



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION  
LEGISLATION COMMITTEE

ESTIMATES

**(Budget Estimates)**

WEDNESDAY, 4 JUNE 2003

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE**  
**EMPLOYMENT, WORKPLACE RELATIONS,**  
**AND EDUCATION LEGISLATION COMMITTEE**

**Wednesday, 4 June 2003**

**Members:** Senator Tierney (*Chair*), Senator George Campbell (*Deputy Chair*), Senators Barnett, Carr, Johnston and Stott Despoja

**Senators in attendance:** Senators Allison, Barnett, George Campbell, Carr, Jacinta Collins, Crossin, Forshaw, Mason, Stephens and Tierney

**Committee met at 9.06 a.m.**

**EDUCATION, SCIENCE AND TRAINING PORTFOLIO**

Consideration resumed from 3 June 2003.

**In Attendance**

Senator Alston, Minister for Communications, Information Technology and the Arts

**Australian National Training Authority (ANTA)**

Ms Moira Scollay, Chief Executive Officer

Mr Steve McDonald, General Manager

Ms Liz Furler, General Manager

Mr Adrian Stephens, Director, Client Relationships

Ms Kareena Arthy, Director, Research, Planning and Reporting

Ms Lesley Johnson, Director, Business Management

**Australian Nuclear Science and Technology Organisation (ANSTO)**

Mr Ian Cullen, Director, Corporate

Mr Ken Horlock, Replacement Research Reactor Project

Mr Steven McIntosh, Government Liaison Officer

**Commonwealth Scientific and Industrial Research Organisation (CSIRO)**

Dr Geoff Garrett, Chief Executive

Dr Ron Sandland, Deputy Chief Executive

Mr Mike Whelan, Chief Finance Officer and Executive Director, Corporate Operations

Mr Bob Garrett, General Manager, Corporate Finance

Mr George Harley, General Manager, Corporate Property

Mr Jack Steele, Chief of Staff, Business Development and Commercialisation

Mr Mehrdad Baghai, Executive Director, CSIRO Business Development and Commercialisation

Dr Tony Haymet, Chief, CSIRO Marine Research

Dr T. J. Higgins, Assistant Chief, CSIRO Plant Industry

**Australian Institute of Marine Science (AIMS)**

Professor Stephen Hall, Director/Chief Executive Officer

**Cross Portfolio**

Dr Jeff Harmer, Secretary  
Dr Wendy Jarvie, Deputy Secretary  
Mr Grahame Cook, Deputy Secretary  
Ms Lisa Paul, Deputy Secretary  
Ms Aurora Andruska, Group Manager, Corporate Strategy Group  
Mr Craig Storen, Acting Branch Manager, Finance Branch, Corporate Strategy Group  
Mr Ewen McDonald, Branch Manager, People Management Branch, Corporate Strategy Group  
Ms Lorraine White, Branch Manager, Communications Branch, Corporate Strategy Group  
Mr Tony Kwan, Chief Information Officer, Information Services Group  
Mr George Kriz, Chief Lawyer, Parliamentary, Assurance and Legal Group  
Mr Bill Bowron, Chief Audit Officer, Audit and Investigations Group  
Ms Jessie Borthwick, Group Manager, Research, Analysis and Evaluation Group  
Mr Richard Bridge, Branch Manager, Economic Analysis and Evaluation Branch, Research, Analysis and Evaluation Group  
Ms Dianne Peacock, Director, Participation and Learning Branch, Research, Analysis and Evaluation Group  
Ms Anne Baly, Branch Manager, Information and Analysis Branch, Research, Analysis and Evaluation Group  
Ms Wendy Whitham, Acting Branch Manager, Participation and Outcomes Branch, Research, Analysis and Evaluation Group

**Science Group**

Dr Jeff Harmer, Secretary  
Mr Grahame Cook, Deputy Secretary  
Mr Rod Manns, Acting Group Manager, Science Group  
Ms Marea Fatseas, Acting Group Branch Manager, Science Programmes, Science Group  
Mr Steve Irwin, Branch Manager, Science and Technology Policy, Science Group  
Ms Sara Cowan, Branch Manager, International Relations and Collaboration, Science Group  
Dr Caroline Perkins, Director Radioactive Waste Management, Science Group

**VET Group**

Dr Jeff Harmer, Secretary  
Ms Lisa Paul, Deputy Secretary  
Mr Colin Walters, Group Manager, Vocational Education & Training Group  
Ms Mary Johnston, Branch Manager, Industry Training Branch, Vocational Education & Training Group  
Ms Rebecca Cross, Branch Manager, Quality & Access Branch, Vocational Education & Training Group  
Mr Ben Johnson, Branch Manager, New Apprenticeships Branch, Vocational Education & Training Group

**CHAIR**—The committee will now continue examining the education, science and training portfolio. I welcome back officers from the department and the agencies. The committee has completed issues relating to the Indigenous group. We will now commence with the agencies,

starting with the Australian Institute of Marine Science. After having completed the agencies, we will move to cross-portfolio questions.

#### **Australian Institute of Marine Science**

**Senator CARR**—Good morning, Professor Hall. I am pleased that you were able to come. I was wondering if we could discuss the performance of AIMS in recent times. How do you see the organisation performing?

**Prof. Hall**—As you probably know, I have been in the institute now for 2½ years and I am pleased with the way the organisation has responded in those 2½ years. Overall, I am confident that our performance has improved and that we will see further improvements.

**Senator CARR**—What is the current annual appropriation?

**Prof. Hall**—The current appropriation for the coming year—

**Senator CARR**—What page is that on?

**Prof. Hall**—In the Portfolio Budget Statements, the appropriation is on page 138. The easiest one is on page 141. The total appropriation is \$22,112,000.

**Senator CARR**—What is the forward estimates figure? Where do I find that?

**Prof. Hall**—You will find it on page 149. The forward estimates then track forward to 2006-07 at \$23,836,000.

**Senator CARR**—Where is the Commonwealth appropriation?

**Prof. Hall**—It is in the first line, 'Revenues from government', on page 149, at table 7.1.

**Senator CARR**—I see. Revenues from government are \$26,096,000.

**Prof. Hall**—Yes, that was in 2002-03.

**Senator CARR**—Then it reads \$22,111,000 in 2003-04, \$22,572,000 in 2004-05 and \$23,087,000 2005-06.

**Prof. Hall**—Yes.

**Senator CARR**—Is that the normal indexation?

**Prof. Hall**—Yes. You would probably be aware that the deferral of the triennium funding agreement means that we will be negotiating with government next year to presumably and hopefully review those estimates.

**Senator CARR**—When was the decision taken to defer your triennium funding?

**Prof. Hall**—I was informed of that approximately three weeks ago, to my recollection.

**Senator CARR**—How were you informed?

**Prof. Hall**—From a phone call from the department.

**Senator CARR**—Did you request triennium funding?

**Prof. Hall**—We were in the process of negotiating triennium funding up until that point.

**Senator CARR**—Was it a surprise to you to find that it had been postponed?

**Prof. Hall**—It was something of a surprise, yes.

**Senator CARR**—I assume these forward estimates are correct; that is what we have to go by. That is what these documents do. This has to be all the information that the department has at its disposal at the time of the budget. On that basis there is no increased capacity there at all, is there?

**Prof. Hall**—On the basis of the forward estimates as they currently stand, no, the appropriation funding is reasonably static—but indexed.

**Senator CARR**—In fact, it is static apart from indexation.

**Prof. Hall**—Yes.

**Senator CARR**—How much money do you spend at the Darwin facility? You have facilities in Darwin, don't you?

**Prof. Hall**—We are just about to establish a facility in Darwin jointly with the Australian National University under the Major National Research Facilities program.

**Senator CARR**—How much are you committing to that?

**Prof. Hall**—There is an additional appropriation in our budget this year to establish that facility, which is with the award from the Major National Research Facilities program for \$3.25 million.

**Senator CARR**—Where is the recurrent funding to support that facility?

**Prof. Hall**—The recurrent funding to support the facility will come from the organic growth within the organisation and a redeployment of resources over time.

**Senator CARR**—There is no organic growth in the budget, apart from indexation.

**Prof. Hall**—It is not a question of appropriation funding supporting that initiative. We have to reprioritise some of our activities. We have made a strategic investment in developing and delivering outcomes for Northern Australia. Part of our initiative is to encourage support from outside agencies to assist with that growth and to spread our existing resources more appropriately across those two domains.

**Senator CARR**—Let us have a look at that. What is the recurrent cost to operate that facility?

**Prof. Hall**—At present, there is one member of staff because the facility has not yet been constructed.

**Senator CARR**—Of course. But, when it is constructed, what is your expectation of what it will cost to run that facility?

**Prof. Hall**—I can give you an indication of that from the work we will be doing out of Northern Australia in the coming year. I will check the operating budget for programs running out of the north—that is, exclusively out of the north, I might add; there is more than one. We have a research team to deal with sustainable development in Northern Australia. The total funding for that in the coming year in terms of externally funded and appropriation funding is approximately \$300,000. Then there will be additional work done in Northern Australia out of our ships and others.



**Senator CARR**—I will just have to slow down a bit here. You have \$300,000. How much of that is from your appropriation?

**Prof. Hall**—I beg your pardon, I was in the wrong column. It is \$1.15 million; \$793,000 is from appropriation.

**Senator CARR**—The public appropriation is \$793,000.

**Prof. Hall**—Yes.

**Senator CARR**—The remainder will have to come from non-appropriation sources. That does not mean non-government sources, because it could come from other departments, it could come from universities. So it is not actually private revenue as such; it is non-appropriation revenue?

**Prof. Hall**—No, although a proportion of it certainly would be from the private sector.

**Senator CARR**—What proportion?

**Prof. Hall**—If we include the work we currently do in Northern Australia and on Scott Reef, the proportion would be about half.

**Senator CARR**—So that is basically what: \$300,000?

**Prof. Hall**—Yes.

**Senator CARR**—About \$300,000 would come from private sources. Which companies provide that?

**Prof. Hall**—Woodside Petroleum is the principal—

**Senator CARR**—It is mainly Woodside?

**Prof. Hall**—Primarily, yes.

**Senator CARR**—That is what you do at the moment, but you are going to have this new facility with the ANU and AIMS. You have the land already?

**Prof. Hall**—The ANU have the land, yes.

**Senator CARR**—But it is ANU land. They are going to build a building, and that is what the \$3.2 million is for.

**Prof. Hall**—Yes.

**Senator CARR**—How many staff are going to be housed in that building?

**Prof. Hall**—In the medium term or immediately it is built?

**Senator CARR**—What is your project for the next forward estimates? What is the recurrent cost to that facility over the forward estimate?

**Prof. Hall**—At this point in time, given that the ATRF is actually managed by an independent board, not by AIMS, that is somewhat dependent upon the policy of the board. But I would envisage that we would be looking at an increase of the order that I mentioned: about \$1.5 million.

**Senator CARR**—So another \$1.5 million?

**Prof. Hall**—Per year, I would expect.

**Senator CARR**—But that is another \$1.5 million.

**Prof. Hall**—Yes.

**Senator CARR**—That is the Darwin facility. What are you doing at Broome?

**Prof. Hall**—Nothing.

**Senator CARR**—You have no facilities at Broome at all?

**Prof. Hall**—No longer, no. We had a facility in Dampier, and we made a strategic decision to redeploy those resources to Darwin.

**Senator CARR**—So there are no operations in the north-west of Western Australia at the moment?

**Prof. Hall**—No, it is not true to say there are no operations. We do not have a facility there.

**Senator CARR**—You do not have a land based facility there?

**Prof. Hall**—No; that is right.

**Senator CARR**—When did you get out of Dampier?

**Prof. Hall**—That decision was made by the council at just the time I became director, so that would be late 2000.

**Senator CARR**—Where do the ships operate from?

**Prof. Hall**—The ships operate from out of Townsville and Darwin.

**Senator CARR**—How many vessels do you have?

**Prof. Hall**—Two major vessels.

**Senator CARR**—What are the running costs of those on a daily basis?

**Prof. Hall**—On a daily basis?

**Senator CARR**—Yes. You hire them out, don't you?

**Prof. Hall**—No.

**Senator CARR**—You do not hire them out at all?

**Prof. Hall**—No.

**Senator CARR**—Woodside is not renting them out at all? Are they just contract?

**Prof. Hall**—Yes. That is not strictly true. They hire them out in the sense that the costs of running the ships for Woodside would be charged to the client.

**Senator CARR**—Do you have a daily cost for the running of the vessel?

**Prof. Hall**—Off the top of my head I am afraid I cannot give it to you, but I can give you an indication of the costs for the ships themselves on a yearly basis. Clearly there would be a cost recovery element and more, depending on the extent to which it is a current vessel.

**Senator CARR**—What is the cost, then?

**Prof. Hall**—The total cost of the *Lady Basten*, the older ship, is about \$1.5 million. The new vessel, which was acquired in 2001, is about \$1.2 million.

**Senator CARR**—So actually the newer the vessel the cheaper it is to run?

**Prof. Hall**—Yes, the running costs are far cheaper.

**Senator CARR**—What size is the *Cape Ferguson*?

**Prof. Hall**—About 25 metres. I cannot give you the exact figure; around that size.

**Senator CARR**—What is the complement on that?

**Prof. Hall**—The crew?

**Senator CARR**—Yes.

**Prof. Hall**—I believe it is four or five, depending on the nature of the work.

**Senator CARR**—How many scientists can you accommodate on that?

**Prof. Hall**—I think we can accommodate 12, but I would need to take reference to that. I honestly cannot remember.

**Senator CARR**—They are all Australian crew, aren't they?

**Prof. Hall**—Yes.

**Senator CARR**—And the *Lady Basten*?

**Prof. Hall**—The *Lady Basten* is a little bigger. She is about 28 metres—but do not quote me on that.

**Senator CARR**—Unfortunately this is not the place to say that.

**Prof. Hall**—Again, she holds about 12 scientists, as I recall.

**Senator CARR**—And how many crew?

**Prof. Hall**—I believe that is five crew as well.

**Senator CARR**—How many days at sea are each of these vessels?

**Prof. Hall**—Last year the *Cape Ferguson* did 22 expeditions and was 267 days at sea, and the *Lady Basten* did 27 expeditions and was 268 days at sea.

**Senator CARR**—That is a fairly significant load, isn't it, by maritime research capacity?

**Prof. Hall**—We are very pleased with the level of performance we get from the ships.

**Senator CARR**—You are not thinking of selling them or anything?

**Prof. Hall**—No.

**Senator CARR**—No plans to dispose of any of those vessels?

**Prof. Hall**—The *Lady Basten* is coming to the end of her projected life, within three or four years, and we are now having to make the strategic decisions about how we fund a replacement vessel, and the trade-off between the increasing costs of running an older vessel versus finding the capital outlay to fund a replacement.

**Senator CARR**—Is that part of your triennium funding bid?

**Prof. Hall**—I am sure that that will be a component of the discussion we will have about triennium funding, but we are also looking at other ways to support that bid.

**Senator CARR**—What other ways?

**Prof. Hall**—We are looking at opportunities to co-invest with other agencies—particularly the people who now operate our ship—such as the possibility of funding a new vessel and sharing the availability of that vessel through time in some kind of public-private partnership.

**Senator CARR**—Who operates the vessel for you?

**Prof. Hall**—Riverside Marine in Brisbane. But, as I say, it is very early days and we are exploring all opportunities at the moment.

**Senator CARR**—This is a vessel that you own yourselves. It is not a national facilities program?

**Prof. Hall**—No. It is a vessel that—

**Senator CARR**—You operate yourselves?

**Prof. Hall**—we operate.

**Senator CARR**—And the 267- and 268-day usage is by your scientists?

**Prof. Hall**—Almost exclusively, although there have been occasions where other organisations have used it. James Cook University, for example, have used the vessel, and it has been designated as their workplace for a particular small—

**Senator CARR**—They paid for that, did they?

**Prof. Hall**—No. Due to unforeseen circumstances there was some available time, the university needed some time to do some work and we provided it to them.

**Senator CARR**—And you did not charge them?

**Prof. Hall**—No, we did not. We saw it as a useful co-investment, given that the work that was being done was in line with our research interests.

**Senator CARR**—What was the opportunity cost on that?

**Prof. Hall**—I would have to work it out, but it would have been about five days. I would have to take that one on notice.

**Senator CARR**—Would you, please?

**Prof. Hall**—Sure.

**Senator CARR**—Thank you. When did this occur?

**Prof. Hall**—About two years ago.

**Senator CARR**—Has it happened very often?

**Prof. Hall**—No.

**Senator CARR**—In regard to these reprioritisations that you are going to have to undertake to provide the recurrent funding for the facilities in Darwin, what have you got in mind?

**Prof. Hall**—Perhaps I could step back a bit to answer that. We, as part of our planning going forward, have initiated a process for establishing what our work program ought to be, based on quite detailed discussions with various stakeholders about the kinds of outcomes we

could deliver for them. In the last year we have spent a lot of time talking to all of those people with whom we interact and trying to assess their needs and requirements. On the basis of that analysis, it has become clear that the need for work in Northern Australia has increased. What we are doing is shifting the effort that was previously put into the Dampier Archipelago; in particular, round further towards the east. That really is consistent with the signals we are getting, if you like, from our stakeholders about where the work needs to be done.

**Senator CARR**—Which stakeholders are we talking about?

**Prof. Hall**—The Northern Territory government; Environment Australia, who have considerable concerns about issues in the MOU box and the shared area with Indonesia; the Aboriginal communities along the northern coast of Australia, the Northern Land Council and the like; most of the agencies in the Northern Territory department of fisheries; Woodside Petroleum et cetera—a whole spectrum of stakeholders.

**Senator CARR**—So your major private partnership is with Woodside Petroleum.

**Prof. Hall**—I would not say it is necessarily our major private partnership, but it is certainly an important one to us.

**Senator CARR**—Do you work up in the Timor Gap?

**Prof. Hall**—Yes.

**Senator CARR**—So it goes up as far as that?

**Prof. Hall**—Not quite. Certainly the Arafura Sea and the Timor Sea are part of the domain in which we are developing an increasing level of activity.

**Senator CARR**—Do Woodside have particular interests in that area? Do they do seismic studies there?

**Prof. Hall**—Yes, although seismic work is not something we are involved with.

**Senator CARR**—What work do you do for Woodside in that area?

**Prof. Hall**—What we do primarily is biodiversity assessment work for them. In many respects it is a co-investment, in that an understanding of the biological resources and the biological fauna and flora that exist is actually quite important to the Australian estate. There is a consistency in our mission with delivering a service to an organisation.

**Senator CARR**—In terms of your research efforts, would you say that the majority of your work is public interest or public good research?

**Prof. Hall**—Could I ask you to give me a bit of a handle on what you would see as public good.

**Senator CARR**—Would you say that your work has, predominantly, a direct commercial implication or would you say it is more broadly public interest research that may not necessarily have an immediate commercial implication?

**Prof. Hall**—I think we are in the business of strategic basic research almost exclusively. I think that the work we do that does have the potential for commercialisation is also in the public good, so I have a little bit of a concern about the term in general. Nevertheless, I would

say that, if one looked at our research programs and the outputs we are delivering or aim to deliver in the next four or five years and the balance between work that has a direct, immediate commercial pay-off, so to speak, and that which is public good, in the order of 90 per cent would be public good, although clearly the strategic work we are doing has a play in to commercialisation.

**Senator CARR**—That is basically what I had anticipated would be the case. You say here in the PBS that you sell goods and services—the figure is \$5 million. How do you arrive at that figure?

**Prof. Hall**—Could you show me what you are referring to?

**Senator CARR**—Page 149 of the PBS. Have I read that correctly? It says ‘goods and services for \$5 million’.

**Prof. Hall**—Yes, that is external earnings in total. That would include the work supported by, for example, the Great Barrier Reef Marine Park Authority through the CRC. It is the entirety of our external earnings.

**Senator CARR**—Yes, that is right. Of that, private company revenue is about \$300,000?

**Prof. Hall**—No, it would be more than that in total.

**Senator CARR**—How much would it be?

**Prof. Hall**—I would have to take that on notice.

**Senator CARR**—But you have given me a breakdown of how you arrive at the figure of \$5 million.

**Prof. Hall**—Certainly.

**Senator CARR**—That was the actual. You have some projections here that you will increase your private revenue from \$5.4 million—which is a \$400,000 increase in this estimate alone—and then it goes up to nearly \$8 million. That is an extraordinary increase, I would think. How did you calculate that? How have you derived that figure?

**Prof. Hall**—Our projections are based on a strategic plan which has clearly identified that if we actually focus much more clearly on delivering value to others, the flow of benefits back to AIMS is going to increase substantially. We are finding that already. For example, one of the anticipated returns comes from a recent spin-off company which is now in the early stages of venture capital raising.

**Senator CARR**—What is the name of that spin-off company?

**Prof. Hall**—It is called ToxiTech.

**Senator CARR**—Where does that operate from?

**Prof. Hall**—It operates from Townsville at present.

**Senator CARR**—Is that a wholly owned subsidiary?

**Prof. Hall**—No, it is a public company limited by guarantee. We are about to have a 25 per cent shareholding.

**Senator CARR**—Who owns the other 75 per cent?

**Prof. Hall**—Another 25 per cent will be owned by James Cook University—it was IP that was jointly generated with them. The remainder is owned by agent investors in part, and some of the equity is also held by one of the precede funding pools.

**Senator CARR**—So it is a 50 per cent publicly owned company.

**Prof. Hall**—Yes.

**Senator CARR**—How much did you say that this will raise?

**Prof. Hall**—All I am saying is that the projections forward will include returns from that. I think the greater part of our growth, however, is likely to come from a clearer focus on longer term partnerships with companies to which we believe we can deliver value.

**Senator CARR**—I can see that. It is just that you are asking us, in these estimates, to accept that you are going to go from \$5 million in non-appropriation revenues to \$7.8 million. That is a very substantial increase.

**Prof. Hall**—Over four years.

**Senator CARR**—Yes. Your projections say that you can almost double revenue.

**Prof. Hall**—You have to look at the assets that we are currently sitting on. For example, probably the most valuable thing AIMS has at the moment is \$20,000 extracts of chemicals from marine natural products. They sit in a freezer at AIMS and are of immense interest to very large numbers of companies. AIMS has been quite successful in establishing, for example, a beneficiary agreement with the state of Queensland, which ensures that benefits return to Australia from the use of the biodiversity resources from the Queensland waters. The interest that is now being expressed by various companies in having access to those chemicals for screening and the capacity we have to provide the high-level chemistry and support for that is a really important part of the growth trajectory for us.

**Senator CARR**—That makes sense. Are AstraZenica part of that?

**Prof. Hall**—No, they have a relationship with Griffith University.

**Senator CARR**—What was the non-appropriation revenue in the previous year? You have stated here that in 2002-03 it was \$5 million. What was it in 2001-02?

**Prof. Hall**—I believe it was about \$4.6 million, but I would have to check on that. It was \$4.7 million.

**Senator CARR**—And the year before?

**Prof. Hall**—It was \$4.4 million.

**Senator CARR**—So you think it is increasing by about \$300,000 per annum.

**Prof. Hall**—It has done in the last two years, although I would point out that in 1998 it was \$5.3 million.

**Senator CARR**—So it has actually gone down.

**Prof. Hall**—One of the problems with a small agency is that one is at the mercy, if you like, of a degree of volatility.

**Senator CARR**—That is my point.

**Prof. Hall**—Indeed. We all know that forward estimates are subject to revision as one moves forward. Like any other business, that is the projection at this point in time but, clearly, the degree of certainty as we move outward declines.

**Senator CARR**—Yes, and that is what I am saying. It is a big call to put into a PBS a proposition that you are going to almost double your external earnings. That is what it is saying, isn't it? It goes from \$5 million to \$7.8 million. Isn't that right? Have I misunderstood that?

**Prof. Hall**—That is right, but that is not a doubling; that is a 50 per cent increase over four years.

**Senator CARR**—Okay. In the previous four years, if you look at it on that trend line, that is a decline. All I am saying to you is that I find it a very brave assessment. I have just seen the CSIRO make similar sorts of claims about their capacity to generate non-appropriation targets that have not been able to be met.

**Prof. Hall**—I would say that I would love to have this conversation in four years time, because—

**Senator CARR**—We will see whether or not the organisation exists in four years time. That will be another issue; we will get to that in a moment. You may find that you are working for a university. What I would be interested to know, please, is if you could explain to me the detail of how you have calculated that projection from \$5 million to \$7.8 million in external non-appropriation revenues.

**Prof. Hall**—Part of it is that, in a sense, there is an element of: this is the external revenue target that we need to set for ourselves to maintain our activities at the appropriate level we are at now. Any business plan projecting out four years is somewhat woolly at the end, and I think the question would be more appropriately phrased as: how do we see our growth happening and what do we see as the relativities in the importance of that. I believe I have answered that in respect of—

**Senator CARR**—I appreciate your assistance in this, but the question I asked you was: how did you calculate the figures that are in the PBS? I think that is a legitimate question for the Senate estimates. I know it is often helpful for officers to try to redefine a question, but I see it as my job to ask the questions.

**Prof. Hall**—We calculated it as a realistic assessment of how it was possible to develop AIMS's activities in the next three or four years.

**Senator CARR**—However, you do say that it is a bit woolly towards the end.

**Prof. Hall**—By definition.

**Senator CARR**—Thank you. With regard to the public sector research agency review, when did you find out about that?

**Prof. Hall**—I beg your pardon. Which review?

**Senator CARR**—The Commonwealth has launched a public sector review chaired by Mr McGauchie, formerly of the National Farmers Federation.

**Prof. Hall**—It was in the budget.



**Senator CARR**—When did you discover that?

**Prof. Hall**—When the budget was announced.

**Senator CARR**—You were not advised prior to that?

**Prof. Hall**—No.

**Senator CARR**—That review, from memory, has six people on it. I am just trying to find the papers on it. I think it has four persons from universities and a couple of businessmen, but no-one from the research agencies. Were you concerned about that?

**Prof. Hall**—I will be entirely candid. I was not aware of the precise composition of the committee. I knew that Mr McGauchie was chair, but the exact composition was something that had not quite hit my radar yet.

**Senator CARR**—Would someone from my office mind going down and getting a list of the persons on that committee? Thank you. I just do not have it with me at the moment. This is an inquiry that is due to report to the cabinet by the end of the year. Have you not seen the terms of reference?

**Prof. Hall**—No, I have not.

**Senator CARR**—It is an inquiry into your organisation.

**Prof. Hall**—I beg your pardon. I have seen the press release and the terms of reference announced on the DEST web site.

**Senator CARR**—That is not exactly an extensive set of terms of reference. Is that the only document that you have seen in the matter?

**Prof. Hall**—Yes.

**Senator CARR**—You have not been consulted about the way the view is to be conducted?

**Prof. Hall**—No.

**Senator CARR**—This is a review into your organisation.

**Prof. Hall**—It is a review that has been announced, and it is a review—as I understand it—of the collaborative arrangements between universities and the public sector research agencies.

**Senator CARR**—It is actually to look at alternative funding models as well. Have you not been asked to make a submission?

**Prof. Hall**—As far as I am aware, the review has not yet started. I would certainly expect to be.

**Senator CARR**—But you said you have seen the web site press release, and it spoke of alternative funding models. You not been consulted about what that means?

**Prof. Hall**—Not yet.

**Senator CARR**—So you were not consulted about the membership. Were you consulted about the terms of reference?

**Prof. Hall**—No.

**Senator CARR**—Were you consulted about the period in which it is likely to be conducted?

**Prof. Hall**—No.

**Senator CARR**—Were you consulted about the manner in which the inquiry was to be undertaken?

**Prof. Hall**—No.

**Senator CARR**—You cannot tell me, for instance, whether or not there will be public submissions?

**Prof. Hall**—I have no information on the way that it will be submitted, but I would be surprised if it did not.

**Senator CARR**—The original decision made was, in fact, that there should be a closer integration between the research agencies and universities.

**Prof. Hall**—I beg your pardon, when was that?

**Senator CARR**—The decision that was made originally was that there should be a closer integration between the universities and public sector research agencies.

**Prof. Hall**—Sorry, which decision?

**Senator CARR**—The original decision made by government. Were you not advised about it?

**Prof. Hall**—When was this decision made?

**Senator CARR**—In February, by the cabinet.

**Prof. Hall**—I am not privy to cabinet decisions unless they are made public.

**Senator CARR**—So the only advice that you have got is what is on the departmental web site by way of press release?

**Prof. Hall**—With respect to the review, yes.

**Senator CARR**—That is it?

**Prof. Hall**—Yes.

**Senator CARR**—Were you not surprised that this review was to be undertaken, yet the structural arrangements in regard to your organisation and James Cook were to proceed prior to the review?

**Prof. Hall**—I certainly feel that that will be an important component of the considerations of the review, but the order in which they do things is a matter for government policy.

**Senator CARR**—I understand that governments choose to do that. But were you not surprised when you understood that these proceedings were to occur between you and James Cook, yet the government was reviewing these relationships?

**Prof. Hall**—On one level I was delighted that the arrangements had been announced, because we would have something to talk about that was positive in addition to what I think were all the positive interactions that already existed.

**Senator CARR**—You did not think that this was a pre-emption of the review?

**Prof. Hall**—From my perspective, it was an announcement that I was pleased to hear. Since I am not privy to the thinking of those who decided on the review, I cannot really judge the extent to which it is a pre-emption of the review.

**Senator CARR**—Okay. When did you first learn of the proposed amalgamation between AIMS and James Cook?

**Prof. Hall**—It is not an amalgamation.

**Senator CARR**—How would you describe it?

**Prof. Hall**—It is a joint venture between the two organisations.

**Senator CARR**—When were you first made aware of the structural changes?

**Prof. Hall**—In the budget.

**Senator CARR**—You were not told before the budget that these changes were going to occur?

**Prof. Hall**—Like many other people I had heard rumours, but I had no formal communication informing me of any changes to our governance arrangements.

**Senator CARR**—So you had no formal consultations about these changes?

**Prof. Hall**—No.

**Senator CARR**—So you were surprised to see them in the budget?

**Prof. Hall**—As I said, the rumours were abounding and I was certainly expecting some kind of announcement, but the exact nature of it was by no means clear and I had not been informed.

**Senator CARR**—Did you have the opportunity to discuss the implications of this change?

**Prof. Hall**—Prior to its announcement?

**Senator CARR**—Yes.

**Prof. Hall**—Given that there were concerns and rumours, a letter was sent by the AIMS council to the minister outlining some of the issues that we thought were important to bear in mind, but there was no formal consultation surrounding that. Indeed, the details of the joint venture are still to be worked out, so in many respects the concept is there but the details are for us to determine.

**Senator CARR**—When did the council make its representations?

**Prof. Hall**—I am afraid I cannot give you the exact date, but it would have been perhaps six weeks before the budget.

**Senator CARR**—So you were responding to rumour at that stage?

**Prof. Hall**—Absolutely.

**Senator CARR**—Can I have a copy of that council decision?

**Prof. Hall**—I will have to take that on advice; I honestly do not know.

**Senator CARR**—Was it a decision of the council?

**Prof. Hall**—It was a letter by the chair of the council to the minister. It is his letter and I do not think it is appropriate—

**Senator CARR**—Was he writing on behalf of the council?

**Prof. Hall**—Yes, I believe he was.

**Senator CARR**—Was it a decision of the council?

**Prof. Hall**—No, I do not believe it was.

**Senator CARR**—So he chose on his own to write.

**Prof. Hall**—If you are asking me whether it was a decision formally recorded in the minutes of a council meeting, I would have to say no, it was not.

**Senator CARR**—Did he consult with the council before he wrote the letter?

**Prof. Hall**—He certainly did, yes.

**Senator CARR**—So it was a decision of the council in an informal sense.

**Prof. Hall**—Yes.

**Senator CARR**—Can I have a copy of the letter?

**Prof. Hall**—As I said, I would have to take advice on that.

**Senator CARR**—Would you say that relations between the university and AIMS have always been rosy in regard to the collaborations through the university's marine biology unit?

**Prof. Hall**—With the university in general or with specific individuals?

**Senator CARR**—No, particularly—

**Prof. Hall**—Like most organisations, there are characters within them who do not see eye to eye, either professionally or, perhaps, personally. My judgment on the nature of the relationship as a whole between the university and the institute is that it is extremely good, as evidenced by the number of collaborations that already exist. Some people do not get on, just like any family.

**Senator CARR**—Have there been any concerns raised with AIMS by the university in regard to PhD students—particularly the postgraduates—who have been asked to pay increased costs for the use of your facilities?

**Prof. Hall**—They have not been formally raised with me, no. But I am aware of the issue of costing and pricing for accommodating students.

**Senator CARR**—You said they have not been raised with you formally. Have they been raised within the organisation?

**Prof. Hall**—Within AIMS?

**Senator CARR**—Yes.

**Prof. Hall**—Yes.

**Senator CARR**—Was the review taken by the PhD students so that there had been a unilateral decision taken by AIMS in that regard?

**Prof. Hall**—A unilateral decision?

**Senator CARR**—To increase the bench prices.

**Prof. Hall**—I am not aware that the bench fees have increased during my tenure.

**Senator CARR**—Has the number of joint supervisory arrangements between AIMS and JCU decreased in recent times?

**Prof. Hall**—I have no idea.

**Senator CARR**—Could you take that on notice for me, please; for, say, the last three years?

**Prof. Hall**—The number of joint supervisory arrangements—yes.

**Senator CARR**—Given that there is to be this new structural arrangement, how do you see that the resources will be shared in terms of facilities and supervision for research students?

**Prof. Hall**—I will have to answer that in general terms because, clearly, the detail is yet to be determined. There is no doubt that AIMS, as an organisation, has a remarkable infrastructure base, which already accommodates quite a substantial number of students. Nevertheless, with the new refurbished facility that we have there is the capacity to do more. I see the alignment of that research activity with the objectives that the organisation has with respect to delivering outcomes for stakeholders and the additional intellectual horsepower that provides as a real positive. This is an opportunity to further integrate research training and research studentships into our activities. Indeed we are already at the point where we have overspill from the marine biotechnology facility into the rest of the building because of the student interest in an activity that complements and extends our current capabilities.

**Senator CARR**—That is good. I have here a press release from a local member of parliament on this matter: Mr Lindsay has put out a press release describing these changes. Are you familiar with that press release?

**Prof. Hall**—No, I am not.

**Senator CARR**—Have you spoken to Mr Lindsay lately about his attitude to these changes?

**Prof. Hall**—Yes, I spoke to him shortly after the budget.

**Senator CARR**—This appears to be 12 May. He says that there will be shared governance arrangements between JCU and AIMS. What are they?

**Prof. Hall**—Again, there is still some work to be done, but I would envisage that there would probably be a representative of James Cook University on the AIMS council and a reciprocal arrangement with a member of AIMS being on the James Cook governing council. But that is still to be clarified.

**Senator CARR**—Will that require legislative change to the act?

**Prof. Hall**—I do not know.

**Senator CARR**—Would you take that on notice, please. It says here that there will be joint formulation of strategic planning between the organisations. What does that involve?

**Prof. Hall**—As I said before, one of things that we are very focused on is trying to ensure that the research we do is targeted at delivering identified and clearly acknowledged benefits by the various stakeholders. What I envisage is the provision of opportunity to undertake postgraduate research that is aligned with those areas of activity. For example, one might see an opportunity in the work we are doing on providing new aquaculture opportunities for Indigenous communities. One might see an opportunity for some fundamental work on how sponges grow that aligns and adds value to that work being undertaken as a postgraduate studentship. Equally, there is the encouragement of collaborative work in other areas between the academic members of the JCU staff and our own staff and the alignment of those interests to deliver the mission focus work that we are involved with. It is those kinds of initiatives that AIMS at JCU will provide a framework for—making things more effective than they currently are.

**Senator CARR**—The sharing of staff: what is that like?

**Prof. Hall**—We already have a number of staff who have adjunct positions at the university and give lectures. The opportunity to explore joint appointments is something that is worth examining.

**Senator CARR**—How many joint appointments do you think they would be looking at?

**Prof. Hall**—It is far too early to say. We have not really sat down with the university.

**Senator CARR**—How many staff do you have at the Townsville facilities?

**Prof. Hall**—About 160. I can give you the exact number from the report here.

**CHAIR**—Is that total staff or academic staff?

**Prof. Hall**—That is total staff.

**CHAIR**—What is the figure for academic staff?

**Prof. Hall**—If you just give me a moment I will give you an exact number, but of those with PhDs—if we wanted to classify research staff—there are about 30.

**Senator CARR**—So you do not know how many joint appointments would arise from this arrangement?

**Prof. Hall**—At this point I do not. Indeed, they may be new appointments that are joint appointments.

**Senator CARR**—So would you see all new staff appointed or some? How would this work?

**Prof. Hall**—As I said, the details have yet to be determined. But that is another area that I think needs to be explored. The guiding principle for me in this is that, if we are going to make AIMS at JCU a success, we have to look at how the entity can add value to both AIMS, as an independent institution, and James Cook. That may be one of the vehicles for doing that.

**Senator CARR**—Do you think you would have James Cook staff jointly appointed to AIMS?

**Prof. Hall**—I would see no reason why we would not. If they are jointly appointed they are jointly appointed.

**Senator CARR**—That is what I am saying. You would see a change in the employment arrangements across the board.

**Prof. Hall**—Not necessarily. I would imagine that, regardless of whether it is a joint appointment, they would be employed under the terms and conditions of one or other of the institutions. That is the way these things work.

**Senator CARR**—Are they are covered by different awards?

**Prof. Hall**—The university and AIMS? Certainly.

**Senator CARR**—Are they covered by different unions?

**Prof. Hall**—I do not know. I do not think so.

**Senator CARR**—You do not think so?

**Prof. Hall**—Yes, of course they would be, because they are education.

**Senator CARR**—So what consultation with the staff have you had on this issue?

**Prof. Hall**—None, because as I say there have been no decisions made.

**Senator CARR**—It has been a month since this was announced.

**Prof. Hall**—That is right.

**Senator CARR**—And you have had no consultation with the staff about this?

**Prof. Hall**—We have certainly informed the staff that a new entity will be created that will be a joint venture between the university and the institute, and that we will be exploring the opportunities that that presents.

**Senator CARR**—This new entity that you speak of, will it include the whole laboratory at Townsville?

**Prof. Hall**—No, I do not think that is an appropriate way to think about it. It is not a physical entity in the sense of a place; it is a vehicle for fostering collaboration between the two organisations.

**Senator CARR**—So it is a virtual entity.

**Prof. Hall**—Yes, although one might choose—in the fullness of time—to say, ‘Well, here’s a postgraduate annexe for training on the Cape Ferguson campus.’

**Senator CARR**—Would it become a campus of the university at Cape Ferguson?

**Prof. Hall**—That is to be decided.

**Senator CARR**—What assets would this joint entity have?

**Prof. Hall**—That would be a decision that we would have to make as we move forward. It may well be that it would be chosen not to hold assets; that the assets would be held by the individual entities.

**Senator CARR**—What will your lines of reporting be to the parliament?

**Prof. Hall**—The institute's lines will be the same. As far as this new entity is concerned, I imagine that we would be required, in some shape, manner or form, to report on the operations of AIMS at JCU since it was funded through appropriation funding in the budget. But the precise nature of that reporting has not yet been decided.

**Senator CARR**—What would the budget for the new entity be?

**Prof. Hall**—It is \$2.9 million, as announced in the budget, and \$2.1 million, which has covered the additional refurbishment.

**Senator CARR**—Let us just go through that. There is a \$5 million allocation in the budget for this merger. Is the \$2.1 million recurrent?

**Prof. Hall**—No.

**Senator CARR**—So it is a one-off payment of \$2.1 million.

**Prof. Hall**—Yes.

**Senator CARR**—What is that for?

**Prof. Hall**—That is the final forward estimate that was in our forward estimates for the refurbishment of Cape Ferguson.

**Senator CARR**—Okay. So that is money that has not been spent.

**Prof. Hall**—It is money that has been spent that allows us to accommodate additional—

**Senator CARR**—I just want to be clear about this. This \$2.1 million is to pay bills that have already been run up.

**Prof. Hall**—The bills have been paid but, clearly, the finances of the organisation anticipate—

**Senator CARR**—I see. It does not actually add any new facilities with this \$2.1 million.

**Prof. Hall**—We have already added—

**Senator CARR**—They have already been spent—that is my point.

**Prof. Hall**—Yes.

**Senator CARR**—It is work that has been undertaken, so it is payment already gone for work already undertaken.

**Prof. Hall**—Yes. The payment is now to us for the work we paid for.

**Senator CARR**—Sure. So, in fact, it is back-payment.

**Prof. Hall**—Yes.

**Senator CARR**—Thank you. Now, this \$2.9 million—what is that for?

**Prof. Hall**—That is to facilitate the establishment of the joint venture between AIMS and James Cook University.

**Senator CARR**—That is good. I can read that bit. What are you going to spend this \$2.9 million on that you are asking the parliament to appropriate?



**Prof. Hall**—It would be presumptuous of me at this point to anticipate the conversation that will be had between the vice-chancellor and me about how this thing can add maximum value to the two organisations. As I outlined before, it might be appropriate for a proportion of that money to be spent on a scholarship program. It might be appropriate for some of it to be spent on increasing the capacity for high-speed data transfer between the two institutions. But I would not be presumptuous enough at this point in time to articulate precisely how that money would be spent. There are a number of options to add value to the two operations.

**Senator CARR**—Can I ask you, Professor Hall, whether or not you think it is presumptuous that you asked the parliament for \$2.9 million but you will not tell us what it is for?

**Prof. Hall**—I did not ask the parliament for \$2.9 million, Senator. The cabinet made a decision to provide \$2.9 million for us to initiate the concept which they had. I think, regarding the accountability for that decision, the proof will be in the pudding.

**Senator CARR**—Senator Alston, what does the cabinet intend that this \$2.9 million that has been appropriated be spent on?

**Senator Alston**—It is not a matter of what the cabinet contends; it is a matter of what decision is in the public arena and what flows from that.

**Senator CARR**—What is the intention in regard to this money?

**Prof. Hall**—As I say, the intention and what has been said publicly is that there will be a joint venture established to boost the creative capacity of two institutions which already have good relationships but can do more. There is a premise underneath that that additional appropriation funding will facilitate the establishment of such a centre. There is general agreement that the concept is a good one. The precise details of how best to do that are now under discussion.

**Senator CARR**—Professor Hall, you have not told me what the \$2.9 million is for. You have said you have got some idea to bring together two organisations. You have not told me how you intend to do that. What is the budget?

**Prof. Hall**—As I explained, Senator, at this point in time, it would be presumptuous of me to give you chapter and verse of how to spend \$2.9 million when what we have is a concept. We now have to work out, within the budget we have, how we make the most of the opportunity that is presented to us.

**Senator CARR**—Professor Hall, where are the budget costings for that?

**Prof. Hall**—There are no budget costings at this point in time, because it was announced in the budget and I was not privy to that prior to the budget.

**Senator CARR**—Fair enough, and it is not fair of me to ask you for those costings when you have already indicated that they do not exist.

**Prof. Hall**—That is right.

**Senator CARR**—My concern is: why should this committee recommend to the parliament that we pay \$2.9 million to your organisation?

**Prof. Hall**—The only thing I can say at this point in time is that I have a genuine belief that the budget that will emerge from the consultations that are about to get under way will provide a clear indication of how that money should be spent. I presume that the business plan and whatever is associated with that will subsequently go back to the minister for approval.

**Senator CARR**—So at this stage you do not have any of these documents ready?

**Prof. Hall**—No.

**Senator CARR**—You are asking us to buy a pig in a poke?

**Prof. Hall**—I am asking you to buy a great concept.

**Senator CARR**—Concept?

**Prof. Hall**—Yes.

**Senator CARR**—What is the recurrent expenditure proposed for this concept?

**Prof. Hall**—In terms of the appropriation?

**Senator CARR**—Yes.

**Prof. Hall**—There is none.

**Senator CARR**—So where are the resources to run this new joint venture going to come from?

**Prof. Hall**—That will be contingent on how the joint venture is structured.

**Senator CARR**—It does not seem to be very well thought through, Professor Hall.

**Prof. Hall**—As I said, at this point in time I think the concept is a good one but there is a lot of work to be done.

**Senator CARR**—The Chief Scientist wrote a report on this in July 2001. Are you familiar with that?

**Prof. Hall**—Yes.

**Senator CARR**—At page 13, the report says:

The review was convinced by arguments from a number of submissions received that there are advantages to the continued existence of an independent, regionally focused marine research organisation that is sensitive to and responsive to the regional needs.

It goes on to say:

The Townsville centre concept posed significant concerns for AIMS ongoing capacity to remain an entity operating independently—

and on this occasion—

of CSIRO, with AIMS becoming the joint venture partner in the new centre.

Why doesn't that finding apply to this new concept?

**Prof. Hall**—Because AIMS maintains its independence.

**Senator CARR**—How?

**Prof. Hall**—Because our governance arrangements have not changed substantially. We are still under the AIMS Act. Our appropriation funding will come through the same route it has done, and here we have entered into a more formal strategic alliance with our most natural university partner.

**Senator CARR**—We do not know any of the details. What possible way could I check any of that?

**Prof. Hall**—At this point you cannot, but we have not spent the money yet either.

**Senator CARR**—You have not got the money either.

**Prof. Hall**—There will have to be a business plan put forward in order to satisfy the minister that the money is being spent wisely and then reported to the parliament.

**Senator CARR**—Fair enough. When such a proposal was discussed previously, the Chief Scientist said:

The contestability for funding, a factor influencing the quality and price competitiveness of research proposals, a choice of research providers and the price negotiation capacity available to research purchase users such as R&D corporations and the federal and state government bodies would in fact be reduced under such a proposition.

Why wouldn't that apply in this joint venture?

**Prof. Hall**—If anything, it increases the choice, because the two entities still exist.

**Senator CARR**—But they are operating as a joint venture.

**Prof. Hall**—That does not preclude the independent operation of AIMS or the independent operation of James Cook University. The terms under which a joint venture operates are a bit like Ford and Nissan getting together to stick an engine into a new car: it does not mean that Ford does not sell Ford motorcars over here and Nissan does not sell Nissan motorcars over there. A joint venture does not embody the concept of an exclusivity clause in any sense.

**Senator CARR**—A bit like the affiliation of Cadbury and Schweppes?

**Prof. Hall**—Maybe; I am not familiar with the example.

**Senator CARR**—In 2001, the Chief Scientist said:

Tropical marine research should continue to be delivered by a number of independent organisations.

How will that be able to be done with this joint venture?

**Prof. Hall**—It is because we will still be independent organisations.

**Senator CARR**—In a joint venture?

**Prof. Hall**—There will be a joint venture between us. Where the joint venture adds value to a client, a research partner or whatever, it will be the appropriate vehicle. Where it does not, it will not.

**Senator CARR**—Okay. Mr Lindsay, who obviously knows more about this than it would appear you have been advised of, in his press release spoke of the capacity for 'some independent research' to be continued. Where is 'some independent research'?

**Prof. Hall**—You would have to take that up with Mr Lindsay. I am afraid I am not privy to respond on that.

**Senator CARR**—What do you anticipate to be the level of independent research that you will be able to conduct as an organisation outside of the joint venture?

