the Chief Scientist

**CHAIR**—Welcome, Professor Sackett. Would you like to make an opening statement?

**Prof. Sackett**—No.

**Senator JOYCE**—As Chief Scientist for Australia and at the top of your role I am going to ask you a clear question because it is at the front of the economic debate at the moment and

at the front of the scientific debate. Will a five per cent reduction in Australia's carbon emissions by itself affect the temperature of the globe or change the temperature of the globe?

**Prof. Sackett**—To reiterate your question, you are asking whether a five per cent reduction in Australia's emissions will affect the temperature of the globe. It certainly will; the question is by how much.

**Senator JOYCE**—By how much?

**Prof. Sackett**—I do not have that answer in front of me now, but we know—

**Senator JOYCE**—Will it be noticeable?

**Prof. Sackett**—I would have to take on notice the degree to which the temperature could be measured. It is important to note, though, that whatever the change is, it would be the change that is recorded over a long period of time. I just make clear that we are not talking about year-to-year fluctuations, we are not talking about the effects of El Nino and so forth. So it is a matter of degree.

**Senator JOYCE**—Is the degree we are talking about so infinitesimally small that it is verging on totally irrelevant?

**Prof. Sackett**—I think irrelevant—or what society thinks is relevant—is actually a question that falls outside science. We know that recommendations have been made, for example, by the IPCC about the total amount of global emissions, the reductions that are required to reach an equilibrium increase in temperature of a certain amount.

**Senator JOYCE**—I keep on hearing about global emissions. The previous gentleman from CSIRO talked about global outcomes. But I am talking about the fact that we do not really have a global outcome now; we have a domestic policy. You say that it will have an effect. I want to know if this effect is so infinitesimally small that it is really beyond the comprehension of most people?

**Prof. Sackett**—Again, I would want to take that on notice to give you a better estimate on anything numeric. I would like to do that. But what I think you would hear scientists say is that in fact this is a global problem, and that means that it needs players across the globe. Australia would not be an exception.

**Senator JOYCE**—So what you are saying is that a global solution may have an effect but a solution by Australia is inconsequential?

**Prof. Sackett**—No, I am not saying that at all. Australia's emissions are part of the global emissions.

**Senator JOYCE**—Will an Australian position that is not in concert with other nations in the world have an affect? Will it cure any of the maladies that are before us regarding global warming?

**Prof. Sackett**—What we require to reach a level of temperature that does not exceed what we could reasonably expect to adapt to is countries and peoples all around the world to reduce their emissions by an amount that will cause within a period of time of something like six years the global emission trend to go from increasing every year to decreasing every year. It is recognised that more than any single country will have to be part of that solution.

**Senator JOYCE**—Exactly. You keep going back to a global solution and I keep referring to a domestic outcome. Professor Sackett, I imagine if I stopped breathing out that would also have some miniscule effect on the temperature of the globe as well.

**Prof. Sackett**—No, not in the same way that we are talking about at all, not when we are talking about long-term global climate change. There are differences in CO<sub>2</sub> levels caused by fluctuations, and your breathing would be an example of that. The breathing of plants would be an example of that.

**Senator JOYCE**—If I park my car in the garage and stop driving it, that will have an effect on the temperature of the globe to an extremely small extent.

**Prof. Sackett**—Yes.

**Senator JOYCE**—If Australia reduces carbon emissions by five per cent, that also will have an effect. But both of them are infinitesimally small.

**Prof. Sackett**—This is a collective problem which requires a collective solution. When we are looking to solutions, they will require a global effort. Many cars reducing their CO<sub>2</sub> emissions is done by individuals collectively.

**Senator JOYCE**—So you agree that, if I park my car in the garage, that will affect the temperature of the globe, but it would be even more effective if everybody across the world parked their car in the garage.

**Prof. Sackett**—That would be a true statement.

**Senator JOYCE**—I suppose on the other side of carbon emissions is carbon sequestration. You would be aware of the well-reported papers by Dr Christine Jones on carbon sequestration through perennial summer grasses. Is it a fact that more carbon is sequestered through summer grasses than through dry sclerophyll forests, knowing that Australia's predominant forest capacity is dry sclerophyll forests?

**Prof. Sackett**—I would want to take that on notice.

**Senator JOYCE**—Unless Dr Christine Jones is wrong in the peer review papers—and I imagine she is right—and it is the case that more carbon is sequestered through summer grasses than through dry sclerophyll forests, wouldn't it be the case that to reduce carbon emissions we should be changing from dry sclerophyll forests to grasslands?

**Prof. Sackett**—Questions such as that are very complex because one can ask the question to achieve a given reduction in CO<sub>2</sub> equivalent, for example, over a certain period of time, but there are other uses for the land as well. So, in the end, how land is used is actually a policy matter.

**Senator JOYCE**—If reducing carbon emissions, which also should involve carbon sequestration, is at the forefront of our minds, then shouldn't another part that goes hand in glove with any policy be policies that increase carbon sequestration?

**Prof. Sackett**—I cannot comment on a particular policy decision, but I can say that solutions that are being mooted do include looking at carbon sequestration in a variety of forms, and it is expected that different countries will have a capacity to contribute to that in different ways. The individual choices of how that is done will be matters of policy.

**Senator JOYCE**—Would you find it peculiar if there were a policy such as carbon sink legislation where actually the carbon sink will sequester less carbon than if the land had been left as summer grassland, which has now been proven to sequester more carbon than the carbon sink which is a dry sclerophyll forest?

**Prof. Sackett**—I believe I understand your question, and I believe it is a question on policy.

**Senator JOYCE**—It is a question on science. The question on science I am asking—and you can take it on notice—is: can you find out, through your own research, whether summer grasses sequester more carbon than dry sclerophyll forest? I admit that rainforests probably sequester more carbon than summer grasses. If that is the case, we now have a policy before our nation where we are moving to a less carbon-effective sequestration and we are getting a tax deduction to do it.

**Prof. Sackett**—I would be happy to take the question of the matter of science on notice.

**Senator JOYCE**—Thank you very much.

**Senator ABETZ**—Chair, if I may, briefly—

**CHAIR**—Just before we start: since we are running over time, could we just have an informal discussion about whether we want outcome 2 to continue after lunch?

**Senator ABETZ**—Absolutely, yes.

**CHAIR**—In which case, we are cutting short outcome 1?

**Senator ABETZ**—We will do outcome 2 and outcome 1 together and finish by 3.30, if that is okay.

**CHAIR**—Okay.

**Senator ABETZ**—I have been asked, Professor Sackett, to see if the name Dr Joanne Simpson is known to you. I have been told that she is the first woman to receive a PhD in meteorology, and she has been described as among the most pre-eminent scientists of the last 100 years. I am just wondering if somebody with your eminence in the science world is aware of that name.

**Prof. Sackett**—It does not immediately come to mind.

**Senator ABETZ**—That is fine. I have a funny suspicion that, whatever the answer had been, the person who contacted me about this would provide some further information, so we will see what happens. Professor Sackett, can you confirm to us that the *Australian* opinion pages editor, Rebecca Weisser, approached you to write a response to Senator Fielding's column on climate change?

**Prof. Sackett**—I am just questioning because I do not remember the name of the person that approached us.

**Senator ABETZ**—All right; I will withdraw the name if that is causing difficulty. Did the *Australian* approach you to respond to Senator Fielding's opinion piece?

**Prof. Sackett**—They approached my office, yes.

**Senator ABETZ**—And did you decline because of a then time limit that was imposed?

**Prof. Sackett**—I would have to take on notice the exact exchange of correspondence between my office and the *Australian*, but I think I could probably give you the most relevant answer, which is that I am respecting the private nature of the briefing that was requested by Senator Fielding. And that was an answer that I believe we gave the *Australian*.

**Senator ABETZ**—Sorry?

**Prof. Sackett**—I believe—but, as I said, I would like to check the exact correspondence that went back and forth. But we received many queries, in fact, to the office, and the response was—and I cannot tell you if that was specifically the response that was given to the *Australian* in this instance—that I was respecting the private nature of the briefing that was requested by Senator Fielding.

**Senator ABETZ**—The *Australian* on 17 June 2009, under the heading ‘Penny for her thoughts’—a funny play on words—on the climate change issue, says:

... opinion editor Rebecca Weisser has been doing her level best to persuade the government’s chief scientist ... to help Fielding out by writing a piece in reply. Her assistant helped Sackett dodge the bullet by saying she couldn’t possibly make the deadline ...

I want to know whether the reason was given that you could not because of a deadline. The *Australian* then assert they bounced back and said, ‘Fine, no deadline; whenever,’ and they have not had a response.

**Prof. Sackett**—I do believe it is incorrect, and I am happy to take that question on notice—that we did not respond. I think that is incorrect, and I am happy to confer and get back to you on the question.

**Senator ABETZ**—All right. Let us try and make up some time. Thank you, Professor Sackett.

**CHAIR**—Thank you, Professor Sackett, for coming in this afternoon. I now call the Department of Innovation, Industry, Science and Research for outcome 2.

[12.07 pm]

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

**CHAIR**—Thank you to departmental officials for coming in. Mr Paterson, do you have any opening statement?

**Mr Paterson**—No, Chair.

**CHAIR**—We will go straight to questions then.

**Senator ABETZ**—I was hoping that on this occasion there may have been an opening statement with a discussion about the term ‘compacts’, which I asked about under ARC, and I think I was told to ask that question in this area. What does the term ‘compacts’ mean in the context of the ERA? It is not a trick question. What I am trying to get at is: does it actually mean a contract? How binding are these compacts?

**Ms Borthwick**—A compact will be an agreement between the Commonwealth Department of Education, Employment and Workplace Relations and the Department of Innovation, Industry, Science and Research with each university. It is envisaged that those compacts will set out the mission of the university.



**Senator ABETZ**—If I may briefly interrupt you, because time is short: I have some understanding as to what the document will involve or contain, but what is the legal enforceability? Is the compact just an understanding, or will it have the weight of an enforceable agreement between the organisations involved in the compact?

**Ms Borthwick**—By nature it will be an agreement, so I would characterise it as something like a memorandum of understanding between the university and the Commonwealth departments of innovation and education.

**Senator ABETZ**—A memorandum of understanding is usually not necessarily an enforceable document so I am just wanting to see how tight these compacts are. Would it be appropriate to describe them as contracts or just, to use old sexist language, a gentleman's agreement which is—

**Senator Carr**—They are more than that. Compacts will facilitate the distribution of performance based funding and the alignment of institutional activity with national priorities.

**Senator ABETZ**—We know what they are intended to do, Minister—

**Senator Carr**—No. I have just indicated to you the answer: they will facilitate the distribution of monies and they will align the activities of universities with the national priorities.

**Senator ABETZ**—Yes, we know all that. But is that an enforceable agreement?

**Senator Carr**—They are part of our funding arrangements with universities for research and will therefore have some considerable weight in terms of the distribution of monies.

**Senator ABETZ**—Okay, thank you, we are sort of getting closer. But how much considerable weight? Will it be actually enforceable? One of the issues in relation to the facilitation of funding et cetera is if a university or body were to rely on the compact but then, for whatever reason, a government faced with a terrible budget situation had to cut back on some of the monies that it had proposed to make available. Would the university then be able to enforce that because they had acted to their detriment in anticipation of receiving future funds?

**Senator Carr**—It would not necessarily change the arrangements that are already in existence in regard to the distribution of Commonwealth monies where the government is determined to vary the terms of any legislation.

**Senator ABETZ**—So, in other words, it will not be an enforceable agreement.

**Senator Carr**—No, that is not what I said. The current arrangements in regard to the expenditure of public monies in research are governed by a series of legislative instruments which give governments the option in outyears to change those arrangements. But it requires a whole series of actions to be undertaken. That is custom and practice for the administration of university research funding and it has been that way for many, many years.

**Senator ABETZ**—I know that, but we are now getting the exciting terminology of 'compacts' and a 'new revolution in education' introduced into all this, and some of the universities and other organisations are asking me how reliable these promises are into the future. Can they plan on them? For example, what happens if, as you suggested, Minister, the

parliament or the government changes the legislation? What if the funding changes but the university is halfway through making changes and expending monies in anticipation of this compact being fully honoured, especially in the financial area? So there is no absolute assurance, is there?

**Senator Carr**—What there is is a discussion paper that was issued on 22 July this year. The question of the legal enforceability of these agreements has not been pursued anywhere that I am aware of.

**Ms Borthwick**—No.

**Senator Carr**—There are provisions within the existing legislative framework for the terms and conditions of funding arrangements to be set by the Commonwealth, and those legal enforceable provisions have not been changed.

**Senator ABETZ**—So we have agreed that in relation to financial matters—

**Senator Carr**—That is the question you have asked me.

**Senator ABETZ**—Yes.

**Senator Carr**—You asked whether in regard to financial matters the government can vary its appropriation. So I have indicated to you that the normal practice for that to occur is that there would have to be changes through the legislative processes of the parliament, and in terms of enforceability of grant conditions they are governed by the legislative framework within the current legislation.

**Senator ABETZ**—Yes, we know all that. I just wanted to clear up the financial side. I understand the ERAs are more than just about finances. Is that right, Ms Borthwick?

**Ms Borthwick**—By ERA you mean Excellence for Research in Australia?

**Senator ABETZ**—Yes.

**Ms Borthwick**—As you would have heard this morning, that is a quality measurement process which has been conducted by the Australian Research Council.

**Senator ABETZ**—And the Australian Research Council asked me to ask this with the minister's intervention under outcome 2 in relation to my questions—

**Senator Carr**—Senator, I think you are trying to verbal the ARC.

**Senator ABETZ**—Can I finish? In relation to my questions about whether compacts meant contracts. That is what I am asking about.

**Ms Borthwick**—Senator, I was trying to clarify the question. 'Compacts' is not a subcomponent of Excellence in Research for Australia. 'Compacts' is, as I said, an agreement between the two Commonwealth departments responsible and the university. ERA is the framework for the quality measurement process for research.

**Senator ABETZ**—Yes, and is it intended that compacts will be entered into between the department and universities, or the ARC and universities, in relation to ERA?

**Ms Borthwick**—What has been anticipated, and what has been requested for the interim agreement this year, is that all universities participate in Excellence in Research for Australia and thus far, in the meetings we have had so far, all universities have agreed to do that.

**Senator ABETZ**—I will read the *Hansard* on that; I am not sure that I am any the wiser at the end of it. Has the department received any representations in relation to the Imaginarium Science Centre in Devonport for funding to keep it going?

**Mr Paterson**—I do not immediately have the officer to hand. We will try to find the appropriate person.

**Senator ABETZ**—Take it on notice. Not much revolves on that, but if you had had an answer that would have been helpful.

**Mr Paterson**—We may have the officer here but just not immediately at the table. I will endeavour to get a response for you and if I can I will give it to you.

**Senator ABETZ**—Thank you. Who can tell us about Hello from Earth? You must have been expecting a question or two on that.

**Senator Carr**—It is a question for Qwestacon. Qwestacon were not requested to be here.

**Senator ABETZ**—So Qwestacon provided the funding for Hello from Earth?

**Senator Carr**—Yes. It was a Science Week activity.

**Senator ABETZ**—Yes. I understand all that. That is fine. Did the government provide sponsorship to this, I think, quite innovative exercise?

**Senator Carr**—Did we support it, do you mean?

**Senator ABETZ**—Yes, and did you support it financially?

**Senator Carr**—Again, this is a matter for Qwestacon.

**Mr Paterson**—Can I suggest that we endeavour to get the appropriate officers from Qwestacon to come up and be here after the break, Senator?

**Senator ABETZ**—No, do not bother. Not much revolves on it. Minister, what great brains were set to work in your office to get this wonderfully imaginative message from your office: ‘Hello from Australia on the planet we call Earth. These messages express our people’s dreams for the future. We want to share those dreams with you.’

**Senator Carr**—Yes, that was the message I gave. My recollection is that this was incredibly popular with the public.

**Senator ABETZ**—It was.

**Senator Carr**—Tens of thousands of people participated in this exercise, and it was one of some 8,000 events across the nation to promote science awareness. We thought it was very successful.

**Senator ABETZ**—Yes. Who wrote the words that you put on the website, Minister?

**Senator Carr**—I am sorry; I do not keep a log of who writes every word.

**Senator ABETZ**—So, clearly, you did not. That is interesting.

**Senator Carr**—Those words were put there under my name, and I am the one who is responsible for them.

**Senator ABETZ**—Sorry?

**Senator Carr**—Those words were put there—

**Senator ABETZ**—Yes, that is right.

**Senator Carr**—And I am responsible for them.

**Senator ABETZ**—Yes, I do not deny that. I just wanted to know who penned those words. Clearly you did not.

**Senator Carr**—I am not in the business of referring to who provides me with advice on any particular sentence.

**Senator ABETZ**—It was just interesting: ‘These messages express our people’s dreams for the future.’

**Senator Carr**—Is there anything wrong with that? Have you got a problem with that?

**Senator ABETZ**—Absolutely not. But then, of course, when somebody reads that and says, ‘The messages to be sent ought to express our dreams for the future,’ and puts up a message that says, ‘The coalition dreams that by the time you receive this message in 2029 Australia will be free of Labor debt,’ it is rejected as an inappropriate message—and therefore, one would imagine, an inappropriate dream.

**Senator Carr**—There was no political intervention whatsoever in the selection of the messages. As I say, there were tens of thousands of messages logged, and there was a committee, if I recall rightly, that examined these matters and chose not to place propaganda from your party or mine or any other or our supporters, in terms of those messages.

**Senator ABETZ**—You were, in your message, I must say, singularly unimaginative—

**Senator Carr**—You would be an expert on what is imaginative!

**Senator ABETZ**—But it was sycophantically written up as one of the best messages—

**Senator Carr**—You are a bloke who relies on Godwin Grech to give you imagination.

**Senator ABETZ**—And we were told that there were certain criteria that had to be followed, which included having nothing that was sexist, in bad taste, denigratory, that did not make sense, et cetera. But ‘Send me some sexy alien women’ was allowed to be enunciated as a dream for somebody and sent out into outer space. I would have thought most people might in fact describe that as sexist, but a very droll suggestion, that we dream that Labor debt might be paid off by then, was axed out of it. Then we have another message here—

**Mr Paterson**—Senator, I am sorry: we were advised by the secretariat in writing that there were no questions for Questacon, who have responsibility for managing the SCOPE program and managing the event that you are on. If there are questions in relation to it, as I said earlier, I am happy to either take those questions on notice or get the officers to come up here to attend the hearing immediately after the luncheon break. But we were advised in writing that there were no questions for Questacon. I am happy to facilitate—

**Senator ABETZ**—That is fair enough. Take them on notice. While Questacon ran the show, which other areas of the department provided funding to it? Did the CSIRO provide funding to this?

**Mr Paterson**—I am happy to take it on notice. It was run, as I think has already been indicated, as part of the Science Week activities. The Science Week activities are funded under a program that we call SCOPE, and my understanding is that all of the funding associated with that activity, from a departmental perspective, came from that program.

**Senator ABETZ**—Did the funding for it, to your understanding—

**Mr Paterson**—SCOPE is a wide-ranging science awareness program. Science Week is a component piece of that program, and the element that you are referring to was a component of Science Week. So it was an event associated with Science Week.

**Senator ABETZ**—Did it come out of the normal Questacon budget?

**Mr Paterson**—It came out of the SCOPE program, which is administered by Questacon.

**Senator ABETZ**—Is it wholly administered by Questacon?

**Mr Paterson**—It is. We transferred the responsibility from the department, and Questacon is part of the department—

**Senator ABETZ**—Yes, that is right.

**Mr Paterson**—it is a division of the department—but we transferred responsibility into Questacon Division.

**Senator ABETZ**—So when did that happen?

**Mr Paterson**—On 2 July.

**Senator ABETZ**—So before 2 July this would have been part of the department?

**Mr Paterson**—They still are part of the department.

**Senator ABETZ**—But it has now been given to Questacon?

**Mr Paterson**—No, Questacon—

**Senator ABETZ**—That is fine. I had not caught up with that change.

**Mr Paterson**—But, Senator, Questacon is part of the department. It is a division of the department like all of the other divisions of the department.

**Senator ABETZ**—Yes, but before 2 July I could have been asking these questions here without Questacon being present because it was being administered by the department—

**Mr Paterson**—Correct.

**Senator ABETZ**—as opposed to Questacon.

**Senator Carr**—Questacon is a division of the department.

**Senator ABETZ**—We know that. But they were not administering SCOPE before 2 July, Minister—right?

**Mr Paterson**—Correct.

**Senator ABETZ**—There has been a change. I understand that, and that is fine. Has the government invited Questacon, you minister or the department, to provide any guidelines or whatever in relation to the messages that might be sent into outer space.

**Senator CARR**—This was an initiative that was taken as part of our broader Science Week proposals. It was one of many. We did not at any point seek to guide the administration of the program, and the officers who you did not request are the ones who can answer the questions about why they chose to administer the program in the way they have.

**Senator ABETZ**—Yes, but there has just been a change in the last few months that we all understand, that I had not caught up with minister. So do not get all high and mighty.

**Mr Paterson**—We would be happy to get the officers here.

**Senator ABETZ**—I have asked whether the government provided any guidance.

**Senator CARR**—There are no secrets here. There is no conspiracy here.

**Senator ABETZ**—The answer is either yes or no.

**Senator CARR**—There are no secrets here. The officers have administered the program professionally. It was highly successful. I went to Questacon to launch the initiative but the program is essentially the responsibility of the officers.

**Senator ABETZ**—So minister you are saying it is highly professional to send the message ‘send me some sexy alien women’. That is your judgment. Thank you.

**Senator CARR**—Senator, there were tens of thousands of emails from citizens of this country. There was actually a committee established and, if I remember rightly, it was run by a magazine. They chose which things went on there and which did not. There was no political intervention as to the selections that were made. There is not much more I can add to that.

**Senator ABETZ**—Yes, but there were certain criteria administered by your officers and I am wondering whether you, minister—

**Senator CARR**—But not by my office—that is the difference.

**Senator ABETZ**—By your officers.

**Senator CARR**—You are trying to imply something which is not the case.

**Senator ABETZ**—If you had listened, I said ‘officers’ as in ‘departmental officers’. You defended them by saying that they were highly professional. Something dealing with the Labor budget deficits and debt is seen as inappropriate but a message saying ‘send me some sexy alien women’ is appropriate. It is just an interesting professional standard. I do not pursue it any further.

**Mr Paterson**—Senator, there is an implied criticism in the nature of that statement against officers who are not here, and I request, through the chair, that if we continue this line of questioning then the officers who were responsible for making these judgments at least have an opportunity to have those propositions put to them, particularly if there is an implied criticism of the activity they have undertaken.

**Senator ABETZ**—They have been ably defended by the minister. All I have done is read out what is on the record, noting that the minister believes that the inclusion of that statement is part of the highly professional behaviour. That is the record, Mr Paterson. Do not worry about potential implications.

**CHAIR**—Senator Abetz are you continuing with this line of questioning? I think that is the issue?

**Senator ABETZ**—No, I am not.

**Senator EGGLESTON**—I have some questions about fund allocations. Has the Sustainable Research Excellence in Universities program been well received by the academic community?

**Ms Borthwick**—We undertook consultations last month with the sector and had various views put to us. Since we have been back to talk to the sector as part of the interim agreement process I think it is fair to say it has been well received by the sector.

**Senator EGGLESTON**—There seems to be some controversy though—it seems the smaller country universities feel disadvantaged in the application process. There was an article in the *Australian* on 19 August to that effect. It said that smaller universities in regional areas felt disadvantaged by this. It said:

Some, such as Sunshine Coast, Canberra, Southern Cross and Ballarat universities, have difficulty meeting the threshold because they are small.

Do you have any comments to make on that?

**Ms Borthwick**—Yes, in fact the Sustainable Research Excellence in Universities program was designed with a specific element in it that supports smaller and in some cases regional universities to a higher extent than the support provided for other universities. The program is comprised of three elements: a base element, a threshold for all universities in receipt of competitive funds under \$2½ million and then a second threshold which is contingent on performance. The first threshold in fact was put in place specifically to support those smaller and regional universities.

**Senator EGGLESTON**—This article says that something like 11 universities would be excluded from research funding—the universities I mentioned plus Victoria and Edith Cowan universities, which, although bigger, are still below the average size of Australian universities and have not yet has the time or funding to develop comprehensive research strengths. Does this mean that in effect your funding is not going to enable these universities to develop a research base?

**Ms Borthwick**—I do not have the article in front of me but, as I said, the budget measure in the program has been specifically designed to, if you like, overcompensate those universities that you have identified to support them to pursue research and quality research.

**Senator Carr**—Senator, would you like to nominate how long a university needs to develop its research strengths?

**Senator EGGLESTON**—I do not know. It varies, one would have thought, from institution to institution and depending on the discipline involved.

**Senator Carr**—How many of those universities would you say have not had sufficient time to develop a research strength?

**Senator ABETZ**—Chair, I think we are reversing the order of estimates—it is usually for the opposition senators to ask the questions.

**Senator EGGLESTON**—This article was in the *Australian* on 19 August. It was written by Gavin Moodie.

**Senator Carr**—It is clearly wrong. It is based on a premise which is incorrect.

**Senator EGGLESTON**—You may say that, Minister, and you are quite welcome to. But the article quite clearly states that the department gave no rationale for locking out smaller universities from competing for excellence program funding.

**Senator Carr**—That is just not true.

**Senator EGGLESTON**—Well, you assert that and I am entitled to ask questions to determine whether or not that is the case.

**Senator Carr**—This particular program provides a distinct advantage to regional universities. Mr Moodie is just mistaken.

**Senator EGGLESTON**—Let me read you another paragraph from the article. It says:

It could achieve much the same result by simply having two pools of research funding with different criteria for allocating each. Locking out smaller research universities from excellence research funding seems a gratuitous establishment of two classes of research universities and could easily lead to the establishment of further thresholds to lock out middle research universities from competing for other funding reserved for big research universities.

Is that how we are allocating funding—by dividing universities up into three groups: the bigger, the middle and the lower grade universities?

**Ms Borthwick**—No university is being locked out of funding for research. All universities are able to apply for competitive grant funding through the ARC. All universities will receive funding through the Sustainable Research Excellence in Universities program.

**Senator EGGLESTON**—So you are giving an absolute guarantee that smaller universities, like Griffith University in Queensland and other smaller regional universities, will not be disadvantaged in applying for research funding?

**Ms Borthwick**—To the best of my knowledge, no university will be disadvantaged through applying for research funding.

**Senator EGGLESTON**—Thank you.

**CHAIR**—There being no further questions on outcome 2, I thank the officers for attending.

#### **Proceedings suspended from 12.35 pm to 1.31 pm**

**CHAIR**—The committee will now resume with the Department of Innovation, Industry, Science and Research and outcome 1.

**Senator ABETZ**—Minister, have you received a letter from the chair of this committee, in her capacity as chair of this committee, since the last Senate estimates?

**Senator Carr**—I would have to check the files on that. Do you have a copy of it?

**Senator ABETZ**—No, I do not. I am just wondering whether the chair has written to you in her capacity as chair.

**Senator Carr**—I would have to check the files.



**Senator ABETZ**—Can I then ask whether you stand by your claim made at the last estimates, when you absented yourself, that you had to attend a cabinet meeting?

**Senator Carr**—What is the problem?

**Senator ABETZ**—Do you stand by your—

**Senator Carr**—Yes.

**Senator ABETZ**—You are aware that cabinet did not meet on that day?

**Senator Carr**—It depends what you call cabinet. How do you know that?

**Senator ABETZ**—Because your substitute minister, Senator Conroy, the Deputy Leader of the Government in the Senate, confirmed that to us when I asked him whether there was a cabinet meeting and, if so, why he was not there.

**Senator Carr**—I am generous enough to point out that you were never a member of cabinet, so you probably will not recall how it works.

**Senator ABETZ**—Because of the huge amount of quality ahead of me.

**Senator Carr**—The cabinet meets in many forms.

**Senator ABETZ**—Oh, does it? Why do we have such things as subcommittees and committees of cabinet, as opposed to cabinet?

**Senator Carr**—And you do not think that their documents are headed up ‘cabinet-in-confidence’? You do not think that they are meetings of the cabinet? What do you mean?

**Senator ABETZ**—That it was not a cabinet meeting. What did you attend on that day?

**Senator Carr**—I have indicated to you. I do not have anything further to add on this.

**Senator ABETZ**—Operation Sunlight, Kevin Rudd’s promise, out there shining away brightly!

**Senator Carr**—Operation Stupidity, Mr Turnbull—

**Senator ABETZ**—By Minister Carr. I agree with that. But your leader actually promised us Operation Sunlight, not Operation Stupidity courtesy of your own contributions.

**Senator Carr**—Mr Turnbull has provided us with you.

**CHAIR**—Senators, I do not think we need to trade insults here.

**Senator ABETZ**—Minister, if you went to a subcommittee of cabinet, which I suspect, that was scheduled, as I understand it, on 10 February, some months earlier. Is that correct?

**Senator Carr**—I am not going to canvass with you the schedule of meetings of the cabinet.

**Senator ABETZ**—Public immunity, is it? What is your—

**Senator Carr**—I just said to you: I am not going to canvass with you the schedule of meetings of the cabinet.

**Senator ABETZ**—If you are not going to answer questions, you have to give a justification for it.

**Senator Carr**—I have just given it.

**Senator ABETZ**—No. I mean pursuant to the standing orders and the rulings et cetera of the Senate, not just because you, in your petulant mood, do not want to. We need something more substantive.

**Senator Carr**—I do not have anything further to add on that.

**Senator ABETZ**—You have nothing substantive to add; fine. I then ask: if it was known some four months earlier, why didn't you give the committee the courtesy of telling us that you would have this meeting—which I would fully understand, if you had been open with us and said, 'Look, I've got to go to a subcommittee between these hours'—because then we could have rearranged the agenda to ensure that, let us say, we dealt with some agencies during that time? The point I am trying to get at is: next time, Minister, don't just spring it on the committee with a matter of minutes or an hour or so notice—whatever the notice was; 30 minutes, in fact—when you knew about this meeting four months in advance. I will ask the minister to take on notice whether he received a letter from the chair—because I did write to the chair on 14 July inviting her to canvass these issues with you, Minister, and I trust that she has done so. Just to go back: is the government under any misapprehension as to what 'cabinet' means?

**Senator Carr**—No.

**Senator ABETZ**—Good. You see, I asked Senator Evans, the Minister representing the Prime Minister in the Senate:

Did Cabinet meet on 1 June 2009 ...

Your leader in the Senate gave me a one-word response: 'No.' So I, in my questioning of you this afternoon, Minister, labour under the same misapprehensions as to what cabinet means as your very own leader in the Senate. Do you want to revisit your answers?

**Senator Carr**—No, I do not.

**Senator ABETZ**—Do you want to reconsider your approach to this?

**Senator Carr**—No, I do not.

**Senator ABETZ**—All right, thank you. I then asked:

Did any Cabinet committees meet on 1 June 2009; if so, for each:

... when did the meeting commence and conclude ...

I was told there was one cabinet committee meeting on 1 June and, surprisingly, the meeting commenced at 4.45 pm and concluded at 6.35 pm, similar to the times in question with your absence on that particular day—

**Senator Carr**—Senator, what are you trying to assert here?

**Senator ABETZ**—I am just quoting the evidence of your very own leader; I am not asserting anything. He also told us that the meeting was first scheduled on 10 February 2009. So, now that we know cabinet did not meet, why did you say cabinet was meeting? We know that there was a cabinet committee meeting on that day.

**Senator Carr**—What was the committee that was meeting?

**Senator ABETZ**—I do not know. You were the one there; you could possibly tell us.

**Senator Carr**—No, this is the evidence that you are tendering.

**Senator ABETZ**—Provided by your very own leader in the Senate—and, in case you are embarrassed, and I can understand that you would be, it is question Nos 1684 and 1685. Senator Evans has put you in a—well, you put yourself in the mess, but Senator Evans has now given us the proof that you have put yourself in this mess. The only request I make—and let us move on—is that, in the future, when you have meetings of this nature, you give the committee the courtesy of letting us know with more than 30 minutes notice of the need for your absence so that we can rearrange the schedule. I just would have thought that was common courtesy.

Going to other answers to questions on notice, I asked, on notice, in the *Hansard* of 26 February, under the topic ‘Green Car Innovation Fund’, question No. AI-41:

Have we made any extra money, loan or deal available to General Motors at all, other than the \$149 million? There has been some suggestion—

et cetera. You said you would take it on notice. You then said:

The Department does not comment on whether or not any company has approached the Government for assistance.

My question was not about whether anybody had approached you, Minister, for assistance. My question was whether any extra money, loan or deal had been made available. What is the answer to that question?

**Senator Carr**—Do you have the number of that question on notice?

**Senator ABETZ**—It is No. AI-41 of 26 February 2009.

**Mr Paterson**—We only have to hand the questions and the transcript of the last estimates, not the estimates before last.

**Senator ABETZ**—That is reasonable, and I accept that. It has now come to light that at the time I asked that question there was in fact a fairly substantial—if I recall correctly—\$200 million facility made available to General Motors via EFIC. Undoubtedly that is why I was given such a non-answer in answer to a question I did not ask, and can I just say that I do take exception to that. If you do not want to answer the question for confidentiality reasons, say so, put it up there in lights, but do not answer a question that has not been asked. Minister, may I ask how many communication staff are in the department?

**Mr Paterson**—I believe there is a response to a question on notice to that effect, is there not Senator?

**Senator ABETZ**—There may well be, but I want to know how many there are today. *The Weekend Australian* of 7 June tells me that there are 30 in the department. Is that in fact the correct figure or not? I accept that journalists get things wrong from time to time, so I am just asking.

**Mr Paterson**—Can we come back to you, Senator? We will get the answer for you.

**Senator ABETZ**—You can take it on notice; there will be no further follow-up questions on that.

**Mr Paterson**—We have the answer for you.

**Senator ABETZ**—Thank you.

**Ms Butler**—There are 33 staff in the department who are engaged in a range of media relations, media advice, public relations, public affairs, communications and communication strategy work.

**Senator ABETZ**—There are 33! I will have to take Greg Callaghan and Prue Vaughan-Smith to task for underestimating by 10 per cent the number of communication staff in this department. What was your answer to my question on notice—if you have it handy—as to what the numbers of communication staff were at the time?

**Ms Butler**—Senator Ronaldson asked a similar question and the response was 33.

**Senator ABETZ**—When was that dated?

**Ms Butler**—This particular answer was tabled in *Hansard* on 12 May 2009.

**Senator ABETZ**—Thank you. That would have been since or just before the last Senate estimates. Has there been an increase since that date, or change?

**Ms Butler**—Not that I am aware of, Senator.

**Senator ABETZ**—It would be helpful if you could take that on notice.

**Mr Paterson**—I think we have just answered that. The answer was 33 then and the answer is 33 today.

**Senator ABETZ**—Is it?

**Ms Butler**—Yes, I apologise, it is 33.

**Senator ABETZ**—Thank you for that. I refer you to question on notice at budget estimates hearings 1 June 2009, BI-17. In that question on notice I asked whether departmental officials wrote the following statements that were in the white paper in relation to powering ideas and innovation agenda for the 21<sup>st</sup> century. I asked a simple question:

Did Departmental officers write the following statements: ...

I would have thought the answer would be either yes or no, but instead I am told that the document:

... outlines the Government's ten-year strategy for innovation policy. It is a formal Government document and, in line with its long-term strategic vision, is also referred to as a white paper.

That is lovely. Thank you for telling me, but I knew all that. It does not answer my question as to who wrote the statements that I set out. So we have another example of answering questions that were not asked. Who is the intellectual giant that provides these answers?

Can I be told whether departmental officials wrote that? I can understand that other people may take a different view, but I see it as highly political to assert that there was a decade of policy neglect et cetera. We can argue that, but I do not want to go there today. I just want to know whether those statements emanated out of the department or from the minister's poison pen.

**Senator Carr**—Senator, if you look at the foreword of the document it clearly identifies the document as being issued by me.

**Senator ABETZ**—That does not answer my question. I know you issued the document.

**Senator Carr**—It is a document for which I take responsibility.

**Senator ABETZ**—I accept that as well, but I am asking whether departmental officers wrote those statements, just like before when we were talking about your message into space. Somebody else wrote it for you. You looked at it and undoubtedly approved it. There is nothing controversial about that; that happens in ministers' offices. But every now and then a minister does pick up the pen and—

**Senator Carr**—I take full responsibility for what is in the document.

**Senator ABETZ**—Yes, but the question is not whether you take responsibility but whether you were the original author of the words that I referred to in the question.

**Senator Carr**—I take responsibility for the document.

**Senator ABETZ**—We know that, Minister. Just answer the question: who originally authored those words? I know that you take responsibility for it. That is not the question.

**Senator Carr**—I take responsibility for altering it as well, Senator. These are documents issued under my name. They are terms that I have used for a great length of time. I take responsibility for this document.

**Senator ABETZ**—Did you originally author the words that appear on page 12 of the document? It says: 'The toll of political complacency and policy neglect upon Australia cannot be ignored.' Did you write those words or were you provided with a draft from the department that contained those words?

**Senator Carr**—I have answered the question. I do not have anything further to say.

**Senator ABETZ**—No, you have not. So operation stupidity shines yet again instead of operation sunlight. Let us move on.

**CHAIR**—Senator Abetz, I would prefer you to keep your questions polite, if that was indeed a question.

**Senator ABETZ**—It is funny. Who first came up with the term 'operation stupidity', Chair? It was the minister. Was the minister chastised by this Labor chair? No, he was not.

**CHAIR**—Senator, it was a general—

**Senator ABETZ**—Senator Abetz adopts the terminology and he is chastised.

**CHAIR**—It was a general statement to all of the members of the committee and people at the table.

**Senator ABETZ**—Oh, was it? In that case, I am sure the *Hansard* will not show that you referred the admonition to me by putting my name into the admonition.

Can I ask you, Mr Paterson, did you enjoy dinner last night? If it was a private dinner, I do not want to know about it.

**Senator Carr**—You asked for an opinion.

**Senator ABETZ**—Did you have dinner with the Premier of Tasmania last night?

**Mr Paterson**—Yes, I did.

**Senator ABETZ**—You did? Good. Thank you for that. Who paid for the dinner?

**Mr Paterson**—The host.

**Senator ABETZ**—Who was the host?

**Mr Paterson**—Profile Ray and Berndtson.

**Senator ABETZ**—Is that a company?

**Mr Paterson**—It is.

**Senator ABETZ**—Right.

**Mr Paterson**—I presume they paid for it. It was at the Commonwealth Club.

**Senator ABETZ**—Very nice.

**Mr Paterson**—As you would be aware, guests cannot pay for dinner at the Commonwealth Club. They are guests of the host.

**Senator ABETZ**—That is why I was wanting to know who the host was. Were there a lot of government bureaucrats there?

**Mr Paterson**—There were some.

**Senator Carr**—Do you spend a lot of time at the Commonwealth Club, Senator?

**Senator ABETZ**—No, hardly any at all. So I would not know about these wonderful things, but—

**Senator Carr**—I thought you just said you did.

**Senator ABETZ**—You smooch about there a fair bit, but I was told that the following people were there: the heads of the Departments of Agriculture, Fisheries and Forestry; Health and Ageing; Innovation, Industry, Science and Research—so, you were there—and Climate Change. Also there were the associate secretary of the Prime Minister's department and the Managing Director of Austrade. So it was quite a few officials.

**Senator Carr**—Some of the list that you have identified were there, but not all of them.

**Senator ABETZ**—Not all of them?

**Senator Carr**—No.

**Senator ABETZ**—Thank you for that. That is very helpful, because the Labor Premier of Tasmania issued a statement saying that he would be attending a dinner with all these very, very important people present, and you are now indicating to us that he sort of overcooked the egg somewhat.

**Senator Carr**—He didn't say that at all.

**Senator ABETZ**—But let us move on.

**Mr Paterson**—No, I will not move on, because I did not say that, and I will not have words put into my mouth in response to the question.

**Senator ABETZ**—All right. Which ones were not there that I mentioned?

**Mr Paterson**—The secretary of Agriculture.

**Senator ABETZ**—Right. Who else?

**Mr Paterson**—The secretary of Agriculture. You asked the question; I answered it.

**Senator ABETZ**—But who else?

**Mr Paterson**—You asked the question; I answered it.

**Senator ABETZ**—Was anybody else from the list that I read out not present?

**Mr Paterson**—No.

**Senator ABETZ**—Right. Thank you very much. Can I move on to the list of grants that Dr Craig Emerson, when he was acting minister for Innovation, Industry, Science and Research, tabled by a letter to the President dated 12 October 2009. Do we have that list?

**Mr Paterson**—I do.

**Senator ABETZ**—On the first page—and this is the ‘Appointments: Innovation, Industry, Science and Research Portfolio’—I cannot help but inquire, and possibly at my own expense, about the third person from the bottom. The name ‘John Grant’ just rang a bell with me. I dare say it is a very common name and that he is not the provider of free utilities to certain parliamentarians?

**Senator FIERRAVANTI-WELLS**—Or is it?

**Senator ABETZ**—Yes, or is it?

**Mr Paterson**—I am not sure who provides you with free utilities.

**Senator ABETZ**—Nobody has ever provided me with a free utility, but—

**Mr Paterson**—I thought that is what you just said.

**Senator ABETZ**—No. But there is a person who rejoices in the name of John Grant who got a bit of notoriety courtesy of me. That is why I say that I am asking this potentially at my own expense. I just want to make sure that this John Grant from Queensland is not the same John Grant who was the provider of a free utility to the Prime Minister. I know it is a common name. Finance departments and other people have John Grants in them. However, rather than saying it is a common name, I shall withdraw that and say that it is a prevalent name.

**Mr Paterson**—I can assure you that this John Grant is not the John Grant to which you refer.

**Senator ABETZ**—I was thinking as much. Thank you for that.

**Senator FIERRAVANTI-WELLS**—He couldn’t help himself.

**Senator ABETZ**—I want to move on to page 3 of this document. We have a pulp and paper industry strategy group, and a number of very good people appointed to it—and congratulations on that—but I note that only one person is being remunerated for their efforts. What is the outstanding nature of the person being remunerated that required that remuneration? Just as an aside, he happens to be a CFMEU official. It is \$597 a day, Senator Fierravanti-Wells, in case you were wondering, but nobody else gets remunerated.

**Senator FIERRAVANTI-WELLS**—Thank you.

**Mr Paterson**—The two persons, James Alan Henneberry and Michael O'Connor, are both deputy chairs of that strategy group and both were entitled to remuneration set by the Remuneration Tribunal for their role on that group. I am advised that Mr Henneberry declined and that is the reason that only one appeared.

**Senator ABETZ**—That Mr O'Connor did not.

**Mr Paterson**—Correct.

**Senator ABETZ**—We will move on to the TCF Industries Innovation Council. Is there a union official appointed in relation to that industry council and, if so, could the name be identified, please?

**Mr Paterson**—The two representatives of trade unions on that committee are Michele O'Neil, who appears on page 5—

**Senator ABETZ**—Yes, I have that one circled.

**Mr Paterson**—and the second representative is Barry Tubner, also on page 5.

**Senator Carr**—Representatives of employer organisations are numerous on that list as well.

**Senator ABETZ**—Yes. Don't get ahead of yourself and excited, Minister. I assume that neither Michele O'Neil nor Barry Tubner are deputy chairs of this particular committee.

**Mr Paterson**—That is correct.

**Senator ABETZ**—That is why they are not being remunerated. I was asking this on behalf of the union, to make sure there was no discrimination between the unions! For *Hansard*, that was asked with some sarcasm, in case somebody thought—

**Senator Carr**—That you would raise something on behalf of a union?

**Senator ABETZ**—You would be surprised how often I do, but when I do I do not disclose it, for fairly obvious reasons. Can I ask you, Minister, as to the status of the Commonwealth Commercialisation Institute, which met its demise early today courtesy of a media release emailed through to my office at 9.03 am, three minutes after Senate estimates had started. This, of course, was the institute that was announced with such fanfare only five months ago.

**Senator Carr**—I have this in front of me here and I need some clarification as to the question. I have a document that purports to be a media release from you, and I need to have this clarified because I do not think that even you could manage to get this quite so wrong. Could you explain? Is it your media release headed 'Carr's Commonwealth Commercialisation Institute sinks after five months'? I am just wondering—is that your press release or is it a forgery?

**Senator ABETZ**—Chair, are we going to have a role reversal? Most people in innovation, industry, science and research are hanging out for a role reversal between us two, Minister—

**CHAIR**—Senator Abetz, I think the minister was—

**Senator ABETZ**—but at this stage you are still the minister answering questions, not asking them.



**Senator Carr**—I want to know whether or not this is your press release.

**Senator ABETZ**—Can I ask—

**Senator Carr**—You are not repudiating it, are you?

**Senator ABETZ**—Can I ask about the status of the Commonwealth Commercialisation Institute. My office was told after the commencement of Senate estimates this morning that it was being renamed, sunk or whatever.

**Senator Carr**—Is this your press release or not?

**Senator ABETZ**—Chair, are you going to take some control over this minister or not?

**CHAIR**—The minister prefaced his question with a point of clarification.

**Senator ABETZ**—I am sorry—the minister does not ask questions.

**CHAIR**—Senator Abetz, can I finish? I think we have got to quite a childish point in the discussion here.

**Senator ABETZ**—It is a fairly fundamental point—sorry, Chair—that ministers do not ask questions.

**CHAIR**—People at the table quite often ask questions of clarification back to senators. It is not forbidden. But I do think that we can gather ourselves together, from the table and from the committee, and just move on with this discussion.

**Senator ABETZ**—What a good idea. So tell me, what has happened to the Commonwealth Commercialisation Institute, which was announced with fanfare some five months ago?

**Senator Carr**—I would just like to indicate, Madam Chair, that there has been a gross misleading of the public by Senator Abetz in this press release that claims that the Commercialisation Institute has sunk after five months. I would have thought that the shadow minister would be better informed. He is wrong. He ought to seriously talk to his staff about issuing documents like this in his name if they be so wrong and so completely devoid of facts.

**Senator ABETZ**—Does the Commonwealth Commercialisation Institute still exist?

**Senator Carr**—We have issued a press release today—

**Senator ABETZ**—Does it still exist?

**CHAIR**—Senator Abetz, will you let the minister finish.

**Senator Carr**—We have issued a press release today detailing the arrangements for Commercialisation Australia, which is the name of the new body. Commercialisation Australia will be funded with \$196 million and it aims to get Australian ideas to the market and to create jobs. It will be in operation from early next year.

**Senator ABETZ**—Does the institute still exist?

**Senator Carr**—The institute exists. It is called Commercialisation Australia.

**Senator ABETZ**—Does the name ‘Commonwealth Commercial Institute’ still exist?

**Senator Carr**—If you have actually read the press release which outlines the government's position, it indicates in the third last paragraph, Senator—and I trust that your staff have shown you this document—

**Senator ABETZ**—I have in fact read it and seen this.

**Senator Carr**—It says:

Commercialisation Australia (previously known as the Commonwealth Commercialisation Institute) was developed in consultation with over 250 stakeholders from the research community, enterprises, capital providers, service providers, government and members of the public.

**Senator ABETZ**—Minister, if this was such a great and wonderful idea, the Commonwealth Commercialisation Institute, why was it necessary only to change its name if everything remains the same, changing its name before it even got up and running?

**Senator Carr**—What we have indicated—

**Senator ABETZ**—No, the name.

**Senator Carr**—is that it is our intention to establish this body because we need a radical new approach to commercialisation of research in Australia.

**Senator ABETZ**—So we change the name to get this radical new approach from the Commonwealth Commercialisation Institute to Commercialisation Australia.

**Senator Carr**—We are today for the first time outlining the details of Commercialisation Australia.

**Senator ABETZ**—That is right, which did not exist before the announcement today. That is correct, is it not?

**Senator Carr**—It will exist from early next year. The decision has been made to proceed. The details of the new body have been announced today.

**Senator ABETZ**—Yes, and it is a new body. It is not simply the rebranding and renaming of an old body—exactly my point, Minister—and you have now finally admitted that this is a new body. I then ask: what are the material differences between Commercialisation Australia and the Commonwealth Commercialisation Institute?

**Senator Carr**—We announced in the budget our intention to establish this body.

**Senator ABETZ**—No, you did not.

**Senator Carr**—We indicated in the budget that we would have a consultation process—

**Senator ABETZ**—You did not.

**Senator Carr**—which we did, Senator.

**Senator ABETZ**—Sorry, in relation to consultation, you did, but in the budget you announced the institute.

**Senator Carr**—We indicated we would be establishing this body.

**Senator ABETZ**—No, you did not. That is misleading, whether deliberate or not others can judge. You said you would set up a Commonwealth Commercialisation Institute. You are no longer setting up a Commonwealth Commercialisation Institute—

**Senator Carr**—No, we are setting up Commercialisation Australia.

**Senator ABETZ**—That is right, which you described as a new body.

**Senator Carr**—That is what I did describe it as, and that is what it is—a new body.

**Senator ABETZ**—That is right. So the Commonwealth Commercialisation Institute—great sounding name and it was out there for five months—never drew breath. It was a stillbirth, wasn't it?

**Senator Carr**—It was always going to be a new body and we indicated that it would be established early next year. The reason we used the term 'Commercialisation Australia' was to make sure that there was no confusion between that and a body that existed in Queensland.

**Senator ABETZ**—So there was a Commonwealth Commercialisation Institute—

**Senator Carr**—No, there was an Australian Institute for Commercialisation in Queensland. To ensure that we had a clear line of sight between the Commonwealth commercialisation body and the Queensland body we have made that name change.

**Senator ABETZ**—Your media release today tells us that you are unveiling details of a radical new program for commercialising research—

**Senator Carr**—And we have.

**Senator ABETZ**—and I am willing to accept that, but what is so radically new about today's announcement as opposed to that which was announced five months ago in the budget?

**Senator Carr**—What we have indicated is that we—

**Senator ABETZ**—Or is that radically old now?

**Senator Carr**—Do you want me to answer the question or not?

**Senator ABETZ**—I do.

**Senator Carr**—What we have indicated today is that Commercialisation Australia will have three components: skills and knowledge, proofs of concept and early stage commercialisation.

**Senator ABETZ**—Not the question.

**Senator Carr**—You asked what is radically different about it. What is radically different about it is that we are tailoring the services to meet the needs of individual businesses as they move through the different stages of the commercialisation process.

**Senator ABETZ**—As opposed to what the Commercialisation Institute would have done?

**Senator Carr**—The Commercialisation Institute, as outlined in the budget, was a body established to produce a radically different approach to commercialisation in Australia. It was always indicated that it would be done after consultation with industry, with the universities and with people who are interested in these matters. Two hundred and fifty people responded to those consultations and, as a consequence of our engagement, we have established this body, as outlined in the press release issued today.

**Senator ABETZ**—So an announcement of five months ago being reannounced today with only a name change is radically new? That is wonderful.

**Senator Carr**—I am sorry if I am not clear, but I will try once again to explain it to you. We announced in the budget our intention to establish this body. We indicated in the budget processes that we would be putting this matter out for consultation. We indicated the budget. We indicated that it would be \$196.1 million over the next four years, with \$82 million per year thereafter. We indicated that it would be a radically different approach—

**Senator ABETZ**—We know all that.

**Senator Carr**—and that, to establish what directions it should go in, we wanted to consult, which we have done and 250 people have participated in that process.

**Senator ABETZ**—Many of whom have spoken with me.

**Senator Carr**—As a consequence of those consultations, today we have announced the decision to proceed with the new body, Commercialisation Australia.

**Senator ABETZ**—The ‘new body’. Thank you very much. So the Commonwealth Commercialisation Institute, which you yourself put in the press release in capital letters—which would suggest that that was in fact an organisation, an institute—

**Senator Carr**—Can you define an institute for us? Maybe we can help clarify your confusion. I think you should try to identify what the nature of your problem is.

**Senator ABETZ**—There is no confusion on my part. All we know is that the institute never drew breath in the five months after it was announced, and now we have, to quote you, a new body—

**Senator Carr**—We are having a new body established as of the beginning of next year.

**Senator ABETZ**—which is a recognition of how Labor is in disarray when it comes to innovation policy and you should just reimplement the Commercial Ready program.

**Senator Carr**—No. What we have got is a clear indication that your office is in disarray and that you obviously do not supervise your office very effectively if you produce ignorant twaddle like this.

**CHAIR**—Minister, I go back to my earlier point about a bit of politeness in these committee proceedings.

**Senator Carr**—You really should make sure that you authorise what is released, Senator Abetz.

**Senator ABETZ**—I did, Minister.

**Senator Carr**—So you acknowledge that this is yours and that this level of ignorance is being peddled knowingly by you?

**Senator ABETZ**—You have admitted yourself, Senator Carr, that you have today established a new body, not just made a name change. Therefore, the institute has sunk after five months, without having drawn breath, and you have got a completely new body, indeed a ‘radical new program’. I am sure you would not be using the words ‘radical new program’ if it

were exactly identical to the radical new program that you announced five months ago. There is a significant difference, I would suggest. But let us move on.

**Senator Carr**—The budget outlined our intention to establish this body.

**Senator ABETZ**—No.

**Senator Carr**—It did. You should read it again—

**Senator ABETZ**—You named it in the budget—

**Senator Carr**—or you ought to get yourself some new staff to read it to you.

**Senator ABETZ**—Did the budget in May 2009—

**Senator Carr**—The budget does not establish it; it establishes the funding line. What the budget does is outline our intention to establish the body, which we have done.

**Senator ABETZ**—Did the budget refer to an organisation to be named the Commonwealth Commercialisation Institute?

**Senator Carr**—I have indicated to you what the budget processes outlined and that we have called this new body Commercialisation Australia, formerly known as the Commonwealth Commercialisation Institute, because we wanted to distinguish it—we obviously have failed in this regard, because we did not understand the level of ignorance within the Liberal Party—from the Australian Institute for Commercialisation, which is a Queensland body.

**Senator ABETZ**—Did the budget, and your press releases associated with the budget, refer to the Commonwealth Commercialisation Institute—yes or no? The documentation either did or did not.

**Senator Carr**—What we said in the budget, at page 355, was: ‘The Government will provide \$196.1 million over four years to establish the Commonwealth Commercialisation Institute, which will support research commercialisation and early stage company development by small and medium enterprises. The Government will develop guidelines to ensure funding supports viable additional innovation activity.’ We have done that. But instead of—

**Senator ABETZ**—The budget announced the institute, not Commercialisation Australia. You have now spoken the words that I knew were in the budget. Your officials kindly located them for me, but you expressed them. In the budget you did not talk about some generic body; you announced the Commonwealth Commercialisation Institute, and we now no longer have the Commonwealth Commercialisation Institute.

**Senator Carr**—Look, Senator—

**Senator ABETZ**—So you did not announce Commercialisation Australia in this year’s budget?

**Senator Carr**—It is not uncommon for governments to name bodies in the budget and, after consultation, change the name of them to more accurately reflect the intention of the body or to minimise confusion.

**Senator ABETZ**—This is policy on the run.

**Senator Carr**—No.

**Senator ABETZ**—You should never have abolished Commercial Ready—you know that.

**Senator Carr**—In your government, when you sought to establish COMET, you actually called it ‘Investment Ready’ in the budget and later called it COMET. The fact is that governments, from time to time, use different terms to describe the same event.

**Senator ABETZ**—But not before it drew breath.

**Senator Carr**—You are just wrong.

**Senator ABETZ**—This was a stillbirth after five months—just admit it.

**Senator Carr**—I think you need to do a bit more homework.

**Senator ABETZ**—Let us go to another highlight of your portfolio, Minister. How many manufacturing jobs have been lost since you became minister? I would have thought you would have that figure at your fingertips. Take it on notice and we will move on, as time is short. David Oliver from the AMWU tells me it is 76,000. But let us move on. What, if any, effect will the recent increase in the value of the Australian dollar have on the government’s \$6.2 billion car plan? Is it going to make it better or worse in financial terms for car companies—for their ability to do business?

**Senator Carr**—It is, I think, widely understood that a rise in the dollar makes exports more difficult.

**Senator ABETZ**—In relation to their investment in Australia?

**Senator Carr**—It also makes imports of parts a lot cheaper. So there are swings and roundabouts in all of these issues.

**Senator ABETZ**—That is right. And I am asking for the overall assessment. If it has not been done, it has not been done—that is fine. I just want to see how closely we monitor these things.

**Senator Carr**—We have not. There has been no specific study undertaken.

**Senator ABETZ**—In relation to the Green Car Innovation Fund: there is a council that administers these funds or makes recommendations in relation to these funds—is that correct?

**Mr Peel**—There is a committee called the Green Car Innovation Committee, which is a subcommittee of Innovation Australia, that assesses applications and makes recommendations.

**Senator ABETZ**—To the minister? Is that right?

**Mr Peel**—No, to a delegate within the department.

**Senator ABETZ**—The delegate then makes the final decision. Is that correct?

**Mr Peel**—Except that any grants above \$10 million need to go to cabinet. Any grants above \$5 million that have a funding ratio of less than three to one for the car companies need to go to the minister.

**Senator ABETZ**—Thank you for that. How many people do we have on the council that makes these determinations?

**Mr Peel**—We have seven, Senator.

**Senator ABETZ**—Are there any industry representatives on that council of seven?

**Mr Peel**—I will give you the list of the members.

**Senator ABETZ**—I do not need them named. How many of them are actually industry representatives? I confess that the names would not necessarily indicate to me as to whether—

**Mr Peel**—There are people on the committee who obviously had experience with the automotive industry. I do not know that we would call them—

**Senator ABETZ**—Did you say had?

**Mr Peel**—Have and have had, experience in the motor vehicle industry. I would not necessarily call them representatives of the industry.

**Senator ABETZ**—I am sorry, that was loose language. I accept that they do undertake their role independently.

**Mr Peel**—They are independent in the activity that they undertake in assessing applications. There are strict conflict of interest rules which would prevent them from representing a particular case.

**Senator ABETZ**—How many people with current and ongoing industry experience are on this council?

**Mr Peel**—The members of the council are: Mr David Ryan, a former executive director of the Society of Automotive Engineers—Australasia; Mr Richard Johns, Principal, Australian Automotive Intelligence; Professor Mike Taylor, Director of the Institute of Sustainable Systems and Technologies of the University of South Australia; Mr Barry Dyson, Managing Director, Specialised Technical Services Pty Ltd; Professor Peter Hodgson, Director of the Centre for Material and Fibre Innovation at Deakin University; Dr Vijoleta Braach-Maksvytis, Company Director and Innovation Consultant; and Mr Leslie Hosking, Company Director, is chair of the committee. You can see from a few of the titles that I have read out that there are people with background in the automotive sector.

**Senator ABETZ**—The reason I have been asking is that somebody has indicated to me that they are apprehensive to make application to the Green Car Innovation Fund because on the council judging these applications are people from the manufacturing sector and they are concerned about their—

**Senator Carr**—It is about manufacturing, Senator.

**Senator ABETZ**—Can I finish? They are concerned that among the members who are manufacturing executives and thus he would not wish to divulge his technology to these individuals, even under the confidentiality agreements that are supposedly in place. From the list you read out I must say on the face of it looked pretty kosher, and I will go back to that source.

**Mr Peel**—As I said, we do have strict conflict of interest guidelines in place.

**Mr ABBOTT**—Are you able to provide them to me on notice please?

**Mr Peel**—I will if we can.

**Senator ABETZ**—That would be helpful and then I will send them off as well, and that may allay some fears.

**Senator Carr**—It is our intention to get advice from people who actually know what they are talking about.

**Senator ABETZ**—It is not a criticism. I was just testing because if there are good innovators in the community who want to contribute but see some impediment, if it is a real impediment we should deal with it. If it is just a perceived but non-realistic impediment we should then reassure them that they do not have to worry about it and they should come forward with their innovative idea. Minister, that is the only purpose for which I have pursued this bracket.

**Senator EGGLESTON**—I would like to ask about the space program. The *Financial Review* on 20 June said that the first stream of funding under the space science and innovation grants of up to \$5 million to support eligible consortiums in collaborative space research and development projects would go ahead. That was a program for space science and innovation grants. I would like to know where we are with that?

**Mr Green**—The Space Research Program was announced earlier this week and is now open for applications—the closing date is 4 December. There is an advertisement for the program in the *Australian* higher ed section today and we are open to receive applications.

**Senator EGGLESTON**—When does that close?

**Mr Green**—On 4 December at 3 pm.

**Senator EGGLESTON**—The other issue I am interested in the square kilometre array. I just wondered whether you have anything new to tell us about what is happening there.

**Mr Green**—I do not have responsibility for that.

**Senator EGGLESTON**—It says in this article that it is part of the Space Research Program. Is it covered by another area?

**Senator Carr**—We have the outcomes mixed up here. How can we help you?

**Senator EGGLESTON**—I apologise for that. It does appear here in an article on space research. I might just ask another question.

**Senator Carr**—If it is on the SKA, we are more than happy to talk about it.

**Senator EGGLESTON**—You are happy to talk about it?

**Senator Carr**—We will do our best.

**Senator EGGLESTON**—You are a great man, Senator; that is very good!

**Senator ABETZ**—I hope the *Hansard* will reflect the sarcasm with which that was said.

**Senator Carr**—I did not hear any sarcasm at all, Senator. He is just a bit more generous than you. People are just much more gracious in Western Australia than they are in Tasmania.

**Senator EGGLESTON**—We are very gracious people. This is going to collect radioastronomy data from deep space over a very long program.

**Senator Carr**—It is a 50-year project.



**Senator EGGLESTON**—Yes, indeed it is. But how far has that progressed? What is the state of play between us and South Africa on this issue?

**Mr Paterson**—I can give you a general overview. Australia is bidding to host the square kilometre array radar. It is a competition that is down to two bids: a bid from Australia and New Zealand, as one bid, and a bid from southern Africa—across eight nations in southern Africa—as the alternative site. It is expected that the decision for the location of the square kilometre array will be taken probably in 2012. It will be a global piece of infrastructure anticipated to cost somewhere in the order of €1.5 billion in capital costs and somewhere between €150 million and €250 million a year to operate. It is, as the minister indicated, a piece of long-term infrastructure. It takes its name from the large number of collection points—something in excess of 3,000 dishes spread across in an array across Australia and into New Zealand. The combined collection area of those dishes will be one million square metres, and therefore the name of the square kilometre array comes from that combined collection point.

Australia is well placed, based on its capacity in radioastronomy and instrumentation and technology development, to be competitively placed in that bid. It is not yet determined who will host it. The Australian government has committed something in excess of \$230 million on a no regrets basis to develop a pathfinder piece of radioastronomy technology. That will be erected in Murchison Shire in Western Australia, which is the intended location for the major hub of the Square Kilometre Array if we are successful in that bid.

**Senator EGGLESTON**—It will actually be the major town in Murchison too, because it is a shire in which there are no towns, only stations. But that is an aside.

**Mr Paterson**—And it will remain that way. It is not intended to create a town. As you rightly point out, Murchison Shire is a shire the size of the Netherlands and it has 110 people at the present time. It is the most radio quiet zone on the planet, and radio quiet is something that is absolutely essential for the infrastructure that is intended to be built there.

**Senator EGGLESTON**—When do we think there might be some decision made about this, Mr Paterson?

**Mr Paterson**—As I said earlier, we expect that the decision will be taken in probably 2012. Once that decision is taken and the funding is then locked in from the global partners, it is intended that construction will commence. It is a project that may well expand over the period 2012 to 2020 before it is fully operational.

**Senator Carr**—Forty per cent of the money is coming out of the United States, we hope, 40 per cent out of Europe and 40 per cent from amongst the 19 members of the consortia that are a part of the project.

**Mr Paterson**—It is two 40s and a 20, I think.

**Senator ABETZ**—That is what I thought. Three 40s makes 120, but I know how this Labor Party budgets.

**Senator EGGLESTON**—So is the consortia composed entirely of governments or are there private sector companies involved in it?

**Senator Carr**—There is an industry support group of up to 50 firms operating for our bid. It is one of the issues about developing much stronger links with industry. This is technology that has the capacity to actually transform much of what we do. Whether it be in ICT, in off grid power or in manufacturing there are huge implications here. So we are obviously working closely with a range of private firms to support this project.

**Senator EGGLESTON**—Is NASA involved in it?

**Senator Carr**—The question of the American involvement will evolve around their decadal plan established through their science academy. It will be clearer what the level of involvement from the United States is going to be in the first half of next year.

**Senator EGGLESTON**—Thank you. Because time is short, I will hand over to Senator Back.

**Senator BACK**—Ms Kelly, I want to draw attention to a topic that the minister and I are somewhat familiar with, which is the Australian Biosecurity CRC for Emerging Infectious Disease. I understand that you were an ex-officio member of the review committee that recently reviewed the applications for the funding for that particular CRC?

**Ms Kelly**—Yes, that is right.

**Senator BACK**—Could you give me some background to your role on the committee and the basis on which the decision was made?

**Ms Kelly**—As you say, Senator, I am an ex-officio member, an ordinary member, of the committee. The committee is charged with looking at a range of applications for CRCs, both for new CRCs and renewals of existing CRCs, on their merits. It is a competitive program with a finite budget. The way the program works, therefore, is that the committee ranks the applications in terms of merit and then makes recommendations to the minister about the order of merit in which those applications should be funded.

**Senator BACK**—Sure, and would it be available to us to know the composition of the committee?

**Ms Kelly**—Certainly. We can make that available to you.

**Senator BACK**—Can I specifically ask if there was any member on the committee with any expertise in the area of new and emerging diseases of humans and animals?

**Ms Kelly**—I would have to check whether there were people with specific expertise in that area, but certainly part of the process of assessing applications is to establish expert review groups, if you like, that do have expertise and that can advise the committee in areas where the committee does not itself hold the relevant expertise.

**Senator BACK**—Do you know on this occasion whether there was such a peer review committee established and whether the application was passed on to them?

**Ms Morahan**—For that particular application, no.

**Senator BACK**—There was not?

**Ms Morahan**—There was no peer review committee established for it.

**Senator BACK**—Could you perhaps take on notice why that decision would have been taken not to, particularly in an area as complex as infectious viral diseases? I wonder why that would not have been passed over to a committee of peers to review.

**Ms Kelly**—I think one of the reasons is that we did have some relevant expertise on the committee, including the head of the National Health and Medical Research Council, Professor Warwick Anderson.

**Senator BACK**—So when the composition of the committee becomes known to us we could—

**Senator Carr**—Senator, I will let the committee speak for itself but I think it is important to appreciate the process that is undertaken here in terms of the recommendations that came to me. I made inquiries as to whether or not the committee was satisfied with the presentation and the submission, and the advice given to me was that the CRC committee was not convinced that the proposed research would deliver outcomes to address biosecurity threats such as Hendra and the H1N1 virus. I was concerned at the obvious implications of that report.

I spoke to the committee through the department about their decisions, and the fact remained that the CRC committee provided feedback to the CRC in response to their application and the CRC was encouraged to reapply in the 12th round selection. So they presented in the 11th round and the report that came to me was that the CRC's submission was very poor and the committee was not persuaded of the claims that they were making as to the merits of their application. That was in the 11th round. In the 12th round, they were offered the opportunity and encouraged to reapply and they chose not to do so. Whether or not they reapply in the 13th round remains to be seen, but those are the circumstances that occurred. This is a highly competitive program and in the circumstances of the current guidelines I am effectively obliged to accept the recommendations of the committee. The recommendation came back to me very strongly that the committee's presentation and its submission were not satisfactory to attract the support of the committee.

CSIRO will continue to provide the bulk of the biosecurity research and it is estimated its expenditure on research into bat borne diseases, including Hendra, is approximately \$2 million per annum. CSIRO is working on the production of therapeutic antibodies for use as an emergency treatment in the post-exposure management of Hendra virus in humans. In those circumstances, where I was persuaded that the CSIRO was probably the strongest source of advice and research effort, and given the recommendations of the committee itself, having actually heard the evidence and having encouraged the CRC to reapply, which it failed to do, we were left with very little choice in the matter.

**Senator BACK**—Minister, could you just confirm this. I think you mentioned that there may be a 13th round for which they would be eligible to apply—or are they now too late in this process?

**Senator Carr**—I do not believe it is closed.

**Ms Kelly**—The 13th round is not yet over.

**Ms Morahan**—They are eligible to apply. The 13th round is planned for 2010.

**Senator BACK**—Given that the CRC’s funding expires on 30 June, is the process early in 2010 in the event that the CRC were to contemplate another application?

**Ms Morahan**—They can contemplate another application. In fact, they would be encouraged to do so. I am sure the CRC committee members would be happy to sit down and talk to them again about what would make a strong bid. The intention would be for applications in the 13th round to close probably in early July 2010, with a recommendation to the minister by early December 2010. The CRC can continue to operate as a CRC. It can continue to use the name and the CRC logo. If they want to seek an extension of their agreement, they are entitled to do that as well.

**Senator BACK**—Prior to it concluding at the end of June?

**Ms Morahan**—Yes.

**Senator Carr**—Chair, I seek leave to table the membership of the committee.

**CHAIR**—There being no objection, the document is tabled.

**Senator BACK**—I have a couple more questions. Given that the CRC has received quite significant private sector funding, and given its international nature—it is probably one of the very few CRCs that has international membership—is there any way of protecting that level of funding from the private sector going forward in the event that the group were in fact determined to seek additional short-term funding to tide it over? Is there a facility whereby private sector funding can continue to be picked up by that CRC?

**Ms Morahan**—In the past where CRCs have been unsuccessful and have sought to keep the collaboration together in order to rebid in the next round, CRCs have sought to extend their Commonwealth agreement and to support that collaboration through participant contributions only.

**Senator BACK**—I ask this because only last week in Queensland the CRC coordinated an international symposium on henipaviruses, of which hendra is one and nipah is another. It is the first time it has ever happened, and there were scientists there from the United States, the United Kingdom, Sri Lanka, India, Malaysia, Australia, Singapore, China and Vietnam collaborating in an incredibly successful way on the ‘one health’ aspect of those bat born viruses. The prospect of losing the benefit of that expertise is horrendous. I place that on the record because I hope whatever the mechanism is we do not lose it because so much good work has been done, internationally recognised by the CRC. There has got to be a process—whether it is this one, Minister, or whether it evolves into something more permanent. I really urge that to take place.

**Senator ABETZ**—Can we move back to the automotive sector and ask whether either or both of the two most recent and separate grants to ACL Bearings had any conditions attached to them?

**Mr Payne**—Any grants that have been made to ACL Bearings have had conditions attached to them which are set out with the company in a deed.

**Senator ABETZ**—Are we able to see those deeds or are we going to be told that they are commercial-in-confidence?

**Mr Payne**—They are commercial-in-confidence.

**Senator ABETZ**—All right, even in circumstances that ACL Bearing find themselves in now?

**Senator Carr**—They still exist, Senator. The receivers seeking to have the company restructured and sold are not going—

**Senator ABETZ**—I am aware of all that.

**Senator Carr**—I can assure you that I am only too happy to have the conditions made available. However, we are bound by normal business practices. I am trying to assist you, Senator, if you would just give me a moment. I issued a press release at the time at which the grants were announced. A series of conditions were specified which were associated with the project. In part, they went to the question of the ongoing viability of the firm and a commitment by the firm to invest in some 15—

**Mr Payne**—I believe it was in fact 14 activities.

**Senator Carr**—It was 14 specific measures that the company undertook in response to the restructuring proposals.

**Senator ABETZ**—Was that in response to both recent grants?

**Senator Carr**—It was in relation to the second.

**Senator ABETZ**—What about the one before that? Were conditions attached to that?

**Mr Payne**—I think you are referring to the grant to ACL which was extended in April 2008. Similarly there were conditions attached to that.

**Senator ABETZ**—Just in general terms, were any conditions attached relating to either executive redundancies or executive salaries?

**Mr Paterson**—We have already indicated that the terms of it are commercial-in-confidence. You are asking explicit questions going to, ‘Was it in?’ or, ‘Was it not in?’ That, I feel, puts us in a position where we would be breaching the commercial-in-confidence provisions to identify—

**Senator ABETZ**—Consider it. I would not have thought that question goes to the saleability of the remaining assets or business.

**Mr Paterson**—We did enter into an agreement in that grant where the terms were commercial-in-confidence.

**Senator ABETZ**—I will not pursue it any further. If you can have a look at it and add in relation to that I would be obliged, but if your considered judgment is to the contrary I would have to accept that.

I will move on to the Toyota Camry development. It has been announced that Australia will have a Toyota Camry hybrid. It will have significant economy gains over the 2.4-litre petrol version. That does not surprise me. What is the fuel economy of the hybrid Camry in relation to, let us say, a Holden Delta or a Toyota Corolla four cylinder?

**Mr Payne**—Toyota have not announced what the fuel economy of the hybrid Camry would be. It is a significant improvement on the fuel petrol engined Camry.

**Senator ABETZ**—So we do not know the degree of fuel savings. I have been told that it would be 20 per cent more economical, that it would have lower operating costs and that the carbon footprint would be one tonne a year less, when there was a degree of fanfare about this announcement. If we do not know its actual fuel efficiency, one wonders how those assessments could have been made. But I accept that—time is passing. I ask then in relation to the hybrid: is it correct that most of the components for this vehicle will be sourced from Japan—and when I say ‘most’, as in the value of those components, for example, the battery, the motor?

**Mr Payne**—Yes, that would be true.

**Senator ABETZ**—All right, thank you. In relation to the Holden Delta, that is now the Holden Cruze, I understand—

**Mr Payne**—That is correct.

**Senator ABETZ**—and that is an internationally recognised frame and it is coming to Australia?

**Senator Carr**—The localisation arrangements for all of these cars will vary, and will vary over time. There is discussion currently underway with component manufacturers about the levels of localisation for the Cruze, the Delta platform. There are discussions underway with Toyota about the level of engagement with component manufacturers.

**Senator ABETZ**—Yes, but the grants have already been made to them. They know what they are going to get, courtesy of your announcements. It is now a matter of negotiating and good luck to you and I wish you well in that. But we have heard from the officials as to what is actually going to happen. I will move on. Minister, in the steel industry you have appointed an advisory body—is that correct?

**Senator Carr**—An innovation council?

**Senator ABETZ**—An innovation council, thank you very much. Has that council been established?

**Senator Carr**—Yes, Senator.

**Senator ABETZ**—Do you have a response to the Australian Steel Institute—that has not changed its name to delete the term ‘institute’—that project proponents and major subcontractors are routinely skirting around local participation requirements whilst taking government subsidies and concessions for Australian projects?

**Senator Carr**—We have announced a series of measures which we believe will have a significant impact on the opportunities for Australian firms to tender for projects both public and private. It is my belief that there will be significant improvement in the level of engagement for those projects. There have been examples of major projects where Australian firms have not been able to secure contracts. It must be said, though, that there are also major projects where Australian firms have not actually tendered.

**Senator ABETZ**—Let us see how successful the council is.

**Senator Carr**—There are currently some \$230 billion of projects underway that are committed in Australia and a further \$464 billion projects pending. Seventy per cent of the

\$77 billion of government investment in the stimulus package is of course in infrastructure so what we have done is provide \$19.1 million to implement various measures to improve the Australian industry participation plans, to establish a number of supplier advocates—

**Senator ABETZ**—We know all that, thanks, Minister.

**Senator Carr**—Well, you asked the question. I am just trying to give you an answer as to why we are confident that the situation will improve following the 10 years of neglect under your government.

**Senator ABETZ**—I was asking whether the council was aware of the Australian Steel Institute's concerns. You have clearly indicated they are. You are looking to improve the situation. That is great. Let us wait and see at the next Senate estimates how the situation has improved. I look forward to hearing about those improvements, just like we were promised improvements in manufacturing jobs.

**Mr Paterson**—The Steel Institute are members of the Steel Industry Innovation Council.

**Senator ABETZ**—Excellent. Thanks for that, Secretary. That is a good, sharp, concise answer. Minister, can I move on to the LPG vehicle scheme, please.

**Senator Carr**—How can we help you, Senator?

**Senator ABETZ**—Can we be told the numbers or—let us be honest—the decline in numbers in this scheme since the changes?

**Mr Peel**—The figures as of 30 September 2009 are that there have been 242,024 claims allowed under the scheme to a value of \$480,894,000.

**Senator ABETZ**—Mr Peel, thank you for that, but have we seen a decline in the uptake in recent months?

**Mr Peel**—We have seen a decline in the first quarter, to 30 September, of about 36 per cent from the same period last year.

**Senator ABETZ**—That is 36 per cent is overall. What about in the retrofit market?

**Mr Peel**—I do not have a figure.

**Senator ABETZ**—All right. You can take that on notice for the retrofit market and the new market, because, as I understand it, the support provided has increased for the new market—

**Senator Carr**—Yes—factory fitted.

**Senator ABETZ**—but decreased for the retrofit market.

**Senator Carr**—Yes. We are trying to provide an opportunity for greater manufacturing capacity in Australia by providing additional support, and a number of manufacturers have taken that up.

**Senator ABETZ**—The retrofitting is where we will get the biggest environmental dividend because usually when gas guzzlers have been converted by people who do not have the money to buy a new car that is more fuel efficient the fuel bill is reduced, the carbon footprint is reduced and it is a win all around. Let us get those figures. If you could take that on notice.

Last time we had a bit of a show-and-tell by the minister presenting us with a photo of Mr Muntz's motor vehicle from Bendigo. Can I just ask for—

**Senator Carr**—This is a very good picture. You want to go through this again, do you?

**Senator ABETZ**—Just for clarification.

**Senator Carr**—This is the truck with a sleeper on the back. Is that the one you are trying to present as a motor car?

**Senator ABETZ**—Are you finished?

**Senator Carr**—I just want to make sure we have the right vehicle.

**Senator ABETZ**—Have you finished or should we get a bex for you?

**Senator FIERRAVANTI-WELLS**—And a cup of tea.

**Senator ABETZ**—And a cup of tea. To be eligible, is it necessary for the vehicle to be less than 3.5 tonnes gross vehicle mass?

**Mr Peel**—That is correct.

**Senator ABETZ**—The motor vehicle that Senator Carr had great delight in flashing around a photograph of, do we know its gross vehicle mass?

**Mr Peel**—From memory, I do not think that was ever established to us one way or another by the person who was seeking to make an application.

**Senator ABETZ**—If that vehicle were to be registered as a private use vehicle by the minister's state Labor government in Victoria, would it be eligible for the grant?

**Mr Peel**—There are a number of eligibility conditions. One of them is that it is registered in the name of the applicant at the time that the vehicle is converted to LPG.

**Senator ABETZ**—Yes, but—

**Mr Peel**—If it was registered for private use at the time it was converted to LPG and the person applied at that time and it was registered in their name at that time then that would meet that eligibility criterion for the program.

**Senator ABETZ**—Undoubtedly it is somewhere in the rules. Can you say where it says that? Is that on page 3?

**Mr Peel**—What are you referring to?

**Senator ABETZ**—The LPG vehicle scheme that the punters get, with frequently asked questions as to whether or not they are eligible. It is an eight-page document, by the looks of it.

**Mr Peel**—It is in there.

**Senator ABETZ**—It is February 2009.

**Mr Peel**—Is it page 3?

**Senator ABETZ**—Yes.

**Mr Peel**—Under 'Applicant and Vehicle Eligibility' it states:



...you have either converted a registered vehicle to LPG or purchased a new vehicle fitted with LPG before first registration.

**Senator ABETZ**—Is that the February 2009 document?

**Mr Peel**—It is the latest version, after 1 July 2009. It goes on to say that for conversions registered vehicles have to be registered in your name at the date of conversion.

**Senator ABETZ**—Can you please provide me with a copy of the scheme and whether there has been any variation or changes between the rules that applied as of February 2009 and now, because the page 3 you were referring seems to be different from the page 3 of the February document. I do not want to delay this committee any further on that now.

**Mr Peel**—I was just going to ask Dr Edwards to make a comment on that.

**Senator ABETZ**—All right. Thank you.

**Dr Edwards**—The latest version in the guidelines was in June. The requirement for the vehicle to be registered predates that change by quite some time. There has always been a requirement for a vehicle—

**Senator ABETZ**—Could you assist me and tell me where in that February 2009 document it says that? I have not been able to locate it, but that does not mean that it is not in there. If you could take that on notice, I would be much obliged.

**Dr Edwards**—We will give you the guidelines and the previous form of guidelines which indicates that.

**Senator ABETZ**—Yes. Rather than giving me a huge bundle of papers, could you draw my attention to which paragraph I should be looking at, so I do not have to read the whole lot. That would be helpful. Do we know the number of LPG installers around Australia? When I say LPG, I mean for motor vehicles.

**Dr Edwards**—There are approximately 3,200 installers.

**Senator ABETZ**—If you have that figure, are you able to give me a breakdown by state and if possible by subregions? If you have that list, could I be provided with that list?

**Mr Peel**—Do you want a breakdown of installers or a breakdown of grants under the program?

**Senator ABETZ**—Installers.

**Mr Peel**—We do not have that with us today.

**Senator ABETZ**—Take that on notice.

**Mr Peel**—We will see if we can find out for you.

**Senator ABETZ**—I was not anticipating you would have that sort of a particularity.

**Mr Peel**—We do not necessarily have it. We may need to make some inquiries. But we will take it on notice and let you know whether we can provide it or not.

**Mr Paterson**—Could I clarify one thing?

**Senator ABETZ**—Yes.

**Mr M Paterson**—In taking that question on notice, could I just insist that we do it on a best-endeavours basis, so that we will not pretend that the list we provide to you encompasses every potential LPG installer in the country. I just want that to be understood.

**Senator ABETZ**—Yes, of course. I will move to Enterprise Connect. Am I reading the papers correctly that in this year's budget papers the allocations to Enterprise Connect are substantially less compared to those when first budgeted in last year's budget papers? I trust I am reading the documentation correctly.

**Mrs Zeilke**—Could I ask you to repeat that question?

**Senator ABETZ**—Yes. The allocations for Enterprise Connect in this year's budget papers for the out years, if I have it correct, in round figures were 26, 24, 24 and 14, compared to the previous budget figures that were 59, 50 and 50. Am I reading that correctly? It would suggest, in rough terms, a substantial reduction—not quite 50 per cent.

**Mrs Zeilke**—I believe that the previous figures you were quoting would be a combination of the departmental and the administered figures together, whereas in the budget figures the numbers that were quoted at that stage were actually showing the change in relation to the administered dollar component of that. So they are not the complete budget for Enterprise Connect.

**Senator ABETZ**—Could you provide a comparison of apples with apples for the last two budgets just so I can get a proper handle on that, please?

**Mrs Zeilke**—Certainly.

**Senator ABETZ**—Thank you very much of that. That would be of assistance. I recall last time around I asked about the Commonwealth Commercialisation Institute and progress with the board, premises, staff et cetera. We now no longer have an institute but something else. I will have to be reminded of the new name. I just got used to the old one, Minister, and now you have changed it on me.

**Senator Carr**—Get your staff to write it out for you on a board or something like that, because it is obvious you are having a little bit of trouble following this.

**Mr Pettifer**—It is Commercialisation Australia.

**Senator ABETZ**—Thank you. You are so much more helpful than your minister. How will that operate? Will it have a board? Will it be operating from premises somewhere other than in the department? If so, whereabouts will they be situated?

**Mr Pettifer**—It will have a board.

**Senator ABETZ**—It is not appointed yet?

**Mr Pettifer**—There is a project team that has been appointed.

**Senator ABETZ**—When were they appointed?

**Mr Pettifer**—They were appointed in the last few weeks. There will be a permanent board—

**Senator ABETZ**—In anticipation of Australian commercialisation?

**Senator Carr**—Commercialisation Australia.

**Senator ABETZ**—I will have to write it down, Minister. You are quite right.

**Senator Carr**—Put it around your neck. Have a sign or something.

**Mr Pettifer**—Commercialisation Australia is to be open for business early in the new year. There is further work to be done on the detail of the operational guidelines, some of the key performance indicators—

**Senator ABETZ**—But I thought that was what all the consultation was about.

**Mr Pettifer**—and appointment of some critical operational staff. The pro tem board will undertake that particular task so that they can hit the ground running.

**Senator ABETZ**—So no staff who were appointed to the institute will be transferred to Commercialisation Australia?

**Mr Pettifer**—You are confusing—

**Senator Carr**—Let me try to explain this to Senator Abetz for about the 15th time. The budget outlined our intention is to establish this body. We indicated that we would put this matter out for consultation. Two hundred and fifty people participated in the consultations—

**Senator ABETZ**—Yes, we have been through this.

**Senator Carr**—And you clearly have not understood a word of it. We announced that the—

**Senator ABETZ**—You are just trying to keep obfuscating so you do not have to answer the question.

**Senator Carr**—No. We have indicated that the body will be established and up and running from the beginning of next year.

**Senator ABETZ**—Now can I ask the questions and, please, Mr Pettifer, if you can, give me answers that I am actually looking for.

**Senator Carr**—Will you be able to understand them? That is the real issue.

**CHAIR**—Thank you, Minister. Mr Pettifer—

**Senator ABETZ**—I asked when the board was appointed and I asked whether any personnel had been appointed to the institute.

**Mr Pettifer**—This is a new body.

**Senator ABETZ**—Sorry?

**Mr Pettifer**—Commercialisation Australia is a new body.

**Senator ABETZ**—Yes, I accept that. I am asking about the announcement in the May 2009 budget where we had the specific name of the Commonwealth Commercialisation Institute in the budget papers kindly read out for us by the minister. Were any people employed under that institute as announced in the budget?

**Mr Pettifer**—No, because—

**Senator ABETZ**—Thank you. That is all I needed to know.

**Mr Pettifer**—That was because the months since that announcement have been taken up with consultation, as the minister said, to effectively establish the institute as Commercialisation Australia. It is simply a name change.

**Senator ABETZ**—I am sorry but the minister's press release says that it is a radical new program—

**Senator Carr**—Yes, it is.

**Senator ABETZ**—not just a name change. That is the difficulty when you put too much spin into things—it tends to collapse.