**Prof. Hall**—That very much depends on the discussions that now follow. If I am convinced, for example, that the value associated with delivering research outcomes in the Queensland region for Australia are better met through the joint venture than through an independent AIMS activity, then it could be a substantial proportion. Equally, that depends, as I say, on the potential to deliver outcomes. I should also add, for example, that the issue for us is also one of building relationships with other universities. We have a very close joint venture relationship with the Australian National University to run the major national research facility in Darwin. There is no sense now that AIMS has lost its—

**Senator CARR**—How much did you say you were getting to run that particular joint venture from the Commonwealth—

**Prof. Hall**—It is \$3.25 million.

**Senator CARR**—From the Commonwealth appropriation? Was there an additional appropriation for that joint venture?

**Prof. Hall**—Over and above the \$3.25 million?

**Senator CARR**—Is it a part of the budget?

**Prof. Hall**—The \$3.25 million is in there, yes.

**Senator CARR**—And that is additional?

**Prof. Hall**—Yes.

**Senator CARR**—You said that there is no recurrent for that either.

**Prof. Hall**—No. But that does have a business plan under the competitive process that was established for the major national research facilities.

**Senator CARR**—I am sure you would be aware that I am on the ANU council, so I am aware of that plan. It is a substantially different proposition from your waking up one morning to read in the budget papers that you are now to be an affiliate, as you put it—I say you are merged with James Cook University—and the new entity is called AIMS at James Cook University. That is a very substantially different arrangement. It is an entirely different process.

**Prof. Hall**—Certainly the process has been different; that is undeniable. In the fullness of time, I would be delighted to see an AIMS at the University of Western Australia, along with our Fremantle operations in Western Australia. So I do not see the concept as one that is a threat to the institute at all; I see it as a vehicle for adding value and integrating capabilities in respect of the abilities of the two organisations—the university and AIMS.

**Senator CARR**—What resources will be left over for you to undertake other joint ventures once this particular project is completed?

**Prof. Hall**—At this point in time, I have no plans to establish such a joint venture elsewhere. All I am saying is that the concept is one that has the potential to work beyond Townsville and Darwin.

**Senator CARR**—What are the operating expenses for the Cape Ferguson facility? What does it cost to run Cape Ferguson?

**Prof. Hall**—Are we talking about running the facility?

**Senator CARR**—You have had a major expansion of the capital program—

**Prof. Hall**—Yes.

**Senator CARR**—These are state-of-the-art facilities?

**Prof. Hall**—Yes.

**Senator CARR**—It is internationally recognised.

**Prof. Hall**—Let me just give you things like the services of the property, general site services, safety and health, transport and those kinds of things—we are talking about a total of about \$3.9 million.

**Senator CARR**—What percentage of your budget goes to running Cape Ferguson?

**Prof. Hall**—Are you talking about the research activities?

**Senator CARR**—The whole lot—the whole facility. What does it cost to run Cape Ferguson, bearing in mind that you have ships out there doing other things, you have facilities in Darwin and you have facilities in Fremantle? What is the percentage of your budget?

**Prof. Hall**—That would be rather difficult to break out, in the sense that the activities of the institute and the attribution of those to geographic centres would be quite hard to do. For example, yes, the costs of running the ship are attributable to AIMS assigning them, or a proportion of them, to Cape Ferguson versus Darwin or wherever.

**Senator CARR**—How much of AIMS's budget is tied up in Townsville?

**Prof. Hall**—In assets one could do it, but in terms of the total running costs for property services, general site services and things like that, it would be about \$3.9 million.

**Senator CARR**—Is the bulk of your capital tied up in Townsville?

**Prof. Hall**—Yes, for sure.

**Senator CARR**—You cannot tell me percentage-wise would it would be?

**Prof. Hall**—No. In a sense it is all of our capital at this point in time.

**Senator CARR**—How much does it cost to run the ships?

**Prof. Hall**—That was the answer—

**Senator CARR**—I do not think you gave me a total figure, did you, of how much it costs you to—

**Prof. Hall**—To run the ships?

**Senator CARR**—Yes.

**Prof. Hall**—As I said, the actual operating costs for the *Cape Ferguson* are \$1.2 million.

**Senator CARR**—So a substantial proportion of your budget is tied up in Townsville?

**Prof. Hall**—If you call the ships ‘tied up in Townsville’—well, they would be in Townsville if they were tied up in Townsville, but you know what I mean. Yes, absolutely.

**Senator CARR**—We do not want them tied up in Townsville very often at all!

**Prof. Hall**—No.

**Senator CARR**—The point I am making is that this joint venture will involve a very substantial proportion of the resources of AIMS.

**Prof. Hall**—If it adds value to delivering the research outcomes, the proportion of AIMS activities that are—

**Senator CARR**—You cannot tell me it will not, can you?

**Prof. Hall**—No. I would not want to tell you it will not.

**Senator CARR**—Because you do not know what this joint venture involves, do you? That is my point.

**Prof. Hall**—As I have told you before, it depends how it works.

**Senator CARR**—Thank you. You have obviously been briefed on the proposal to have AIMS receive ARC funding.

**Prof. Hall**—No, because I do not think that is an option for us beyond the existing arrangements.

**Senator CARR**—Mr Lindsay seems to think it is. He says that for the first time you will have access to ARC funding.

**Prof. Hall**—I can only assume that what he is referring to—and, as I say, I am not privy to his thoughts—is that, as indeed is the case now, joint applications between university employees and AIMS employees do allow access to the competitive funding model.

**Senator CARR**—How much do you have in the way of ARC funding at the moment?

**Prof. Hall**—I would have to take that one on notice; I really do not know.

**Senator CARR**—Thank you. But it would not be a huge proportion of your budget?

**Prof. Hall**—No.

**Senator CARR**—Have you had any discussions with any officials of the department with regard to having access to the ARC?

**Prof. Hall**—No.

**Senator CARR**—Have you had any discussions with the Australian Research Council about having access to the ARC?

**Prof. Hall**—The only discussions I have had with the Australian Research Council at this point in time were about the possibility of initiating a joint AIMS-ARC postdoctoral program that is similar to the one that was piloted by CSIRO last year.

**Senator CARR**—That is something I would strongly support. Have there been any discussions with you about buying into the competitive grants at the Australian Research Council?

**Prof. Hall**—No.

**Senator CARR**—None at all?

**Prof. Hall**—No.

**Senator CARR**—I am surprised that you have been given so little information about this, although probably not half as surprised as you are. At 1.3 'Future directions' on page 9 of the document *Our Universities: Backing Australia's Future*, it says:

... a framework for research in which all Commonwealth funding is either competitive or performance-based.

That appears to me to involve you.

**Prof. Hall**—I would hope it does if it is performance based.

**Senator CARR**—No, competitive.

**Prof. Hall**—It says 'competitive and performance-based'.

**Senator CARR**—Yes.

**Prof. Hall**—If it is performance based, I would certainly—

**Senator CARR**—No, competitive.

**Prof. Hall**—That is on two levels. I can say that, if we earn \$5 million in external earnings, that is competitive. If the policy decision is such that we are required to compete in other arenas, then clearly that is a policy decision which we would act on appropriately.

**Senator CARR**—Are you familiar with the ARC submission to the Crossroads document?

**Prof. Hall**—I have certainly seen it.

**Senator CARR**—I refer in particular to the question about access to or the removal of block grant financing. Have you had any discussion with the department about changing your funding arrangements?

**Prof. Hall**—No.

**Senator CARR**—None at all?

**Prof. Hall**—No.

**Senator CARR**—For instance, the review that I referred to earlier, headed by Mr McGauchie and four other university officials, says:

The review will also consider alternative funding models, including access by PFRAs to research funding provided through the Australian Research Council (ARC) and the National Health and Medical Research Council (NHMRC).

You have had no discussion about that whatsoever?

**Prof. Hall**—I imagine that would be a discussion that would be had as part of that review.

**Senator CARR**—But you have had no discussion to this point?

**Prof. Hall**—No.

**Senator CARR**—Were you familiar with the arrangements that were entered into with the Institute of Advanced Studies at the ANU? Would you have access to them?

**Prof. Hall**—Yes, I am.

**Senator CARR**—Are you aware that they had to make a payment from their block grant to get access?

**Prof. Hall**—Yes, I am.

**Senator CARR**—You have had no discussions with anyone about a similar arrangement for you?

**Prof. Hall**—No, not at this point in time.

**Senator CARR**—Have you been advised that there is any need for any legislative change to your act, other than the ones I have already asked about?

**Prof. Hall**—No.

**Senator CARR**— Obviously, you are not aware about the change in the governance and whether or not that would require—

**Prof. Hall**—No, I am not.

**Senator CARR**—You have not tendered any advice as to the impact of this joint venture with regard to your legislative climate?

**Prof. Hall**—As far as I am aware, there is no need for legislative change beyond the governance arrangement thing, which, as I said, I am not sure about.

**Senator CARR**—Thank you very much, Professor Hall. I appreciate the opportunity to talk to you.

**Prof. Hall**—Thank you.

[10.19 a.m.]

#### **Australian Nuclear Science and Technology Organisation**

**CHAIR**—I welcome officers from the Australian Nuclear Science and Technology Organisation.

**Senator CARR**—I understand that the department have some concerns about when they will be called to give cross-portfolio advice to us.

**CHAIR**—The plan at the moment is that it will be at the end of the agencies' evidence.

**Senator CARR**—That is right; that is a standard arrangement. We do not want people standing around doing nothing when obviously they could be enjoying themselves in other places, working for the people of this great Commonwealth. I suggest that after the agencies it may be necessary to have a 10-minute break if the officers are not here. It only takes 10 minutes to get back here from the department, and I presume these proceedings are monitored online. Would that be convenient?

**CHAIR**—When we start with the CSIRO, we might ask the officers.



**Senator CARR**—The CSIRO might take some time. There are a number of matters I want to discuss with CSIRO. The nature of this business is such that if you get answers you move through these processes extremely quickly, but sometimes we do not get answers and it takes longer. It could well be that the officers will not be required until lunchtime, but I would suggest that if necessary we could have a 10-minute interval between CSIRO and the department being called if they are not available.

**CHAIR**—We will see what happens at that point and adjust accordingly. Questions, Senator Carr.

**Senator CARR**—Where is Professor Garnett today?

**Mr McIntosh**—Professor Garnett is on travel that had been arranged prior to the notification of the estimates committee hearing, and she was not able to change the dates.

**Senator CARR**—It is pretty well standard practice to have Senate estimates at this time of the year. The first week of June is when we have this regular appointment. I am surprised that she is not familiar with the pattern of the parliamentary sitting periods. She does not necessarily need notification that around the first week of June she will have an appointment with a couple of senators—which she will enjoy enormously. It will be stimulating for her and she will obviously be able to provide great service yet again to the parliament. I am surprised she requires formal notification that the estimates are on.

**Mr McIntosh**—I have no comment on that.

**Senator CARR**—Who is the acting boss cocky today?

**Mr McIntosh**—I am taking questions in the first instance.

**Senator CARR**—How many times has ARPANSA found that ANSTO has been in breach of its licence to construct the new reactor at Lucas Heights?

**Mr McIntosh**—None, Senator.

**Senator CARR**—None at all?

**Mr McIntosh**—No.

**Senator CARR**—You are about to report to the parliament next week?

**Mr McIntosh**—I believe that is an issue relating to INVAP's compliance with the licence.

**Senator CARR**—I see; it is nothing to do with you. So ANSTO is in pretty good shape; it is just the contractors?

**Mr McIntosh**—That is correct.

**Senator CARR**—On how many occasions have the contractors been in breach of their licence?

**Mr McIntosh**—One.

**Senator CARR**—Just the one?

**Mr McIntosh**—Yes.

**Senator CARR**—On how many occasions has the regulator issued additional licensing conditions?

**Mr McIntosh**—The process is that, under regulation 54 of the ARPANSA regulations, we make applications for approval to construct various items significant to safety. We have made 49 applications. On a small number of those the regulator has decided some additional measures need to be taken. That is the prerogative of the regulator.

**Senator CARR**—So there were 49 variations?

**Mr McIntosh**—No, that is not correct. The ARPANSA system was that they licensed the construction of the reactor. As part of that licence, they said that every item significant to the safety of the facility needed a separate application to construct that item—a separate application for a tank, a pipe and so on. We have put in 49 applications of that type.

**Mr Horlock**—Of that order—maybe more, but at least that many.

**Mr McIntosh**—On a small number of those ARPANSA have said, ‘No, we would like you to take additional steps.’

**Senator CARR**—With regard to the matter on which the regulator is going to report to the parliament next week, it is pretty serious to have a breach of the licence, isn’t it?

**Mr McIntosh**—As I understand it, it was a technical breach. It was a matter of timing; it was not a safety issue.

**Senator CARR**—A technical breach—that is when they do work that they were told not to do; is that right?

**Mr McIntosh**—I think that is correct, yes.

**Senator CARR**—Basically, there were some ‘penetrations’—I believe that is the expression used—that they were not supposed to undertake?

**Mr McIntosh**—They were not supposed to undertake them at that stage, yes.

**Senator CARR**—They were specifically told not to do it and they went ahead and did it anyway?

**Mr McIntosh**—That is as I understand it in this case.

**Senator CARR**—Then we have had this problem with the 23 holes drilled in the wrong place.

**Mr McIntosh**—Of that order.

**Senator CARR**—How many is it?

**Mr McIntosh**—That is a separate issue.

**Senator CARR**—I know it is a separate issue. We have got this issue with the holes. We had the problem with the welds on five occasions last year. There is a dispute between you and the regulator about whether or not there had to be 100 per cent testing or whether there had to be other testing.

**Mr McIntosh**—That is the nature of it, yes. Our proposals were based upon the relevant standards. ARPANSA chose to use precedents from overseas power reactor construction; they are entitled to do so.

**Senator CARR**—Yes. So there has been a series of problems with the—

**Mr McIntosh**—I would not say they were problems. I would say that that is part of the normal construction process, Senator.

**Senator CARR**—Drilling holes in the wrong place, penetrations that were not supposed to occur, problems with the welding—these are just normal problems?

**Mr McIntosh**—I do not see that there were problems with the welding. We made a proposal for the standard of inspection of the pipes in question, which was based upon the Australian standard and the relevant international standards. ARPANSA decided that it should go further. That is their prerogative.

**Senator CARR**—That is exactly right. They chose to issue additional licence conditions.

**Mr McIntosh**—That is correct, yes.

**Senator CARR**—On five separate occasions there have now been incidents regarding the welding. Is that right?

**Mr Horlock**—We would have to take that on notice.

**Senator CARR**—I will ask you to survey the proceedings of the estimates concerning ARPANSA. I went through that with them yesterday. They advised you on five separate occasions. They said that there were problems with the communication between your organisation and theirs and with the contractors.

**Mr McIntosh**—I am not aware of those problems.

**Senator CARR**—You are not aware of that either?

**Mr McIntosh**—Problems with communication—

**Senator CARR**—Yes, the train of communication. I might have to get that material. Do you have a copy of that file?

**Mr McIntosh**—Is that in relation to the most recent problem?

**Senator CARR**—This was last year. There was a series of communication problems. I will come back to that issue. Obviously you are puzzled by my inquiry. I will give you a reference which will perhaps clarify it for you. In regard to the reactor pool, there was faulty work discovered at the beginning of the year by one of the contractors?

**Mr McIntosh**—In February, yes.

**Senator CARR**—But you were not told about it?

**Mr McIntosh**—That is correct.

**Senator CARR**—For three months?

**Mr McIntosh**—That is correct.

**Senator CARR**—You, of course, immediately raised the matter with the regulator?

**Mr McIntosh**—That is correct.

**Senator CARR**—That is all fit and proper?

**Mr McIntosh**—Yes.

**Senator CARR**—What worries me is the three-month delay between the problem being discovered and you being told about it. I have no doubt it worries you too.

**Mr McIntosh**—Yes.

**Senator CARR**—What have you done about it?

**Mr McIntosh**—We have asked INVAP, as the head contractor—even though they also were not responsible for the problem—to provide us with advice as to what happened and what measures the subcontractor is going to put in place to remedy the situation.

**Senator CARR**—Yes.

**Mr McIntosh**—We are awaiting that advice.

**Senator CARR**—The problem is that you think you have acted properly. I cannot argue the toss about that. Immediately you discovered it you passed it on to the regulator. The chief contractor, INVAP, were equally unaware of the problem.

**Mr McIntosh**—That is correct.

**Senator CARR**—It was a local supplier—this is the one where they drilled some holes in the wrong place?

**Mr McIntosh**—That is correct.

**Senator CARR**—There is a serious communication problem when you start drilling holes in sensitive, complex equipment in the wrong place.

**Mr McIntosh**—That is correct.

**Mr Horlock**—I think it is fair to point out to you that it was not carelessly drilling holes in the wrong place. It was a misinterpretation of the drawings.

**Senator CARR**—Yes, I understand that. I honestly do not think that tradesmen run around poking drills into expensive equipment just for the fun of it. It is a communication problem, which is quite a serious difficulty.

**Mr Horlock**—I would prefer it described as it occurred; that is, a wrong interpretation of the drawing rather than a communication problem.

**Mr McIntosh**—There was a subsequent communication problem.

**Mr Horlock**—Yes.

**Senator CARR**—No-one was told about it for three months.

**Mr McIntosh**—That is right.

**Senator CARR**—It was a pretty serious communication problem.

**Mr Horlock**—I agree with you entirely on that.

**Senator CARR**—Last month ARPANSA issued a statement that said:

... ANSTO must demonstrate that a thorough examination has been undertaken of the quality assurance process applied by the tank manufacturer ... to show that appropriate steps have been taken to assure that there will be no repeat occurrences.

What steps have you taken to respond to that statement?

**Mr McIntosh**—The steps I was talking about before. We have asked INVAP to provide us with an explanation of what went wrong and information as to the steps that have been taken to remedy that. When we get that, we will look at it and decide whether we consider it to be sufficient and then report to ARPANSA on that issue.

**Senator CARR**—Given that this is such a sensitive and controversial project, public confidence would be an important factor in your operations, particularly given the location of the facility at Lucas Heights. Can you assure the committee that there have been no other incidents that have not been notified to ARPANSA?

**Mr McIntosh**—We can, yes.

**Senator CARR**—Are there any other incidents that have not been publicly revealed?

**Mr McIntosh**—In relation to the construction of the reactor?

**Senator CARR**—Yes.

**Mr McIntosh**—No.

**Senator CARR**—You had the siting on an earthquake fault, the problem with the weld—

**Mr McIntosh**—I would not characterise it as an earthquake fault—it is on a fault.

**Senator CARR**—On a fault?

**Mr McIntosh**—Yes.

**Senator CARR**—What would you call it then if it is not an earthquake fault? A little earthquake fault?

**Mr McIntosh**—It is a fault that was produced by the rifting that caused the Tasman Sea to open. It is a very ancient feature. I would have thought that the term ‘earthquake fault’ has the connotation that it could cause an earthquake. The findings of the extensive investigations were that it could not.

**Senator FORSHAW**—Did that lead to any design or siting changes?

**Mr McIntosh**—No.

**Senator FORSHAW**—Not at all?

**Mr McIntosh**—As you were aware, the reactor was already constructed to very strong earthquake siting standards.

**Senator FORSHAW**—I do not know whether I would agree with your preface ‘as you were aware’, but, anyway, go on.

**Mr McIntosh**—Given the age of the fault, which is at least five million years and probably much older, we felt that it did not mean anything. Half the buildings in Sydney are constructed on faults of that nature.

**Senator CARR**—That is right; I appreciate that you can overreact to these things. Nonetheless, I would have thought—

**Senator FORSHAW**—We just wanted to know of any design changes, that is all.

**Senator CARR**—The public may not be quite so easily reassured by these events, if there is a series of them. That is why I say ANSTO has a difficult task to make sure the public are kept informed of what is being undertaken with this project. Presumably, sooner or later you will want to have a licence to turn the thing on, won't you?

**Mr McIntosh**—That is correct.

**Senator CARR**—The regulator has said that he will need to see a waste dump established—not a theoretical waste dump, not a virtual waste dump—to deal with the spent fuel.

**Mr McIntosh**—Yes.

**Senator CARR**—What steps have been taken in regard to establishing the waste dump?

**Mr McIntosh**—That is an issue that is outside our control.

**Senator CARR**—Would you agree, though, that the establishment of the waste dump is pretty important for you in terms of getting a licence to operate the facility?

**Mr McIntosh**—I would have to go back and look at Dr Loy's precise words. I think he wanted to be satisfied that a store will exist. I think those were his terms. And yes, clearly that is very important for us.

**Senator CARR**—I will come back to the issue of the welds.

**Senator FORSHAW**—I had some questions on the tank issue and just one or two other issues.

**Senator CARR**—Senator Forshaw has lived and breathed this issue.

**CHAIR**—I am well aware of that. We will have some questions from Senator Forshaw.

**Senator FORSHAW**—I hope I do not repeat what Senator Carr covered while I was on my way here. I understand that INVAP are having to bear the cost of the repairs to the tank—

**Mr McIntosh**—No, I believe the subcontractor has to bear the cost.

**Senator FORSHAW**—The subcontractor has to, right.

**Mr McIntosh**—The subcontractor was ordered to construct a tank of this design, and they will have to spend whatever it takes to meet their obligation.

**Senator FORSHAW**—The fault was in their interpretation, was it?

**Mr McIntosh**—That is correct.

**Senator FORSHAW**—Do you know what the cost of that would be?

**Mr McIntosh**—No, Senator.

**Senator FORSHAW**—I appreciate that ANSTO would not necessarily have to meet this, but you have no idea? Would you be seeking to ascertain that?

**Mr McIntosh**—No, I think our role is to check their proposal for repair of the tank. We have a lot of experience in welding. We are a member of the CRC for Welded Structures. We have a lot of experience in testing structures like bridges, pipelines and so on. Our role will be

to assess the adequacy of the repair plan and then to assess the adequacy of the work that has been done.

**Senator FORSHAW**—Would you be interested to at least know what the cost of that would be? If this was something that happened that ANSTO or INVAP had to pay for or cover in their costs, you would want to have some appreciation of the magnitude of the repair bill.

**Mr McIntosh**—We might be interested in due course, Senator, but at the moment we are concentrating upon the steps that need to be taken to repair it.

**Senator FORSHAW**—Has there been any additional cost for ANSTO? By that I mean both direct financial cost and costs that might arise as a result of ANSTO having to do further work itself in regard to this repair, such as dedicating some of your personnel to something that otherwise they would not have had to oversee or obtain independent advice about?

**Mr McIntosh**—There may be a marginal cost—

**Senator FORSHAW**—Inconvenience costs, I suppose I would call it.

**Mr McIntosh**—There may be an inconvenience cost, perhaps, and there may be a couple of people from our materials area who will spend a bit more time out at the plant than they planned to do, but that is a fairly marginal cost, Senator.

**Senator FORSHAW**—I also had some questions in regard to the waste management action plan. I have figures that we have extracted from annual reports going back from 1996 through to 2000. I want to be sure that I am reading these correctly, but it appears that expenditure under the waste management action plan in each year has been less than what was published in the budget.

**Mr McIntosh**—I would have to take that on notice, Senator.

**Senator FORSHAW**—Would you do that? I would like you to cover the period from 1996 to 2000. What I can do is supplement this question by providing you on notice with the figures that I have got rather than have us go through it here now. I would like you to comment on the reasons that it would have been underspent. You are aware that there has been an issue over many years of radioactive emissions which end up in the sewer system in the Sutherland Shire and are discharged at Kurnell. There is an issue there.

**Mr McIntosh**—At a very low level, yes.

**Senator FORSHAW**—There is an issue, whether you dispute the amount of it or not. There is a matter of debate.

**Mr McIntosh**—Yes.

**Senator FORSHAW**—There are radioactive emissions that end up in the sewer system in the Sutherland Shire from the reactor, aren't there?

**Mr McIntosh**—The trade waste agreement with Sydney Water provides that, by the time anything coming into the sewer system reaches the sewerage treatment plant, it must meet World Health Organisation drinking water guidelines in terms of radiation. You would not drink it, for other reasons—because of what else is in the sewer—but, as far as the radioactivity is concerned, it is drinking water standard. In our view, it is a marginal issue.

**Senator FORSHAW**—But you have acknowledged twice that there are radioactive emissions that go into the system. You are saying that they are of a low level and not of concern. Others would disagree but I do not want to get into that debate. There is a lot of focus today—and increasingly will be, one would think—on proposals to reuse sewer water for all sorts of other things, particularly given that up until a month ago there were water shortages—which were turned around almost overnight in the shire, as you would recall. I know the council for one, and many councils, are looking at the potential reuse of sewer water as an environmental measure in overcoming drought and so on.

**Mr McIntosh**—That is correct.

**Senator FORSHAW**—What is ANSTO doing, if anything, to look at the elimination of any radioactive emissions into the sewers, bearing in mind—

**Mr McIntosh**—I will have to take the detail of this on notice. In general terms, we have in our plans the construction of further extensions. We already have a fairly extensive system for the treatment and holding of low-level liquid waste to enable the activity to decay away before it is released, but we also have plans for a further treatment plant to address that issue.

**Senator FORSHAW**—What would you be expecting the further treatment plant to do: eliminate all traces of emissions?

**Mr McIntosh**—I will have to take that on notice. Whether that is possible or not, I am not sure.

**Senator FORSHAW**—I am not a scientist but, as I understand it, even if there were any minute traces of radioactive emissions from the reactor in water, real questions arise as to whether or not it could be reused for the sorts of purposes that sewer water might be reused. That in itself could, I know, open up another debate.

**Mr McIntosh**—We have examined this question and we submitted a report to ARPANSA on it. We are waiting for ARPANSA to give us their view on it. We have done an examination of that whole issue, including reuse as grey water, and we have come to the conclusion that there would be no impact.

**Senator FORSHAW**—So that is a report that ANSTO has prepared and submitted to ARPANSA?

**Mr McIntosh**—That is correct.

**Senator FORSHAW**—When was that?

**Mr McIntosh**—The report was submitted to ARPANSA last year.

**Senator FORSHAW**—When do you expect a response from ARPANSA?

**Mr McIntosh**—I am hoping that we will get one fairly soon.

**Senator FORSHAW**—Fairly soon. I should have asked Dr Loy about it yesterday. It is not a public report at this stage, I take it?

**Mr McIntosh**—It has not been published as yet. I would not see any problem with publishing it once ARPANSA have made their assessment of it.

**Senator FORSHAW**—Have you provided it to any other authorities besides ARPANSA?



**Mr McIntosh**—Not that I am aware of.

**Senator FORSHAW**—You might check that.

**Mr McIntosh**—My understanding is that ARPANSA have discussed it within their committee system—the Nuclear Safety Committee and the Radiation Health Committee—so the organisations that are represented on those committees, which include the council, will be aware of the content of the report.

**Senator FORSHAW**—Okay, I appreciate that. But, because those persons are on the committee, they have certain confidentiality requirements on them too, as individuals. Was the report requested of you by ARPANSA or was it work that came through one of the committees?

**Mr McIntosh**—No. My recollection—and I will have to check for you—is that it flowed from one of the EIS conditions.

**Senator FORSHAW**—This question relates to a report in the *St George and Sutherland Shire Leader* on 13 May headed ‘Radioactive gases contaminate workers’. You would be aware of the report and the incident.

**Mr McIntosh**—I am aware of the report.

**Senator FORSHAW**—Of course you are aware.

**Mr McIntosh**—It is another instance where the headlines do not match the story.

**Senator CARR**—That is the joy of working in the nuclear industry.

**Mr McIntosh**—It is, yes.

**Senator FORSHAW**—The report is by John Mulcair.

**Mr McIntosh**—Yes, indeed it is.

**Senator FORSHAW**—Do you know Mr Mulcair?

**Mr McIntosh**—I do, Senator.

**Senator FORSHAW**—What was his former occupation?

**Mr McIntosh**—He was communications manager at ANSTO until around 2000.

**Senator FORSHAW**—Yes, very good too.

**Mr McIntosh**—Yes, I thought he did a good job.

**Senator FORSHAW**—Excellent.

**Senator CARR**—So he is well informed?

**Mr McIntosh**—Very well informed.

**Senator CARR**—He does not write the headlines, though.

**Mr McIntosh**—No, obviously not.

**Senator FORSHAW**—Did ANSTO advise ARPANSA of this situation?

**Mr McIntosh**—My understanding is that they did not at the time.

**Senator FORSHAW**—No. In fact, according to the article, ARPANSA began inquiries after an anonymous tip-off. I do not want to misquote Dr Loy but the details, at least in that respect, have been confirmed, I think, by ARPANSA. The details were brought to ARPANSA's knowledge by somebody. Why didn't ANSTO advise ARPANSA of this incident? Senator Carr and I have asked questions about this in the past, and you are aware of it yourself. When articles like that appear in the paper some time later—a week or so afterwards—they do not do ANSTO's public image any good at all; they make it worse. I do not want to debate the facts about the level of exposure or what the problem was.

**Mr McIntosh**—The level of exposure is relevant in that we are required to notify ARPANSA if exposure or releases go above a specific level. That was not the case in this case, which is why ARPANSA were not notified. I am aware that Dr Loy is of the view that they should have been notified.

**Senator FORSHAW**—Do you know why he is of that view?

**Mr McIntosh**—My understanding is that he thought it may have been evidence of a systemic fault with the new ventilation system.

**Senator FORSHAW**—Although I do not necessarily agree with it, I understand what you are saying: that, if the gases were not of a certain level, there may not have been an obligation to notify ARPANSA. But the issue that has arisen here is how the workers became exposed to those particular gases—noble gases, I think—in that location, and that has led to the proposition that there must have been a fault in the ventilation system. That takes it beyond the level of exposure that occurred—to a systemic fault. In those circumstances, why didn't you notify ARPANSA?

**Mr McIntosh**—My understanding is that, at that stage, it was not clear what the cause of the incident was.

**Senator FORSHAW**—Do you have to know the cause of the incident before you notify ARPANSA? It could take some time for you to check that out. The problem you have, that ANSTO has, is that these stories get into the media—

**Mr McIntosh**—We recognise that problem and—

**Senator FORSHAW**—But it happens all the time.

**Mr McIntosh**—we have put steps in place to ensure that that particular aspect is not repeated.

**Senator FORSHAW**—The problem is that ANSTO has a track record of this sort of situation occurring, where the event is publicised and then you guys go into damage control. That just fuels the concern of the community about what is happening out there and why ARPANSA is not being informed. Why don't you just take the option of advising ARPANSA on all occasions?

**Mr McIntosh**—We have recognised the lesson of that incident and steps have been taken.

**Senator CARR**—I am a bit concerned about this exchange, because I asked you a question 10 minutes ago—were there any other incidents—and you did not refer to this one.

**Mr McIntosh**—I took the question as being: were there any other incidents in relation to the replacement grant project?

**Senator CARR**—I can understand how you have taken the question, but it is a highly technical interpretation of the question. It would appear that I perhaps would learn more about what is happening at ANSTO by reading the *Leader* than I would by asking you questions, which is not the impression, I am sure, you want to give.

**Mr McIntosh**—My recollection is that I asked you whether your question was in relation to the replacement reactor projects.

**Senator CARR**—Yes, I see. Obviously I was not quick enough to pick up the inference. I should ask you a question about other facilities at Lucas Heights. Are there any other incidents at Lucas Heights that you have not reported?

**Mr McIntosh**—That we should have reported to ARPANSA?

**Senator CARR**—Yes.

**Mr McIntosh**—No.

**Senator FORSHAW**—Have there been any other incidents?

**Senator CARR**—Other incidents where there has been a dispute between you and ARPANSA; where they think that you should have reported to them but you had not reported.

**Mr McIntosh**—Not that I am aware of.

**Senator FORSHAW**—My final issue is: what is the current status of the deed of indemnity that I think was signed between the government and ANSTO back in 1998?

**Mr McIntosh**—That is still in place.

**Senator FORSHAW**—Remind me again as to what that deed actually indemnifies?

**Mr McIntosh**—That provides that, if a court were to award damages against ANSTO or any of its contractors as a result of an incident involving ANSTO, the government would step into the breach to ensure that there was money available to pay the court award.

**Senator CARR**—You have never had to call on that indemnity, though, have you?

**Mr McIntosh**—No.

**Senator FORSHAW**—That does not extend any sort of coverage, if you like, to the community, does it?

**Mr McIntosh**—It does. If there were to be a radiological incident which affected a member of the community and they were to sue us, there is a guarantee that, however much the bill is, the government will meet the cost.

**Senator FORSHAW**—I understand that part, but what I am focusing more on is that one of the problems that people in the community have is that, under insurance policies, their property, for instance, is not covered by insurance as a result of terrorism or sabotage or any—

**Mr McIntosh**—I do not know what your insurance policy looks like, but I have a list as long as my arm of exemptions: pests, rats, floods—

**Senator FORSHAW**—Yes, they are the things that they do not cover. One of them is that they do not cover nuclear accidents.

**Mr McIntosh**—That is correct.

**Senator FORSHAW**—So the community or individual would have to take legal action against ANSTO.

**Mr McIntosh**—Yes, in legal terms.

**Senator FORSHAW**—So the deed of indemnity is one which extends to ANSTO only in the event of them legally being found guilty in a court.

**Mr McIntosh**—That is correct.

**Senator FORSHAW**—It is not one that provides the equivalent of an insurance policy, if you like, to cover damage resulting from some—

**Mr McIntosh**—That is correct.

**Senator FORSHAW**—That is the point I was trying to get at. It is an indemnity over legal liability proven in a court; it is not a provision of cover in the same way as an insurance policy provides cover for fire or something?

**Mr McIntosh**—That is correct. In broad terms, it is consistent with the general scheme that applies around the world in terms of nuclear liability: there is a guarantee that the money is there, if you like.

**Senator FORSHAW**—I have one other question on this, Chairman, which is to the minister, but he is not here.

**CHAIR**—You can put it on notice.

**Senator FORSHAW**—I will put the question on notice. It is with respect to the deed of indemnity. There has been correspondence from the People Against a Nuclear Reactor organisation in the Sutherland shire. Mr Michael Priceman advises me that he wrote to the Minister for Science on 3 March regarding this particular issue and is yet to receive a reply. I assume it is a matter for the government; it is not something that you are aware of, is it?

**Mr McIntosh**—No.

**Senator FORSHAW**—I did not think it would be. That completes my questions.

**Proceedings suspended from 10.56 a.m. to 11.15 a.m.**

**ACTING CHAIR (Senator Barnett)**—The committee will resume with questions from Senator Carr.

**Senator CARR**—I was asking before about the relations between ARPANSA and ANSTO. I was referring to the situation last year where ARPANSA indicated an issue to ANSTO on four separate occasions—in July, in September and twice in November—and there also appears to have been a further separate incident in November. In particular, an article in the *St George and Sutherland Shire Leader* of 5 March quoted Dr Loy as saying that there was: ‘certainly an ongoing issue on the channel of communications between ARPANSA, ANSTO, INVAP, John Holland, Evans Deakin Industries and their subcontractors and back again. Do think that matter has now been resolved?’

**Mr Horlock**—I am sorry, I did not get the last part of that question.

**Senator CARR**—Do you believe that this ongoing issue in the channel of communications has now been resolved?

**Mr Horlock**—I think it would be bold of someone to say that it was resolved in total, because it is always possible that some time in the future there might be some communication difficulty. Certainly we respond responsibly and positively to any indication from ARPANSA that they see a difficulty—or if we perceive a difficulty. We do meet regularly with the subcontractors to try to avoid any such communication problems. But I am sure you will appreciate that when you are dealing with a chain of that type communication difficulty is always a potential problem. There are dozens, if not a hundred or more, subcontractors involved in the project.

**Senator CARR**—So it is a major management task, isn't it, to keep that organisation coherent and effectively coordinated?

**Mr Horlock**—You are absolutely right—as with any major project.

**Senator CARR**—It is particularly complex, given the nature of it and the requirements for public safety. Do those requirements provide additional burdens compared to what otherwise be the case?

**Mr Horlock**—Yes.

**Senator CARR**—When do you think the project will be completed?

**Mr Horlock**—At the moment, we are hoping to complete close to the original schedule. We have experienced, as you would be aware, some delay in the issuance of the construction licence. That was a delay of approximately two months, and we experienced a delay of 3½ months consequent upon the discovery of the geological fault. So there has been a total delay of 5½ months on the project at this point in time. We are attempting to recover some of that time in the remaining construction period. It would be nice to hope for completion on the original schedule, but it is more likely that there will be a minor delay.

**Senator CARR**—Remind me: what was the original schedule for completion of the project?

**Mr Horlock**—The original schedule would have us going critical around July-August 2005.

**Senator CARR**—And you do not think that the problems with the cooling system will lead to further delays?

**Mr Horlock**—Are you referring to the tank issue?

**Senator CARR**—Yes.

**Mr Horlock**—At the moment, we do not foresee that. That tank is not on the critical path.

**Mr McIntosh**—We were not intending to install it next week, anyway.

**Senator CARR**—So you have time to fix the difficulties?

**Mr McIntosh**—We have time to fix the difficulty.

**Senator CARR**—You do not anticipate any other delays?

**Mr McIntosh**—We lost a lot of time through rain last month. These things happen.

**Senator CARR**—That is a normal construction issue. Does that add to the 5½-month delay? Is that an additional factor?

**Mr Horlock**—It would be additional, but equally we are working to streamline some of the construction, to recover some of the lost time.

**Senator CARR**—Fair enough. So you still think you will be able to complete mid-2005?

**Mr Horlock**—Yes. I think to say we would complete in the latter half of 2005 would be a fair statement.

**Senator CARR**—Fair enough. You will be seeking a licence to operate at about that time?

**Mr McIntosh**—We would submit our application some time during next year. We will have to allow ARPANSA sufficient time to assess it and come to a view before our criticality stage. So, if we are aiming for criticality in mid-2005, I think it would be only prudent for us to submit next year.

**Senator CARR**—So the question of waste disposal comes into sharper focus, doesn't it? If you are intending to submit an application for a licence to operate next year—2004—you would presumably expect a decision before 2005.

**Mr McIntosh**—No, that is not the case. The decision on the construction licence, even without the delay that was caused by the need to assess additional security measures, would have been around eight to nine months. We would not expect that the assessment of the operating licence would be much shorter than that. In other words, we would think that that would take around eight to nine months.

**Senator CARR**—So you think you will have an operating licence? You obviously expect to be successful in that application?

**Mr McIntosh**—We would hope so.

**Senator CARR**—It is a lot of money to spend if you are proposing not to get a licence. That would be *Fawcety Towers* beyond belief, wouldn't it? On your schedule, you would expect to have a licence to operate sometime in 2004?

**Mr McIntosh**—No, I said we would submit our application some time in 2004.

**Senator CARR**—Yes, I know what you said. You said it would take eight months to conclude, so—

**Mr McIntosh**—So some time in 2005.

**Senator CARR**—In the first half of 2005. On your schedule, you are suggesting that you do not have to actually complete the project to get the licence to actually turn it on?

**Mr Horlock**—The situation is that the construction licence allows us to commission the facility up to the point where fuel is loaded. We need the operating licence to load the fuel and proceed with commissioning beyond that point. So we would need the operating licence before we could load fuel into the reactor. That means we would like to have it before the middle of 2005. I cannot give you a more precise date than that.

**Senator CARR**—Will you then require a further licence to have it operating on a more permanent basis?

**Mr Horlock**—The licence to operate will be in parts. The first part will be the nuclear commissioning. Having proven the performance of the reactor to the satisfaction of ourselves and ARPANSA, we will be able to apply and hopefully to receive the formal operating licence which allows us to operate into the future—which is the full power operation approval.

**Senator CARR**—So your full approvals may not be concluded by mid-2005?

**Mr McIntosh**—No. We clearly have to demonstrate when we are operating on low power, when we first get the licence to operate, when the fuel is first introduced. We will not be taking it up to full power immediately. We will be running it and seeing that it does what it is supposed to do, and ARPANSA will have to see that it does what it is supposed to do. Then we will get a—

**Senator CARR**—I come back to my point: the question of waste disposal will have to have been resolved by that point.

**Mr McIntosh**—That is correct, yes.

**Senator CARR**—Thank you.

**Mr McIntosh**—My understanding is that by ‘that point’ we meant the point that the licence was issued rather than the point that we put in our application.

**Senator CARR**—That is right. What I am asking is this: to turn this reactor on you will need to have satisfied the regulator that you know what to do with the waste?

**Mr McIntosh**—That is correct.

**Senator FORSHAW**—Remind me: when does the licence for the HIFAR reactor expire?

**Mr McIntosh**—I am not sure that the HIFAR licence expires. There is an issue in relation to the return of fuel to the US, which has a May 2006 expiry at the moment.

**Senator FORSHAW**—Hang on; I understood that the HIFAR reactor licence could not be renewed beyond 2005.

**Mr McIntosh**—I will have to take on notice a question about the date of that.

**Senator FORSHAW**—It cannot continue to operate in perpetuity, can it?

**Mr McIntosh**—No.

**Senator FORSHAW**—That is one of the main reasons, if not the reason, for building the new one: the HIFAR has to be shut down in 2005. I want to know when.

**Mr McIntosh**—No, it is not in 2005. Let us go back in history. The United States has a program around the world where they aim to discourage the use of high enriched uranium in research reactors for non-proliferation reasons. As part of that program, there is a deal, if you like, that they take US origin spent fuel and, in return, we commit to shutting HIFAR down by May 2006.

**Senator FORSHAW**—May 2006. Okay. I will go back and check the earlier reports, but thank you.

**Senator CARR**—I come to the question of spent fuel rods: what has happened to the shipment of spent fuel rods to COGEMA in France?

**Mr McIntosh**—Which shipment?

**Senator CARR**—The shipment of spent fuel.

**Mr McIntosh**—Do you mean a specific shipment or the shipment program?

**Senator CARR**—The shipment program.

**Mr McIntosh**—The shipment program is proceeding.

**Senator CARR**—Right. So let us have a look at the particular shipment. The original budgetary allocation was \$14 million for the financial year last year. It was predicated on a shipment during the course of that financial year.

**Mr McIntosh**—That is correct.

**Senator CARR**—As I understand it, in the event COGEMA, for operational reasons, requested that the shipment be deferred to 2002-03.

**Mr McIntosh**—To 2003-04, I think.

**Senator CARR**—Excuse me? Let us be clear about that.

**Mr McIntosh**—A shipment was supposed to go during what is now the current financial year—the financial year that we are in, which is 2002-03. They requested that it be deferred until 2003-04, which is next financial year—the estimates which we are considering.

**Senator CARR**—I see. I will just draw your attention to an answer you gave me, E609. There appears to have been a mistake in that answer if that is the case, because it has 2002-03 against it. That is neither here nor there, though.

**Mr McIntosh**—Sorry.

**Senator CARR**—So you are rolling it into the next financial year. Basically, the shipment was delayed for operational reasons?

**Mr McIntosh**—That is correct.

**Senator CARR**—What is the status of the current legal action in France between Greenpeace and COGEMA?

**Mr McIntosh**—The case was decided in favour of COGEMA, and Greenpeace was ordered to pay costs.

**Senator CARR**—So costs were awarded. Did that in any way contribute to the delay?

**Mr McIntosh**—No.

**Senator CARR**—So it was not a cause of the delay. Have you had any discussions with COGEMA about the nature of these operational reasons for the delay?

**Mr McIntosh**—They have a very large program of receiving spent fuel from a number of locations in France, Europe and elsewhere around the world. We constitute less than one per cent of that program. It is a matter of having facilities available at the time—dock space and so on. It is a complicated scheduling act to receive all the fuel that is scheduled to be received.



If something goes wrong and something has to be deferred, that is what happens. Once it is deferred, we then have the problem of having to arrange for the casks to be available and to be brought in from around the world and so on. So once you have a deferral you have a substantial deferral.

**Senator CARR**—What is the name of the ship that you are intending to use to transport this material?

**Mr McIntosh**—COGEMA are responsible for chartering the ship. They have not advised us as yet as to which ship they will be using.

**Senator CARR**—Is *Le Bougenais* the vessel?

**Mr McIntosh**—I understand that that ship has been sold by the previous owners; therefore, that ship will not be available. As to which ship will be available, we do not know.

**Senator CARR**—So you have not been notified of the replacement vessel?

**Mr McIntosh**—That is correct.

**Senator CARR**—When were you made aware that *Le Bougenais* would not be available?

**Mr McIntosh**—There was some media discussion of this issue a couple of months ago. We contacted COGEMA at that stage, and we were advised of that fact.

**Senator CARR**—So you found out through the media?

**Mr McIntosh**—No, we did not find out through the media. We simply asked the question.

**Senator CARR**—How did you know to ask the question?

**Mr McIntosh**—We are curious, Senator, it is not a matter of—

**Senator CARR**—You are curious that the vessel that you are going to use to transport this material—

**Mr McIntosh**—No, we had not been notified that *Le Bougenais* was going to be used this time. It is not a question of it dropping off the schedule; it just happened that it was the vessel that was used last time.

**Senator CARR**—Is that the operational reason that you refer to here in your answer?

**Mr McIntosh**—No.

**Senator CARR**—What are the operational reasons, if they are not related to the ship being taken off line?

**Mr McIntosh**—I have talked to you about the scheduling problems in receiving—

**Senator CARR**—So it is only a question of whether or not COGEMA could fit you in?

**Mr McIntosh**—That is correct.

**Senator CARR**—You do not have a vessel to transport this material yet?

**Mr McIntosh**—As I said, COGEMA are responsible for arranging the vessel.

**Senator CARR**—Are they under contract to ship this material?

**Mr McIntosh**—Yes.

**Senator CARR**—Are there any penalties for not shipping the material?

**Mr McIntosh**—I am not aware of that. I will have to take that on notice.

**Senator CARR**—What is the point of the contract, if there are no penalties?

**Mr McIntosh**—I presume that there are. However, it is not a question of the shipment not being taken; it is a question of the shipment being deferred.

**Senator CARR**—That is my point: how long will it be deferred for?

**Mr McIntosh**—It will occur during the next financial year.

**Senator CARR**—When will this material return to Australia?

**Mr McIntosh**—Some time after 2015.

**Senator CARR**—But you do not know when?

**Mr McIntosh**—No.

**Senator CARR**—They will store it for that length of time, will they?

**Mr McIntosh**—They will store it, they will reprocess it and then they will store the resulting arising waste.

**Senator CARR**—And then it comes back to Australia?

**Mr McIntosh**—That is correct.

**Senator CARR**—Do you have any other waste on site at the moment?

**Mr McIntosh**—We have a lot of waste on site. We have 40 years arising on site.

**Senator CARR**—Low level waste?

**Mr McIntosh**—Low level waste, mostly.

**Senator CARR**—What about high level waste?

**Mr McIntosh**—We have no high level waste.

**Senator CARR**—What about intermediate level waste?

**Mr McIntosh**—We have intermediate level waste.

**Senator CARR**—How much?

**Mr McIntosh**—About a couple of hundred cubic metres, but I will take that on notice.

**Senator CARR**—Yes. It is a shed full?

**Mr McIntosh**—No, the shed full to which you are referring is low-level waste.

**Senator CARR**—So it is a small shed.

**Mr McIntosh**—I presume it is a small shed.

**Senator CARR**—I presume it is in a shed, isn't it? It is under cover?

**Mr McIntosh**—Yes.

**Senator CARR**—It is stored securely?

**Mr McIntosh**—That is correct. Our waste operations are subject to ARPANSA licensing.

**Senator CARR**—Yes. Where is that material going to go? That is not a permanent storage site, is it?

**Mr McIntosh**—No. We are forbidden by our act from operating a permanent storage site.

**Senator CARR**—So it is there on a temporary basis?

**Mr McIntosh**—That is correct.

**Senator CARR**—How long do you think this temporary period will be?

**Mr McIntosh**—Are we talking about the long-lived intermediate level waste?

**Senator CARR**—Yes.

**Mr McIntosh**—Until the store is available.

**Senator CARR**—So again you are dependent on the store announcement?

**Mr McIntosh**—That is correct.

**Senator CARR**—So for two reasons you need that store announcement pretty quickly?

**Mr McIntosh**—Not necessarily in respect of the intermediate level waste. We only generate a couple of cubic metres a year. It is not a significant amount. We could store it for a bit longer, if needed.

**Senator CARR**—How much do you have on the site?

**Mr McIntosh**—I will have to take that on notice—around 200 cubic metres.

**Senator CARR**—Yes, that is what I thought. That is not an insignificant amount of material, though, is it?

**Mr McIntosh**—That is correct. But, as I said, we are generating only a couple of cubic metres a year.

**Senator CARR**—Yes, it is growing at only a small rate, but it is highly toxic.

**Mr McIntosh**—Some of that is legacy waste from the Australian Atomic Energy Commission.

**Senator CARR**—Yes, you have 40 years of activity there. That is not my point. My question is: what are you going to do with it? You cannot leave it in this little shed, can you?

**Mr McIntosh**—I think I have answered that question, Senator.

**Senator FORSHAW**—What are you going to do with the low level waste that you have?

**Mr McIntosh**—That will go to the repository, Senator.

**Senator FORSHAW**—So you would like to know where the repository is going to be located and when it is going to be built.

**Mr McIntosh**—It has been announced by the minister, Senator.

**Senator CARR**—I do not know if he is actually going to get it built.

**Mr McIntosh**—That is not a matter I can comment on, Senator.

**Senator CARR**—That is right.

**Senator FORSHAW**—I have a question about the shipment overseas. The \$14 million has been rolled over into this year?

**Mr McIntosh**—That is correct.

**Senator FORSHAW**—What does that \$14 million actually cover?

**Mr McIntosh**—It covers the cost of preparing the fuel for shipment, the cost of cask hire and the cost of the payment to COGEMA under the contract for shipping the material.

**Senator FORSHAW**—So you pay COGEMA for the shipment of the material?

**Mr McIntosh**—Yes.

**Senator FORSHAW**—Is there anything else in that \$14 million?

**Mr McIntosh**—I would have to take that on notice, Senator.

**Senator FORSHAW**—I would particularly like to know what the break-up of the associated costs is—for instance, is there a cost for storage in France. Do COGEMA actually charge you for the reprocessing that they do?

**Mr McIntosh**—Clearly they do; they are in business.

**Senator FORSHAW**—I do not know if they do; that is why I am wondering how that \$14 million is made up. I do not know. What I would also like to know is whether there is any payment, if you like, or consideration in that back to Australia?

**Mr McIntosh**—For the costs of shipping?

**Senator FORSHAW**—Well the fact is that they take our waste, which solves, for a period of time, a problem, if you like, but we get the resultant residual waste back after they have reprocessed it.

**Mr McIntosh**—That is correct.

**Senator FORSHAW**—So they get the reprocessed material out of it, which they can then use—

**Mr McIntosh**—There is a separate contract where we sell the uranium that is extracted during the reprocessing process back to them.

**Senator FORSHAW**—That was what I was wondering about. Can you give us details of that? That is what I want to know: are they getting the resultant benefit, if you like, of getting the uranium that is extracted after they reprocess it? Is that still owned by ANSTO and then sold back to COGEMA?

**Mr McIntosh**—That is correct.

**Senator FORSHAW**—What is that worth?

**Mr McIntosh**—I do not know, Senator.

**Senator FORSHAW**—Could you take that on notice and give us an explanation of all of that?

**Senator CARR**—Could you give us a breakdown on how you intend to spend the \$14 million.

**Mr McIntosh**—Yes.

**Senator CARR**—What is the component for security?

**Mr McIntosh**—I do not know what the component is. There will be a component for security. I will take that on notice along with the rest of the question.

**Senator CARR**—I notice that the budget contains additional moneys for security at Lucas Heights.

**Mr McIntosh**—That is correct.

**Senator CARR**—How much is that?

**Mr McIntosh**—It was in the minister's press release. There is a component for the construction of a new front gate and associated facilities, plus some additional capital works around the replacement reactor project—we have had to boost security around the project—of approximately \$11 million over a couple of years. There is also an additional \$1.7 million per annum for extra guarding costs.

**Senator CARR**—Have you had a security review?

**Mr McIntosh**—Yes, Senator.

**Senator CARR**—And that found that you needed to spend more money on security?

**Mr McIntosh**—That is correct.

**Senator FORSHAW**—I might indicate, Minister, now that you have returned, that I placed a question on notice while you were absent earlier with regard to correspondence to the Minister for Science from Mr Priceman regarding the deed of indemnity between ANSTO and the government. As yet, he has not had a response. If you could ensure that that is followed up, that would be good.

**Senator CARR**—I have a series of questions that go to the tenanting arrangements—your arrangements with the associated facilities at Lucas Heights. I will put them on notice. Thank you very much for your attendance.

[11.45 a.m.]

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

**CHAIR**—I welcome officers from the CSIRO.

**Senator CARR**—Good morning, Dr Garrett. It is a while since we have spoken. I was wondering if you could assist me with a few little matters. When were you told that you were not going to get your triennium funding?

**Dr G. Garrett**—Early in May, I think.

**Senator CARR**—Did you put a bid in to the government for triennium funding?

**Dr G. Garrett**—Yes.

**Senator CARR**—How much extra were you seeking?

**Dr G. Garrett**—Over the period of the triennium?

**Senator CARR**—Yes.

**Dr G. Garrett**—We had looked at funding in the order of \$120 million.

**Senator CARR**—How much extra was in the budget for you?

**Dr G. Garrett**—Which budget?

**Senator CARR**—This one.

**Dr G. Garrett**—In the Portfolio Budget Statements we have, as you know, Senator, received an additional \$20 million over and above the indexing.

**Senator CARR**—So you are about \$100 million short?

**Dr G. Garrett**—I do not think that is accurate. We are happy to discuss the arrangements going forward around the triennium, but we received a 6.8 per cent increase in our overall parliamentary appropriation.

**Senator CARR**—But that is just the normal index arrangement, isn't it?

**Dr G. Garrett**—No, it is not, because we received a normal indexation of around two per cent and, in addition, we received —

**Senator CARR**—Two per cent per annum?

**Dr G. Garrett**—Two per cent for that year, and then an additional \$20 million.

**Senator CARR**—So over the forward estimates period, how much would you get by way of extra revenue as a result of indexation?

**Dr G. Garrett**—Our revenues from government will, in the next financial year, be committed to \$568 million, which is the 6.8 per cent increase. The forward estimates include the indexation—\$560.9 million; \$572.2 million and \$582.2 million.

**Senator CARR**—Apart from the \$20 million for the flagships program and excluding indexation, what additional resources are in your budget?

**Dr G. Garrett**—Are you talking about the Portfolio Budget Statements or are you talking about CSIRO's own budget?

**Senator CARR**—No, I am obviously not making myself understood here. I would like to know how much extra money in the appropriation has been awarded to you apart from \$20 million for the flagships program and excluding indexation. What additional resources have come to you by way of the Commonwealth budget appropriation to CSIRO?

**Mr Whelan**—In addition to the flagships measure and indexation adjustment parameters, CSIRO received supplementation for increases in superannuation costs in 2003-04 of \$7,000,010. In 2004-05 it was \$9,000,085, and that number occurs again in 2005-06 and 2006-07. In addition to that, CSIRO received \$400,000 in 2003-04 associated with the budget measure for the radioactive waste facility.

**Senator CARR**—So the additional money is the \$400,000 in terms of additional capacity?

**Mr Whelan**—It is my understanding that those funds were appropriated to CSIRO to enable it to meet the costs of transferring its potential waste to the facility.

**Senator CARR**—The \$20 million for flagships plus the \$400,000 for the waste transfer were the only additional appropriations in the forward estimates, other than the supplementation for the super and the normal price movements?

**Mr Whelan**—That is correct.

**Senator CARR**—You asked for \$120 million?

**Dr G. Garrett**—Yes, in the early stages of the discussion.

**Senator CARR**—Yes, but that is what you bid—\$120 million—and that presumably excluded indexation and supplementation for superannuation?

**Dr G. Garrett**—We were looking at new money and we still will be.

**Senator CARR**—That is what I am saying. So you are looking for \$120 million new money and you got \$20 million.

**Dr G. Garrett**—We were looking for \$120 million over a three-year period.

**Senator CARR**—I am saying that over the three-year period, on the forward estimates, the new moneys that you have received from this budget is \$20,400,000.

**Dr G. Garrett**—On the current forward estimates but, as you know, in a year's time we will be seeking additional revenue.

**Senator CARR**—I trust that as an efficient CEO of CSIRO you would be seeking it every year.

**Dr G. Garrett**—That is not quite accurate.

**Senator CARR**—All I can do is assess it on the basis of what is in the PBS. The PBS is a document which contains the information that is known at the time of the printing of the PBS about the budget. That is a legal requirement, is it not?

**Dr G. Garrett**—Correct.

**Senator CARR**—So I cannot work on the assumption of what the government might do in 12 months time and how successful your claim will be in 12 months time; I have to work on the assumption of what is here now. I know that up until May, you had a bid in of \$120 million and you ended up with \$20 million.

**Senator Alston**—Senator Carr, you have been told three times now that you are talking about a three-year period when you say \$120 million, and a one-year period when you were told that there was an increase of \$27.5 million.

**Senator CARR**—Senator Alston, since you are such an expert on this, I would ask you now to show me where in the forward estimates I can find additional revenue other than the \$20 million that Dr Garrett has referred to.

**Senator Alston**—You have just been told that there was an increased employer superannuation contribution of \$7.1 million.

**Senator CARR**—We have been through all the indexation arrangements, super and the other indexation arrangements—new moneys. Where will I find that in the forward estimates?

**Senator Alston**—Are you disputing that in addition to indexation there is \$27.5 million?

**Senator CARR**—I am not disputing that there is additional moneys for indexation of the superannuation and the other indexation arrangements—

**Senator Alston**—No, indexation is a separate issue to superannuation.

**Senator CARR**—I am not disputing that there are increases for the supplementation of superannuation or the other indexation arrangements—they are both indexation arrangements.

**Senator Alston**—If you take out indexation, you get \$27.5 million.

**Senator CARR**—What is the \$27.5 million for?

**Senator Alston**—Increased employer superannuation contributions of \$7.1 million, radioactive waste management \$0.4 million and the flagships initiative.

**Senator CARR**—That is right. So you get \$20 million for the flagships and \$0.4 million for the waste transfer; the other is the indexation of the super. That is what it is for, is it not?

**Dr G. Garrett**—As far as the Portfolio Budget Statements are concerned, that is accurate.

**Senator CARR**—It is a statement of fact. What did you want to do with that \$100 million.

**Dr G. Garrett**—We had put a lot of planning into our major programs called flagships, which we will be ramping up over that period. So in the first year, we were looking at \$30 million and we can talk further about that should you wish.

**Senator Alston**—Senator Carr, if you want that matter clarified, there is a difference between an indexation and a supplementation. The increase in the superannuation contribution is not an indexation.

**Senator CARR**—Thank you for your expert advice on that. Could I have a copy of your triennial funding plan?

**Dr G. Garrett**—I would need to take advice on that because this is provided through our department to our minister.

**Senator CARR**—Yes, if you could take that on notice. With regard to the announced research review that is headed up by Mr McGauchie, when were you advised of that review?

**Dr G. Garrett**—I was aware several weeks before that through discussions with my ministers that there would be an approach to develop an enhanced collaboration in the nation, which I subscribed to and supported.

**Senator CARR**—When were you advised of that?

**Dr G. Garrett**—Probably a couple of weeks before the budget.

**Senator CARR**—You were advised of it before the budget?

**Dr G. Garrett**—I was advised in overview terms that there was going to be an examination of collaboration.

**Senator CARR**—I will come back to that. Were you advised of your budget at the time of the budget itself or were you advised in early May of the budget that appears in the PBS? At what point did you discover what the forward estimates would be for CSIRO?

**Dr G. Garrett**—I ask Mike to respond to that.



**Mr Whelan**—We became aware of that in early May.

**Senator CARR**—You were aware that the \$20 million is a one-off payment for one year for the flagships?

**Mr Whelan**—The forward estimates show the money as for 2003-04.

**Senator CARR**—When does that occur in the year after that?

**Mr Whelan**—As I understand it, the government deferred consideration of the organisation's triennium funding bid and, as a result, provided funding for one year and will consider the out-year funding in the context of the 2004-05 budget.

**Senator CARR**—When will the supplementation for superannuation be paid?

**Mr Whelan**—That is paid on an annual basis.

**Senator CARR**—So that is across the three years?

**Mr Whelan**—That is my understanding.

**Senator CARR**—And the indexation is across the three years?

**Mr Whelan**—That is correct.

**Senator CARR**—So the new moneys for flagships are for one year only?

**Mr Whelan**—That is correct.

**Senator Alston**—At this stage.

**Senator CARR**—Well, that is the only stage I can work off.

**Senator Alston**—I am making the point that it has not been said that it is a one-off payment not to be repeated.

**Dr G. Garrett**—I think it is important to get it on record that, as you know, these are long-range programs. All our discussions with our department and ministers have indicated enthusiasm for these programs. So I reinforce what Senator Alston has said.

**Senator CARR**—Thank you.

**Senator GEORGE CAMPBELL**—Dr Garrett, you said earlier on that you had had an allocation of \$20 million for the flagships for this financial year and that your budget target was \$30 million expenditure on the flagships program for the next financial year; is that correct?

**Dr G. Garrett**—That is correct.

**Senator GEORGE CAMPBELL**—Where is the additional \$10 million going to be made up from?

**Dr G. Garrett**—The implication is that we are committed to our flagship programs as our long-range strategic vehicle to add value at a high level to the nation. The shortfall in funding will mean some reduction in the rate at which we will introduce our flagships and some reduction in the scale of those flagships. So it is just deferring some of the programs that we would like to get moving.

**Senator GEORGE CAMPBELL**—Are any funds being reallocated from any other areas or programs to the flagships program?

**Dr G. Garrett**—Yes. We have undergone a significant review process inside the organisation. We have a reallocation process of our base funding to support the flagships.

**Senator GEORGE CAMPBELL**—What current programs will be cut as a result of the reallocation of the funding?

**Dr G. Garrett**—We are in the final planning of that at this point in time as we move towards our strategic plan and sign off against that in June. Areas of less focus, less critical mass and areas that are not as aligned as the flagships with national research priorities will be under scrutiny.

**Senator GEORGE CAMPBELL**—Will the cuts be across the board or from specific programs?

**Dr G. Garrett**—They will be from specific areas. We are not looking at cuts across the board. We are looking at targeted reinvestment into the environment.

**Senator CARR**—In fact, it is a 10 per cent reduction across all the divisions, isn't it?

**Dr G. Garrett**—No, that is not correct. We are increasing the quantum of money, particularly with the new \$20 million, that is allocated to divisions. The nature of the programs that are undertaken in those divisions will change. It is a 10 per cent reallocation to enable us to refocus.

**Senator CARR**—So a reallocation does not mean a reduction?

**Dr G. Garrett**—No, it doesn't. Some divisions will have reduced parliamentary appropriation and other divisions will have enhanced parliamentary appropriation.

**Senator GEORGE CAMPBELL**—And how does that sit with the government's focus on national research priorities?

**Dr G. Garrett**—I would submit that it is very well aligned with the government's wish to focus its research efforts across the nation. As part of our strategic plan, two years ago we looked at ourselves and decided from extensive consultation inside and outside that we needed to refocus, to build critical mass and that it would be appropriate for the nation to focus its efforts. We were very heavily engaged in the discussions and submissions around national research priorities. So it fits very well.

**Senator GEORGE CAMPBELL**—Are you saying that you are not able to tell us now where the refocusing is taking place?

**Dr G. Garrett**—We are in detailed operational planning in divisions. Obviously, we only received notification in May of the budget indications around the flagships, so we could not count our chickens before they hatched. That detailed planning is in place now.

**Senator GEORGE CAMPBELL**—When will that be available?

**Dr G. Garrett**—Later this month, we will be submitting our four-year strategic plan to the board. The divisions are in detailed planning for their operations right now.

**Senator GEORGE CAMPBELL**—When will that be publicly available?

**Dr G. Garrett**—The strategic plan would presumably be signed off by our board towards the end of June and then submitted to the minister, and it would be at his behest. But I think it will be early in our new financial year. It is a public document.

**Senator GEORGE CAMPBELL**—How long will it take before it is possible to evaluate the outcomes, or the benefits, deriving from the flagship program?

**Dr G. Garrett**—We have put in place a comprehensive performance management framework which enables us to assess progress on each of the projects and major theme areas of the program on a regular basis. Certainly within a two-year period it would be appropriate for us to reassess the progress made in each of these domains and to adjust as we go forward. But this, as I have indicated, would be on a much more regular basis.

**Senator GEORGE CAMPBELL**—But in two years time you would be expect be able to do a substantive evaluation of the program?

**Dr G. Garrett**—Certainly.

**Senator GEORGE CAMPBELL**—And an effective cost-benefit analysis of its success or failure?

**Dr G. Garrett**—It would be premature to do that at that stage, because this is a long-range—five- to 10-year—program that we are dealing with. The impacts will only become evident over that time scale. But we will certainly be monitoring progress through our performance management framework on a regular—three- to six-month—basis. My answer to your question was that in two years we will have a good feeling for those programs that have been launched and how effective they are going to be, and are. Have I answered your question?

**Senator GEORGE CAMPBELL**—Yes.

**Senator CARR**—You have asked for \$120 million worth of new moneys. You were given basically \$20 million. But you have also got yourself a review into your funding—that is, the McGauchie review. When were you advised of the membership of that review?

**Dr G. Garrett**—I was advised of the membership of that review shortly before it was officially announced.

**Senator CARR**—Do you recall what day that was on?

**Dr G. Garrett**—I can find out for you. The minister's office issued a media release on 26 May, so it was a few days before that. I cannot recall exactly.

**Senator CARR**—So was a couple of days before the 26th?

**Dr G. Garrett**—Yes, in terms of the composition.

**Senator CARR**—You were told that the various persons on it were Professor Cory, Professor Davies, Professor Hoj, Professor Poole?

**Dr G. Garrett**—Yes.

**Senator CARR**—And Mr Jarry, Mr Peacock and Mr McGauchie?

**Dr G. Garrett**—Yes.

**Senator CARR**—Did you seek to have someone on the review?

**Dr G. Garrett**—No. I think our approach is about quality and terms of reference; it is not about representation.

**Senator CARR**—You think that you do not need to have someone on the review itself?

**Dr G. Garrett**—When you look at the representation, you see that Professor Cory is a member of CSIRO's board. If you are looking at representation, I guess that would be representation. I think her view, and the view of other members of the review committee, would be holistic and about the needs of the nation. Therefore, I come back to the quality of the individuals, and that is for the minister's decision.

**Senator CARR**—So you did not even seek to have a representative on the review?

**Dr G. Garrett**—No.

**Senator CARR**—Are you not surprised that none of the research agencies have a person on the review?

**Dr G. Garrett**—I suppose there was some surprise but certainly no concern. I believe we have got a quality group of individuals and, as I said earlier on, we do have a board member of CSIRO as part of that team.

**Senator CARR**—But four persons primarily work with the universities?

**Dr G. Garrett**—We have significant interaction with Peter Hoj through our work in Adelaide at the Waite campus. In our work in one area we have been engaged with him for many years.

**Senator CARR**—So four of the seven are professors at universities?

**Dr G. Garrett**—I cannot understand the arithmetic there.

**Senator CARR**—Professor Hoj is at Adelaide, Professor Davies is at Glasgow, Professor Cory is at Melbourne and Professor Poole is at Edith Cowan.

**Dr G. Garrett**—No, Professor Cory is a director at WEHI. She has a professorial title but is not an academic per se.

**Senator CARR**—No, but she is at Melbourne University. That is a campus at Melbourne University, isn't it?

**Dr G. Garrett**—Yes.

**Senator CARR**—So that is four of the seven at universities.

**Dr G. Garrett**—I disagree with you about the representation aspect. We are looking at a set of individuals with a broad holistic understanding of the importance of collaboration—with an understanding of its role in the future of Australia. As we have talked about before, one of our key strategic messages for more than two years has been around 'partner or perish'. We are therefore pushing hard for—and I am a personal advocate of—enhancing collaboration for the benefit of our nation. The minister has chosen a group of individuals that he believes will add value to that process, and we will provide our full support.

**Senator CARR**—That is very good. Were you consulted about the terms of reference?

**Dr G. Garrett**—I would have had general discussions in principle around the nature of collaboration. As I indicated to you, my minister had indicated that there would be a review of collaboration. I was not consulted on the specific detail.

**Senator CARR**—When did you first see the terms of reference?

**Dr G. Garrett**—I saw the terms of reference a couple of days before they were released.

**Senator CARR**—You have done better than the director at AIMS; he had to wait to get them on the departmental web site. So I suppose you should be thankful for that. Were you given an opportunity to comment on the terms of reference once you had actually seen them?

**Dr G. Garrett**—That was not a function of my engagement, no.

**Senator CARR**—It says here that the review will consider alternative funding models. What do you think that means?

**Dr G. Garrett**—I think it means that this review will look at collaboration in its broadest perspective. It will build on the current national innovation system mapping process and a number of other critical reviews at this point in time and assess how funding instruments will be effectively used to enhance collaboration in our nation. That is what it means in my view.

**Senator CARR**—What you think it means by the words ‘synergies and collaboration’ among public research agencies and universities?

**Dr G. Garrett**—Just what I said: I think it will look at ways in which we can enhance collaborative behaviour, build critical mass and build partnerships and how funding instruments can be used to achieve more effective outcomes for our nation, which is what we are all striving for.

**Senator CARR**—Have you been advised by anyone in the government or the department that the original proposal was to have a high-level task force examine models for closer ‘integration’ between universities and public research agencies?

**Dr G. Garrett**—That is not a word that has been in the vocabulary. ‘Collaboration’ has been the word. As I indicated, in the same way that we were pushing a focus around national research priorities, I am very pleased that our push around collaboration is broadening to the nation.

**Senator CARR**—And that the task force would report to cabinet by the end of the year and that, as a first step, the proposal was to amalgamate James Cook and AIMS? Was that ever drawn to your attention?

**Dr G. Garrett**—No.

**Senator CARR**—But, then again, you were only told about this review in May?

**Dr G. Garrett**—That is correct.

**Senator CARR**—How long before the budget were you told about the review?

**Dr G. Garrett**—As I indicated earlier, we had a discussion, as I do on a routine basis with my minister, Dr Nelson. We were providing information to him in support of new money for flagships, which he was obviously a strong advocate for. He indicated that that collaboration would be a component of—

**Senator CARR**—When did you have that discussion with the minister?

**Dr G. Garrett**—I do not recall that date. I think I said that it was a few days or a couple of weeks before the budget. I can find out.

**Senator CARR**—But you were only told about your bid in early May.

**Dr G. Garrett**—In terms of confirmation, yes.

**Senator CARR**—And the budget was on 13 May.

**Dr G. Garrett**—Yes.

**Senator CARR**—So, sometime between early May and 13 May, you were told that you were going to have a review into your funding?

**Dr G. Garrett**—We were told that there would be a collaboration review, which would obviously include, as I have indicated and supported, a review of funding mechanisms to enhance collaboration.

**Senator CARR**—There was an article in the *Australian Financial Review* two weeks ago by Tim Dodd. He said that universities are eyeing off CSIRO's funding and research assets. Do you have any reason to believe that to be true?

**Dr G. Garrett**—No. If you look at Minister Nelson's media release, he makes it quite clear that this review process is not about the structural break-up of public sector research agencies such as CSIRO. As he indicates, the government remains committed to the CSIRO flagships initiative—implying for the long term—which builds on the breadth of scientific expertise across the whole of CSIRO to address many of Australia's most pressing problems and for which the government provided additional money in its budget. Obviously, speculation happens in any community of knowledge workers.

**Senator CARR**—Have you read Professor Millicent Poole's submission—at least, she signed it—or the submission of the Vice-Chancellor of Edith Cowan University to the Crossroads review?

**Dr G. Garrett**—I read it many months back.

**Senator CARR**—Did that submission contain a proposition that universities should have access to CSIRO money?

**Dr G. Garrett**—As I understand it, yes.

**Senator CARR**—She is on the review?

**Dr G. Garrett**—Correct.

**Senator CARR**—You do not think she might have prejudged this matter?

**Dr G. Garrett**—I think that Millicent is a very objective professional and would take inputs. At that point in time, she had a particular view. As she participates in the process, I would anticipate that she would respond to all of the inputs that that review provides.

**Senator CARR**—It is put to me that the AVCC president, Professor Schroeder, has put it to the science minister in the last week that he has 30 vice-chancellors ready to sign a statement that the universities should get access to CSIRO moneys. Are you aware of that?

**Dr G. Garrett**—No.

**Senator CARR**—You have had no discussion with the minister on that matter?

**Dr G. Garrett**—With Minister McGauran we have had ongoing discussions around how individuals, including in the media, would have interpreted the collaboration review and the response of government in terms of Minister Nelson's press release. The articulation by both Minister Nelson and Minister McGauran that there was no basis for that is what I would stand by.

**Senator CARR**—I see. So the minister would say there was no basis for that claim? Is that right?

**Dr G. Garrett**—That is what he has put on record publicly and I have heard both ministers talk publicly on that.

**Senator CARR**—On page 9 of the document entitled *Backing Australia's future*, there is this expression:

There will be renewed emphasis on teaching and learning outcomes, greater recognition of the role of regional campuses and institutions, and a framework for research in which all Commonwealth funding is either competitive or performance-based.

What do you interpret that to mean?

**Dr G. Garrett**—I think we are onto a different issue from the one I thought you were asking about—the break-up of CSIRO.

**Senator CARR**—No, we are on the issue—

**Dr G. Garrett**—Are we on the break-up of CSIRO or funding?

**Senator CARR**—No, I am on the issue of alternative funding models for CSIRO. I am on the issue of the terms of reference of this review, and I am on the issue of what the government says in its budget papers.

**Dr G. Garrett**—As I have indicated before, if the objective in order to achieve enhanced outputs of benefit for the nation is to improve collaboration—this review is about improving collaboration and we have been pushing 'partner or perish' for a long time; we are endorsing it, supporting it and will be actively involved—then, out of the review, in order to drive that process, will be required a review of funding mechanisms that will make it happen. So it makes sense that funding mechanisms need to be reviewed in order to promote these outputs and outcomes.

**Senator CARR**—Indeed. However, given the ARC's submission in regard to the removal of block grant moneys—that is, the ARC's submission to the Crossroads document—do you see any problem for your block grant authority or block grant appropriation that might arise from this review? Do you think that is an issue that is in question here?

**Dr G. Garrett**—I think that will certainly be an issue for debate. It has been a debate for many years in our nation, as it is in many nations around the world, with public sector funded research agencies.

**Senator CARR**—The terms of reference explicitly state:

The review will also consider alternative funding models, including access by PFRAs to research funding provided by the Australian Research Council (ARC) and the National Health and Medical Research Council (NHMRC).

Do you think there may be a question about the viability of your block grant?

**Dr G. Garrett**—You would know that that suggestion was one of the issues for consideration out of Backing Australia's Ability more than two years ago. So it remains an issue to be discussed, and we will engage in that debate in a professional and responsive way to enhance the outputs for the nation.

**Senator CARR**—Do you think it would be better if you had someone on the review that might actually be able to argue a case in terms of the research agencies' perception of the value of the block grant authority?

**Dr G. Garrett**—There are perceptions and actuality. My view is that this committee, run by professionals as it is, will receive in a professional and objective way submissions, pros and cons, from agencies such as ourselves in building its understanding. I think, as I have said before, it is about the quality of the individuals and their approach; it is not about representation. We are already putting together our own evaluation of our collaboration performance. We will certainly be making submissions and providing appropriate models for contestability in other work.

**Senator CARR**—Yes—contestability, making your funding competitive. When were you advised of the nature of public submissions to this review?

**Dr G. Garrett**—We have not been advised of that.

**Senator CARR**—So what is the review process? Will there be public submissions?

**Dr G. Garrett**—I don't believe the committee have yet got together, so they have not indicated what the process would be, but one would anticipate, if other reviews are anything to go by, that submissions would be made to them.

**Senator CARR**—Do you expect public hearings?

**Dr G. Garrett**—I would anticipate that a significant degree of transparency in the community, through public hearings, would make a lot of sense.

**Senator CARR**—Obviously I will have to ask your department how this is going to run—I am sure the officers here will be able to provide me with advice on that—but you are not the slightest bit concerned that you are being positioned in?

**Dr G. Garrett**—I think we have an open and transparent system.

**Senator CARR**—Really?

**Dr G. Garrett**—In terms of these review processes. Organisations like ours are judged on performance and on what they deliver. One of the things I am pleased about is that, out of the national innovation system mapping process, it will become quite clear that one needs differentiation in a national innovation system and CSIRO provides a particular set of activities that other agencies cannot deliver in our system. That requires funding of a particular nature.



**Senator CARR**—You will have no argument from me on that. I happen to strongly support CSIRO and I strongly support your having a block funding arrangement—not having your money pilfered and plundered by other organisations. Frankly, I think you are being set up here. I think a decision has been made and I think the decision can be found in these documents. You are telling me that you are not worried about that because you were consulted just before it was announced.

**Dr G. Garrett**—Obviously we are vigilant. We have the professional responsibility to make sure that the organisation is well represented and well positioned and continues to deliver. We have to input into these processes. If there is a problem that I perceive we have been, in your words, set up I will be actually making lots of noises appropriate to that.

**Senator CARR**—I look forward to that, because I certainly will be. You have not been consulted about the terms of reference, you have not been consulted about the personnel and you have not been consulted about the time lines. Why should you say that this is an open and transparent process?

**Dr G. Garrett**—It is the responsibility of departments and ministers to run processes according to their requirements.

**Senator CARR**—That is right. It is a government decision and you are obliged to follow it.

**Dr G. Garrett**—I would also say, as I have said on a number of occasions, that I think the government have significantly listened to CSIRO's words around focus and the need to prioritise and the whole national research priorities. They have significantly listened to what we have talked about—partnering and the need for collaboration—and I am pleased we are doing this review because I have been pushing it for two years. I think the government are responsible in this domain.

**Senator CARR**—You asked for the review, did you?

**Dr G. Garrett**—I have been in a number of public forums expressing the need for collaboration. I did not specifically say that we need a review, no.

**Senator CARR**—You asked the government for a review into your funding?

**Dr G. Garrett**—No, we did not.

**Senator CARR**—You would be the first head of agency who would have done that in the history of the Commonwealth, I would have thought. The normal provisions for review into funding do not necessarily produce increases in money.

**Dr G. Garrett**—When you look at the review of our funding in terms of the programs we put forward about the flagships, the fact that we have a net 6.8 per cent increase in our funding for next year with a strong commitment from the government to support these programs in the future says that the government is—

**Senator CARR**—You do not have a strong commitment from government; you have deferral of a decision. That should not be translated as a strong commitment, Dr Garrett.

**Dr G. Garrett**—I would disagree with you, Senator. I think we have significant commitment because the government know—and as I have said to CSIRO's staff—that you

do not switch flagships on and off like a light switch. Therefore, putting \$20 million up now only to have a program terminated in 12 months time would have been a waste of public money, and I do not believe our government would act in that way.

**Senator CARR**—If I can go through some details in the PBS and the supplementary PBS, revenue from other sources in the 2002-03 appropriation is \$523 million and the 2003-04 appropriation is \$568 million. If I look at revenue from other sources, I see that there is a drop from \$336 million to \$321 million. Is that right?

**Dr G. Garrett**—Which particular numbers are you referring to? Which page?

**Senator CARR**—CSIRO overview, page 18, total appropriations \$568 million.

**Mr Whelan**—The movement from \$336 million to \$321 million is between the original 2002-03 Portfolio Budget Statements and the revised budget statements for 2003-04. In between, there were additional estimates where the \$336 was adjusted to \$319 to take into account the accounting treatment for funds for AMC. Since that time, a revised forecast for 2002-03 has been produced and incorporated in the latest budget estimates which indicates the total external revenue for 2002-03 for CSIRO will amount to \$295.7 million.

**Senator CARR**—So this is a further decrease of \$30 million. The original was \$336 million, as you said. In the latest PBS it is down to \$295 million—a shortfall of \$40 million; a 12 per cent drop.

**Mr Whelan**—The difference between those two factors is roughly \$17 million associated with the accounting treatment of AMC funding, which had previously been classified as external revenue. Discussions with the Audit Office and the Department of Finance and Administration suggested a change in that accounting treatment. The balance of that movement, approximately \$24 million, is a variance in our underlying revenue forecast. It is largely the result of us not achieving our revenue targets in two of our research groups.

**Senator CARR**—You have not achieved your revenue targets. Would you agree with that?

**Mr Whelan**—I would, but I would also note that there has been significant growth in the organisation's underlying external earnings this year over last year. In fact, we have an increase of approximately 6.1 per cent in our underlying external earnings over the outcome for 2001-02.

**Senator CARR**—How much short were you on your targets?

**Mr Whelan**—We have just discussed that outcome. There were two adjustments. The first adjustment related to the treatment of AMC and the second adjustment is in the revised forecast.

**Senator CARR**—You are 12 per cent—\$40 million—down as a result of those two adjustments.

**Dr G. Garrett**—As Mr Whelan has indicated, one of those was an accounting change and the other was associated with major changes in our environment associated with the drought in our agricultural business as well as a significant downturn in the IT manufacturing area. As Mike has indicated, we have actually grown our underlying base, based on our core business of strategic co-investment and specialised consulting and IP over that time period, as we did

last year. A 16.6 per cent increase over a two-year period is substantial growth. The fact that we did not reach our stretch targets is an issue, but we have succeeded very well in a number of domains.

**Senator CARR**—You are 12 points down on what your targets were, for both those reasons. I will come back to that because I think it is a serious question. You mention the AMC. The *Financial Review* today says that the AMC Stanwell project has collapsed. Is that true?

**Dr G. Garrett**—That is what the newspaper says.

**Senator CARR**—You do not know that it has collapsed?

**Dr G. Garrett**—The indications are that it is in serious financial difficulties.

**Senator CARR**—It says that that project has debts of \$500 million. Part of that debt is to CSIRO. How much do you have out to AMC?

**Mr Whelan**—The nature of the financial arrangements between CSIRO and the AMC is that CSIRO has funded a research and development program that AMC is conducting. The asset in CSIRO's accounts is as a royalty receivable, so the total sum receivable from AMC is \$75 million, and that is receivable by the CSIRO in accordance with that research and development program.

**Senator CARR**—You are going to have to slow down there. You say you have \$75 million out to them?

**Mr Whelan**—CSIRO has provided AMC with \$75 million.

**Senator CARR**—Is there a receivable debt of \$75 million?

**Mr Whelan**—The organisation has not linked the money to AMC. The organisation has funded a research program.

**Senator CARR**—You have given it to them?

**Mr Whelan**—Under the nature of that research program, royalties do become payable to CSIRO once certain milestones are reached by AMC.

**Senator GEORGE CAMPBELL**—What was the source of the funding for the program?

**Mr Whelan**—The funding was provided to CSIRO by the government.

**Senator GEORGE CAMPBELL**—What was the amount?

**Mr Whelan**—\$70 million from the federal government and \$5 million from the Queensland government.

**Senator GEORGE CAMPBELL**—So you were provided with \$75 million and there is \$75 million in royalties due back to you?

**Mr Whelan**—That is the value of the receivable currently in our books.

**Proceedings suspended from 12.30 p.m. to 1.32 p.m.**

**Senator CARR**—Before lunch we were discussing AMC. How much money does CSIRO have exposed in the AMC venture?

**Mr Whelan**—There are two sides to the AMC entry. There is the royalty receivable to CSIRO from AMC and then there is the funding provided to CSIRO, which is a non-recourse loan. That non-recourse loan is repayable, conditional to the generation of the royalty stream. So, should the royalty stream not be payable to CSIRO, the asset and the liability will be written off and there will be no impact to CSIRO's bottom line.

**Senator CARR**—What would be the effect of the write-off—how much are the loans?

**Mr Whelan**—The non-recourse loans to CSIRO total \$75 million. The value of the royalty receivable to CSIRO is \$75 million.

**Senator CARR**—So there is no effect on your bottom line?

**Mr Whelan**—That is correct.

**Senator CARR**—Have you already calculated that into your forward earnings projections?

**Mr Whelan**—As I indicated to you earlier, funding provided to CSIRO payable to AMC is not counted as revenue, and there is nothing in the forward estimates for it.

**Senator CARR**—But someone has to pay the \$75 million. So it is a loss to the Commonwealth of \$75 million?

**Mr Whelan**—The other side of the liability that sits in CSIRO's books for the non-recourse loan, I understand, sits in the department of industry's accounts.

**Senator CARR**—So the department of industry will have to deal with that?

**Mr Whelan**—Yes.

**Senator CARR**—We were discussing earlier the question of the changes in your forward projections on revenue. I have compared page 208 of last year's PBS and page 252 of this year's PBS, and it strikes me that there is consistent change here. You have now adjusted the growth targets down \$21 million in 2002-03, \$38 million in 2003-04, \$32 million in 2004-05 and \$24 million in 2005-06. That implies that the target for 2003 is in fact less than inflation. If you look at these changes overall, growth is now less than inflation. Is that right?

**Mr Whelan**—No. The underlying growth in external earnings has been in the order of 6.1 per cent over that in 2001-02 and is forecast to rise by approximately 8.7 per cent in 2003-04, 10.5 per cent in 2004-05, 10.8 per cent in 2005-06 and 12.8 per cent in 2006-07.

**Senator CARR**—That is \$115 million less than what you were expecting over the four-year period.

**Mr Whelan**—I have not done the maths, but it will be a matter of comparing the two estimates figures.

**Senator CARR**—That is how I read it: \$21 million, \$38 million, \$32 million and \$24 million. Would that be right?

**Mr Whelan**—It is of that order.

**Senator CARR**—That is a substantial drop, isn't it? I have excluded the \$17 million from AMC. That is a substantial drop.

**Mr Whelan**—It is a revision of the estimates. The important thing to note is that the organisation has now grown its external revenue for two successive years and is forecast to continue that growth.

**Senator CARR**—I will put some more questions on notice in regard to that. Dr Garrett, now that AMC has collapsed, what impact will that have on the light metals flagship?

**Dr G. Garrett**—We will be proceeding with our light metals flagship. The long-range goal of that flagship is to help harness and exploit Australia's mineral wealth and develop technologies that enable us to do that into the future—that is the role. It is obviously a significant disappointment, but one understands the complexities associated with the commercialisation and implementation of those technologies. At this point in time we will be continuing with the light metals flagship.

**Senator CARR**—You do not think it is time to have a review of it, given that the AMC was obviously critical to it?

**Dr G. Garrett**—As I indicated earlier, we will certainly be reviewing our flagship objectives and progress on a regular basis. They are not cast in concrete. They are dependent on performance and meeting objectives and are subject to understanding of environmental changes in the broadest sense.

**Senator GEORGE CAMPBELL**—What stage is the SAMI project at? Are you aware of where that is at at the moment?

**Dr G. Garrett**—No, I do not believe so. I will have to make some inquiries in that regard, unless one of my colleagues knows. Let me add one point to your question about flagships. Magnesium was one component of the flagship. Obviously we will be exploiting light metals in the aluminium and the titanium area, which have significant potential for the longer range future. That is why we are continuing down this path with this project.

**Senator CARR**—You sought funding of \$30 million for next year for flagships.

**Dr G. Garrett**—That is correct.

**Senator CARR**—You got \$20 million. What was the amount of money you sought for the out years, year by year?

**Dr G. Garrett**—As I indicated, we were looking at \$120 million over the triennium—\$30 million, \$40 million and \$50 million.

**Senator CARR**—Is that all flagships?

**Dr G. Garrett**—The majority of that is associated with flagships. Certainly the \$20 million that we are using this year will be allocated to flagship programs. We have other major crosscutting programs—for example, the rejuvenation of our information and communications technology business and a crosscutting program in climate change. We would be seeking to allocate some funding in the out years in those domains.

**Senator CARR**—So there is no certainty about what you are going to do in the two out years; is that the case?

**Dr G. Garrett**—At this point in time, we are obviously working hard to allocate the resources wisely, deliver against our interim objectives and be in a strong position to make an even better campaign this time next year.

**Senator CARR**—Fair enough. You said that last year, of course.

**Dr G. Garrett**—And I think the proof of the pudding is that we received some new funding in quite a complex and tough financial environment.

**Senator CARR**—But for the second year in a row your bid for triennial funding has been deferred.

**Dr G. Garrett**—The significant difference there was that the deferral of the triennial funding last year was at our instigation—in other words, instead of putting in a bid 18 months in advance of when the financial year starts, we put it in six months in advance. This enabled us to embed a number of the change processes associated with our strategic plan and develop a much more comprehensive perspective and forward plan in the flagships arena.

**Senator CARR**—So the bulk of this money was for the flagships. What other projects were you intending to fund out of this additional \$120 million?

**Dr G. Garrett**—As I indicated, the bulk of the new money is associated with ramping up our flagships—

**Senator CARR**—Did you say IT?

**Dr G. Garrett**—No. In addition we are planning to invest substantial resources in the rejuvenation and building of our information and communications technology area as well as the work we are doing in climate across 11 of our divisions.

**Senator CARR**—How much money were you expecting to spend on ICT?

**Dr G. Garrett**—In which financial year?

**Senator CARR**—Across the forward estimates—what was your expectation?

**Dr G. Garrett**—We have a current investment in ICT across a number of divisions of the order of \$60 million. Over the course of the triennium, we would be looking at an additional \$20 million.

**Senator CARR**—That was part of your bid. Have you got the money for the \$20 million?

**Dr G. Garrett**—No, we have not got the money for the \$20 million, although in the reallocation process that I referred to—the 10 per cent—we will be putting additional resources into the ICT domain.

**Senator CARR**—Have you been able to identify where that \$20 million is going to come from?

**Dr G. Garrett**—Sorry, you are losing me there.

**Senator CARR**—You are reallocating \$20 million for IT but where is it coming from? There is no additional appropriation, so where is it coming from?

**Dr G. Garrett**—In our years we believe that we will be able to put up a case for these major cross-cutting programs like the flagships—that is the first one. Second, as I indicated to

you, we are reallocating resources inside the environment associated with the 10 per cent change in reallocation, and that will provide a component of those moneys. So we are refocusing—

**Senator CARR**—Which divisions?

**Dr G. Garrett**—We will be focusing the attention in the ICT domain on two divisions: mathematical information services—the sciences area—as well as telecommunications and industrial physics. They are the prime vehicles for our ICT delivery, but the competitive advantage and the role that CSIRO plays in the ICT space is associated with applications across the wide range of endeavours with which we are involved. It is all-pervasive technology, as you know. We believe that we need to be putting more resources in that area.

**Senator CARR**—I understand where you are going to put the money, but where are you going to get it from? My question is: where does this money come from?

**Dr G. Garrett**—In response to Senator George Campbell's question earlier, we are looking at our portfolio of projects and we will be cutting back on certain areas which are of lower priority and less critical mass in order to refocus our activities.

**Senator CARR**—I ask you to take that on notice, because you obviously need time to think about it. I would like to know which of those projects you regard as lesser priority.

**Dr G. Garrett**—We as an organisation—I think it is important we continue this debate—are continually refocusing in a dynamic environment to respond to the needs of our stakeholders, current and into the future. That is part of our role. So any self-respecting organisation will adjust its portfolio and shut down projects that are not delivering and start new areas that have potential for the future.

**Senator CARR**—What I am looking for is a list of areas where you think this money can be found.

**Dr G. Garrett**—I am happy to provide that, after we have finished the detailed planning in our divisional area and those operational plans are in.

**Senator CARR**—When you launched the flagships in Melbourne—at the beginning of May, I think it was; I was there, and I thank you for the invitation—the only person that spoke from outside was from the AMC. Didn't you have someone from the AMC there?

**Dr G. Garrett**—Yes, we did.

**Senator CARR**—Did you know then that the company was in so much trouble?

**Dr G. Garrett**—Of course not.

**Senator CARR**—When did you find out?

**Dr G. Garrett**—We were obviously involved in interactions on an ongoing basis because of the research program that Mr Whelan talked to you about and we understand the overrun financial difficulties that the organisation has had.

**Mr Whelan**—The nature of the relationship with AMC is that we are a participant in a supervisory program for the research. We do not have access to any privileged data about their financial performance. Any data we received would have been through the public domain.

**Senator CARR**—Dr Graham Harris has recently resigned as the director of the flagships program—is that right?

**Dr G. Garrett**—Yes.

**Senator CARR**—Was that unexpected?

**Dr G. Garrett**—We have been discussing Graham's role with him for a considerable time. He has done an excellent job in the 18-month period around the planning and birth of the flagships and that was the role he was seconded in to do. He will now, working closely with Dr Sandland, move into other roles in the knowledge management area, enhancing collaboration as well as contributing.

**Senator CARR**—So it is an internal transfer.

**Dr G. Garrett**—Correct.

**Senator CARR**—He has not left the organisation.

**Dr G. Garrett**—No, he has not. He has done an excellent job at a particular point in time and now he will play a role in other domains related to that, and will continue obviously to be involved in the flagships.

**Senator CARR**—Did he give you any reasons for his seeking to stand down from the position as the director of the flagships program?

**Dr G. Garrett**—The role had changed and it was mutually agreed that he would be looking for new opportunities into the future.

**Senator CARR**—He expressed no concerns about the development of the flagships program.

**Dr G. Garrett**—Graham has been a leader in the development of the flagships program and therefore he has been instrumental in its formulation. I do not believe he has concerns in the development of the flagship programs.

**Senator CARR**—So he did not discuss with you or any of your senior officials concerns with the structure or operations of the flagship program.

**Dr G. Garrett**—Dr Harris had a particular view on the organisation arrangements, which we discussed. He was part of the team. We went into a different space.

**Senator CARR**—You went into a different space?

**Dr G. Garrett**—Let me clarify that. We took the following approach whereby we are in the hard implementation of our flagship programs and, as such, the responsibility for that implementation will reside with the group executives—the chairs of our four operational groups.

**Senator CARR**—You say it was mutual that he move on. Was it at your insistence?

**Dr G. Garrett**—It was a mutual discussion. All the arrangements I have with my senior colleagues are mutual.

**Senator CARR**—Have you received any representations from other senior divisional staff expressing concern about the progress and effect of the flagship program?



**Dr G. Garrett**—The ongoing debate in the organisation is robust around the implementation. We are into a series of programs which are larger and more complex than we have undertaken before, consistent with our strategy to refocus and in line with national research priorities. This is requiring us to bring in new processes and systems which require debate. When staff are involved in new processes, obviously it leads to discussions.

**Senator CARR**—The discussions have been quite, as you say, robust. Would you agree?

**Dr G. Garrett**—That is the sort of organisation we run.

**Senator CARR**—Staff have expressed concern about the influence on other research within the organisation, have they not?

**Dr G. Garrett**—We come back to the strategy that we agreed to two years ago, which was to refocus and reposition the organisation and have a major impact on the major opportunities and challenges that our nation has over the next decade and beyond. This requires us to make those tough decisions and those decisions have consequences in terms of some of the projects that will no longer be continued.

**Senator CARR**—I will give you a specific example. The Plant Industry Division—have they expressed in a robust manner concerns about the research directions?

**Dr G. Garrett**—Yes, they have. I have an ongoing debate with the leadership in that environment and they contribute actively. They are the lead agent on one of our major flagship programs and contribute to others.