**Senator Carr**—The only thing spinning is your head, Senator. You are having a lot of trouble following basic decisions.

**Mr Pettifer**—It is a radical new approach to the commercialisation of Australia research.

**Senator ABETZ**—The most critical radical approach to commercialisation of course was the abolition of commercial ready, which Minister Tanner trumpeted as the best decision of the Rudd government's first-ever budget. So let us keep that in mind as well. Do we know where the Commercialisation Australia headquarters will be?

**Mr Pettifer**—We are still working through the detail of that—

**Senator ABETZ**—So the answer is no?

**Mr Pettifer**—Can I just go on to explain. There will be case managers appointed who will operate right around the country so the delivery of it will be distributed. There will be—

**Senator ABETZ**—I asked about headquarters. How many headquarters are we going to have?

**Mr Pettifer**—I would expect that it will be in Canberra, with delivery taking place through people on the ground out in the states and territories.

**Senator ABETZ**—Will it be attached to a particular university, for example?

**Mr Pettifer**—No, it will be part of the department.

**Senator ABETZ**—So we only have a pro tem board. We do not have premises. Do we have an idea as to the number of staff at this stage that might be appointed?

**Mr Pettifer**—We know what the total allocation of staff for it is and we need to work through how they are divided up between the delivery aspects and the policy aspects of Commercialisation Australia.

**Senator ABETZ**—And how many will there be in each category?

**Mr Pettifer**—We are working to those particular issues.

**Senator ABETZ**—Sorry, you said you knew.

**Mr Pettifer**—No, I said we knew the total number.

**Senator ABETZ**—And the allocation between the two.

**Mr Pettifer**—No, I said we are working our way through the allocation.

**Senator ABETZ**—So we know the total figure that is needed but we do not know the figures required in each area. So how did you arrive at a total other than getting it out of thin air?

**Mr Pettifer**—There was a budget, which we have talked about previously, for Commercialisation Australia. We know what resources—

**Senator ABETZ**—So the budget determined how many staff you needed. I thought you usually determined a budget on the basis of how many staff you need rather than the other way around.

**Senator Carr**—Things might have changed since you have been in opposition.

**Senator ABETZ**—You are quite right. We used to say, ‘How many staff do we need,’ and we would then fund that. We did not say, ‘Let’s throw a bucket of money at this,’ and then determine how many staff would be needed to absorb all the money that has been thrown at it. You are quite right minister—it is a completely different approach.

**Senator Carr**—I am sure that is what happens!

**Senator ABETZ**—And that is why we left government with a huge surplus and you will be leaving us with a huge deficit. I look forward to having some actual meat on the bones of this next time we meet. In relation to ICT, how many people are there in that section of the department still? I think it was six last time. It is part of manufacturing, is that right?

**Mr Lawson**—It remains six.

**Senator ABETZ**—Would there be any precinct in Victoria that you could describe as an ICT precinct at all, just from your knowledge—you can take this on notice if you cannot think of anything offhand.

**Mr Lawson**—It may be best if I take it on notice. Is it a precinct where companies might be focused?

**Senator ABETZ**—Yes

**Mr Lawson**—Because there are research sort of precincts.

**Senator ABETZ**—When I say precinct I understand that to be where there is collaboration or where you have research, a tertiary institution and the private sector all working together in collaboration.

**Mr Lawson**—There are a number. Have you got in mind a specific one?

**Senator ABETZ**—Unfortunately, when I was in Victoria just the other day, people in the ICT sector had difficulty in identifying one and I was of the view that clearly there must be one and so I want to assist them. In relation to electric cars, has the department done any work in recycling of batteries, toxicity in landfill et cetera as a consequence of electric cars?

**Mr Payne**—No.

**Senator ABETZ**—In relation to Ford’s announcement of a Fiesta Econetic diesel—

**Mr Paterson**—I think that it is called Econtec—

**Senator ABETZ**—In the *Australian* it has got an ‘ic’ on the end as well. However one pronounces these things, we know what we are talking about. Has there been any Australian government assistance to this proposal?

**Mr Payne**—That is an imported vehicle so there has been no assistance.

**Senator ABETZ**—That is what I thought might be occurring, and of course that will be substantially cheaper in relation to current market expectations for the Toyota Prius. In relation to the textile sector, I realise that perhaps I should have been asking some questions in the science area about what is happening with the collaboration between CSIRO and Deakin University. That is now on the *Hansard* and if CSIRO can give me an update on that, courtesy of the *Hansard*, I would be obliged to them. I know that Senator Fierravanti-Wells has some questions though.

**Senator FIERRAVANTI-WELLS**—I would like to ask some questions on the TCF Innovation Council, which I understand was recently appointed, in August, and tasked to look at innovation priorities and innovation across TCF industries. I am particularly interested in the additional tasks of that council, which look at the voluntary ethical quality mark and things going to sizing in the clothing industry and some other things in the footwear industry. What is the time line in relation to their work, Mr Lawson?

**Mr Lawson**—The TCF Innovation Council has met once and we had an initial discussion of those issues. Its second meeting is next month and at that second meeting it is going to be setting its time lines of its work plan.

**Senator FIERRAVANTI-WELLS**—How long has it been set up for? Does it have a time line?

**Mr Lawson**—In the meantime we have had the National Measurement Institute investigating the issue of an anthropometric database which would underpin a sizing issue—

**Senator ABETZ**—What sort of a database?

**Mr Lawson**—Human measurement.

**Senator ABETZ**—Thank you. I have learnt a new word, thank you.

**Mr Lawson**—I learnt it not so long ago myself, Senator.

**Senator FIERRAVANTI-WELLS**—Sizes are getting bigger. It has got to do with thin models and sizing—that is what the problem is.

**Senator Carr**—I recommend that you read the press release from 14 August—

**Senator FIERRAVANTI-WELLS**—I have read it, Minister.

**Senator Carr**—where it details all of this.

**Senator FIERRAVANTI-WELLS**—I have, Minister, and I have also cited it in a report I am writing. Mr Lawson, could you take that notice? By the time you answer my question you will have some more details in relation to the work plans. I am most particularly interested in the work that the council is going to do in relation to the quality mark especially concerning issues to do with mulesing in the wool industry. If you could pick up those points, that would

be useful, thank you. I also have a question on the Expanded Overseas Assembly Provisions Scheme—is that also in your area, Mr Lawson?

**Mr Lawson**—Yes.

**Senator FIERRAVANTI-WELLS**—I understand that this scheme is due to finish in 2010. Is that the case?

**Mr Sexton**—That is correct.

**Senator FIERRAVANTI-WELLS**—I ask that in particular because the scheme has assisted our knitting mills—particularly ABMT, Andorra Australia and Target, who value add knitwear products—and, I understand, involves about 1.4 million units of value added product. Given the difficulties that the knitting industry is facing at the moment, can you tell me or take on notice to tell me the impact that this will have when the scheme is removed and what alternative—

**Senator Carr**—It was designed to end at this point, wasn't it?

**Mr Sexton**—Yes.

**Senator Carr**—So it was a policy the previous government had. It was your government's decision.

**Senator FIERRAVANTI-WELLS**—I am just asking, if you could, Mr Sexton, to give us—

**Senator ABETZ**—It is amazing how many of our policies you adopt, Minister.

**Senator Carr**—It is amazing how many policies you forget.

**Senator FIERRAVANTI-WELLS**—Minister, I did not ask it in that context. I am asking, if you could, Mr Sexton, to give us an outline of the terms of that impact on specifically the knitting industry.

**Mr Sexton**—Yes.

**Senator FIERRAVANTI-WELLS**—Thank you.

**Senator BOB BROWN**—I wanted to ask a couple of questions about the Pulp and Paper Industry Strategy Group. How is it progressing?

**Mr Payne**—The group has had several meetings. It has produced an issues paper, which is available on the department's website. And it is working towards preparing a final report to the minister by the end of the year.

**Senator BOB BROWN**—Can you tell me if the meetings are minuted?

**Mr Payne**—Records are kept of key decisions at the meetings.

**Senator BOB BROWN**—Could you make those records available to the committee?

**Mr Payne**—If you do not mind, I might just need to check the terms of which we advised members of the group about the privacy of the record of the meetings, just because there would be some commercially confidential material that is discussed at the meetings. So could I take that on notice and get back to you?

**Senator BOB BROWN**—Yes, but can you give a commitment to give the committee the records in so far as confirmation has been given that commercial-in-confidence information has been removed and why?

**Mr Payne**—Yes. I will seek to do that.

**Senator BOB BROWN**—Thank you. Who is organising this committee?

**Mr Payne**—If your question is about the secretarial arrangements, they are provided by my division in the department.

**Senator BOB BROWN**—What about the committee itself? Who organises the meetings?

**Mr Payne**—An officer of my division who networks with me and other officers in the division.

**Senator BOB BROWN**—Can you tell the committee what the cost of the group so far has been?

**Mr Payne**—Yes. The total expenditure on the group up to 16 October 2009 is \$263,542.

**Senator BOB BROWN**—Following the issues paper being deliberated, when do you expect the final submission to government to be forthcoming?

**Mr Payne**—The final report to the government?

**Senator BOB BROWN**—Yes.

**Mr Payne**—We are aiming for a date in the first week or so of December. There is a specific date; I just cannot bring it to mind. I have just been advised that it is 14 December.

**Senator BOB BROWN**—What is form is the submission to government going to take? Can you tell the committee that?

**Mr Payne**—It would be a report from the group addressing the terms of reference which the government announced when setting up the group. So it would be a report agreed to by group members.

**Senator BOB BROWN**—What is the role of Mr Michael O'Connor in this group?

**Mr Payne**—Mr O'Connor is one of the two deputy chairs of the group.

**Senator BOB BROWN**—Who is the other one?

**Mr Payne**—Mr Jim Henneberry, who is an executive of Australian Paper.

**Senator BOB BROWN**—Are they paid for those roles?

**Mr Payne**—We had a question about this earlier. As deputy chairs, they are entitled to remuneration. Mr Henneberry declined to accept remuneration but Mr O'Connor is remunerated for his involvement.

**Senator BOB BROWN**—I am sorry to go over this again, but what is the amount of that has been remunerated to Mr O'Connor?

**Mr Payne**—According to remuneration tribunal rates, it is \$536 per day.

**Senator BOB BROWN**—And how many days?



**Mr Payne**—It would depend on his involvement and the number of meetings that we have had.

**Senator BOB BROWN**—How many is that?

**Mr Payne**—At the moment, the fees to Mr O'Connor total \$1,791.

**Senator BOB BROWN**—Can you just tell the committee about the make-up of the group itself—who they are. Have they all been present at each of the meetings?

**Mr Payne**—There has been pretty well full turn-up at the meetings, so we know that each of the eight pulp and paper companies have been represented. There is a representative from CSIRO, there are two industry experts who are not directly linked to companies, there are three union representatives, there are members from the relevant state governments and then there are observers who attended the meetings as well.

**Senator BOB BROWN**—Have specific projects like the pulp mill in Tasmania been discussed by the group?

**Mr Payne**—Which project?

**Senator BOB BROWN**—The proposed Gunns pulp mill in Tasmania.

**Mr Payne**—The focus of the group is not on particular projects; it is about a sustainable long-term future for the pulp and paper industry. Sorry, my answer would be no.

**Senator BOB BROWN**—It has not been discussed?

**Mr Payne**—No, not in a focused way. It is possible that project has been mentioned in the meetings, but it is not an issue that the report is going to address.

**Senator BOB BROWN**—In that case, is the report looking at what the potential for Australia is in so far as downstream processing from woodchip to pulp and beyond that to paper and where ideally such manufacturing enterprises should be placed?

**Mr Payne**—As to location, no, that is not going to be a focus of the report. But the first part of your question is something that the group will address.

**Senator BOB BROWN**—Wouldn't the location be a good point of information for government in considering the resource configuration that will be looked at by the group?

**Mr Payne**—Yes, but I think that the group would deal with that issue about, if you like, the desirable attributes of location rather than identifying particular places around the country.

**Senator BOB BROWN**—Why not?

**Mr Payne**—As I say, the group is talking about a sustainable future for the industry and not specific projects which are going to be identified or which will emerge over the short term, so there is not a project focus in the group's work.

**Senator BOB BROWN**—But isn't the most sustainable future for the industry going to depend on the most sustainably placed manufacturing entities in the future?

**Mr Payne**—Yes, but I understand your question to be: would the group be recommending particular locations for future projects? The answer to that is no.

**Senator BOB BROWN**—But aren't you telling me that the group's commercial interests are overriding government strategic interest and therefore this group is not moving towards what is in the wider public interest in establishing such matters as where best, given the configuration of resources and other matters, such downstream processing would be placed?

**Mr Payne**—I would make clear that the group is not looking at specific projects; therefore, the question about where a particular project should or should not be located is not something that the group will focus on.

**Senator BOB BROWN**—What strategic interest is the group taking in the impact of climate change on the industry and the impact of the industry on climate change?

**Mr Payne**—That is an issue that the terms of reference asked the group to look at. That is something that is being considered and it was mentioned in the issues paper which, as I said, was released earlier this year.

**Senator BOB BROWN**—There is no government information or extant information on the impact of logging of native forests on greenhouse gas emissions. What is the group doing about filling the void?

**Senator ABETZ**—Chair, isn't the group dealing with the terms of reference and the terms of reference surely determine what they should be looking at and whether it is within their brief or not.

**Mr Payne**—That is correct, Senator, and logging is not something that the group is looking at. It is going downstream from logging.

**Senator BOB BROWN**—But you are looking at the impact of the future of the industry on climate change without looking at the impact of resource extraction.

**Mr Payne**—Pulp and paper manufacturing is an energy intensive activity, as you would understand, so that is the context in which the climate change issue is being considered by the group.

**Senator BOB BROWN**—So you are looking at the energy intensity but not the greenhouse gas emissions?

**Mr Payne**—The greenhouse gas emissions on manufacturing activity, yes, though within the scope of the group's consideration of climate change matters.

**Senator BOB BROWN**—But not the resource component of that manufacturing activity.

**Mr Payne**—Correct, by the terms of reference, yes.

**Senator BOB BROWN**—Who set those terms of reference to exclude that factor?

**Mr Payne**—The terms of reference were set by the government, Senator.

**Senator Carr**—I would not say that we had excluded that factor, Senator Brown. We were concerned with the sustainability of the industry. We face a number of acute challenges at the moment. I believe that the situation in Tasmania where there has been such a significant importation of pulp and paper is a serious matter and it will need to be attended to. We will be taking the report very seriously. I am very confident that the report will produce a quality piece of work.

**Senator BOB BROWN**—As minister for science as well, Senator Carr, you are happy to selectively exclude the origin of resource in calculating the greenhouse gas emissions of an industry that is being surveyed in this fashion?

**Senator Carr**—Senator Brown, we are not selective about this at all. We are saying that we need to look at all the factors that go to the sustainability of the industry.

**Senator BOB BROWN**—Except the resource extraction.

**Senator Carr**—The question of the resourcing is an issue that another department is dealing with. I am dealing with the manufacturing sector. I am dealing with the sustainability of this industry which employs a lot of Australians. Their jobs are high-skill, high-wage jobs and we want to keep them here in Australia. We want to actually produce exports from this industry rather than relying so heavily on imports.

**Senator BOB BROWN**—But you do not know what the industry's cradle-to-grave greenhouse gas emissions will be and you will not know—

**Senator Carr**—Senator, I think you will have an opportunity to debate this at some length. We have a fundamentally different approach.

**Senator BOB BROWN**—I am not debating it. I am asking you for answers to questions, Minister.

**Senator Carr**—I am saying that the report will be received quite anxiously by the government. We are waiting in anticipation for this report. There are important questions that need to be resolved. The industry is under considerable strain at the moment and I was seeking advice from a range of players in the industry as we try to work through what is a very, very difficult period.

**Senator BOB BROWN**—But you will not know what the industry's assessment of the outcome of that report, whatever it is, is going to be in terms of the impact on the greenhouse gas emissions, because you are not looking at all the factors involved.

**Senator Carr**—We are looking at a range of factors, Senator. We are also looking at—

**Senator BOB BROWN**—But a selected range, isn't it?

**CHAIR**—Senator Brown, we are short of time and we have two more senators who have questions on this topic.

**Senator ABETZ**—It is not in the industry portfolio—resource harvesting—

**Senator BOB BROWN**—Collectively you may run for cover, but the question is important. But I can see that I am not going to get any further here, but the point is made.

**Mr Paterson**—Perhaps I could just comment for the record. Senator Brown asked a question in relation to the amount of payment and I think I may have said that the number was \$537. The number is \$597 per day and I just wanted to clarify it for the purpose of the record.

**Senator BOB BROWN**—Senator Abetz got that wrong.

**CHAIR**—Before we proceed I draw the attention of committee members to the presence in the gallery of a parliamentary delegation from the Kingdom of Bhutan led by His Excellency Lyonpo Jigme Tshultim, Speaker of the National Assembly of the Kingdom of Bhutan, and

His Excellency Thrizin Namgay Penjore, Chairperson of the National Council of the Kingdom of Bhutan. On behalf of all committee members I wish you a warm welcome to Australia and in particular to this meeting of the Senate Economics Committee.

**Honourable senators**—Hear, hear!

**Senator ABETZ**—Sorry about that, Secretary, I did mislead.

**Senator COLBECK**—Can I just confirm that the reporting date is now 16 December.

**Mr Payne**—It is 14 December.

**Senator COLBECK**—Is that the date the report will be released?

**Mr Payne**—That is the date the report will go to the minister.

**Senator COLBECK**—So that date has come back a little from its initial expected date of 28 October.

**Mr Payne**—Correct.

**Senator COLBECK**—So we then wait for a period for the minister to consider and then release the report, post 16 December?

**Mr Payne**—I expect that would be the process.

**Senator COLBECK**—In the third meeting of the group there was a SWOT analysis and a benchmarking study. Will those be made available, or can they be made available?

**Mr Payne**—The benchmarking analysis was based on information provided confidentially by the member companies, so, for those reasons, it would not be released publicly.

**Senator COLBECK**—What about the SWOT?

**Mr Payne**—It is part of the same document and I think it would be covered by the same commercial issues.

**Senator COLBECK**—Going back to the reporting date, there is not yet a draft report either, because there was proposed to be a draft report by 28 September as part of the process.

**Mr Payne**—No, there is not a draft report yet.

**Senator COLBECK**—So that is delayed similarly to the final report?

**Mr Payne**—Yes.

**Senator COLBECK**—As part of the discussions and considerations has the group discussed the impact of the CPRS on the industry? It does form part of the terms of reference.

**Mr Payne**—The discussions of the group have been conducted and members invited to the group on the basis that their deliberations are confidential, so I do not believe that I can answer that question. But the terms of reference have a clear reference to climate change mitigation opportunities in pulp and paper manufacturing.

**Senator ABETZ**—Would you agree that the CPRS is part of the community response to climate change, which I think is part of the terms of reference, is it not?

**Senator COLBECK**—I would have thought you could not discuss this issue without considering it. Ministers quite rightly said that paper manufacturing is a very intensive

exercise. As much as 30 to 35 per cent of a piece of paper is energy. We know that. So an impact on the cost of energy is going to be a significant consideration as to the future of the industry. I have spoken about this to the manager of the mills in my neck of the woods, which is a fair focus, and they are making a major consideration about their future at the moment. CPRS would have to be something they are thinking about, wouldn't it?

**Mr Payne**—As I said, I am not confirming or denying whether that has been discussed. I just do not think I can go to the content of the discussions at the meeting.

**Senator ABETZ**—If I were a betting man I would say 'yes'.

**Senator COLBECK**—We will just have to wait for the report and see what comes out as part of the reporting process.

**Senator ABETZ**—I would like to quickly revisit Commercialisation Australia and Mr Pettifer, if he is still available. Whilst he is coming forward, Minister and Mr Paterson could you take on notice the question about the regulation of nanotechnologies and registration of them et cetera that I tried to ask under CSIRO. If I could, on notice, be given some indication as to the government's current thinking as to the way forward in relation to that area.

**Mr Paterson**—I do have the officer here to answer that question if you want, but I am conscious of time.

**Senator ABETZ**—No disrespect, and thank you for keeping the officer, but we have run out of time.

**Mr Paterson**—Chair, could I clarify an issue that was raised earlier today, about the Hello from Earth website interaction that we had? Senator Abetz, as I indicated earlier, it was part of National Science Week, an idea from an organisation called *COSMOS* magazine.

**Senator ABETZ**—Yes, I know that.

**Mr Paterson**—They put forward the idea. It received some funding, some \$8,500, from the SCOPE program that we referred to earlier, but all of the moderation in relation to the messages was undertaken by *COSMOS* magazine.

**Senator ABETZ**—Just to be smart, when was the \$8,500 paid over—before or after 2 July?

**Mr Paterson**—Questacon approved it, so I would say it was after 2 July.

**Senator ABETZ**—All right, you win. In relation to Commercialisation Australia, Mr Pettifer, has an amount been set aside or determined as the amount that will be available for grants? I know the split up: we have been told that there will be grants of up to \$2 million et cetera, but what is the total out of the \$196 million that will be devoted to a grant scheme?

**Mr Pettifer**—One of the key features, the radical bits, of Commercialisation Australia is that it is to be a very flexible delivery vehicle. Therefore we are leaving to the board a lot of discretion about how the support is delivered to the clients. We have not divided up the budget into a grants component or another component. What we have said—and it is in the press release—are what the levels of support will be for the various components of assistance. For proof of concept there is up to \$250,000 and for early stage commercialisation there is up to \$2 million.

**Senator ABETZ**—Yes, I have read that.

**Mr Pettifer**—It depends what the demand is on Commercialisation Australia as to how much money will go in those various directions.

**Senator ABETZ**—So is it going to be an open ended scheme? We have a sum total of \$196 million that we cannot go beyond over four years, is that correct?

**Mr Pettifer**—Yes, that is right.

**Senator ABETZ**—You have already indicated to us that you have determined the number of staff that are required. That must make that figure of \$196 million smaller. How much will actually go out in amounts of \$250,000 or \$2 million or amounts in between? What will be the total amount that will be available for grants over four years? Has that been determined yet?

**Ms Berman**—As Mr Pettifer advised, the total quantum of funding is \$196 million over four years.

**Senator ABETZ**—Yes, we know that.

**Ms Berman**—There is a subset, probably in the order of \$20 million to \$30 million, which will be for delivery costs and staff, which leaves in the order of \$160 million to \$165 million for support services. How that is allocated, unlike previous programs, will be determined both by the competitiveness of applications and by the demand. For example, in the upcoming first six months, it may be that the most competitive and highly meritorious applications coming forward, because that is where the demand is, will be on the early stage commercialisation. The board will make an assessment—

**Senator ABETZ**—I am only asking about the total amount available for grants, and you have basically told me that that will be about \$40 million. Unlike another scheme that I am familiar with, that will mean there will be about \$40 million per annum available for grants, whereas in another scheme that was commercial ready there was about \$200 million per year—five times the amount.

**Mr Paterson**—The profile of funding is recorded on page 21 of our portfolio budget statement, which identifies the split between administrative expenses and departmental expenses. The administered expense component of the program ramps up over time; so there is a slow start, given that it is in your organisation starting from 1 January, and it continues to grow over time. Your characterisation of saying there will be \$40 million a year is not reflective of the profile that is reflected in the budget.

**Senator ABETZ**—But we know we have got a certain sum of \$196 million—

**Mr Paterson**—Over the four years.

**Senator ABETZ**—which we need to take off the administrative costs.

**Mr Paterson**—For example, in the year 2012-13 the administered expenses are \$71 million and the departmental expenses are \$7 million. What I am saying about the characterisation of it as \$40 million a year is that this is a program that ramps up over time and—

**Senator ABETZ**—Yes, the grants will be less in the first year and hopefully more in the fourth year because of those reasons, but on average I thought Ms Berman's evidence was \$40 million per annum up to \$45 million.

**Ms Berman**—Yes.

**Senator ABETZ**—That seems to be sensible and I have no argument or complaint with that.

**CHAIR**—We are well over time for the suspension.

**Senator ABETZ**—We are, and you have been very good. Thank you, Chair.

**Senator COLBECK**—I have just one quick question before we break.

**CHAIR**—Is it on notice?

**Senator COLBECK**—They will probably want to take it on notice. I have a question to the Secretary in relation to pulp and paper mills, particularly in Tassie. Is the government in receipt of any requests for assistance funding for the two mills in north-western Tasmania?

**Mr Paterson**—I will take that question on notice.

**Senator COLBECK**—My advice is that that is vital to their survival, so I am obviously quite interested in what the situation is.

**Mr Paterson**—We will take it on notice.

**CHAIR**—The committee will take a short break. I thank the Department of Innovation, Industry, Science and Research. Thank you, Mr Paterson.

**Mr Paterson**—Thank you.

**Proceedings suspended from 3.41 pm to 3.52 pm**

---

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

Senator Wong, Minister for Climate Change and Water

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

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

Mr John Pierce, Secretary

Mr Drew Clarke, Deputy Secretary

Ms Tania Constable, Principal Adviser, Resources and Energy Policy

**Enabling Services**

Ms Jo-Ann Rose, Chief Financial Officer, Enabling Services

Ms Nicola Morris, Chief Legal Counsel, Enabling Services

Mr Robert Towner, General Manager, Enabling Services

**Resources Division**

Mr John Hartwell, Head of Resources Division

Mr Chris Stamford, General Manager, Minerals Branch

Ms Margaret Sewell, General Manager, Low Emissions Coal and CO2 Storage Branch

Mr Martin Squire, Acting General Manager, Offshore Resources Branch

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

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

Ms Kristina Anastasi, Manager, Environment, Safety and Security Section, Offshore Resources Branch.

Mr Steve Tantala, Manager, Carbon Capture and Storage Legislation, Low Emissions Coal and CO2 Storage Branch

Mr Ben Jarvis, Manager, Minerals Development Section, Minerals Branch

Mr Michael Adler, Manager, Coal Industry and Mine Safety, Minerals Branch

Mr Richard Niven, Manager, Transport Fuels, Fuels and Uranium Branch

Ms Nicole Hinton, Manager, Uranium Industry Section, Fuels and Uranium Branch

**Energy and Environment Division**

Mr Brendan Morling, Head of Division

Dr Chris Locke, General Manager, National Energy Market Branch

Mr Geoff Stone, General Manager, Energy Futures Branch

Ms Sarah Clough, General Manager, Clean Energy Initiative Branch

Mr Paul Johnson, General Manager, Industrial Energy Efficiency Branch

Mr Andrew Lewis, Manager, Energy Efficiency Compliance and Reporting, Energy Branch

Mr Doug Cooke, Acting Manager, Energy Security Branch

Mr Josh Cosgrave, Manager, Australian Energy Security, Energy Branch

Mr Gino Grassia, Manager, Greenhouse Section, Energy Branch

Mr Rick Miles, Manager, Asia Pacific Partnership Secretariat, Energy Branch

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



**Tourism Division**

Dr Peter Tucker, Acting Head of Tourism Division  
Ms Helen Cox, General Manager, Market Access Group  
Mr Wayne Calder, General Manager, Business Development Group

**Geoscience Australia**

Dr Chris Pigram, Acting Chief Executive Officer and Chief, Geospatial and Earth Monitoring Division  
Dr James Johnson, Chief, Onshore Energy and Minerals Division  
Dr Clinton Foster, Chief Petroleum and Marine Division  
Ms Dianne Clarke, General Manager, Corporate Branch  
Mr Geoff McMurray, Chief Finance Officer  
Mr Stuart Girvan, Chief Information Officer

**Tourism Australia**

Mr Rick Allert, AO, Executive Chair  
Mr Grant Le Loux, Executive General Manager, Corporate  
Ms Rachel Crowley, General Manager, Corporate Communications

**Department of Resources, Energy and Tourism**

**CHAIR**—I reopen this public hearing 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 has set Friday, 11 December 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 extract read as follows—*

**Public interest immunity claims**

That the Senate—

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:
  - (1) If:
    - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
    - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer

shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

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

(Extract, Senate Standing Orders, pp 124-125)

**CHAIR**—The committee will begin consideration of the Resources, Energy and Tourism portfolio with questions on resources and energy issues for the department and I will then follow the order as set out in the circulated program. I welcome Senator Conroy, representing the Minister for Resources and Energy, and officers of the department. Minister or officers, would you like to make an opening statement?

**Mr Pierce**—No, not an opening statement, though given we are dealing with both resources and energy in this first session it would assist us a lot if we knew whether you wanted to deal with resource issues or energy issues first.

**CHAIR**—I will consult with the committee.

**Senator MINCHIN**—I have a couple on resources, if you want to do that first.

**CHAIR**—We will do resources first and then we will deal with energy.

**Senator MINCHIN**—I was wondering if I could have an update on the status of the government's approach to radioactive waste. Perhaps it would be helpful if the minister first

reminded us exactly what the current Labor government policy is with respect to radioactive waste. I gather the government is not committed to repealing the Radioactive Waste Management Act 2005. Is that now formally the government's position?

**Senator Conroy**—I will get you some information on that as quickly as I can. There may have been an ALP conference resolution that impinges on that, though I am sure it does not.

**Senator MINCHIN**—If you could get us some information on the status of the government's current position.

**Mr Pierce**—I will defer to Mr Hartwell in the first instance.

**Mr Hartwell**—The future of the Commonwealth radioactive waste management facility project and the selection of a site for the facility—

**Senator MINCHIN**—Sorry, I accept that Senator Conroy is understandably not—

**Senator Conroy**—I have a couple of notes. 'The government is committed to the repeal of the Commonwealth Radioactive Waste Management Act but will not take piecemeal steps or decisions on radioactive waste management in the absence of a total package to solve the problem for the long-term. The government will not make any decisions on a radioactive waste facility without appropriate consultation, including with relevant state and territory governments and Indigenous and local communities. This is a matter under active consideration by the government.' I hope that covers your question.

**Senator MINCHIN**—I am not having a go at you, because I know this is not your area, but the policy before the last election was to repeal the Commonwealth Radioactive Waste Management Act 2005, which was the legislative framework under which I think the Northern Territory was being considered as an option for the national radioactive waste management facility. I understood that at the 2009 conference that pledge was either deleted or not to be proceeded with. In other words, there was a decision not to proceed to repeal the Commonwealth Radioactive Waste Management Act.

**Senator Conroy**—My notes are here. I am reading from a briefing from Mr Ferguson's office. As I said, I know there was some discussion at the time around the national conference—

**Senator MINCHIN**—Could I ask Mr Hartwell if that is his understanding of the position?

**Mr Hartwell**—Indeed, Senator, the repeal or replacement of the Commonwealth Radioactive Waste Management Act 2005 are matters under consideration by the government.

**Senator MINCHIN**—So the government is committed to repealing that act and replacing it with another piece of legislation?

**Mr Hartwell**—The issues around the repeal or replacement are under consideration.

**Senator BIRMINGHAM**—Senator Conroy, the words you just read before were, 'The government is committed to the repeal of' et cetera.

**Senator Conroy**—Yes. 'The government is committed to the repeal of the Commonwealth Radioactive Waste Management Act but will not take piecemeal steps or decisions on radioactive waste management in the absence of a total package to solve the problem for the long term.'

**Senator MINCHIN**—Can I clarify that it remains the government's policy to have a national radioactive waste management facility located in the Northern Territory? Is that the government's position?

**Senator Conroy**—The statement I have is, 'The government will not make any decisions on a radioactive waste facility without appropriate consultation, including with relevant state and territory governments and Indigenous and local communities. This is a matter under active consideration by the government.'

**Senator MINCHIN**—That is fine, but presumably that is against the backdrop of still being committed to having such a facility, albeit with those constraints. Is that the position? Mr Hartwell may be able to assist you, Senator Conroy.

**Senator Conroy**—I am just seeing if there is any more information in the notes I have. Those are all the notes I have. I do not want to misinform you. The officers may be able to add a little bit more.

**Senator MINCHIN**—That is fine. Mr Hartwell may be able to assist.

**Mr Hartwell**—As I indicated to you in my previous answer, all the issues around the establishment of a radioactive waste management facility are under consideration. That includes, as I mentioned in my previous answer, the issues related to either repeal or replacement of the Commonwealth Radioactive Waste Management Act, as the minister has indicated, but also in terms of the selection of a site for the facility. Those are issues that the government is still considering.

**Senator MINCHIN**—You said 'the selection of the site' so the premise must be that the government remains committed to having a national radioactive waste facility?

**Mr Hartwell**—I think that is correct. That is something, as you would be aware, that the minister has made statements on to that effect.

**Senator MINCHIN**—Does the Northern Territory remain the jurisdiction in which a site selection process is being undertaken?

**Mr Hartwell**—It would be fair to say that all options are on the table at this point in time.

**Senator MINCHIN**—You mean options outside the Northern Territory?

**Mr Davoren**—Yes, the minister said that nothing has been ruled out.

**Senator MINCHIN**—So we are not actively considering certain specific sites as options? We have sort of pulled back and are rethinking this whole thing. Is that the situation, or is the government at the moment actively looking at a range of sites—if you cannot name sites, that is fine—as options for the construction of the facility?

**Mr Davoren**—The government has in front of it a report by a consultant, Parsons Brinckerhoff, which it received in February this year. That report was commissioned by the previous government. It looks at three Defence sites in the Northern Territory—two in the Alice Springs region and one in the Katherine region. It also looks at a volunteer site on Aboriginal land north of Tennant Creek. So the government is considering its position in the light of that report and in the light of its platform and its election commitment.

**Senator MINCHIN**—Could you remind me what the attitude of the Northern Territory government is to this matter.

**Mr Davoren**—Last time I heard, the Northern Territory government was opposed.

**Senator MINCHIN**—Could I ask what the current state of Australia's waste inventory is now.

**Mr Davoren**—It has probably grown very little since you were the minister, Senator. It is about 4,000 cubic metres of which a large part of that inventory, as you know, is the 2,000 cubic metres of former CSIRO site soil that is stored at Woomera.

**Senator MINCHIN**—Did I read somewhere that that is being moved?

**Mr Davoren**—There was a report in the press, which was erroneous. That report spoke of the 2,000 cubic metres. There was a smaller amount of waste that came from the St Marys munitions filling factory rehabilitation, which is Defence waste; it is also stored by Defence at Woomera. It is that smaller amount of waste that is being moved within the Woomera site to fit in with Defence's operational matters.

**Senator MINCHIN**—And your department is responsible for moving it?

**Mr Davoren**—No, we are not. That is a Defence matter.

**Senator MINCHIN**—And are they putting it in an existing building or hangar or something?

**Mr Davoren**—Yes. They have a number of buildings at the site.

**Senator MINCHIN**—There was some long lived waste, other than the CSIRO waste, that was in a bunker at Woomera. Is that still sitting there?

**Mr Davoren**—That is right. That is the intermediate-level waste, which is still at one of the launcher sites.

**Senator MINCHIN**—Do we still have waste sitting in France waiting to be repatriated to Australia?

**Mr Davoren**—There is waste from France, from reprocessing of ANSTO research reactor spent fuel, that will return to Australia in 2015.

**Senator MINCHIN**—So Australia is still effectively under an obligation to have a facility built in time to receive that waste from France in 2015?

**Mr Davoren**—Correct.

**Senator MINCHIN**—No waste ever went to Argentina or—

**Mr Davoren**—No.

**Senator LUDLAM**—To pick up where Senator Minchin left off, I have got a couple of press articles here from the Scottish press—I can give you copies of the links if that is helpful. It was reported on 11 October this year that more than 600 tonnes of foreign obligated nuclear waste is to be kept in Scotland. Firstly, are you aware of the reporting around that and whether that impacts on the schedule for fuel rods to be returned to Australia?

**Mr Davoren**—It is not fuel rods that are returning to Australia—

**Senator LUDLAM**—The reprocessing waste.

**Mr Davoren**—It is cemented reprocessing waste. ANSTO advised me this morning that the schedule for the return of that material is some time between mid-2015 and mid-2016. I think we have responded to questions from you in a similar time frame. But I have not seen that Scottish reporting. They are certainly not, as far as I am aware, intending on retaining our waste.

**Senator LUDLAM**—Have there at any time been discussions with either British Nuclear Fuels Limited or Cogema about the possibility of renegotiating those contracts so that that Australian contracted material could stay overseas?

**Mr Davoren**—I just do not think it has been a possibility. There is a law in France—the Bataille law—which compels Areva and Cogema to repatriate waste.

**Senator LUDLAM**—What about from the British side?

**Mr Davoren**—I do not think there have been those sorts of negotiations, because the issue has always been that the British government, and certainly the devolved Scottish government, are very keen to see the waste leave Scotland. I am a little surprised by what you are saying.

**Senator LUDLAM**—A little surprised? I am not making it as a proposition; I am asking whether you have been in negotiations.

**Mr Davoren**—No, we have not been in negotiations. I meant I am surprised about the press reports that Scotland may be considering retaining the waste.

**Senator LUDLAM**—I can forward those to you if that is helpful.

**Mr Davoren**—It would be.

**Senator LUDLAM**—Can you tell us the status of the government's program in relation to its stated commitment to repeal the Commonwealth Radioactive Waste Management Act in Australia?

**Mr Davoren**—I think the situation is as it was when you last asked me those questions, in June.

**Senator LUDLAM**—In May?

**Mr Davoren**—May, yes.

**Senator LUDLAM**—When I last asked you, I was actually genuinely surprised to hear that you had heard nothing from the minister since, I think, about February, when you had forwarded the material that had been produced by PB and its peer reviews in the accompanying documents. You had sent that to the minister's office and had heard nothing for a period of three or four months. Is that still the case?

**Mr Davoren**—The matter is under consideration by the government.

**Senator LUDLAM**—If you could just answer the question: have you heard anything back from the minister's office since you forwarded those documents?

**Senator Conroy**—I think he indicated that the matter is still under consideration. I think that is an answer.

**Senator LUDLAM**—By the department? Or is it occurring in the minister's office?

**Mr Davoren**—By the government—entirely within the government.

**Senator LUDLAM**—Do you include yourself as being part of the government?

**Mr Davoren**—No. I am talking about the ministry.

**Senator LUDLAM**—I will just put this to you again, and if the answer is the same I will certainly be happy to accept that. You are still not in a position to tell me whether the government's approach is around repeal, opening up of a new site-selection process, targeting of Muckaty or targeting sites elsewhere in Australia? As far as you and your officers are concerned, it is still a blank page as far as policy?

**Mr Davoren**—It is not a blank page because, as I said to Senator Minchin, the government is committed to repeal of the Commonwealth Radioactive Waste Management Act 2005. As we discussed at the last estimates, the government is also considering replacement legislation. So it is not a blank page to that extent. As far as sites are concerned, the government has said that no sites have been ruled out at this stage.

**Senator LUDLAM**—They may be evaluating other sites, for all you know.

**Mr Davoren**—We have not been investigating other sites.

**Senator LUDLAM**—The government may have, though.

**Mr Davoren**—I do not know whether they have or not.

**Senator LUDLAM**—Do you find that a little bit odd, that the officers and the agency in charge of radioactive waste management policy in Australia since February have been given no direction whatsoever as to the long overdue repeal or site characterisations—anything at all?

**Mr Davoren**—It is a complex political issue. We were asked to provide our input to it and we have done that.

**Senator LUDLAM**—You did that in February. What have the officers in that branch been doing since February?

**Mr Davoren**—It is only a section. We deal with a number of other things apart from the Commonwealth radioactive waste management facility. We are responsible for the Commonwealth's involvement in the Rum Jungle rehabilitation studies. We are responsible for management of the former Maralinga nuclear test sites.

**Senator LUDLAM**—Just staying in waste management policy at this stage, have those officers had anything at all to do since those documents were delivered to the government in February?

**Mr Davoren**—They have. They have been working on those other projects.

**Senator LUDLAM**—But waste management as far as we are discussing here: the return of the reprocessed material from overseas and a national radioactive waste dump proposal?

**Mr Davoren**—Well, we have been answering your questions, Senator. We have been responding to correspondence. There is the normal policy work.

**Senator LUDLAM**—I have not kept you busy for a whole year.

**Mr Davoren**—We have been briefing the minister on various matters that are raised and we have ample other work to do.

**Senator LUDLAM**—But just not in the waste section really?

**Mr Davoren**—That is correct.

**CHAIR**—We only have another five minutes or so for this and we have not done energy yet, and Senator Eggleston has questions on resources. Have you finished?

**Senator LUDLAM**—Absolutely not.

**CHAIR**—Sorry—continue.

**Senator LUDLAM**—This question takes us back a little way to the signing of a contract between the federal government, the Northern Land Council and the Muckaty Land Trust involving an initial payment of \$200,000 to a small group of traditional owners in the territory—this relates to the fourth nomination that you spoke of before—to be administered by the Northern Land Council. Previous requests to view that contract have been denied, with commercial-in-confidence cited as the reason. Given that that contract is for an amount exceeding the Murray motion Senate requirement of 2001, can you clarify the reasons for that document being considered commercial-in-confidence?

**Mr Davoren**—It is the advice of the Northern Land Council that they consider it is commercial-in-confidence. It is a commercial transaction between a group of traditional landowners and the Commonwealth. There are a number of these sorts of transactions, for mining projects and for access to infrastructure, which are similarly regarded.

**Senator LUDLAM**—Is it at the request of one party, in this case the NLC, that that material can remain confidential?

**Mr Davoren**—That is correct. We have said that before in these estimates.

**Senator LUDLAM**—Is it beyond the oversight of the ANAO? Has the department, the one which signed the contract, or whoever is administering that now, been subject to a spot audit by the National Audit Office?

**Mr Davoren**—I do not think anything we do is beyond the remit of the ANAO.

**Senator LUDLAM**—That is good to hear. Has such an audit been conducted?

**Mr Davoren**—Not that I am aware.

**Senator LUDLAM**—But it is a possibility. Given that the contract pertaining to this matter is of considerable public interest and, I suppose you would agree, considerable stakeholder contest and conflict in that part of the Northern Territory, will you make that contract available to the ANAO or an agreed agency for independent assessment, which is obviously not the same as public release of the document?

**Mr Davoren**—I think we will have to take that question on notice.

**Senator LUDLAM**—I would greatly appreciate that; if you could come back to us with that, it would be wonderful.



**Senator EGGLESTON**—I would like to ask a question about uranium exports. Has any further consideration been given to exporting uranium to India, given that the United States is already exporting uranium to India? I understand that earlier this year a decision was made not to export to India as it had not signed the nuclear non-proliferation treaty. However, as I said, the United States is now exporting uranium to India and I would like to know if our position has changed.

**Mr Hartwell**—That position has not changed. A statement was made at that time saying that as India had not signed the nuclear non-proliferation treaty Australia would not sell uranium to India.

**Senator EGGLESTON**—Does that apply to China as well?

**Mr Hartwell**—No, that does not apply to China. We have uranium bilateral safeguards arrangement and we do sell uranium to China.

**Senator EGGLESTON**—What volume of uranium do we sell to China?

**Mr Hartwell**—There have been two relatively small shipments to China at this point in time. Obviously China has a nuclear program going forward and there is a possibility that exports could increase.

**Senator EGGLESTON**—Will they substantially increase given that they have a very substantial nuclear program planned for years ahead?

**Mr Hartwell**—That would depend on the commercial negotiations that you would expect to take place between the buyers of uranium and the sellers.

**Senator EGGLESTON**—But there is no other impediment at this stage?

**Mr Hartwell**—Again, that is a commercial decision between uranium supplies and buyers.

**Senator EGGLESTON**—But we do have an agreement?

**Mr Hartwell**—Yes, we do have an agreement which enables Australia to provide uranium to China.

**Senator EGGLESTON**—But it does not limit the volume of sales. My other question about resources is about the LNG hub in the Kimberley and where the federal government is at in terms of the approval or otherwise of that project.

**Mr Hartwell**—Are you talking about approvals related to the onshore site or the offshore development?

**Senator EGGLESTON**—I am talking about the onshore site at James Price Point.

**Mr Hartwell**—Largely that is a matter that is being negotiated with a number of parties involved. It is in the Western Australian jurisdiction. There are a number of Commonwealth agencies involved in all of that. We are trying to resolve a whole range of issues. There are negotiations towards an ILUA in relation to that—

**Senator EGGLESTON**—Towards a what?

**Mr Hartwell**—What is called an individual land use agreement with the Indigenous group there, the Kimberley Land Council.

**Senator EGGLESTON**—I think the KLC has supported it, hasn't it?

**Mr Hartwell**—Sorry?

**Senator EGGLESTON**—The Kimberley Land Council has actually approved that development. As I understand, there is an agreement in place with them.

**Mr Hartwell**—Negotiations continue on that, but of course the Commonwealth is not a party to the negotiations on ILUA. I am just providing that information to you by way of broad background.

**Senator EGGLESTON**—Ms Kruse, do you want to add anything to that, as you are the responsible officer?

**Ms Kruse**—No. I just want to say that the Indigenous Land Use Agreement is under discussion between the WA state government and the Kimberley Land Council. We are not a party to that, and negotiations will continue.

**Senator EGGLESTON**—Are there any other issues that concern the federal government with respect to that possible development?

**Ms Kruse**—There will be environmental approval processes which will be a matter for the department of the environment.

**Senator EGGLESTON**—Yes, but they do not concern your department as such?

**Ms Kruse**—No, they do not.

**Senator LUDLAM**—I have a question on the topic Senator Eggleston raised before, uranium exports to China. You might not have this information to hand. We export uranium oxide to China. Can you tell us where that is enriched? Is it enriched in Chinese facilities or elsewhere?

**Mr Hartwell**—I am not sure that I can answer that question. I will ask my officer to come to the table.

**Ms Hinton**—At the moment we export uranium to China. It has to be received by an approved receiver; but, no, we do not know where it is enriched.

**Senator LUDLAM**—We do not know where it is enriched?

**Ms Hinton**—I do not know where it is enriched.

**Senator LUDLAM**—Somebody must know. I do not want to tie up the committee's time. Can you take that on notice?

**Mr Hartwell**—We will take that on notice.

**Senator JOYCE**—Is it exported to CNC? Is CNC the purchaser of it?

**Mr Hartwell**—I will have to check the details of those transactions. As I mentioned previously, there have just been two transactions. I will check exactly where they were, if you will bear with me.

**Senator LUDLAM**—I do not want to tie up time. I just wondered if the officers knew.

**CHAIR**—Are there any more questions on the resources area?

**Senator EGGLESTON**—Do flow-through shares come under this department?

**Mr Hartwell**—Flow-through shares is an issue largely for the Treasury. As we have indicated in previous estimates, flow-through shares is under consideration as a part of the Henry tax review.

**Senator EGGLESTON**—Thank you. I will raise that question with the Treasury.

**Senator JOYCE**—Can you also get back to us with what interest the Chinese government currently has in the uranium mines in Australia? Obviously, they have some interest ipso facto through their interest in Rio Tinto and the mine in the Northern Territory, but I want to know whether they have any other interests in mines in Australia.

**Mr Hartwell**—Yes, we can get back to you on that.

**CHAIR**—We will move on to the energy area of this portfolio. Senator Farrell has some questions on solar energy.

**Senator FARRELL**—Mr Clarke, you might be able to help us here in relation to a company called Solar Systems. Are you familiar with that company?

**Mr Clarke**—Yes, Senator, I am.

**Senator FARRELL**—Recently that company went into voluntary administration. What is the status of Solar Systems and their solar projects that are being funded by the Commonwealth?

**Mr Clarke**—Yes, you are right that Solar Systems is currently under voluntary administration as of 7 September this year. The Commonwealth has two funding agreements with Solar Systems. In both cases they are joint agreements with the Victorian government. The first is a \$5 million Commonwealth agreement for a stage 1 two megawatt solar pilot plant near Mildura. The second is a \$75 million agreement for a much larger 100 megawatt plant. Those funding agreements remain in place during the administration process. Until the result of the administration process is known, we will not make any changes to those. Stage 1 is well advanced and we have made a number of payments on that. But stage 2 is totally contingent on the successful completion of stage 1, so none of the \$75 million has been expended to date. We are monitoring the process very closely. At this stage, we do not know what the future of the company will be, and hence we cannot say what the future of these projects will be.

**Senator FARRELL**—So it is a two-stage process. Of that \$5 million, how much has been paid to the company?

**Mr Clarke**—The Commonwealth has to date spent \$2.6 million of the stage one \$5 million grant.

**Senator FARRELL**—What are the trigger points for the further payment of the remainder of the \$5 million and the \$75 million that you mentioned?

**Mr Clarke**—To complete the \$5 million, the company needs to build the two megawatt pilot. That is well advanced but not yet completed. The success of that is the primary condition upon which we would execute a contract that would relate to the \$75 million.

**Senator LUDLAM**—I have questions on the Low Emissions Technology Demonstration Fund.

**Mr Clarke**—The \$75 million that Senate Farrell was asking about is part of that LETDF.

**Senator LUDLAM**—That broader package—okay. I have a couple of overarching questions on that fund. Can you update us as to the current status of the fund, apart from what you have already described?

**Mr Morling**—Mr Clarke has just given you an outline of where Solar Systems is at. CS energy is an oxy firing demonstration and carbon sequestration project. That grant was announced on 30 October 2006. The contract was signed on 4 April 2008. That is a \$50 million grant and to date \$20.8 million has been paid against contract milestones.

Chevron Australia has a Gorgon CO<sub>2</sub> injection project. That is a \$60 million grant towards a commercial scale demonstration of the capture and storage of CO<sub>2</sub> from reservoir gas as part of the Gorgon development in Western Australia. That grant was announced on 23 November 2006 and the contract was signed on 15 October 2008. No payments have been made under the LETDF program for that project, because that project has not commenced. The start of that project was contingent on the final investment decision being made on the Gorgon project.

HRL Ltd are running an integrated drying and gasification combined cycle project. That is a \$100 million grant towards the demonstration of a new technology to produce power from brown coal at a higher efficiency while reducing CO<sub>2</sub> emissions by 30 per cent and water consumption by 50 per cent. That grant was announced on 12 March 2007. The contract was signed on 9 May 2008. That project has not yet commenced, so no payments have been made under the LETDF program for that project.

International Power at Hazelwood has a project using dried coal for ultra-supercritical pathways. That is a \$50 million grant towards a demonstration of drying brown coal for the Latrobe Valley in Victoria to significantly reduce the CO<sub>2</sub> emitted by the generating plant. The project also includes a smaller carbon capture and sequestration facility as part of it. The grant was announced on 25 October 2006. The contract was signed on 7 September 2007. So far, \$3 million have been paid against milestones under that project. The final one is Solar Systems, which was outlined by Mr Clarke.

**Senator LUDLAM**—I might come back to that one if I can, because it seems that, so far as genuine renewable energy technology is concerned, that is the interesting one. What support has the government provided to Solar Systems to prevent them from going into receivership? Are you confident that that project will actually get to scale?

**Mr Clarke**—The funding agreements, the \$5 million and the \$75 million, and the back-to-back arrangements from the Victorian government remain on the table. As I said in the previous answer, we are waiting for the administration process to work its way through and then, hopefully, the company will trade again, find a way to be able to continue operating. We would be delighted if that were the outcome and those projects were able to be executed, but at this stage it is a commercial matter that is being dealt with by the company and its administrator.

**Senator LUDLAM**—Have the company or its administrators approached you about adjusting the forms of assistance that the Commonwealth has put on the table to get them back into a position where they can trade?

**Mr Clarke**—We have had continuing discussions with all of the companies that Mr Morling has outlined, including Solar Systems. With Solar Systems we have had discussions through this year in particular about their financial state, yes.

**Senator LUDLAM**—How are those negotiations progressing?

**Mr Clarke**—We were not negotiating anything with them. They were keeping us advised of the state of the company. We also sought independent advice on the state of the company in order to be fully informed as to where the program was at. We have never entered into negotiation over changes to the current funding agreements.

**Senator LUDLAM**—That is fine. Are you confident that that project will go ahead or is it simply too early to tell?

**Mr Clarke**—I am not in a position to express any degree of optimism or pessimism. We are monitoring the administration process and awaiting the outcome.

**Senator LUDLAM**—Are you looking for alternative ways of allocating the grant, or a grant of a similar size, to another baseload solar plant in the event that Solar Systems cannot trade again?

**Mr Clarke**—There are three programs that are relevant to the renewal energy, solar energy space. The LETDF had the renewable grant to Solar Systems, as you have identified. The Renewable Energy Demonstration Program may also lead, through the Australian Centre for Renewable Energy, to further grants in that area, and of course there are the Solar Flagships. In terms of the actual \$75 million that is held against Solar Systems, no, we are not looking at any reallocation at this stage. The offer is still valid. It is on the table and we are waiting for the administration process to work its way.

**Senator LUDLAM**—I will leave it there. You have probably given us most of the information already but, just to be sure, could you provide for us on paper the amount of money that has been spent to date as opposed to allocated?

**Mr Clarke**—With regard to which—

**Senator LUDLAM**—To each of the five streams. You may have given us all of that already.

**Mr Clarke**—To each of the LETDF projects?

**Senator LUDLAM**—Yes.

**Mr Clarke**—Certainly.

**Mr Morling**—I think I gave it as part of my answer.

**Senator LUDLAM**—I am just not sure if we got all of it.

**Mr Morling**—If not, we will provide it as a follow-up.

**Senator LUDLAM**—Much appreciated.

**Senator BIRMINGHAM**—Gentlemen, thank you for your time today. What steps has the government taken to implement the Solar Flagships Program since the budget?

**Mr Clarke**—Since Solar Flagships was announced in the budget, the government has commissioned Boston Consulting Group to undertake a major market study in consultation with all of the stakeholders. So Solar Flagships has the parameters of a \$1½ billion program with the objective of 1,000 megawatts of solar energy. Boston have had the task of analysing the optimum way of designing that program to try and achieve that outcome. They have consulted with the solar industry, with the power sector generally, with the states and territories, with the market operators and with the whole community and have presented a report to government on their recommendations for the business model for that program.

**Senator BIRMINGHAM**—When were Boston appointed?

**Mr Clarke**—Not long after the budget.

**Mr Morling**—We released a request for tender—if you want me to go through the stages—as Mr Clarke said, to conduct a market study and design a business model for Solar Flagships. On 2 June, a tender was released on the AusTender website.

**Senator BIRMINGHAM**—When were Boston ultimately appointed?

**Mr Morling**—On 23 July 2009.

**Senator BIRMINGHAM**—And the government has received the report now?

**Mr Morling**—Yes.

**Senator BIRMINGHAM**—When did they receive it?

**Mr Morling**—It was mid-September. There might be some minor touching up being done in terms of a final proof read but essentially the report was received in mid-September.

**Senator BIRMINGHAM**—Is this contract that was tendered the sole work for Boston? Is it a completed contract once the touching up of the report is done?

**Mr Clarke**—Correct.

**Senator BIRMINGHAM**—Does the report go to the availability of private equity required to make the Solar Flagships work?

**Mr Clarke**—The study talks about the potential of private investment and the way in which the program might be designed to optimise matching funding, be it from private sources or indeed from the states and territories. So, yes, it talks about funding models, if you like, and the way in which the competitive process to win the grants could best be optimised.

**Senator BIRMINGHAM**—Did the department undertake any modelling prior to the budget, or indeed since the budget, in terms of what level of private sector investment was required to achieve the size plants that you are looking at for a thousand megawatt hours of generation—

**Mr Clarke**—A thousand megawatts.

**Senator BIRMINGHAM**—Sorry, a thousand megawatts of generation. Has it undertaken any modelling to see what private sector investment was necessary to match the government's \$1.5 billion over six years?

**Mr Clarke**—No. The detailed modelling was done inside the Boston study.

**Senator BIRMINGHAM**—Okay. And how much private investment is required?

**Mr Clarke**—That, indeed, will not really be known until we test the market. What the Boston's report has provided the government with is a range of options as to how to design the program to optimise that. I am not trying to be cute but the answer is that it depends, and the sort of parameters, for example, that it depends on is how you stage the build of the thousand megawatts—whether you seek to tender it all or whether you make a request for tender all at once or in a number of stages—how you manage the balance between solar thermal and photovoltaic, what balance you put between mature technologies and emerging technologies and what exactly the role of the states and territories is in terms of sighting. So there are a whole range of variables which Boston has given us advice on as to how we might mix and match through those variables.

**Senator BIRMINGHAM**—The government had budgeted in 2009-10 for nearly \$144 million for this program. That suggests to me you are expecting an awful lot of activity to happen in this financial year. Do you still think that is realistic in order to absorb the Boston report, presumably develop the guidelines for a tender, put that tender out, select successful tenderers, negotiate the conditions and for them to start spending some money?

**Mr Clarke**—There is a presumption in your question about the actual structuring of the competitive process which may or may not be true. There are other models that could be used for selecting the preferred tenderers. I refer, for example, to the companion program in carbon capture and storage where the first stage is in fact selecting a shortlist and then funding them to undertake prefeasibility studies before making final decisions. So there are many different ways of doing it. I do expect there to be some expenditure in 2009-10, but whether it will be the full amount that was in the forward estimates remains to be seen.

**Senator BIRMINGHAM**—There is a vast difference between some expenditure and \$144 million worth of expenditure, Mr Clarke.

**Mr Clarke**—There is, but at this stage I cannot be more precise.

**Senator BIRMINGHAM**—So the department has not made any re-evaluation of funding in that regard?

**Mr Clarke**—The finance structure, from a departmental perspective, is that these funds will all be in an energy special account and so the actual cash flow will be a function of the successful tenderers. So we will not be subject to a rephasing negotiation with the department of finance. It will all be managed from a special account.

**Senator BIRMINGHAM**—Have Boston looked at the situation of Solar Systems? It seems a lot of the report suggests that the lack of private sector capital was a key factor in the company being able to develop to the point of commercial realisation.

**Mr Clarke**—Boston has consulted with Solar Systems as one of the stakeholders in a future Solar Flagships Program but they were not tasked and have not given us specific advice on that individual company.

**Senator BIRMINGHAM**—As we roll around to the 12-month anniversary of the announcement of this program, is there anything concrete that the public should expect to see?

**Mr Clarke**—The most I can say to you at this stage is that we expect the guidelines to be announced quite soon, certainly before Christmas. Hence the program will have moved into its next stage, well within that first anniversary.

**Senator MINCHIN**—Can I just clarify that the goal remains at 1,000 megawatts by 2015?

**Mr Clarke**—That is the goal, yes.

**Senator MINCHIN**—In the previous Senate estimates the department indicated that it expected there would be four solar power stations commissioned by 2015 in order to produce this 1,000 megawatts. Is that expectation still the case?

**Mr Clarke**—That is another one of those variables that Boston have advised on. In addition to the ones that I listed off before, there is the question of whether you structure the 1,000 at a single site in the extreme, or at two, four or eight sites.

**Senator MINCHIN**—So there is no magic in four?

**Mr Clarke**—Correct. Four was an indicative.

**Senator BIRMINGHAM**—Where did four come from?

**Mr Clarke**—Four enabled us to say, nominally, two photovoltaic sites and two solar thermal sites. It came from an appreciation that dropping 1,000 megawatts into the grid in a single site was unlikely to be economic. The optimum commercial structure would be through a series of sites. By the way, it is not saying they would be four by 250—it could very well be different. It was partly to make the point that we were not talking about one hundred 10-megawatt sites. It was trying to get the sense to the market that this was meant to be large-scale grid-connected solar.

**Senator SIEWERT**—I would like to talk about the Kimberley West Atlas oil spill. Could you confirm any inquiry that will be called under the recent changes to the legislation?

**Mr Hartwell**—As the minister announced, the legislation enabled him to appoint a commissioner to investigate incidents such as the West Atlas Montara oil spill. It was not necessarily confined to that. As he also indicated, the priority is to address the issues in relation to the spill, and when they are completed he will make an announcement in relation to the inquiry.

**Senator SIEWERT**—I appreciate the minister has said that the inquiry will only be called once the spill has been stopped. What time after the spill has been stopped do you anticipate an announcement on when the inquiry will be made?

**Mr Hartwell**—That is the prerogative of the minister, but I think it would be—certainly as the minister has indicated—very quickly after the spill and the consequences are addressed.

**Senator SIEWERT**—I understand from the minister's ministerial statement at the last sitting of parliament that the inquiry into occupational health and safety issues has already commenced. Is that a correct understanding?



**Mr Hartwell**—Yes. The National Offshore Petroleum Safety Authority, NOPSAs, has commenced an investigation in relation to all the health and safety issues resulting from the incident.

**Senator SIEWERT**—When do you expect that to be completed?

**Mr Squire**—The timing of the completion of that inquiry is dependent upon NOPSAs being able to place inspectors on the facility. NOPSAs is unable to place inspectors on the facility until the well has been sealed. So the timing and conclusion of that inquiry is going to be dependent on the well being sealed.

**Senator SIEWERT**—I appreciate the sense of that. Will the report from that review be made public?

**Mr Squire**—The commission of inquiry or the NOPSAs safety report?

**Senator SIEWERT**— The NOPSAs safety report.

**Mr Squire**—The outcome of that inquiry could result in court action. We will take the question on notice.

**Mr Hartwell**—Of course that is in the province of the minister to take into account the factors that Mr Squire has mentioned.

**Senator SIEWERT**—I appreciate that. Moving to the actual incident itself, and the cause of the incident, have you had any discussions with the company around what the cause of the accident could possibly be?

**Mr Hartwell**—Not at this point. The priority of the government has been to address the leak and, of course, to work with our colleagues in the Australian Maritime Safety Authority to clean up. Also, we are working with our colleagues in the Department of the Environment, Water, Heritage and the Arts around all the impacts involving the environment and wildlife et cetera. The causes of the leak will be the subject of the inquiry when it is commenced.

**Senator SIEWERT**—Obviously there is a great deal of interest about the cause. If you have not discussed it with the company, have you looked at the cause in light of potentially addressing the leak itself? Understanding the cause of the leak may assist with making decisions about how it is stopped.

**Mr Squire**—We undertook and sought some advice from Geoscience Australia. They identified a series of potential issues that could have led to the leak occurring. Their advice to us was that, based on those various options, the drilling of the relief well was the option which would have the highest potential technical success with the lowest impact on the environment and the health and safety of individuals.

**Senator SIEWERT**—Thank you. I want to come back to the drilling option in a minute. What was the nature of the possible causes of the accident that Geoscience Australia used to base their advice on?

**Mr Squire**—I am sorry, I do not—

**Senator SIEWERT**—What did Geoscience say could be the possible causes?

**Mr Hartwell**—As we indicated, the priority has been to address the leak and we sought technical advice from Geoscience Australia in relation to the best way that we could bring the well under control.

**Senator SIEWERT**—Do I take it from that that, of the various potential scenarios of the accident, drilling was always going to be the best way to address them?

**Mr Squire**—That is correct.

**Senator SIEWERT**—There has been media speculation around the potential to deluge the platform and then put a crew back on to stop the leak, via the West Atlas platform. Have you been asked to provide advice on that particular option?

**Mr Hartwell**—That particular option is essentially because of the prohibition order by the National Offshore Petroleum Safety Authority. It really was not an option given that it was not considered safe to put people back on the rig after the deluge operation.

**Senator SIEWERT**—And is it still their considered opinion that that is still not an option?

**Mr Hartwell**—Yes, that prohibition order remains in place.

**Senator SIEWERT**—I understood there were two reasons for the prohibition order: safety, obviously; but, secondly—and please correct me if I am wrong—the need to go back and carry out an investigation once the spill has been capped.

**Mr Squire**—The reason for the issuing of the prohibition notice is that the operator has not been able to demonstrate that it has reduced the risk to the health and safety of individuals on that platform to as low as reasonably practical.

**Senator SIEWERT**—Am I correct in saying that people are not allowed back? Once the well has been capped, I understand that there will be a desire to put investigators back on to look at the nature of the cause of the accident as well. Is that correct?

**Mr Squire**—Once the well has been successfully intersected and the mud has been injected into the well to seal it, that will enable PTTEP and others to return to the platform to insert an additional seal within the well and for NOPSA to have their investigators conclude their investigations.

**Senator SIEWERT**—When the broader investigation, not the NOPSA investigation, is undertaken, presumably the commissioner will have access and will go and do a site visit.

**Mr Squire**—It is difficult to speculate, but I would anticipate that an inspection of the site would form part of the commissioner's investigation into the cause of the incident.

**Senator SIEWERT**—In terms of the amount of oil that was previously and is now coming out of the well, have you had any discussions with the company about what that rate is? They have said publicly what it is, or speculated in fact. Have you had a discussion with them about that?

**Mr Squire**—There is a figure in the media of 300 to 400 barrels a day. The view of the department is that it is difficult without access to the rig to quantify what that rate of flow is.

**Senator SIEWERT**—That is significantly different from the production figures that the company itself had said would be coming from that well when it was in production.

**Mr Squire**—That is correct.

**Senator SIEWERT**—I presume through the regulatory process you have been provided with flow data from that well and similar wells in the area.

**Mr Squire**—You are correct to say that the estimated rate of flow is far less than what the well would be producing if it were in production. We certainly do have information about potential flow rates when those wells were drilled as production wells.

**Senator SIEWERT**—Did you do any calculations yourself on the potential flow rates? Initially there was an absence of company advice on what the potential flow rates were. Did you do any calculations yourselves to estimate what the flow rates could be?

**Mr Squire**—Yes, we did.

**Senator SIEWERT**—And what were they?

**Mr Squire**—The information that we sought from Geoscience Australia was an estimation of what the rate of flow would be if that well was entirely unsealed, for want of a better expression.

**Senator SIEWERT**—And what were they? What was that rate?

**Mr Squire**—The maximum leakage rate from that well could be as much as 2,000 barrels of oil a day, with condensate as well.

**Senator SIEWERT**—That is in addition?

**Mr Squire**—In addition to oil.

**Senator SIEWERT**—Is it possible for you to table the basis on which those figures were calculated?

**Mr Squire**—We should be able to provide you information concerning the testing of that well when it was drilled as a production well.

**Senator SIEWERT**—That would be much appreciated, if you could. In terms of the Timor Sea in general and oil and gas exploration and production in the Timor Sea, it has been suggested to me in the past that there have been several other potential incidents that never in fact eventuated because there was good contingency planning in place. Have those sorts of incidents ever been reported to the department?

**Mr Hartwell**—Certainly not to our knowledge on that one. We are not aware of it in the way that you have phrased the question, in terms of a whole range of incidents or possible incidents.

**Senator SIEWERT**—I have been told of two potential incidents. As I said, because of good contingency planning et cetera, it never turned into an incident.

**Mr Hartwell**—Therefore it may not have been reported to us in that context.

**Senator SIEWERT**—The reason I am asking about whether it has been raised with you is because, as I understand it, of different geology in the area. There has been some potential because it is different to other petroleum bearing or producing areas. That has resulted in needing to take a different approach to drilling. Has that ever been raised with the department?

**Mr Squire**—Not to our knowledge.

**Senator SIEWERT**—Could you take it on notice just in case there is—not to your knowledge—some history?

**Mr Hartwell**—Yes.

**Senator SIEWERT**—Regarding the company involved, PTTEP, have any incidents from this particular field ever been reported to you from that particular company?

**Mr Squire**—Could I ask you to be a little bit more specific in your question? The Offshore Petroleum and Greenhouse Gas Storage Act deals with resource management, occupational health and safety issues, so—

**Senator SIEWERT**—On either of the areas and in any of the exploration and production work they have been doing.

**Mr Squire**—Not to our knowledge, relating to any incidence of oil spills of this nature.

**Senator SIEWERT**—Thank you. Did the Northern Territory government undertake the environmental assessment work for this particular project?

**Mr Squire**—Yes.

**Senator SIEWERT**—Will that process also be reviewed under the forthcoming inquiry?

**Mr Squire**—The terms of reference for the inquiry are with our minister for his consideration but I would anticipate that that is a significant issue which would be addressed as part of that inquiry.

**Senator SIEWERT**—Thank you. Can you just remind me who is responsible for checking compliance with that plan? Is it the NT government?

**Mr Squire**—Responsibility for compliance with the plan is the responsibility of the operator.

**Senator SIEWERT**—What about any audit function?

**Mr Squire**—For?

**Senator SIEWERT**—For checking compliance with the environment management plan. Is it purely always self-regulation?

**Mr Squire**—We have a designated joint authority arrangement where the Northern Territory department carries out work on behalf of the Commonwealth, including monitoring and compliance with, for example, a well operations management plan. So the responsibility is with the Northern Territory department acting on our behalf.

**Senator SIEWERT**—Yes, that is what I was just double checking. I know I have taken a lot of time so I will be very quick and I will put some questions on notice. What is your degree of involvement with the bioregional marine planning process that is currently being undertaken in various areas around Australia?

**Mr Squire**—The department is represented on a working group which is considering a framework of adjustment and that will feed into the government's consideration. The department has also been in discussions with our colleagues from the Department of the

Environment, Water, Heritage and the Arts in relation to potential areas that may be declared as marine parks.

**Senator SIEWERT**—Is there a standard approach or policy position the department takes on marine reserves in general, or do you treat each plan on its merits or individually?

**Mr Squire**—In the declaration of a marine park area the department is consulted in the identification of those areas. The advice we would provide to the department of the environment would obviously depend on the potential for those plans and the interaction with ongoing, and potentially future, petroleum activities. But we do not have a blanket policy, if you like.

**Senator SIEWERT**—If an area was of high biodiversity or marine biodiversity value, for example?

**Mr Hartwell**—In our management of the Offshore Petroleum and Greenhouse Gas Storage Act, when we are releasing areas for exploration and which might subsequently lead to development if hydrocarbons are found, we work very closely with the department of environment where we are coming up against a marine park or a marine bioregion which is sensitive. In doing that, obviously there are some areas where we do not release acreage. We work quite closely with the environment department to ensure that offshore that that particular process, and where marine areas are very sensitive, is managed in the most appropriate way.

**Senator SIEWERT**—I appreciate you review where there is a marine park. Although I will acknowledge Australia has made very significant progress, it is one of the leading countries in marine conservation, it still has a way to go. Where some of those areas have not yet been assessed for their marine conservation values or have any marine conservation reserves, do you first review those for their biodiversity value to establish that as part of your process if it is not already part of a marine protected area?

**Mr Squire**—Those issues are considered in the preparation of environment impact statements by the companies who are proposing to undertake activities in those areas.

**Senator SIEWERT**—So you do not do it prior to releasing the acreage?

**Mr Squire**—Prior to the release of areas for acreage, we consult with a range of agencies, including the department of environment.

**Senator SIEWERT**—You consult but you do not undertake the surveys et cetera? That is the responsibility of the company once they have—

**Mr Hartwell**—We would rely on the advice of the department of environment in relation to what are sensitive marine areas.

**Senator SIEWERT**—Thank you.

**Senator MINCHIN**—It would be helpful if the committee was given an update on the energy white paper. What is the status of the energy white paper?

**Mr Clarke**—The energy white paper process is continuing. We are drafting the green paper chapter by chapter. In parallel with that, we have also commissioned a number of studies from expert bodies, resource assessment, technology cost curves et cetera.

**Senator MINCHIN**—Do you have a time line to which you are working for completion of the green paper?

**Mr Clarke**—Yes, we do, but your next question I cannot answer, which is—

**Senator MINCHIN**—What the end date is.

**Mr Clarke**—We are working to complete it as soon as possible, but it is of course a matter for the government as to their consideration of it as a draft and their subsequent decision as to when they might release it.

**Senator MINCHIN**—But the draft is not completed?

**Mr Clarke**—No, the draft is not complete at this stage.

**Senator MINCHIN**—Are you not able to indicate when the draft will be completed?

**Ms Constable**—The drafting of the energy green paper is almost complete and will be considered shortly by government.

**Senator MINCHIN**—So the issues surrounding the passage or otherwise of the CPRS legislation are not having an impact upon your capacity to finalise the green paper and pass it on to the government?

**Ms Constable**—There is a whole range of policies that we consider in the context of putting together this energy policy. There is the CPRS legislative package, and the design of that is very important to long-term energy policy for Australia, as is the taxation review, as was the Mortimer review on export and trade considerations. The defence white paper was also important. So there is a whole range of issues that we are considering in the context of energy policy.

**Senator MINCHIN**—And so no decisions have been made about the release of the green paper?

**Mr Clarke**—Correct.

**Senator MINCHIN**—I want to ask some questions about the communique of the Ministerial Council on Energy in Darwin on 10 July.

**Mr Clarke**—Certainly.

**Senator MINCHIN**—In the section—you may want to come in on this, Senator Birmingham—under ‘Climate Change’, it notes:

In response to recommendations of the ministerial council, COAG on 2 July at its meeting formally amended the Australian Energy Market Agreement for the pass-through of carbon costs under the CPRS and the expanded Renewable Energy Target into retail prices, where those prices are regulated. The AEMC is also working with jurisdictional regulators to consider approaches to the practical implementation of the pass-through of these costs.

You are familiar with that statement by the ministerial council?

**Mr Clarke**—Yes.

**Senator MINCHIN**—I wonder if you could indicate to us exactly what approaches are being made to state regulators in relation to this matter. Where it says, ‘working with

jurisdictional regulators to consider approaches,' what does that mean, what does that involve?

**Mr Clarke**—I can tell you the initial action, and then I might call on one of my colleagues to advise if there are any updates. The initial step that the Australian Energy Market Commission took following that decision through the MCE and COAG was to call a workshop of the state energy price regulators and really share their experiences and the different models that they use. You would appreciate that state regulation on energy prices is practised in different ways in different states. And in one state, Victoria, it is not practised at all.

**Senator MINCHIN**—Every state but Victoria has price regulation?

**Mr Clarke**—Victoria does not regulate energy prices, correct. The commission saw value in bringing together the various regulators in the states and discussing how they go about setting the energy prices and what mechanisms they might use to execute a pass-through arrangement.

**Senator MINCHIN**—And the purpose is to seek, presumably, full pass-through, is it?

**Mr Clarke**—Yes, the policy intent is clear to enable full pass-through.

**Senator MINCHIN**—Of both the RET and the CPRS to retail prices.

**Mr Clarke**—Correct. The issue is the methodology to do that given that the actual regulatory process differs state by state.

**Mr Pierce**—And given that sectors of the industry are regulated and regulated in different ways as well. So there are obviously large amounts of energy that is sold both in the wholesale market, obviously under competitive market arrangements, and at the retail level. Although for those jurisdictions that do have regulated retail prices, the larger number of customers on regulated prices, the larger the volume of energy that is sold under contracts that people voluntarily enter into.

**Senator MINCHIN**—So do we take it that each jurisdiction has effectively committed to 100 per cent pass-through; it is simply a matter of how you do that within the context of price regulation?

**Mr Clarke**—In the context of the market itself, the way in which that is cleared, yes, that is correct.

**Senator MINCHIN**—But you are working on the base of the commitment for the full pass-through in each of those jurisdictions where price regulation is in place.

**Mr Clarke**—Correct.

**Senator MINCHIN**—Is there any work done as to exactly what that would mean? For retail prices, for the full pass-through of CPRS and RET?

**Mr Clarke**—Do we have a forecast of what that might mean, is that what you are asking?

**Senator MINCHIN**—Yes.

**Mr Clarke**—We the Commonwealth, no, other than the all-important Treasury modelling of the CPRS.

**Senator MINCHIN**—Right, so yours is a process of ensuring the full pass-through.

**Mr Clarke**—Correct.

**Senator MINCHIN**—On page 3, under ‘COAG tasking’ of this same ministerial communique, it says:

Ministers noted the request by COAG to provide it with additional information on expected changes in electricity prices and, noting the uncertainty associated with some aspects of that request, agreed on a mechanism to address this tasking.

What is that all about? Why has COAG asked for that information?

**Mr Clarke**—That refers to the fact that there are a number of drivers of price changes for electricity. They are, of course, the wholesale cost of producing electricity, changes at transmission cost, retail margins, the extent of competition in the retail sector, and carbon price and wreck price being part of the mix. So the COAG tasking was to unpack that, if you like, to get an understanding of what are the elements, what are the drivers of price change, and to put that into a report back to COAG.

**Senator MINCHIN**—That is what you mean by the uncertainty associated with—

**Mr Clarke**—Yes, well some of these factors will operate against each other. Some might increase, some might decrease. Indeed, in many cases it is a scenario or a prediction; it is not a science.

**Senator MINCHIN**—You are looking at impacts beyond the CPRS and RET on electricity prices.

**Mr Clarke**—Correct.

**Senator MINCHIN**—For example, upgrades to the network, which are being contemplated by some jurisdictions.

**Mr Clarke**—Upgrades to the network that the Energy Market Commission has already identified will be necessary to accommodate the different energy mix in particular that arises from the renewable energy target.

**Mr Pierce**—As well as any other drivers of changes in network prices that are happening because of load growth or distribution of load that are factored into the system anyway, irrespective of the Commonwealth’s policies.

**Senator MINCHIN**—When do you expect that report to be provided to COAG?

**Mr Clarke**—We are expecting the next formal meeting of the MCE is in December this year. I would expect the officials that are working on that report to present that to ministers in December and from that on to COAG.

**Senator MINCHIN**—Are those sorts of reports made public?

**Mr Clarke**—That will be a matter for ministers in COAG.

**Senator MINCHIN**—In that same area, ministers agreed on a proposed work program regarding feed-in tariffs—as requested by COAG a consultant will be commissioned to undertake the work program with the report to be finalised and presented. I presume a consultant has been commissioned?



**Mr Morling**—It is a program that has been designated by COAG and there were four overarching principles plus two additional tasks given by COAG. I might get Mr Belt to read those out but essentially it is about the fair treatment of micro generation—small generation. It is not about premium feed-in tariffs. It is quite explicit that where jurisdictions decide to implement premium feed-in tariffs it is a matter for those jurisdictions. This course of work is about trying to get as much of the rest of any feed-in tariff regime standardised as much as possible across jurisdictions and to make sure those customers that have micro generation are treated as much as possible in as fair a manner as those who do not have micro generation. Would you like to add anything?

**Mr Belt**—No.

**Senator MINCHIN**—Is that a summary of the terms of reference for the consultants?

**Mr Morling**—Yes.

**Senator MINCHIN**—Is that a public document? Is it on your website?

**Mr Belt**—There was a document presented to the ministerial council which outlines the terms of reference for the consultant. I cannot remember off the top of my head whether that was made public or not.

**Senator MINCHIN**—Can you take that on notice?

**Mr Belt**—Certainly. The national principles and the two tasks directed specifically to MCE are public. As Mr Morling has said, essentially the task was about ensuring fair and reasonable minimum treatment, if you like, for renewable generators where there was not a premium feed-in tariff scheme in place. We have commissioned consultants to prepare a report. We have a report which has just been delivered now. It has to go into the MCE committees for consideration.

**Senator BIRMINGHAM**—I would just like to mention the all-important Treasury modelling on CPRS. Is there any equivalent modelling or price estimations related to the RET?

**Mr Clarke**—The RET was included in the Treasury CPRS modelling. That is my recollection.

**Mr Morling**—Yes, that is my understanding.

**Senator BIRMINGHAM**—That is net of both the increased RET and the CPRS?

**Mr Clarke**—Yes.

**Senator BIRMINGHAM**—To what does the department put the crash in the price of RETs down to?

**Mr Morling**—RETs are generated under the mandatory renewable energy target, which is the portfolio responsibility of the Minister for Climate Change and Water. Essentially, that is just a market outcome. Most of the RETs are dealt with in a bilateral manner between contracting parties and a smaller amount is left over to be traded on the market. As to the actual causes of the downturn in RET prices, that is just an outcome of market forces. We do not have a particular insight on that.

**Senator BIRMINGHAM**—The Department of Resources, Energy and Tourism does not keep data on which sectors or which parts of business RETs are issued?

**Mr Morling**—Not that I am aware of. We get a weekly report from a private firm which gives us an overall RET price so we have a time series, but it is not in terms of a particular sector or anything like that.

**Senator MINCHIN**—Is it the case that the policy responsibility for compensation issues under the CPRS in relation to the coal and energy sectors has been transferred to your department from the Department of Climate Change and Water?

**Mr Pierce**—No. It is still with the Department of Climate Change and Water as part of the design of the CPRS.

**Senator MINCHIN**—Does the federal government or the department have a policy on Queensland's consultation paper that proposes to introduce a domestic gas reservation policy?

**Mr Pierce**—My recollection is that the minister has made some statements that are generally on along the lines that the Commonwealth viewpoint is that these things should be determined on a commercial basis.

**Mr Clarke**—The only additional information I can give you is that issues about domestic gas reservation policy are matters that could reasonably be expected to be addressed in an a green paper/white paper process as they are quite fundamental policy issues.

**Senator MINCHIN**—If we take that minister's statement—in fact I have a quote. He says that it is not a question of domestic or expert energy markets, but the principles for Australia should be purely commercial reasons. Do we take that to mean that the federal government is opposed to the Queensland government's proposal for a domestic gas reservation position?

**Mr Clarke**—I do not think we can interpret the minister's words any better than you on that, Senator.

**Senator MINCHIN**—Would I be wrong to interpret them as meaning that?

**Senator Carr**—You are asking the officers for an opinion.

**Senator MINCHIN**—Very well, I will ask the minister at the table whether he is able to enlighten us on the federal government's—

**Senator Carr**—I am not able to enlighten you any further than what the minister has clearly stated.

**Senator MINCHIN**—Can officers at the table explain to this committee what is understood to be the problems with the domestic gas reservation policy? Presumably, there is an implication that it is not commercial—from the minister's statement.

**Mr Clarke**—I am talking in the abstract; I am not talking about the Queensland proposal in particular or anything like that—

**Senator MINCHIN**—Sure; domestic gas reservation generally.

**Mr Clarke**—The highest level response to the matter as a matter of principle is that it is a distortion that will advantage some and disadvantage others and is not necessarily an efficient outcome. The particular circumstances of any particular policy and situation would have to be

analysed on their merits, but the generality is that it is a distortion which prima facie would not be efficient. Is there any communication whatsoever between this department and the relevant authorities in Queensland in relation to this matter? Are you making a submission on the consultation paper? Is there some conveyance of views to Queensland? Presumably, it has significant implications for the national energy position.

**Ms Constable**—In considering this matter, in the energy green paper we have certainly had dialogue with both the Queensland government and Western Australia where there are domestic reservation policies in place.

**Senator MINCHIN**—Western Australia has reserves of 15 per cent, or something—is that right?

**Ms Constable**—Yes, that is correct.

**Mr Clarke**—I am advised that we have not made a submission to the particular Queensland paper.

**Senator MINCHIN**—So you have a watching brief on what is going on with Queensland?

**Mr Clarke**—Yes.

**Mr Pierce**—As was indicated earlier, people might expect it to be an issue that gets addressed within the green paper/white paper process.

**Senator MINCHIN**—Thank you.

**Senator JOYCE**—With your CPRS modelling, what was the formal modelling used on that?

**Mr Clarke**—We did not do CPRS modelling.

**Senator JOYCE**—You did not do any modelling?

**Mr Clarke**—That was done by Treasury.

**Senator JOYCE**—That is it.

**Senator MINCHIN**—I would like to know if you, as a department, have any involvement in the Henry review of taxation?

**Mr Clarke**—Yes, we have had a number of discussions with the secretariat about issues and opportunities in taxation reform in regard to the resources sector. As Ms Constable indicated earlier, we see it as one of many very important issues that goes directly to energy policy.

**Senator MINCHIN**—Are you able to indicate whether you are aware of options that have been considered that would change the taxation arrangements for onshore resource projects?

**Mr Clarke**—We are not able to speculate about any particular outcomes at all at this stage.

**Senator MINCHIN**—Okay. That is all I have.

**CHAIR**—We are due to move to Geoscience Australia now. I thank the resources and energy officers.

[5.17 pm]

### Geoscience Australia

**CHAIR**—I welcome officers from Geoscience Australia. Do you have an opening statement you would like to make?

**Dr Pigram**—No.

**Senator MINCHIN**—What is Geoscience Australia's position in relation to the recent earthquakes and tsunamis in the Asia-Pacific. Could you give us 30 seconds on the causes of those earthquakes and tsunamis?

**Dr Pigram**—Certainly. What would you like to know specifically?

**Senator MINCHIN**—Are they a function of the movement of tectonic plates as far as Geoscience Australia is concerned?

**Dr Pigram**—Indeed, they are.

**Senator JOYCE**—And the correlation between earthquakes and Labor governments?

**Senator MINCHIN**—No, that was not where I was going.

**Dr Pigram**—I will leave that to you.

**Senator Carr**—In relation to the National Party's undermining of the coalition!

**Senator PRATT**—What about the correlation between the National Party and climate change?

**Senator JOYCE**—We are trying to stop it!

**Dr Pigram**—Senator Minchin, they are the normal processes in the earth in relation to plate motion. The Indian Ocean events that have impacted on Sumatra and the Pacific Ocean events that have impacted on Samoa are both a consequence of normal plate motion.

**Senator MINCHIN**—So when Mr Tim Costello of World Vision Australia says that the 'ring of fire', as he calls it, that has exploded in our region in recent weeks, including the tsunami in Samoa and the earthquake in Indonesia, was directly related to changes in the global weather patterns, that is not something that Geoscience Australia would concur with?

**Dr Pigram**—I can assure you that that is not a correct conclusion.

**Senator MINCHIN**—So changes in global weather patterns do not affect tsunamis and earthquakes?

**Dr Pigram**—No, they do not create tsunamis or affect plate tectonic motion.

**Senator MINCHIN**—I am pleased to hear that. Thank you.

**Senator JOYCE**—Just for the record, earthquakes do emit carbon dioxide, don't they?

**Dr Pigram**—Earthquakes per se do not emit carbon dioxide, but they may affect the rocks in such a way that gases could escape, certainly.

**Senator JOYCE**—We will have to stop them somehow!

**Senator EGGLESTON**—I know you have buoys in place as a tsunami warning system, and I believe we have some off the south-east coast and some off the north-east coast. I have

asked questions before about the placement of warning buoys off the Western Australian coast. Can you give us an update on the location of the buoys?

**Dr Pigram**—They are not the responsibility of Geoscience Australia; they are the responsibility of the Bureau of Meteorology. But I can assure you that there are now operating buoys in the Tasman Sea, the Coral Sea and in the northern Indian Ocean.