**Senator CARR**—Mr Baghai, in April did you not have a robust discussion with Dr Harris relating to the funding of the agrifood flagship?

**Mr Baghai**—What was the date?

**Senator CARR**—April.

**Mr Baghai**—I have had many discussions with Dr Harris, but bigger discussions about the agrifood flagship took place much earlier than that. I think it would have been around December, after which point resources were hired to look at the business case and improve it.

**Senator CARR**—Was it also a concern of plant industry officers that as a result of this refocussing they were receiving much less money than they were anticipating?

**Dr G. Garrett**—Certainly at that point in time one of the projections was that their overall parliamentary appropriation would come down. The reality of the situation as it is now evolving as we complete our planning is that it will be approximately on the same level.

**Senator CARR**—So their concerns were not—

**Dr G. Garrett**—Dr Sandland can make a contribution here, because he is the chairman of our Flagship Oversight Committee.

**Dr Sandland**—Early on in the development of the agrifood top 5 flagship, the initial case put forward was not strong. However, with considerable assistance from the organisation, including assistance from Mr Baghai and his team, that flagship improved its business case out of all recognition and now, in fact, is the highest funded of all of the flagships.

**Senator CARR**—What position does Dr Graham Harris currently occupy?

**Dr Sandland**—He is reporting to me. We are still talking about the title that he will have, but his role has been defined and he has expressed total satisfaction with the new role that has been negotiated between him and me.

**Senator CARR**—What position does he hold?

**Dr Sandland**—The precise title has not been finally decided, so I am just having a difficulty in describing that. But essentially his position will be, as Dr Garrett has indicated, working on issues of collaboration, which is quite critical to the successful implementation of the flagships, and working on some of the cross-organisational change issues that will need to be realised for that; working on issues of knowledge management associated with the flagships; and also returning to do some work—about a third of his time—on high-level science issues in natural resource management, in which he is an international expert.

**Senator CARR**—So you have yet to create a position for him?

**Dr Sandland**—No. We have created a position; we are just negotiating about the title of that position.

**Senator CARR**—Are you intending to create any other positions in regard to, for instance, coordination of the flagships program, Dr Garrett?

**Dr G. Garrett**—Yes, we are. As I indicated, and I would confirm, the discussions around Graham's role went back as far as last October, when we recognised that his key contribution on secondment into that position was associated with the planning, gestation and birth of the flagships. As we move now into the hard implementation and delivery, with the requirement for us to put in place cross-organisational systems and processes, we will be appointing a senior general manager level person to help us in that process, reporting to Dr Sandland, who has executive team level responsibility for the flagships.

**Senator CARR**—So it is just one position—a high-level executive position?

**Dr Sandland**—Yes.

**Senator CARR**—And they will report to you, Dr Sandland?

**Dr Sandland**—Yes.

**Senator CARR**—And through to Dr Garrett?

**Dr Sandland**—And through me to Dr Garrett, yes.

**Dr G. Garrett**—As I indicated, the nature of that job has changed very considerably. It is at the general management level, around the systems, processes and administration of the flagships and the coordination between the various flagship directors.

**Senator CARR**—Will you be advertising that position soon? I take it that it is a vacancy.

**Dr G. Garrett**—Yes, and it is going to be an internal appointment.

**Senator CARR**—I will come back to some of those other matters. Perhaps I could now talk to you about marine sciences, which is a matter I am sure you have been waiting for with great interest.

**Dr G. Garrett**—With bated breath. Would it be in order for me to call to the table my colleague Dr Tony Haymet, who is the divisional chief?

**Senator CARR**—I would appreciate that. I understand that the ship's manager is here as well. Is that right? There he is. Will any other officers be coming to the table, Dr Garrett?

**Dr G. Garrett**—No, only Dr Haymet at this point in time.

**Senator CARR**—I think we can probably both agree that debate concerning the marine science contribution that CSIRO makes is predicated on an assumption that I trust this side of the table and that side the table share and that is the professionalism and the high scientific standards of the scientists who actually work in the division.

**Dr G. Garrett**—Correct.

**Senator CARR**—While I am sure that people are grateful for their opportunity to participate in the national facilities project, this has not necessarily blinded people to the inadequacies of the project's capacity, and that is why, obviously, their concerns being expressed the way they are adds to my judgments of their credibility. Dr Haymet, I welcome you to the committee.

**Dr Haymet**—Thank you.

**Senator CARR**—You are quoted in the *Sydney Morning Herald* last Monday, 2 June as saying that you had received the report from the chief scientist on the recent research voyage and that it contained no allegations about poor conditions, quality of equipment, quality of freshwater on board or injuries to the crew. Was that an accurate quote?

**Dr Haymet**—It is true that I received the voyage report from voyage 2 of the *Southern Surveyor*, as I receive all of the voyage reports.

**Senator CARR**—Do you have a copy of that *Sydney Morning Herald* article?

**Dr Haymet**—I believe I do.

**Senator CARR**—I want to know if what it attributes to you is accurate, because it is said that newspaper reports do not always get things right. The article says:

The CSIRO acknowledged a crew member had received stitches.

Did you tell the *Sydney Morning Herald* that?

**Dr Haymet**—Yes, I did tell the *Sydney Morning Herald* that.

**Senator CARR**—The article goes on to say

But its chief marine researcher, Tony Haymet, said he had received the report of the chief scientist on board and it contained no such allegations.

Is that an accurate statement?

**Dr Haymet**—I believe that statement was made in reference to allegations about the lack of cleanliness on the ship. The *Sydney Morning Herald* reporter asked me a series of questions. The first one concerned the two stitches that were administered to the boatswain of the vessel and then they went on to explore certain other allegations made by a scientist who was on that vessel.

**Senator CARR**—Yes; namely, that the ship was 'cramped, poorly maintained and potentially dangerous'. Is that right?

**Dr Haymet**—Those were the allegations, yes.

**Senator CARR**—You say that you did not receive a report to that effect from the chief scientist?

**Dr Haymet**—That is correct. The chief scientist's report, which I have in front of me, was extremely complimentary about all of the scientists and crew on the vessel. Perhaps it would be helpful if I just read the conclusion of the report:

I regard the SS 02-03—  
that would be *Southern Surveyor* cruise in 2002-03—

an unqualified scientific success with the major objectives achieved in far greater measure than hoped for.

**Senator CARR**—That is Professor Richard Arculus's report, is it?

**Dr Haymet**—That is correct.

**Senator CARR**—Did you see any draft reports from Professor Arculus or were you involved in the compilation of the final report?

**Dr Haymet**—I was not involved in the compilation of the final report, no.

**Senator CARR**—Did you see any draft reports from Professor Arculus?

**Dr Haymet**—I get a report from the vessel about every two days by email and that is distributed to all of my staff. We consider ourselves a family in the division and we like to know the science that is being accomplished on the vessel, so I distribute an email report from the vessel whenever it is at sea, and that occurs about every two or three days.

**Senator CARR**—Was there a report from a group of leading international scientists involved with that voyage?

**Dr Haymet**—A reporter from the *Sydney Morning Herald* made an allegation that such a report had been made, but it was never sent directly to me.

**Senator CARR**—Was it sent directly to anyone in CSIRO?

**Dr Haymet**—Not to my knowledge. I obtained a copy after talking to the reporter. I understand the letter was addressed to your adviser Andrew Reeves.

**Senator CARR**—That is right. There was another one sent to Professor Arculus. Is that not the case?

**Dr Haymet**—If so, I have not seen that particular letter. I have seen the one that was sent to your adviser.

**Senator CARR**—Who's Neal Denning?

**Dr Haymet**—Neal Denning is the Secretary of the National Facility's Steering Committee.

**Senator CARR**—What relationship does he have with you?

**Dr Haymet**—He is a CSIRO employee who would be paid through the national facility budget. There are two separate budget lines involved here. One of them is the funding of the oceanographic research vessel, which is the national facility, and the second budget line would be for my division, Marine Research.

**Senator CARR**—He would be involved in the finalisation of production of reports from the *Southern Surveyor* research ship, would he not?

**Dr Haymet**—I imagine he would, yes.

**Senator CARR**—Do you see his reports?

**Dr Haymet**—I see the final reports that come from all the chief scientists on every single voyage. I believe they are posted on the web, Senator. I do not know whether the last one is up, but all previous reports are posted openly on the web.

**Senator CARR**—Has Mr Denning related to you any of his discussion with Professor Arculus prior to the report's completion?

**Dr Haymet**—No, he has not. I have not had a discussion with Mr Denning.

**Senator CARR**—So you are not aware that Mr Denning sent an email to Professor Arculus on 12 May relating to this report.

**Dr Haymet**—I am not.

**Senator CARR**—The email said:

Please find attached to proforma for the cruise summary the comments about some of the problems with the ship that won't go into the cruise summary. It will be used as an internal operations document to address those issues that have been raised. Some have been fixed or are in the process of being addressed.

Given your statement that no-one received the direct report from these scientists within CSIRO, how do you reconcile the proposition that the reports are being basically censored?

**Dr Haymet**—My statement was that I was not aware of anyone in CSIRO who had received the report. I am willing to accept your statement that the email is correct.

**Senator CARR**—I will help you here. I will table the reports and the original reports from the chief scientist in charge of the voyage, Professor Arculus. It might facilitate your records being improved a little bit. It strikes me that, contrary to the advice that you have provided to the *Sydney Morning Herald* and the advice that you provided to this committee a few moments ago, there is a significant inconsistency.

**Dr Haymet**—I state again that I was not aware of any communication between Mr Denning and Professor Arculus.

**Senator CARR**—So it is not a matter of course that you would excise unfavourable comments about the performance of this vessel from reports?

**Dr Haymet**—That is correct. I would never do such a thing.

**Senator CARR**—So this is the only occasion on which this has actually occurred. Is that what you are saying?

**Dr Haymet**—You are telling me about it, Senator. I am not aware of any occasion other than the one that you are claiming today.

**Senator CARR**—So who made the decision to censor Professor Arculus's report?

**Dr Haymet**—I am sorry, I do not accept the fact that any censoring was involved. Professor Arculus has a telephone and he can call me at any time, as can any other scientist on the *Southern Surveyor*.

**Senator CARR**—I have here an email between the two gentlemen I have referred to. It suggests to me that there has been a decision taken not to include critical comments about the voyage.

**Dr Haymet**—If so, I did not take the decision. I would never accept such a decision. It is not something that would happen in my division.

**Senator CARR**—So Neal Denning is not in your division?

**Dr Haymet**—I have already stated that Mr Denning is a CSIRO employee and is funded as Secretary of the National Facility Steering Committee.

**Senator CARR**—Who does he work to in CSIRO?

**Dr Haymet**—I believe that his would be a direct report to my deputy chief for business, Tim Moltmann.

**Senator CARR**—So would it be fair to say that he is within your line management responsibility?

**Dr Haymet**—Yes, I would accept that.

**Senator CARR**—So it would appear that an officer within your division has chosen not to incorporate these critical comments about the voyage in the official report.

**Dr Haymet**—I have not seen the comments you are referring to.

**Senator CARR**—They have just been tabled, so you will get a chance to see them.

**Dr Haymet**—What I have is a copy of the report that I am told is the final voyage report approved by Professor Arculus. I am sure that no-one would be able to table a report in his name unless he approved it.

**Senator CARR**—I am saying to you that that is not what this correspondence would appear to suggest:

... the comments about some of the problems with the ship won't go into the cruise summary. It will be used as an internal operations document ...

Have you seen those comments?

**Dr Haymet**—No, I have not. I am advised that the list from Richard Arculus was not suitable for the voyage report because it contained technical issues for action or otherwise. The voyage report is a record of the scientific achievements of the voyage.

**Senator CARR**—So these technical issues were excluded on the decision of whom?

**Dr Haymet**—There are no technical issues discussed in the voyage reports. They are a scientific record for the national facility of whether or not the voyage which was planned was accomplished.

**Senator CARR**—So whether or not the equipment worked well, whether or not persons were injured and whether or not the ship was able to fulfil the functions are all technical matters that do not relate to the capacity to actually undertake the scientific research?

**Dr Haymet**—There are many different lines of reporting for what happens on the vessel. As you are aware, the vessel is run by P&O. When any kind of incident occurs on the vessel, P&O files its incident reports and my staff and I see those incident reports. For example, last week, when two crew members saw a doctor for a cough and a cold, those were written up as incident reports and I saw them. Anything that would happen on the vessel would be filed as a P&O incident report.

**Senator CARR**—Would these instances of an injured worker be part of the incident report?

**Dr Haymet**—That is correct.

**Senator CARR**—With regard to the condition of the vessel, was that part of an incident report as well?

**Dr Haymet**—There are quite a few incident reports. I have received incident reports on aspects of the vessel.

**Senator CARR**—I quote:

The issue of inadequate time dedicated to the proper ‘shakedown’, or sea trial, prior to the *Southern Surveyor* beginning its new season of research work may ultimately have compromised safety on the ship.

Is that an incident report?

**Dr Haymet**—That is a statement. It is not something that I have received as a formal incident report. By the way, I reject the implication about safety. I would never let the vessel go to sea unsafe. I am sure that the master of the vessel and the crew would never partake in a voyage that they believed was unsafe.

**Senator CARR**—It went on to say:

... the newly installed CTD cable (which we use constantly) had only been wound on the drum from the wharf. Normal operations would see the cable then deployed in deep water prior to any cruise, winding the cable back on the drum under appropriate tension, thereby preventing possible spooling problems later on. During the TELVE cruise we had some serious problems with the cable spooling inadequately on the drum which cost us many hours of delay due to maintenance (an unwanted experience at sea given the huge cost of the operations). This then led to a decision to try and spool the wire off while transiting and rewind back on the drum under tension. Consequently, the crew found themselves doing a task that should have been done under more ideal conditions ... In the end a crew member was seriously injured trying to do this operation. It is arguable that this injury (which could easily have been life threatening) was avoidable and can be tied to inadequate sea trials due to severe time restraints which in turn related to inadequate funding.

It is a little more than an incident report, wouldn't you say, Dr Haymet?

**Dr Haymet**—I am not sure what the question is.

**Senator CARR**—I am saying to you that this report, which appears to me to have been censored, goes to issues which are far beyond mere incident reports. I want to know who did that.

**Dr Haymet**—I am fully aware of the incident concerning CTD, and I am happy to explain every aspect of it to you. I am not happy when any injury happens in my division or on the vessel for which I am responsible. With hindsight, every single injury is avoidable. You and I have been on the *Southern Surveyor* when it is quietly in port in Hobart. The incident that occurred was out on the open sea while the deck is pitching and my scientists and the guest scientists on board are trying to do work. The only way to avoid any injuries at sea is to never go to sea. It is a dangerous environment. When you visited us in February, I explained to you about how we take every effort to do everything we can not using the vessel, by using remote satellites and robotic floats. But there are some things that, even after the revolution in oceanography, require us to go to sea. I do everything possible to minimise dangerous activities.

**Senator CARR**—I am sure you do; I am not disputing that you would recklessly or knowingly send men out to do work which could be life threatening. That is not my suggestion. My suggestion to you is that you get a detailed report from the scientific crew and the principal scientist from the Institute of Geological and Nuclear Sciences in New Zealand and you have a report passed on to you by the chief scientist at the ANU for this particular project; and someone has chosen to censor that report.

**Dr Haymet**—I am sure Professor Arculus is responsible for his own report. What he filed to me is the official voyage report. If he has changed it, that is his responsibility. I have not changed it.

**Senator CARR**—It is quite apparent: you have said that you did not change it. My question is: who did? That is the point: who did? Professor Arculus clearly is concerned about this. He read in the paper, as I did, a statement from you that said that there had been a report from the chief scientist on board and that it contained no such allegations when clearly his report did contain such allegations.

**Dr Haymet**—I have already explained to you that my reply concerning such allegations was to a *Sydney Morning Herald* reporter asking me about grease on the handrails.

**Senator CARR**—It was a bit more than grease on the handrails. The report said:

The most distressing aspect of the ship was its overall physical condition. It was in a state of obvious disrepair. A totally inadequate amount of time was allowed for general maintenance, repairs and upgrades prior to restoring this ship to service. It was the most grimy, filthy ship we have ever sailed on ...

There is a contrast to the *Tangaroa*, the New Zealand ship, and some comments were made about that. The report then went on to say:

It will be an expensive exercise to get and keep a 30-yr-old ship modernised.

It went on to say:



In some instances the ability to secure sampling gear was *unsafe* in high-sea conditions. For example, deck tie-down fittings (a standard on most vessels today) are entirely missing and many wall attachment points used in place are makeshift, weak and in the way to easy access for sampling.

These are very substantial points.

**Dr Haymet**—If true, they would be, but I cannot agree with them, and I am happy to address them one by one. First of all, the comments that you are reading appear to come from someone working for the New Zealand agency, making unfavourable comparisons between our vessel and the *Tangaroa*. You should be aware that NIWA Vessel Management Ltd is a private company that tries to charter that vessel. Concerning the tie-downs, there are 70 deck tie-downs—24 millimetre stainless-steel sockets with grub screws fitted to the work area. The particular scientist whom I believe you are quoting, Dr de Ronde, chose against the advice of my staff to sample his CTD rosette on the deck outside rather than on the inside where we have specially provided wet lab facilities—which, by the way, do not exist on the *Tangaroa*. Dr de Ronde may not have been used to having that kind of superior facility that we provide on the *Southern Surveyor*, and he rejected the advice of my staff.

**Senator CARR**—That goes to the issue of whether or not you thought his comments were adequate. A separate issue is whether or not you think, or someone thinks, it is appropriate that those reports be suppressed.

**Dr Haymet**—As soon as I got hold of Dr de Ronde's letter, which I emphasise was through a reporter—and which was addressed to your adviser—I have solicited comments from my staff. I have a detailed analysis of every single one of those comments, which I am prepared to give you today. Please don't think that I do not treat it seriously. I am just telling you correctly where I got the information from. The information I have received is a letter that I believe was sent on 9 May to Andrew Reeves. It says 'government official, Australian federal government', and I did not believe that to be true. It says:

Dear Andrew

In response to your phone call, I have compiled (and distilled) below some comments ...

So this is clearly a letter that was solicited by your adviser.

**Senator CARR**—We solicited it. Is that what you are saying?

**Dr Haymet**—Andrew Reeves phoned the scientist. That is what the scientist says.

**Senator CARR**—He did ring him. He got a copy of the report that was provided to Professor Arculus.

**Dr Haymet**—I am in receipt of a copy of that letter that was sent by Dr de Ronde to Andrew Reeves.

**Senator CARR**—You say that that report was not sent to Professor Arculus. Is that what your contention is?

**Dr Haymet**—I am saying that I have no idea whom it was sent to. I am telling you how I came to have a copy of it.

**Senator CARR**—The suppressed report that we are referring to is the Arculus one. I ask you to take on notice: was this information provided to Professor Arculus? Was a decision

taken to exclude the critical comments regarding the *Southern Surveyor* from the cruise summary? If so, by whom?

**Dr Haymet**—I must say that the editing process that Professor Arculus goes through is very hard for me to find out about. I am very happy to give you all of the documents that I have received, but I cannot be responsible for the way in which Professor Arculus chooses to edit his report.

**Senator CARR**—If, as the secretary of the national facilities program says, this will be used as an internal operations document, can I have a copy of that internal operations document?

**Dr Haymet**—If such a document exists, I will get a copy to you.

**Senator CARR**—I trust it does, because the secretary says it exists. I take it you will be able to ask Mr Denning whether or not he did in fact communicate Professor Arculus making that claim?

**Dr Haymet**—I will certainly ask him.

**Senator CARR**—Thank you. Have there been any other occasions when reports of this nature have been edited to reduce critical comments through this national facilities group?

**Dr Haymet**—I am not aware of even one example, let alone other examples.

**Senator CARR**—Mr Denning says that these problems are now being addressed. How are they being addressed?

**Dr Haymet**—Which problems are you referring to?

**Senator CARR**—The problems in the report that Dr Cornel de Ronde has identified. How are they being addressed?

**Dr Haymet**—There is a difference between the comments that are correct and the comments that are incorrect. Obviously, the ones that are incorrect do not need to be addressed, and there are many of those. Concerning the CTD, I would like to provide a full explanation. You might remember that this is the new eight millimetre cable for the CTD which replaces the old six millimetre cable and is now able to be spooled out for seven kilometres in length. The voyage specifications of the first four voyages asked for a two kilometre availability for that cable and, since it is a very delicate cable—it is not just a structural element, it actually contains the electrical signals that allow us to trigger experiments on the CTD—it needs to be handled gently. We provided the two kilometres of cable for the first four voyages. In the middle of voyage 2, one of the scientists then provided that cable safely. In the middle of voyage 2 their chief scientist asked us to increase the length of available cable to three kilometres—that was done safely. Then there was a further request to increase it to four kilometres.

It was in the process of trying to provide that flexible facility, which I think CSIRO is known for, that the incident you refer to occurred. The reason that we had not been able to spool all seven kilometres of cable is that that would normally be done into deep sea and there is no sea around Tasmania that is deep enough for us, even if we had extended the sea trials, to spool out all seven kilometres of that cable. We provided the two kilometres of cable that

were required for the first four voyages, and we have also arranged for a special machine that is able to spool that cable under tension to be in place in Darwin so that that can be done before the subsequent voyages this year. So the CTD cable was a completely controlled and planned process but, in the course of the voyage, one of the senior scientists asked us to extend the capability and we made our best effort to do that.

**Senator CARR**—I just want to go through a few points that are in Professor Arculus's report to you. I have tabled that so we have it.

**Dr Haymet**—I do not have it. May I have a copy?

**Senator CARR**—There are two documents. I have tabled a letter from Dr Cornel de Ronde to my office and the second is three pages from a report. Could copies be distributed?

**CHAIR**—On this matter of tabling of these documents, and before the committee accepts a motion from Senator Carr, I would like to indicate some disquiet in receiving documents that do not have any letterhead and are not signed. The second document has a name on the bottom but it is not signed. The motion is that the committee accepts those documents.

**Senator CARR**—That is a reasonable point. I will now describe those documents for the *Hansard*. The heading of one document commences with the words, 'Some suggestions ...'.

**Senator Alston**—Are you describing the documents that the chair has or are you adding to them?

**Senator CARR**—They are being distributed, I trust.

**Senator Alston**—So you are adding to them.

**Senator CARR**—It has already been done. It is my contention that the document headed 'Some suggestions for future improvements to RV Southern Surveyor's operations (not in order of priority)' comprises, in fact, the three pages that Professor Arculus has provided to the secretary of the national facilities unit.

**CHAIR**—This is a document that is not on letterhead and is not signed.

**Senator CARR**—No. I have not written on it because I do not want to change the document. I am saying to you that this is a document headed, 'Some suggestions for future improvements to RV Southern Surveyor's operations (not in order of priority)'. That is the first document. It is a document that I am contending was sent to CSIRO by Professor Richard Arculus.

**Dr Haymet**—I have not seen the document.

**Senator CARR**—That is my point. The second document I have tabled, which is one that you have seen, is a letter to my office from Dr Cornel de Ronde, principal scientist at the Institute of Geological and Nuclear Sciences in New Zealand. So there are two documents that I am putting before the committee. What I am contending is this: the three-page document headed up 'Some suggestions ...' is in fact the suppressed part of this report, which goes to the issues of tie-downs, provision of safe areas for the practice of science, and communication systems. It states:

The present communications between OPS and BRIDGE, DOG and CAT houses is of such inconsistent quality that a mishap is only waiting to happen. ...

The 'roughness' of the CTD winch controls is sub-standard ...

The ship presently has no high-quality (18 M-ohm resistance) water available for science use.

It goes on for another page and a half about the doors, the quality of life on board and various other matters. These are not issues that go to mere technical incidents. That is the point I am asking about. Mr Neal Denning said to Professor Arculus that these problems had been fixed. I would like to know, for instance, whether or not action has been taken about the water supply.

**Dr Haymet**—I would be happy to tell you. When the vessel got to Auckland a test was done on the water supply. P&O holds the certificate of the test, which was for coliform and other potential human pathogens. The test came back completely negative. The water tanks were drained and refilled in Auckland, resulting in a few hours delay in the departure of the vessel, but I assure you that the master and crew, my three scientists and the guest scientists on board that vessel all had proper drinking water.

**Senator CARR**—What I find when reading these documents is that I have a letter from an international scientist using your premier vessel, and a copy of a report from our chief scientist in charge of it at the ANU, which, by my reading, supports the claims being made by Dr Cornel de Ronde. My concern is that CSIRO has misrepresented this to the *Sydney Morning Herald*, and today, Dr Haymet, it is quite apparent that you too may have been misled about this matter, in that you have not been provided with a copy of this report.

**Dr Haymet**—It is true that I have not seen these three pages from Richard Arculus. I do not regard them as a report, and I certainly do not believe that your providing them constitutes any evidence of suppression; I reject that suggestion.

**Senator CARR**—So who made the decision to exclude these points from the report?

**Dr Haymet**—Professor Arculus would be responsible for the final authorship of his report.

**Senator CARR**—I see. I guess that will be a point that will emerge—or otherwise. A number of issues seem to arise, though, in regard to this facility and its berthing capacity for scientists. It has been put to us that the berthing requirements are about one half of what is acceptable under the minimum standard. Would you agree?

**Dr Haymet**—No. As to the national facilities that Australia has had since 1984, both the *Franklin* and the *Southern Surveyor* have 12 berths for scientists. That is comparable to vessels like the *Celtic Explorer* that operate out of Ireland. There are other research vessels that have more berths. I believe I have discussed one with you before—the *Mirai* from Japan has 43 science berths, but that is double the length of the Australian vessel.

**Senator CARR**—How big is that?

**Dr Haymet**—Our vessel is about 70 metres and the *Mirai* would be about double that length. It is able to accommodate 43 scientists, where our vessel accommodates 12.

**Senator CARR**—What did the Japanese vessel cost?

**Dr Haymet**—I am sorry, I do not know the cost of the *Mirai*. It would be many hundreds of millions of dollars, I believe.

**Senator CARR**—That is a new vessel, isn't it?

**Dr Haymet**—It was commissioned in 1997, I believe.

**Senator CARR**—It is 140 metres?

**Dr Haymet**—Roughly speaking.

**Senator CARR**—You have seen these complaints. I would ask you to provide me with a detailed assessment of each of these complaints. Obviously, I will give you the opportunity to refute the claims that have been made.

**Dr Haymet**—I am happy to do that now, if you wish. I have Dr de Ronde's letter.

**Senator CARR**—I have a considerable amount of material here. I have no doubt that you can provide it to me in writing, unless you just want to give me a copy of your brief.

**Dr Haymet**—There are a lot of allegations from one of our competitors here. Let me say that Dr de Ronde is on record asking my staff, as he got off the vessel, if he could charter the vessel. That, to me, indicates that he thinks quite highly of both the vessel and the crew. I have already explained to you that we had some rough and tumble with our friends in New Zealand. We exchange scientists. On the voyage you are talking about, Dr de Ronde was a guest of the Australian taxpayer. He was not charged for the scientific work that he did. You may be aware that the scientific discovery on that voyage was reported very favourably in the Wellington newspaper—I believe it is called the *Dominion*. The fact that a single scientist would make some derogatory comments about a competing vessel is something that I look at to see if those allegations are true. I especially look at any allegations about safety. But, placed in context, my job is to make sure that this vessel goes to sea safely and that all of the science is done. I believe that I have accomplished both of those tasks.

**Senator CARR**—So you are thinking that Dr de Ronde's comments are motivated by his interest in another vessel?

**Dr Haymet**—I do not know what his motivation is, but I know that he asked my staff if he could charter the vessel as he got off.

**Senator CARR**—I understand that he did and I understand that this issue has been raised in other places as well. I am also told, though, that a cost comparison was sought between the *Southern Surveyor* and the New Zealand research vessel, the *Tangaroa*.

**Dr Haymet**—By whom?

**Senator CARR**—By Dr Cornel de Ronde. The information that I am provided with—and you can tell me whether or not this is accurate—is that the *Southern Surveyor* is costing approximately \$33,000 per day to hire and the equivalent figure for the *Tangaroa* is \$27,000 to \$28,000. Is that true?

**Dr Haymet**—It could be true, depending on the equipment that is provided. We believe that we have a much superior vessel to the *Tangaroa*, with much more scientific equipment. So it is true that we may be quoting a higher rate than the *Tangaroa*.

**Senator CARR**—Is it true that the *Tangaroa* has a swath mapping facility?

**Dr Haymet**—It has a low resolution, I think, one by two degree swath mapper on it.

**Senator CARR**—Does the *Southern Surveyor*?

**Dr Haymet**—The *Southern Surveyor* does not, currently, but we are planning to put one on in about the November time frame.

**Senator CARR**—So the cost figures that you have quoted to the New Zealand scientists were without the swathe mapping facility?

**Dr Haymet**—That is correct.

**Senator CARR**—And it is \$5,000 a day more?

**Dr Haymet**—Yes.

**Senator CARR**—How do you account for that?

**Dr Haymet**—The *Southern Surveyor* is a much better scientific vessel than the *Tangaroa*. I do not want to get into a debate with my New Zealand colleagues, but—

**Senator CARR**—You have. That is the point. You have commenced this process to explain the actions of the New Zealanders in making a complaint about this vessel on the basis that they are seeking competitive advantage. So you have raised it.

**Dr Haymet**—I am trying to explain to you why Dr de Ronde may want to charter my vessel than the New Zealand vessel.

**Senator CARR**—And he has answered that. You are saying that you do not want to give an explanation as to why it is \$5,000 more.

**Dr Haymet**—I am very happy to give an explanation. Laboratory facilities on the *Southern Surveyor* are quite superior to those on the *Tangaroa*. The *Tangaroa* would be a very good stern trawler. If you wanted to go out and catch fish, it would be a great way to do it. You could process those fish but in terms of its scientific laboratories, there are just four small laboratories in various locations on the ship. The *Southern Surveyor* has much better and much more flexible scientific space and, as I mentioned before, it has an inboard wet lab to service the CTD. I think it has much better communications facilities and scientific instrument facilities.

**Senator CARR**—And as a former trawler, the *Southern Surveyor* would do quite well catching fish as well, would it not?

**Dr Haymet**—It could do that as well. The great thing about the *Southern Surveyor* is that it is now equipped to do many different kinds of marine research.

**Senator CARR**—But it is not designed to catch fish, is it? That is not its function any more?

**Dr Haymet**—That is not currently its function, that is correct.

**Senator CARR**—I am pleased to hear that. I notice that AIMS have vessels as well. They manage to keep theirs at sea for 267 days a year for the *Cape Ferguson* and 268 for *Lady Basten*. The *Southern Surveyor* is at sea for 176: 146 are for national facility days and 30 are for charter days. What is the difference? Why is it that the AIMS vessels are at sea for so much longer?

**Dr Haymet**—Since 1984, the national facility has been funded for 180 days and that has been consistent over a number of governments.

**Senator CARR**—Why is it that AIMS are able to keep both their vessels at sea for a considerably longer period?

**Dr Haymet**—I am very happy to answer that question. It is a somewhat long answer. As I explained to you in February, my goal is to get the *Southern Surveyor* utilised as much as possible. So it is funded for 180 days a year by the national facility and I have put in place a consortium, including CSIRO Marine Research, the National Oceans Office and Geoscience Australia, to charter some more days of that vessel. As I explained to you in February, I believe there is a perception problem in funding a national facility for only 180 days a year. That perception is caused in the minds of the scientific community in Australia who might think that this vessel is used only half the time. I certainly explained to you in February and reiterate that I regard it as my job to put together enough partners to make sure that the resource, funded by the Australian taxpayer, is fully utilised.

**Senator CARR**—I appreciate that and I have no doubt that you are doing your very best to lift the usage days. I accept that that is your intention, but all I can go on is the current record.

**Dr Haymet**—Yes.

**Senator CARR**—What I see is that AIMS have their vessels at sea for 267 days and 268 days respectively and your vessel is at sea 176 days.

**Dr Haymet**—I accept that, Senator, and here is the reason. The *Southern Surveyor* and before it the *Franklin* is a much bigger vessel than AIMS operates. I believe the *Cape Ferguson* is about a 30 metre vessel and their older vessel is about the same. The costs of having a vessel at sea are not just the cost of insurance, the metal and the fuel; it is the cost of having the scientists on board. There is a mix of science that Australian marine science needs to do and that mix of science has led to the national facility being funded for 180 days a year, to do what we might call ‘blue water’ research.

**Senator CARR**—Yes.

**Dr Haymet**—AIMS’s vessels operate in the Great Barrier Reef and the Torres Strait in much shallower waters. They are smaller vessels and they are cheaper to run.

**Senator CARR**—So it is a money question.

**Dr Haymet**—No, it is a question of the kind of research you want to do. Again, as I explained to you in February, my scientists are operating off about 24 different vessels this year. It is horses for courses. The amount of blue water oceanography and geoscience research that Australia needs to do has in the past—for 20 years; from 1984 until last year—come in at around 180 days, and governments have consistently funded the national facility to do that.

**Senator CARR**—That is the national facility. We could say that Geoscience have lost their vessel, *Rig Seismic*. How many days a year do they work on that, do you know?

**Dr Haymet**—I am sorry; I cannot speak to Geoscience issues.

**Senator CARR**—No, I do not expect you to. I am making the point that the number of vessels operating in Australian waters has been reduced substantially.

**Dr Haymet**—I may not be the strongest on the history, but I have had meetings with Geoscience Australia as recently as Friday. With the swath mapping facility, they would be

interested in using the *Southern Surveyor* for many more days. We are in the process of putting together a partnership that will fully utilise all of the resources that are currently available.

**Senator CARR**—Have you managed to sell the *Franklin* yet?

**Dr Haymet**—It is under contract for sale. The 10 per cent deposit has been received.

**Senator CARR**—Do you have a price for it yet?

**Dr Haymet**—The broker negotiated the price in pounds sterling, and I believe at the current exchange rate that would translate to about \$A1.3 million.

**Senator CARR**—What was its value before you put it on the market?

**Dr Haymet**—The value is very hard to estimate. You really do not know the value until you put it on the market, and that is what CSIRO did through a broker. The three highest bids were all within 15 per cent of each other, which indicates that that was the market value of the vessel.

**Senator CARR**—Can I put it to you this way: can you confirm for me that, when the CSIRO board was approached about the sale of the *Franklin*, the book value of the vessel was \$9 million?

**Dr Haymet**—I think that was the Australian Valuer-General's value, a generalist value, of the vessel some time in the past.

**Senator CARR**—And you are telling me now that you are preparing to sell it for \$1.3 million?

**Mr Whelan**—Yes. At one stage the vessel was valued at approximately \$9 million. The Australian Valuation Office revalued that vessel at some stage, I think, in 2002 to approximately \$4 million. The written-down value of the vessel at 31 May 2003 is approximately \$3.1 million.

**Senator CARR**—So you are selling it at half its value?

**Mr Whelan**—The loss that the organisation will book on the vessel's sale is approximately \$1.8 million.

**Senator CARR**—A loss of \$1.8 million?

**Mr Whelan**—That is correct.

**Senator CARR**—Dr Garrett, have you considered whether this is an appropriate sale, given the book value of over \$3 million and the loss of \$1.8 million to the organisation?

**Dr G. Garrett**—We thoroughly considered that, including a discussion with our board. As Dr Haymet indicated, we had made the strategic decision in this domain, and the sale price was what the market offered.

**Mr Whelan**—There were a number of factors taken into account in the sale. The book value, the ongoing running costs of the vessel such as cold storage and insurance costs, and the opportunity cost of the funds not being paid to CSIRO—a range of factors were taken into account when making the decision to sell the vessel.



**Senator CARR**—A range of decisions were taken to sell the vessel?

**Mr Whelan**—A range of factors, Senator.

**Senator CARR**—I have been provided with a copy of a note, Dr Garrett, that purports to be signed by you. I presume it is what it claims to be. It reads:

Dear All

My office will set up an urgent hookup tomorrow probably in the afternoon involving us all.

Ted and Ron are waving, rightly so, a BIG political flag.

The original approval for the Franklin sale, by the Board, was against a book value of \$9m, a market value of between \$4.8m and \$7.7m, indicating a profit (after refurbishment to Southern Surveyor) of between \$3.5m to \$6.4m.

Now we are looking at a loss situation of approximately \$0.7m.

Obviously that was wrong, because it is \$1.8 million.

Politically, as Ted has indicated, we might be better off to donate the ship, in the spirit of great collaborators, to the new world-class JCU/AIMS 'amalgam'. Or at least put it on blocks to minimize operational costs until we have a serious buyer or other uses emerge, e.g. even associated with the wealth from oceans flagship.

Before tomorrow's phone hookup I need to know that we have a let-out clause and I'm not required to sell 'at any cost' to the highest tenderer.

I also need to know what the minimum monthly operating costs would be for 'mothballing' the ship. The best estimate in the time available is fine.

Tony – as Steve would have communicated to you we also need to know what conversations have happened about other buyers in the marine community. We also need your best strategic evaluation of whether preserving a ship like this for the Australian community has merit. Please also feel free to bring one or two of your close colleagues/advisers into the phone hookup.

It strikes me that there has been a bit of a problem here, Dr Garrett, that you have acknowledged; is that true?

**Dr G. Garrett**—It sounds like good management practice to me. I was, on behalf of my colleagues, looking at all the alternatives as we were making a decision. Obviously, as Mr Whelan has indicated, we took all the factors into consideration before we made that decision. Those are the sorts of issues that we needed to confront. I hope you would agree that we considered those with due diligence.

**Senator CARR**—So you proposed putting it out on blocks to minimise operational costs?

**Dr G. Garrett**—That was certainly an option.

**Senator CARR**—And the idea of donating the ship in the spirit of great collaborators to the world-class JCU-AIMS amalgam was seriously considered as well?

**Dr G. Garrett**—We were looking at all alternatives in the management of the risk to get the best possible decision.

**Senator CARR**—You do not think the world-class JCU amalgam is in fact an affiliation, do you? It is an amalgam. That is what you say in your letter.

**Dr G. Garrett**—Perhaps I chose the wrong word. I think affiliation is the right word. It is about collaboration. We can go back to that space. I think amalgams and affiliations have a lot in common.

**Senator CARR**—I tell you what: we might spend a bit of time on this space, if we could, because it strikes me that we do have a bit of a problem here. You had how many buyers for it—three?

**Mr Whelan**—The vessel was put out to tender. A broker was used as part of that process. There were a number of offers for the vessel. Three were taken through to the final stages of evaluation.

**Senator CARR**—When do you expect the sale of the vessel to be completed?

**Mr Whelan**—We do not have the exact date, but the deposit has been paid and the terms of the contract are for the settlement to occur. I do not have it in front of me. I can check that.

**Senator CARR**—If you could, please do that. \$1.8 million is a lot of money to lose, isn't it? Where will that appear in your budget?

**Mr Whelan**—When the final sale transaction is processed, that will be recorded as an expense in this year's accounts if settlement occurs this year.

**Senator CARR**—So there is no offsetting revenue for the refurbishment of the *Southern Surveyor*, is there?

**Mr Whelan**—I am not following the question.

**Senator Carr**—Where is the offsetting revenue for the refurbishment of the *Southern Surveyor* which, if I recall rightly, was a couple of million dollars?

**Mr Whelan**—The organisation is funding that out of its current budget. The refurbishment at the end of the day is a capital cost. Ultimately it will be converted into depreciation in the out years.

**Senator CARR**—The costs of those refurbishments have blown out, have they not, from \$1.3 million to \$2 million?

**Dr Haymet**—Yes. The final cost of the refurbishment was almost \$2 million. That was \$466,000 over the original plan.

**Senator CARR**—So which particular programs will have to be refocused, rephased or reprioritised to meet this \$1.8 million?

**Mr Whelan**—Are you referring to the funding of the refit of the *Southern Surveyor*?

**Senator CARR**—Yes.

**Mr Whelan**—The organisation has that from its capital budget.

**Senator CARR**—So you do not need to find any other savings to meet this unexpected loss?

**Mr Whelan**—It goes to prioritisation inside the organisation's capital budget, which is underspent this year. We have the capacity to fund that.

**Senator CARR**—So you have anticipated for a while that this would be a problem? Is that why you underspent the capital budget this year?

**Mr Whelan**—No, those two matters are unconnected.

**Senator CARR**—Did you ever consider a serious case, Dr Garrett, for preserving the ship in Australia?

**Dr G. Garrett**—Of course. We robustly debated that. That was one of the issues. We wanted to raise all of the alternatives before making a decision, based on all of the facts that we had available from experts inside and outside the organisation.

**Senator CARR**—In the end, you thought it was worth the political risk to sell it at a fraction of its market value?

**Mr Whelan**—Can I make a point there about its value. We are making comparisons here between the value in the organisation's accounts and the value ultimately received via a sale process.

**Senator CARR**—Yes, I understand the point you make. But you started off with a proposition that its market value was between \$4.8 million and \$7.7 million; you have sold it for \$1.3 million. It strikes me that there is a considerable gap between those figures. How do you account for that?

**Mr Whelan**—There are two major factors associated with the difference. If you look at the appreciation of the Australian dollar, you see that \$4.6 million that you referred to is worth approximately \$3.7 million today. That is one component of the change in value. The other component of the change in value is the time that has elapsed between when that estimate was provided, which was approximately three years ago, and today. Since then, there has been a change in the supply of vessels on the market. The Russian equivalent, its marine fleet, has since been disposed of, so the relationship between supply and demand has changed. The market values have fallen. We have run an open tender process, and we believe the value we received reflects its fair market value.

**Senator CARR**—You have sold it to a United Kingdom firm. The value of the Australian dollar has gone up, which is fortuitous, isn't it?

**Mr Whelan**—Just to clarify, the ship was sold in pounds sterling; I am not aware that it has gone to a United Kingdom firm.

**Senator CARR**—Why would you sell it in pounds sterling?

**Mr Whelan**—I understand that is the currency used for the sale of ships.

**Senator CARR**—P&O have that much influence, do they?

**Senator Alston**—There is a conspiracy theory everywhere.

**Senator CARR**—I just wonder why it was sold in pounds sterling. You are saying that that is the international currency, is it?

**Mr Whelan**—I should also add that the original quotations we received were also in foreign currencies—a mix of pounds sterling and US dollars

**Senator CARR**—I want to be clear about this: the book value of \$9 million when the board approved the sale was in Australian dollars?

**Mr Whelan**—Yes.

**Senator CARR**—And the equivalent Australian dollar figure that you sold it for is \$1.3 million?

**Mr Whelan**—That \$1.3 million is net of sale costs—but, yes, that is correct.

**Senator CARR**—When the board was told about the value of this ship it was told it was worth \$9 million.

**Mr Whelan**—I think the board was told at the time that the value was between approximately \$4.6 million and \$7.4 million.

**Dr G. Garrett**—That is correct.

**Senator CARR**—That might be the case, but I could quote from you, Dr Garrett—I could not get a better authority on this. If you like, I will table this.

**Dr G. Garrett**—I am sure it is accurate.

**Senator CARR**—I read it to mean that the original approval for the *Franklin* sale by the board was against a book value of \$9 million.

**Dr G. Garrett**—As Mr Whelan has explained, that was some three years ago. The market value that went to the board was, as he indicated, between \$4.6 million and \$7.4 million. In discussion with our board before finalising the sale, we indicated all the alternatives and we indicated the decision we had made, which was the implementation of our strategy. As Mr Whelan and Dr Haymet have indicated, the market changed significantly over that time period. We took all of the financial and strategic factors into account before making this decision.

**Senator CARR**—The other thing that occurs to me here, Dr Garrett, is a reference to the Senate estimates rehearsals that you go through. How often do you do those?

**Dr G. Garrett**—We take this process very seriously. We need to be prepared and we have regular discussions in order to—

**Senator CARR**—Who plays me? I would be interested to know! I am sure I get treated with—

**Dr G. Garrett**—You can come yourself if you would like to.

**Senator CARR**—I might find out more about what is going on than I do here. Is that the normal practice? Do you actually prepare for estimates in that way?

**Dr G. Garrett**—We take the process very seriously, and the answer is yes, we do. I trust you would approve of that process.

**Senator CARR**—Far be it from me to give you advice.

**Senator Alston**—I presume they do not have quite the level of aggro on the board, though.

**Senator CARR**—What—since you have arrived?

**Senator GEORGE CAMPBELL**—Dr Garrett, you advertised some time ago for a new director for the ICT Centre of Excellence in CSIRO. Has that position been filled yet?

**Dr G. Garrett**—No, it has not.

**Senator GEORGE CAMPBELL**—Why not?

**Dr G. Garrett**—We have been working hard at the recruitment process, both locally and internationally. We have a short list that we are dealing with at this point in time. We will be making a decision in the next couple of months. It is a very responsible position and, as such, we have needed to go very widely in seeking people that would be interested to apply; and this takes time.

**Senator GEORGE CAMPBELL**—You say a decision will be made in the next couple of months. When is the appointment likely to be made?

**Dr G. Garrett**—Again I would say that a decision will only be made subject to the selection panels' agreement that interested participants would be appropriate for the job. Having made that decision, at the sort of level we are talking about it probably would be another two or three months after that for the appointment to come into practice, because that would be the terms of notice of any individual at that level.

**Senator GEORGE CAMPBELL**—Will this be a board appointment?

**Dr G. Garrett**—No. We inform the board of this appointment. This is an appointment that is at the level of chief of division and would report to one of our group chairs.

**Senator GEORGE CAMPBELL**—You have used the term 'partner or perish' on a number of occasions today. Why is it necessary for you to set up an ICT Centre of Excellence? How will your centre differ from NICTA?

**Dr G. Garrett**—My colleague Dr Sandland will complement any comments I make. First of all, over the course of the last 12 months we have been reviewing, as we do on a regular basis, the domains of our activity in terms of the research focus and the ability to serve needs now and into the future. One of the outputs of that review, as I indicated earlier, was that we need to rejuvenate our research efforts in the ICT space—and we will, as I have indicated, put new resources into that. The nature of our activity is complementary but different from the NICTA thrust. We will be working very collaboratively—in fact I met the new president and CEO just this week—in the ways we will be working together in that domain. We have complementary skills and complementary efforts. We have of the order of 250 research staff and support staff working in this ICT area and that requires leadership at this point in time.

**Senator GEORGE CAMPBELL**—Have you considered a partnership with NICTA?

**Dr G. Garrett**—Now Dr Slater is on board, we will be looking at a number of mechanisms where our two organisations will be working increasingly closely together. For example, in September there is the ICT outlook forum where, together with us, the DSTO, NICTA and the council of ICT CRCs are cohosting a major initiative with industry in future directions in the ICT area. We will be looking at a number of ways in which we can partner together increasingly.

**Senator GEORGE CAMPBELL**—Why wouldn't it be possible to enter into an arrangement with NICTA to extend its activities to cover this range of work that you are proposing to undertake? Why is it necessary for CSIRO to have this separate facility?

**Dr Sandland**—One of the critical aspects of ICT is that it underpins all of our research. For example, ICT is critical in marine research and minerals research, and we need to have within CSIRO a world-class capability that actually builds on those applications and, indeed, is capable of being translated into research that goes out into the marketplace. So, if we were to remove our ICT research from within CSIRO, we would lose something of inestimable value to our overall research effort. However, in relation to our partnership with NICTA, that is quite clearly an area we will be exploring. As to the nature of that, it is too early to say. The new director and president of NICTA has only very recently taken up his appointment, but we have already been talking about how that might take place.

**Senator GEORGE CAMPBELL**—But is the work that is going to be performed by the ICT Centre of Excellence that you are proposing within CSIRO of a general character in the ICT industry or is it about focusing on specific applications of technology that are relevant to CSIRO's work? Is that what you are saying?