**Senator EGGLESTON**—There is now an operating buoy in the northern Indian Ocean?

**Dr Pigram**—Correct.

**Senator EGGLESTON**—That is what I wanted to have confirmed. We had a practical test of the warning system a few weeks ago. Were you satisfied with the outcome?

**Dr Pigram**—I have not seen the post-mortem of the activity, but my understanding on the day is that it worked particularly well and that both GA and bureau systems performed at expected levels.

**Senator EGGLESTON**—So you think that the system worked well and provides adequate and timely warning—

**Dr Pigram**—All I can tell you at the moment is that, in the GA context, our performance indicator for advice to the bureau on earthquakes in relation to their tsunamigenic potential, the KPI is 15 minutes—we have to have the advice out of the building in 15 minutes. We are currently averaging 12, and that is across over 50 events in the last 12 months. So we are above our KPI by a considerable margin. We are particularly proud of that.

**Senator EGGLESTON**—You deserve to be congratulated, I must say. That is very good. The other question I wanted to ask you is about the potential for geothermal energy as a viable source of renewable energy. There was an article in the *Weekend Australian* on 8 August about this. Would you like to comment on the development of geothermal energy and your role in its development?

**Dr Pigram**—Certainly. I will make some introductory comments and my colleague Dr Johnson may be able to elaborate, depending on what you particularly wish to know. You would be aware that under the energy security program we have some funding to investigate the potential and provide pre-competitive information for geothermal energy. Australia has considerable potential in that we have appropriate rocks with the right sorts of heat flow regimes in a range of locations around the country that would suggest that, if we can develop the technology appropriately as a nation, it would have the potential to contribute significantly to the energy base in the country.

**Senator EGGLESTON**—The article in the *Weekend Australian* of 8 August says:

Geoscience Australia estimates that if just one percent of Australia's geothermal energy was extracted, it would equate to 26,000 times Australia's total annual energy consumption ...

**Dr Pigram**—That is correct.

**Senator EGGLESTON**—That is a really extraordinary—

**Dr Pigram**—It is a very large number.

**Senator EGGLESTON**—There is the Paralana project, with a \$40 million rig that has been imported from Dubai, testing the potential, I gather. Could you advise the committee about what is happening there?

**Dr Johnson**—Paralana, as a test site, is one of two programs that we are aware of at proof-of-concept stage. They are drilling at significant depth at present—something of the order of two kilometres depth. They have not reached their target depth. The other company that you may have heard of are doing similar proof-of-concept work. That is, of course, Geodynamics, who have been in the news over the last couple of years with that project. That is really all I can update you on in terms of the people who are currently drilling at that advanced stage.

**Senator EGGLESTON**—Where are the potential geothermal energy sites located? Are they close to population centres or in more remote parts of Australia?

**Dr Johnson**—It is a mixture. It depends on the geology of the region that you are talking about, and geology does not respect population boundaries. Different companies have different commercial strategies. Some, as a commercial strategy, explore within reasonably close proximity to the electricity grid; others explore the largest possible resource. Some of those localities are very remote, but some are exploring within reasonable proximity to the grid. I am talking about within, say, 100 kilometres.

**Senator EGGLESTON**—So, in other words, there is a reasonable prospect that energy from those sources could be fed into the grid?

**Dr Johnson**—Yes, there is.

**Senator EGGLESTON**—That is very interesting, considering the potential. Thank you. That is all.

**Senator JOYCE**—One of the big sites for geothermal is north-east South Australia and south-west Queensland. What is the cost we are looking at for setting up geothermal? We can create energy, but it is how much it costs that is the concern.

**Mr Clarke**—Let me jump in there. There are a number of dimensions to this. Geoscience Australia are now characterising the energy potential of this resource. As they have said, it is enormous. The question is: how do you convert that potential to electricity and at what cost and how do you get it into the grid? The government is funding the Geothermal Drilling Program, where we have been giving grants to companies to do this early stage, proof-of-concept drilling. A number of those have already been announced. As you have said, a couple of the more advanced projects are quite remote and are not under the grid, not close to the wire. It happens that that is also characteristic of a number of other, renewable, energy sources as well, where the optimum site is not necessarily the optimum location with respect to the grid and the demand—wind, for example.

There are a number of ways to look at that. Under current policy settings, the developer of the remote power station has to pay the cost to connect that power station to the grid. It is just part of the project and it costs what it costs to run that connection. Another view is that, given the requirement to move to a different energy mix, a low-carbon energy mix, the rules that govern transmission development and charging should be changed to recognise this geographic, economic and climate reality. The Australian Energy Market Commission has, in

its most recent report on this, put out the prospect that we need to change the transmission regulation rules to recognise the potential of clusters of renewable energy remote from the grid and to have a more efficient way of connecting them up into the grid.

So there is no simple answer to your question. I cannot give you a dollar number. It is actually a policy issue that is being worked through very carefully.

**Senator JOYCE**—Is south-west Queensland the most likely source of this or the most abundant source of this?

**Mr Clarke**—For geothermal?

**Senator JOYCE**—As Dr Johnson has said, there are actually dozens of geothermal exploration permits in operation around Australia today. The spectacular resource in the Cooper Basin is well known but remote. Others are looking under the wires. They are using different strategies—lower heat and shallower but right next to the grid. I think it is far too early in the maturing of this energy source to say that any area is the optimum one. I think, as GA would say—and I might throw back to them—we are quite lightly explored in this area. We do not yet know where the optimum sources are.

**Dr Pigram**—I would agree with that, yes.

**Senator JOYCE**—The Cooper Basin is geothermal by reason of latent radioactivity and granitic material. Is that correct?

**Dr Pigram**—Correct.

**Senator JOYCE**—Isn't it going to be a lot cheaper just to do it with uranium right next to the grid? Geothermal is just a politically correct nuclear reactor as opposed to a politically incorrect nuclear reactor.

**Mr Clarke**—I think we will treat that as a rhetorical statement, Senator, if you do not mind.

**CHAIR**—I think we might. Thanks to Geoscience Australia for their attendance here.

**Senator ABETZ**—I have some questions which I did indicate to the secretariat.

**CHAIR**—We do have a long list for Tourism, so if you could—

**Senator ABETZ**—That includes me. If I may quickly ask: can you tell me what amount of money has been spent on data acquisition in the region of the Middleton and Elizabeth Islands and adjacent waters since 2003?

**Dr Pigram**—I would not have the precise figures for you. Can I take that on notice?

**Senator ABETZ**—I have no choice but for you to do so, so thank you for that. Can I provide—via the committee—a copy of a map to you, Dr Pigram? It is entitled *Area of proposed AUSGEO offshore energy security program in relation to Australia's potential maritime zones. If Australia lost sovereignty over Middleton and Elizabeth reefs as islands and they cannot qualify for EEZ status*. That is the heading on this particular map. This map is sourced from Geoscience Australia, Commonwealth of Australia, but can I ask you about the title on the map? I assume that title was not put on that map by Geoscience.

**Dr Pigram**—I think I would be confident in saying that, Senator.

**Senator ABETZ**—Just so that there is no misinformation in the public arena. Other than that heading, you would identify the rest of that map as a Geoscience map? If you want to take that on notice to get that absolutely clear, that is fine.

**Dr Pigram**—We will do that, Senator.

**Senator ABETZ**—Are you able to tell us on what basis the arcs on the map were drawn? You could take that on notice as well.

**Dr Pigram**—Certainly.

**Senator ABETZ**—When and under what circumstances did Middleton and Elizabeth reefs become regarded by your organisation as being Middleton and Elizabeth islands, such as to support its own EEZ? Because if you have a look at this map with the arc there are areas outside it which are less than 200 kilometres from those reefs.

**Dr Pigram**—My understanding—and I am happy to take it on notice—is that neither of those reefs has been used in the calculation of the Australian jurisdiction, both in relation to the 200 nautical mile zone or in relation to the area of delineation with France and Australia.

**Senator ABETZ**—If you could provide us with an explanation as to why the arcs were drawn where they were on that map it would be helpful.

**Dr Pigram**—The arcs that are drawn on here, I would suggest, are not ours but we will provide you with advice on that, particularly the ones that are shaded in grey. I will take that on notice.

**Senator ABETZ**—On this map I think it is blue and red. You have a photocopy.

**Dr Pigram**—I understand that.

**Senator ABETZ**—Thank you for your forbearance. Do we have any preliminary views as to what the value of the underwater assets or resources may be?

**Dr Pigram**—Not at this time, Senator.

**Senator ABETZ**—You have no idea at all?

**Dr Pigram**—We would have some ideas around what the long-term potential may be but we would not have any basis on which to quantify those.

**Senator ABETZ**—The hydrocarbons and other materials that may be under the waters near those reefs/islands will be of potential significance to our economy in the future. If you could provide me with any advice of preliminary resource value, I would be much obliged, and thank you for the committee's forbearance.

**CHAIR**—Thank you again to Geoscience Australia. I will ask the tourism section of the Department of Resources, Energy and Tourism to come to the table as well as Tourism Australia.

[5.33 pm]

#### **Tourism Australia**

**Senator ABETZ**—Does the department have any involvement in the issue of geoparks or is that all in the heritage area? Geoparks are seen as being very beneficial to tourism. I wonder



whether the tourism department has any involvement in relation to encouraging or the classification of areas as geoparks and whether you are involved in the intergovernmental committee of Australian Government heads.

**Mr Clarke**—From a quick check with my colleagues, no; I do not believe so.

**Senator ABETZ**—That makes that section very quick!

**Mr Clarke**—If that turns out not to be the case I will come back to you and correct it.

**Senator ABETZ**—I accept that that is an area that you might not be fully briefed on so that is fine. Can I quickly revisit two tourism grants that we discussed, I think, last time in relation to Tasmania, where legal action has been taken. You kindly provided a written answer to question on notice BR21 from 2 June 2009, for which I thank you. You told us that, in the first matter, external legal advisers fees had totalled, in round figures, \$53,000 and another, \$22,000. Is there an update on those figures? Have more legal costs been incurred?

**Mr Tucker**—Yes. Additional legal costs have been incurred. As at 28 September the figure in the first matter was \$58,700.

**Senator ABETZ**—In the second matter?

**Mr Tucker**—In the second matter, \$22,842.

**Senator ABETZ**—That was at 30 September.

**Mr Tucker**—28 September.

**Senator ABETZ**—That is very up to date, but those sorts of figures remind me why it was such a bad economic decision to go into parliament. Thank you for those figures. Let us not beat around the bush. We were very discreet last time round as to the first matter and the second matter. Can I describe the second matter as the Kingston Jetty matter—the APEX Club?

**Mr Clarke**—Yes. That is your prerogative, Senator.

**Senator ABETZ**—Yes, but we are not talking about the Willow Court. There are two cases. In relation to the APEX Club, can I say to the department and to the minister, with great respect, that this could have been settled in my discussions with the APEX Club for 20 per cent of the amount that has now been incurred in legal costs. In relation to the Willow Court matter I cannot say that because I do not know, but in my contact with the APEX Club all they had been wanting was some monetary recognition of the volunteer work and out of pockets that had been undertaken by the organisation. Can I say value for money for the Australian taxpayer dollar, I am sure this could have been settled for a lot less than the current figure of \$22,800. Can I ask whether either of those matters are nearer settlement than they were last time we spoke?

**Mr Tucker**—Those two matters are nearer to settlement.

**Senator ABETZ**—By sheer dint of time that they must be closer to settlement, or has actual progress been made?

**Mr Tucker**—Our legal advisers have been talking to the two parties and they are still in negotiation—that is really the situation at the moment—but some progress has been made since we last spoke about this.

**Senator ABETZ**—With great respect, especially in relation to what we previously euphemistically described as the second matter, for a volunteer organisation such as APEX to have spent such a considerable sum of money on legal costs in relation to this when their request could have been met for substantially less is a matter of concern. I leave it at that and thank my colleagues for allowing me to raise these questions. I look forward to these matters being settled when we return.

**Senator EGGLESTON**—A couple of months ago I went to Kimberley Economic Forum, which was held in Broome, and was said to be about regional tourism development. Did the tourism division or Tourism Australia have any staff at the Kimberley Economic Forum?

**Dr Tucker**—No, Senator.

**Mr Allert**—Tourism Australia did not have any staff there either.

**Senator EGGLESTON**—I thought you might have in view of the amount of money that has been put into the Australia campaign, following the film, to attract people to Northern Australia. What work has been done to determine the effectiveness of the Australia campaign? What parameters are you using to measure the effectiveness of the campaign?

**Mr Allert**—We have undertaken research into the effectiveness of the campaign and I am pleased to report that it has had great traction. You may have seen an article by Richard Muirhead, the head of tourism in WA, that there has been a significant increase in visitation to the Kimberleys. I can also report that our research shows that people who have seen the film *Australia* and our campaign have a 22 per cent higher intention of visiting Australia than those who have not. I can also report that I think the film has now been seen by 123 million people around the world and we have had—I do not remember the exact number—PR articles that have appeared in magazines and other forms of media around the world which have had a huge audience reach. We have had them valued and the value of those articles in advertising dollars is upwards of \$500 million.

**Senator EGGLESTON**—I understand you valued television items at around \$500 million and you talked about all these people having seen the film and a higher percentage of people who said they may visit Australia, but what has that translated into in terms of actual visitors to Australia and to the north of Australia in particular?

**Mr Allert**—It is very hard to measure that as it does not necessarily have a short-term effect. I do not think that in our international visitor survey we specifically asked whether people had seen the movie *Australia* and whether that was why they came to Australia, but we are contemplating whether we should add that question. But you do not want to make the form that they have to fill out too detailed otherwise you will detract from the information you get and the number of people who are prepared to answer.

**Senator EGGLESTON**—I think what you are saying is very interesting because a lot of people did not like the film. They thought it was very old-fashioned and it did not present the attractions of the Kimberley in particular very well. In the early bits it had the people involved

driving across a salt plain and, in many people's view, it did not portray the Kimberley in a very favourable light. I am very interested in your figures to see what it actually does in terms of attracting tourists.

**Mr Allert**—My comments were in relation to international visitors, but the increases at the Broome and Kununurra visitor centres have been up 24 per cent and eight per cent respectively this year, as against last year. It has not detracted people from visiting the Kimberley; I would say it had the opposite effect.

**Senator EGGLESTON**—What you are saying is interesting. The Kimberley Economic Forum was about promoting regional tourism. I believe you have a tourism pathways program. Is there any plan perhaps to bring people in through Darwin and down through the northern Kimberley, where the real attractions of that area are located, and out through Broome or Perth?

**Mr Allert**—Our general marketing campaign would be broader than that, but we do work in conjunction with the Western Australian tourism office on campaigns. I am also able to say that international arrivals into Western Australia this year are up 2.1 per cent on the previous year. But as to whether we have a specific program to get tourists to enter the country via Darwin, I would have to take that on notice.

**Senator EGGLESTON**—I belong to a Northern Australian group which has been set up in this parliament and there was some discussion recently about this idea of pathways, if you like, taking people through regions. Obviously the Kimberley is a long way from Perth in terms of international access. Port Hedland has a designated international airport but it is an industrial town. Broome has sought to attract international flights on at least four separate occasions, but it has never worked very well. I wondered whether the department had looked at the possibilities of using Darwin as a gateway to the north of Australia in general and the Kimberley in particular.

**Mr Allert**—I will leave that to the department to answer, but you may be aware of our National Landscapes program, which concentrates on regional areas.

**Senator EGGLESTON**—I think that is what I was referring to.

**Mr Allert**—But I will leave that question about plans for Darwin for the department.

**Mr Pierce**—I am not aware that we are specifically looking at that sort of proposal. A number of people in the industry have spoken about having designated locations in a general sense. I am not sure I have heard anyone raise Darwin in that context.

**Mr Allert**—I am aware from discussions that we have had with the Northern Territory tourist department and office that they are very actively promoting Darwin as a gateway to Australia.

**Senator EGGLESTON**—People tend to go to areas that are different. Europeans like going to Africa because it is different and there are ecotourism opportunities there. I would have thought the things that are different in Australia are very largely in the north of Australia, and that means North Queensland, the Northern Territory and the north of WA. I am very interested to know whether or not as a group your organisations have any plans for specifically focusing tourism promotion on the north in general.

**Mr Allert**—They are very much part of our national promotion of Australia. We are very keenly aware that potential visitors to Australia are keen on what Queensland has to offer, what the Northern Territory has to offer and what Western Australia has to offer because they are interested in landscapes and in unique parts of Australia, and they are three areas that feature strongly in our campaigns.

**Senator EGGLESTON**—I understand you have also had a \$20 million brand campaign. There was an article in the *Sydney Morning Herald* about that on 28 August. Essentially this was asking Australians what they saw as the best way to market this country. I wondered if you would like to make any comment about that for this committee's information.

**Mr Allert**—You are referring to the Brand Australia campaign that was announced by the Minister for Trade, the Hon. Simon Crean.

**Senator EGGLESTON**—I am indeed.

**Mr Allert**—We are not involved, other than having a seat at the table in developing what that should be. It will include tourism—or some part of tourism—but more particularly be aimed at manufacturing, technology, education and all the other things that Australia is world renowned for as part of promoting that broader aspect. But that is really something for his department.

**Senator BIRMINGHAM**—What commitment does Tourism Australia have to that program or campaign?

**Mr Allert**—We are very happy to participate in the development of the ideas.

**Senator BIRMINGHAM**—Is there a financial commitment?

**Mr Allert**—No.

**Senator BIRMINGHAM**—You are happy to contribute to the development of the ideas, but promoting manufacturing exports overseas is in many ways vastly different to how one might market and promote tourism opportunities in Australia. Is there an expectation that there will be a single logo, tag line, message or marketing campaign that flows out of this across all areas? What does Tourism Australia see as the likely outcome, from your perspective?

**Mr Allert**—I would not like to predict the likely outcome but it is actually aimed at this broader aspect of wider Australia—what Australia has to offer in those other areas that I just mentioned. We are at the table because naturally if you are going to have a brand Australia or any campaign that is going to promote Australia then there is an aspect of tourism in it. But it is not to take the place of Tourism Australia's marketing campaigns.

**Senator Carr**—That is a matter for another portfolio.

**Senator EGGLESTON**—Could I just ask one question in relation to that—which is: on how would you measure the success of this branding campaign? Would you measure it against international visitor arrivals or more money spent?

**Mr Allert**—That is for another portfolio; that is not for Tourism Australia.

**Senator JOYCE**—Can you just explain to me the TQUAL Grants program. What is that over?

**Mr Clarke**—That is for the department.

**Mr Tucker**—The TQUAL Grants program is a competitive funding program aimed at stimulating sustainable growth in the Australian tourism industry. It does that by supporting innovative, high-quality projects that contribute to long-term economic development in the industry.

**Senator JOYCE**—How much is it?

**Mr Tucker**—There will be up to \$8.3 million available in this round of funding.

**Senator JOYCE**—And that is over how many years?

**Mr Tucker**—There is one round of funding. The funds will be over a two-year period.

**Senator JOYCE**—So that is roughly \$4.15 million a year.

**Mr Tucker**—The funds will be allocated in the first year to all of the successful projects, up to a value of \$8.3 million, and those projects will need to be concluded over that two-year period.

**Senator JOYCE**—Now that took the place of the Australian Tourism Development Program, is that correct?

**Mr Tucker**—This final round of grants is a redevelopment of the Australian Tourism Development Program to refocus it on more innovative projects and to include some projects of national significance.

**Senator JOYCE**—The Australian Tourism Development Program was \$29.9 million, so that would be about \$7.47 million a year. So you replaced a program that was actually going to pay out more money and you said you did it for a stimulatory effect. I cannot quite work out how that works.

**Mr Tucker**—The funding allocation you indicated for the Australian Tourism Development Program is broadly correct.

**Senator JOYCE**—It was roughly \$30 million over four years from 2006-07 to 2009-10. By my calculation that is about \$7.47 million a year. You have told me that you put this program in place for a stimulatory effect. But in fact your stimulatory effect is less than the stimulatory effect that was already there.

**Ms Rose**—The TQUAL Grants program is, if you like, a reinvigorated Australian Tourism Development Program. It is a lapsing or terminating program, which means the ATDP was due to run out at the end of next year with the same funding or a similar funding profile to what the remainder of the TQUAL Grants program has.

**Mr Clarke**—If I may also intervene to clarify, when Dr Tucker was describing TQUAL he said it was to stimulate innovation. He was not suggesting it was an economic stimulatory program.

**Senator JOYCE**—But you acknowledge that it is less than what was originally there.

**Mr Clarke**—Ms Rose has outlined the expenditure profile.

**Senator JOYCE**—I just want to go through a couple of programs. Let us start with the master plan to boost Clarence River tourism. Is anyone here aware of that? This is to do with a media release issued on 16 October 2009.

**Mr Clarke**—I am not aware of that, specifically. If you have a question—

**Senator JOYCE**—We will go through a few of them, and you tell me if you are aware of them.

**Mr Clarke**—Would you clarify: these are projects or announcements by whom?

**Senator JOYCE**—These are media releases delivered by the minister. I am going to deliver them now to you and you are going to tell me if you know anything about them so I can ask you some questions. Are you aware of the ‘Positive signs to boost Tasmanian tourism’ media release on 12 October?

**Dr Tucker**—Yes, we are aware of that.

**Senator JOYCE**—Which program was that funded under?

**Dr Tucker**—I believe it was an ATDP project.

**Senator JOYCE**—What is the first year that that program commenced?

**Dr Tucker**—It is detailed in notes that I do not have handy.

**Senator JOYCE**—You might want to take it on notice.

**Dr Tucker**—I will take that on notice.

**Senator JOYCE**—What year was this project first awarded funding?

**Mr Clarke**—Perhaps we could take that on notice as well.

**Senator JOYCE**—What electorate was this project in?

**Mr Clarke**—We do not have a catalogue of project specific information. If your questions are going to be at the individual project level—

**Senator JOYCE**—I will give you these on notice and then I will go to some other ones. I also want to know about ‘New international promotion for the Flinders Ranges’ on 7 August 2009, ‘Parramatta tourism development strategy underway’ on 4 August 2009, ‘Arresting tourist project opened in Goldfields’ on 27 July 2009, ‘Tourism project to promote Rockhampton region’ on 20 July 2009, ‘Minister welcomes new tourism attraction for Gold Coast hinterland’ on 17 July 2009, ‘Ecotourism development opened at Mount Avoca’ on 19 June 2009, ‘Hunter tourism to benefit from new marketing drive’ on 10 June 2009 and ‘Funding boost for Goldfields tourism’ on 8 May 2009. For all of those I want to know under which program the project was funded, in which year the program commenced, in which year was the project first awarded funding, in which electorate was this project and how much of the project was awarded in this year and in total.

**Mr Clarke**—We will take that all on notice.

**Senator JOYCE**—Those details will appear in *Hansard*. Is it not true that the rising Australian dollar, combined with the global economic recession, has hit Australian tourism extremely hard this year?

**Mr Allert**—According to the figures for the year up to the end of August, Australia is down three per cent in international visitor arrivals; other regions in the world are down between seven and nine per cent. Of our major competitors, Europe is down seven per cent, the Americas are down eight per cent and Asia is down nine per cent—those are approximately correct numbers—and we are down three per cent. So while it is true that the global financial crisis and the strengthening of the Australian dollar would have an effect on tourism, we have actually done well compared to our international competitors.

**Senator JOYCE**—So why, when we go back through the TQUAL, the fall in tourism and the conservative government's Australian Tourism Development Program, which you replaced, under that pressure would you reduce, not increase, funding?

**Mr Allert**—I think that is a question for the department.

**Mr Pierce**—I think the government has made its budget decisions but has pointed out that, due to the economic crisis, given that tourism expansion is one of those discretionary expenditures, the major effect is what you would see coming out of the general economic stimulus package rather than something specifically targeted at tourism.

**Senator JOYCE**—I have been looking through it while other people have been talking about other things. There is about \$79 billion worth of discretionary expenditure—how much of that did you get?

**Mr Pierce**—The structure of the stimulus package is obviously more a question for the Treasury. As I say, one would expect the effect of that on the general level of economic activity—a portion of it—would then flow through to tourism activity, particularly domestic tourism.

**Senator JOYCE**—Have you had any discussions with people about the effects on tourism of an increase in airfares due to an ETS on aviation fuel?

**Mr Pierce**—I have not, I must admit, but I do not know if any of my other colleagues have.

**Senator JOYCE**—There is evidence on the record and through other people such as Virgin airlines, a pretty reputable source, who say that they will terminate certain services with the proposed increase in taxes.

**Ms Cox**—In terms of aviation capacity—and that is the measure we use for what is happening in the aviation industry—both internationally and domestically capacity has actually increased in the last 12 months.

**Senator JOYCE**—The ETS is not in yet. Are you aware that there is no ETS on flights overseas but it is on domestic flights?

**Ms Cox**—It is not in yet.

**Senator JOYCE**—Have you done any modelling on what effect this will have on—

**Ms Cox**—No. That modelling, as I understand, is being done by the Treasury and the Department of Climate Change.

**Senator JOYCE**—On the effects on tourism in places such as Cairns?

**Ms Cox**—We have not had any effects on the Cairns market from the ETS yet.

**Senator JOYCE**—You would not have had, because it is not even—

**Mr Pierce**—You would understand that the responsibility for modelling the effects of ETS rests with the Treasury and the Department of Climate Change. The extent to which they can identify from that modelling the effect on industry sectors would be a question which I suggest needs to be put to them.

**Senator JOYCE**—Have they advised you of effects on tourism by an increase in airfares?

**Mr Pierce**—Not that I am aware of.

**Senator JOYCE**—Would that mean that they believe that there is no effect?

**Ms Cox**—I think you would have to ask them.

**Mr Pierce**—You would have to ask them.

**Senator JOYCE**—But they have not advised you of any effect?

**Mr Pierce**—No.

**Senator JOYCE**—It is interesting, because Virgin airlines have advised us of an effect. Regarding the total TQUAL Grants program the minister announced on 15 April 2009, how many grant recipients have been advised of their successful grant under this grants program?

**Dr Tucker**—At this stage, none.

**Senator JOYCE**—None?

**Dr Tucker**—The assessment process is still underway.

**Senator JOYCE**—When will the assessment process be finished?

**Mr Clarke**—The assessment process is nearly finished. Applications have closed. The technical assessments have been done. The process is very near its end point and in the not too distant future I expect the minister will be in a position to make announcements.

**Senator JOYCE**—Just give me a rough idea of how far the not too distant future is.

**Mr Clarke**—I cannot speculate. I can only say that we are almost at the end point of completing the assessments and rolling that up into advice for the minister.

**Senator JOYCE**—Less than a year? Six months? More than a year?

**Senator Carr**—It is a matter for the minister.

**CHAIR**—Senator Joyce, we still have quite a few senators on the list.

**Senator JOYCE**—I will just ask one more. Of the \$8.5 million program, how much has been allocated for the 2009-10 financial year?

**Dr Tucker**—Up to \$8.3 million is allocated for the remainder of the program of two years.

**Senator JOYCE**—So now, in October, what portion is committed?

**Dr Tucker**—If you are referring to the TQUAL program, there is \$8.3 million of funding available for the program. At this stage there have been no commitments made to any grant recipients.



**Senator PRATT**—I have a question to clarify an issue raised by the shadow minister for tourism. He put out a press release on 1 October alleging that there was an underspend on the annual tourism promotion budget by \$3 million.

**Mr Pierce**—That was in Tourism Australia's report. I will get Jo-Ann Rose to answer that.

**Ms Rose**—The final budget outcome published by the Department of Finance and Deregulation compared the expense estimates published in the PBSs at budget—combining both the Tourism Australia expenses and the department's attribution to the tourism function within the department—to the actual expenditure against those same items. There is a \$3 million difference. The majority of that relates to not an underspend but a reduction in an anticipated overspend.

On page 125 of the portfolio budget statements, you can see that Tourism Australia budgeted for a \$40 million operating deficit, largely as a result of anticipated foreign exchange movements. That anticipated deficit was reduced to just over \$10.4 million. So, with a couple of other small variations in the administered program expenditure and the departmental expenditure, it was not an underspend but a reduction in an anticipated overspend.

**Senator PRATT**—That makes sense. Is that in part to do with the value of the Australian dollar?

**Ms Rose**—Yes, as well as international currencies.

**Senator RONALDSON**—Can I take you back to some of the questions that were asked by Senator Joyce. I take it the minister has been going around the country making announcements in relation to tourism projects this year.

**Mr Clarke**—Yes. As project reach milestones, announcements are made.

**Senator RONALDSON**—And those milestones were actually a result of projects funded by the former government, weren't they?

**Mr Clarke**—Yes, I believe so.

**Senator RONALDSON**—The minister has been out spruiking projects that were in a program introduced by the former government, which he has killed—and he is making no mention of the fact that they were actually programs that were there under the former government—while his own TQUAL program is dragging its feet in the most extraordinary way.

**Mr Clarke**—Senator, I am sorry. Your question uses so much pejorative language I do not think I can respond to it.

**Senator Carr**—Senator, you are asking the officer for an opinion. You know that under the standing orders that is way out of line.

**Senator RONALDSON**—Yes, that is right.

**Senator BIRMINGHAM**—Imitation is the sincerest form of flattery, Senator Ronaldson.

**Senator RONALDSON**—Thank you very much. You are quite right. Mr Allert, how did you go with the Remuneration Tribunal? Did they look at the request from the board to look at what you should be paid in your role as deputy chairman? Was that sorted out?

**Mr Allert**—Not deputy chairman—executive chairman. No, it has not been sorted out.

**Senator RONALDSON**—I did not say deputy chairman, did I?

**Mr Allert**—I beg your pardon. I misheard.

**CHAIR**—I think you did, Senator Ronaldson.

**Senator RONALDSON**—Did I? My apologies. Executive chairman—you are right.

**Mr Allert**—No. That matter has been handled by the board, independent of me of course, and to my knowledge it has not been settled.

**Senator RONALDSON**—There was quite a remarkable saga about the Tourism Australia managing director. What was the name of the consultant that was involved?

**Mr Allert**—Spencer Stuart.

**Senator RONALDSON**—That is right. If I remember, at the last estimates they had received about \$40,000 for this remarkable search. What was the final figure? Do we know?

**Mr Allert**—The final figure was \$90,000.

**Senator RONALDSON**—\$90,000?

**Mr Allert**—Correct.

**Senator RONALDSON**—When did this process first start?

**Mr Allert**—I think the process started very early this year.

**Senator RONALDSON**—Would you view \$90,000 to a consultant to find the MD a substantial and remarkable sum of money?

**Mr Allert**—No, I would not.

**Senator RONALDSON**—You would not? Okay.

**Mr Allert**—I am familiar with what it costs for the search for senior positions. The going rate is in the order of 30 to 33 per cent of the first year's salary. In fact we had a competitive tender for this process. They were the lowest priced tenderer that had the capacity to do the job.

**Senator RONALDSON**—Did they have the capacity to do the job?

**Mr Allert**—So actually it was less than would normally be paid commercially.

**Senator RONALDSON**—Up until last Senate estimates they had been paid \$40,000. What would have been the fee paid to them if they had found someone the day after estimates?

**Mr Allert**—It would have been \$90,000.

**Senator RONALDSON**—What was the delay in finding someone?

**Mr Allert**—It was a long and laborious process and it took some time, as you correctly observe.

**Senator RONALDSON**—Does my memory serves me correctly that someone had said they were going to take the job and then they decided not to do so? Is that my recollection from Senate estimates last time around?

**Mr Allert**—I think that was a proposition that was put to Senate estimates last time, but I hasten to say that I am not going to comment on what I believe is confidential information relating to prospective candidates.

**Senator RONALDSON**—Correct me if I am wrong but I think that that person who was going to do it decided not to take the job up because he thought the whole thing was a complete and utter shemozzle. Is that a reasonable assessment of the situation?

**Mr Allert**—You would have to ask whoever you have in mind. I am not going to comment on individuals' views, but I would have to say that, in my interviews of candidates, nobody has ever suggested that Tourism Australia is a shemozzle.

**Senator RONALDSON**—Minister, are you aware of a press release put out on 30 September by the Tourism and Transport Forum about the job losses in the accommodation sector?

**Senator Carr**—No, I am not.

**Senator RONALDSON**—Is the department aware of that press release?

**Mr Pierce**—Not specifically.

**Senator RONALDSON**—If you are prepared to take it at face value—and I am sure that if I am misquoting from a press release the minister will suitably chastise me at the appropriate time—what the TTF has said is that in the accommodation sector the job losses are occurring faster now than they did following the Sydney Olympics. And we all know what happened after the Sydney Olympics, don't we? It was no fault of anyone and it was an expected outcome, but they were quite dramatic job losses. The TTF is now saying they are occurring faster than post-Olympics. The press release says:

Since September last year, tourism jobs have dropped by 6 per cent, compared to 1 per cent overall.

In other words, the tourism industry has been shedding jobs six times faster than the economy as a whole.

... ..

7,676 people have lost their jobs in just nine months—

and that is just in the accommodation sector itself. If the rest of the tourism industry, according to the TTF, is as badly affected, and is suffering the same level of job losses, that is nearly 30,000 people who have lost their jobs in the tourism sector since September last year. I will give one more quote from that press release:

These are frightening figures which clearly show that Australia's tourism industry has been disproportionately affected by the economic downturn.

Can I ask you, Minister, or the department how much of the government's stimulus money has flowed through to the tourism sector?

**Senator Carr**—We have already had a conversation about this with Senator Joyce. The purpose of the government's stimulus measures was to lift the level of aggregate demand,

which they have done remarkably well. The fact is that this economy is in a much stronger state than just about anywhere else in the world. That is a direct result of the decisive action that this government has taken. The facts of the matter are that this stimulus package that we have introduced has meant that many, many more people are in work than would otherwise be the case. The amount of money that is in the economy is much stronger than otherwise would be the case. And, in general terms, the level of aggregate demand has been substantially stronger than otherwise would be the case.

**Senator RONALDSON**—So the answer is no? There has not been—

**Senator Carr**—No, I did not say that.

**Senator RONALDSON**—The stimulus money that has gone to the tourism sector—

**Senator Carr**—I did not say that. In fact, I said that the level of aggregate demand in this economy, as a direct result of the government's stimulus package, is much stronger than would otherwise be the case, and the net result is that the Australian economy is much stronger than just about anywhere else in the world.

**Senator RONALDSON**—Well, clearly, it is stronger in the accommodation sector in the tourism industry! Thirty thousand jobs lost—

**Senator Carr**—I can assure you that there are people losing their jobs in a number of sectors throughout this economy, and that, of course, is to be highly regretted. The truth, however—and you should acknowledge this—is that the government's actions have meant that we have stayed out of recession to date and that this economy is considerably stronger than it otherwise would have been, through measures which, I note, you have opposed on every occasion.

**Senator RONALDSON**—Can I ask you another question, Minister? If I went to those 30,000 Australians and said, 'You can have pink batts,' or 'We are going to pull down a school hall that is perfectly serving the requirements of the children at that school,' do you think they would rather have the money go into the tourism sector, or do you think they would like cash handouts? Do you think they would like a pink batts program? Do you think they would like money wasted in some schools? I am just wondering whether—

**Senator Carr**—Have you got a question that is related to the estimates on this?

**Senator RONALDSON**—you think this might have been a reasonable allocation of government funding when you are confronted with massive job losses in the tourism industry?

**Senator Carr**—You can make your tendentious points; the chamber is the appropriate place for that. What is your question as far as this estimates committee is concerned?

**Senator RONALDSON**—My question is: are you proud of yourself, having seen 30,000 jobs go in the tourism sector while you were handing out cash willy-nilly, while you were spending money on a pink batts program and while you were pulling down school halls that were perfectly well servicing the needs of those kids and replacing them with a hall that was not needed? That is my question.

**Senator Carr**—The estimate that we have is that there are 240,000 extra jobs in this economy that otherwise would not be there. We now have the demonstrable evidence that the Australian economy is in a much, much stronger position than just about any of our competitors. Internationally, the stimulus package that we have pursued has been recognised to be highly successful. That is why it is supported by 75 per cent of Australians. The 25 per cent that do not support it seem to be confined to the Liberal Party, because that is about where you are at the moment.

**Senator RONALDSON**—You must be very proud of a graph like that showing a decline in accommodation jobs while you are throwing money around.

**Senator Carr**—What would have happened if we had followed your policy.

**Senator PRATT**—The more people in work, the more people who can afford a holiday.

**Senator RONALDSON**—So you are proud of that, are you?

**Senator PRATT**—No.

**Senator RONALDSON**—No, I did not think you would be.

**Senator Carr**—What would have been the numbers if you had followed your policy.

**Senator RONALDSON**—Can I ask the department about a tender for LPT and Co in relation to the Analytical and Strategic Support for Industry Steering Committee input to the National Long Term Tourism Strategy. Does someone have those details?

**Mr Calder**—Yes.

**Senator RONALDSON**—What was the length of that contract?

**Mr Calder**—The person was engaged on 22 September 2008 and it ran through until the end of June this year.

**Senator RONALDSON**—So it was about nine months.

**Mr Calder**—Yes.

**Senator RONALDSON**—And what was the total value of that contract?

**Mr Calder**—It was \$173,369.

**Senator RONALDSON**—I presume that a significant contract like that was put out to tender?

**Mr Calder**—It was a direct sourcing engagement.

**Senator RONALDSON**—Sorry?

**Mr Calder**—It was a direct sourcing engagement, Senator.

**Senator RONALDSON**—What, for \$173,000? Why would you not put that out to tender?

**Mr Calder**—The person was appointed because of their particular expertise in strategic analysis in tourism.

**Senator RONALDSON**—And that was Mr Lam-Po-Tang, was it?

**Mr Calder**—That is correct.

**Senator RONALDSON**—Do you know if Mr Lam-Po-Tang had ever been employed by a tourism business or in the tourism industry?

**Mr Calder**—Mr Lam-Po-Tang had been employed by Tourism Victoria to develop their tourism strategy.

**Senator RONALDSON**—What were the KPIs for Mr Lam-Po-Tang in relation to this contract? What number of hours were you viewing as being an appropriate allocation of his time to such a substantial contract—\$173,000 over nine months?

**Mr Calder**—Mr Lam-Po-Tang was engaged for two days a week to provide strategic support to the steering committee for the National Long-Term Tourism Strategy.

**Senator RONALDSON**—How many hours a day was the expectation?

**Mr Calder**—There was the expectation that he would work the required time to provide the necessary support to the committee.

**Senator RONALDSON**—When he took this job on, and when you took this direct tender approach, did he advise you whether he was doing any other work and that he might have to reallocate his time accordingly?

**Mr Calder**—He advised that he had the capacity to undertake the work that we required for the steering committee.

**Senator RONALDSON**—Did you ask him whether he was doing any other paid work?

**Mr Calder**—We understood that he was undertaking other paid work at the time.

**Senator RONALDSON**—Are you aware that, at the time of the awarding of the contract, and for the full duration of the contract, Mr Andrew Lam-Po-Tang was the director of IT and telecommunications at Amcor Ltd?

**Mr Calder**—Yes.

**Senator RONALDSON**—A full-time position.

**Mr Calder**—No, that was a part-time position, as we understood it.

**Senator RONALDSON**—So you did know about that.

**Mr Calder**—Yes.

**Senator CAMERON**—Did you say that was a part-time position?

**Mr Calder**—That is right.

**Senator RONALDSON**—What contact was there between the minister's office and Mr Lam-Po-Tang prior to this contract being awarded?

**Mr Calder**—I am not aware of any contact between the minister's office and Mr Lam-Po-Tang.

**Senator RONALDSON**—Who suggested Mr Lam-Po-Tang to you?

**Mr Calder**—This was a discussion within the steering committee for the National Long-Term Tourism Strategy.

**Senator RONALDSON**—Who was on the steering committee?

**Mr Calder**—It was chaired by Ms Margaret Jackson. There was Jeff Kennett, Greg Hywood, Saul Eslake, Chris Brown, Matt Hingerty, Jenny Lambert—

**Senator RONALDSON**—Anyone from the department?

**Mr Calder**—The department was there to provide secretariat support. There was also Ms Kayleen Collins and Ms Karen Jacobs.

**Senator RONALDSON**—Where did the suggestion come from for Mr Lam-Po-Tang—do you know?

**Mr Calder**—It came from the discussions within the steering committee.

**Senator BIRMINGHAM**—Just checking—there was no ministerial representative on the steering committee?

**Mr Calder**—No, there was not.

**Senator RONALDSON**—Was there any discussion on the committee about whether you should go out to tender?

**Mr Clarke**—I was in pretty much all of those steering committee meetings, not as a member of the committee but a representative of the department. As Mr Calder has indicated, the decision to go single-select and go direct to Mr Lam-Po-Tang was a function of the relative urgency of the committee's desire to execute its task as quickly as possible—the need for that level of expertise quickly—and the need for someone who had a proven track record in delivering a quite similar product. Hence, we had a high degree of confidence in his ability to do the task.

**Senator RONALDSON**—Is it normal for the department to have direct-source contracts of that magnitude?

**Mr Clarke**—It is not unusual. It is not the norm, but it is not unusual to go single-select on the basis of either expertise or urgency or some combination of them. In this case, it was those two factors.

**Senator RONALDSON**—What was the cause of the urgency?

**Mr Clarke**—The committee had been given a time frame to complete its work. It started its task and it reached the view that it needed additional support from that sort of strategic consultant.

**Senator RONALDSON**—When did it start the task?

**Mr Calder**—The committee first met on 3 July 2008. They subsequently met in August 2008 and then frequently. They met for a total of about 10 times during the course of their deliberations.

**Senator RONALDSON**—There is no-one else in the industry who is capable of providing the services that Mr Lam-Po-Tang can?

**Mr Clarke**—We cannot answer that definitively.

**Senator RONALDSON**—You cannot because you did not go to open tender for a \$173,000 contract which, as you said before, is unusual.

**Mr Clarke**—But not exceptional.

**Senator RONALDSON**—No. I am sure that is right. When was the last direct-source contract for that amount of money let by the department—do you know?

**Mr Clarke**—I cannot answer that question off the top of my head.

**Senator RONALDSON**—Take it on notice, will you?

**Mr Clarke**—Certainly.

**Senator RONALDSON**—Thank you. Just so that I am sure: there was no-one from the minister's office on that committee. Had anyone discussed with the minister or the minister's staff the need to go to a direct-source contract rather than an open tender contract?

**Mr Clarke**—My recollection is that we were certainly keeping the minister and his office advised of the progress of the work of that committee and of the intent to engage a strategic consultant to work with us. I do not recall that we had any specific discussions, though, about the procurement process. We had two factors: the views of the committee—and, indeed, the consultant was advising the committee, not the department—and of course we had to observe probity in the procurement process. That was a line that we managed to hold.

**Senator RONALDSON**—So the first the minister's office knew about it was when you told them that you had made an appointment, was it?

**Mr Clarke**—We were briefing the minister's office on progress of the work and the intent and the subsequent appointment of a strategic consultant, yes.