**Dr Sandland**—I am saying that the latter part would be lost if we were simply to go and focus on just the needs of the ICT industry. However, much of the work that we do in that space is of very direct relevance to the ICT industry and indeed CSIRO's achievements. For example, the development of the wireless local area network standards that are used now internationally and that led to the formation of the company Radiata is an example of the excellent work we have done in the past for Australian industry in the ICT domain.

**Senator GEORGE CAMPBELL**—I understand the argument that you are putting up; I am just trying to understand why this is not capable of being done jointly between CSIRO and NICTA.

**Dr Sandland**—I think that, as time passes, the relationship between CSIRO and NICTA will grow increasingly strong, and that is certainly our intention.

**Senator GEORGE CAMPBELL**—What is the cost of this facility?

**Dr G. Garrett**—We should point out exactly how it works. At this point in time we have two major operating divisions that encompass the ICT space. We had several structural alternatives, including an amalgamation of those two divisions or the creation of a third division in that intermediate space. We have chosen an organisational model that will harmonise the existing skills between our two divisions—CMIS and CTIP—as the ICT research centre. So it is taking existing resources and choosing a different organisational arrangement.

**Senator GEORGE CAMPBELL**—What is the cost of doing that?

**Dr G. Garrett**—Are you talking about when it is operating—how it will run?

**Senator GEORGE CAMPBELL**—I am talking about the cost of creating that joint operation for CSIRO.

**Dr G. Garrett**—We have existing activities in this area. If you look at our ICT spend between CMIS and CTIP it is of the order of \$35 million to \$40 million, with 250 staff. That

is an ongoing activity. We have been reorganising that team of people with focused objectives under the new plan. We will also be injecting, as I said earlier, substantial new moneys—of the order of \$4 million in the next financial year additional—into the ICT environment across the organisation.

**Senator Alston**—From the government's point of view, when we established NICTA and we put \$129 million on the table—and we get at least another \$70 million from the private sector—we see that as having the ability to inject a healthy degree of competition for CSIRO. So, even though they will collaborate at various levels, at the end of the day each can benchmark the other. I think that is a very useful way of measuring progress, because they will presumably specialise in different areas but there will be a degree of overlap due to the transformational capability of ICT. So to be able to have two world-class facilities conducting very high-level research is, we think, very important.

**Senator GEORGE CAMPBELL**—All I am trying to test is the relationship between the resources available to NICTA and the resources available to CSIRO.

**Senator Alston**—We founded NICTA out of Backing Australia's Ability.

**Senator GEORGE CAMPBELL**—I understand that. That is approximately \$200 million with private and public sector funding.

**Dr G. Garrett**—CSIRO's ICT activities are funded out of baseline appropriation funding and revenue generated from external environments. In addition, as I indicated earlier, we are utilising some of our reallocation money to change our focus because we believe the ICT domain is a very important one and requires us to put significantly more resources—in fact, as an organisation we have been criticised in the past that we have not put in as much as we should have—in that area.

**Senator GEORGE CAMPBELL**—Are those resources comparable to what is available to NICTA? I will put the question in that form.

**Dr G. Garrett**—Yes, they are, as NICTA ramps up over the next four years. So, as Senator Alston has indicated, we will be rapidly in this country generating significant expertise and activity that was not there before.

**Senator GEORGE CAMPBELL**—On the question of corporate overheads, Mr Whelan, can you give me the total dollar figure or the percentage of your budget that goes to corporate or head office functions?

**Mr Whelan**—I think I answered that question at the last hearing. As I recall, CSIRO-wide services—if you like, the corporate functions—are approximately \$44 million out of a total spend of the order of \$710 million.

**Senator GEORGE CAMPBELL**—So about five per cent.

**Mr Whelan**—Something like that. I can double-check the figures.

**Senator GEORGE CAMPBELL**—Do you know how that would compare with other government agencies or comparable private sector—

**Dr G. Garrett**—I have that information, because I had responsibility in a previous nation for a similar organisation and we certainly did the benchmarking. It was of the same order. We

were working off a six per cent level at that time. So we are at the same sort of order of magnitude.

**Senator GEORGE CAMPBELL**—Do you have a corporate policy, Dr Garrett, about the use of chauffeur driven cars?

**Dr G. Garrett**—I am not sure if there is a specific policy. I would have to check my facts on that.

**Senator GEORGE CAMPBELL**—What about the use of charter planes or helicopters?

**Dr G. Garrett**—Under special circumstances, that may be appropriate in case specific situations.

**Senator GEORGE CAMPBELL**—Do executives in CSIRO use chauffeur driven cars on a regular basis?

**Dr G. Garrett**—Some members of my executive team, including me, in particular situations will have drivers that take us to a point to optimise the efficiency of our activities. We have looked at the overarching cost benefit of our effectivity compared with the taxi environment—but I can get you the facts on that, should you wish.

**Senator GEORGE CAMPBELL**—What about the use of charter planes?

**Dr G. Garrett**—There are situations where we have. My colleagues have indicated that we chartered a five-seater aeroplane to Narrabri yesterday for a team from entomology for a specific assignment. When you look at the cost benefit of their time and the other ways of travelling, that makes sense.

**Senator GEORGE CAMPBELL**—Were they on a scientific assignment?

**Dr G. Garrett**—I believe so.

**Senator GEORGE CAMPBELL**—I am talking here about the executive team.

**Dr G. Garrett**—The executive team and charters?

**Senator GEORGE CAMPBELL**—Yes, the use of charter planes.

**Dr G. Garrett**—I would have to go back into history to find out. I am sure there are occasions where particular situations have warranted planes being chartered.

**Senator GEORGE CAMPBELL**—What about helicopters?

**Dr G. Garrett**—Personally, in the 2 ½ years I have been here, I do not recall any of my executive team in that environment, but I would have to check my facts. I am happy to do that.

**Senator GEORGE CAMPBELL**—You have not used a helicopter for getting around.

**Dr G. Garrett**—Me?

**Senator GEORGE CAMPBELL**—I presume you are part of the executive team.

**Dr G. Garrett**—Yes. We did take, as part of a process of induction when I was in the Northern Territory, a particular helicopter ride with the local community around understanding that particular environment. So there was one trip, yes. It was the first and last time I have ever been in a helicopter.



**Senator GEORGE CAMPBELL**—Dr Garrett, can you take a question on notice from me; it is the only way you can do it. How long have you been in charge of the operation now?

**Dr G. Garrett**—It is coming up to two and a half years.

**Senator GEORGE CAMPBELL**—Two and a half years—so it is not fair to ask you to answer for your predecessors. But over the past two years who, in the executive team, has used chauffeur-driven cars, and how often; charter planes or helicopters, and how often; and, when charter planes or helicopters were used, were there or were there not commercial flights available to be used by the executive team?

**Dr G. Garrett**—I am happy to take that on notice.

**Senator GEORGE CAMPBELL**—Has there been any assessment made of the savings that can be generated out of the corporate overheads and transferred into real sand slab work?

**Dr G. Garrett**—Yes, Mr Whelan is running a process in that domain and will speak to what we are doing now.

**Mr Whelan**—The organisation has had a very serious look at its cost structure as part of its forward planning process. It looked at its research support costs, its corporate costs, and as part of its strategy over the next three years it will be undertaking a detailed review of those support costs to identify savings opportunities. That process is due to get under way early in the new financial year.

**Senator GEORGE CAMPBELL**—When will that be completed, Mr Whelan?

**Mr Whelan**—It will be an ongoing process. I do not think an organisation ever completes looking at its support costs, but certainly it will be a major priority and, as you have indicated in your question, its focus is to realise funds that we might invest in science.

**Senator GEORGE CAMPBELL**—On the issue of the executive team, and given that executive remuneration is a fairly popular topic in this country at the moment, is there a performance element to the chief executive officer's remuneration?

**Dr G. Garrett**—Yes, there is.

**Senator GEORGE CAMPBELL**—How is the performance element decided?

**Dr G. Garrett**—I have a set of key performance indicators that I negotiate with my chairman, which are reviewed on a regular basis. At the end of a particular financial period this is formally assessed, with a meeting between me and the chairman, on a scale of nought to 100. The results of that discussion are then taken by the chairman to the board, who review my performance and allocate a performance bonus on the basis of that decision.

**Senator GEORGE CAMPBELL**—Are you aware how long this remuneration system has been in place? It is obviously in place for you—has it been in place for previous CEOs?

**Dr G. Garrett**—In terms of the performance, yes, it has—it is a performance bonus. That is my understanding, certainly for my immediate predecessors. Can I just check? Yes, it was the case.

**Senator GEORGE CAMPBELL**—Are you aware of any occasion when the CEO has received less than 100 per cent performance payment?

**Dr G. Garrett**—Yes, I am, because I have just got a letter yesterday where I received less than 100 per cent.

**Senator GEORGE CAMPBELL**—Are you aware of anybody previously who has received less than 100 per cent?

**Dr G. Garrett**—I do not have that information. I can find out, but I do not—

**Senator GEORGE CAMPBELL**—Do you, Dr Sandland?

**Dr Sandland**—I am not aware of that information for previous CEOs, no.

**Senator GEORGE CAMPBELL**—Perhaps the board are taking this seriously, Dr Garrett. That is unusual.

**Dr G. Garrett**—I think we have a very sharp board that take their responsibilities very seriously and are putting a lot of time and effort into good governance and I think this is one component of that.

**Senator GEORGE CAMPBELL**—In the private sector they do not seem to worry about performance versus remuneration.

**Dr G. Garrett**—I must say that in my career the process that is now run is the most comprehensive I have been through.

**Senator GEORGE CAMPBELL**—I will not to ask you to identify what the degree of less than 100 per cent was, in terms of your remuneration. That is interesting to note. Can you take on notice whether that has occurred with previous executives or CEOs?

**Dr G. Garrett**—Sure.

**Senator GEORGE CAMPBELL**—Is there a performance component for other executives?

**Dr G. Garrett**—Yes, there is.

**Senator GEORGE CAMPBELL**—Down to what level?

**Dr G. Garrett**—Down to the executive management council level, which consists of chiefs and general managers and a number of other senior executives in the environment.

**Senator GEORGE CAMPBELL**—Are they assessed on the same set of criteria on which you are assessed?

**Dr G. Garrett**—Yes, they are. We have a rigorous performance approval and monitoring system.

**Senator GEORGE CAMPBELL**—And are there executives in that group that receive less than 100 per cent remuneration?

**Dr G. Garrett**—Most certainly, yes.

**Senator GEORGE CAMPBELL**—More than half? Less than half?

**Dr G. Garrett**—Significantly more than half. In fact, in my tenure, I think there have probably only been two 100 per cents that I have given.

**Senator GEORGE CAMPBELL**—So you do take it seriously?

**Dr G. Garrett**—I think it is a critical responsibility of leadership in any organisation.

**Senator GEORGE CAMPBELL**—I have a couple of questions on one final issue. I should declare that I am not looking to become a gentleman farmer, so I am not trying to test out whether or not I should grow wheat, cattle, sheep or what have you. I am not intending to buy a farm. I understand that, when you discovered the wheat rust virus in the Canberra labs, the organisation destroyed all of the plants at those sites. Is that correct?

**Dr G. Garrett**—That is correct.

**Senator GEORGE CAMPBELL**—Was that not an overreaction in handling this issue?

**Dr G. Garrett**—On the basis of the information available to our scientists and the leadership in that environment at that time, it was the right decision.

**Senator GEORGE CAMPBELL**—Why would you not have retained some of it to do research on?

**Dr G. Garrett**—Because, in discussion with the appropriate authorities, we had concerns in this whole domain and we needed to make a rapid intervention.

**Senator GEORGE CAMPBELL**—What was the cost of the CSIRO aborting this research?

**Dr G. Garrett**—We do not have the final figures. We are doing the analysis there, but it is certainly in the millions in terms of lost research.

**Senator GEORGE CAMPBELL**—Do you have a ballpark figure?

**Dr G. Garrett**—It would be over \$5 million.

**Senator GEORGE CAMPBELL**—When did CSIRO scientists become aware of the fact that this virus has probably been widespread in Australia for many years?

**Dr G. Garrett**—I would ask my colleague, Dr Higgins, whose responsibility is in plant industries as assistant chief, to respond to that particular question with accuracy.

**Dr Higgins**—When did we become aware that it was widespread in the country? We became aware of that, I think, on 14 May. It became obvious that it was at a number of different sites.

**Senator GEORGE CAMPBELL**—But it is true, though, that it has been widespread in Australia for many years?

**Dr Higgins**—It has probably been in the country for a decade or more.

**Senator GEORGE CAMPBELL**—And CSIRO only became aware of it in May this year?

**Dr Higgins**—That is right.

**Dr G. Garrett**—Nobody else was aware of it, either—it was only us who led the way, through the detection process and the analysis that we undertook.

**Senator GEORGE CAMPBELL**—If plant science is one of your core missions, why did you not become aware of it earlier than May this year, if it has been widespread for a number of years?

**Dr Higgins**—The number of sites at which it has been found around the country is still under 30. I think the reason why it was not obvious to people is that the symptoms are easily confused with other stress symptoms, such as those brought about by waterlogging or even by nutritional stresses. I think that the virus has been around, as people are now saying, for probably 10 years, but was active only at a very low level. Any losses due to the virus are probably very low and below the level of detection by most of the agronomists and plant breeders. We were the first to identify it, largely because of changes in diagnostic technology—changes in our ability to recognise the virus, with a sensitive test.

**Senator GEORGE CAMPBELL**—Are these sites where it has been discovered ones that have been visited by CSIRO or where CSIRO has been involved in research activity?

**Dr Higgins**—Yes. Some of them would include places where we would visit because they are our research institutions, but many of the sites where the virus has now been found would include sites where CSIRO scientists have not been, probably, such as roadsides, farms and other places. I think there is no evidence that CSIRO has been involved in the spread of this disease in any way.

**Senator GEORGE CAMPBELL**—It is not unusual that this has not been picked up before May this year?

**Dr Higgins**—It is a surprise to me that it has not been picked up, but now that we have had a look at some of the diagnostic tests that were available it is probably a little more easily understood. Those tests were unreliable. They were antibody based tests. We sent samples to a commercial diagnostic lab in the United States to test for the virus and the results came back negative yet when we used a different kind of test we found that, in fact, the virus was there.

**Senator GEORGE CAMPBELL**—Are you absolutely confident that no-one in CSIRO knew about this before May this year?

**Dr Higgins**—Yes, I am absolutely confident that that is the case.

**Senator GEORGE CAMPBELL**—What are the implications of this for wheat imports and the current free trade negotiations?

**Dr Higgins**—It is a trade issue, but wheat imports are not a major thing for Australia; wheat exports are more the way in which we go. I do not think it would have any implications for our exports, for instance. Any wheat that does come in comes in under quarantine.

**Senator GEORGE CAMPBELL**—Which is used as a non-trade barrier?

**Dr Higgins**—Yes, but most of the wheat that comes in is really for research purposes rather than as a feed source.

**Senator GEORGE CAMPBELL**—So you do not believe it has any implications in terms of our trading arrangements?

**Dr Higgins**—No, I do not think so; certainly not for our export arrangements, because most of the countries that we are exporting wheat to already have the virus. The major possibility of a problem would be if the virus was to become widespread in the country and caused a diminution of yield. The evidence is that it has not caused much of a problem in the 10 years that it has been here.

**Senator GEORGE CAMPBELL**—But is CSIRO continuing to monitor those circumstances?

**Dr Higgins**—Yes, over the coming years there will be research into this. For instance, one of the things we will be involved in will be making wheat resistant to the virus. There will also be surveillance, monitoring and testing for this virus in the coming years.

**Senator GEORGE CAMPBELL**—Dr Garrett, I turn now to the issue of commercialisation. Where is that up to within the organisation?

**Dr G. Garrett**—You will recall from previous discussions that one of the key thrusts in our strategic action plan from May 2001 was to enhance the track record of the organisation in the effective commercialisation of technologies. We have put a lot of time and effort into that domain and we believe we are making significant progress in terms of the processes and the results from that.

**Senator GEORGE CAMPBELL**—You have employed a number of individuals to work on the commercialisation of technologies, have you not?

**Dr G. Garrett**—Yes, we have.

**Senator GEORGE CAMPBELL**—Have you employed them directly or under contract?

**Dr G. Garrett**—A number of the individuals that we have recruited to support our commercialisation thrust are on specific short-term contracts.

**Senator GEORGE CAMPBELL**—How many does that total?

**Dr G. Garrett**—Across the divisions of the organisation we have in the order of 120 people working in the business development and commercialisation domains and just over 50 in the corporate environment. It is important to recognise that the overall remuneration associated with those positions is of the order of four per cent of the overall remuneration to scientists. So it is a small component, but it has increased because it is part of the implementation of our strategy.

**Senator GEORGE CAMPBELL**—What successes have you had so far since you commenced the implementation of this strategy?

**Dr G. Garrett**—These are along a number of domains. We have had the opportunity to put our house in order, to integrate our commercialisation and business development initiatives and embed them into the organisation. We have revamped our governance process through the establishment of our commercialisation executive committee and a board commercialisation committee. We have streamlined the decision making processes in the commercialisation space. We have undertaken a significant review of our engagement with CRCs—the effectivity and otherwise of that and how we improve that in the commercialisation of technologies.

We have put particular focus on a few key opportunities around the effective exploitation of our intellectual property assets through the patent portfolio that CSIRO holds. We have energised our relationships with a number of partners in the RDCs—the rural R&D corporations—to enhance our relationships there. We have modified and significantly improved the way in which we take a one-CSIRO perspective in engaging with our business

clients. The fact that we have managed to grow our external review and to improve the revenue from our intellectual property assets gives us great confidence about our growth targets into the future.

We are in the business of building long-term capability in this area. As such, the team has been working with our divisions. We have piloted in four divisions business improvement, improved contracting processes and improved engagement with industry. We have conducted training sessions across a wide range of activities in the business area. This will continue to be a major thrust for us into the future as we seek to enhance the ability of transferring this great science and great technology to create wealth, create improvement of quality of life and create jobs for our nation. That is our mandate and the people we are engaging and bringing up to speed in this environment are helping us in that technology transfer process. It is a major thrust. It will continue from our strategic action plan into our strategy over the next four years but focusing on a few key areas.

**Senator GEORGE CAMPBELL**—I understand that that is your objective, Dr Garrett. The question I asked was: what successes have you had since you commenced this?

**Dr G. Garrett**—Perhaps I can put it another way. What I gave you was a number of domains of success around the processes that we have put in place, the results we have achieved and the opportunities we have latched onto.

**Senator GEORGE CAMPBELL**—Can you identify any specific research that you have carried out which you are now commercialising?

**Dr G. Garrett**—If you look—and my colleague Mr Baghai I am sure would add value to this debate—at the increase in licence revenue that we have received from our intellectual property assets and the growth of that in the last two years—

**Senator GEORGE CAMPBELL**—That is intellectual property?

**Dr G. Garrett**—That is intellectual property.

**Senator GEORGE CAMPBELL**—And that is royalties?

**Dr G. Garrett**—That is from royalties which have grown from the attention that we focused in that area. That is a success.

**Senator GEORGE CAMPBELL**—I understand that, but we are talking specifically about commercialisation of ideas. That is what you talked to me about a couple of years ago in the other department which you were then under. You put great focus on commercialising the ideas, turning the ideas into widgets or whatever. What I am trying to get a handle on is specific success you have had in this area.

**Mr Baghai**—I can give you a few examples across the board. There are different types of activities that we do. Generally, what we are trying to do is one of two things: either turn existing intellectual property into future cash flows, profit flows of some type—

**Senator GEORGE CAMPBELL**—This is at pre-equity investments?

**Mr Baghai**—Yes—or establish partnerships, co-investment situations that allow research to be taken over the next three to five years which will have commercialisation results down the track. In essence, almost all of our activity is around creating long-term future profit flows

that can be an endowment to the organisation. To give you an example, if you look at our patent portfolio, we have 3,500 patents that fall roughly in 730 patent families. What we have done over there is identify 30 families where, as a pilot, we conducted a joint venture with one broker that is marketing those patents to potential corporations that are interested. We expect business cases that have come forth to be actioned and that to result in cash for CSIRO in this coming financial year. Those would be with patents which are what we call ‘dormant’.

Similarly, at the other end of the portfolio we look for things called RIPPERS—reclaimed intellectual property presenting exceptional revenue. If you look across the world at research organisations, you will find that on average research organisations end up getting somewhere between a three to five per cent return on investment in terms of the revenues that come in from patents. The exceptions to those are cases where the organisation finds an exceptional patent that ends up being a super winner. What we have been trying to do with CSIRO is trawl the 20 divisions of the organisation to identify potential RIPPERS and invest in those. Currently we have business cases on three that are being developed and one where we are starting to take action in the marketplace. My anticipation is that, if they materialise, in the neighbourhood over the next two to four years we will begin to see the results from those activities. That is what we are doing with patents.

Another way of trying to develop value for the organisation is through spin-offs, which historically had been something pursued in a very excited capital market. With capital markets being down you shift attention away from spin-offs where you would be selling them at very low cost and instead look for alternative ways for getting them into the marketplace. With a number of technologies we have been evaluating ways of either getting the spin-offs to happen more efficiently through partnerships with venture capital firms—and we are down the track in terms of negotiating agreements with a few—or we try to inject intellectual property into existing corporations. We have launched a program to identify leading edge SMEs and to negotiate ways to get the intellectual property into those in exchange for some upsides. These programs are all under way and we expect over the next year our future cash flow rates to grow for that portfolio.

**Senator GEORGE CAMPBELL**—I understand what you are saying. There is a lot of energy being put into that area but there are no identifiable big bangs at this stage that you can point to to demonstrate that it has been successful.

**Mr Baghai**—To put it in perspective, if you look at the Stanford experience, which is one of the more successful ones in the United States, the experience spans 26 years. This is not something that happens overnight. But we have conscious milestones about trying to measure whether our asset portfolio, in terms of future rates, is growing. The right place to look for this is for us to be continuously updating on the growth of those future rates.

**Senator GEORGE CAMPBELL**—In terms of the ‘partner or perish’ approach, Dr Garrett, do you have collaboration with the DSTO in terms of compatibility of your research with them and the potential commercialisation opportunities in that area?

**Dr G. Garrett**—Not in the commercialisation domain specifically, although we are exploring and will be having discussions with them in terms of the skills that Mehrdad and his

colleagues bring to the table. We have a joint liaison committee around sharing of learning around particular research projects that we have in common.

**Senator GEORGE CAMPBELL**—Are there any implications of this refocus of CSIRO on commercialisation activities for your core research work on water resources, et cetera?

**Dr Garrett**—I do not believe so, if I am hearing you correctly, Senator. We will as part of our refocusing. The water domain is one of our key focus areas for the healthy country flagship. We are putting additional resources into that area across the country. In terms of the commercialisation, Mehrdad has a comment.

**Mr Baghai**—I can add to it. Maybe one of the important things to keep in mind is that the mandate of the Business Development and Commercialisation team is not just to grow the financial capacity of CSIRO. That is one objective. The other one is to make sure that the technology has the greatest possible impact. So there are parts of the group that are focused on developing public-good type agreements and opportunities. One such example in the water arena is a collaboration that is beginning to take place with something called the Global Research Alliance. This group of eight CSIRO look-alikes from around the world, including the US, Germany, Denmark and other places, is to put together a joint plan on projects involving water in the case of a billion people who do not have access to clean water and to seek funding from global foundations. That is a project that we are very excited about and we are pushing. There is that kind of business development that also takes place in the group. In that case it is a collaborative model with a bunch of other science agencies.

**Senator GEORGE CAMPBELL**—At estimates a couple of years ago you said that your objective was to create a set of circumstances where 75 per cent of revenue for CSIRO would be generated externally.

**Dr G. Garrett**—I do not believe I would have said that.

**Senator GEORGE CAMPBELL**—It was a significant figure. Maybe I am misquoting you with 75 per cent—it might have been less than that. But you said your objective was to substantially grow the external revenue source.

**Dr G. Garrett**—I would have said that our objective was indeed at that time to substantially grow our external revenue, and we have had some growth in that area. Also at that time we indicated that external revenue is but a course metric of what we were trying to achieve in our growth strategy around enhancing our impact and relevance for the nation. That was really what the thrust of the growth strategies were about.

**Senator GEORGE CAMPBELL**—I understand that. Maybe the figure I quoted is the wrong figure. What I am concerned to find out from you is what measures, given that there is a constant squeeze on your budget base, you put in place within the CSIRO structure to ensure that this drive for commercialisation, external marketing of your IP et cetera is not taking away resources from your core research.

**Dr G. Garrett**—As Mehrdad indicated, one of the thrusts associated with the exploitation of our intellectual property assets is to generate discretionary revenue, endowment revenue, that we can inject back into the core research activities. This is, if you like, getting paid while you sleep as you have developed technology and you license it out. We have put a lot of effort



into building the skills and analysing the patent portfolios as Mehrdad has indicated. That is one domain. We are also working very hard to persuade government that it is necessary to invest in an organisation like CSIRO in the major challenges around energy, water, agribusiness and preventative health and this is a national taxpayers' responsibility to continue to invest that sort of funding into our organisation. The third dimension is obviously to increasingly make ourselves relevant and engaged with an external marketplace and provide service for which we would obviously add value and receive a payment in turn. Those are the dimensions of which we are seeking to grow our overall business.

**Senator GEORGE CAMPBELL**—In those core research areas, did you have benchmarks for funding, expenditure and levels of research?

**Mr Whelan**—We track research effort by type. There are four broad types, applied research, experimental development, pure basic research and strategic basic research, we monitor over time. Between 1997-98 and today investment in strategic research, both pure basic and strategic basic, has grown by 1.1 percentage point, experimental development has increased by about 1.5 percentage points and applied research has fallen by approximately 2.6 percentage points. Over the last four to five years there has actually been an increase in strategic basic research, pure basic research and experimental research in the organisation as opposed to applied research.

**Senator GEORGE CAMPBELL**—Is it possible, Mr Whelan, to give us the figures for the growth in research in those four key areas for five-year periods over the past 20 years?

**Mr Whelan**—I have the data back to 1992-93. Would you like me to read it now or shall I provide it to you?

**Senator GEORGE CAMPBELL**—I am happy for you to read it and put it on the record. Would it take you long?

**Mr Whelan**—It would take me quite a while to read the data in.

**Senator GEORGE CAMPBELL**—Take it on notice and provide us with the documentation.

**Dr G. Garrett**—Have we answered your question, Senator?

**Senator GEORGE CAMPBELL**—Yes.

**Senator CARR**—I will not keep you much longer. The rest of the questions I will put on notice because you have been here for a while. Dr Garrett, how much has been spent on the renovations at Garrett and Westridge House?

**Dr G. Garrett**—These were decisions taken by our board before my arrival, as you know. George Harley is responsible for our property area. I think we have responded to this particular question previously.

**Senator CARR**—Senator Ferris had an interest in this matter in the past. Mr Harley, how much has been spent on the renovations? I understand, Dr Garrett, that this is your residence.

**Dr G. Garrett**—It is the CSIRO residence that we are currently occupying.

**Senator CARR**—These were decisions made by the board prior to your taking up residence there?

**Dr G. Garrett**—Correct.

**Senator CARR**—To get it clear, I need to know how much has been spent on the property.

**Mr Harley**—Approximately \$550,000 in total. Should I break that up into components?

**Senator CARR**—Yes, please.

**Mr Harley**—There are two major components—one is bringing it up to the historic value that we needed to.

**Senator CARR**—It is a heritage issue.

**Mr Harley**—It is a heritage listed house, so we have spent in excess of \$300,000 just doing that, which we had to do, and about \$200,000 turning it into a liveable, contemporary house.

**Senator CARR**—Are the gates and the various lighting that have recently been put in there part of the same project?

**Mr Harley**—Yes. And we have been doing some minor landscaping inside.

**Senator CARR**—What is the total project cost?

**Mr Harley**—We will add probably another \$30,000 or \$40,000 over the next 18 months.

**Senator CARR**—So the total project costs will be?

**Mr Harley**—\$600,000.

**Senator CARR**—And that has been spent over the last two years—is that right?

**Mr Harley**—It would have been two years, yes.

**Senator CARR**—I trust that CSIRO is not going to sell it now, are they?

**Mr Harley**—No.

**Senator CARR**—It is not going to fund the losses from the *Franklin* or anything, is it? Or are you going to let the department of finance get hold of it and make you rent it back from them? Do you have any plans like that?

**Mr Harley**—No.

**Senator CARR**—Thank you.

**CHAIR**—That concludes CSIRO. I thank the officers for appearing.

**Proceedings suspended from 3.42 p.m. to 4.05 p.m.**

**CHAIR**—I would like to especially welcome Dr Jeff Harmer, the new secretary of the Department of Education, Science and Training, and the senior officers. We now move to cross-portfolio questions.

**Senator CARR**—Dr Harmer, I welcome you to the committee and congratulate you on your appointment.

**Dr Harmer**—Thank you.

**Senator CARR**—I look forward to being able to work with you and your officers on a professional approach. I trust we can avoid some of the theatrical performances we saw from your predecessor.

**Dr Harmer**—I am not the theatrical type.

**Senator CARR**—I am very pleased to hear that. In that process of trying to establish a more professional working relationship with your officers, I was wondering if I could ask you a few questions about the approach that you intend to take to these hearings. Could you perhaps give us an indication of how you see the estimates process? Do you think it is an important part of administrative accountability to the parliament?

**Dr Harmer**—I do, yes. I think it is a very important part of administrative accountability to the parliament.

**Senator CARR**—Do you have anything further to add about the role of estimates?

**Dr Harmer**—No, not on estimates. I have participated in a wide range of Senate estimates hearings over the years. My approach has generally been to try to be as helpful as possible to the Senate and senators and to provide answers as quickly as we can, if possible at the time or very shortly after. I am not inclined to want to take a lot of questions on notice. I would like to come back and answer as many as I can, either at the time or perhaps tomorrow, if we are here tomorrow—and I suspect we will be.

**Senator CARR**—Friday is more likely.

**Dr Harmer**—That will be my approach, but obviously sometimes we need to take questions on notice.

**Senator CARR**—The trouble is, we take our job pretty seriously as well. While we understand that arrangements have been made to have our questions on notice placed electronically, which might help facilitate that work, that is certainly the approach that my office will be taking. But there will be a number of questions that we will not be able to do anything else with, other than put them on notice, given the volume of work that is required in these matters.

**Dr Harmer**—Indeed; I understand that.

**Senator CARR**—Are you able to give us your initial impressions of the new department you have?

**Dr Harmer**—I am very pleased to have the opportunity to. I have been there just less than three months now. As I have said to the staff in the department, I feel very lucky because it would have been almost certainly my No. 1 choice. You do not get to pick portfolios; they are not positions you apply for. But I am delighted to be in this one, primarily because it deals very much with the future of this country. I am a great nationalist. I believe very strongly in the future of the country. Education and science are very much about the future. Having the responsibility of running a department which deals with many of those key programs is, I think, a great privilege, so I am delighted.

The department is very strong. There is a lot of experience and an incredible amount of commitment. I have worked in a lot of different Commonwealth departments. I notice, at the

executive level and well down below, people who are very committed to what they are doing, very committed to doing a good job, and prepared to go above and beyond, many times, when it is required. But I am not a leader who requires them to be there when it is not necessary. I also believe in work-life balance, and I have made those points very strongly to the staff on a number of occasions.

I very much like the climate and some of the themes that Peter Shergold—who, I believe, made a big difference to the department while he was there—has left: things like the support of staff in ‘stay here and grow’, his philosophy about supporting staff already in the organisation, allowing them to develop and grow; and the ‘open for business’ agenda, which is a very important statement to all external stakeholders about the way DEST should do business in a very open, frank and consultative way. There are, I believe, some examples of how that has happened in the recent budget. I have been welcomed by the senior executive, and I have already been shown great loyalty, which I am delighted about. So I am very pleased to be here.

**Senator CARR**—That is very encouraging. Thank you for the statement. Would you regard the department as the pre-eminent source of expert knowledge about education, science and training within the Commonwealth?

**Dr Harmer**—I would hope so, yes. It is a little early for me to judge but I believe the minister listens a great deal to the department’s advice.

**Senator CARR**—It is a reasonable expectation for the secretary to hold such a view, isn’t it?

**Dr Harmer**—Indeed.

**Senator CARR**—I think it is a reasonable expectation that the parliament should hold such a view. It is certainly the view that I believe appropriate. We should look to the department as a source of expert knowledge about education. Perhaps it is the pre-eminent source for the Commonwealth. That is not to say that it is the only source, of course. How well do you think the department does its work in developing policy advice?

**Dr Harmer**—In my limited experience so far I am very impressed by the analytical ability of the staff, their access to information and data, and the way they prepare the advice. The written work is high quality and shows quite a depth of analytical ability. That reflects, in part, the high skill level of the senior people and also the experience of many of them.

**Senator CARR**—Do you undertake internal research and analysis to inform policy and assess the impact of proposed initiatives and funding programs?

**Dr Harmer**—We do.

**Senator CARR**—Do you think that the internal capacity has improved in recent times?

**Dr Harmer**—I am not able to judge but I am a great believer in maintaining a very significant internal capacity to do exactly that.

**Senator CARR**—There have been some concerns about the changes that have occurred in the structure of the department in terms of its capacity to undertake internal research and analysis. Do you think there is any justification in those concerns?

**Dr Harmer**—I am not aware of such concerns. That is not something that has been raised with me in the first three months but I would be concerned if there was a feeling that our capacity was reduced.

**Senator CARR**—I have raised it in this committee in the past. I have raised the question of the number of external bodies and consultants that the department seems to be dependent upon to inform policy and assess proposed initiatives and funding programs. Obviously you rely upon commissioning of external bodies, don't you?

**Dr Harmer**—Yes, we do.

**Senator CARR**—Is the balance right between internal and external?

**Dr Harmer**—Again, possibly a little bit further down the track I will be in a better position to make that judgment, but my early impression is that the balance is pretty good. In all organisations I have worked in for the last 10 or so years there has been a tendency to meld internal research and policy development work with work that is commissioned from outside. I think it is very unwise for departments to believe that they can be the sole source of advice; or, even in their research capacity if it is really good, to think that they are the only ones that should be doing research.

**Senator CARR**—There are obviously areas of expertise that the department may not have.

**Dr Harmer**—Indeed.

**Senator CARR**—In terms of the day-to-day work, though, I trust that there is sufficient capacity within the department to maintain its responsibilities. Do you think that is the case?

**Dr Harmer**—As I said earlier, I am very impressed with the capability and capacity of the department. We have a huge agenda over the next 12 months and I would be misleading you if I said that I was not a little bit apprehensive about our capacity to do all of the things we have on our plate. I believe we will be able to do, and we will make the adjustments, but it is a huge load; we have a very big agenda for the next 12 months.

**Senator CARR**—I will come to that in a moment, because I must say I am interested in the scope of that agenda. I am wondering how well you think the department keeps records of the research and analysis it has undertaken either internally using in-house staff or externally using consultants for contracted projects.

**Dr Harmer**—Again, it is quite early days for me to give you an assessment of that. It has not been something that I have focused on in the first just under three months. From what I have seen of the record keeping across the areas that I have looked at, it seems pretty good. But again it is pretty early days.

**Senator CARR**—The Australian National Audit Office have made comments on this about a number of departments. Are you familiar with those comments?

**Dr Harmer**—I am not, no.

**Senator CARR**—Perhaps we will come back to them then. I do not wish to spring those sorts of questions on you. I am obviously concerned about those issues; I will come back to them when you have had more time to examine the performance of the department in that

area. Could you tell me how much the department is spending in house, through staff time and other costs, on research and analysis for the current financial year?

**Dr Harmer**—I will see if we have an answer for that. I do not have that figure.

**Mr Storen**—There are some numbers in the Portfolio Budget Statements across the three outcomes for the output we describe as, ‘Research analysis and evaluation’.

**Senator CARR**—What page is that on?

**Mr Storen**—It is in outcome 1 on page 32. There is a departmental output at the top of the page. It is the second one in from the right-hand side. The price of the output is \$4.853 million. That is for outcome 1. We then roll through and there is a similar table for outcome 2 and another table for outcome 3.

**Senator CARR**—What is the aggregate?

**Mr Storen**—I would have to go through and calculate them for you.

**Senator CARR**—Could you? I am sure you will work that out. You probably have a better calculator than I do. What was in, say, the previous couple of years? Do you have that sort of data at hand?

**Mr Storen**—I do not have that data at hand.

**Senator CARR**—I am interested to know whether or not the trend is upwards or downwards.

**Dr Harmer**—We will provide that to you.

**Senator CARR**—How much is the department spending through its administrative resources on external research and analysis? Can you tell me that?

**Mr Storen**—I do not have that.

**Dr Harmer**—We will provide that to you as well.

**Senator CARR**—Thank you. Could you give me the trend line too for, say, over the previous forward estimates period of the last three years?

**Mr Storen**—We will look at what data is available.

**Senator CARR**—If I could get a six-year series—that is, the previous forward estimates period and the current forward estimates period—it would give me an indication of the direction the department is going in. I take it you will have to take this on notice. I would be interested to know what the trend line is back through to, say, 1995-96. I understood that in previous years you had an accumulated figure for that; that it was not necessarily broken up in the manner I have asked for. Is that correct?

**Mr Storen**—As you would recognise, the department has undergone quite a few structural changes since 1995-96—

**Senator CARR**—So it is not always easy.

**Mr Storen**—and the classification and definition of research and analysis may not be derivable from the figures.

**Senator CARR**—You could get a percentage figure—that is, percentage of resources, budget, how much you are spending on departmental outputs—though, couldn't you?

**Mr Storen**—We know the total departmental figure over time.

**Senator CARR**—Yes, but you could give me at the time an indication of whether or not there is a greater or lesser priority given to research through that period.

**Dr Harmer**—I think I know what you want. We will try to do it.

**Senator CARR**—Thank you.

**Dr Harmer**—I suspect part of it is a definitional problem. It is sometimes quite difficult to separate pure research from some analysis required for a piece of policy advice. Sometimes you call that policy advising and sometimes you call it research or analysis. It is a little tricky, but we will do our best. I am assuming you want major project research.

**Senator CARR**—I want to know roughly what the department has been spending on research and evaluation through that period. Has there been a shift away from that as a priority? I see that as a key function of a department of state, particularly one of this type. You have been responsible for research throughout this whole period. The least we can do is find out how much money you spend on research as an agency.

**Dr Harmer**—I understand what you are saying. We will do our best to do it.

**Mr Storen**—On that figure, there was \$21.3 million across the three outcomes in the department.

**Senator CARR**—This year?

**Mr Storen**—That is 2003-04.

**Senator CARR**—What I am interested to know is if it is going up or down; \$21 million dollars by itself does not necessarily tell you a great deal, does it? How well do you think the department maintains records of its policy advice over time so that, for instance, as you move into the role you are in you are able to draw upon the knowledge base of those you succeed?

**Dr Harmer**—At this stage, and it is very early days, there is nothing that I feel that is missing as I have asked for some background in getting up to speed on some issues. There are no signs to me—and I have been a chief executive for five years in another institution—in the early stages that we are lacking in that regard.

**Senator CARR**—This question is not specifically about this current minister but is anyone here able to tell me whether or not any of the ministers in recent times have expressed any concerns about the capacity of the department to inform them about previous decisions that have been taken?

**Ms Andruska**—I am not aware of anyone expressing that view.

**Senator CARR**—Have there been any concerns expressed about the record keeping within the department from the ministerial officers that you are aware of?

**Ms Andruska**—Not that I am aware of.

**Senator CARR**—Does the department collect a range of educational and training statistics on the basis of its legislative and funding authorities that it draws on in its day-to-day work?

**Dr Harmer**—I believe we would. That is about the limit of my knowledge at this point.

**Ms Borthwick**—Yes, we do. We keep higher education statistics and school statistics.

**Senator CARR**—In fact, you are required by law to do that, aren't you?

**Ms Borthwick**—I understand so.

**Senator CARR**—What do you regard as the main responsibilities of the department in relation to those statistics that it is collecting?

**Ms Borthwick**—That we collect accurate and timely information.

**Senator CARR**—Who owns that information?

**Ms Borthwick**—I am not entirely sure of the answer to that question, I am afraid.

**Dr Harmer**—If it is collected as part of our administration of programs and given to us as part of that program I suspect we do.

**Senator CARR**—Yes, but do you regard them as statistics collected which are publicly owned and which ought to be made publicly available?

**Dr Harmer**—I do not know the nature of the statistics that we own sufficiently to make that call.

**Senator CARR**—Ms Borthwick, could you assist the committee by drawing to Dr Harmer's attention the sorts of statistics that you collect.

**Ms Borthwick**—We collect higher education statistics. That is probably our largest collection. We do publish and release that data, both in hard copy and electronically.

**Senator CARR**—They are funding statistics, student statistics, staff statistics—in fact, I cannot recall an area of statistical analysis that you do not collect data on. That would be right, wouldn't it?

**Ms Borthwick**—In relation to higher education?

**Senator CARR**—Yes.

**Ms Borthwick**—We would have a fairly comprehensive collection.

**Senator CARR**—You would have debt, HECS, student financing that is related to various Commonwealth schemes—all of those things are collected on a regular basis, aren't they?

**Ms Borthwick**—That is the case.

**Senator CARR**—Eventually, they are made public.

**Ms Borthwick**—That is right.

**Senator CARR**—Are there any performance benchmarks the department has for its statistical reporting?

**Dr Harmer**—I am afraid I cannot answer that.

**Ms Borthwick**—No, we do not.

**Senator CARR**—Do you think it is time we had some?

**Dr Harmer**—I think it would be good thing to look at, yes.



**Senator CARR**—I appreciate that. In terms of timeliness, accuracy, comprehensiveness and public accessibility; are they the sorts of criteria that you would normally apply to your statistical collections?

**Ms Borthwick**—They are. As you know, the department conducted a review earlier this year of its statistical collections in the ‘cutting the red tape’ exercise that we have been through and a number of suggestions have been made. Indeed, there are other developments afoot, but I think you would be better off directing some of the questions to our higher education group.

**Senator CARR**—But if I could ask the secretary, through you, in terms of those matters afoot, whether we could perhaps get a criteria or a benchmark established on the publications of these documents?

**Ms Borthwick**—I would be happy to look at that. One of the issues that we deal with is that the data comes to us from other sources, so to some extent the timeliness with which we can get our data out depends on the timeliness with which people give us the data.

**Senator CARR**—Yes, I know some documents take a very long time. The national schools report is one that I have commented on on previous occasions; it takes some years to be published and it is often not even controversial. But there are others that do seem to raise more interest. I was wondering whether the department regards it as its responsibility to publish trend series of statistics that it collects.

**Ms Borthwick**—We do publish trend series.

**Senator CARR**—And you regard that as part of your responsibility?

**Ms Borthwick**—As I said, we do where the information is available.

**Senator CARR**—You ‘normally’ do, in fact; that would be a more straight answer?

**Ms Borthwick**—That is right.

**Senator CARR**—I do not mean to be difficult, but that would be a reasonable way of looking at the department’s behaviour. You normally would publish trend statistics?

**Ms Borthwick**—Yes.

**Senator CARR**—Dr Harmer, what happens if the trend statistics move in a direction that is uncomfortable for the government of the day—and I mean any government of the day? Do you believe that the public still has a right to know?

**Dr Harmer**—Generally, yes.

**Senator CARR**—Dr Harmer, when the department obtains analytical findings on its use of resources allocated by the parliament, to what extent do you believe the results of the analysis ought be made publicly available?

**Dr Harmer**—It is always difficult to answer in a generic sense about data. The general statement would apply but, as Ms Borthwick said, sometimes we get information from other sources. As to putting benchmarks on it or making firm commitments about the timing of making it available or the way we make it available, sometimes we need to rely on the analysis of the individual case, I suspect. So the broad statement I made that generally it

would be desirable to make information available would have to be tempered sometimes by: who is giving us the information; is it likely to be misleading? There are all those sorts of things. Sometimes there are reasons not to publish information—if, say, it might lead to some sort of adverse reaction or we are not sure about it or something—until we have done more analysis. There are lots of reasons.

**Senator CARR**—If you are thinking that it might be appropriate to establish some criteria in terms of timeliness, accuracy, comprehensiveness, then presumably that would be picked up, would it not?

**Dr Harmer**—It ought to be.

**Senator CARR**—If we talk in specific terms about research that is funded by the department, commissioned by the department, funded by the taxpayer, do you think that should be available to the estimates committee?

**Dr Harmer**—In general, yes, but again if it is gathered or acquired for particular policy advising functions there may indeed be a timing issue about when it is made public.

**Senator CARR**—You do not as a rule, however, regard it as improper for the department to suppress the findings of research?

**Dr Harmer**—I would be very surprised if we suppressed findings. But, as you would be aware, there would be times when findings of research have quite an input into policy advising. Sometimes the ongoing consideration means that it would not be helpful to the policy development role for the information to be available before that policy advising or development function is completed or near completed. Sometimes that is frustrating, I am sure.

**Senator CARR**—You say that there might be principles for suppression of evidence that might be used to inform policy debate, and which would in fact override the general principle you maintain of researched, informed and transparent policy making processes.

**Dr Harmer**—I would not use the word ‘suppression’—I would say retention of the information until the process has been through. Again, I am speaking theoretically at the moment. I am not aware if you have a specific case in mind.

**Senator CARR**—I am interested. You may have gathered that I do have a case in mind. I am sure this is very difficult to follow. Before I get to that particular case, I am asking who makes the decision not to make publicly funded, departmentally commissioned information available to the public.

**Dr Harmer**—It would generally be made by me or the secretary of the department. Often, if it is research or analysis conducted for a policy development-policy formulation exercise, the minister would clearly have a view about the desirability of making some information, which was collectively gathered for his policy development and decision making, available before he was ready.

**Senator CARR**—So it is either you or the minister, in effect?

**Dr Harmer**—Broadly, yes.

**Senator CARR**—So, it has to be a very senior officer.

**Dr Harmer**—I would think so. Are you talking about something that the Senate has asked for?

**Senator CARR**—Yes, I am. I would like to draw your attention to question on notice No. 1304, that in the chamber I put to the department, which went to a national report on the higher education sector for 2001. Do you have a copy of the question?

**Dr Harmer**—Does it relate to higher education?

**Senator CARR**—Yes, it does. It goes to the national report on the higher education sector. It was a question put in the chamber. I do not suppose you want me to give you a copy of it?

**Dr Harmer**—When was it put?

**Senator CARR**—It was put on 19 March 2003. Would it help if I provided a copy?

**Mr Kriz**—I think I know the one you mean; that was when you directed some questions to the higher education group.

**Senator CARR**—No, I directed it to the department, to be precise. Do you have a copy of the question or not?

**Dr Harmer**—I do not have a copy of the question.

**Senator CARR**—Would it help if I provided a copy of the question?

**Dr Harmer**—Yes, thank you.

**Senator CARR**—I am glad I asked those questions on record keeping.

**Dr Harmer**—Given that it relates to higher education, can we do that—

**Senator CARR**—No, we cannot, because I am going to ask you direct questions that go to your responsibilities. It is genuinely a cross-portfolio question rather than a higher education question. I have no doubt you will ask me to ask the detail of my concerns of that division. There are two separate sets of issues here.

**Dr Harmer**—Thank you for those copies.

**Senator CARR**—Has there been any change in circumstances since that reply was provided?

**Dr Harmer**—I am not familiar with the question or the reply, I am sorry, and nor is Ms Borthwick.

**Senator CARR**—We have no-one here from the higher education division at all?

**Dr Harmer**—No. I suspect that has been dealt with by the higher education division, who are not here.

**Senator CARR**—Has the report now been finalised? Has it been referred to the minister's office? If so, when?

**Dr Harmer**—I will take those questions on notice.

**Senator CARR**—Will you here for a while?

**Dr Harmer**—I will be here.

**Senator CARR**—I know secretaries have other things to do. Do you intend to be with the committee for most of its proceedings?

**Dr Harmer**—I plan to be here for most of the proceedings.

**Senator CARR**—Is it possible to get one of the higher education officers?

**Dr Harmer**—They will be here tomorrow, I am told, according to the schedule.

**Senator CARR**—If it is possible to have the matter resolved, that would be good.

**Dr Harmer**—Indeed.

**Senator CARR**—Clearly, I want a copy of the report, which will resolve it very quickly.

**Dr Harmer**—There may be a range of reasons why we would not be able to provide that to you at the moment. We will be frank with you about that. But I will need someone who knows more about it than I.

**Senator CARR**—I appreciate the difficulty you are in. I will want to pursue this. For the detail I will deal with higher education but I want to know about some administrative matters. Mr Kriz, perhaps you can assist me. Why was this answer provided to me without the names of the consultants on it?

**Mr Kriz**—I do not know. It is not something that came through me. It was done—

**Senator CARR**—Who handles parliamentary questions, then? Is there an officer?

**Mr Kriz**—The relevant groups, in this case the higher education group, prepare the substantive answer and it then goes to the minister's office.

**Senator CARR**—The minister's officer?

**Mr Kriz**—Yes, absolutely.

**Senator CARR**—Is it edited there in the minister's office?

**Mr Kriz**—No. As your question makes very clear, you asked the minister, not the department, and the minister has answered.

**Senator CARR**—I understand that. Normally when you provide me with answers about consultants you name the consultants. In this case, you have named a university, which is not the consultant. It is the place at which the consultant works; it is not the name of the consultant.

**Mr Kriz**—I really do not know why it is in this format.

**Dr Harmer**—Someone will be here during the higher education element and perhaps you can raise that then.

**Senator CARR**—Thank you very much. What I am interested to know, Mr Kriz, relates to something at the bottom of the third page. I do think this is a matter that goes directly to your responsibilities. It says there that this consultancy has not been reported in an annual report.

**Mr Kriz**—Yes, that was a funding contract issue.

**Senator CARR**—'Misclassification' it says there.

**Mr Kriz**—Yes.

**Senator CARR**—How does that happen?

**Mr Kriz**—Somebody makes a mistake.

**Senator CARR**—I like straight answers. It speeds up the process enormously.

**Mr Kriz**—There is nothing untoward about it. We have made it plain that it was incorrectly classified. It is sometimes difficult to work out whether we are purchasing something or actually giving funds to an organisation to do something, and people do get confused.

**Senator CARR**—That is fair enough. However, what we have here is a \$62,000 contract. It happens to be broken down into a number of different parts, but \$62,000 has been spent on this particular project.

**Mr Kriz**—The one that you refer to is how much?

**Senator CARR**—It is \$22,000, but the total project was worth \$62,000, and none of that appears to have been reported in the annual report.

**Mr Kriz**—They are separate consultancies.

**Senator CARR**—For one report?

**Mr Kriz**—I do not know how it finishes up at the end, but in effect there are different consultants—those institutions and companies that are listed in the left-hand column. We need to comply with the annual report requirements that are put in place by PM&C, in conjunction with parliament.

**Senator CARR**—Mr Kriz, you have acknowledged that at least on one occasion that you have not—that there is a mistake there.

**Mr Kriz**—Yes, but that does happen and we have acknowledged it publicly and we will fix it.

**Senator CARR**—I will need to come back to those matters because I have some real difficulties with the way that this matter has been handled. Dr Harmer, as I read it the department currently has to deal with five separate research inquiries: an inquiry into schools indexation; an inquiry into ANTA; an inquiry into the national educational frameworks; and probably a couple of inquiries into Indigenous education. In regard to higher education, the department now has certain implementation responsibilities in regard to performance funding, student tracking arrangements, the various incentive payments and the arrangements in regard to regional payments. There are quite significant implementation issues in regard to the international package. How well do you think the department is able to cope with all of that?

**Dr Harmer**—I am acutely aware of the enormous workload for the department over the next 12 to 18 months. If the department copes with it in the same way as they have through a fairly hectic period up to now, they will do very well. But it will require careful management. It will require some careful prioritisation of work, which is always the case in organisations, and it will require us to carefully augment our resources from time to time.

**Senator CARR**—Where do I find the augmenting of your resources in the budget?

**Dr Harmer**—When I say ‘augment our resources’ we might need to buy in some assistance.

**Senator CARR**—I see. You obviously have some additional resources in terms of this budget, have you not? There are some small sums of money in international and in higher education. I think that is right. What is the total augmentation that you can fund through this package?

**Dr Harmer**—I think we have about 100 ASL between 2002-03 and 2003-04.

**Senator CARR**—An additional 100 personnel?

**Dr Harmer**—I think 100 ASL is correct.

**Senator CARR**—Is that enough?

**Dr Harmer**—Again, it is too early for me to make a judgment on that. I think it is going to be extremely tight, given all the demands on us. But, like all agency heads—and it has been happening for many years—we are constantly being asked to improve efficiency and improve productivity, and we will be doing our best to do it.

**Senator CARR**—Do you have the capacity to go back and ask for more?

**Dr Harmer**—It is possible. It certainly would not be something that would be encouraged or something that would be my first choice, because it is unlikely to be welcome.

**Senator CARR**—It is not your first job to go back and put the begging bowl out.

**Dr Harmer**—It is not likely that it would be welcomed if I walked into the department and my first act was to say, ‘I cannot do it with what I have.’ It is not exactly my preferred approach. By the same token, I will be watching it very carefully. We are charged with some very important responsibilities, and we cannot afford to fail.

**Senator CARR**—That is right. Irrespective of what I think of these packages—and, no doubt, you will hear a great deal more on that theme—it does strike me that it is also important for the department of finance to be able to provide you with sufficient resources to allow you to do your job. Do you think it has done that?

**Dr Harmer**—I am sorry; it is too early for me to make the judgment. But we have substantial additional resources provided at this stage. I will do my best to accommodate the various tasks within those resources.

**Senator CARR**—What has happened to Mr Spring?

**Dr Harmer**—Mr Spring completed his contract with the department and the previous secretary in March this year, about two weeks after I arrived. I had enough time in the two weeks before he left to have quite a bit of contact with him. For exactly the reason you identified—the workload we have, the diversity of it et cetera—I decided to re-engage him. He had to take a break: he was moving, I think, from Melbourne to Sydney, and he took six weeks. He ceased his contract and went off. I have re-engaged him on a part-time basis, three days a week.

**Senator CARR**—Let us be clear about this: you are saying that the decision was made by you and not by Dr Shergold?

**Dr Harmer**—The re-engagement decision was made by me. And, I might say—this is something I do know a bit about; I did make the decision myself—he is a man of some experience. He has been the CEO of three state departments, he has great experience across a lot of the issues that we are dealing with, and I believe he will be very valuable.

**Senator CARR**—So you were given no directions whatsoever on this matter?

**Dr Harmer**—Absolutely not.

**Senator CARR**—So the terms and conditions were not determined by anyone other than you?

**Dr Harmer**—Absolutely not.

**Senator CARR**—You say he was a CEO of three state services. He was heavily criticised in all of those. No sooner was a Labor government elected than he was on his bike. It might well be said that he is a failed CEO in three state services as well.

**Dr Harmer**—From my experience with him, I would be surprised. He seems very good. He has a very good reputation amongst the CEOs in the states at the moment. I have actually had one of them ask me whether he could participate in one of our working groups for the MCEETYA meetings.

**Senator CARR**—That is good. What state was that?

**Dr Harmer**—I would rather not identify the state.

**Senator CARR**—I am not surprised. What was the process that was followed in his appointment?

**Dr Harmer**—In my first two weeks, looking at the huge workload that we have over the coming 12 to 18 months, I was able to identify that he was a particularly valuable resource. I might say that, in being engaged for three days a week, he has accepted a rate of pay that is, genuinely, probably less than half the rate I would have to give to a consultant on the market.

**Senator CARR**—I have found that that is usually the case with consultants. That is probably not too unusual an experience. I will go to a few other points. Was the appointment based on an open and competitive process?

**Dr Harmer**—No, it was not. I chose to re-engage him on the basis that he had had just over 12 months experience. I wanted him to continue with some of the work that he was doing under his previous contract. I specified very clearly two areas I wanted him to work on for the three days a week, and I was satisfied that it would be a very efficient decision for me to engage him, if he were available three days a week. He is the sort of person who is likely to give me more than three days a week's work.

**Senator CARR**—It was a closed deal, wasn't it? There was no competitive process involved with this, was there?

**Dr Harmer**—I made the decision that it would have been costly and unnecessary to advertise for this particular piece, because of the skills he had.

**Senator CARR**—No-one else was approached to provide the required services?

**Dr Harmer**—No.

**Senator CARR**—Can you explain to me how you were able to convince yourself that his appointment was proper and cost-effective?

**Dr Harmer**—Yes, I can. In the first two weeks I was there, I had quite a few meetings with him. I spoke with a number of my senior executives about the work he had done and the quality of it. I had an opportunity to assess some of his written work as well as his interpersonal style et cetera. He indicated that he was available for further work, and I made the assessment that going out to tender or going through an expensive advertising process for a consultant perhaps was not a sensible thing. He was available, as it turned out, virtually immediately after the budget, which was when I wanted him to start. He is already on board, working on the two projects that I have engaged him to work on. I am very comfortable that it was a good decision. Sometimes CEOs need to make those judgments. I do not normally do that, I might say. Normally for something like this I might go to tender but, when there is a clear case of value—and I was convinced there was—I made the judgment.

**Senator CARR**—What area is he working in? Which two projects?

**Dr Harmer**—ICT, Information Communication Technology, an area in which he has some experience and expertise, and Indigenous education.

**Senator CARR**—What is he doing in ICT?

**Dr Harmer**—He is looking at Australia's future use of education technologies. He is conducting a review for me to take—

**Senator CARR**—Another review?

**Dr Harmer**—Indeed.

**Senator CARR**—I missed that review. I did not realise there was another review.

**Dr Harmer**—It has only just started.

**Senator CARR**—Has that been announced?

**Dr Harmer**—I have announced it to my staff. It is an internal piece of work. He is supporting some committees that will report to MCEETYA.

**Senator CARR**—So you can assure me that you were not in the business of constructing a job to suit Mr Spring, rather than Mr Spring being assessed for his suitability to deliver these things?

**Dr Harmer**—I can absolutely assure you of that.

**Senator CARR**—What was the total cost to the department of Mr Spring's contract and support services?

**Dr Harmer**—In the first contract?

**Senator CARR**—The first one will do. We can get a bit of a look at that. What was the first one?

**Dr Harmer**—For the first nine months, it was \$144,839.

**Senator CARR**—That was a full-time contract, was it?



**Dr Harmer**—Yes, it was. That was for nine months. Then he was extended for a further three months at a cost of \$46,662. The reason I am able to give you these figures is that I did seek Mr Springs's approval to declare that.

**Senator CARR**—That is all right. He is on the public payroll; I do not see why he would not as a matter of course make these figures available.

**Dr Harmer**—Indeed, but I thought it was courteous to do that.

**Senator CARR**—Were there any additional costs for the support services?

**Dr Harmer**—I do not know.

**Mr McDonald**—Mr Spring also had access to an executive assistant and a personal assistant during that 12 months.

**Senator CARR**—Two assistants.

**Mr McDonald**—Yes, one was an executive assistant and one was a personal assistant.

**Senator CARR**—What was the total cost of the support staff?

**Mr McDonald**—He had access to an ASO-4 personal assistant, which would be around \$50,000 per year, and an executive level 1 officer at a total salary cost of about \$70,000 a year. They are estimates.

**Senator CARR**—I just want an estimate. That is reasonable. You can take it on notice if you wish to give me more precise information, but what we have here is a cost of \$320,000 per annum or thereabouts to the Commonwealth. Is that the current salary?

**Dr Harmer**—He is currently on a three-day-week consultancy. The consultancy fee for the 12-month period will be \$125,400, payable monthly.

**Senator CARR**—Is that per day?

**Dr Harmer**—It is per annum. It is \$10,450 per month, including GST.

**Senator CARR**—What is the support staff cost?

**Dr Harmer**—Because he is working part-time, we have a part-time EL-1.

**Senator CARR**—So those costs are divided by three-fifths?

**Dr Harmer**—Yes. We have basically reduced the support. in line with the reduction in the time that he is going to spend with us.

**Senator CARR**—Can the committee have a copy of his contract and the specifications of the deliverables.

**Dr Harmer**—I do not have one here, but I can take that on notice.

**Senator CARR**—If you were to terminate Mr Spring's contract for non-performance, could that be done without adverse consequences for the Commonwealth?

**Dr Harmer**—I suspect we can, but I would need to take advice on that.

**Senator CARR**—Mr Kriz, you are looking uncomfortable at this proposition.

**Mr Kriz**—I am not uncomfortable. As the secretary has explained, in terms of the past performance of Mr Spring, I do not think that is a question that would be contemplated.

**Dr Harmer**—It would be highly unlikely.

**Senator CARR**—That is not the question I am asking. If I asked you: ‘Are you going to sack him?’ it would be. I am not asking that question; I am asking: ‘What would the cost to the Commonwealth be if you were to terminate his contract for nonperformance?’

**Mr Kriz**—Our standard contracts that apply to consultancies enable the Commonwealth to get out of the consultancies, if the objective of the consultancy is not delivered.

**Senator CARR**—Is there a cost to the Commonwealth?

**Mr Kriz**—In this particular case, from memory, the payments are made progressively. There would be no cost in the sense that, if it came to that, the contract would be terminated at a point in time when the deliverables were not there. We would not let it run and get nothing back and then say, ‘Let’s try and get some money back.’ Indeed, in this particular contract, because it is a consultancy that requires close liaison with very senior levels of the department, the issue of the deliverables—or nondeliverables, hypothetically—would be discovered pretty easily.

**Senator CARR**—Is it a monthly contract?

**Mr Kriz**—We will have to have a look at it. It takes a normal approach to these things.

**Senator CARR**—Is it an annual contract?

**Mr Kriz**—We will have to take that on notice.

**Mr McDonald**—The contract is until 30 June 2004, so it runs for just over 12 months.

**Senator CARR**—Is there an option on it for renewal?

**Mr McDonald**—I do not think so, but we can check that.

**Dr Harmer**—I do not think so. We will take that on notice.

**Senator CARR**—Thank you. Dr Harmer, is the Chief Scientist’s position part of the education, science and training portfolio?

**Dr Harmer**—It is part of the portfolio, but I think the Chief Scientist reports directly to the Minister for Science.

**Mr Cook**—The Chief Scientist is contracted with the Minister for Science, not with the department.

**Senator CARR**—Is the Chief Scientist provided with resources within the department?

**Mr Cook**—We provide some secretariat support for him, yes.

**Senator CARR**—What specific resources are provided—secretarial, communications, office space?

**Mr Cook**—Yes, we provide an office that he utilises when he is in Canberra—it is actually a meeting room that we use for meetings when he is not there. There are at least two staff that I am aware of who assist him with research work, helping with presentations and speeches and those kinds of things.

**Senator CARR**—So, he has two staff members from the department?

**Mr Cook**—Yes.

**Senator CARR**—Is he provided with travel and accommodation costs?

**Mr Cook**—Yes, he is reimbursed for those costs in accordance with a Remuneration Tribunal determination.

**Senator CARR**—He is provided with phones and IT facilities?

**Mr Cook**—Yes, while he is in Canberra he has access to those facilities.

**Senator CARR**—While he is working for the Commonwealth?

**Mr Cook**—Yes.

**Senator CARR**—What are his accountabilities to the parliament?

**Mr Cook**—In terms of the Chief Scientist's activities, the department is able to provide that to you.

**Senator CARR**—So he is accountable through the department?

**Mr Cook**—He is contracted as a consultant to the minister, and in that sense the minister is accountable for the Chief Scientist's performance. But, because we provide secretariat services to him, we are aware of what he does.

**Senator CARR**—Why is he appearing in the departmental flow chart on page 11 of the PBS?

**Dr Harmer**—Senator, I asked why there was a solid line between the Chief Scientist and myself. It is an error: the line should be from the Chief Scientist up to the Minister for Science on that page.

**Senator CARR**—That is not a correct chart?

**Dr Harmer**—No, it is not.

**Senator CARR**—How long has that been incorrectly stated in the PBSs?

**Dr Harmer**—It is incorrect in this one. I do not know about before.

**Senator CARR**—Mr Cook, it has been like that for a while, hasn't it?

**Mr Cook**—No, I think we had his name there but no line to the secretary last year.

**Senator CARR**—So it is just the line that is incorrect?

**Dr Harmer**—The line is incorrect; the line should be to the minister.

**Senator CARR**—How many other personnel do you see on this chart who are not accountable through the secretary? Is there anyone else?

**Dr Harmer**—That is the only one.

**Senator CARR**—I have an email here from Mary Anne Ryan. She has been kind enough to write to the committee, presumably on behalf of the department, saying of my request to have the Chief Scientist appear before the estimates committee:

It is the Department's view that, the Chief Scientist's appearance at Estimates committee would not be appropriate or of interest to the committee ...

How long has the department taken it upon itself to advise this committee of what its interests are?

**Mr Cook**—Senator, I can be held accountable for that advice. The department have responded to a query from the secretary of the committee as to the status of the Chief Scientist. The view is that, because the Chief Scientist is not part of the department and has no function in respect of any of the resources of the department, he really has nothing to contribute to the estimates committee.

**Dr Harmer**—Going back to your previous question, if you take my comment that the line is in error and the line should be to the minister, the accountability for the Chief Scientist to the parliament would be through the Minister for Science.

**Senator CARR**—It says here that he is not a public servant. Are you saying he is not a public servant?

**Mr Cook**—No, he is not a public servant.

**Senator CARR**—You are saying he is not part of the department.

**Mr Cook**—That is correct.

**Senator CARR**—It says he has no government decision making authority and no role in budgetary matters.

**Mr Cook**—That is correct.

**Senator CARR**—He just makes recommendations on the spending that you undertake?

**Dr Harmer**—He advises the Minister for Science.

**Senator CARR**—Do you think he should be seen more as a ministerial adviser rather than as an officer of the department?

**Dr Harmer**—He is certainly not an officer of the department.

**Senator CARR**—Have any other consultants appeared before an estimates committee?

**Dr Harmer**—I am sorry, I am not aware.

**Ms Andruska**—Not that I am aware.

**Senator CARR**—It is quite obvious that I will have to take that matter up in another place. I do suggest, though, that it is probably a little unwise to offer us advice on what we are interested in. I understand the Rio Tinto Foundation for a Sustainable Minerals Industry has two representatives on it—one is the Chief Scientist and one is the CEO of the Australian Research Council. Dr Harmer, has this participation on this foundation been brought to your attention?

**Dr Harmer**—No.

**Senator CARR**—Do you get a report on the progress of this foundation?

**Dr Harmer**—Not that I am aware of, but I have only been there less than three months.

**Senator CARR**—Yes, I understand you are disadvantaged in this regard. I might come back to that. You have not received any reports?

**Dr Harmer**—Not that I am aware.

**Senator CARR**—Mr Cook, can you confirm that the department has received advice that Professor Schreuder, the President of the Australian Vice-Chancellors Committee, has made an offer to the Minister for Science to the effect that he could ensure that up to 30 university vice-chancellors would support the abolition of CSIRO?

**Mr Cook**—I am not aware of that.

**Senator CARR**—You have not had any matter raised with you of that nature?

**Dr Harmer**—No.

**Senator CARR**—Has anyone in the senior executive of the department had that matter raised with them?

**Dr Harmer**—Not that I am aware of.

**Senator CARR**—And the minister has not sought any clarification from you, Mr Cook?

**Mr Cook**—Not as far as I am aware; I would need to check with my staff.

**Senator CARR**—Check with your officers, thank you. There is a series of questions that I ask at this time in terms of the normal procedures. Are you able to provide a list of all polling that the department has undertaken since July 2002?

**Ms Borthwick**—What was the question?

**Senator CARR**—Polling, market research.

**Dr Harmer**—You want a list of the market research that we have undertaken.

**Senator CARR**—Thank you.

**Dr Harmer**—We can provide that to you.

**Senator CARR**—I would like the number and the value of such contracts.

**Dr Harmer**—Certainly, but I think that is a matter for Mr Kriz.

**Mr Kriz**—I will have to take that on notice, Senator.

**Senator CARR**—I am wondering how many of these arrangements are ongoing and yet to be completed. Could I ask, Dr Harmer, about the appointment of two new deputy secretaries. What is the number of SES level officers employed within the department?

**Dr Harmer**—I will rely on Mr McDonald.

**Mr McDonald**—There are 39 substantive SES at the moment, Senator.

**Senator CARR**—How does that compare with the situation 12 months ago?

**Mr McDonald**—In the annual report, 34 SES were employed.

**Senator CARR**—When were these five extra SES officers put on?

**Mr McDonald**—During that time we would have had some come on and some go off, so it is not just a straight add-on. We obviously had a deputy, Ms Paul, commence during that time. We also had Mr Cook promoted within the department. We would have to go through and track those, but we would be able to provide you with that information.

**Senator CARR**—Thank you for that. Dr Harmer, how many additional SES officers do you think you will need to cope with the extra workload?

**Dr Harmer**—I am not in a position to make an estimate yet, but we will need some additional resources for implementation tasks, the reviews et cetera that you have identified already. As you know, that is not comprehensive. There are other things that we are doing. There will be more, but I do not know at this stage how many.

**Senator CARR**—Obviously there may well be a substantive case for there to be additional appointments. I take it, though, that it will not just be SES officers that you will need to employ—

**Dr Harmer**—Certainly not.

**Senator CARR**—to complete the workload that you have been given. Are you able to indicate to me what the additional numbers of staff more generally will be over the coming year?

**Dr Harmer**—I am sorry, I am not at this stage. Just going back to your question on SES, given some of our resources are time-limited, it is unlikely I will take on a lot of SES on a permanent basis. I may take temporary SES or create some temporary SES jobs for a fixed period. I am anxious not to get into a situation which is unsustainable in terms of the resourcing of the organisation.

**Senator CARR**—So you are not looking at an expansion of the establishment?

**Dr Harmer**—We will expand to accommodate the additional resources we received in the budget. That which is ongoing we will fill on an ongoing basis. To that extent, we will be expanding to some extent.

**Senator CARR**—What is the PBS estimate that you have listed? You normally list—

**Dr Harmer**—From memory, it is about 100 ASL, from 1,390 to 1,490. Something of that order is ASL. But, of course, that is a broad figure. It does not include part-timers and those sorts of things; it is a general figure.

**Senator CARR**—But you have effective full time, don't you? That is the same principle.

**Dr Harmer**—Yes.

**Senator CARR**—I have got the usual question that I ask at this time of the year about the consultancies—you know, the one that you all enjoy so much! That is put down for an update, Mr Kriz, if I can do that.

**Mr Kriz**—Senator, may I take this opportunity to also provide you with some 12 additional reports at this stage, following on from question on notice No. E00103, asked on 5 June 2002.

**Senator CARR**—Thank you very much. I take it that that completes all the outstanding questions, does it?

**Mr Kriz**—This includes that plus that question that you asked on 5 June 2002, which was a standing request for reports to the value of over \$100,000, so it is ongoing.

**Senator CARR**—Are there any questions that remain outstanding as far as you are concerned?

**Mr Kriz**—From that question there are some that are still outstanding. This is going back to the 30 April 2002 exercise. Four are not as yet complete; four still require third-party consultation; one is with the minister; three are with Family and Community Services—and we are still seeking that department to provide us the reports, as they obtained them as the result of an AAO change—and there are, I think, a couple where the minister is considering a public interest immunity claim.

**Senator CARR**—Could I have a list of the titles of those reports that are outstanding? Have you got a copy of that there for me?

**Mr Kriz**—Yes. I will get it together and give it to you in the course of these proceedings.

**Senator CARR**—No worries. Particularly the ones that you are considering for public interest immunity. There are three in total, are there?

**Mr Kriz**—I think so; I would have to check.

**Senator Carr**—How old are those reports?

**Mr Kriz**—I do not have that information accessible in that question, but I will get it to you throughout these proceedings.

**Senator CARR**—Thank you. I think that probably concludes the matters that I want to pursue at this point. I will come back to the issues that I have raised with regard to that suppressed report, if I can.

[5.17 p.m.]

**CHAIR**—We now move on to issues relevant to Science Group output 3.2, Assistance for science collaboration and innovation.

**Senator CARR**—How is the review committee for the public research agencies inquiry determined?

**Mr Cook**—How is the membership determined?

**Senator CARR**—Yes.

**Mr Cook**—The department provided some advice on that issue, but the actual membership is determined by our portfolio ministers.

**Senator CARR**—So that is Mr McGauran?

**Mr Cook**—Mr McGauran and Dr Nelson.

**Senator CARR**—What was the selection criteria based on?

**Mr Cook**—I think the bottom line was that they were looking for an appropriate balance of people with useful backgrounds, skills and experience.

**Senator CARR**—Why was there no-one there from the research agencies?

**Mr Cook**—There is, in that Professor Corey is a member of the CSIRO board.

**Senator CARR**—It is a bit light on, though, Mr Cook.

**Mr Cook**—Professor Graham Davies also has a background in the UK in dealing with research agencies.

**Senator CARR**—They have a terrific operation there, don't they?

**Mr Cook**—I cannot comment on that.

**Senator CARR**—When were the terms of reference put together for this inquiry?

**Mr Cook**—I cannot recall when we started work on that, but it was after the decision was taken to establish the inquiry during the budget process.

**Senator CARR**—That was decided in February, wasn't it?

**Mr Cook**—I am not sure.

**Senator CARR**—You are not sure? That is right, isn't it, Dr Harmer?

**Dr Harmer**—It would have been March or April. I cannot recall exactly when, but it was not February. It was not before I arrived, and I arrived early March.

**Senator CARR**—So the decision was not taken to establish this inquiry until March?

**Dr Harmer**—I cannot recall exactly when, but it certainly was not February.

**Senator CARR**—Can you give me the date on which it was decided?

**Dr Harmer**—It would have been part of the budget decisions.

**Senator CARR**—It would have arisen from the submissions to Crossroads, would it not?

**Mr Cook**—Yes, it came out of the higher education reform process.

**Senator CARR**—It was part of that package of measures.

**Mr Cook**—Yes.

**Senator CARR**—So this was after the Expenditure Review Committee had met?

**Dr Harmer**—All we could and should say is that it was part of the budget considerations.

**Senator CARR**—Yes, but you can tell me when the decisions were made.

**Dr Harmer**—It was made by the government as part of the budget.

**Senator CARR**—I am not asking you to comment on the deliberations that occurred in the cabinet room; I am asking you when the decisions were made. I am entitled to know what the decision is.

**Dr Harmer**—Indeed.

**Senator CARR**—And what was the decision? Are you able to explain what the decision was?

**Mr Cook**—I do not think that we can disclose the content of cabinet decisions.

**Senator CARR**—You cannot tell me what the decision of government was?

**Mr Cook**—The decision is reflected in the minister's press release.

**Senator CARR**—That is the full decision, is it?



**Mr Cook**—Yes. Dr Nelson's press release gave the membership and terms of reference for the committee.

**Senator CARR**—When was it decided to amalgamate James Cook and AIMS?

**Mr Cook**—There has been no decision made to amalgamate those organisations.

**Senator CARR**—To make the structural adjustments that led them to having AIMS at James Cook—when was the decision taken on that?

**Mr Cook**—That decision went through the same process as the collaboration review.

**Senator CARR**—Was it taken at the same time?

**Dr Harmer**—There was a range of budget meetings in the lead-up to the announcement of the budget. It would be very difficult for us to talk about exactly when the decision was made. Sometimes these matters are discussed at various meetings. I think we should indicate that the decision was made prior to the announcement in the budget.

**Senator CARR**—Yes. You already indicated this was in March.

**Dr Harmer**—No, I have not. I said it was not in February, it was sometime after.

**Senator CARR**—I see. It was after February.

**Dr Harmer**—Indeed. It is in the process of the budget deliberation which government undertakes, and has been doing so.

**Senator CARR**—I read the press with some interest. It seemed to be quite a detailed discussion of what was going on. Obviously, information was being conveyed about the processes at some point.

**Dr Harmer**—Yes, there is often speculation before the budget.

**Senator CARR**—Yes. It seemed quite well-informed speculation.

**Dr Harmer**—Sometimes it is.

**Senator CARR**—The decision was taken to establish the review and to have the structural arrangement whereby James Cook and AIMS came together to form a new entity called AIMS at James Cook. It is all taken as part of the same arrangement. Is that right?

**Mr Cook**—Yes. It was all part of the same consideration.

**Senator CARR**—When were the terms of reference determined?

**Mr Cook**—The terms of reference were worked out after the government took its decision.

**Senator CARR**—Was it not the case that the decision to establish the review detailed what the review would do?

**Mr Cook**—That is correct, in broad terms.

**Senator CARR**—In fact, that is where the terms of reference were set, weren't they? They set down what the objectives of the review were.

**Mr Cook**—They set out the scope of the review.

**Senator CARR**—Did they also set out the purpose of the review?

**Mr Cook**—The purpose of the review is to see whether or not we can get better collaboration between public sector research agencies and universities.

**Senator CARR**—I see. Was the purpose of the review to find a focus on commercialisation and application of research to identify and exploit potential synergies between public research agencies and universities?

**Mr Cook**—I need to refresh my memory by checking the minister's press release. Is that what you were quoting from?

**Senator CARR**—No, I am not, actually. The last thing I do is rely on ministerial press releases to explain the full scope of a government decision.

**Mr Cook**—I cannot go beyond what is here in the press release, which is the promulgation of the information.

**Senator CARR**—When were you consulted about the establishment of this review?

**Mr Cook**—During the course of the budget process.

**Senator CARR**—Was it an initiative that arose from within the department?

**Mr Cook**—I am not sure that I can answer that question. This was part of the higher education reform process.

**Senator CARR**—I see. So it was not an initiative that arose within the department?

**Dr Harmer**—The higher education reform process was driven by the department.

**Senator CARR**—Are you saying to me that it was not in your division?

**Mr Cook**—Yes. I should have been more accurate.

**Senator CARR**—That is fair enough. I will have to ask the higher education people when they came up with this proposal. What we have got here is the task force. Was it described as a high-level task force?

**Mr Cook**—Yes. I think that is an accurate statement.

**Senator CARR**—Was that part of the decision?

**Mr Cook**—Yes. The high-level task force reference comes from the documents that you are looking at. That is correct.

**Senator CARR**—‘The commercialisation application of research to identify and exploit potential synergies.’ That all comes from the document, doesn't it?

**Mr Cook**—Yes, and that is reflected in the terms of reference.

**Senator CARR**—And ‘to investigate alternative funding models’—that comes from the document as well?

**Mr Cook**—Yes.

**Senator CARR**—And that is a first step in the amalgamation of AIMS and James Cook?

**Mr Cook**—I do not think it uses those terms; it talks about affiliation.

**Senator CARR**—Why would you have these structural changes as part of a process to establish a review? How did you explain that?

**Mr Cook**—I think the government is looking at AIMS and JCU because of the cluster of marine tropical research in the Townsville area. This particular collaboration makes an enormous amount of sense.

**Senator CARR**—I see. So you have a review, but you made the decisions before the review—is that how it works?

**Mr Cook**—My colleague was just pointing out to me that in the document it is actually described under different heads. The review of collaboration is a much broader review than the AIMS-JCU joint venture.

**Senator CARR**—That is not the way the decision was made, though, was it?

**Mr Cook**—I think you are asking me to comment upon deliberations of cabinet, which I am not able to do.

**Senator CARR**—For the *Hansard*, I have been at different points quoting from a document called *Our universities: backing Australia's future*, some of which appears on page 30. I am just wondering, Mr Cook, whether or not we can really take this review seriously, given that we have a pre-emptive process actually under way.

**Mr Cook**—I think the two things are quite discrete. The James Cook-AIMS affiliation that will take the form of a joint venture between those two organisations is something which makes sense in its own right, given the cluster of research experience in the Townsville area. The review of collaboration encompasses three other research agencies.

**Senator CARR**—Yes, it does, but the decision was taken at the time to incorporate all the research agencies, with the first step to have this new arrangement in place between James Cook and AIMS. It suggests to me that there is a pre-emption involved in all of this.

**Dr Harmer**—I think Mr Cook rightly described it as separate.

**Senator CARR**—I know what it says in this booklet. What I am putting to you is that that is not the way in which the process was put to you originally—is that correct?

**Mr Cook**—I cannot comment on that.

**Senator CARR**—You cannot deny it, either, though, can you?

**Mr Cook**—I am making no comment about it.

**Senator CARR**—Are you familiar with the Chief Scientist's review of this proposal in terms of the Townsville centre?

**Mr Cook**—I am familiar with his review of tropical marine research.

**Senator CARR**—In the proposal that you have now got before us the detail is somewhat obscure. Obviously you have heard the evidence of the CEO from AIMS today. Why do you think the positions put by the Chief Scientist on page 13 of that review, when he is somewhat critical of the proposal which would have seen a collaboration—or, to use the CSIRO chief's expression, an 'amalgam'—between James Cook and AIMS do not apply to this investigation undertaken with regard to CSIRO and AIMS? Why wouldn't they apply?

**Mr Cook**—I think we are talking about different situations when we talk about potential collaboration between two public sector research agencies and collaboration between a public sector research agency and a university.

**Senator CARR**—What is the difference? They are both public agencies.

**Dr Harmer**—One of the differences is that the CSIRO is a huge, dispersed organisation and James Cook University and AIMS are both primarily in the same city doing similar work. That is the main reason. There is quite a difference.

**Senator CARR**—Dr Harmer, you would be aware of how diffuse the James Cook operation is. You would be aware that AIMS has facilities in Darwin, that there is training established, that there are new joint ventures with the ANU and that they have facilities in Fremantle.

**Dr Harmer**—I am, but they are more single purpose.

**Senator CARR**—I am just wondering why the same principles do not apply.

**Dr Harmer**—They are more single purpose and they have not as many.

**Senator CARR**—How much independent research for AIMS will be left after this joint venture is completed?

**Mr Cook**—I think it is difficult to say at this stage. You heard Professor Hall's evidence earlier today that, until the process is worked through, it will difficult to know exactly how broad the synergies will be between the two organisations. The key thing is that both JCU and AIMS will retain their separate entities as research organisations, so there will obviously be areas of independent research and hopefully a lot of areas where they are very closely collaborating.

**Senator CARR**—You have done no forward budget on this proposal?

**Mr Cook**—Not on that particular issue, no.

**Senator CARR**—What are the costings involved in the \$2.9 million that has been appropriated for this structural coming together?

**Mr Cook**—The \$2.9 million was a judgment reached by ministers as to the amount of funding that would probably be needed to facilitate getting this joint venture off on a sound footing. That would have a number of dimensions to it, including any administrative et cetera overheads, and we would have to work through the proposal to look at whatever seems to be the most appropriate and most valuable use of the funds to facilitate the joint venture activities. As Professor Hall said this morning, that has not been worked through in fine detail.

**Senator CARR**—Do you have any costings on this?

**Mr Cook**—No, not beyond the global figure.

**Senator CARR**—Where does the \$2.9 million come from?

**Mr Cook**—As I said, it was a judgment made by ministers.

**Senator CARR**—So it was a political decision.

**Mr Cook**—It was a judgment made by ministers as to what they thought would be needed to get this off on a sound footing.

**Senator CARR**—Did you not provide any costings for that?

**Mr Cook**—I am not aware that we provided any detailed costings for that.

**Senator CARR**—Dr Harmer, how often is it that you find budgets with a figure of nearly \$3 million allocated to agencies without any costings associated with them?

**Dr Harmer**—It would be unusual, but I suspect that some information has been provided. The issue may have been dealt with primarily in the higher ed area rather than in the science area. That might be the reason Mr Cook has not been as involved.

**Senator CARR**—I can understand that, and that would only reinforce my deepest suspicions about this whole effort if that is the case. Mr Cook, you are responsible, aren't you? You are the line manager for AIMS through the department?

**Mr Cook**—Yes. The science group reports to me.

**Senator CARR**—You are the man responsible ultimately through to the secretary.

**Mr Cook**—For the science area? Yes.

**Senator CARR**—For AIMS.

**Mr Cook**—Yes, AIMS is part of the Science Group's responsibilities.

**Senator CARR**—The last time I looked it was. I am just wondering why you were not provided with any costings for this appropriation.

**Mr Cook**—Part of my particular personal lack of knowledge here is that I was on leave for a significant part of the budget process, so I was not personally involved in many of these things.

**Senator CARR**—So you were not there. You have a deputy?

**Mr Cook**—There is a Science Group manager.

**Senator CARR**—Where is the Science Group manager? Is he or she here?

**Mr Manns**—I am here, Senator. I am afraid to tell you that I was not the acting group manager at the relevant time. But I could perhaps mention one additional piece of information which may address part of your concern that the government decided to provide additional funds without any costings. As the budget documentation makes clear, the funds for this are being drawn from the existing forward estimates for the CRC program.

**Senator CARR**—I appreciate that. There is no impact on the budget at all because you have actually taken this off the CRC budget, haven't you?

**Mr Manns**—That is right.

**Senator CARR**—So you are robbing Peter to pay Paul.

**Mr Manns**—They were totally uncommitted funds from the CRC program.

**Senator CARR**—Unspent CRC funds.

**Mr Manns**—Uncommitted.

**Senator CARR**—I find it incredible that in this day and age you have a lazy couple of million lying about in the CRC accounts. But that is not really the issue here, because it may well be that that money could have been spent elsewhere. It may well be that there is a better use of the money. It may well be that other scientific projects—Mt Stromlo, for instance—could have used some additional money. There is an infinite demand out there, is there not, Mr Cook, for money from the Commonwealth when it comes to scientific endeavours? They are mostly very worthy causes. So I am interested to know how it is that \$3 million was appropriated for this project without any costings. Can anyone tell me?

**Dr Harmer**—I do not have the detail but I am quite confident that within the department—and Mr Cook has already said he was away—we provided some advice around that. The government would not just take a decision on that without getting some advice.

**Senator CARR**—Who provided it? That is my question. Where is the advice? Where do I go to find out what the basis is for this decision? I do not think it is an unreasonable request in an estimates committee.

**Dr Harmer**—As you know, we cannot give you the detail of our advice, but we can say whether we advised or not on this matter. I cannot be absolutely certain without checking with some people who are not here, but I would be quite confident that we did provide advice on this.

**Senator CARR**—I am sure it will be in a cabinet submission, for a start, won't it?

**Dr Harmer**—I cannot comment on what is in the cabinet submission.

**Senator CARR**—No, but you would expect that is a likely source of advice to government. We are not asking you to provide us with what is in the cabinet submission. What we are asking for is the costings. That is a legitimate question for an estimates committee and I am yet to discover anyone in the department who can tell me what the costings were for this particular appropriation.

**Dr Harmer**—We will try to get you some information.

**Senator CARR**—Thank you very much; I appreciate that. That will probably be overnight, will it?

**Dr Harmer**—I should not promise overnight but we will get it to you.

**Senator CARR**—I either ask for it now or ask the higher education division. Obviously, I am not going to go to the schools division to get this, am I?

**Dr Harmer**—No.

**Senator CARR**—I hope Mr Evans has not had his hand in that as well.

**Dr Harmer**—We will try to get it for you tomorrow.

**Senator CARR**—Thank you very much. The money that has been allocated for this particular project is \$5 million from the CRC funds and \$2.1 million has already been spent, hasn't it?

**Mr Cook**—Yes. It is the last tranche of the funding for the refurbishment of facilities at AIMS.

**Senator CARR**—And that is to pay bills that have already been—

**Mr Cook**—Yes.

**Senator CARR**—So it is a back payment?

**Mr Cook**—I am not sure if it is entirely back payment but it is certainly for work that has already been done. Bills have come in and some of them have probably been paid, yes.

**Senator CARR**—So in fact it should have been in last year's budget, shouldn't it?

**Mr Cook**—No. It was always envisaged that the \$2.1 million would be made available in the 2003-04 financial year. It was in last year's forward estimates.

**Senator CARR**—So you run up bills and then you hope that it is in the next year's budget—is that how it works?

**Mr Cook**—No. I think what AIMS did was proceed with their refurbishment program on the basis that that money had been identified in the forward estimates for them. So it is a cash flow issue for them as to how they fund it.

**Senator CARR**—They cross their fingers and hope that it will be there in the budget this time. When were they told the money would be available?

**Mr Cook**—I cannot speak for how Professor Hall manages AIMS, but in last year's PBS you would have seen \$2.1 million in the forward estimates and that money has been made available as indicated.

**Senator CARR**—But, Mr Cook, do you normally tell the agencies within your purview that they can spend on the basis of what the forward estimates have indicated, or do you ask them to wait until the money is actually appropriated?

**Mr Cook**—The financial management of the agencies, Senator, is a matter for the agency CEO and their board or council, not us.

**Senator CARR**—And you do not give them any advice that it might be wise to wait for the appropriation to actually be appropriated by the parliament before they spend the money?

**Mr Cook**—If they seek advice, Senator, we would provide whatever advice they were after.

**Senator CARR**—Would you offer them that advice?

**Dr Harmer**—Senator, they would need to plan expenditures on the basis of forward estimates. Agencies will need to do that. We would certainly offer the advice that they would be unwise to enter firm commitments until the appropriation.

**Senator CARR**—Dr Harmer, you have extensive experience in the Commonwealth. Is it the usual practice to run up bills on the basis that the forward estimates money will come through in a budget?

**Dr Harmer**—Not to run up bills, Senator. That would not be the normal thing, but it would be normal to plan expenditures on the basis of forward estimates.

**Senator CARR**—I appreciate that there is a difference between planning expenditures and actually having bricks and mortar. We are talking here about infrastructure, aren't we?

**Mr Cook**—Yes, Senator.

**Senator CARR**—The \$2.1 million, as you say, is to pay bills for work that has already been done.

**Mr Cook**—That is my understanding, Senator.

**Senator CARR**—That is what I am surprised about. It is unusual, when you deal in public finances, to actually backdate the bills to budget to pay for last year's work.

**Mr Cook**—Senator, any major infrastructure program is based around government decisions reflected in the forward estimates.

**Senator CARR**—Has the Auditor-General had a look at this?

**Mr Cook**—I cannot comment on that, Senator.

**Senator CARR**—I am just a bit surprised, that is all. In regard to this amalgamation, Mr Cook, the chairman of the board of AIMS wrote to you about these structural changes. Is that the case?

**Mr Cook**—My memory of it is that the council chair wrote to Minister McGauran. I think that is correct.

**Senator CARR**—Did the minister reply?

**Mr Cook**—I would have to check that, Senator.

**Senator CARR**—Did it come through you? Did you prepare the reply?

**Mr Cook**—Not personally, Senator.

**Senator CARR**—No, I suppose you do not sit there typing it up at night.

**Mr Cook**—We would need to take that on notice, Senator.

**Senator CARR**—Would you? Thank you. When were they consulted about these changes? When was the board of AIMS consulted about these changes that were announced in the budget?

**Mr Cook**—I cannot be precise as to dates, Senator, but certainly I am aware that there were some discussions between Dr Nelson and I think at least some members of the council.

**Senator CARR**—The CEO did not find out about it until the budget came out. He read it on the web site. Are you surprised by that evidence, Mr Cook?

**Mr Cook**—There had been some informal communication with AIMS.

**Senator CARR**—Informal communication?

**Mr Cook**—I think the CEO was distinguishing between formal advice and other sorts of discussions.

**Senator CARR**—Because it is normal, isn't it, for you to actually tell the agency heads what is in the budget before it is released?

**Dr Harmer**—Senator, it depends a little bit on the circumstances. It does happen. I am certainly aware of situations where the head of an agency, for all sorts of reasons, is not told. There is a variety of ways. Mostly, budget deliberations are kept pretty tight. Good



consultation and open-for-business agenda, which we have been talking about, usually dictate that we do give advice before but often not much before. I heard the evidence of the head of AIMS this morning. I think he was making a distinction between finding out, in a sense, formally and informally.

**Senator CARR**—I certainly heard about it well beforehand. It was around the traps. It is hard to regard that as reliable advice. In fact, we probably asked the union to check it out—probably what caused all the trouble up there anyway. It just strikes me that it is remarkable that the CEO of CSIRO knows all about what is in his budget—from early May, on the evidence that we have been presented today—but the head of AIMS is not told. It would appear, for instance, on the question of training and funding, that the head of CSIRO is advised at the beginning of May, but the head of AIMS is not. How do you account for that, Mr Cook?

**Mr Cook**—The head of AIMS was clearly aware of the budget outcomes, because they put the PBS together.

**Senator CARR**—Did I misunderstand him this morning?

**Dr Harmer**—Senator, I do not think you can conclude from the evidence he gave this morning that he did not know informally before—in fact, it was probably around the same time that the head of CSIRO knew.

**Senator CARR**—About the training or the funding? I asked him a direct question: when did you find out about the triennial funding? Was that not the case, Mr Cook? You heard the evidence.

**Mr Cook**—Yes, I did.

**Senator CARR**—Did I misunderstand it?

**Mr Cook**—I am trying to remember whether that comment was made in relation to your questions about the review of collaboration or whether it was about the budget.

**Senator CARR**—I asked a series of questions. It struck me that I was given a similar answer on all three issues. I was particularly surprised about the triennial funding. I am wondering whether it is not part of your responsibility, Mr Cook, to advise the agency heads on such an important matter as their triennial funding not being granted.

**Dr Harmer**—Mr Cook, as he indicated before, was on leave in that immediate pre-budget period.

**Senator CARR**—So do I look to Mr Manns again for an answer to this question?

**Mr Cook**—I can say that I did inform each of the agency heads about their budget outcomes prior to the budget.

**Senator CARR**—You did?

**Mr Cook**—Yes.

**Senator CARR**—We do have a problem, don't we?

**Dr Harmer**—I think the issue was more that the head of AIMS was talking about formal versus informal—

**Senator CARR**—You may want to draw his attention to—

**Mr Cook**—I suspect also that he was being cautious about that distinction because he did not want to indicate that he knew a lot about the budget before it was announced et cetera.

**Senator CARR**—Obviously, you will give him advice on the question of how to correct the record if it is necessary.

**Dr Harmer**—If it is necessary.

**Senator CARR**—I guess I will not be able to take that any further until I get advice on how this money is to be spent. I understand that Senator Allison wants to ask some questions on the next issue, so you may want to draw her attention to the matter. I will go on to the mapping exercise. I want to raise two matters related to Maralinga issues before I do. When is the mapping exercise into science and innovation activities due to report?

**Mr Cook**—It will be completed before the end of this calendar year.

**Senator CARR**—Is there a draft report available?

**Mr Cook**—We do have a draft report, which is getting comments from people who are contributing to the report, but it is not intended to make that available—it is work in progress.

**Senator CARR**—It is floating around, though?

**Mr Cook**—We have distributed it to a number of agencies for comment and input, yes.

**Senator CARR**—What consultations have been held with state and territory governments?

**Mr Cook**—Quite a lot. They were consulted informally very early in the process. We then established an officials working group, which includes all the state and territory governments. From memory, we have had one formal meeting of that group. They were briefed at a Commonwealth, state and territory advisory council on innovation in Darwin more recently. From memory, our next meeting with the state and territories working group will be held later this month.