**Senator RONALDSON**—Had this person's name been floated by the minister's office before the contract was let?

**Senator Carr**—I think that has been clearly stated. The minister's office has had nothing to do with it. You have got a committee which has a number of names that are well known to me and are hardly Labor people. Perhaps you should ask them where the name came from.

**Senator RONALDSON**—You are very generous with your—

**Senator Carr**—Check with Jeff Kennett.

**Senator RONALDSON**—your summation of the situation.

**Senator Carr**—I have just heard what the officers have said.

**Senator RONALDSON**—If you do not mind, Minister, I actually might continue my questions to the department.

**Senator Carr**—Well, don't try and verbal the officers.

**Senator RONALDSON**—Thank you very much, Minister. You just relax a bit and I will continue my questions to the department. At any stage prior to the letting of the contract, was the name of the successful tenderer raised with the minister's office?

**Mr Clarke**—I cannot recall. I cannot give you a definitive answer on that.

**Senator RONALDSON**—Who in the department decided on this gentleman?

**Mr Clarke**—As I said to you, the decision to appoint Mr Lam-Po-Tang was a function of discussions within the committee.



**Senator RONALDSON**—Did the department put that name forward to the committee?

**Mr Clarke**—I do not believe so.

**Mr Calder**—No. It was the committee that put that name forward.

**Senator RONALDSON**—I know that Senator Birmingham has some quick questions, so I will put my further questions on notice. Thank you.

**Senator BIRMINGHAM**—Do you consider the No Leave, No Life program to have been a success? Have you been tracking its success?

**Mr Allert**—Yes, we do.

**Senator BIRMINGHAM**—On what basis has success been measured?

**Mr Allert**—On the acceptance that it has had in industry. We have had 500 businesses, with a potential employee reach of 672,000 employees, take part in the program. On that basis alone, we think it has been a success.

**Senator BIRMINGHAM**—Are those businesses providing any data back to Tourism Australia as to changed rates in employee leave uptake?

**Mr Allert**—Not as yet, but I think that it is too early to measure that, because the program was only launched in March. Holiday periods vary, and I think that we need a longer time than between March and now to measure the traction that that program has had. But we will be getting input from those employers as to how successful that program has been.

**Senator BIRMINGHAM**—Aside from the provision of basic materials, what goes into the program when an employer takes it up?

**Mr Allert**—Rachel, can you answer that?

**Ms Crowley**—It is a range of tools that they can download from a website. It is a variety of things, including promotional tools just for in the workplace as well as the data sorts of arguments for HR departments to use to work with the staff to encourage them to take leave. It really depends. It is a fairly flexible program, depending on the size of the workforce and how they want to apply it. It can go from promotional kinds of tools to the sort of stuff to be considered at boardroom level or executive level as to why they should take the program up.

**Senator BIRMINGHAM**—It is up to the employers, the companies involved, to decide which promotional tools they might use, how they might distribute those promotional tools and to pay for all stages of those promotional tools beyond the development that you have been involved in of putting them on the website?

**Ms Crowley**—That is right. It is a tool kit. It is entirely up to companies as to how they would like to apply it within their business.

**Senator BIRMINGHAM**—Is there an agreed structure in place within TA for measuring the success of this program?

**Mr Allert**—Yes, there is.

**Senator BIRMINGHAM**—What time line do you expect to be measuring that on, and what are the success indicators that you are measuring against?

**Mr Allert**—We will have the first measurement by the end of June next year.

**Senator BIRMINGHAM**—And the success indicators?

**Mr Allert**—That will be part of that. We have KPIs around all of our programs, and that will be part of the measurement of those KPIs by the end of June next year.

**Senator BIRMINGHAM**—What are the key performance indicators for No Leave, No Life?

**Mr Allert**—One of them will be that we get feedback from the employers about how effective the program has been.

**Senator BIRMINGHAM**—Are there any quantitative KPIs?

**Mr Allert**—I would have to take that question on notice, but, if you are asking whether we are going to measure how much leave has been taken all around Australia, I think the answer to that would be no.

**Senator BIRMINGHAM**—I do not expect that you necessarily would measure it all around Australia, but I was interested as to whether you might measure year-on-year impacts in any of these businesses or something that could be comparable in a quantitative sense.

**Mr Allert**—I have had experience with some major organisations in measuring their leave and with programs to get employees to take leave, and it takes quite a deal of time for there to be a cultural change in taking leave. So I am not looking for a quick or significant effect in leave taken generally by most employer companies in the first year. I think it will take longer than that for the program to have real traction.

**Senator BIRMINGHAM**—I suspect that, fortunately, you will see some marked increase in leave taken this year from a tourism industry perspective, particularly in a lot of those large service based companies and so on. I know that my own wife is taking more leave than perhaps she would choose to thanks to some company requirements.

**CHAIR**—Last question, Senator Birmingham.

**Senator BIRMINGHAM**—I just want to quickly finish the exchange we were having before the minister interrupted. Can I clarify that Tourism Australia basically sees itself on the national branding exercise that Senator Eggleston started asking about as an adviser in that exercise, not necessarily as somebody who will be a recipient as in, 'Here's a national branding package within which Tourism Australia must build its next branding campaign.'

**Mr Allert**—Yes, that is a fair summation.

**Senator BIRMINGHAM**—Thank you. Finally, notwithstanding the process issues my colleague raised, I congratulate you on the appointment of Andrew McEvoy as the head of TA. It is an outstanding appointment. I would have been happy to give the consultants a reference for him many, many months ago. South Australia will be sorry to lose him.

**Mr Allert**—He has been very well received throughout the industry. Thank you, Senator.

**CHAIR**—I thank Tourism Australia and the tourism section of the Department of Resources, Energy and Tourism. We will begin after the dinner break the with Treasury portfolio.

**Proceedings suspended from 6.32 pm to 7.31 pm**

**TREASURY PORTFOLIO****In Attendance**

Senator Sherry, Assistant Treasurer

**Department of the Treasury**

Dr Ken Henry AC, Secretary

**Outcome 1: Sound macroeconomic environment****Output Group 1.1: Macroeconomic group**

Dr David Gruen, Executive Director

Mr Tony McDonald, General Manager, Macroeconomic Policy Division

Dr Steve Morling, General Manager, Domestic Economy Division

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

Mr Paul Flanagan, General Manager, International Finance Division

Mr Bill Brummitt, General Manager, International Economy Division

Mr Kevin Playford, Manager, International Finance Division

Ms Meghan Quinn, General Manager, Macroeconomic Modelling Division

**Outcome 2: Effective government spending arrangements****Output Group 2.1: Fiscal group**

Mr Nigel Ray, Executive Director

Mr Paul McBride, Manager, Social Policy Division

Mr Peter Robinson, Principal Adviser, Social Policy Division

Mr Steve French, General Manager, Industry, Environment and Defence Division

Mr Hector Thompson, Acting Principal Adviser, Industry, Environment and Defence Division

Ms Natalie Horvat, Manager, Industry, Environment and Defence Division

Ms Kirsty Laurie, Senior Adviser, Industry, Environment and Defence Division

Mr Scott Rogers, Senior Adviser, Industry, Environment and Defence Division

Mr Kurt Hockey, Manager, Industry, Environment and Defence Division

Ms Penny Sirault, Manager, Industry, Environment and Defence Division

Ms Jan Harris, General Manager, Budget Policy Division

Ms Sue Vroombout, General Manager, Commonwealth-State Relations Division

Ms Deidre Gerathy, General Manager, Corporate Services Group

**Outcome 3: Effective taxation and retirement income arrangements****Output Group 3.1: Revenue group**

Mr David Parker, Executive Director

Ms Maryanne Mrakovic, General Manager, Tax Analysis Division

Mr Phil Gallagher, Manager, Tax Analysis Division

Mr Colin Brown, Manager, Tax Analysis Division

Mr Damien White, Manager, Tax Analysis Division

Mr Marty Robinson, Manager, Tax Analysis Division

Mr Paul McCullough, General Manager, Business Tax Division

Mr Matthew Flavel, Manager, Business Tax Division

Mr Michael Willcock, General Manager, Personal and Retirement Income Division

Mr Trevor Thomas, Principal Adviser, Personal and Retirement Income Division  
Mr Mark O'Connor, Principal Adviser, Personal and Retirement Income Division  
Mr Mike Rawstron, General Manager, Indirect Tax and Treaties Division  
Ms Christine Barron, Secretary, Board of Taxation and General Manager, Indirect Tax Division  
Mr John Lonsdale, Adviser, Australia's Future Tax System  
Mr Rob Heferen, General Manager, Australia's Future Tax System

**Outcome 4: Well functioning markets**

**Output Group 4.1: Markets group**

Mr Richard Murray, Executive Director  
Mr Geoff Miller, General Manager, Corporations and Financial Services Division  
Ms Marian Kljakovic, Manager, Corporations and Financial Services Division  
Mr Michael Lim, Acting Manager, Corporations and Financial Services Division  
Ms Alix Gallo, Manager, Corporations and Financial Services Division  
Ms Kate Preston, Manager, Corporations and Financial Services Division  
Mr Les Pascoe, Acting Manager, Corporations and Financial Services Division  
Mr Patrick Colmer, General Manager, Foreign Investment and Trade Policy Division  
Mr David Martine, General Manager, Financial Systems Division  
Mr Roger Brake, Manager, Financial System Division  
Ms Jacky Rowbotham, Manager, Financial System Division  
Mr Justin Douglas, Manager, Financial System Division  
Ms Vicki Wilkinson, Manager, Financial Systems Division  
Ms Kanwaljit Kaur, Manager, Financial System Division  
Mr Trevor King, Manager, Financial System Division  
Dr Steven Kennedy, General Manager, Competition and Consumer Policy Division  
Mr Brad Archer, Manager, Competition and Consumer Policy Division  
Mr Kim Salisbury, Senior Adviser, Competition and Consumer Policy Division  
Mr Paul Madden, Program Director, Standard Business Reporting  
Mr Greg Divall, Program Manager, Standard Business Reporting  
Mr Peter Martin, Australian Government Actuary

**Australian Bureau of Statistics**

Mr Brian Pink, Australian Statistician  
Mr Peter Harper, Deputy Australian Statistician, Population, Labour, Industry and Environment Statistics Group  
Mr Trevor Sutton, Deputy Australian Statistician, Social Statistics Group  
Ms Gillian Nicoll, Acting First Assistant Statistician, Corporate Services Division  
Mr Paul Lowe, Assistant Statistician, Population Census Branch  
Mr Michael Belcher, Chief Financial Officer  
Ms Denise Carlton, Acting Assistant Statistician, Office of the Statistician  
Ms Heather Jones, Acting Assistant Statistician, Human Resources Branch  
Mr Ian Ewing, Deputy Australian Statistician, Macroeconomics and Integration Division

**Australian Competition and Consumer Commission**

Mr Graeme Samuel, Chairman  
Mr Brian Cassidy, Chief Executive Officer

Mr Scott Gregson, General Manager, Enforcement Operations  
Mr Nigel Ridgway, General Manager, Compliance, Research, Outreach and Product Safety  
Mr Marcus Bezzi, Executive General Manager, Regulatory Affairs Division  
Mr Mark Pearson, Executive General Manager, Regulatory Affairs Division  
Mr Tim Grimwade, Acting Executive General Manager, Enforcement and Compliance Division  
Ms Helen Lu, General Manager, Corporate Branch  
Mr Adrian Brocklehurst, Chief Financial Officer  
Mr Richard Chadwick, General Manager, Adjudication Branch  
Mr Chris Pattas, General Manager, Network Regulation South, Australian Energy Regulator  
Mr Peter Betson, Acting General Manager, Water  
Mr Sean Riordan, Acting General Manager, Strategic Analysis and Development

**Australian Office of Financial Management**

Mr Michael Bath, Director, Financial Risk  
Mr Gerald Dodgson, Head of Treasury Services  
Mr Andrew Johnson, Head of Compliance and Reporting  
Mr Pat Raccosta, Chief Finance Officer

**Australian Prudential Regulation Authority**

Dr John Laker, Chairman  
Mr Ross Jones, Deputy Chairman  
Mr Charles Littrell - Executive General Manager Policy, Research and Statistics  
Mr Keith Chapman, Executive General Manager, Supervisory Support

**Australian Taxation Office**

Mr Michael D'Ascenzo, Commissioner of Taxation  
Mr David Butler, Second Commissioner  
Mr Mark Konza, Deputy Commissioner, Small and Medium Enterprises  
Ms Raelene Vivian, Chief Operating Officer  
Mr Neil Olesen, Deputy Commissioner, Superannuation  
Mr Robert Ravanello, Chief Finance Officer

**Australian Securities and Investment Commission**

Mr Tony D'Aloisio, Chairman  
Ms Belinda Gibson, Commissioner  
Dr Peter Boxall AO, Commissioner  
Mr Justin Owen, Manager – Government Relations  
Mr Stephen Woodhill, Senior Executive Leader, Corporate Affairs  
Mr Malcolm Rodgers, Senior Executive Leader, Strategy  
Mr Barton Hoyle, Research Adviser to the Commissioner

**Productivity Commission**

Mr Gary Banks AO, Chairman  
Mr Bernie Wonder, Head of Office  
Dr Michael Kirby, First Assistant Commissioner  
Mr Terry O'Brien, First Assistant Commissioner

---

**Department of the Treasury**

**CHAIR**—I reopen this public hearing 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 has set Friday, 11 December 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 extract read as follows—*

**Public interest immunity claims**

That the Senate—

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:
  - (1) If:
    - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
    - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.
  - (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.
  - (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
  - (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

- (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
- (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
- (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).
- (8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(Extract, Senate Standing Orders, pp 124-125)

**CHAIR**—The committee will begin consideration of the Treasury portfolio with the macroeconomic group of the department and will then follow the order as set out in the circulated program. I welcome Senator Sherry, representing the Treasurer, and officers of the department. Minister or Dr Henry, would you like to make an opening statement?

**Senator Sherry**—I do not, thank you.

**Dr Henry**—I do not have a general opening statement to make to the committee, but I think it is appropriate that I make some brief observations—and I assure you they are brief—about one of the matters the committee has indicated that it is interested in discussing at these hearings this evening, and that matter is the car dealership financing special purpose vehicle otherwise known as OzCar. There has been, and continues to be, much discussion surrounding OzCar. Some of the issues that have been canvassed publicly extend well beyond the development and implementation of OzCar to matters that include or go to the administration and operation of my department, and those include staffing issues.

Given that, as I think the committee understands, I will unfortunately not be available for tomorrow's hearing due to a prior commitment, and in the context of the range of issues that are broadly OzCar related, I would seek the committee's indulgence that any OzCar questions be taken at this evening's hearing so that the committee has an opportunity to hear directly from me on these matters.

Obviously my colleagues and I are happy to answer questions on the range of OzCar issues that the committee may be interested in exploring. However, it is important to note that there are various ongoing investigations that may restrict the nature and the scope of our responses to some of these questions. Such restrictions may arise as a result of the Australian Federal Police continuing its investigation into various OzCar related issues and also as a result of the two inquiries currently being undertaken by the Senate Standing Committee of Privileges. Both of those inquiries relate to the 19 June 2009 hearing of the Senate Economics Legislation Committee. Further, I am aware of the various Senate resolutions relating to procedures at Senate committees regarding evidence that may reflect adversely on a person or persons.

Naturally, it is my wish to respect protocols. I may therefore need to seek your guidance, Madam Chair, should such issues arise.

Treasury continues to assist the ongoing investigation of the Australian Federal Police. We have made quite extensive submissions to the Senate Standing Committee of Privileges to assist its OzCar related inquiries. As the committee is aware, Treasury comments on some OzCar issues have been published, such as our formal comments, which were included in the recent Auditor-General's report into the handling of representations relating to car dealership financing. Treasury's comments on the Auditor-General's report sought to provide clarity and context surrounding the development and implementation of the OzCar scheme. Beyond this, as the committee, I am sure, would appreciate, the Treasury has so far had limited opportunity to address these matters in an appropriate public forum. Therefore, I should clarify that the preparation of the Treasury comments that are contained in the Auditor-General's report was not informed by prior knowledge of Mr Gretch's comments to the Auditor-General. The Auditor-General incorporated Mr Gretch's comments with a number of footnotes that presented facts known to the Auditor-General which were inconsistent with Mr Gretch's observations.

Beyond this, it is fair to say that Treasury's comments on the Auditor-General's report would have been different—at least more expansive and covering a broader range of issues—had we seen Mr Gretch's comments before being asked for our own. Indeed, we would have directly addressed some of Mr Gretch's remarks. These issues include Mr Gretch's observations in relation to the resourcing of the policy development and implementation of the OzCar scheme, the general level of support provided to Mr Gretch and claims made by Mr Gretch that a senior Treasury official made certain comments to him on the morning of his appearance before the Senate inquiry.

The Treasury holds some quite different views from Mr Gretch in relation to each of these matters. A number of these matters go to questions that are potentially relevant to the terms of reference of the current inquiries by the Senate Standing Committee of Privileges and our submissions to that committee address these matters. Thank you for your indulgence.

**Senator JOYCE**—Is there currently an arbitrage between Australian interest rates and US interest rates?

**Dr Gruen**—There is certainly a difference between Australian interest rates and US interest rates. US short-term interest rates are between zero and 1/4 of a per cent and Australian short-term interest rates are at 3¼ per cent.

**Senator JOYCE**—So there is the capacity, in layman's terms, to borrow money in the US, invest it in Australia and put the difference in your pocket?

**Dr Gruen**—It is open to people to do that. But they would have to take into account the possibility of a change in the exchange rate over the time in which they carried out that transaction.

**Senator JOYCE**—I will get to that. If that is currently the impetus, would that be likely to force our exchange rate up or down?



**Dr Gruen**—I guess it would be fair to say that standard economics would lead one to suspect that when Australia has higher interest rates than another country—and usually the relevant measure is the real interest rate, but our real short-term rates would also be higher than the US short-term rates, so that distinction does not need to detain us—it would be reasonable to expect that to lead to a higher Australian dollar than otherwise.

**Senator JOYCE**—Over time, does it make sense that this arbitrage or differential would disappear, with the market finding an equating mechanism so that ultimately the dollar starts going in a different direction?

**Dr Gruen**—It has been the case for a long time that Australia usually runs higher short-term interest rates than the US—not always but usually. Given the very different experiences that the two economies have experienced over the last 18 months, it is perhaps not so surprising that US interest rates are so low and Australian interest rates are higher. The people who trade these things would obviously take the interest rate differential into account but would also take into account what they expected would happen to the exchange rate.

**Senator JOYCE**—Then there is the capacity, through the use of such things as financial instruments, to accentuate the profit from that differentiation in interest rates and, therefore, in the short term, to make quite a substantial gain from what in essence would be a 2½ per cent differentiation. With the use of instruments I can accelerate that gain, as long as I have the belief that the difference will remain in the short term.

**Dr Gruen**—It is not just the interest rate differential that matters, it is also the exchange rate—what you expect the exchange rate to do. Whether you use derivatives or any other form of financial engineering, if you wish to take advantage of the differential you have to take on the risk that the exchange rate might move against you.

**Senator JOYCE**—I am prepared to do that, and I am prepared to make money out of it on the way down when it dips. Ultimately it will reach a point of equilibrium. You would presume that it is not a long-term position that we have an ever-escalating and appreciating dollar. That can be against the US currency or a basket of currencies, as you would expect. It is not going to keep on appreciating forever, is it?

**Dr Gruen**—No. One would imagine that would be true.

**Senator JOYCE**—It is not a trick question. What I am getting to—I will cut through—is that it is going to go back in the other direction. Somewhere in the future it is going to turn around and go back.

**Dr Gruen**—I think it is probably best for me not to speculate about future movements of the Australian dollar. But I am certainly happy to agree to the proposition that it will not continue going up forever.

**Senator JOYCE**—I understand that. It would be a remarkable statement if you said it would. On the historical process, it is of a cyclical nature. When it does turn around, and it will, what will be the effect of a depreciating dollar on the Australian inflation rate?

**Dr Gruen**—In a situation where the Australian dollar is falling, it is the case that the pass-through from exchange-rate movements to consumer prices has become much more attenuated than it was in the past. The link from movements in the Australian dollar to

domestic inflation is actually a much weaker link than it used to be. But, having said that, it is certainly the case that if the dollar is depreciating, other things given, that would put upward pressure on Australian inflation.

**Senator JOYCE**—The link is less than it used to be. Why is that?

**Dr Gruen**—That is a good question. There are probably a few different reasons. One is that, as you say, the dollar has been observed to go up and down. The Australian dollar moves by a lot, so people do not necessarily treat movements as permanent. When they are making their pricing decisions they take a long-term view and perhaps do not pass through all the changes in the exchange rate immediately. The other thing is almost certainly the credibility of the inflation target—the fact that we have now had low and reasonably stable inflation since the early nineties, so firms perhaps have less pricing power than they did in an environment where inflation was running at a higher level. There is also the general point about there being competition between imports and domestically produced goods, so people have to take into account, when they are pricing imports, their competitors and what they are doing.

**Senator JOYCE**—You seem to have given a very good explanation there of an open economy. Do you agree with that?

**Dr Gruen**—I am certainly happy to accept that we have an open economy.

**Senator JOYCE**—Good. So let us go back to why we would apply a stimulus package in a dynamic and open economy and how you actually calibrate the effect of that stimulus package. Since you have given a very good endorsement of the efficacy of the open economy market, how are we therefore working on the premise of the efficacy of the stimulus package when the natural and dynamic system that we are in would work against the domestic stimulatory effect of a stimulus package?

**Dr Gruen**—We have open capital markets and so we can borrow—let me back up and start again. I think this may go to a question you asked me 10 days ago in which you talked about a piece of work that was done by three academics and was recently published in which they showed for a range of countries that on average for countries with a fixed exchange rate fiscal policy has a significantly bigger multiplier than for another range of countries that had floating exchange rates. We had an exchange about that piece of work.

**Senator JOYCE**—For the purposes of the *Hansard*, that is CEPR *Policy Insight No 39*.

**Dr Gruen**—I do have it with me but not in front of me. I made the observation that another result from that paper was also a very strong result—

**Senator JOYCE**—Later on in the paper.

**Dr Gruen**—Later on in the paper, that for countries that tended to be less opened the paper demonstrated that fiscal policy was significantly more potent than countries that were more open. The criterion that the paper used for distinguishing open or closed was whether the trade share, exports plus imports, was greater or less than 60 per cent. I made the point that the Australian trade share, exports plus imports, is around 40 per cent, so we are clearly a country that is relatively less open—

**Senator JOYCE**—Relatively less open.

**Dr Gruen**—Yes, relatively less open, and therefore you would expect fiscal expansion, or for that matter contraction, to have a larger effect on output than for a country that was extremely open like Singapore, for instance. The other point I made which is germane to this discussion is that, if we are talking about fiscal expansion, over the last 18 months there has been a concerted effort by all the large economies and many other economies to engage in fiscal expansion. The reason for that has been that we have had a very serious global financial crisis and in a global shock fiscal policy has the benefit that it has spillovers from one country to another, which are helpful because we will benefit from other people's fiscal expansions and they will benefit from ours.

**Senator JOYCE**—Yes, but in a minute way. Our effect on other nations is insignificant.

**Senator CAMERON**—What are you mumbling about? I could not hear you.

**Senator JOYCE**—If we believe that our fiscal policy is going to stimulate Taiwan, South Korea and China, I think you are fooling yourself.

**Senator PRATT**—Japan would be without our gas over many years.

**CHAIR**—Senator Joyce, would you like to ask questions.

**Senator JOYCE**—Have you been advised in Treasury where the actual money is coming from that is currently financing our debt?

**Dr Gruen**—Sorry?

**Senator JOYCE**—Our debt: the Australian government securities outstanding as we speak is at \$110 billion, or \$109.6 or something. Have you been advised as to which nations and what foreign sources and what proportion this has been financed, where it is coming from, because this definitely has an effect on our macro policy outlook into the long term.

**Dr Gruen**—That is probably a question for AOFM or Fiscal Group.

**Senator JOYCE**—I just want to know if you have been advised of it.

**Dr Gruen**—I may have seen that evidence but I do not recall it.

**Senator JOYCE**—Does anybody else recall it?

**Dr Henry**—Perhaps I could make a comment here. Indeed it would be better that that question go to AOFM, but since I chair the AOFM advisory board I know a little about the issue. It turns out to be rather difficult to trace the beneficial holders of financial instruments like Commonwealth government securities or indeed many other financial instruments. A lot of the financial instruments that would be held offshore are held through holding or nominee companies and tracing through to the beneficial owner is a rather difficult, and quite probably impossible, task.

**Senator JOYCE**—Do we know what portion of that \$110 billion is from overseas?

**Dr Henry**—No, I do not; although it is possible that the AOFM would be able to take you some way in the direction of an answer to that question. I do not know what proportion it is.

**Senator JOYCE**—The reason I ask, obviously, goes more to macroeconomic policy. I am sure you are more aware than I am of the BRIC consolidation as they try to move from the influence of the United States of America and other negotiations that are going on to develop

alternative forms of trading currency. I would like to know: what portion of our foreign debt is associated with other nations which are probably using an investment in Australia to rid themselves of US dollars?

**Dr Henry**—I really do not know.

**Senator JOYCE**—On a macroeconomic basis it would seem that if people are trying to rid themselves of US dollars and US debt by flicking that money into Australian assets, especially mining or whatever, then that could be of immense concern. We know that China has about US\$2 trillion, Japan is holding about US\$1 trillion and the rest of the world is holding between them about another US\$1 trillion. The smart thing for them to do is to quickly exchange that asset back to a substantive asset. So therefore the likely impact on Australia is massive investment—more to the point of ridding themselves of US dollars than a desire to invest in Australia.

**Dr Henry**—You may be assuming that their activities would have no impact on the pricing of those US dollar denominated securities. A large scale sell-off of the sort that you are talking about would certainly have a price impact and would therefore have an impact on the yield of those securities. Of course, to state the obvious, the securities could only be sold if there was somebody prepared to buy them. The sell-offs that you are talking about would involve an exchange of holders. So I do not know that the risk is as great as you might be suggesting, Senator.

**Senator JOYCE**—So we have this aspect of the money to an exact coming in and the motivations behind the money coming in. On the motivations behind the money coming into Australia, do you believe that we still have an accelerating housing price and that the acceleration of the housing price is in the current environment a concern?

**Dr Henry**—I do not know that house prices are accelerating, although it is certainly true that in recent times house prices have started growing again in most if not all capital cities following a fairly lengthy period of reasonably muted price increase, particularly in Sydney and Melbourne. So there is some upward trend evident in house prices. Whether or not I would describe it at this stage as an accelerating price I doubt.

**Senator JOYCE**—What I am getting at is that there is a transfer of assets coming into Australia—transferring foreign currency into Australia for real assets. Then there is the issue of the applying of those funds in Australia as they come in. They are being invested in certain aspects. And the predominant investment by the Australian people in the housing pricing market is moving us towards what will likely be a housing bubble. Do you think we are exposed to housing bubble in any way, shape or form? We are not reinvesting the money that is flowing in into substantive manufacturing industries or even into the ownership of assets; we are capitalising on or realising assets and our major investment in this nation at this point in time seems to be back into the housing market.

**Dr Henry**—I do not think that is the case. You ask if I am concerned about a housing price bubble. No, I am not—certainly not at this point. I do not think the financing mechanism would work in quite the way you have described either. If the Commonwealth government is selling Commonwealth government securities to foreigners then that capital that is coming across the border into Australia is coming in to finance Commonwealth government activity

rather than to put upward pressure on house prices. Indeed, some critics of the government's fiscal stimulus package have claimed that the fiscal stimulus package, because of that effect, is crowding out private sector activity—including, presumably, the financing of housing. So, to the extent that the Commonwealth is borrowing offshore, if it has any effect at all on house prices, it would be the opposite of the effect that you are suggesting.

**Senator JOYCE**—How much of Australia's GDP is determined by housing activity and investment in housing activity?

**Dr Gruen**—It is about six per cent. That is rough; we could give you an exact figure.

**Senator JOYCE**—That is all right. It is not a trick question; it is genuine curiosity. Do you know—and I just cannot find this because no-one wants to deliver it—the current level of state government debt that the Commonwealth is underwriting? The other day I asked someone and they said it was less than \$100 billion, which is blatantly ridiculous because there is \$85 billion in Queensland and \$75 billion in New South Wales.

**Dr Henry**—If you could hold that question over for our fiscal group people, I am pretty confident they would be able to get you an answer.

**Senator JOYCE**—Thank you.

**Senator COONAN**—Dr Henry, contracts disclosed under a Senate return to order revealed that taxpayers were paying \$265,793 to send Treasury bureaucrats to introductory economics classes. The contract is for 7 July 2008 to 30 June 2012. The class is described as a postgrad intro to economics course and it is with the ANU. Can somebody tell me under what circumstances Treasury are hiring staff that need to go to introductory economics courses?

**Dr Henry**—Senator, as I know you know, the Treasury department has very broad-ranging policy-advising responsibilities, especially since the department assumed responsibility for competition policy, corporate law and so on. One of the consequences of assuming that responsibility is that we have broadened our recruitment. These days, as you know, we recruit a lot of people who, for example, have extremely high-quality law degrees. In fact, I know that, in one year not so long ago, more than half of our graduates had law degrees—

**Senator JOYCE**—Sounds like the parliament!

**Dr Henry**—but did not have strong academic training in economics. Those people are of course highly valuable in the department but they themselves have decided that they would benefit from acquiring some formal academic training in economics. The programs that we have made available to those people have been quite popular and have been, from the department's perspective, good investments.

**Senator COONAN**—Are these courses provided free to graduates or to the intake of people from Treasury who want to undertake these courses?

**Dr Henry**—The amount that you refer to is the departmental expense associated with the provision of the courses. I am not myself an expert on the precise financing arrangements for each student but, apart from time off work and purchases of material, I would imagine that the department pays the full cost. I am sure if I have got that wrong somebody will pass me a note.

**Senator COONAN**—How long are the courses and how many students at a time are there?

**Dr Henry**—Dr Gruen has some information.

**Dr Gruen**—I am one of the guest lecturers on a course. One of the things we do is have guest lecturers from Treasury offices. I can give you a rough answer to your question. It might not be precise but it will be reasonably close. I think the courses are two sessions a week for something like 13 or 15 weeks, something like that. It might be a little longer than that.

**Senator COONAN**—Are they provided by the ANU? How are they structured?

**Dr Gruen**—We have had tendering for them and the ANU won the tender. There is a course organiser who gives some of the lectures but there is a large component of guest lecturers.

**Senator COONAN**—Are the guest lecturers such as yourself paid for giving those lectures?

**Dr Gruen**—I am already paid as part of my job so I do not get paid extra.

**Dr Henry**—I can confirm that that is the case.

**Dr Gruen**—But we get guest lecturers from the Reserve Bank and from a range of places.

**Senator JOYCE**—If you want a guest lecturer from the parliament in the accountancy profession, I am the only one, so if you want me to put an application in!

**Dr Gruen**—We would be happy to take you up on that if—

**Senator BOSWELL**—Do you have a good course on manufacturing—

**Senator COONAN**—Can I say that for \$265,793 I think we could all go through a bit of a course, Senator Sherry.

**Senator Sherry**—I agree. I think it would be great.

**Senator COONAN**—We could all enrol.

**Dr Gruen**—There is something like 35 or 40 people doing the course at any one time.

**Senator COONAN**—Another general question that I wanted to ask tangentially touches on some of the questions that Senator Joyce was asking. On 18 June this year the Senate passed an amendment to the Guarantee of State and Territory Borrowing Appropriation Bill, which subsequently received royal assent on 29 June, requiring the AOFM to publish a register of foreign borrowings and any securities guaranteed by the Commonwealth or any state or territory. Obviously, there have to be regulations, so where are we up to with these regulations being drafted? They will enable this register to be implemented.

**Dr Henry**—As I indicated to Senator Joyce, that question would be better put to the AOFM when they appear.

**Senator COONAN**—I put it to them and they said, ‘Ask Treasury.’ They said it was something ‘we’re discussing with Treasury’. I do not particularly know.

**Dr Henry**—I am sorry about that. I was not aware of that. I will take that question on notice and provide the committee with an answer.

**Senator COONAN**—Minister, do you have some view on or some information you can give us as to what is happening with these regulations?

**Senator Sherry**—I recall the debate in the chamber. Do the regulations you are asking about go to the issue of identifying the owner?

**Senator COONAN**—Partly, having a register and, yes, to the extent it can be identified.

**Senator Sherry**—I think your amendment went to that issue as well. It is the issue that Dr Henry referred to earlier in response to Senator Joyce. But beyond that, no, I do not have any up to date information about where the process is at. I am happy to take it on notice.

**Senator COONAN**—It is getting on a bit. It is five months at least since royal assent was received.

**Senator Sherry**—I will take it on notice. But I do recall—just to conclude my response—that, as for the issue that Dr Henry has outlined in respect of tracing the ownership, it was particularly difficult if not well nigh impossible. That was a debate we had in the chamber as to your amendment. It was a reasonably extensive debate, as I recall. That may be a factor. I will take it on notice.

**Senator COONAN**—It does require a couple of things. It requires the beneficial ownership by country of all securities on issue by the Commonwealth of Australia and any Commonwealth of Australia guaranteed issuance by any Australian state or territory. But the United States Department of Treasury currently has this information readily available on their Department of Treasury website. I must say it is not all that clear why it is so difficult when such information is available. The Reserve Bank has a lot of this information on its books.

**Senator Sherry**—Dr Henry outlined the difficulties in tracing through to the owners. I outlined that difficulty in the debate in the chamber. That may be a factor. I will take it on notice. The Office of Financial Management are appearing tomorrow, I think.

**Senator COONAN**—They just say it is a matter for Treasury. They do not know what is going on. In fact, Mr Hyden did not even know what discussions had taken place.

**Senator Sherry**—I certainly do not want this to go around in circles. We will take it on notice and I will certainly endeavour to get a response for you by tomorrow.

**Senator COONAN**—Thank you. Dr Henry would be aware of course that the percentage of foreign holders of Commonwealth government securities is published and is available on the Reserve Bank website, so that is a good start. In any event I appreciate that you will get that information for me, because it does, to my way of thinking, seem to be getting a bit long in the tooth. I have a few other questions about some forecasts and then I have a couple of other questions on a different topic. The Reserve Bank's new forecasts predict new trend growth by the end of next year and for it to accelerate beyond that and by 2011 inflation could be rising again, so we are looking at a much shallower downturn on what the Reserve Bank has had to say in its minutes. Does Treasury agree that the economy will not have the spare capacity to accommodate six years of four per cent-plus growth as the economy returns to trend?

**Dr Henry**—Just as the Reserve Bank has been revising its forecasts, and I understand those forecasts will be published by the Reserve Bank next month, the Treasury has also been

revising its forecasts. We have been doing that to assist the government in the preparation of the Mid-Year Economic and Fiscal Outlook. When the Mid-Year Economic and Fiscal Outlook is published the Treasury's forecast will be publicly available at that same time. They are of course the government's forecasts. It is not for me to publish those forecasts before the government chooses to do so, as I am sure you would understand. So I am not able to go into any detail at all on what revisions we may or may not have made to our forecast at this time.

**Senator COONAN**—Nevertheless, I gather you would agree with me that you can no longer assume that the economy would still be taking up the slack in capacity generated by the economic downturn out to 2016-17?

**Dr Henry**—In general terms, yes, but that question has been addressed in our forecasting. Given that it does appear that the Australian economy did not weaken as much as we forecast at budget time and given that it appears that there is therefore less spare capacity in the economy right now than we had forecast there would be at budget time, it follows that that is going to have some impact on either the number of years for which the Australian economy grows above trend or, alternatively, the amount by which the does economy grow above trend in a given number of years. We have reflected on that issue and, in the revised forecast that we have provided to the government that , as I said, will be published in the Mid-Year Economic and Fiscal Outlook, that matter has been addressed.

**Senator COONAN**—I can appreciate exactly the caveats you put upon what you can say, and I am making these questions pretty general recognising that obviously you cannot say what is the government's right to actually deliver. If growth is much stronger, there is a much greater chance of returning to surplus earlier than forecast, isn't there?

**Dr Henry**—I think we addressed this question some 10 days ago. Other things equal, yes, but one should be careful not to—and I do not think I am giving too much away in indicating this tonight—conclude that higher real growth at a time like this necessarily implies considerably stronger revenue growth. There are several reasons for that but perhaps the two most important are that revenue bears a much closer relationship to nominal income growth than it does to real GDP growth; that is the first point. The second point is that, with the onset of the global financial crisis, individuals, businesses and superannuation funds realised substantial capital losses and also business and other investors realised substantial income losses. Given the carry-forward loss provisions in the income and capital gains tax provisions, those losses remain to be utilised possibly for several years. So those losses will act as a considerable dampener on tax revenue growth as the economy recovers and goes into the next growth phase.

**Senator COONAN**—Yes, although those losses would probably be lower than forecast.

**Dr Henry**—I am not sure that is true. The income losses quite probably, yes, but the capital losses which underpin capital gains tax receipts, probably not.

**Senator COONAN**—We can talk about the recoveries in revenue in the revenue section. I do not want to tramp over the same material that we did a few days ago but I do want to ask: as the economy picks up, can you outline the risks with continuing the large fiscal stimulus, which is contributing 2.75 to GDP in 2009-10 and 1.50 to GDP in 2010-11, to putting upward pressure on inflation, higher interest rates and creating a more competitive exchange rate?



**Dr Henry**—I think we are traversing at least some of the ground I covered some days ago. I think I made the point on that occasion that the fiscal stimulus does not contribute positively to aggregate demand once we get through the current quarter, that is the December quarter of 2009. In fact it detracts from aggregate demand right through in every quarter of next year. It makes a reasonably significant detraction from aggregate demand. Of course in principle it would be possible to make an adjustment to the fiscal stimulus package so that it made an even larger negative contribution to aggregate demand and growth through next year. But that is obviously a policy matter for government consideration.

**Senator COONAN**—Has that been looked at?

**Dr Henry**—We had that question some days ago as well. I indicated last time I had this question that I could not see any way of answering that question without going quite deeply into policy matters. I also said, and I think this is important, that the department has been closely monitoring—and not just the Treasury Department—the economic impacts of the fiscal stimulus package. We have been providing ongoing advice to the government about the impact of the fiscal stimulus package. We have continued to do that even since the last conversation we had. Beyond that, I do not think I can add to the comments I made the other day.

**Senator COONAN**—A passage out of Mr Stevens's statement said:

If we were prepared to cut rates rapidly, to a very low level, in response to a threat but then were too timid to lessen that stimulus in a timely way when the threat had passed, we would have a bias in our monetary policy framework.

... ..

The very low interest rate settings were designed for a weaker economy than we are in fact facing...Plainly, the downside risks to which the Board was responding earlier have not materialised.

It is true that the downside risk to which the government has been responding at the time the stimulus package was designed did not materialise. Can you comment on the dangers in continuing with a stimulus package that is now stronger than needed, and is a bias developing in government fiscal policy.

**Dr Henry**—Dr Gruen may wish to add to this. The fiscal stimulus package was designed to have a temporary impact. As I have already indicated, the fiscal stimulus package will, in fact, have a negative impact on aggregate demand and growth in every quarter of next year and ongoing. It is not, as I think you are suggesting, that fiscal policy will be continuing to add to aggregate demand next year. It simply will not. Indeed, it is obviously the case that fiscal policy will be making a negative contribution to growth; it will have a dampening impact on the aggregate demand long before monetary policy does.

**Senator COONAN**—So you do not see that there is any bias.

**Dr Henry**—My view is that since the expansionary phase when official interest rates were being cut aggressively—commencing with that 100 basis point cut in the first week of October—and during which fiscal policy was being loosened, again, quite aggressively, the situation now seems to me that monetary policy and fiscal policy have been operating in a complimentary fashion; they have been operating in the same direction. As I indicated, notwithstanding the recent 25 basis point increase in the official cash rate, it is the case—at

least in the way that we assess these things—the unwind of the fiscal stimulus will begin to impact on aggregate demand before any monetary tightening does.

**Senator COONAN**—What is Treasury’s view on how far the Australian economy is currently operating from potential—to what extent does it differ from Treasury’s view at the time the stimulus package was designed?

**Dr Henry**—That question really goes very directly to the revisions that we have made to our forecasts between budget and the Mid-Year Economic and Fiscal Outlook. There is no way that I could answer that question without revealing our forecasts, which, as I said, are government forecasts and not for me to publish.

**Senator COONAN**—What are the risks of pushing the economy above its potential growth rate from current fiscal policy settings, given that the economic downturn has been, as we all acknowledge, much shallower than initially anticipated?

**Dr Henry**—A probability pretty close to zero, I would have thought. Both we and I think all independent economic forecasters that I have seen have the unemployment rate considerably above its natural or non-accelerating inflation rate next year. Certainly they have excess capacity in their forecasts at the end of this year, and, as I said earlier, from next year fiscal policy is actually making a negative contribution to aggregate demand.

**Senator COONAN**—Given that the Reserve Bank has concerns as to the magnitude of the current monetary settings, is the need to recalibrate fiscal policy also becoming more pressing?

**Dr Henry**—I can’t talk—well, I can talk for the governor, but I obviously choose not to. I can’t talk for him. I can make comments on monetary policy, but I choose not to. I think he has proved himself quite capable of explaining the decisions that the board has made. But I would observe that he has indicated that the three per cent level to which cash rates were taken had, if you like, some insurance component in it, and that the board has come to the view that there is no longer a strong case for that insurance component to be there.

I do not know that one can make the same comment about the fiscal policy because, unlike the monetary policy loosening decision, the fiscal policy contains in it an unwind. It would be as if the Reserve Bank board, when it cut interest rates, also told people precisely when it was going to start increasing interest rates and by how much month by month. Of course, the Reserve Bank did not do that. But the fiscal stimulus package does precisely that. So I do not think that one can transfer the analogy of insurance from monetary policy to fiscal policy.

Having said that, I know that the Treasurer has said on numerous occasions that the government is closely monitoring the economic impact of the fiscal stimulus package, and were the government to come to the view that it was appropriate to adjust the stance of policy, including to adjust the various parameters of the fiscal stimulus package, he has indicated the government would stand ready to do precisely that. That is a statement of attitude to fiscal policy, the shape of the fiscal stimulus package, that the government has made, and certainly the Treasurer has made on a number of occasions.

**Senator COONAN**—What challenges will the Australian economy face in relation to skilled employment when the economy recovers from the downturn, given that Australia

entered the economic downturn with near full employment and was shallower than expected? Would your response be different if fiscal policy settings are too expansionary and the output gap originally forecast was shallower?

**Dr Henry**—This is a very good question. It certainly is the case that, as the global financial crisis hit the Australian economy, the labour market was pretty tight, particularly in certain skill categories. My own view is that once we get through this period of macroeconomic weakness we will get back within not too many years to a position of close to full employment and it is quite probable that in that sort of labour market it seems to me there will be concerns once more about skill shortages. That seems to me quite a conceivable possibility, particularly because it now appears that the impact of the global financial crisis on the Chinese economy and the Indian economy has not been nearly as large as many feared, in part because of the success of fiscal stimulus packages there. It seems that that is likely to support relatively high commodity prices—that is, prices for Australia's export commodities—for a considerable period of time, quite possibly, in my view, for some decades. This is an adjustment—one of the several adjustments—that the Australian economy is going to have to make over the many years ahead.

As to fiscal policy competing—and I think this is what your question implied—for that skilled labour, I go back to my earlier remarks: once we get through this calendar year fiscal policy will actually be making a negative contribution to the aggregate demand for the economy's resources, including labour. That is not to say, however, that there would not be some areas in which government activity is not competing with private sector activity for the same set of resources. That is unavoidable. If governments are going to do anything, they are going to have that effect. But as far as the stance of macroeconomic policy is concerned, I do not think that on present policy settings there is a considerable risk of the sort to which you have referred.

**Senator COONAN**—I will let somebody else have a go, but just for the convenience of people this evening, I want to ask some questions about some Treasury modelling, in particular relating to the CPRS and a couple of other issues. Is there somebody there who can help?

**Dr Gruen**—Would it be possible for you to ask those questions tomorrow morning?

**Senator COONAN**—That is going to be a bit difficult. Who is the person we want?

**Dr Gruen**—Ms Quinn.

**Senator COONAN**—Is Ms Quinn able to answer questions about other modelling?

**Dr Gruen**—About climate change modelling, she certainly can.

**Senator COONAN**—No, not only of climate change modelling but about other modelling. I want to ask about the modelling of the coalition's policy on tobacco excise and a couple of other issues.

**Dr Gruen**—That would be Revenue Group.

**Senator COONAN**—All right then, if Ms Quinn could be available, we might be able to have her in the morning. Would that be convenient?

**CHAIR**—We have got Fiscal. We have got Revenue late morning—at 11.15.

**Senator COONAN**—That is going to be difficult for me.

**Senator Sherry**—Ms Quinn is in Fiscal?

**Dr Gruen**—No, she is actually Macroeconomic Group, but we made an arrangement with the committee that questions on the CPRS would be tomorrow morning.

**Senator Sherry**—Okay.

**Senator COONAN**—I will see what I can do. Thank you.

**Senator ABETZ**—Let us traverse the topic that I understand you, Dr Henry, wanted to have canvassed this evening, and that was the topic of OzCar.

**Dr Henry**—No, I can assure you, Senator, that I had no desire to have that topic canvassed.

**Senator ABETZ**—Oh, right.

**Dr Henry**—I was rather advised that it was the committee's wish that that topic be canvassed this evening.

**Senator ABETZ**—The message I got was that—

**Dr Henry**—That is why I made an opening remark about it.

**Senator ABETZ**—The chances are that we might be on a unity ticket in relation to that. Is OzCar up and running?

**Dr Henry**—Yes, Senator. Maybe I can be joined at the table by officials with direct responsibility.

**Senator ABETZ**—Mr Martine is always helpful with answers. We will see what we can find. Is OzCar up and running?

**Mr Murphy**—It was activated on 1 September 2009.

**Senator ABETZ**—Where are we at with the size? We were at \$2 billion then \$800 million, then \$450 million. What is the projected size of it?

**Mr Murphy**—Basically around \$450 million, \$480 million.

**Senator ABETZ**—Can I therefore anticipate that Ford Credit is in?

**Mr Murphy**—Yes.

**Senator ABETZ**—You are anticipating \$450 million, \$480 million. How much at the moment?

**Mr Murphy**—Around \$230 million.

**Senator ABETZ**—Ford Credit is in. Why the projection up to \$450 million, \$480 million?

**Mr Murphy**—It is still available for the dealers who were previously funded by GMAC or GE to come in. A large number of those dealers who were left stranded have been picked up by other financiers, but there are still some outstanding.

**Senator ABETZ**—When we were given the figure of about \$450 million, \$480 million on the last occasion, that was on the basis that Ford Credit would come on board and Ford Credit

would, chances are, take up about the \$400 million, \$450 million. I do not have the detail in front of me because I was brought in at relatively short notice. Is that correct, Mr Martine? I am sure you have a good memory of the last hearing.

**Mr Martine**—I certainly do, Senator. To add some comments to Mr Murphy's answer, part of the difficulty in estimating the size is that there is still a bit of uncertainty in terms of Ford Credit, in particular, and also other financiers. The government's announcement with respect to Ford Credit indicated that Ford Credit could access up to \$550 million. At the moment Ford Credit is in OzCar but they have the capacity to grow to about \$550 million. The other aspect with respect to OzCar is that car financiers can still sign up—to 31 December. We will certainly know a lot more after the end of the financial year.

**Senator ABETZ**—Of course.

**Mr Martine**—As Mr Murphy indicated—we have discussed this previously in terms of overall size—we would not expect it to be more than the \$450 million that Mr Murphy indicated. We will certainly know more in the new year. We are not at that size at the moment, but we do not know whether other car financiers will come in. With respect to Ford Credit they may certainly grow their loan book over the period as well.

**Senator ABETZ**—I thought Ford Credit had a loan book of about \$450 million and that was why that parameter was provided last time. But are you saying that the majority of Ford Credit's loan book has not come across?

**Mr Martine**—Certainly not—they have not accessed the full \$550 million at the moment.

**Senator ABETZ**—Is that a decision by Ford Credit or by individual Ford dealers who used to be funded by Ford Credit but who are now not funded or supported—I think we know what I mean—by other financiers?

**Mr Martine**—That is essentially a decision of Ford Credit. In terms of how much they want to access OzCar is entirely their decision.

**Senator ABETZ**—Does the scheme cover motorhome dealers as well? Would they be considered cars as well?

**Mr Martine**—As far as I am aware, no.

**Senator ABETZ**—Take it on notice.

**Mr Martine**—It is essentially new and mixed dealers—

**Senator ABETZ**—A lot of car dealers also have caravans, boats, motor homes et cetera. If you can take that on notice for me, I would be much obliged.

**Senator LUDLAM**—I want to talk about some of the modelling you provided to the initial inquiry into the nation building and jobs package. You indicated that when you are modelling the future Australian economy you do not necessarily take into account the kinds of ecological transformations and the creation of new industries that Sir Nicholas Stern has stated will be driving future economic growth and jobs. Can you tease out for us, first of all, whether that is the case?

**Dr Gruen**—I am not sure to whom you have been directing these questions and which sort of modelling you were referring to. I can give you an answer in terms of our macroeconomic forecasts, and that might be helpful.

**Senator LUDLAM**—If you could start there, that would be great.

**Dr Gruen**—We do macroeconomic forecasts over the short run over the forecast horizon. In fact, in the budget we extended that forecast horizon for an extra year because of the unusual situation we found ourselves in with a significant downturn. Beyond the forecast horizon we provide what we call projections of economic growth, inflation and unemployment. Those are our best professional estimate of what we think would be the average behaviour of the economy and, in the case of the budget forecasts and projections, how we consider the economy would return to full employment.

We do not have any industry breakdown in those projections. We are not actually looking at which industries would grow and which industries would contract. Having said that, in the climate change modelling that was done for the government's report there is much more detailed modelling which actually deals with the sectoral detail of the Australian economy and how that is forecast to change through time.

**Senator LUDLAM**—My understanding is that we will have a chance to talk about that tomorrow morning.

**Dr Gruen**—Yes, you will.

**Senator LUDLAM**—For that second form of model that you spoke about that goes beyond the single budget cycle, how far is that horizon for the purposes of the model?

**Dr Gruen**—The modelling that was done for the climate change report went out to 2100.

**Senator LUDLAM**—In the kinds of projections that you provided to this committee and at various other appearances at different committees, as far as you are considering the economy will pick back up again, how far out do those projections go when you are talking about the speed of recovery?

**Dr Gruen**—The medium-term projections that were presented in the budget I think go out to nearly the end of the next decade.

**Senator LUDLAM**—Out to 2020?

**Dr Gruen**—Roughly. I can tell you exactly if you are interested.

**Senator LUDLAM**—No, I was just looking for that rough frame.

**Dr Gruen**—There is an appendix in the budget in statement 3 that goes through the methodology that was applied and the medium-term projections end in 2019-20.

**Senator LUDLAM**—I am wondering how you are able to produce a model like that without some kind of underlying assumptions about where tax revenue is coming from—for example, which industries are going to grow and which are going to contract. You are saying that you do not really do it in that sort of depth?

**Dr Gruen**—This modelling uses a similar methodology to the modelling we provided in the *Intergenerational report*, which is to assume that the economy will grow roughly at its

trend rate. There are some things in that modelling that we treat with considerable detail—for instance, the demography. We have detailed assumptions. Obviously we know the age distribution of the population at the moment and the age distribution of migrants and we make projections of fertility and mortality rates into the future. We do that in great detail, but on the economic side we make an assumption that future productivity growth will be the same as it has been over the past 30 years. We make, if you like, some generic assumptions about the economy and we use those to inform that modelling.

At a higher level what we are trying to do is provide modelling that is fit for purpose. There are some purposes for which we need considerable sectoral detail—for instance, if you are interested in the emissions that the economy might be producing, you need detailed sectoral modelling because emissions depend very much on which part of the economy is growing and which part is contracting, but for the *Intergenerational report* or the budget modelling we use a simpler approach.

**Senator LUDLAM**—Thank you. That distinction is helpful. To me it sounds as though the budget modelling that you do is quite divorced though from the sort of modelling you provided the government for the purposes of the CPRS package. I am wondering why there is that divergence in modelling?

**Dr Gruen**—The two sorts of modelling do inform each other. There are aspects of the longer term CPRS modelling that we use to help us with some aspects of the budget modelling. One of those is referred to in the budget. When we have an assumption for the terms of trade in the budget modelling that is designed to deliver a long-term level of the terms of trade that is similar to the level in the climate change modelling, so we use some of the longer term modelling to inform some parts of the budget modelling.

**Senator LUDLAM**—This probably seems a little pedantic, but I am trying to get the sense to which climate change is visible within the budget modelling that you do or whether your budget modelling effectively models a world without climate change, either the costs or the consequences. You are saying that that is not quite the case.

**Dr Gruen**—No, it is not. There is another point which is worth making. Obviously, if the CPRS was coming in in the forecast period, we would take it into account but, because the CPRS is coming in after the forecast period, in the projection period we treat it differently.

**Senator LUDLAM**—I do not suppose there is any way for you to model—or whether you have attempted to model—the consequences of our trading partners taking on climate change targets. Is that something you would rather get into tomorrow?

**Dr Gruen**—I think that level of detail we will need to deal with tomorrow.

**Senator LUDLAM**—That is something we will put to you though. Just to change tack briefly, the Governor of the Reserve Bank has indicated that interest rates are going to rise back to more normal levels. From the point of view of Treasury, what is your sense of the impact of those rate rises on tax receipts from the mining sector?

**Dr Henry**—In putting our economic and revenue forecasts together—not just revenue but also the parameters that underlie the expenditure numbers in the budget—we factor in market expectations of forward interest rates. So, to the extent that the markets have factored in a

realistic—and who knows whether they have or they have not; they often do not—profile of interest rates going forward, those interest rate increases to which you refer would have been incorporated in our revenue forecasts, at least in a general sense.

As to the impact of such interest rate increases over time on mining revenues, I do not know if there is anybody in the room who is capable of answering that question, but I can check for you. Everybody is shaking their head; I am sorry. I am happy to take the question on notice and see if we can provide you with a better answer than that.

**Dr Gruen**—Senator, there is one thing that might help. As part of the process of putting together the budget forecasts we make an explicit assumption about the exchange rate. We just assume that the exchange rate will remain at its current level. Obviously, if you make assumptions about the foreign currency prices of iron ore et cetera, that exchange rate assumption is relevant to mining profits. To the extent that monetary policy turns out to be different from what we forecast, that can have implications for the exchange rate and, via the implications of the exchange rate, that can then have implications for mining profits. But they would not be taken into account in the budget forecasts because we have assumed a constant exchange rate over the forecast period.

**Senator LUDLAM**—That was where I was trying to get to. Thanks; that was helpful.

**Senator BUSHBY**—Thank you to Treasury officials for coming along tonight. To follow up—I know I am the third senator to ask about it—on the register of who actually owns foreign held government securities, surely a requirement could be placed on those who are looking at buying the securities to disclose the country that the beneficial owner will be from. You said it would be almost impossible to do that, but the way I see it, and I would like you to correct me if I am wrong, is that putting those conditions on the bond when you were selling it would not be near impossible—you could do it if you really wanted to, but it may have some impact on the attractiveness of the bond, on price and yield et cetera. If you really wanted to and you were willing to sacrifice in that sense, you could actually insist on that disclosure requirement, couldn't you?

**Dr Henry**—I have certainly heard others who are more expert in this than I am make similar comments to those you make, Senator, about the impact on pricing and demand. But, even if you could put that obligation on the primary purchaser, there would still be a question of enforcing that obligation once the security moved into secondary trade. Then there would be the question of just what secondary trade is. So I am not really sure how effective such a requirement would be. Senator Coonan made reference earlier to what the US treasury puts on its website. I stand to be corrected on this, but it is my understanding that they make no attempt to trace in that way—

**Senator BUSHBY**—The secondary trades?

**Dr Henry**—Yes. Moreover, I do not think they make any attempt to trace through to beneficial ownership in primary trades either. I should check that, but that is my understanding. For that reason, I understand that, when people say, for example, that the People's Bank of China holds \$2 trillion of US dollar denominated securities, they are not relying on the US treasury website. I think—and again I stand to be corrected and I should check this—that the US treasury website would have a figure of possibly only a third of that.



*Senator Joyce interjecting—*

**Senator BUSHBY**—There you go; there's your answer.

**Dr Henry**—Thank you, Senator Joyce.

**Senator BUSHBY**—But what I am saying is not so much that it is possible to maintain an absolute register with the country of beneficial ownership of every bond that we have ever issued but that we could have more information than we currently do. But it may well be a matter of balancing other considerations with the desirability of knowing that.

**Dr Henry**—Yes. This is precisely the issue that we are looking at. I am sorry that I cannot provide you with an up-to-date state of play on those issues, but we have taken that question on notice and we will do that by tomorrow. I have had some exposure to this because of my chairing of the OFM advisory board. The matters have been discussed there to some extent, and I know there is a will to see just how much we can do in this direction.

**Senator JOYCE**—The figures are, I think, 797 for china, 731 for Japan and 225 for Britain. But the point is that you can get the numbers. I was talking to Professor Michael Hoskins today from the University of Missouri and he was able to attain the numbers. I suppose the question that David, me and Helen have put is: why are those numbers such a mystery in Australia? Why is it so hard for us to get them?

**Senator BUSHBY**—I will move on to some questions to do with the stimulus. I unfortunately was not there 10 days ago. I would have loved to have been but I could not make it on the day. I apologise if some of these questions have been covered; I will try and avoid things that have been covered tonight. Mr Swan, the Treasurer, has stated that fiscal policies are always under review, consistent with the advice of Treasury and changing economic circumstances both at home and abroad. If that advice and the circumstances warranted winding back or a deceleration of fiscal policy, what aspects of the fiscal package could be reduced or even ended early?

**Dr Henry**—I think that goes very much to the government's consideration of various policy options. As I indicated earlier, we are in continual discussion with the government about the impact of the fiscal stimulus package. But I could not possibly answer the question you have just asked without—

**Senator BUSHBY**—I am not asking you to nominate which ones would be; obviously that would be a matter for the government to decide. I am more interested—

**Senator CAMERON**—Which ones would you get rid of?

**Senator BUSHBY**—That is exactly why I am asking the question.

**Senator CAMERON**—What would you get rid of?

**Senator BUSHBY**—I am interested in knowing in a technical sense which one—

**Senator CAMERON**—What schools would you stop—

**Senator BUSHBY**—Chair, could you please ensure that I am not—

**Senator CAMERON**—What jobs would you—

**CHAIR**—Please go on, Senator Bushby.

**Senator BUSHBY**—I would like to know which ones from a technical sense actually could be. Are there aspects of any of the programs making up the overall fiscal policy which are unstoppable for various reasons, from your perspective? Are there some that could be slowed down or some that could actually be wound up? It is obviously up to the government to decide which ones to choose.

**Dr Henry**—We did our best to answer that question in a written submission to the committee that met 10 days ago. I really could not add anything to what was contained in our written submission provided to the committee on that date. We did our best, and anything I said tonight would be pure speculation on top of what was contained in that written submission. I do not have it with me but obviously we can find it.

**Senator BUSHBY**—If, once again, the advice and the circumstances warranted some winding back or deceleration of fiscal policy, could an alternative to actually addressing the components of the fiscal stimulus package be to reduce the overall spend of government by looking outside the stimulus spending and cutting other government expenditure? Would that achieve the same result, if the advice and the circumstances warranted that?

**Dr Henry**—In principle, yes.

**Senator BUSHBY**—The Governor of the Reserve Bank, Mr Stevens, stated before the House economics committee, I think in August, that if we keep interest rates at unusually low levels for too long we will get imbalances that will not help the chronic unemployment potential for our youth. What would the consequences generally be for the economy if interest rates were held too low for too long? Essentially, what is the mischief that the Reserve Bank would be trying to avoid by increasing rates from emergency levels?

**Dr Henry**—I do not think it is appropriate for me to speak for the governor on—

**Senator BUSHBY**—I am talking in general terms, not on the specific circumstances that the Reserve Bank will be looking at, but why would a central bank in this—

**Dr Henry**—As I said earlier, my understanding is that the Reserve Bank governor was making the point that the official cash rate of interest had been taken down to what was widely regarded as an emergency level and that, in his view, the circumstances that warranted rates being at an emergency level had not materialised and that, for that reason, there was no longer a case for continuing to have rates at that historically very low level. That, as far as I am aware, has been the tenor of the remarks he has made to date.

**Senator BUSHBY**—He also said that, if you left them there too long and at too low a level, imbalances will be introduced. What would the imbalances be?

**Dr Henry**—It is clearly the case that, were the Australian economy, for example, to be growing at well above trend rates and the official cash rate of interest was still at three per cent, that would raise very real questions about the emergence of strong inflationary pressures.

**Senator BUSHBY**—But quite clearly the rate of growth at the moment is not above trend rates.

**Dr Henry**—That is correct.

**Senator BUSHBY**—Given that I was asking what imbalances it would introduce, are you suggesting—and I do not think you are—that, by leaving it too low for too long, it could actually introduce above trend rate growth in the economy?

**Dr Henry**—It could not be ruled out that that would eventually happen, but that is not what I was seeking to say, no. I was seeking to say that I think the imbalances that the governor would have been referring to would be imbalances that, in an economy growing significantly above trend, would produce strong inflationary pressures. But it may be that he had something else in mind and you would need to ask him for clarification on that point.

**Senator BUSHBY**—So in a general sense you feel that there is no obvious consequence other than inflationary pressures if a central bank kept interest rates too low for too long?

**Dr Henry**—I am speculating. I imagine that that is what he would be referring to because that is his job—to worry about the emergence of inflationary pressures. There may be other imbalances that he had in mind, but, again, I think you would have to ask him at the next opportunity.

**Senator BUSHBY**—That is right. He was the one who used the term, ‘You will get imbalances,’ but, if you look at the context of the statement when he made it, he was talking about not specifically the Australian economy but a general principle that if a central bank keeps its interest rates too low for too long it introduces imbalances. As economic experts who are charged with the responsibility for looking at the overall economy, I was interested in your view of what those imbalances might be.

**Dr Gruen**—One of the arguments that is often put about one of the causes of the global financial crisis—and it is a multidimensional thing—is that, in the United States, in the aftermath and as a consequence of the collapse in the dotcom bubble, the US Federal Reserve kept interest rates at very low levels for an extended period. It is argued by many that that contributed to a build-up in very strong growth in house prices in the US and to imbalances in the housing market. That clearly was not the only thing that contributed to it, but it certainly led to an extended period of strongly rising house prices in the US and that, combined with all sorts of regulatory failures in the US housing market, had a lot to do with generating the global financial crisis. So I think there is a general presumption that keeping interest rates too low for too long was one of the contributing factors leading to what turned into an unsustainable boom in US house prices.

**Senator BUSHBY**—As a general principle, I understand that point, but obviously they had much lower interest rates in the United States through that period—

**Dr Gruen**—Indeed.

**Senator BUSHBY**—than even our lowest emergency level rates that we experienced here. The release of the ABA minutes of 6 October indicated that underlying inflation was a particular risk of holding off from increasing rates that justified their move up. Particularly, they were indicating that the expectations of the trough that is predicted will be significantly higher than was thought. You mentioned that holding interest rates too low for too long may have an impact on inflation. You mentioned that in terms of where you have growth for the economy above trend rates. Just for my clear understanding, how would holding interest rates too low for too long feed into underlying inflation pressures?

**Dr Gruen**—Obviously, if you keep monetary policy on an expansionary setting—and a three per cent interest rate is very low, as we have said—that supports economic activity, economic activity will strengthen and eventually, after some time, the economy will eat up its spare capacity and then you will start generating inflationary pressure. Monetary policy has to think about the future, so decisions that are made today have to be cognisant of not only conditions now but conditions in the future.

**Senator BUSHBY**—The October minutes also stated that the RBA believe that, whilst downside risk of the domestic economy could not be ruled out, it diminished significantly over recent months. Does your assessment of the downside risks concur with RBA's assessment that the balance of risks has diminished significantly over recent months?

**Dr Henry**—I think it is fair to say that, over recent months, yes, the probability of the emergence of substantial downside events seems to have diminished significantly.

**Senator BUSHBY**—I will not ask you to agree with the RBA's assessment, because that is not your job, but clearly the RBA concludes that, given where the balance of risk is now, an expansionary setting of monetary policy is no longer necessary.

**Dr Henry**—No, I do not think that is true. I think we should be careful about that. The 3.25 per cent official cash rate is quite an expansionary monetary policy setting.

**Senator BUSHBY**—But they are moving away from that. The quote was:

This meant that the balance of risks was now such that the current very expansionary setting of policy was no longer necessary ...

I had missed out the word 'very'—so the very expansionary setting is no longer necessary. That is their position at this point in time.

**Dr Henry**—Sure.

**Senator BUSHBY**—On what basis should fiscal settings be maintained at emergency levels whilst monetary settings are moving away from them?

**Senator CAMERON**—Why do you need to ask this question?

**Senator BUSHBY**—I have not asked it before.

**CHAIR**—Senator Bushby has the call.

**Senator BUSHBY**—So on what basis should fiscal settings be maintained at emergency levels whilst monetary settings are moving away from them on the stated basis that the very expansionary policy settings are no longer necessary?

**Dr Henry**—I have already answered this question this evening. I do not think that analogy transfers at all well from monetary policy to the fiscal stimulus package. I do not think that a temporary fiscal stimulus package which begins to unwind from the next quarter—that is, the first quarter of 2010—can be described as a fiscal policy being in some emergency stance or at some emergency level. I also made the point that the impact on the economy of the unwind of the fiscal stimulus will occur long before an impact on the economy of any tightening in monetary policy.

**Senator BUSHBY**—I want to explore that a little bit further as well, but before we do that: the first point you made then was that, where we currently stand in terms of the fiscal stimulus package is that it is not at the emergency level—is that a fair summation of what you said?

**Dr Henry**—Yes, that is correct. In order for that analogy to work, the fiscal stimulus package would have had to take government spending to a new, much higher level, or cut tax revenue to a new, much lower level, to have sustained government spending or tax revenue at those new levels indefinitely. That is what holding something at an emergency level would presumably imply. That is why holding the cash rate of interest at three per cent, for however long it is held at that level, would imply that monetary policy would be kept at an emergency level. But, of course, if government spending is increased temporarily, or—let us suppose, although it is difficult to do—tax cuts were to be provided only on a temporary basis and then withdrawn, the withdrawal itself necessarily means the withdrawal, or the retreat from, those emergency settings, if they were emergency settings. So the fiscal stimulus package is difficult, it seems to me, to describe in the ‘emergency settings’ language that is implied in your question.

**Senator BUSHBY**—I do not have any quotes with me, and I may be wrong, but I seem to recall the Treasurer having described the fiscal package at some point along similar lines.

**Dr Henry**—No, I do not think it was quite that—although it is always possible that he said something on this matter that I have not read. My understanding of what he has said is that the fiscal stimulus package provides support to private sector activity for a limited period of time, and the support that it is providing to the private sector for that limited period of time provides some level of protection to the economy. Nevertheless, the fiscal stimulus package, by design, winds back over time, so the support for private sector activity is limited in time, simply because the fiscal stimulus is itself temporary.

**Senator BUSHBY**—With respect, in the same sense that monetary settings that might be employed at emergency levels are only ever going to be employed at those levels for a short period of time but can still be described as monetary policy at emergency levels, I do not concede the fact that because fiscal policy is unwinding or is at a short-term—

**Dr Henry**—No, I understand.

**Senator BUSHBY**—it is not at an emergency level.

**Dr Henry**—This is getting a bit complex. The different is that, in order to move monetary policy from that emergency setting, a decision has to be taken, just as a decision was taken in the October board meeting to—

**Senator BUSHBY**—But whether a decision is required or not—just because you apply something that is an emergency setting that has an automatic end date, or that winds itself out, that does not render it no longer an emergency setting, or from being able to be considered as such.

**Dr Henry**—That is true but, because the fiscal stimulus is temporary, no government action, no government decision, will be required in order for what you describe as an emergency setting to unwind. That is the distinction between the two things.

I appreciate your perspective that the fiscal response, even though temporary, could be regarded as an emergency response, in the same way as the monetary policy loosening could be regarded as an emergency response. That is true. All I am suggesting is that when an observation is made that the Reserve Bank board has decided that it is now time to move off an emergency setting with respect to fiscal policy, nobody has to take that decision; that decision was taken when the fiscal stimulus was announced.

**Senator BUSHBY**—That is true, but it was also set up on the basis of the predictions that Treasury had formed in terms of where the economy was going.

**Dr Henry**—Yes.

**Senator BUSHBY**—I know this has all been traversed and I do not want to go over all this again, but those have changed, and I know you cannot talk about it but we will find out in coming weeks where they have changed to.

**Senator CAMERON**—Can I have some money on Ken Henry in this debate?

**CHAIR**—No running commentary, please.

**Senator BUSHBY**—When we find out the extent to which they have changed, presumably if you had known that when you started you may not have put in place the same fiscal policy that you have put in place now. So retaining the flexibility to adjust or to tweak it may well have been an appropriate thing to look at.

**Dr Henry**—We will never know the answer to that question.

**Senator BUSHBY**—No, but we will know what the forecasts are in a few weeks time and I imagine that would inform Treasury as to what the appropriate response would be looking forward from here.

**Dr Henry**—Yes.

**Senator BUSHBY**—And having in place a package that was put in place 12 months ago may well not be the package that you would put in place if you were looking for a response now. Having the ability to change that to suit what you now know I would have thought would be a good thing. Anyway, I know you have been over that 10 days ago. I want to move on to the point you made about after the next quarter the stimulus package actually contributing in a negative way to aggregate demand.

**Dr Henry**—After this present quarter.

**Senator BUSHBY**—This present quarter, sorry. I had your comments brought up from 10 days ago and I have read through that and I do not think you explained in detail why that was the case; you just made that statement. I would like to know why does it contribute negatively.

**Dr Henry**—Okay. Think of aggregate demand as being made up of a level of government spending, so many billions of dollars a year each year, added to that a level of private sector investment, added to that exports and so on, the various components of aggregate demand. Each of those components is expressed in terms of a level of expenditure in a year. Of course one could talk about it as a level of expenditure in a quarter, and indeed in trying to explain the impact of the fiscal stimulus we have broken up those annual numbers into quarters and shown the quarterly profile. In order for an expansionary fiscal policy to have a permanent

impact on aggregate demand it would have to rise to a new level and be sustained at that new level for evermore. As fiscal policy is being increased, so the level is being increased, when that occurs, in the quarter in which that occurs, and of course it depends on lags in the effectiveness of fiscal policy and so on, but pretty much in the quarter in which it occurs there is from that time a positive contribution to aggregate demand. But unless government spending is maintained at that new level forever, there will come a time when it makes an equal and opposite contribution to aggregate demand.

**Senator BUSHBY**—I understand what you are saying. What impact then after this quarter will it have on gross domestic product? Will it be negative?

**Dr Henry**—Yes, it will.

**Dr Gruen**—There was a speech that the Treasurer gave on 12 October in which he presented a chart based on our estimates of the contribution of a fiscal stimulus to GDP growth by quarter. We could read it roughly off the chart—I do not have the exact numbers—but the contribution in the March quarter of 2010 would be a number of the order of -0.1 or -0.2, probably -0.1.

**Senator BUSHBY**—So by borrowing money and spending it under this fiscal policy it will actually detract from gross domestic product. Is that what you are saying?

**Dr Gruen**—From growth.

**Senator BUSHBY**—I asked a question—

**Dr Henry**—It would make a negative contribution to GDP growth.

**Dr Gruen**—It will support the level but it will make a negative contribution to growth.

**Senator BUSHBY**—My question was: what impact will the policy have on gross domestic product?—not on the growth of it. I am talking about the overall figure, rather than the growth of the figure.

**Dr Gruen**—Those estimates were provided in the budget. We provided an estimate of what the path of gross domestic product would have looked like without the stimulus and what we estimate it would look like with the stimulus. So there is a chart in the budget, which I can draw your attention to, which shows our estimate of how that gap changes through time.

**Senator BUSHBY**—So you spend tens of billions of dollars next year, and the net effect of that, you are saying, is that the growth in gross domestic product will actually fall.

**Dr Gruen**—Just to continue with the point that Dr Henry was making, as the amount you spend gets smaller, your contribution to the level of gross domestic product also gets smaller.

**Senator BUSHBY**—Yes.

**Dr Gruen**—So it is continuing to support gross domestic product but with a declining amount. And if you then convert from thinking about it in levels to thinking about it in the growth from one quarter to the next, it starts to detract from the growth rate.

**Senator BUSHBY**—But the spending of it actually—

**Dr Gruen**—It supports gross domestic product.

**Senator BUSHBY**—supports gross domestic product.

**Dr Gruen**—Yes, it does.

**Senator BUSHBY**—So, over all, it adds to—

**Dr Gruen**—The level of GDP.

**Senator BUSHBY**—the level of GDP?

**Dr Gruen**—Yes.

**Senator BUSHBY**—Okay; that's good, because what was concerning me was statements by the Reserve Bank Governor, once again, when he noted that all recent RBA forecasts 'embody the assumption that the various fiscal plans that have been announced to date proceed'. He also noted that a delay in the implementation of those plans would lower the RBA's forecasts for demand.

**Dr Gruen**—Yes; that is right.

**Senator BUSHBY**—That is consistent?

**Dr Gruen**—That's right; that is all consistent.

**Senator BUSHBY**—He also noted, I think at the stimulus inquiry hearing—I do not have the direct quote—that if you remove \$20 billion to \$30 billion of the fiscal spend that that would impact on their interest rate considerations through an impact on demand.

**Mr Henry**—I do not know; I did not see that.

**Senator BUSHBY**—I understand that. That is fine.

**CHAIR**—I understand Senator Joyce has some more questions.

**Senator BUSHBY**—I am getting through what I have to ask. In the information provided by Treasury to the Senate inquiry into the economic effects of the stimulus the estimates were provided 'by assuming that if discretionary fiscal policy was not taken all other factors would have remained the same'. Does this mean that the estimates assume that, in particular, monetary policy settings would have followed the course that they have?

**Dr Gruen**—The way we came up with the fiscal policy estimates was to use multipliers. I think we actually quoted the numbers that we used for the multipliers. Those are estimates of the extra GDP you get from fiscal spending.

I am giving a long-winded answer to this because it is somewhat complicated. We quoted estimates which the OECD and the IMF have quoted for Australia, to make the point that our estimates are roughly the same as theirs. Their estimates would be based on a range of studies, but some of them would have been empirical estimates. So the point of this excursion is that the empirical estimates would have taken into account the average response of the exchange rate and monetary policy over the period in which these empirical things there done. That is a complicated answer, but that is because, these multipliers are based on studies which assume an average response.

**Senator BUSHBY**—So they do not necessarily assume all other factors would remain the same; they assume an average response within that?

**Dr Gruen**—Yes, I think that is the right way to think about them.



**Senator BUSHBY**—So the statement in your submission is probably technically not quite correct then.

**Dr Gruen**—Yes, if you can draw my attention to it—

**Senator BUSHBY**—It is on page 7. I have a reference to it, but I do not actually have the submission here.

**Dr Gruen**—Okay, I think the way to interpret it is that other factors are as they are on average or something like that.

**Senator BUSHBY**—Okay. Is it a realistic assumption to make to judge the effects of the stimulus policy against an average response rather than what actually happens?

**Dr Gruen**—This does traverse some ground we have been over before. Any specific episode will have differences from other ones. One of the crucial differences between this episode and other episodes of fiscal expansion is the one I referred to earlier in an answer to Senator Joyce, which is the fact that expansionary fiscal policy was being used all around the world and that would lead you to expect it to be more potent than we had assumed. Certainly our estimates are on the conservative end of the numbers that the OECD and the IMF have quoted. If anything, a coordinated fiscal expansion undertaken by most countries in the world should be expected to have a bigger impact on GDP than if it is undertaken by one country. So, if anything, you would expect the multipliers to be bigger.

**Senator BUSHBY**—Do we know how big the average monetary changes are in the studies that you used?

**Dr Gruen**—They would depend. The IMF and OECD have provided ranges, and I guess we could go back and see which studies they have relied upon. Often they will be multi-country.

**Senator BUSHBY**—Would you be able to do that?

**Dr Gruen**—Yes, we can take that on notice.

**Senator BUSHBY**—That would be good, thank you. New question. Consider three policy options. One is the fiscal policy chosen and the monetary settings that have gone with that fiscal policy, so what we have actually experienced, which has been a cash rate target of three per cent at its lowest. Another would be no fiscal stimulus, and presumably a much lower cash rate target of one per cent. And a third would be a midpoint fiscal policy of half the size and a cash rate target of two per cent. My question is: has Treasury undertaken an analysis of such alternative scenarios, or anything similar?

**Dr Henry**—Not to my knowledge.

**Senator BUSHBY**—Is that something you would be able to do?

**Dr Henry**—In principle we could have a stab at it, but it would be quite a bit of work to undertake those scenarios.

**Senator BUSHBY**—I do not want to ask for anything that would be unreasonable, but if it is something that is reasonably able to be achieved, I would appreciate it if that could be done and provided.

**Dr Henry**—That sort of question is one that we would need to refer to the Treasurer for his consideration since it does go to the use of departmental resources to provide analysis. It is obviously for the Treasurer to make a judgement about whether that would be an appropriate use of the department's resources.

**Senator Sherry**—We will take it on notice.

**Dr Gruen**—In our prepared comments that we were requested to respond to, we did provide quantitative estimates of the impact of monetary policy through time. So in principle you could use those quantitative estimates to ask the question: had the cash rate been cut to two or one instead of three, what would have been the impact on growth of that outcome? I repeat something that I said at the previous hearings: at least according to our estimates, the near-term impact of the fiscal expansion was larger than the impact over the same period of the monetary easing. I went through that exercise last time. As a consequence of the fiscal easing growth over the year to the June quarter of 2009, our estimate was that it is 1.9 per cent stronger than it would otherwise have been. Our estimate of how much the cash rate cuts would have contributed to growth over that period is significantly less than that.

**Senator BUSHBY**—Okay. I am conscious that I am going to be wound up soon. I have a couple more questions on stimulus and then a couple of questions on unemployment. Do you agree that there is an optimal level of stimulus?

**Dr Henry**—In principle there is an optimal level for most things.

**Senator BUSHBY**—So in principle, yes. Do you agree that an optimal level of stimulus would have regard to the effects on other policy settings—that is, monetary policy as discussed above?

**Dr Henry**—If one were running in an optimal policy setting exercise, one would have to take into account everything else, including monetary policy settings. Including also, by the way, the monetary and fiscal policy settings of other countries.

**Senator BUSHBY**—Do you agree that evaluating the stimulus policies would have regard to both their costs and their benefits?

**Dr Henry**—Yes, I would.

**Senator BUSHBY**—Has Treasury undertaken a cost benefit analysis of the stimulus to estimate its efficiency effect?

**Dr Henry**—As Dr Gruen said, we have undertaken analysis of its actual effect, so that implies an analysis of its positive and negative effects, and coming up with a net number.

**Senator BUSHBY**—Okay. I will move on to a couple of questions about unemployment and then that will be it from me tonight. In Budget Paper No. 1, charts 16 and 17 on 2-33 relate to unemployment. Essentially they relate to predictions at that time that unemployment would peak at 8½ per cent and without the stimulus measures, it would reach 10 per cent. You have a couple of charts there which demonstrate some of the impacts of the stimulus, with and without it. I have some questions on that. The first question you probably cannot answer because you are waiting for your MYEFO to be released, but would you say that they are still an accurate assessment of where you predict things will end up?

**Dr Henry**—I can answer that question. No.

**Senator BUSHBY**—When does Treasury forecast that the maximal impact of the stimulus spending on unemployment rate and employment will occur?

**Dr Gruen**—This is not an exact answer, but it will be close. The maximal impact on unemployment is shown on that chart, and obviously we based that on our best estimates of the time period over which the spending would be undertaken. It is on the basis of updated estimates of that that the chart that we were previously talking about was derived. In terms of the gap between the two lines, there would be slight changes to that that chart, but not dramatic ones.

**Senator BUSHBY**—But timing wise, not dramatic changes.

**Dr Gruen**—I want to make another point that is perhaps worth making. As I said, these were based on our best professional estimates, which were based on multipliers. It is certainly the case that it appears that the combination of fiscal and monetary policy has led to a much stronger bounce back in confidence in the economy than we are just about anyone else anticipated. So it is plausible to argue that perhaps both monetary and fiscal policy have been more effective than we thought at the time of the budget. We are not really in a position to quantify how much more effective, but it is very striking to observe just by how much confidence bounced back when it became clear that the Australian economy was not going to contract as we and many other forecasters thought it would.

As you would be aware, consumer confidence jumped very substantially with the release of the March quarter national accounts when it became clear that the Australian economy was not going to suffer two consecutive quarters of negative growth. It may well be that there has been a kind of virtuous circle, with feeling people more confident and more comfortable, feeling that unemployment was not going to go up so much, so that they—

**Senator BUSHBY**—The impact of China and India has already been mentioned tonight. The Reserve Bank governor has mentioned how that has played differently to how it was anticipated.

**Dr Gruen**—That has helped, too.

**Senator BUSHBY**—There has been a number of factors.

**Dr Gruen**—Indeed.

**Senator BUSHBY**—In terms of those charts, are you able to indicate what interest rate was assumed for those?

**Dr Gruen**—Yes. In these assumptions, we had market interest rates. So the assumption was made that interest rates would do what the markets anticipated at the time. That is the basis on which these forecasts were put together.

**Senator BUSHBY**—You mentioned that the gap in chart 17 would be smaller. Am I misquoting you?

**Dr Henry**—I do not think that we said it was smaller. You specifically asked whether we would have the same view—

**Senator BUSHBY**—In the answer, Dr Gruen said in passing that it would be a smaller gap.

**Dr Gruen**—Sorry, are you talking about the chart on page 233?

**Senator BUSHBY**—Yes.

**Dr Gruen**—No. I said that the timing of it might have changed very slightly, but not the gap. The size of the gap would not have got smaller.

**Senator BUSHBY**—This next question may impact on your MYEFO forecasts. It is always unfortunate that we have these October estimates a couple of weeks before they come out. Presumably, they will include a revision down for the forecast unemployment rates. You have already indicated that that is likely. Will Treasury also be revising down the number of jobs that have been saved by the fiscal package?

**Dr Gruen**—In a sense, it is the same question that you were asking before. Unemployment and the number of jobs is not identical, because there is a discouraged worker effect. But the gap between these two lines has changed very little, so those sorts of calculations are going to give very similar answers.

**Senator BUSHBY**—But what happened in China and India would have had an impact on the outcome of employment and unemployment in the absence of a fiscal policy, so that would have been different as well.

**Dr Gruen**—That is right. The outcome is better, so if you like the line without stimulus would be better. But you are asking about the gap. That does not make the gap smaller.

**Dr Henry**—In publishing MYEFO, we will not be publishing a line that shows that without the stimulus the unemployment rate would have gone up to about 10½ per cent but with the stimulus might go up to, for the sake of argument, 7½ per cent and then suggest that the full three percentage point gap is due to the fiscal stimulus package. Rather, we would be more likely to say that our current estimate of the impact of the stimulus package is much the same as we had said in the budget. To the extent that China or other factors have had an impact, we would be moving both lines down.

**Senator CAMERON**—Dr Henry, I am reluctant to ask you a question that you have answered several times in your appearances at the various committees. For the record, is your estimate that 100,000 jobs would be lost if we removed the stimulus package still your view?

**Dr Henry**—If the fiscal stimulus package was removed in its entirety. This is in our written submission to the committee's inquiry. We said there that if the fiscal stimulus package were to be removed in its entirety, that would be our estimate of its effect on unemployment.

**Senator JOYCE**—Is Treasury strongly guided by the IMF? You reference the IMF. Are you strongly guided by the IMF?

**Dr Henry**—We have a lot of respect for the IMF. We are part of the IMF and a very active member in the IMF and have been since its creation. So we have strong respect for the analytical abilities and work of the institution.

**Senator JOYCE**—Do you acknowledge, though, that the IMF is like any other organisation—it has its political nuances? And, obviously, Mr Strauss-Kahn, coming from the Socialist Party in France—

**Senator CAMERON**—Here we go!

**Senator JOYCE**—no, hang on—had a strong Keynesian belief in how he conducted his affairs—and I'm not talking about the ones with some of his directors.

**Senator CAMERON**—Joe Hockey beat you to this one. Joe Hockey has already been there.

**Senator JOYCE**—So do you believe that there is a culture in the IMF at this point in time that strongly promoted a fiscal direction that other directors of the IMF may not necessarily have followed?

**Dr Henry**—I could not comment on that. I have a lot of respect for the managing director of the International Monetary Fund. I think he has been doing a good job in extremely difficult circumstances, as have the staff that have been working to him. I think that, during this difficult period, the executive board of the International Monetary Fund has also been quite effective. I do not know much at all about the managing director's political bent, other than what is clear from his background, but I myself doubt that he would have allowed any such considerations to cloud his judgement on such an important issue.

**Senator JOYCE**—Are you aware that, within the IMF's political culture, there are schools of thought? Have you ever heard of a political struggle or a struggle of ideas between Keynesians and monetarists as to the direction the IMF goes?

**Dr Henry**—Not particularly, in respect of the IMF.

**Senator JOYCE**—I do not know why you find it funny, Senator Cameron.

**Senator CAMERON**—I do find it funny.

**Senator JOYCE**—Do you know of it?

**Senator CAMERON**—I can tell you what: this has been the argument that we have had all along.

**Senator JOYCE**—Do you know of any, or don't you know of any—

**Senator CAMERON**—Keynes or Hayek—who is it?

**Senator JOYCE**—battle of ideas within the IMF, especially in the establishment of key executive positions between Keynesians and monetarists?

**Dr Henry**—I am not privy to any specific details of that sort.

**Senator JOYCE**—Were you aware that the French were trying to get themselves into key positions of influence within the IMF, especially as, I think, the previous gentleman was a Spaniard—wasn't he?