**Senator CARR**—Who is on the working group that is undertaking the review?

**Mr Cook**—There is a reference group headed by the Chief Scientist.

**Senator CARR**—Who else is on the reference group?

**Mr Cook**—I do not know whether anyone has all those details.

**Senator CARR**—May I have a list?

**Dr Harmer**—We can give you a list; there is quite a large number.

**Senator CARR**—Do you have the terms of reference there?

**Dr Harmer**—We can provide that tomorrow.

**Senator CARR**—What is the cost of the exercise?

**Dr Harmer**—We can also give you that. We might move on. We can provide—

**Senator CARR**—You are the responsible agency within the department, aren't you?

**Dr Harmer**—Yes.

**Senator CARR**—Or the responsible section of the department?

**Mr Cook**—Yes, Senator.

**Senator CARR**—Where do I find all this set out in the budget papers?

**Mr Cook**—The mapping exercise?

**Senator CARR**—Yes.

**Mr Cook**—No additional resources were provided in the budget for the mapping exercise. We are doing that within existing resources.

**Senator CARR**—How much did you say it costs?

**Mr Cook**—I am just waiting to get an estimate, but we can get that for you.

**Senator CARR**—Who is writing the report?

**Mr Cook**—We have a multiagency task force within our department. It is doing the research and writing the report. The reference group that Dr Batterham chairs is providing overall guidance on the work, as it goes forward.

**Senator CARR**—Who is on the task force?

**Mr Cook**—It is headed by Dr Judy West, who is seconded to us for the purpose of the exercise, and it comprises officers from DEST, from the industry department, from the communications department, and, I think, on a part-time basis, from the Australian Research Council.

**Senator CARR**—Could I have a list of the persons on the task force, please?

**Mr Cook**—I will take advice on that. These are just individual public servants.

**Senator CARR**—Yes, but they are doing a job for the Commonwealth.

**Dr Harmer**—I do not see a problem with giving you the names. We will check that they are comfortable with that.

**Senator CARR**—Yes, but they are doing a job for the Commonwealth—

**Dr Harmer**—Yes, they are.

**Senator CARR**—it is Commonwealth money; it is a very serious exercise. What is the intent of the particular exercise?

**Mr Cook**—It is to map Australia's science innovation system in a way that has not really been attempted before. We are starting from the skills base that is available. We are working through commercialisation linkages, collaborations through research and development performance, innovation performance, and so forth. It is designed to provide a factual analytical basis to assist government in future policy considerations.

**Senator CARR**—Including alternative funding models?

**Mr Cook**—Not this particular exercise.

**Senator CARR**—This has nothing to do with funding at all?

**Mr Cook**—It is mapping funding in terms of who funds what, where the money goes and that sort of thing.

**Senator CARR**—So it has funding implications?

**Mr Cook**—It is not seeking to draw policy conclusions; it will just draw final—

**Senator CARR**—Why are so many separate reviews being undertaken? Why do we need five separate reviews in broadly the same area?

**Mr Cook**—They are not quite covering the same area; they are different.

**Senator CARR**—Let us have a look. A lot of them are in your area. There is one on mapping—that is your area—

**Mr Cook**—Yes.

**Senator CARR**—one on CRCs—that is your area—

**Mr Cook**—Yes.

**Senator CARR**—one on public research agencies—that is your area—

**Mr Cook**—Yes.

**Senator CARR**—although you were not told anything about it. There is one on knowledge and innovation.

**Mr Cook**—That is in another area of the department, in higher education.

**Senator CARR**—And there is one on research infrastructure—is that right?

**Mr Cook**—That is also in the higher education area.

**Senator CARR**—But three of them are in your area—

**Mr Cook**—Yes.

**Senator CARR**—and they all seem to overlap. Why is that?

**Mr Cook**—The CRC program evaluation is a standard program evaluation which we would do as a matter of course on all our programs, and it is appropriate to do that evaluation now, because the program has not been evaluated for some time. That evaluation is designed to give us a better sense of how effective and efficient the program is and whether it needs to be tweaked at all in its future direction. That is a program-specific evaluation. The mapping exercise is a very broad exercise. It is being done on a whole of government basis. It is designed to provide us with a better factual and analytical basis for future policy development. The collaboration review is very specifically about future models for collaboration between universities and public sector research agencies. Clearly—

**Senator CARR**—It is about the integration of our public research agencies and universities, isn't it?

**Mr Cook**—No, I would not be prepared to speculate on what the findings of the committee might be.

**Senator CARR**—If you were at James Cook, you would have a reasonable guess as to what it means. That decision has already been taken. I do not think you need an inquiry to determine that.

**Mr Cook**—I am simply saying that the inquiries are all looking at particular dimensions of our science innovation system. I suppose the one which is most overarching is the mapping exercise, because the data and analysis which comes out of that will help inform a whole range of things, and we will draw on that.

**Senator CARR**—Yes, including all possible alternative funding models.

**Mr Cook**—It will collect some base data on funding sources, flows and uses, but it is not looking at alternative funding models.

**Senator CARR**—Is it looking at effectiveness?

**Mr Cook**—In coming to conclusions, it will certainly look at what we perceive to be the strengths and weaknesses of Australia's science innovation system, and to that extent—

**Senator CARR**—Right. What was the public process for this?

**Mr Cook**—For the mapping exercise?

**Senator CARR**—Yes.

**Mr Cook**—It has been conducted in a fairly transparent way amongst all the relevant stakeholders, in that we have engaged all the states and territories and we have engaged the key players in this area, through the reference group, and earlier this year there was also a specialist expert forum involving about 100 interested stakeholders. But it does not involve a public submission process, because it is a fact finding exercise, not a policy exercise.

**Senator CARR**—You understand that in this business facts become quite controversial, particularly if you are talking about alternative funding arrangements. Will these various submissions be made available publicly?

**Mr Cook**—Ultimately, I would imagine, we would make available the information which is coming into the task force on mapping, in the mapping report.

**Senator CARR**—I expect you to do that. I am interested to know the basis on which the report is prepared. Are there any submissions that have been called for?

**Mr Cook**—Not formal submissions, no. We have asked people for data and information to add to our analysis.

**Senator CARR**—It is not just an empirical exercise, though, is it?

**Mr Cook**—The mapping exercise is an empirical exercise.

**Dr Harmer**—It is being done in a similar way to the way we do in-house research on a range of things. This is a classic example of some in-house research—collecting information, mapping.

**Senator CARR**—So you can give me an assurance, Dr Harmer, that it will be made available?

**Dr Harmer**—I cannot give you such an assurance, but we agreed with your earlier proposition that it is quite likely that it will be in the final report, which will be made available.

**Senator CARR**—You cannot guarantee it?

**Dr Harmer**—I cannot guarantee that.

**Senator CARR**—We have got the research agency project coming together and reporting to cabinet, so that report will not necessarily be available, will it?

**Mr Cook**—Because it will be providing policy advice for government consideration—

**Senator CARR**—That is right, so it will be a private report. This mapping exercise—who are they reporting to?

**Mr Cook**—They are reporting to our minister.

**Senator CARR**—So it is advice to the minister again?

**Mr Cook**—Yes.

**Senator CARR**—Where does the evaluation report on CRCs go?

**Mr Cook**—It will also go to our minister in the first instance.

**Senator CARR**—So it is advice to a minister and will not necessarily be made available. It does not look too good for public disclosure, accountability and transparency, does it?

**Dr Harmer**—That presupposes that ministers will not decide that they ought to be made public, and we cannot answer that at this point in time.

**Senator CARR**—I will come back to that as well.

**Mr Cook**—You asked earlier about the estimates of the costs of the mapping exercise—do you just want the global figure?

**Senator CARR**—Yes, please.

**Mr Cook**—Let me just quickly add it up: it is about \$360,000.

**Senator CARR**—I will come back with other questions, if need be, on that. The budget papers have allocated \$7.5 million for construction on Mount Stromlo—that is correct, isn't it?

**Dr Harmer**—The issue of Mount Stromlo, because of its relationship to ANU, would be better dealt with by the people who worked on that proposal. They are in the higher education division and they will be here tomorrow. We might be able to answer a general question, but detailed questions will be answered tomorrow.

**Senator CARR**—Mr Cook, I take it you cannot tell me whether or not there are any submissions currently before government to extend the allocation of \$7.5 million?

**Mr Cook**—What do you mean by 'extend'?

**Senator CARR**—I understood that the Prime Minister had told the university that they were likely to be able to attract some \$20 million—that is what it would cost to repair the facilities. I can tell you now that the vice-chancellor was quoted in the local newspaper as saying that \$20 million was needed to close the gap between the insurance on the old telescopes—the old facilities—and the rebuild.

**Mr Cook**—You would have to ask that detail of our higher education division.

**Senator CARR**—So you have no knowledge of any additional requests being made for supplementation to that \$7.5 million for the Stromlo telescopes?

**Mr Cook**—I have only read in the *Canberra Times* the vice-chancellor's comments.

**Senator CARR**—You are about as well informed as I am. So that is a higher education matter?

**Mr Cook**—That is correct.

**Senator CARR**—The Minister for Science indicated yesterday that he was going to cut funding. I am quoting from the *Australian*, but I understand he also said this on the radio. In the *Australian* on Wednesday, 4 June, it said the science minister:

... is threatening to cut South Australia's federal ... funding as "political payback" ...

Are you aware that the minister has made a statement that there would be a reduction in funding for South Australian science projects as a result of the state government's decision to try to block the establishment of a national repository?

**Mr Cook**—I have read the transcripts of radio interviews that the minister has given.

**Senator CARR**—Was that on advice from the department?

**Mr Cook**—The department has been providing a deal of advice to the minister, as you would expect, on the radioactive waste repository.

**Senator CARR**—Did the department advise the minister that one policy that could be adopted was to withhold funding from South Australia for science projects?

**Dr Harmer**—We cannot advise on individual pieces of advice given to the minister on this matter. As Mr Cook has said, we have given the Minister for Science a range of advice around this matter, as you can imagine, over quite a long period of time.

**Senator CARR**—I am sure you would have. I am also certain that you would not have told him that he could block science moneys to South Australia because of this matter. That is the case, isn't it, Mr Cook?

**Mr Cook**—I cannot comment on that.

**Senator CARR**—What are the constitutional implications for trying to block moneys for a particular state for a Commonwealth project such as this? Are you able to comment on that?

**Mr Cook**—I would have to take advice on that.

**Senator CARR**—You have not done already?

**Mr Cook**—I am aware of the general provisions in the Constitution.

**Senator CARR**—I would have thought that, when you saw this article or read the transcripts, you would be reaching for your legal advice and finding out how it is that the government could do such a thing. That would be the case, wouldn't it? You would have thought to yourself this morning, 'This is a surprise. I didn't know anything about this. It is unusual for a minister to announce that we are going to withhold money from a particular state because he doesn't like the decision of the government on another matter.'

**Mr Cook**—I am not aware of the exact wording of what the minister said, but we would be unlikely, on the basis of a press report or even a transcript of a response to a question, to start work unless the minister asked us to. I am not aware that the minister has asked us to start work on any of that.

**Senator CARR**—So he has not asked you to start work on that?

**Dr Harmer**—I am not aware that he has.

**Mr Cook**—No; not as far as I am aware.

**Senator CARR**—Are there any officers here who are aware? Mr Manns, are you aware whether the minister has asked you to find out a way by which he can withhold money from South Australia?

**Mr Manns**—No, I am not aware of any such request at this stage.

**Senator CARR**—The department often runs these sorts of political paybacks, doesn't it, Mr Manns? That is the sort of thing you do on a regular basis, isn't it? That is what it says in the paper here: the minister has announced that there is going to be a political payback. It is an unorthodox way of making policy, I would have thought.

**Dr Harmer**—We cannot comment on that.

**Senator CARR**—You can take this question on notice: how would you actually achieve this legally?

**Mr Cook**—I can seek advice on that.

**Senator CARR**—That is what I am asking. I understand you will have to take this on notice. I am sure the minister sooner or later will be asking you how he can fulfil this daring and innovative policy initiative.

**Dr Harmer**—We will not be able to provide you with the advice we give the minister.

**Senator CARR**—I am not asking you that. What I am asking you is: given that the minister has made a statement that this is what the policy of the government is, how would that legally be achieved?

**Dr Harmer**—We would not be the people to answer that; the people at this table from the science division would not be the people to answer that.

**Senator CARR**—But you are the ones who have to carry out the policy. You would not do anything illegal in the department, would you?

**Dr Harmer**—We certainly would not. But we would seek advice from the Attorney-General's or somewhere. On a matter such as that, it is unlikely that we would be the primary source of advice.

**Senator CARR**—No. I am somewhat surprised. How much money is involved, by the way, in the waste dump? What is the cost of the waste dump?

**Mr Cook**—In terms of the current budget provision?

**Senator CARR**—Yes.



**Mr Cook**—In this year's budget in the PBS my memory is that there is half a million dollars for capital expenditure, \$1.7 million to conduct the first campaign and some \$200,000 ongoing for management costs.

**Senator CARR**—But about \$1 million when it is all put together in different pieces.

**Mr Cook**—Closer to \$2 million.

**Senator CARR**—Closer to \$2 million?

**Mr Cook**—Yes. I am just trying to find the page.

**Senator CARR**—Will you have to take a few ciders out of the Grape and Wine Research and Development Corporation to fund that \$2 million—and maybe some people out of the Defence Science and Technology Organisation? Will the land and water division of CSIRO be losing staff to fund this new, innovative policy?

**Mr Cook**—No. The funding for the measure is explained in the PBS on page 103.

**Senator CARR**—I am aware of that. Given that the minister has made this threat, I am just wondering how it would be funded, that is all. Where would I look to find \$2 million worth of science projects for South Australia that could be withdrawn?

**Mr Cook**—I cannot really comment on that.

**Senator CARR**—But you can tell me that this was a course of action that was suggested by the department?

**Mr Cook**—No. I am saying that it is not appropriate to disclose that type of information.

**Senator CARR**—Were you surprised by the minister's statement?

**Mr Cook**—It is not appropriate for me to comment on what the minister said.

**Senator CARR**—Were you surprised by the South Australian Premier's statement about the declaration of a national park?

**Mr Cook**—I think that possibility is something we were aware of.

**Senator CARR**—You were aware of it?

**Mr Cook**—Yes.

**Senator CARR**—What are you going to do about it?

**Mr Cook**—The minister needs to consider various options.

**Senator CARR**—Legislation?

**Mr Cook**—I cannot say anything more about that.

**Senator CARR**—When will we hear about the short list of sites for the intermediate level waste facility?

**Mr Cook**—The minister has indicated that he is seeking further advice and he hopes to make an announcement within the next couple of months.

**Senator CARR**—The next couple of months?

**Mr Cook**—Yes, he will make a statement about the short list in the next couple of months.

**Senator CARR**—When was it due?

**Mr Cook**—I would have to ask Dr Perkins.

**Senator CARR**—When was the short list of preferred sites for intermediate waste locations due to be released?

**Dr Perkins**—The minister has indicated he has some advice from the advisory committee and he is seeking further advice or further consultation within the Commonwealth on possible sites, so it is a matter for consideration within the Commonwealth.

**Senator CARR**—Was there not a proposal to announce this last year?

**Dr Perkins**—I do not believe it was last year. I think at last Senate estimates we indicated that the process was moving along. As Mr Cook has indicated, the minister has been provided with some advice and is currently seeking further advice from his colleagues.

**Senator CARR**—How many sites are on the short list?

**Mr Cook**—The short list has not been announced yet.

**Senator CARR**—You must know how many sites are on it. Are they in all states and territories or just a couple?

**Mr Cook**—The minister indicated that there were no very suitable sites identified in South Australia, but he said he did not rule in or out any other state or territory.

**Senator CARR**—So we can say that there is nothing in South Australia?

**Mr Cook**—That is correct.

**Senator CARR**—Just to refresh my memory: you said that would be in a couple of months time.

**Mr Cook**—Yes, I understand that is the timetable the minister is working to.

**Senator CARR**—So the Northern Territory is on that list?

**Mr Cook**—I can just repeat what the minister said. He has not ruled in or out any other state or territory.

**Senator CARR**—With respect to persistent organic pollutants in the Pacific Islands countries, are you aware of a program to assist Pacific Islands countries to dispose of pollutants and toxic chemicals?

**Mr Cook**—I am not aware of that.

**Senator CARR**—The department is not involved in such a program?

**Mr Cook**—No.

**Senator CARR**—Have you got some more information for me?

**Mr Cook**—I want to correct my earlier evidence. I said that the total budget was \$360,000. I just added up some numbers and realised that that was expenditure to date. It will probably be several times that amount.

**Senator CARR**—Could I have a budget for the project, please?

**Mr Cook**—We can give that to you.

**Senator CARR**—The year to date budget and the full budget. Is that possible?

**Mr Cook**—Yes, we can get that for you, Senator.

**Senator CARR**—And you will be able to give me a breakdown on how that is spent? I take it it is not too difficult, if you have got it there.

**Mr Cook**—We can give you a broad—

**Senator CARR**—Yes, I do not want to know how many pencils you have bought.

**ACTING CHAIR**—The committee is suspended until 7.30 p.m.

**Committee suspended from 6.20 p.m. to 7.38 p.m.**

**ACTING CHAIR (Senator BARNETT)**—I welcome the departmental representatives to the table. I understand that Senator Lyn Allison has some questions, so I will pass to her.

**Senator ALLISON**—My questions are about the Maralinga report. Can I start with the way in which the report was written. I understand that it was prepared by a group of scientists who did not necessarily have a great deal of day-to-day knowledge about the operation of the clean-up and, in fact, met only briefly on three or four occasions. Can you comment on the expertise and the suitability of the sort of arrangement that was put in place eventually in writing the report?

**Dr Perkins**—The committee consisted of a number of scientists who actually were involved in the project, apart from their duties on the committee. For example, one of them was the scientific adviser for the project, Dr Costello, and he advised on various aspects of the ISV. Mr John Morris was a geological consultant to the project and worked extensively assessing drill core. Mr Des Davy also had extensive knowledge and understanding of the ISV and, indeed, Mr Church, the health physicist from the United States, actually participated in audits of our health physics procedures on the project. So the committee was called on in various capacities to advise on the project and was involved in the project in various ways.

But I should also point out that the actual text of the MARTAC report has drawn extremely heavily on the reports of contractors who worked on the project. You might be aware that there is a compact disc at the back of the report, which has over 6,000 pages of contractors' reports. Every aspect of this project has been documented in very extensive detail. MARTAC drew very extensively on the contractors' reports when writing up their chapters. They were also very closely involved as a committee in particularly the ISV, in situ vitrification, part of the project. So the committee has very extensive knowledge and understanding of this project.

**Senator ALLISON**—It is my understanding that MARTAC, if not the whole committee then members of it, asked your department if assistance could be had from Mr Alan Parkinson who was involved with the project originally. Why was that refused?

**Dr Perkins**—I am sorry, I do not quite understand what you are getting at in the question.

**Senator ALLISON**—A request was made of your department, as I understand it, from MARTAC members to engage Mr Alan Parkinson to assist with the writing of the report. I understand there were a number of approaches made to the department, and that request was refused. Can you explain why?

**Dr Perkins**—It is going back a fair few years. I cannot recall any formal approach to the department that I was aware of where the committee formally requested Mr Alan Parkinson.

**Senator ALLISON**—Perhaps somebody else can advise.

**Mr Cook**—Senator, this program came across from the industry portfolio a couple of years ago so, apart from Dr Perkins, I do not think there is anybody here who has any greater historical knowledge of what happened.

**Senator ALLISON**—I do not think I am talking about historical knowledge. This would be relatively recently, before the writing of the report. Your answer is no?

**Dr Perkins**—I can recall no formal request. Mr Alan Parkinson was part of the MARTAC committee but he ceased to participate in 1998.

**Senator ALLISON**—Perhaps you could take that on notice and, if it is found that there was a request, advise the committee of that and the reasons for refusing the request. I will go through some of the criticisms of the report, some of which you will be aware of. You would be aware, too, that it has been criticised in terms of incomplete descriptions, misleading statements and so on. But I guess central to the criticism—this is something that I found in looking at the document, although I must say I have not looked at the 6,000 pages which include the consultant's reports—is that there is no complete description of how the work was done. Why is that?

**Dr Perkins**—I would disagree with that. I would disagree, too, with the statement that it is an incomplete description. I think it is the most extensive description of the project. I think you will find the project manager's report, which is on the compact disc, gives a very extensive account of what happened on the project. Indeed, much of the MARTAC chapters are also devoted to that; the ISV is described in most excruciating detail. I would disagree.

**Senator ALLISON**—What about the problems that were encountered? Do you stand by the report in terms of an adequate description of the problems and what was done to overcome them?

**Dr Perkins**—Absolutely I do. I think this is the most extensive report. Problems have been gone into in great detail. I do not see how a more authoritative account of the project could have been put together.

**Senator ALLISON**—The minister is not here, but I think it was his statement, which you may or may not agree with, that this would be a useful guide for clean-up of other sites. Can you indicate in what respect it would be useful and where, if anywhere, other countries have adopted the same approach?

**Dr Perkins**—I think what the minister meant was that this is the largest clean-up of its kind that has been undertaken in the world. As you are probably aware, there are a number of former test sites which are contaminated in part in the same way as the Maralinga test site has been contaminated. I think what the minister meant was that this is a very extensive guide. It describes every step of the project, the various issues, how they were resolved and how they were worked through. A country which is planning to clean up a test site that is contaminated in a similar fashion would obviously benefit from reading about our experience with cleaning

up this test site, simply because it is an authoritative, extensive account of what happened, what the situation was and what we did to remedy it.

**Senator ALLISON**—You would be surprised, then, to know that the United States Department of Energy has adopted vitrification technology in at least four projects since Maralinga.

**Dr Perkins**—Have they?

**Senator ALLISON**—Yes; obviously it was not a good enough guide for them. You do not have any comment to make about that?

**Dr Perkins**—I hope they read the detail in the report and find it of value.

**Senator ALLISON**—ARPANSA offered the view yesterday that in the vitrification process it was always assumed that anything would be able to be put into the pit and vitrified—that gas bottles, unexploded ordnance or other material which might have exploded in this process was not supposed to. Is that your understanding, too; that the beauty of ISV was that anything could be put in there and it would not explode?

**Dr Perkins**—The ISV contractors were aware that the pits were not fully characterised when they undertook the project. As is described in the MARTAC report, there were a number of trial phases prior to actually using the technique. As is also documented in the report, there was a history of transient events—in other words, explosive events—when vitrification was undertaken in the United States prior to the Maralinga project. The contractor went in there knowing that the pits were not characterised, but, having said that, there certainly were issues with the ISV technique.

**Senator ALLISON**—From your own technical knowledge of the technique, would you say that a gas bottle, for instance, would survive the process without an explosion? What do you know?

**Dr Perkins**—I would not like to speculate. Obviously you are dealing with high temperatures. As to the actual investigation into the pit 17 event, if what you are alluding to is the fact that that could have been caused by a gas bottle, the MARTAC committee did not believe on balance that there was a conclusive cause for that event. And, as I noted, there is documentation here to indicate that a series of explosions or transient events have occurred during the use of in situ vitrification in the United States, so the pit 17 event was not an isolated example.

**Senator ALLISON**—But you would not suggest, Dr Perkins, that a pit which did not contain something which might explode under high heat conditions would not do so with the ISV process?

**Dr Perkins**—Obviously, heat is involved. This is one example you are drawing. There are obviously other elements involved here too.

**Senator ALLISON**—I am sorry, it is not the actual case; I do not know if it is a gas bottle or not. I am just asking you because what ARPANSA said yesterday was that the beauty of the process was that it does not matter what you put in there, you apply this enormous heat to it and it should still form a nice neat connect, a vitrified block.

**Dr Perkins**—I can only say the ISV contractor undertook this work knowing that the pits were uncharacterised, so they must have felt confident that they could deal with whatever was in the pits using their technique.

**Senator ALLISON**—And only the contractor was required to be confident—

**Dr Perkins**—Obviously the committee were confident, too, on the basis of the contractor's views and on the basis of the trials that had been conducted at Maralinga.

**Senator ALLISON**—Why do you think it was not possible to discover the cause of the explosion?

**Dr Perkins**—Why was it not possible?

**Senator ALLISON**—Was it because the investigation was not adequate or because the explosion was of such a size as to have destroyed the evidence—

**Dr Perkins**—There were two detailed reports done on the incident, both of which are in this report, and MARTAC assesses them in detail. The ISV contractor appointed a subcontractor to undertake one assessment, and an independent assessment of that first investigation was undertaken. I would say, at the end of the day, that it was because during the explosion the evidence or the contents of the melt were destroyed.

**Senator ALLISON**—I do not intend to work through the whole report. I have a document I propose to supply the committee with and ask for detailed responses to. However, I wonder if I can just draw attention to some. The organisational structure that is shown on page 60 does not in fact match the structure which is shown on attachment 4.4 of the Gutteridge Haskins Davy report. Can you explain why that might be the case?

**Dr Perkins**—I would have to take that on notice. I have the one on page 60 but, without being able to compare it with the other one, I will take that on notice.

**Senator ALLISON**—There is also, I understand it, a problem with the organisational structure shown in appendix E1 of the GHD report, which shows Geoprojects as subcontractors to ACS. Page H4 of appendix H of the GHD report shows reports of investigations initiated by GHD with item 50 being a report by Geoprojects. Geoprojects also undertook another project under contract to GHD, and that was to identify a source of water at Taranaki to supervise the sinking of a bore at that place. This is small in the scheme of things, but the point I would like to make is that there are such errors through the report. Page 58 says that Geoprojects undertook work on behalf of the department and MARTAC. But it was also the case that Geoprojects undertook work directly under contract to the project manager. Would that be your understanding too?

**Dr Perkins**—I would have to take that on notice, too, and check our records.

**Senator ALLISON**—I will put a couple of others on notice as well with regard to the structure. One of the other critical areas would appear to be the reference to the concrete cap on pit 19A. It is my understanding that that pit was in fact not capped at all. Could that be checked?

**Dr Perkins**—Yes, we will check that.

**Senator ALLISON**—Dust suppression is another major area of some controversy. The report does not mention that at least on one occasion the dust was extremely thick, so thick that I gather that officers were evacuated from there by the health physicist to more than a kilometre from the work site. Why would a fairly significant incident not be reported in the report, do you think?

**Dr Perkins**—I would like to take that on notice. That may very well be reported in the project manager's very extensive report, which is on the compact disc. I would like to check that. I will note, too, that we had air monitors throughout the project that monitored the dust, and the finding was that plutonium was simply not suspended in dust by wind. It is very mobile. So, in actual fact, it is most unlikely plutonium would have been carried in the dust to any extent that it would have been hazardous.

**Senator ALLISON**—The report on pages 193 and 194 talks about dust suppression, and says:

The need to suppress dust during soil removal. The requirement was mainly for operator perception and for visibility and plant movement safety reasons.

Do you think that was the only reason for dust suppression or even the main reason?

**Dr Perkins**—As I just said, we monitor dust. We had expert advice from the United States and the finding was that plutonium was not easily suspended by the wind in dust. I think that is probably what they are alluding to; that, really, the risk of plutonium being carried and inhaled in that manner is extremely low.

**Senator ALLISON**—And yet the drivers of the vehicles that were in a sense causing the dust to be raised because of their work were in completely sealed cabins, were they not?

**Dr Perkins**—Yes, they were. I think that you would find the health physicist on the MARTAC committee would have said that was a very conservative measure. We were very conservative in the way we actually implemented the project. We went to great measures to ensure that people did not get any exposure to plutonium.

**Senator ALLISON**—What about the concern about contaminated soil? Obviously if the dust was very thick in these circumstances such as to evacuate a kilometre away, there must have been a lot of soil that was suspended in the air. Surely another reason for being concerned about that was the fact that this contaminated soil would be blowing onto lots which had already been cleared. I think there is a clearance certificate that was at that time provided by ARL. Surely this was worth mentioning in the report?

**Dr Perkins**—There has been some consideration of dust, but I can only repeat what I said before: that we had air monitoring throughout the project and plutonium was not found to be suspended.

**Senator ALLISON**—But that is not my question.

**Dr Perkins**—I think what you are implying is that, after work had been done on one area and a lot had been cleared, in the next dust storm dust would be picked up, carrying plutonium, and deposited on a lot which had already been cleared. The evidence—

**Senator ALLISON**—You are not suggesting that did not take place?

**Dr Perkins**—The evidence over decades of looking at Maralinga is that, in actual fact, the area of contamination has been remarkably stable in its surface expression. For example, the plumes that were there at the time of the testing have not changed in their configuration—this is on ARPANSA's assessment—over the decades. If what you are suggesting is true, that plutonium is very easily suspended and carried in the dust, you would expect a spreading out of the contamination. That has not been found at all. In actual fact, we have had most extensive surveys of the entire Maralinga region—aerial surveys, vehicle based surveys and foot based surveys—using different types of detectors and different types of equipment, and most consistent results have come up. So there is really nothing to support the hypothesis that plutonium is very easily carried by the wind, dust is very easily spread. Quite the contrary.

**Senator ALLISON**—It does defy logic, though, when thousands of tons of contaminated soil was blown into the air and moved across boundaries and some long distance. If you close down an office because a kilometre away the site work is causing such a dust problem that it is not safe, one would have to assume that, in the huge quantity of material being moved around, you cannot be sure that there is no plutonium transported.

**Dr Perkins**—We were monitoring the air to detect airborne plutonium contamination, and we found that it did not resuspend easily.

**Senator ALLISON**—There were a number of problems with dust suppression but the report does not really tell us much about what was successful in the end. It says that considerable effort was devoted to the control of dust during soil removal, mainly through its suppression during soil removal. So it actually says it happened but there is no account of how that was achieved, nor, I would argue, the fact that dust suppression at Taranaki was, as I understand it, one of the worst cases in the clean-up—that there was very poor dust suppression at that site. But that is not mentioned in the report.

**Dr Perkins**—As I said, the project manager's report, which is on the CD, is a most extensive report that runs to a few hundred pages. I believe the issue would have been dealt with in that report.

**Senator ALLISON**—Maybe you can check on that. As I understand it, the dust suppression problems were not solved until after Taranaki and the TM site, but perhaps you can check. In fact, just looking at page 81, it says that it is estimated that, for the complete soil removal operations at Taranaki, there were approximately 15 occasions on which work was suspended due to excessive dust levels. So we are talking about a number of occasions but, again, not the solution to them necessarily. If we can look at the section on the blocks that had been vitrified, the report says:

The blocks were not monoliths as they had fractured during cooling ... monoliths could have been advantageous had they been produced.

In other words, this is a criticism of the ISV process that the blocks were cracking. Can you explain why it was decided that, rather than let those blocks cool, which I understand would under normal circumstances take some months, cold water was poured on them?

**Dr Perkins**—I believe cold water was not put on all the blocks. When it was used, it was used with the knowledge of the ISV contractor. We wanted to have a look at the product for the very simple reason that we were not confident that we were getting the result we required.



There were difficulties with the technique, there were difficulties with the process, there were difficulties knowing if all debris pit contents had been treated by this technique. The committee wanted to find out simply if the process was working in the way it was intended. That was why it was important to investigate the product.

**Senator ALLISON**—But how can you work that out if you do a premature splitting of the block?

**Dr Perkins**—Premature? As I said, I would have to check. I believe that cooling water not used in every example. When it was used, it was used with the knowledge of the ISV contractor.

**Senator ALLISON**—Why was it that you relied on the ISV contractor for this advice?

**Dr Perkins**—Not relying on but in consultation with—obviously, we were working with them. But part of the reason we wanted to find out about the product was simply because the ISV was still progressing. We thought we might be able to learn from the results of some of the pits that had already been treated—what had worked and what had not worked—and thereby modify the process to get a more successful and better result.

**Senator ALLISON**—Do you accept that by pouring water over some, if not all, led to the fracturing about which you complain as being a failure in the process?

**Dr Perkins**—I do not accept that. I would have to take that on notice for further consultation. But I just make the point that it was very important, in order to try to do everything we could to ensure the best result from the ISV, that we understood the product and the nature of it.

**Senator ALLISON**—You relied on the advice of the contractor in doing that?

**Dr Perkins**—We and the MARTAC committee and the contractor worked collaboratively to assess the melts.

**Senator ALLISON**—What was the technical advice given about water as opposed to waiting for a few months for it to cool down naturally?

**Dr Perkins**—As I said, my understanding was that everyone was in agreement in terms of the method that was used to assess the blocks in order to make it safe to be able to assess them.

**Senator ALLISON**—Sorry, I do not understand that. Why would it be less safe assessing them after they had cooled naturally than after they had split in the early cooling process?

**Dr Perkins**—As I mentioned, because it was ongoing; we were still in the process of doing further melts. You can understand that we wanted to find out as much as we could about the quality of the product—because there were concerns that it was not performing as it should have—in order that we might learn and the process might be better applied during the remaining part of the project.

**Senator ALLISON**—Can I suggest it is fairly logical that, if you cool the outside surface of especially a solid object which is very hot inside, it will crack.

**Dr Perkins**—I could just go back to what I said before, I would have to check in terms of how many blocks had water put on them. But the approach was an agreed approach that we followed.

**Senator ALLISON**—You keep saying that, but it defies logic that it would do anything but fracture the block.

**Dr Perkins**—That is the approach we followed.

**Senator ALLISON**—Another criticism, which I think you have maintained in the past, Dr Perkins, was that what was not melted was the metal components in the debris. Have you had a chance to look at the objectives of the ISV process? It was my understanding that it was never intended that those metal components would melt; that, in fact, the temperature just is not high enough for that to happen.

**Dr Perkins**—It was incorporation. The committee certainly believed the steel should be melted, but even more importantly—

**Senator ALLISON**—On what basis?

**Dr Perkins**—I think that was something that had been put to them in one of the ISV early Geosafe documents. But, more importantly, the issue was incorporation of all the debris that was in the pits within the melt, and that was not happening in a satisfactory way. If you have a look at the report, I suggest the relevant chapter that deals with the ISV explains in great detail the outcomes of the melts. There were some melts where there were very large steel plates less than a metre from the surface that were not incorporated in the melt which had some plutonium contamination on them. Basically the idea was to engulf all the debris content of the pits within the melt and encapsulate it in such a way that it would not be accessible. That was not happening.

**Senator ALLISON**—The plutonium obviously is on the surface of the steel. Doesn't it mean that provided what surrounds the steel is melted: the wash of the plutonium over the steel; as long as that was melted—why would you need to have the steel melted as well?

**Dr Perkins**—The question was more that the steel was not surrounded by the melt. There are a number of examples where we had very large metal plates right at the top of the melt that were not incorporated by the melt. You could just lift the plates off when we excavated the block, and that was within a metre of the surface. That was not the outcome that we had expected. Having plates not incorporated by glass which were contaminated with plutonium that could be just lifted off was not a safe outcome—and that was ARPANSA's assessment.

**Senator ALLISON**—Sorry, Chair, I have lost my place. If you have a question on the subject, that would be good, Senator Carr.

**Senator CARR**—Mr Cook, I asked you before about the cost of the mapping review. You have given me some information, and I appreciate that. Can you give me the cost of the CRC review, year to date and the full budget? I will give it to you on notice now. If I could have it tomorrow, that would be helpful. A consolidated form would be great.

**Mr Cook**—Yes, Senator.

**Senator CARR**—If I could get it in consolidated form just so that I can see what the department is spending on the research reviews. We have five reviews—the public research agency review, mapping, CRC, research infrastructure, evaluation and knowledge and innovation. That is the five currently running in the research area. If I could get year to date and complete budgets for them, I would appreciate that.

**Dr Harmer**—It may be some time during the day tomorrow.

**Senator CARR**—I understand that. I do not expect it at 9 o'clock in the morning. You would recall that at previous estimates I raised some issues about the national research priorities. This is probably another area where you will ask me to go to higher education.

**Mr Cook**—No, research priorities are within the Science Group.

**Senator CARR**—A committee of experts was established last year; is that right?

**Mr Cook**—Yes, that is right.

**Senator CARR**—Who is on that committee?

**Mr Cook**—From memory, there were two committees. I cannot recall all their names. I can give those to you in the morning.

**Senator CARR**—Thank you. Was it chaired by Dr Jim Peacock?

**Mr Cook**—The second one was, yes.

**Senator CARR**—The second experts committee. There were two expert committees?

**Mr Cook**—Yes, that is my memory. There was a committee that was chaired by the Chief Scientist, as I recall, who did the initial consultations and developed the framework. And then when it came to going to the next stage in terms of working out what the priorities should be, a different committee was formed, chaired by Dr Peacock, of which the Chief Scientist was a member.

**Senator CARR**—How many times did this expert committee meet?

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

**Senator CARR**—When did it report to the Prime Minister and cabinet? What were the committee's terms of reference?

**Mr Cook**—Yes; I can take all these on notice.

**Senator CARR**—I appreciate that. Have you tabled the report of the committee?

**Mr Cook**—The final report was not tabled.

**Senator CARR**—Why not?

**Mr Cook**—The final report was part of cabinet's deliberations in terms of the government's decision on the national research priorities. The earlier documents were made available.

**Senator CARR**—But not the final report?

**Mr Cook**—That is correct.

**Senator CARR**—Was that final report a page or two in length?

**Mr Cook**—I think it was substantially longer than that. I would need to check my memory on that.

**Senator CARR**—If you could check your records on that and tell me how long the report was, if you cannot give me a copy of the report. Obviously, I will now seek a copy of that report. There should be no secrecy attached to it now, should there—or will we have to wait for the 30-year rule to cut in?

**Mr Cook**—I would have to take advice on that.

**Senator CARR**—Were there any amendments made to the original recommendations of the committee?

**Mr Cook**—That would require disclosing deliberations of cabinet, and I cannot comment on that.

**Senator CARR**—Was security one of the committee's original priorities?

**Mr Cook**—Again, you are asking me to—

**Senator CARR**—I know I am asking.

**Mr Cook**—I do not believe I can comment on that.

**Senator CARR**—Can you tell me this: has the department had any discussions with CSIRO regarding the issue of research priorities in the security area?

**Mr Cook**—Only in our normal interaction on a day-to-day basis in terms of talking to CSIRO about where things are heading from their point of view and so forth.

**Senator CARR**—I am not talking about the security guards down in Clayton.

**Mr Cook**—No, you mean the research work.

**Senator CARR**—Yes.

**Mr Cook**—CSIRO have taken their own decisions about that. It was not at the instigation of the department.

**Senator CARR**—So they have established a process to have security as an issue of research priority?

**Mr Cook**—I think you would need to ask CSIRO the exact details. My memory is that they have a number of technologies which are dual purpose in nature; that is, they can be used for civilian or security purposes. I was certainly aware of them discussing whether to put more resources into that area but I am not personally aware of the outcome of that.

**Senator CARR**—So I will need to put a question on notice to CSIRO to get that the information, will I?

**Mr Cook**—That would get you a more accurate answer, yes.

**Senator CARR**—You have had no recent discussions with them about expansion of any flagships?

**Mr Cook**—Only in the context of looking at their report on implementation of national research priorities. All departments and agencies have come to us with their implementation plans, which is the next stage of the national research priority process.

**Senator CARR**—Are you able to tell me if there are intentions to establish a security research priority within CSIRO?

**Mr Cook**—I cannot be definitive about that.

**Senator CARR**—What can you be definitive about?

**Mr Cook**—I can mention to you that we have had some discussions about their work in that area, because it has been of general interest, but I am not sure where Dr Garrett and his colleagues have come out exactly. We could certainly ask the question of them.

**Senator CARR**—If you would not mind. I would like a detailed answer, if it can be provided, on what is the development towards establishment of security as a research priority within CSIRO or security related research matters.

**Mr Cook**—I will ask them.

**Senator CARR**—I would appreciate that. In regard to the Woomera waste repository site, page 103 of the PBS lists three new budget measures—we discussed those earlier—with \$200,000 for budget management and \$500,000 for construction. That is right, isn't it? That is the expectation?

**Mr Cook**—\$500,000 by way of capital for the basic facility.

**Senator CARR**—I have just noticed that, in the national radioactive waste repository draft EIS, the main report, there was a reference to a need to have a 35.5 kilometre road upgrade construction through a sensitive environment. Is that correct?

**Mr Cook**—Dr Perkins can probably help you there.

**Dr Perkins**—Yes; the road to site 40, the repository site, is of that order of magnitude.

**Senator CARR**—How much money has been allocated for that road upgrade?

**Dr Perkins**—The budget was put together on the assumption that site 52A would be the site for the repository. As you are aware, we had three sites referred for environmental assessment. Site 40A has been selected following the environmental assessment for the repository. We are in the process of assessing the requirements for the road, so that will be an additional cost.

**Senator CARR**—But that is not in the budget?

**Dr Perkins**—No.

**Senator CARR**—What do you believe to be the cost of the road upgrade?

**Dr Perkins**—I could not speculate at present. We have some engineers who are in the process of actually assessing that, so we will have to rely on their expert advice in terms of what sort of upgrade is required. There is an existing track essentially to the site, a pastoral track, so there is a track there already. In terms of how much work is going to be required to upgrade it so that it is satisfactory, that is a matter that we have to take professional advice on.

**Senator CARR**—Are you aware of estimates that the cost of ensuring that the road construction is of a standard needed for the transportation of waste material might be \$100,000 per kilometre? Are you aware of costings of that type?

**Dr Perkins**—I think it very much depends on what quality roads you are talking about. That might be on the assumption that you are going to have to put layers of gravel on the existing road rather than grading it and just perhaps putting a very small amount of material in areas which could wash out. But, as I said, we are relying on the professional advice of engineers to advise us.

**Senator CARR**—We are talking about 3,000 trucks, aren't we?

**Dr Perkins**—Three thousand trucks?

**Senator CARR**—Yes.

**Dr Perkins**—That sounds like a rather large number. We are talking about 170 trucks in the first campaign, which would be bringing waste from around Australia to the repository site. I would say that about the same number of trucks would be involved in transporting the Fishermen's Bend soil, the CSIRO soil, that is currently at the Woomera rangehead across to site 40A. Thousands is a very large number.

**Senator CARR**—So you do not think that is right?

**Dr Perkins**—I disagree with that.

**Senator CARR**—So there might be several hundred trucks?

**Dr Perkins**—Yes.

**Senator CARR**—In any event, it does not really matter how many trucks there are; there is no appropriation in the budget to upgrade the road.

**Dr Perkins**—As I said, the budget was based on site 52A. We are now having to get engineers to assess the road and, once we have a reasonable costing, we will address that.

**Senator CARR**—It is a big assumption, isn't it, to actually put in a particular site when the EIS has not been completed?

**Dr Perkins**—Three sites were referred, and in the EIS it stated that site 52A was our preferred site. We had two very good alternatives, and we had to work on some basis when we were putting together the estimates for the budget.

**Senator CARR**—And you would not have needed the road upgrade for site 52A; is that right?

**Dr Perkins**—That is correct.

**Senator CARR**—When will you have that costing?

**Dr Perkins**—Shortly, I would expect.

**Senator CARR**—Can you take that on notice that that be provided to the committee?

**Dr Perkins**—Yes.

**Senator CARR**—Senator Allison, do you have further questions?

**Senator ALLISON**—I am happy to wait.

**Senator CARR**—I am going to put the rest of mine on notice.

**Senator ALLISON**—Going back to the MARTAC report, I have a couple of questions relating to the quantities of plutonium that were in the soil. The report says on page 132 that the amount of plutonium consigned to the pit et cetera was 650 grams. In other parts, there is reference to the Cornish report and the estimate of two to 20 kilograms. It is my understanding that the figure is more likely to be 3.1 kilograms overall on the site. Why was that figure of 650 grams so precise, given the range which the Cornish report identified?

**Dr Perkins**—I would like to take that one on notice, if you do not mind. I would have to check.

**Senator ALLISON**—Sorry, it is the Cornish report that says 2.2. It is the TAC report that says two to 20, as I understand it.

**Dr Perkins**—Yes, there was a range available. The estimates arising from the clean-up are our best estimates based on measurements. But, as I said, I would like to take that on notice.

**Senator ALLISON**—The other, which is another issue which keeps being raised, is the one about the firing pads. I think you have indicated in the past that no fairly heavily contaminated firing pads, by all accounts, had been missed but, according to the report, they are not recorded in the project reports either.

**Dr Perkins**—I know that issue has been addressed. Once again, I am going to have to take that on notice tonight but I will give you a response.

**Senator ALLISON**—There are a few other questions, which I will put on notice.

**CHAIR**—There being no further questions for the Science Group, I thank the officers for appearing. We will move on to the VET Group.

[8.25 p.m.]

**CHAIR**—I call officers from the VET Group and the Australian National Training Authority. We move to matters relates to the Australian National Training Authority and issues relevant to the Vocational Education and Training Group.

**Senator CARR**—Mr Walters, presumably you would handle questions relating to the PBS; is that right?

**Mr Walters**—Yes, Senator.

**Senator CARR**—Is the VET in Schools table that is available in July, which is referred to on page 52 of the PBS, a matter for you or someone else?

**Mr Walters**—VET in Schools is in fact run by the Schools Group, and I think they are due to appear before you on Friday.

**Senator CARR**—Fair enough. There is a reference here to a document on the VET in Schools data, and I was looking for the data. It said that it would be available in July. Can I make a request now for that?

**Mr Walters**—Certainly. I see: it says that the 2002 national data will be available in July 2003. I imagine we would have to take that on notice, it not being July just yet.

**Senator CARR**—That is exactly right. I appreciate that. On page 59, there is a reference to long-term sustainability. What do you mean by that?

**Mr Walters**—I am just searching for the reference.

**Senator CARR**—It appears in a number of places.

**Mr Walters**—This is one of the strategic priorities for the whole of outcome 2, so that covers the whole of higher education and vocational education and training. It would be exemplified, for example, by the package of measures recently announced by the minister in respect of higher education, one objective of which was to achieve long-term sustainability. Another example would be the current ANTA Agreement and the Commonwealth's proposals for the new ANTA Agreement.

**Senator CARR**—I know that that is where the term appears—and it is on pages 60 and 61—but that is not what I asked you, Mr Walters. I am asking if you could please tell me what it means.

**Mr Walters**—Well, it is a term which I imagine a lot of people would have different interpretations on, but, to me, I would say it means—and this is the system of education applying across both the VET sector and higher education—a system which serves the needs of the country in the long term and meets all its major objectives and is also sustainable in terms of finance and other operating systems. But I made that up on the spot.

**Senator CARR**—That was absolutely apparent. I am just wondering how it gets into the PBS, if it is the case that officers have to make it up as they go along.

**Mr Walters**—This particular part operates across all of the sections. The PBS goes through a process whereby all parts of the office contribute and ultimately the secretary and the minister sign off on it. I cannot say that we have a seminar over every term that is employed in it. Perhaps if there was—

**Senator CARR**—By the time we finish with this, you might wish you had, because I am going to pursue a few questions on this. I understand Senator Campbell has a few questions he wants to ask.

**Senator GEORGE CAMPBELL**—No, you keep going.

**Senator CARR**—If that is the way you want it, we will keep going for quite some time. On page 59 again, there is reference to 'strengthening the quality of VET as a Commonwealth strategic priority'. If that is the case, why do we need to wait until July 2004 to get the model clauses in place?

**Mr Walters**—This is an issue which is an old friend of ours in these hearings, isn't it, Senator.

**Senator CARR**—It is.

**Mr Walters**—The model clauses were agreed last November finally for implementation by the ministers. To my recollection, it was the Commonwealth minister that suggested trying to bring the deadline forward to July from the end of 2004. The issue that the states and territories have over model clauses is that they have the clauses as currently drafted but they have to be accommodated within the state legislation. For example, they have references to each of the state training authorities but obviously they are called different things in every state. So it is an example of something that has to be tailored to the state legislation and fitted



in. Similarly, the powers are slightly different, so everything has to be made slightly different for each state to make sure it fits in.