**Senator Sherry**—Perhaps I could make an observation.

**Senator JOYCE**—Do you know, do you?

**Senator Sherry**—I actually attended the annual meeting of the IMF and the World Bank in Istanbul two weeks ago, so I did have some significant contact with executives, colleague ministers, who attended the IMF meeting. One thing that did strike me: when we attended a private meeting of IMF ministers to discuss a range of issues, there were interpreter services available. There were probably 70 to 75 ministers in the room, and I think everyone who made a contribution spoke English, and, of those 70 to 75 people who were in the room, I can recall only five, perhaps six, using the interpreter service when English was used. So I think it is bit hard to argue—on the basis, at least, of language usage—that there is a French takeover plot for the IMF. If anything, I think you could argue that there is a predominant weighting to English.

Perhaps a little more seriously, there is a debate within the IMF about the weighting of voting, and that in large part reflects the relative change in economic strengths of a number of countries in the IMF. That is an active debate. To go to your earlier question about claimed differences of view within the IMF, in policy discussion and debate I did not detect any less or more rigour about policy issues at the IMF, the World Bank or any other international organisation that I have attended. I also go to the Asian Development Bank for the government. I did not detect any less or more intellectual rigour or exchange of views on current issues, as difficult as they have been around the world.

**Senator JOYCE**—I am not saying that. I am just saying that people in everything are affected by schools of thought. There is nothing unusual about that. I am trying to get on the record, and I think it is general knowledge, that there is more of a Keynesian type of approach to economics in the IMF now than was formerly there.

**Senator CAMERON**—That is good.

**Senator Sherry**—Just to conclude, I can only report it as I find it. I met several executive members of the IMF and had some one-to-one meetings, and I certainly did not detect any significant disagreement about the broad policy approach of fiscal stimulus, for example, that has occurred around the world. I did not detect any significant difference in attitude to the principle of that approach. They are just some observations that I make, having had the great privilege to attend on Australia's behalf. I might say also that there was an extraordinary level of interest in the outcomes of the stimulus package in Australia and the relative general underlying strength of the Australian economy, a great deal of interest in Australia more generally and a great deal of interest, and respect indeed, for the Australian prudential regulators, the Australian Reserve Bank, the Australian Treasury and this Australian government—and indeed a great deal of admiration, frankly, for what has occurred in Australia in a policy sense over the last year.

**Senator JOYCE**—There obviously would be, if that is the way they go. It is compliant with the way that they see the world. So, if you are in political alignment, of course they would be interested in where you are going.

**Senator Sherry**—That was consistent not just across the IMF. It was consistent also in the World Bank.

**Senator JOYCE**—What happens when the US gets to a position of debt where, Iceland-like or prewar Germany-like, they come to the realisation that the debt is something they cannot repay, which is very possible?

**Senator CAMERON**—Did you talk to George Bush about that?

**Senator JOYCE**—What are the ramifications then? Again, this filters right back to who owns what bonds, where they all are and what exposures there are to other countries that are holders of those large bonds. What are the ramifications for Australia? We have seen Iceland lately say, ‘We’re not going to pay the debt.’ They are going to repay it on their terms. What happens if the United States does that? It is quite evident that the extrapolation of the debt, and the trajectory it is on, means that they are not going to be able to repay it.

**Senator CAMERON**—This is the latest coalition scare campaign.

**Senator JOYCE**—No, it is not.

**Senator CAMERON**—Yes, it is.

**Senator JOYCE**—Could you answer the question, Dr Henry, and leave the comedian to—

**CHAIR**—We have one minute to go. If Treasury would like to make some attempt to answer that hypothetical question, they may.

**Dr Henry**—Everyone has to be careful. I do not mind discussing hypotheticals in general—in fact, I quite enjoy it—but one has to be careful not to discuss publicly hypotheticals that are that extreme. My concern is that such discussions could be misinterpreted in the broader community. I do not consider that outcome to be a high-probability outcome—certainly not one that I would want to say much about.

**CHAIR**—As it is 9.45 pm, we have reached the tea break. We thank Treasury for their appearance this evening. We will resume at 10 pm with the Australian Securities and Investment Commission.

#### **Proceedings suspended from 9.45 pm to 10.00 pm**

#### **Australian Securities and Investments Commission**

**CHAIR**—I welcome the Australian Securities and Investments Commission. Do you have an opening statement, Mr D’Aloisio?

**Mr D’Aloisio**—Thank you, Senator, and good evening everyone. With me this evening is Commissioner Belinda Gibson and Commissioner Dr Peter Boxall. Dr Boxall, as you know, joined ASIC in February 2009 and he is extremely well known to the committee. Peter’s areas of responsibility at ASIC include the ASIC’s real economy, registry services, licensing and new credit responsibilities, shared services and two deterrence teams in the financial services area.

I want to briefly update you on some major matters that have been going on since we last met in early June. I will be as brief as I can because I am conscious of time. Just to update, the Westpoint series of actions in relation to recovery for retail investors continue. They have been the subject of mediation proceedings. We have commenced some 17 actions to recover money for retail investors, the principal action being against the auditors. We have reached two settlements with financial advisers and are in negotiations with others. So I think that

matter is proceeding and we are hopeful that either through the court proceedings themselves or through mediation a number of the matters will be resolved. As part of that, we have also accepted enforceable undertakings in relation to three partners of KPMG who were involved in auditing activities of the Westpoint group. Those enforceable undertakings provide that they will not practice as registered auditors for specified periods ranging from nine months to two years.

Since we last met, the Opes Prime matter has settled again—that is a recovery action for creditors/investors. The scheme has now been approved both by creditors and the court and that anticipates a recovery for creditors of around \$253 million. Since we last met, we have continued our investigations in relation to Storm Financial. I updated the parliamentary joint committee on Storm Financial on 16 September, where we are, as you know, investigating the potential for recovery actions on those in relation to those involved in Storm Financial. The commission has reviewed a progress report on that and it anticipates getting further reports from the team within ASIC that is running this matter at the end of October. We are not in a position to outline today the potential courses of action or other legal proceedings we are assessing. Our reasons are: first, that it could affect the effectiveness of our investigations, which would not be in the interests of investors; and secondly, that there are public hearings going on still at the parliamentary joint committee, and liquidator examinations that are going on, which may provide additional relevant material to our assessment.

Since we last met, the decision in the James Hardie matter has been handed down and a range of penalties imposed by the court on seven former non-executive directors and three former executives of James Hardie. Appeals have been lodged by 10 of the 12 defendants in that matter. On Monday, the first of the six AWB matters in relation to civil penalty proceedings commenced in the Supreme Court of Victoria. In short, in that matter, ASIC is alleging that Mr Lindberg had obligations to prevent AWB from engaging in conduct relating that was inconsistent with the UN sanctions.

Today we commenced action against current and former directors of Centro Properties Group alleging breach of directors' duties in approving financial statements, which we allege wrongly classified as non-current liabilities what we allege should have been classified as current liabilities. Since we last met we have had the Somerville decision in the New South Wales Supreme Court. That involved eight directors of unrelated companies for breaches of the Corporations Act in relation to the so called 'phoenix' activities, and it also included their legal adviser who was also held to have contravened the Corporations Act. An appeal has been lodged in relation to that matter. The case is significant in deterring phoenix activity and provides important guidance to advisers who advise companies that may be in difficult financial positions.

In addition to those major matters, by way of update on what we have been doing, we will also, as you know, be responsible for the credit reform legislation that is now likely to come into effect on 1 July 2010. ASIC is prepared for that and Commissioner Boxall is heading the credit task force within ASIC. The government has also announced that certain aspects of the surveillance of ASX will also be passed on to ASIC and, again, we have set up a task force and are well underway to the handover process when the legislation to give effect to that has been passed. It is anticipated that we will take over that operation mid to late 2010. That is



what I wanted to say by way of an opening statement and we are happy to take questions of course.

**Senator ABETZ**—I was able to have an informal chat before on the other matter of financial planning, so thank you to Mr D'Aloisio and Dr Boxall for that. I have a question in relation to ABC Learning. I have been told that ASIC inquired into the accounting practices of the company and determined that they were fair, honest and representative in 2006. Is that correct?

**Mr D'Aloisio**—Sorry, could you just repeat that question?

**Senator ABETZ**—It has been suggested to me that ASIC undertook an examination of the accounting practices of ABC Learning in 2006 and allegedly determined that they were fair, honest and representative, and supposedly that was undertaken in 2006.

**Mr D'Aloisio**—The ABC Learning matter, as we have announced, is the subject of an extensive investigation by ASIC—and in due course I will take that question on notice and we will answer that as well—but for the moment it is really an operational matter within ASIC and I would like that investigation to get to its finality.

**Senator ABETZ**—Was there a separate inquiry and investigation in 2006 which did come to a conclusion and to finality that determined that their accounting practices were fair, honest and representative? I am not asking about the current one—I want to steer clear of that—I am asking whether there was a completely separate one that was finalised in 2006.

**Mr D'Aloisio**—Could I take that on notice?

**Senator ABETZ**—Of course you can. Thank you for that; that allows me to depart.

**Senator EGGLESTON**—I have had a lot of feedback from financial planners about the proposal not to have them paid ongoing commissions over the life of the products which they sell to their clients. I wondered what your feedback from the financial planning industry has been on this proposal. They of course argue that if they were to charge fees for every consultation along the way over the years their clients would be less inclined to take their advice because it would cost them at the time.

**Senator ABETZ**—That was the matter I was discussing informally beforehand so I will stay around for this.

**Mr D'Aloisio**—As you know, the parliamentary joint committee has been conducting extensive inquiries into the financial advice area following the Storm collapse. ASIC has made a submission to that committee. Essentially, we have said that, from our experience in looking at this industry, there are two areas central to Australians, particularly retirees, being able to get quality advice in the future that we have suggested that the committee might want to address. The first of those is to make clear that a financial adviser's and planner's obligations are to the client first and they must always act in the best interests of their clients. We have said that part of the law and the way that is operating should be reassessed and clarified.

The second thing we said the committee may want to focus on and make recommendations about in its report is the area of commissions. Our experience is that commissions, such as trailing commissions and incentive commissions—there are a range of them—and the way

they are paid have the potential to create a conflict of interest that is not easily addressed through simple disclosure. Simply disclosing that you may get a commission or have a trailing commission we feel needs to be tested a lot further. Really it is about whether or not a client can make a really informed decision when that sort of disclosure is made. Hence, we have suggested that the committee should consider the abolition of all forms of commissions so that the issue of the adviser acting in the best interests of the client is cleared and maintained. We are not a policy arm of government. That is a suggestion we have made that the committee may wish to consider based on our experience.

Coming to the specific issue of your question on how that has been received by the industry, clearly the first proposal about acting in the best interests of a client seems, from what we have seen, to have quite wide support. The issue of commissions, certainly trailing commissions and some of the forms of incentive commissions along the way, has seemed to have support. Asset based commissions and some of the other forms of commissions have less support. So the industry is absorbing it, and submissions have been made to the committee.

We think that, yes, in the short term there will be an issue around cost and advisers may be driven out of the profession by these changes. There is an issue in the short term. Longer term, what is motivating our submission is bringing in real, lasting quality to this industry, because we believe that, for future retirees and current retirees, access to quality advice where the adviser is acting in the best interests of the client is really in Australia's and their long-term best interests.

**Senator Sherry**—I also wanted to add that it is also now the official position of the Financial Planning Association, who are by far the largest representative organisation for financial planners in Australia, and it is also the position of IFSA, which represents the fund management sector, to phase out commissions. That is their new policy pronouncement.

**Senator ABETZ**—When was that, do you know?

**Senator Sherry**—I cannot recall the date they released their public policy.

**Senator ABETZ**—Was it relatively recently?

**Senator Sherry**—It was very recently—six to eight weeks ago.

**Mr D'Aloisio**—They have made a number of statements and some of them predated our own submission. So there is a move on these issues by the industry, which we have acknowledged in our submission to the parliamentary joint committee and are encouraging because clearly the more the industry moves in that direction the better.

**Senator EGGLESTON**—I am not necessarily taking a side on it. I am just commenting on the fact that I am getting a lot of feedback. I had an email from a gentleman who said: 'The system we have has worked. My practice has multiplied many times over with financial advisers throughout Australia. The proposed system of taking away clients' choice of who they wish to seek financial advice from and be dictated to and the fact that the client will now have to pay a fee for services for something they have enjoyed not doing for years will see the end of clients being covered adequately and as a result will make people more reliant on the federal government for social welfare services because they will not seek advice and pay for it.' That statement was followed by four exclamation marks, so they obviously feel fairly

strongly about this. I noticed you talked about disclosure. Surely financial advisers must be required to disclose now—

**Mr D'Aloisio**—They are required to disclose; there is no issue about that, and the statements of advice would have that. The difficulty with disclosure is what the recipient takes it to mean and how it is dealt with. There are two issues. I could disclose to you that if you invest in this product I will get a 10 per cent commission and ask, 'Are you okay with that?' Or I could go to the next point, disclose it to you, and say, 'Now you have to make a judgment as to whether you think I have been influenced by that 10 per cent commission in making this recommendation.' That is more of an informed consent. We do not get the latter in the law; we get the former.

Our concern is whether the disclosure in a statement of advice in other ways that you are dealing with is adequate, in that the recipient of that really directs their mind to the issue: is there a conflict here, and is it a conflict that has been cured by disclosure or is it a conflict that cannot be cured by disclosure because I just think the person is going to be influenced? If they are going to get 10 per cent from this product and nothing from another product, are they really going to act in my best interests?

What we are seeking is to promote a debate on this. I agree with you that it may well be that in the short term the fee for service for the giving of advice may well see fees lift. I think the industry have got to talk that through. But, by the same token, maintaining the existing arrangements of not tackling this issue on an informed consent basis or on some other basis—with the experience we have had over the last few years in terms of the MI schemes, Storm Financial and Opes Prime, we believe there is now sufficient evidence for the committee to at least turn their minds to the issue and make what they wish of our suggestions at the end of the day.

**Senator EGGLESTON**—I talked to one financial planner in Perth not so long ago who told me that he ran his office and staff on the basis of his ongoing commissions, and therefore that freed him to provide completely unbiased advice to his current clientele, which is an interesting point of view. Are advisers required to provide disclosure these days every time they give advice?

**Mr D'Aloisio**—Yes. You must disclose fees and commissions and so on. You have to manage your conflicts of interest, and clearly the fee structures, what you receive and who you receive it from would fall in that category and you must disclose them. But what we are saying is that we are questioning whether that disclosure goes far enough.

**Senator EGGLESTON**—This is based on your experience with episodes like Storm and so on?

**Mr D'Aloisio**—Yes.

**Senator EGGLESTON**—You see it as an area which needs to be addressed in the public interest, obviously?

**Mr D'Aloisio**—Yes, we do. Our submission is on the public record. We have made it clear that they are suggestions we have made to that committee, and we have provided that to the minister and the government and to Treasury as well.

**Senator ABETZ**—Is this a principle you believe should be adopted throughout the economy or just on—if you like—financial products?

**Mr D'Aloisio**—I think it is kind of one issue at a time. We are focusing primarily in this instance on financial advisers.

**Senator ABETZ**—I know that, and that is what the committee is inquiring into, but, from the ASIC point of view, do you see that as a general principle that should be adopted? Just as a little example—not that I do this often, might I add—on going to a hotel and not knowing what to do on a particular Saturday, I said, ‘Are there any tours?’ They recommended a tour that I then took, and that was all good. I said, ‘By the way, what’s your commission on this one?’ It was 25 per cent. The tour looked good, so it did not worry me what the arrangement was, but I thought to myself that this is a fairly common practice throughout the economy. Do we pursue this principle so far that the hotel owner ought to be disclosing their kickback—if you think what you are going to get on the return is value for money? How much are we going to get into a nanny state? That is the other side of the regulate-and-disclose debate. I would have bought that trip for, let us say, \$100, and the fact that \$25 was going to go to the hotel—or if I was going to book it somewhere else—was of no consequence to me. I was happy with the product at \$100. Why do we need to regulate to that extent?

**Mr D'Aloisio**—As I say, you look at the particular facts. In our law, on the management of conflicts of interest and disclosure, where people have conflicts of interest and disclosure and managing those is quite common, we see it and it works reasonably well. We have laws relating to secret commissions. If someone is acting as your agent and makes 25 per cent on the side and does not tell you about that, there are issues around secret commissions, which are illegal. So there are laws that work in some of these other examples.

In relation to the financial advisers, where this issue has come up, there are also laws about conflicts of interest and managing those, but we feel they may not go far enough in some situations. Generally speaking, the way people manage conflicts of interest and the law is fine, but in the financial advisers area we feel it needs special attention. We are not suggesting—to take your example—that we would pass a law that all travel agents and whatever must similarly not take commissions et cetera.

**Senator ABETZ**—I will pass that on to the owner of that hotel, who will be relieved.

**Senator Sherry**—Senator Abetz, I think it is fair to say that the issue of commission based selling and distribution, as part of a model of advice, has been contentious in financial services for many, many years. Certainly I have not witnessed a debate in other areas. Using the example you gave, that is a one-off purchase. There is a set of issues, but that is a one-off purchase, which I think is fundamentally different from financial advice that can involve a financial purchase over 20 or 30 years, and hence the application of a trail commission over that period of time. But certainly the focus of debate has been in the financial sector.

**Senator ABETZ**—Also in managed investment schemes, as I understand it, it is a one-off commission.

**Senator Sherry**—No, the—

**Senator ABETZ**—Your view on that is interesting, Minister, but we will not get bogged down in the debate that says that is what happens when you start over-regulating.

**Senator Sherry**—Certainly in the MIS sector the level of fees and commissions is a contentious issue, and it certainly was—

**Senator ABETZ**—It is a one-off.

**Senator Sherry**—Not necessarily.

**Senator ABETZ**—You were saying it is different if it is the one-off sale of a product—

**Senator Sherry**—No, I think—

**Senator ABETZ**—as opposed to a trailing commission.

**Senator Sherry**—there are a number of factors. You can argue that an investment in a compulsory financial product such as superannuation, which has a very, very long time horizon, is quite different from the sort of purchase you have referred to. But certainly—

**Senator ABETZ**—Or a managed investment scheme purchase.

**Senator Sherry**—Yes, but you could argue there are other factors that make the issue of fees and commissions—indeed, fees and commissions are under scrutiny in the managed investment sector.

**Senator ABETZ**—Yes, but the example you gave was that it was different to where you have a one-off purchase, a one-off commission.

**Senator Sherry**—Yes, but I said that was one factor, not exclusively the only factor.

**Senator ABETZ**—The *Hansard* will disclose what you said. I will not delay any further. Thank you.

**Senator BUSHBY**—Thank you to ASIC for coming along tonight. I am sure it is not the place you would prefer to be at 25 past 10!

**Mr D'Aloisio**—No, not all!

**Senator BUSHBY**—I am looking at the answer to a question on notice by Senator Ronaldson, No. BET-169, which is to do with your fee income and your actual expenditure. It says here that your 2008-09 actual expenditure information for the four groups that you are broadly categorised into was about \$141 million. Is that the entire cost of running ASIC?

**Mr D'Aloisio**—No. I will take it on notice and give you more accurate numbers, but, roughly speaking, the whole of the running of ASIC was about \$260 million last financial year, I think. That is made up of the core areas that you are talking about. There are also the support service areas, and then there is additional funding that we receive for special projects—for example, for major litigation. So, in all, it is about \$260 million or \$270 million. I think that in this financial year that will go up to about \$290 million.

**Senator BUSHBY**—And that is with the extra funds that you were given in the budget.

**Mr D'Aloisio**—I will get you more. We will check all that and give you accurate numbers.

**Senator BUSHBY**—If I could have a full breakdown of that, that would be good. What I am interested in is the juxtaposition of that against the amount of revenue that is actually raised. According to this, it looks like you raised \$551 million.

**Mr D'Aloisio**—That is correct.

**Senator BUSHBY**—So essentially the fees raised through ASIC are roughly twice the cost of running it.

**Mr D'Aloisio**—We could claim to be profitable, yes, but I think that would mislead you. The fees that ASIC collects are really as agent for the government. They are really taxes and fees that the government levies through a regulatory framework; a tax, if you like.

**Senator BUSHBY**—It is quite clearly more than you pay.

**Mr D'Aloisio**—We actually raise that as the agent for the government and it is on annual returns and so on. Yes, that is 500 or 550, but we do not use that as a measure.

**Senator BUSHBY**—As a juxtaposition it is an interesting comparison.

**Senator Sherry**—It is, and there is actually some interesting history to this.

**Senator BUSHBY**—I was not going to go any further, I just wanted to clarify that that was the case.

**Senator Sherry**—The difference to which you refer between moneys raised and expenditure was over 15- or 20-year period remitted to the states. The government in last year's budget announced that it was no longer willing to make that contribution to the states; it did not see any justification for making that contribution to the states.

**Senator BUSHBY**—So that \$260 million now forms part of consolidated revenue of the Commonwealth.

**Senator Sherry**—Correct.

**Senator BUSHBY**—That leads me into my next question. On 2 September 2009 the *Australian Financial Review* reported that you were having some issues in terms of staffing and negotiations on pay rises. Would a little bit extra of that actually make it easier for you to resolve that one?

**Mr D'Aloisio**—I think they are separate issues. The issue of our responsibility in terms of negotiating and providing proper pay and remuneration for our staff is clearly an important issue that the commission has looked at very seriously. In fact, we have now reached agreement with the union and the matter will go to staff vote and minister final approval. So what you read was really part of the negotiations that you would expect would occur in matters.

**Senator BUSHBY**—Possibly part of the toing-and-froing, Mr Evans, I think it was, making public comments as part of the overall process.

**Mr D'Aloisio**—That is a matter to direct to Mr Evans. Certainly our position was that matters between ourselves and our employees would be matters for ASIC, and so we did not comment publicly and, other than answering your questions, do not propose to comment.

**Senator BUSHBY**—You are hopeful those issues are now close to resolution.

**Mr D'Aloisio**—The matter is subject to final ministerial approval and subject to staff vote. The matter we believe has been resolved and should go forward with the support—

**Senator BUSHBY**—Will you get any additional support to meet the outcomes of those negotiations or will you need to get that in the budget?

**Mr D'Aloisio**—In our forward estimates we have budgeted those increases and have indicated to government that we can fund them within our existing—

**Senator BUSHBY**—You were given extra money in the budget to reflect additional responsibilities that you will be taking on.

**Mr D'Aloisio**—Yes, we have received additional funding for credit and we will receive additional funding for surveillance. The surveillance funding is also subject to fees then being charged to the market participants, market operators, which are yet to be worked through. But in terms of ASIC, as part of the government giving us those additional functions they also gave us additional resources and sought our views on what those additional resources should be as best as we could predict in order to discharge the new functions that we have been given.

**Senator BUSHBY**—You have not had to dip into those additional resources to meet the obligations under the new pay agreements?

**Mr D'Aloisio**—As I said, they are quite separate in the way that we look at these things.

**Senator BUSHBY**—That is fine. I will move on to another issue, taking over the Australian Securities Exchange responsibilities. Where are you at with that at the moment?

**Ms Gibson**—We have put together a task force, which the chairman and I will be leading. We are assembling some external people to assist us in the transition to make sure that we understand the market's attitudes. We have been working with Treasury on the legislation as the first step. We are also working with the ASX as to what facilities they have, their staff and whether there should be some transfer and how they should take effect. Those would be the main projects that we have underway. We are also looking to see how it is done in the rest of the world to make sure that what we do take on board is going to be comparable with those.

**Senator BUSHBY**—How you going with developing your trading monitoring system? Is that underway?

**Ms Gibson**—It is. We already have some monitoring capacity within ASIC. The next step is going to be the substantial information technology things that are going to be required to do that. We need to work out how to accommodate that within our system. There are a number of providers that can provide it from outside ASIC. We would not outsource the work, but we would be able to host from different servers or we can bring it onto ours. We are scoping all of those to work out the best way to do it.

**Senator BUSHBY**—Are you looking at combining the trading rules with the Corporations Law? Would you be trying to deliver one document or would you have separate regulatory regimes but still under ASIC? Is that part of the scoping?

**Ms Gibson**—These are matters still with Treasury, as to the right format. At the moment the ASIC rules are quite separate.

**Senator BUSHBY**—I have some specific questions. What assessment did ASIC undertake to determine an appropriate mechanism to deliver single-issues advice which resulted in the removal of investor protections—that is, the exemption from the Corporations Act, section 945A for super trustees?

**Mr D'Aloisio**—This is the intra-fund advice?

**Senator BUSHBY**—Yes, that is right—Regulatory Guide 200.

**Mr D'Aloisio**—The intra-trust advice and the changes that were made that we announced were after very extensive consultation with both Treasury and industry. That led to the changes being announced some months ago.

**Senator BUSHBY**—Was there any impact—

**Mr D'Aloisio**—And we made it clear that it was a clarification of the way that 945A had been interpreted and applied by trustees of super funds. We really gave them some comfort that there were areas of statements they could make, assistance they could provide, to members without being worried about contravention of 945A.

**Senator BUSHBY**—Was the impact of that clarification to other providers of advice subject to cost-benefit analysis prior to the provision of that clarification exemption?

**Mr D'Aloisio**—I can take that on notice and look at it more carefully. My recollection is that that sort of cost-benefit analysis would not have been needed. We were looking at clarifying the law. If you are asking, 'Would there have been a shift away from people getting financial advisors to advise them on that issue and then going to the trustees,' we have not seen that. Again, I can take that on notice, have a look at it for you and let you know. As I said, it was essentially around clarifying how the law operates so that people have better guidance. We would not have anticipated it having a significant impact on—

**Senator BUSHBY**—Certainly it has been indicated to me that it has had an impact.

**Mr D'Aloisio**—It would be useful for them to let us know that. I would not mind if they would write to us and let us know what that impact is and how it has worked. We will talk to the FPA and other associations. I am certainly not aware of it, but I will take it on notice and have a look at it.

**Senator BUSHBY**—Good. Are you able to tell me how many superannuation trustees have applied for class order relief?

**Mr D'Aloisio**—I did have that.

**Ms Gibson**—If it is a class order, would you apply for relief? Ordinarily, the class order, on the face of it, means that they do not need to ask to knock on the door. I do not know the specifics.

**Senator BUSHBY**—They do not have to apply for it?

**Mr D'Aloisio**—I do not have them with me this evening, but I can get them for you. There is not general relief, but there are specific applications that trustees need to make. I will give you that data. For some reason, a figure of 19 sticks in my mind in relation to it, but I would like to have a look at it.



**Senator BUSHBY**—It is best to check.

**Mr D'Aloisio**—I had better check it.

**Senator BUSHBY**—How is ASIC monitoring and enforcing the class order relief, and through which area in ASIC will that be managed?

**Mr D'Aloisio**—We have a superannuation division. Clearly, it will conduct surveillances and it will look at how this is working and assess if the clarification is working as intended and whether or not trustees are moving more into that personal advice area that they should not be, and so on. That will be picked up as part of our surveillance program.

**Senator BUSHBY**—When you look at how many trustees have actually applied for class order relief, can you tell me how many would be eligible out of a pool?

**Mr D'Aloisio**—Yes, we can do that. We will give you the eligibility and who has applied and what decisions we have made.

**Senator BUSHBY**—Have you actually approached the trustees to see whether they wish to take advantage of the relief?

**Mr D'Aloisio**—Because the matter was well publicised through the associations and generally through the consultation and through the way we put it into the market, we would expect that those who want to avail themselves of that relief would do so. We would not have to actively canvass them on it.

**Senator BUSHBY**—Have you done any follow-up with any of those trustees that have applied for relief as to whether they have found it useful or as to their experience as a result?

**Mr D'Aloisio**—Again, I think that would come through in our surveillance/compliance. I will take that on notice as well.

**Senator BUSHBY**—How many complaints has ASIC received from consumers about the provision of financial services over the past 36 months?

**Mr D'Aloisio**—It would not be a figure that I would have readily available but it would be a figure I could obtain. Clearly, over the six or eight months one of the key things has been the Storm Financial area. There were significant complaints in relation to that and, in fact, complaints in relation to the managed investment scheme failures that have occurred. So, yes, in the last six or eight months there would have been quite a number of complaints in relation to financial advisers. We will extract those numbers for you.

**Senator BUSHBY**—In doing so, can you also advise how many ASIC have actually issued responses to and also what is the average time in which complaints are handled?

**Mr D'Aloisio**—Yes, we will do that. We have very strict guidelines in terms of answering complaints that come in and response to correspondence. We publish the results in our annual report as well. Generally speaking, they would have all been answered, unless there were some exceptional issues, within 28 days.

**Senator BUSHBY**—I have a different question and it is a little bit more pointed in some respects. How many complaints has ASIC received about itself in relation to ASIC actions, service and response levels and surveillance activity in the past 12 months? Does ASIC retain records on the resolution of complaints against itself?

**Mr D'Aloisio**—Every complaint we document and keep, whether it is against us or whether it is against anyone else, and we do answer it. I will get you those stats as well.

**Senator BUSHBY**—Are they reported in any shape or form?

**Mr D'Aloisio**—I am not sure. I think we do the total numbers and break them up by categories, but whether we do so specifically in relation to ASIC I do not know so I will check.

**Senator BUSHBY**—Thank you. How does ASIC propose to integrate the monitoring of credit licensees into its current processes?

**Dr Boxall**—We have set up a task force to do that. As you know, the government is proposing that registration will take place effective 1 April and licensing effective 1 July. We are on track to deliver that. It is a separate licence from the Australian financial services licence. We have put out a number of draft regulatory guides and also some discussion papers and consultation papers, in particular on the issue of responsible lending, and we are consulting with the various stakeholders in the industry. So the idea would be that if the legislation is passed by the Australian parliament—

**Senator BUSHBY**—We should know that next week, I think. It is the first cab off the rank in the Senate on Monday.

**Dr Boxall**—Which could well happen this week or next week. The states would need to pass legislation to refer it. I believe Tasmania has already started to introduce a bill. We will have a publicity campaign to advise credit providers that they will need to apply for a licence, because, apart from the state of Western Australia and to a lesser extent of Victoria and the ACT, providers in the other states have not been subject to this sort of licensing regime. For many it will be the first time they have come in contact with a regulator such as ASIC or a licensing regime. This will provide them with advice, make them aware that they need to register and then they need to apply for a licence. We are in good shape to be able to deliver that on time and on budget.

**Senator BUSHBY**—That is very pleasing to hear. It will actually impose a change, as you said, particularly in some states where they have not had similar legislation, in terms of requirements of people who are involved in the provision of credit. They are going to have to learn all about it and comply with it. To some extent, though, some of the people who will be affected already hold AFS licences—

**Dr Boxall**—Yes.

**Senator BUSHBY**—which you already administer. In a lot of ways there will be similar obligations that will arise. Do you have any plans to try to streamline processes for those people in those areas that will have to have both licences?

**Dr Boxall**—We do, indeed. In the application form for registration and licence, organisations that, for example, are licensed by APRA and also credit providers who are licensed by the Western Australian government already—the Western Australian regime—will not have to fill out the complete form; they will be able to skip a number of questions because it will not be relevant. For licensees that already hold an Australian financial services licence

as much as possible we will repopulate the form so that organisations do not have to provide the same information to ASIC. We are trying to reduce that as much as possible.

**Senator BUSHBY**—It will not stop the organisations having to supply a number of different things that contain the same information to their clients, though.

**Dr Boxall**—Sorry?

**Senator BUSHBY**—It is another issue, really. People who are involved in both financial services and credit provision may well have to provide more than one disclosure to their clients that actually say similar things. But that is not your problem. It was a comment on the side.

**Dr Boxall**—To the extent that somebody is coming along and wants financial advice and also wants to borrow money, then they would be covered by both licences.

**Senator BUSHBY**—They may get a lot of paper, basically.

**Dr Boxall**—We are doing our best to minimise that and make it as seamless as possible.

**Senator BUSHBY**—That is good to hear. The only other questions that I would have relate to some of the CMAC reviews. Is that something I should ask you or should I leave that until markets tomorrow?

**Senator Sherry**—That is markets.

**Senator BUSHBY**—I thought that would probably be the case, but I did not want to miss the opportunity in case I was going to get told tomorrow that I should have asked you. That is fine. Thank you.

**Senator JOYCE**—My question is to carbon sinks. Have you had any involvement with them as of yet?

**Mr D'Aloisio**—It is not an ASIC responsibility.

**Senator JOYCE**—Prospectuses have been issued that have put a correlation between MISs and carbon sinks. Are you aware of that?

**Ms Gibson**—This is a form of agricultural scheme that promotes the growing of trees?

**Senator JOYCE**—Yes. Carbon sink legislation is the upfront tax deductability for the planning of a forest not for harvesting purposes but just to leave them there in perpetuity. They get a strategic advantage because of the legislation they get an upfront tax deduction for capital expenditure as well as getting carbon credits into the future. We have noted that there are MISs which talk about the crossover and potentiality of being a carbon sink. Are you aware of that or have any of those being brought to your attention?

**Mr D'Aloisio**—To the extent that we are reviewing prospectuses or PDSs that deal with those and offer interests in relation to those products, we would as part of our review. We would look at the disclosure and issues around that, but we would not be delving into the policy issues associated with it.

**Senator JOYCE**—Is there any breach of anything? If the person sets up an MIS prospectus, which is covered by you, I imagine—

**Mr D'Aloisio**—We do not review and approve a prospectus, but it is filed and we would, as part of our normal surveillance, look at prospectuses. We would also look at product disclosure statements that would be issued when people are raising money, for example, from retail investors. If there were misleading statements in those prospectuses that would be our responsibility.

**Senator JOYCE**—There have been a couple of notable collapses in MISs lately. What is the process of your investigation into them. I think it was Timbercorp and another one.

**Mr D'Aloisio**—Yes, Timbercorp and Great Southern. In the normal course of things the mere fact that an enterprise fails does not necessarily mean there has been any wrongdoing, and in the normal course you would allow in these cases the voluntary going into administration or into liquidation and the liquidators would play a role. Typically we would look at that, as part of what liquidators do and what administrators do, and on our own volition, and make inquiries and assess if there has been wrongdoing of a type that might have involved misleading and deceptive conduct or might have involved other contraventions of the Corporations Act or a breach of directors duties. So we would typically come in as part of our oversight when an enterprise fails to have a look at it. In some instances we do find wrongdoing and take action. In other instances we may not take any action at all because it is just a failure that has occurred through economic or other circumstances.

**Senator JOYCE**—What has the process shown thus far with Timbercorp and Great Southern?

**Mr D'Aloisio**—We have had an active involvement and watching brief in looking at how that has been unfolding and how the administrators have been handling it. We have also, I think in a couple of the actions, intervened in court proceedings to assist the court. That has been the extent of our involvement to date.

**Senator Sherry**—The Parliamentary Joint Committee on Corporations and Financial Services did an inquiry and made some recommendations around regulatory issues which the government is currently considering. Also there are a range of issues that do not fall into the regulatory oversight supervisory area and that relate to tax treatment. The Henry review will be making recommendations on the tax area. It is certainly my hope and desire—and I have said this publicly—that, given the events not only direct in terms of the experiences with Great Southern and Timbercorp demagogue but also the impact on confidence in other MISs et cetera, we would be hoping to finalise any new policy approach in both the area of tax treatment and the regulatory space, if it is required, early in the new year.

**Senator JOYCE**—Thank you. Obviously I will be waiting for that report to come out. Switching back to carbon sink legislation, I am interested in this because I was down in an area where there were carbon sinks yesterday. So obviously they have been raising the money to put them in, and issuing prospectuses to raise the money to incorporate these carbon sinks. Those carbon sinks have gone into prime agricultural land, unfortunately. People always said that was never going to happen; but it is exactly what has happened—as we said it would. If a recommendation is given in the carbon sink legislation that the premise of this is to reduce carbon emissions, when in actual fact if there is the removal of grass and pasture then it is

increasing carbon emissions, is that in any way a misrepresentation of the purpose of the scheme?

**Mr D'Aloisio**—It is a factual matter to be analysed, but in a broad sense if indeed the way the prospectus is put together or the way money is sought to be raised does involve misleading or deceptive statements or material that cannot be supported or substantiated and as a result of that investors lose money or suffer loss then clearly that is a Corporations Act issue and an issue that ASIC would be involved in. If you are asking: could ASIC act preemptively and prevent those prospectuses coming onto the market to start with, that would require us to really do very significant analysis on those issues and get involved, which is not really our responsibility; our responsibility is to look at these things once they are in the market.

**Senator JOYCE**—The issue concerns the confusion about the fact that we have an emerging 'vessel' of science attached to carbon emissions and carbon sequestration and products that come onto the market to try to develop a market based approach to dealing with the issue, but then greater knowledge shows that what was formerly thought of to be fact is apparently not fact. I am referring here to studies such as that by Dr Christine Jones on the sequestration of carbon. Her peer reviewed paper was about the issue of more carbon being sequestered in summer grasses than that sequestered in dry sclerophyll forests. Everybody seems to agree with that now. There is then the issue of selling a person a product, which in their heart they may think is going to be good for the environment, when in actual fact more recent science says that the truth is you are actually increasing carbon emissions because what you are removing was more effective than what you put in its place. Does it create confusion when the science actually contradicts the prospectus?

**Mr D'Aloisio**—It is no different than when you look at the market and what money is raised for in prospectuses and PDSs. There are all sorts of schemes and human ingenuity that come onto the market. You know, you have turning water into electricity; there are all sorts of proposals that come forward. What matters at the end of the day when we analyse it with the benefit of science and everything else is whether or not what has been provided is misleading or deceptive or, indeed, not capable of being substantiated, which is likely to cause or could cause loss or damage to investors. I do not think this industry, as it develops, is going to be in any different position for ASIC in terms of applying the Corporations Act to the prospectuses and PDSs and MISs that you are talking about. I am trying to grapple with the issue that you see that is different that applies to the normal work that we do when financial markets are raising money for all sorts of investments?

**Senator JOYCE**—The issue is that if it is an ongoing category of investment. The words you just used were 'misleading and deceptive'. You may then prove by science—not an emotive statement but by empirical evidence—that with greater knowledge it is now seen to be misleading and deceptive. Probably one of the motivations for people to invest in it might have been a benevolent sense of wanting to do something for the environment, but, with greater knowledge, it is shown to be making it worse. Surely that would have to call into question whether you are doing the right thing or not and it requires some oversight by you. So with the progression from where we are now, you cannot issue a prospectus saying that. While the legislation says that you can certainly grow trees and say that you will get a tax

deduction for it, you cannot say in the prospectus that this is going to abate carbon, because you are actually increasing carbon emissions because what was previously there was more carbon effective than what you are putting in its place.

**Mr D'Aloisio**—I am not agreeing or disagreeing. I think the analysis for us is similar to other areas. We are and will invest more in getting up to speed on these issues, particularly in relation to prospectuses of the type you are talking about coming onto the market. Our approach would be that if it is misleading or deceptive our range of remedies would include injunctions and stopping the raising of money in relation to that prospectus. So it is no different to other forms of investments that come onto the market.

**Senator JOYCE**—If we lose the debate on ETS and it actually comes in I am really applying my mind as to whether I should get back out and start getting into the business of issuing permits, because I reckon I would make a motza.

**Senator CAMERON**—Is that an official resignation!

**Senator JOYCE**—The issuing and prescribing of permits and the regulation of the permit market will obviously be covered by ASIC.

**CHAIR**—The legislation has not gone through the parliament yet.

**Mr D'Aloisio**—That has not been decided. That is a government matter and until such time as the government indicate to us what they want to do in that area I am really not able to answer that question.

**Senator JOYCE**—Has any foreshadowed process been delivered to you? Without going into policy, have you had to go over a draft copy of the permit market? Have you gone through any formative process about how this permit market will work?

**Mr D'Aloisio**—I think it is a matter you should refer to the minister. What we are advised and what we are asked to advise on are matters between us and the government.

**Senator JOYCE**—Not so much advice, but have you looked at a formative plan on the process of the permit?

**Senator Sherry**—As Mr D'Aloisio said, that would constitute advice to the government. I do not know whether there is or not and I am happy to take it on notice for the minister. Senator Joyce, I do appreciate your many and varied critiques of, approaches to and angles on this issue, but I do not think—and certainly at the present time—this is a matter for ASIC.

**Senator CAMERON**—I thought it was Malcolm Turnbull's great policy!

**Senator JOYCE**—It was a great policy. We ended up in opposition—that is how great it was. This must be a salutary lesson for others who want to go forward with that policy. Has the Storm Financial matter come to a conclusion or is it still ongoing?

**Mr D'Aloisio**—As I said earlier, the commission is working with the team that is working on it towards getting a further report at the end of October. We will make decisions after that. In relation to the ongoing investigation, as I said earlier, part of the reason is that the PJC inquiry is still ongoing and also the public examinations are still ongoing, so the evidence is still emerging. We are working towards giving the market another update at the end of October.

**Senator JOYCE**—Going back to the science, with the development of a product there has to be scientific substantiation of the product you are selling. It has to exist and has to be quantifiable. Is this true or not?

**Mr D'Aloisio**—If you decide to raise money because you are going to develop a car that reduces emissions by 90 per cent you then have to indicate where you are in the development of that car. You may have developed it or may be in the process. You are required to be clear in where you are at and not mislead people that you have solutions that you do not have. It is a fact situation of working out whether what is proposed is misleading or deceptive.

**Senator JOYCE**—Not misleading people and claiming to have solutions that you do not have is what you said. If you did mislead people by saying that you have solutions that you do not have, would you have to refund the money?

**Mr D'Aloisio**—If the money is still there we would probably take an injunction and require the money to be returned. If the money has been expended then we would have to look at ways of seeking to recover it if there has been a breach, through breach of directors' duties or other potential remedies that we may have.

**Senator JOYCE**—If there is conclusive proof that what you have raised money for was wrong then you would have to refund the money, otherwise an injunction would be taken out against you and ASIC would pursue you to redeem that money?

**Ms Gibson**—You have to look at what the state of the knowledge was at the time the statement was made, so you issue a PDS. Ordinarily we would look at the PDS for attribution of statements about particular qualities. If someone were to say, 'If you grow a certain tree then you will save XYZ units of carbon dioxide,' you would ordinarily expect a reference to a scientific paper which would be what you would look for as it came through. The test of false or misleading is false or misleading at the time the document was issued so you could not go back 10 years later and say that the science was bunkum.

**Senator JOYCE**—What happens if you are stuck with a product that the government has issued and at a later point in time the science has changed and the product you have been issued is confounded by later science so you are holding a product that is really worthless?

**Mr D'Aloisio**—The hypothetical nature of that question is really well beyond the expertise.

**Senator JOYCE**—In issuing any product should you have the capacity that if there is a potential, even a slight potential, of that outcome you will guarantee a refund? There are so many products out there that say if you are not happy with them you can return in 14 days. Is it possible in any way, shape or form to put in a structure with a change in science in an ever-evolving field? Who is responsible if the science changes and you are holding a product that science later proves is worthless?

**CHAIR**—Again, I think that is extremely hypothetical. I thank ASIC for appearing.

**Committee adjourned at 11.00 pm**