Secondly, every state government has to go through its own legislative bid process. So, whichever government is in power in whichever jurisdiction, you have a bidding process to get a place in the legislative program, and people have to have time to do that. The arrangements are different in each state for getting through—sometimes it is one house and in other states it is two houses—and they vary considerably, as you know. Therefore, a reasonable amount of time has been provided. I think this is not inconsistent with previous exercises where the states have agreed on matching legislation of various descriptions; a certain lead time has always been allowed. Therefore, July 2004 was thought to be the most practical arrangement.

**Senator CARR**—So which states now have agreed to the model clauses?

**Mr Walters**—All of the states have agreed to the process and have agreed to get the model clauses in by 2004.

**Senator CARR**—Which state has sought exemptions?

**Mr Walters**—ANTA might know more than me on this, but I do not believe any state has.

**Senator CARR**—No exemptions at all now?

**Ms Scollay**—No.

**Senator CARR**—What states have actually introduced these model clauses?

**Mr Walters**—The current position is as follows. In the ACT, two bills were presented to the Legislative Assembly on 3 April 2003. The bills are before the Scrutiny of Bills Committee and await a date in the Legislative Assembly timetable for debate. In South Australia, a bill is currently before the parliament that will enable South Australia to give effect to the model clauses. Policies and procedures are being reviewed in anticipation of the bill's passage. In New South Wales, legal advice has been sought on the implementation of the model clauses and the standards for state and territory registration of course-accrediting bodies and the implications for New South Wales legislation. Advice is currently being prepared for the minister and the cabinet, as we understand it, on the implementation of the model clauses in New South Wales.

In the Northern Territory, an implementation plan is nearly complete, and advice is being prepared for the government. The department is currently seeking approval to prepare the necessary documentation for cabinet, proposing amendments to the Northern Territory Employment and Training Act. In Queensland, an authority to prepare drafting instructions has been prepared. The timing of further progress is dependent on the consideration of additional legislative amendments that may be required as a result of the implementation of their white paper entitled *Queensland the smart state: Education and training reforms for the future*. Tasmania is securing the parliament's approval to insert the model clauses into the Vocational Education and Training Act 1994 by the date agreed by MINCO. It is likely that the matter will be considered by the parliament in the spring 2003 session.

In Victoria, the Department of Education and Training is currently reviewing the future legislative framework requirements for education and training, and proposed model clauses

are included as part of the review. The department will provide advice as to the need and scope of a major review of the current legislative framework. Western Australia is currently seeking legal advice from the Crown Solicitor's office on the implications of a number of the model clauses and the ability of the current provisions of the Western Australian Vocational Education and Training Act 1996 to provide for the model clauses. I do not think I have left out any jurisdictions.

**Senator CARR**—So New South Wales and Victoria have not given you a date.

**Mr Walters**—I think everyone has given us a date in the sense that everyone has subscribed to doing it by 1 July next year.

**Senator CARR**—But no legislation is being prepared in New South Wales, Victoria or Western Australia?

**Mr Walters**—It is still more than a year away.

**Senator CARR**—That is the case, though: there is no legislation at this point in those three states?

**Mr Walters**—Not at this point, but they are not required to at this point.

**Senator CARR**—I am just asking the question: has legislation been prepared in Western Australia, Victoria or New South Wales?

**Mr Walters**—The position is as I have just described it. I would not bore the committee by reading it out again.

**Senator CARR**—Have there been any further exemptions sought within those states?

**Ms Scollay**—My understanding is that all the ministers signed up in November last year to the 1 July 2004 end date, and we have had no indication that there is going to be any jurisdiction that will not meet that deadline. In fact, I have been heartened by the degree of effort that has been going into trying to get these model clauses enacted.

**Senator CARR**—How can it be that, if we are not having these model clauses until July 2004, we can claim—as it does in the PBS—that there is nationally consistent legislation? There is no nationally consistent system at the moment, is there?

**Mr Walters**—We have never claimed that there is nationally consistent legislation at the moment. The claim is that we are moving towards that. Indeed, quality measures, as have been led by the Commonwealth, have been a priority for the Commonwealth, and I believe they are a priority for the states and territories too. This is one of the reasons why they have been highlighted as one of the main features of the proposed new ANTA Agreement.

**Senator CARR**—Skill shortages are mentioned on page 60 of the PBS, and particularly you mention traditional trade intakes. It is a bit unusual for this committee to discuss that, given the trends in recent times in vocational education. What information do you have that warrants your making the claims you do in the PBS in regard to traditional trades?

**Mr Walters**—Which particular claim would that be, Senator?

**Senator CARR**—On page 60, the second paragraph states:

... promote participation in New Apprenticeships, and particularly in traditional trade apprenticeships, via a targeted marketing campaign in the latter half of 2003.

**Mr Walters**—There is a marketing campaign currently in the course of preparation which will focus on the traditional trades.

**Senator CARR**—Why have you felt it necessary to do that?

**Mr Walters**—We have felt it necessary to do that because we have been engaged in activities around skill shortages, as you know, for two or three years under the National Industry Skills Initiative. Both there and through other contacts through industry, I think the department and the minister have formed the view that a new campaign which is aimed primarily at traditional trade areas would be particularly welcome to industry. Amongst most of the industry skill groups, it has been expressed quite strongly that, even where skill shortages are not felt necessarily in terms of numbers, traditional trades are experiencing difficulty in attracting good-quality young people. Young people, in particular, do not feel attracted to the traditional trades so much as they used to, because the trades are perceived as dirty, sometimes perceived as dangerous and often perceived as not offering as secure and as beneficial a form of employment as many white-collar forms of employment. So, in a sense, they are seen as a little bit old-fashioned and past the times. Therefore, the campaign will be aimed at presenting some of the positive benefits of participation in traditional trades. Without giving away too many trade secrets, I might add that they are going to be using some real-life examples of people who have gone into the traditional trades and have prospered—some role models.

**Senator GEORGE CAMPBELL**—Mr Walters, can you outline the strategy behind that campaign and what the target areas are?

**Mr Walters**—The selection of the trades concerned will feature at the moment—and this could change—a plumber, a hairdresser, a carpenter and a chef, I am told. There will be a development of the previous campaign where the emphasis was on a realistic portrayal of the workplace and getting across the advantages, both for employers and for new apprentices, of the New Apprenticeships arrangement in that context.

**Senator GEORGE CAMPBELL**—What is the strategy behind the campaign and how are you going to prosecute it?

**Mr Walters**—The strategy is, in a nutshell, to dislodge the perception that traditional trades are second-rate jobs for people who are not ‘university material’ and to show that they can lead to successful, independent and potentially financially rewarding careers in a range of sectors.

**Senator GEORGE CAMPBELL**—But how are you going to promote that strategy? How are you going to do it?

**Mr Walters**—It will be promoted through a media buy, which is the same sort of mix as you have seen in previous New Apprenticeships campaigns, which incidentally have also featured a number of traditional trades as well as some of the newer employment areas. So there will be television, radio, press and Internet advertising.

**Senator GEORGE CAMPBELL**—With regard to the trades you picked out, why did you particularly select them?

**Mr Walters**—Those trades were chosen as a result of a consultative process involving industry, officials and the minister.

**Senator GEORGE CAMPBELL**—Where do the four groups that you read out rank in the current list of trades that there are skill shortages in?

**Mr Walters**—I think certainly plumbing and carpentry feature; so do chefs. I am not so sure about hairdressers—they probably do in some places. Obviously, there is quite a wide variety of trades, and it is practically impossible to pick them all. The budget requires that you have to select a few situations to portray, so this selection has been made. If you would like, I can table the skill shortage list for December, which I think is provided by the Department of Employment and Workplace Relations. You will then be able to see for yourself where they actually feature. I can see now that there are what is regarded as shortages of hairdressers in all states and territories except the Northern Territory, where there is a shortage of hairdressers only in some regional areas. You would be surprised. If you go to the Northern Territory and spot people with long hair, you will know you are in one of the regions where there is a shortage!

**Senator GEORGE CAMPBELL**—I am going there next week. I will look out for people with long hair—maybe for other reasons than you suggest.

**Senator CARR**—What is the cost of the campaign, Mr Walters?

**Mr Walters**—The estimated cost of the media buy is in the region of \$3.2 million to \$3.6 million.

**Senator CARR**—What does the creative work cost?

**Mr Walters**—I do not have a figure for the creative work, I am afraid.

**Senator CARR**—Could you take that on notice, please? I would like to know the total cost of the campaign. Was any polling done before this campaign—

**Mr Walters**—I do not think there has been any polling done. There has been a little bit of focus group work, I think, which will be included. I will give you that included in the cost.

**Senator CARR**—Could I have a copy of the focus group reports?

**Mr Walters**—I will have to take that on notice. I am not sure if there are any reports as such. I hasten to add, Senator, that if I sound a bit vague on this it is because the lead is taken not by my part of the department but by the communications group, which forms part of the corporate area.

**Senator CARR**—You would understand my interest in this.

**Senator GEORGE CAMPBELL**—Mr Walters, when the department was determining this campaign, did you take into account particular skill shortages in any areas around the country?

**Mr Walters**—Indeed. The choice of the particular trades to be featured took that into account.

**Senator GEORGE CAMPBELL**—What are the predicted trade shortages in Western Australia, for example, over the next three to five years?

**Mr Walters**—I think it is worth saying that the work that has been done—there is a report which has been done jointly by the employment department and by the National Centre for Vocational Education and Research on the question of skill shortages, which is on the NISI web site—makes the point that skill shortages are fairly widespread and are often in niche areas. For example, if you see ‘automotive’ listed as a skill shortage area, it is often in niche areas such as air conditioning or something like that. There are often skill gaps rather than shortages across the whole trade.

You asked about Western Australia, Senator; the list I have from DEWR indicates that there is quite a widespread list, including engineering, metal fitter, metal machinist—

**Senator GEORGE CAMPBELL**—All the key areas are black trades—

**Mr Walters**—metal fabricators, welders, auto-electricians, bricklayers, plumbers, chefs, pastry cooks, cabinet makers and hairdressers.

**Senator GEORGE CAMPBELL**—The key areas are traditionally what we would classify as the black trades. Why are none of those included in your list of promotionals? The Western Australian department is spending \$150 million to upskill people in those areas, yet they are not included in your list of areas.

**Mr Walters**—With respect, plumbers were on the list and they are one of the ones that we have featured.

**Senator GEORGE CAMPBELL**—But none of the first three classification areas that you read out are on the list.

**Mr Walters**—The selection has been made. As I said, we had to pick four situations. If there are future campaigns, perhaps other ones will be picked. We have had other ones in the past.

**Senator GEORGE CAMPBELL**—I am just trying to understand why you picked those groups.

**Mr Walters**—Those ones were picked as a result of consultations internally with the minister, and that is the list which has been picked.

**Senator GEORGE CAMPBELL**—Did you consult with the state training departments?

**Mr Walters**—As I say, the officer who has led this exercise is not here at the moment. There have been consultations with the stakeholder group. The states have been informed, to the best of my knowledge, that the campaign was being prepared and were given a chance to make input. I believe that is the case.

**Senator GEORGE CAMPBELL**—Were they consulted or just informed about the nature of the campaign?

**Mr Walters**—I am not familiar with the precise terms in which they were communicated with. I would have to take that on notice.

**Senator GEORGE CAMPBELL**—Please do. What are the areas of skill shortage in South Australia?

**Mr Walters**—My colleague Mr Johnson is not in the lead on this issue, but he has been associated with it. He can give some information on what has been happening which may answer your question, Senator. I might just ask him to speak. Mr Johnson is the head of the New Apprenticeships Branch.

**Mr Johnson**—There were two issues that you referred to in relation to the development of this particular phase of the campaign. The department has initiated the establishment of a stakeholder reference group which includes, as Mr Walters indicated, a number of peak industry bodies and representatives from all of the state and territory training authorities. That reference group originally met via teleconference back in February of this year. It was provided with a briefing and an outline on the campaign, both the creative brief for the campaign and a research brief. The reference group again met earlier this month to talk about the further development of the campaign over the last four to five months.

You also made reference to what additional support material will be made available through the campaign to profile employment opportunities in a range of other industries where there are identified skill shortages. The department is currently working with peak industry bodies to develop a comprehensive suite of information that will be profiled, both on the New Apprenticeships web site and through other resource points, to provide information through New Apprenticeships centres to young Australians and employers who seek that information as a result of seeing the campaign.

**Senator GEORGE CAMPBELL**—Can you provide us with a list of the people who are on the reference group?

**Mr Johnson**—I do not have it with me, but we certainly could provide that to you.

**Senator GEORGE CAMPBELL**—If you can take it on notice and provide it. Back to my last question, where are the defined areas of skill shortages in South Australia?

**Mr Walters**—According to the statistics for December 2002—and as I say these tend to be broad brush; it does not necessarily mean the skill shortages across the whole trade—they are metal fitter, metal machinist, toolmaker, welder, sheet metal worker, motor mechanic, auto-electrician, panel beater, electrician, carpenter and joiner, plumber, printing machinist, cabinet-maker, hairdresser and furniture upholsterer.

**Senator GEORGE CAMPBELL**—Do you have the list for Queensland?

**Mr Walters**—In Queensland, the list is metal machinist, toolmaker, sheet metal worker, motor mechanic, auto-electrician, panel beater, vehicle painter, electrician, airconditioning mechanic, carpenter and joiner, bricklayer, painter and decorator, chef, pastrycook, cabinet-maker, hairdresser and furniture upholsterer.

**Senator GEORGE CAMPBELL**—Can you go through the list for the other states while you are doing this?

**Mr Walters**—Certainly. For New South Wales, the list is toolmaker, metal fabricator, welder, sheet metal worker, motor mechanic, auto-electrician, panel beater, vehicle painter,

electrician, airconditioning mechanic, electrical trades general, chef, cook, pastrycook, metal machinist, cabinet-maker, hairdresser and furniture upholsterer.

For Victoria, it is metal fitter, metal machinist, toolmaker, metal fabricator, welder, sheet metal worker, motor mechanic, auto-electrician, panel beater, vehicle painter, airconditioning mechanic, roof slater and tiler, bricklayer, solid plasterer, chef, cook, pastrycook, binder and finisher, cabinet-maker, hairdresser and furniture upholsterer.

For Tasmania, it is sheet metal worker, auto-electrician, panel beater, vehicle painter, airconditioning mechanic, bricklayer, plumber, chef, cabinet-maker, hairdresser and furniture upholsterer. And for the Northern Territory, it is metal fitter, metal machinist, sheet metal worker, motor mechanic, auto-electrician, panel beater, electrician, airconditioning mechanic, bricklayer, plumber, chef, cook and pastrycook. Those are the ones with statewide shortages. I have missed out the ones where it is just described as a shortage in a regional area. In quite a lot of the cases, the shortage is within specialist areas rather than the trades as a whole. So for you to get the full meaning of it, you have to really look—

**Senator GEORGE CAMPBELL**—What do you mean by that?

**Mr Walters**—In terms of specialist areas—for example, under metal fabricator, the DEWR information indicates that there are shortages especially in tube and pipe welding and the ability to work off plans. In the case of electronic instrument trades, under New South Wales we are told there are recruitment difficulties for general communication tradespeople. So, as I said at the start, a lot of it is in little niches within the trade areas generally.

**Senator GEORGE CAMPBELL**—Were all of those lists you read out in degree of severity?

**Mr Walters**—No, there was no description of severity. As I said, for quite a lot of them the shortage is not statewide but only in particular regional areas or within particular specialisations.

**Senator GEORGE CAMPBELL**—Given the consistency in those lists of a focus on all of the black trades, on the metal industry trades, why do they not focus on them in the advertising campaign?

**Mr Walters**—Well, as I said, the advertising campaign has picked out four different commercials to make this time round, and they are: plumber, hairdresser, carpenter and chef. They are all items which feature in skill shortages in a number of states. You could argue for making a different selection but, given the need to make a selection, these seem reasonably justified.

**Senator GEORGE CAMPBELL**—Mr Walters, you know as well as I do that there is major project work anticipated in the next three to five years in Western Australia, South Australia, Queensland and some of the other states which is going to put enormous strain on our capacity to deliver skilled metal trades people. They do not feature in any of those groups of advertising, yet that knowledge is commonly known and should be known around the industry.

**Mr Walters**—As I said, we had to make a selection, and that was the selection that was made. It will probably not be the last time we do an advertising campaign. There will be

future opportunities and your comments are very welcome, if I might say so. We can perhaps take those into account in planning future campaigns. The other thing I would say is that this is the national advertising campaign which is being arranged by the department, but each of the state governments tend to have their own advertising campaigns. They tend to pick up their own regional and statewide issues that they may wish to publicise. So it may well be that the Western Australian government will choose to pick up some of the themes that you mentioned and publicise those in Western Australia.

**Senator GEORGE CAMPBELL**—First of all, did the reference group determine that these were the four categories that were going to be the areas targeted in your advertising campaign?

**Mr Johnson**—As Mr Walters indicated in his earlier response, the suite of industry skill shortage areas were discussed with the reference group. There was some input from industry groups in identifying the shortages that you allude to on a state basis and on an industry basis. The decision was made through consultation, consistent with Mr Walters' earlier response, with the minister's office and industry bodies.

**Mr Walters**—The other thing I would mention, too, is that the idea is to promote the New Apprenticeships scheme using visual material from certain industries and to stress the attractiveness of some of the traditional trades. But they are intended to promote New Apprenticeships across the board, just as previous campaigns have. In previous years they have raised awareness of New Apprenticeships across the board for employers and for potential new apprentices.

**Senator GEORGE CAMPBELL**—Sorry, Mr Walters, I thought you said earlier on that the campaign was targeted at dealing with skill shortages.

**Mr Walters**—It is particularly using visuals and targeting traditional trades this time, but that does not mean we do not want to raise awareness of New Apprenticeships across the board. And on past experience, it will have the effect that people see an example but they know that there are other trades—

**Senator GEORGE CAMPBELL**—Mr Walters, the campaigns that are being run by state governments: have you done a comparison? I am not aware of what they are.

**Mr Walters**—No central information is collected.

**Senator GEORGE CAMPBELL**—If they are being run by state governments, have you done a comparison between what they are doing in the advertising area and what you are doing?

**Mr Walters**—No, sometimes they mention them to us, and some jurisdictions come to us and work more closely with us than others. The ACT over the last couple of years has worked quite closely and harmonised their visuals. Other states and territories prefer to go their own way and do their own thing.

**Senator GEORGE CAMPBELL**—Are those states that are facing major skill shortages—such as Western Australia, Queensland and South Australia—running advertising campaigns?

**Mr Walters**—We do not have any current knowledge about that, Senator.



**Senator GEORGE CAMPBELL**—Have you discussed it with them?

**Mr Johnson**—I could say that we will be pursuing ongoing discussions, particularly with the Western Australian department because they were not able to participate in our most recent meeting of that reference group. In our discussions with that group earlier this year we did touch on linkages to existing state and territory campaigns in the traditional trades and skill shortages area, and the jurisdictions did provide verbal reports of the states of those campaigns. We are going to be pursuing bilateral discussions with the Western Australian state department in the coming weeks.

**Senator CROSSIN**—The Northern Territory government, through the Department of Business, Industry and Resource Development, have been conducting a skill shortage analysis with the chamber of commerce for the last three months, and I think the results of that are due to be released within days, if not weeks. How do we get to a situation where obviously your work is duplicating, in some respects, what they have done? Has there not been any collaboration about this?

**Mr Johnson**—All of the states and territories, including the Northern Territory, are on the reference group. The intent of the reference group was not to coordinate particular research efforts in skill shortage areas as part of developing the campaign, so it certainly has not duplicated areas of work where the Northern Territory, for example, has pursued or initiated its own research.

**Senator CROSSIN**—How can you be assured that the skill shortages you have highlighted in respect of the Northern Territory will go some way towards maybe reflecting what the Northern Territory government and chamber of commerce are currently doing? What if your lists are not aligned, so to speak? Who targets the money to what particular areas then?

**Mr Walters**—What we have tried to do is pick out some respective trades. We have not tried to be representative in the sense of covering the whole field—there are far too many. We have picked out a sample of four which across the country as a whole are frequently seen as in shortage. They are examples and they are intended to focus the attention of viewers and newspaper readers—employers thinking about taking people on in the traditional trades, the advantages of the apprenticeship route and young people in particular thinking about going into the traditional trades—to try to elevate the idea that this is a pathway which is well worthy of consideration in a world in which young people feel pressured to think of university as the only way to go.

**Senator CARR**—What is the latest year in which you have statistics on the numbers of people in training?

**Mr Walters**—The numbers of new apprentices in training?

**Senator CARR**—Yes.

**Mr Walters**—The latest statistics that we have are those which were published for 31 December.

**Senator CARR**—How many was that?

**Mr Walters**—I think it was 374,000 from memory: 374,779, but that is an estimate, as you know from previous conversations.

**Senator CARR**—So it is about 374,000. There has not been a very great growth, has there, from the previous year?

**Mr Walters**—That was a 15.3 per cent increase in numbers in training since December 2001. A total of 141,392 were in training at the same time in 1995. So there has been a 165 per cent increase since then.

**Senator CARR**—So roughly 374,800 is your best guess at the moment?

**Mr Walters**—That is an estimate. I believe that the next figures for the end of March are due out very soon.

**Senator CARR**—Okay. Can you give me the breakdown of those. Across the AQF levels, where do they fit?

**Mr Walters**—From memory, about 75 per cent are at AQF3 level.

**Senator CARR**—Okay, 75 per cent are at level 3: is it 3 and something, or is it just 3?

**Mr Walters**—I have the figures here: three-quarters, which is 74.4 per cent, of those in training were undertaking AQF3; a further 74.4 per cent were doing AQF4 or above; and under 20 per cent were in AQF2 or below.

**Senator CARR**—Where would you see the traditional trades fitting into that schedule?

**Mr Walters**—The great majority of traditional trade apprenticeships are around the AQF3 level.

**Senator CARR**—Around about.

**Mr Walters**—Obviously there will be some exceptions. As you know, the statistics have become more blurred because in some trades more flexible pathways have started to be explored.

**Senator CARR**—You can see where I am going with this, Mr Walters. For years, you and I have discussed this question about the emphasis the New Apprenticeships system has on training people with lower skill levels on the short-term traineeships, as distinct from the traditional trades. Would you concur with that statement?

**Mr Walters**—I was not sure what the statement was, Senator.

**Senator CARR**—That we have for some years discussed with you the fact that the new apprenticeship system gives particular emphasis to the shorter term traineeships, rather than the more advanced certificate courses.

**Mr Walters**—We have discussed the issue for some years and you have held the view for some years that the system places emphasis on the shorter traineeships.

**Senator CARR**—That is true. I am interested to know why it is that now we have suddenly got a change in policy? Suddenly it becomes fashionable again to talk about the traditional trade apprenticeships—and yet you cannot even give me a statistical breakdown of how many are in the system.

**Mr Walters**—It has never been unfashionable to talk about traditional trades, but one of the issues which was opened in debate about the training system a few years ago, as you know, is that at that stage—before the middle of the last decade—training was almost

exclusively concentrated on the traditional trades. There was almost no formal training outside the traditional trade areas. Perhaps I could draw your attention to a report by Professor Kaye Schofield, which has recently been completed for the South Australian government on the subject of skills for the future. One of the points made in that, on page 13, is this:

Over 90% of all new jobs created in the South Australian economy over the last two decades were in the service industries of Property and Business Services, Health and Community Services, Retail and Accommodation, Cafes and Restaurants.

That is where the vast majority of the new jobs have been created. Therefore, what we have aimed to do in the training system is create a training system which far more approximates where the employment opportunities are across the economy.

So we have never taken the view that traditional trades are not important, but we have taken the view also that it is important to spread the training system across far more of the economy than has been done in the past. That has not just applied to the New Apprenticeships; it has applied very much to the activities of the National Training Authority, I think, and the development of the training package system.

**Senator GEORGE CAMPBELL**—Isn't it also true that in that report Professor Schofield says the real skills shortages are in the traditional trades and in manufacturing?

**Mr Walters**—She does point out that there are skill shortages in a number of areas. She also makes the point on page 33 that there has been virtually no evidence put to the inquiry to suggest that skill shortages, where they exist, are the result of an inadequate training system.

**Senator GEORGE CAMPBELL**—I suggest to you that in her evidence to the references committee inquiry on skills shortages she made a specific point of saying that the real skills shortages were in the traditional trades and in the manufacturing sector.

**Mr Walters**—She says on page 33 that there are wide variations in trends between the training rates in different trade areas but that these do not imply a systemic problem with the apprenticeship system; rather, she suggests that a range of industry and/or occupational specific factors are inhibiting employer investment in training. This implies that any responses by government need to be tailored to the individual industry sector rather than to industry generically. That is the approach that the Commonwealth has been following through the National Industry Skills Initiative, where we have been pursuing with industries such as engineering, electro-technology, building and construction and rural trades a complex range of solutions led by industry groups which look at those specific industry sectors. Those have very much had in mind the traditional trades in many respects. They have been the subject of numerous studies over the last two or three years.

**Senator GEORGE CAMPBELL**—Mr Walters, in the list you gave us earlier, you said that a lot of the skills shortages were in niche areas. You read out a list of the areas where there were skills shortages. I suggest to you that most of the areas that you identified were parts of a skill component one would have expected a skilled tradesperson in those industry areas to have possessed—and, in fact, up until recently they did possess those.

**Mr Walters**—That is true and not true. The study I mentioned before, which has been posted on our web site and which we could certainly provide, makes the point that in a number of trades it is the development from the traditional trade base which has actually

caused the skill shortage. An example is in the motor vehicle area, where the spread of air-conditioning has occurred. It is air-conditioning specialists that show up as one of the shortages on the list. In the niche areas in New South Wales, there is a shortage especially of air-conditioning commissioning technicians. So again, if you look across the pattern as a whole, it can often be in specific niche areas where you have a problem.

**Senator GEORGE CAMPBELL**—I understand what you are saying. I also suggest to you that the findings of a recent survey carried out by the Motor Trades Association in New South Wales showed that 52 per cent of skilled trades people left the industry because of low wages and poor working conditions.

**Mr Walters**—Turnover within industries is one issue, and I think one of the points made in the South Australian report is that the training system is not necessarily the sole answer. In our National Industry Skills Initiative groups, reducing turnover and discouraging people from leaving industries have been identified as major issues. Another example is chefs. A lot of people will go through the training and then decide that they do not want to stay in an industry where working conditions are often quite onerous—antisocial hours and so forth. So there are issues like that.

In addition the fact that young people these days do not necessarily want to do a four-year apprenticeship is frequently cited to us. It is a very long time to be an apprentice, and it makes a big difference that young people are often now starting an apprenticeship at 18 or 19, rather than at 15 or 16 in the past. In the past they might have finished that apprenticeship at 18 or 19; they are not now finishing it until they are 22, 23 and 24—that is if they come in straight after school. So there is a whole range of very complex issues to be looked at. That is why we have had the National Industry Skills Initiative, and that is why we have produced a whole series of quite complex reports on skills shortages in different trade areas. The reports are all up on the web site, but we would be very glad to table a selection, if you would like to have them. We do not have any here tonight, but we would be glad to bring some tomorrow, if you would like them.

**Senator GEORGE CAMPBELL**—I am well aware of the reports, Mr Walters. I will come back to some more basic questioning now. Regarding the issue of incentive payments, I would like a breakdown for the following incentives of the total Commonwealth incentive payments to employers who employ trainees and apprentices in training: first, the general \$1,375 incentive; second, the innovation program; third, school based apprenticeships; fourth, the rural and regional incentive; and, fifth, for Indigenous Australians under the wage assistance program and for people with disabilities under the support for people with disabilities incentive. I would also like to know at what AQF level training was undertaken—and please include the number of trainees and apprentices during the 2002-03 financial year in comparison with the number in the 2001-02 financial year. You may have to take that on notice. I do not expect you to have those figures.

**Mr Walters**—I will ask for a bit of clarification, which would help us to give you the answer you want. First of all, I might mention that the wage assistance program is a matter for the employment department. We can certainly pass your question on to them. In terms of the incentives, there are two issues. Firstly, are you asking how many incentive payments were made during the course of the year in those categories?

**Senator GEORGE CAMPBELL**—No. I am asking you for a breakdown of the total Commonwealth incentive payments to employers in those groups.

**Mr Walters**—During the course of the last financial year?

**Senator GEORGE CAMPBELL**—For 2002-03 and for 2001-02.

**Mr Walters**—For 2002-03, the year is not finished yet, and therefore we would not be able to answer that.

**Senator GEORGE CAMPBELL**—You are not required to finalise your answers to us until 21 July.

**Mr Walters**—Employers are able to claim up to 12 months after the end of the period, so we would not have the answer for 2002-03 until 30 June 2004.

**Senator GEORGE CAMPBELL**—I do not expect you to give me what you do not have.

**Mr Walters**—The answer will be incomplete for this year. We can give you the complete answer for last year quite shortly. The other point I would like to make is this: it is often assumed that for every new apprentice registered there is an incentive payment made. That is not correct. It is not correct because we do not pay the commencement incentive until a new apprentice has been employed for three months and a registered training organisation has been engaged. There is often a lot of turnover, as with any employment, within the first three months. Therefore, no incentive payment is made. We estimate that we only commence an incentive payment in about 80 per cent of cases. I just mention that, because when you get the information about incentives it will not correlate with the information that is publicly available about the number of new apprentices in training or those that have commenced their training during that period. Having said that, we would be very glad to provide with you the information you require.

**Senator GEORGE CAMPBELL**—Well, you may make notations to that effect on the documentation you provide us with. What is the relationship between DEST and TAFE Directors Australia?

**Mr Walters**—The relations between them are pretty good. I spoke at their conference recently. They come in to meet us quite frequently.

**Senator GEORGE CAMPBELL**—So you have a fairly good working relationship?

**Mr Walters**—That would be my opinion; I am not sure if it would be theirs, but it is certainly ours.

**Senator GEORGE CAMPBELL**—You are reasonably comfortable with the relationship?

**Mr Walters**—They are always welcome with us. And they gave me a nice present when I spoke at their conference, so I will take that as some degree of affirmation anyway.

**Senator GEORGE CAMPBELL**—Did you declare it?

**Mr Walters**—We are allowed 28 days. It was not that nice.

**Senator GEORGE CAMPBELL**—Senator Alston declares them all the time. So what do you say in response to their claim that Australia still does not have the vocational education and training system that it needs to meet future challenges?

**Mr Walters**—It is all a matter of opinion. I noticed that Ms Sharan Burrows recently described the Australian training system as the jewel in the education crown. I am more inclined to support that view than the one you have just quoted.

**Senator GEORGE CAMPBELL**—Where did she make that claim?

**Mr Walters**—I saw it in the *Campus Review* not very long ago. It is our trade newspaper.

**Senator GEORGE CAMPBELL**—So it is your publication?

**Mr Walters**—It is not our publication, no. It is quite independent. They often publish very rude things about us.

**Senator GEORGE CAMPBELL**—That is not what you suggested to me. I will go looking for that.

**Mr Walters**—She used words to that effect.

**Senator GEORGE CAMPBELL**—Words to that effect. Can you refer us to which publication it was and when?

**Mr Walters**—I certainly would not agree with the TAFE directors about that. I did notice that when then Prime Minister Keating announced the reforms that created the Australian National Training Authority in 1991 he described the vocational education and training system as the broken reed of Australian education. Since that time, the numbers in the vocational education and training system have increased by about 80 per cent. I would very much doubt that anyone would describe it as a broken reed any longer. There has been a huge amount of progress over that time.

**Senator GEORGE CAMPBELL**—But it does not necessarily mean that it is meeting needs.

**Mr Walters**—There will always be a debate about that. It certainly meets a lot more needs than it did 10 years ago. We have had the training package system, which has spread much more responsive and competency based training throughout a wide range of industries. I think it now covers something like 80 or 85 per cent of the work force. We have had the growth of the new apprenticeship system, which has spread apprenticeships and traineeships well beyond the traditional areas where they were found in the traditional trades. As I say, we have had a huge increase in participation, to the point where we now have 13 per cent of the Australian work force participating every year. We have had more than a doubling of the number of New Apprenticeships. In all, it has been a great explosion of effort. We now have a private training market competing with the TAFE system, which we have never had before. I even saw one TAFE director arguing, again in *Campus Review*, not very long ago, that that degree of competition has actually been good for the TAFE system, as well as for the private providers. So it really is a system that is unrecognisable from 10 years ago.

**Senator CARR**—Which director was that?

**Mr Walters**—I think it was Mr Ray Griffiths from Gippsland.

**Senator GEORGE CAMPBELL**—I understand what you are saying. It is also true that there are a lot of claims around the 'industry' that a lot of these new apprenticeship systems, traineeships et cetera are nothing more than wage subsidy systems and that there is no real

training associated with the system. That is a whole separate debate. I am not intending to try to engage in that tonight.

**Mr Walters**—We have had a lot of discussion about that in this committee. We certainly would not support that situation at all. As you know, the quality of training and the regulation of it is a matter for the states and territories. Whenever we receive a complaint, it is referred to the states and territories. We have in the offer document for the new ANTA Agreement identified the quality of training as one of our top priorities. So we would always agree that quality can be improved and it is certainly a top priority for us.

**Senator GEORGE CAMPBELL**—The point I make in response to what you said is that that is a claim that is made out there. I am not suggesting for one moment that it is right or wrong at this point in time.

**Mr Walters**—We would agree to the extent that you can always improve quality. That is one reason why we have identified improvement in quality as a top priority for the ANTA Agreement.

**Senator GEORGE CAMPBELL**—Certainly, in terms of evidence that has been given to our references committee inquiry into skills shortages, I think you should look at some of the claims made, particularly by people who are actually in the system, about the quality of some of the training that has been provided.

**Mr Walters**—We have been following the evidence closely, and we are looking forward to giving some ourselves.

**Senator GEORGE CAMPBELL**—I am sure you have. I notice you have had someone there every day taking copious notes.

**Mr Walters**—Not quite every day.

**Senator GEORGE CAMPBELL**—Just about. The TAFE directors have also expressed pretty strong views on developing pathways between the TAFE system and university. What work is being done in response to their ongoing claim that development of these pathways requires resources and incentives from government?

**Mr Walters**—In terms of resources and incentives from government, I am not quite sure what they have in mind there. In terms of pathways between the VET system and the higher education system, I know that ANTA have been conducting discussions with the vice-chancellors. There has been some work. I am not sure whether Ms Scollay wants to comment on that.

**Ms Scollay**—I think that was probably covered in the ANTA presentation to the skills inquiry. We can go back over that, if you wish, in this committee as well.

**Senator GEORGE CAMPBELL**—No. I am not asking you to repeat evidence you have already given to us. I am really asking the government to tell us to what extent they are putting resources into this area. It is a common claim. It is an issue out there. I know some of the state governments are conducting consultancies into the area at the moment, looking at the issue of pathways. One impediment appears to be the separate funding buckets that exist for the three school systems and the anxiety that each of them has about any water spilling over into the other bucket, I suppose.

**Mr Walters**—The minister has certainly expressed the view that there should be much better pathways between the two sectors. One of the features of the higher education reforms recently announced has been a collaboration and structural reform fund. That is going to be established to provide competitive funds to foster collaboration between universities and other universities and education and training providers, business and industry, community groups and other organisations. It will absorb the existing higher education innovation program. It is going to provide \$20 million over three years from 2005, giving total funding of \$36.6 million. The guidelines for this program are going to be developed. Key priorities will be collaborative projects in course provision between two or more institutions; between VET providers and an institution in course provision or in an area related to teaching and learning; between universities and their communities, particularly regional communities; and between universities and business, industry and employers. So there is one answer there in terms of one of the initiatives which the minister has recently announced under the higher education reform program.

**Senator GEORGE CAMPBELL**—The TAFE directors also claim that TAFE needs more money. You would expect them to make that claim. But they have also said that businesses have to commit more money to investment and training. Do you keep any figures on the expenditure by business on training on a year by year basis?

**Mr Walters**—It is not done on a year by year basis but, interestingly, there was recently a survey of business investment in training, which was conducted and paid for by the National Training Authority. I am not sure if Ms Scollay would like to speak to that, because it is a fairly recent publication.

**Ms Scollay**—The last time our training expenditure survey was conducted was 1996. There were two: 1996 and 1997. Between that time and now we have had quite a lot of difficulty in getting surveys conducted into industry investment and training. That is because, after the end of the training guarantee levy, many in the private sector no longer kept the records they were required to keep when the levy was in place. The Australian Bureau of Statistics was of the view that to conduct surveys of this kind on a very regular basis would be too great a respondent burden. So in a series of negotiations that we had over a couple of years with the Australian Bureau of Statistics they did last year conduct a survey. It was not as comprehensive as the ones we had had done in the 1990s. But those survey results were released in April this year. They estimate that Australia's investment by employers was just over \$4 billion between 2001-02, which is a fairly significant increase on the level of expenditure previously.

For instance, business—particularly small business—is participating more in training. In relation to either structured or unstructured training, it had increased from 61 per cent to 81 per cent over the period since 1996. A majority—60 per cent—of the businesses that offered structured training used nationally recognised training. There had been a shift from the use of internal resources to the use of external training providers. The net direct expenditure on structured training has increased by 52 per cent since 1996, compared with an increase in employment of 12 per cent over the same period. We found that an incredibly heartening response.

**Senator GEORGE CAMPBELL**—Is that research publicly available?



**Ms Scollay**—Yes.

**Senator GEORGE CAMPBELL**—Is it on your web site?

**Ms Scollay**—It is on the ABS web site.

**Senator GEORGE CAMPBELL**—Presumably we can also access the methodology that was used? I must say that I find those figures incredible, because they do not relate at all to the anecdotal evidence that we have been getting around the country in terms of expenditure on training.

**Ms Scollay**—It was a very soundly conducted ABS survey.

**Senator GEORGE CAMPBELL**—I am not suggesting it was not.

**Ms Scollay**—We had also been hearing anecdotally that there had been a decrease in industry expenditure, and it was very heartening to hear the ABS survey come out with such incredibly good results. The net training expenditure averaged \$458 per employee, which is also an increase on previously.

**Senator GEORGE CAMPBELL**—Are those figures in constant dollars?

**Ms Scollay**—Yes, I believe so.

**Senator GEORGE CAMPBELL**—You believe so?

**Ms Scollay**—No. I need to check.

**Senator GEORGE CAMPBELL**—So they are not in constant dollars?

**Ms Scollay**—Ms Arthy runs this area within ANTA.

**Ms Arthy**—They are in current dollars, not constant.

**Senator CARR**—I want to ask a few questions on this issue as well. What is the difference between structured and unstructured training within that expenditure survey?

**Ms Arthy**—Structured training is where there is a formal training plan in place. Unstructured is basically everything else, which can include just instruction in the workplace.

**Senator CARR**—Is there a difference in the percentage of the gross wages bill paid by all employers on structured training? Can I get you to distinguish between the two?

**Ms Arthy**—All I have here—I do not know whether it will go fully to your question—is the net direct training expenditure per employee. In 2001-02, it was \$519. I do not have any other further breakdown. I could look at the survey and take that on notice, if you like.

**Senator CARR**—If you wouldn't mind. What has been put to me is that structured training as a percentage of gross wages remained at 1.3 per cent between the period 1996 to 2001-02.

**Ms Arthy**—If it is the same figure I am looking at, it is—

**Senator CARR**—Sorry, the total wages bill, structured and unstructured, is 1.3 per cent total.

**Ms Arthy**—That is correct.

**Senator CARR**—But structured training declined from 1.7 per cent to 1.5 per cent. Is that true?

**Ms Arthy**—According to statistics, yes. We have asked the ABS for an explanation. I must admit that I do not have that explanation with me, but I can provide that analysis to you.

**Senator CARR**—I would be grateful, if you would not mind. What I am also led to believe is that in the ABS survey the definition of unstructured training refers to showing or explaining how to perform a task on the job as the need arises. I would have thought that would cover picking up a broom. Would you agree?

**Ms Arthy**—I do not think I can answer that without having a look at the definitions.

**Senator CARR**—I ask you to have a look at the definition and explain to me whether the ABS included ‘showing or explaining how to perform a task on the job as the need arises’ and ‘acquiring the knowledge and skills relevant to performing a job through group discussion’ in the survey.

**Ms Arthy**—I will find out for you.

**Senator CARR**—It might account for what Senator Campbell has referred to—the figure the ABS is claiming is the level of expenditure, a figure that surprised him. With regard to the structured training, are you able to describe to me what is referred to there?

**Ms Arthy**—Again, I do not have the detail of the methodology with me, but I understand it is where there is a formal training plan in place or where there is a defined outcome where you can measure the outcome of the training.

**Senator CARR**—Does the ABS publication say that only 24 per cent of employers actually provide structured training on a nationally recognised basis? That is one in four.

**Ms Arthy**—I think that is right. I can confirm: I am just trying to do a mental calculation of the statistics I have here.

**Senator CARR**—Well, 24 per cent is about one in four—perhaps I am not quite right, but it sounded pretty close to the mark. Is it right to say that 22 per cent of employers provide it to a non-standard level?

**Ms Arthy**—I do not know. I am sorry. Again, I can take it on notice and come back to you.

**Senator CARR**—All right, can you tell me this: does that survey also point out that only 13 per cent of employers employ apprentices or trainees?

**Ms Scollay**—I think that is correct, and the figure is up from 11 per cent.

**Senator CARR**—It is hardly a brilliant effort, is it?

**Ms Scollay**—Regarding the whole issue of structured training in the workplace—for the whole of employment—I think to have in the order of a quarter of that in nationally recognised training is an extraordinarily good result when you consider that –

**Senator CARR**—If you go from nothing to 24 per cent; you think that is good?

**Ms Scollay**—I do.

**Senator GEORGE CAMPBELL**—Could I ask for a comparative figure, which you may or may not have, Ms Scollay. You say it has gone from 11 to 13 per cent—

**Ms Scollay**—For apprenticeships.

**Senator GEORGE CAMPBELL**—How much has the number of employers grown in that period?

**Mr Walters**—One comparison we can offer comes from Germany last year. It might interest you. We were told there that the proportion of employers that participate in the apprenticeship system in Germany, which is more or less the whole of the training system they have, is 25 per cent. So it is about the same as—

**Senator CARR**—That is not right, Mr Walters. That is not right on two counts. We are talking about a serious apprenticeship system in Germany, not traineeships. Furthermore, we are saying that the percentage of employers that actually hire apprentices and trainees in this country is only 12.9 per cent.

**Mr Walters**—That is because we have a substantial training system outside the apprenticeship system, whereas it hardly exists in Germany outside the apprenticeship system. When you say that they have a serious apprenticeship system, if the issue is around traditional trades against the newer service areas, the proportions are not very dissimilar. More than half of those counted as apprentices in Germany are actually studying in trades such as retail services and so on—for the very same reasons as here. Both here and in Germany, these have been the fastest growing areas of employment.

**Senator CARR**—Go through it again. You said 24 per cent of employers in Germany, on your figures—

**Mr Walters**—We were told 25 per cent. It is about a quarter.

**Senator CARR**—But in Australia it is only 13 per cent.

**Mr Walters**—Yes, but the nearer comparison would be those doing structured training. Whereas we have other options here in Australia, almost all of the training effort in Germany is focused on the apprenticeship system. There is very little for older workers. There is very little of an alternative to the apprenticeship system. So a comparison with those offering nationally recognised training would be much closer to the German situation than a comparison with those offering apprenticeships under our—

**Senator CARR**—Yes, but what we are talking about here is not structured training that provides nationally recognised qualifications. The ABS is not measuring structured training as nationally recognised qualifications. In that regard, it is only 13 per cent.

**Mr Walters**—The figure of 13 per cent refers to the apprenticeship-traineeship hiring by employers. Nationally recognised training is around 24 per cent.

**Ms Scollay**—Which is a lower figure than the structured training figure.

**Mr Walters**—Yes. The structured figure is about 40 per cent. If you look at the figures for the proportions of workers receiving training, I notice that some 41 per cent describe what they are doing as ‘a training course’. So that is around the same figure for employers claiming structured training.

**Senator CARR**—If I look at the total employer expenditure and I look at the level of government subsidy, I see that government subsidies as a proportion of expenditure have now increased from 4.8 per cent to 9.1 per cent.

**Mr Walters**—There is a very interesting statistic that I noticed the ANTA release drew attention to, and that is that something like \$1.6 million was spent by employers with new apprentices. So, if you look at the total appropriation for New Apprenticeships at around \$500 million, that suggests that there is \$3 spent by employers for every \$1 spent through Commonwealth subsidies. Of course, that does not include state subsidies.

**Senator CARR**—Has the number of training hours increased or decreased, according to these surveys?

**Ms Arthy**—I do not think we collected hours in this last survey. I think we had to take it out because of the respondent burden.

**Senator CARR**—Are you sure that is not in the ABS figures? The way I have it, it is 149,000 in 1997 and 143,000 in 2001.

**Ms Arthy**—I can check that.

**Senator CARR**—Would you check it for me, please. If that is true, it does strike me that there has been a decline in the number of training hours.

**Ms Arthy**—All of our official statistics show that hours have increased over the time.

**Senator CARR**—But that is not what this survey shows.

**Ms Arthy**—I will have to check it out.

**Senator CARR**—The question that arises is: to what extent do you think the subsidies are now being used as a form of business welfare?

**Mr Walters**—Are you talking about the Commonwealth incentives scheme?

**Senator CARR**—Yes.

**Mr Walters**—We would certainly not see that as being the case.

**Senator CARR**—I do not expect you to agree with me.

**Mr Walters**—The Commonwealth incentives scheme has been instrumental in seeing the number of new apprentices rise from 374,000. As you know, three-quarters of them are at an AFQ3 level and above, rather than at the lower levels. We have done everything possible to put an emphasis on increasing the quality of the system, and so the last thing we would describe it as is a business welfare system.

**Senator GEORGE CAMPBELL**—Mr Walters, what percentage of the 374,000 were existing workers?

**Mr Walters**—Around about a third, perhaps slightly more.

**Senator CARR**—Has that increased or decreased?

**Mr Walters**—I have not looked at that in the last three or six months, but I think the proportion has been fairly stable—over the last two or three years certainly.

**Senator CARR**—What is the level of non-completions now?

**Mr Walters**—To obtain the level of non-completions you have to look over quite a long time frame, so you are going back a number of years. For example, apprentices take four years to complete—at least, as you know, in traditional apprenticeships.

**Senator CARR**—You do not actually measure the number of apprentices, do you?

**Mr Walters**—You have to go back.

**Senator CARR**—Can I ask you that. Do you measure the number of apprentices in these statistics?

**Mr Walters**—In the NCVER statistics, yes –

**Senator CARR**—No, in your statistics. Do you measure the number of apprenticeships?

**Mr Walters**—We rely on the NCVER statistics.

**Senator CARR**—You do not measure them?

**Mr Walters**—We are the NCVER; they are owned by—

**Senator CARR**—The department does not measure the number of apprentices at the moment; it measures the number of new apprentices?

**Mr Walters**—We rely on the NCVER statistics. They account—

**Senator CARR**—Sorry to interrupt you. What is the non-completion rate?

**Mr Walters**—If I could go back to your last question, Senator, the NCVER now do publish statistics for the numbers of apprentices, as opposed to new apprentices and trainees. I think the figure shows—I do not have it to hand—something like a 16 per cent rise since 1997. To go back to the question of completions, the NCVER's estimate, from memory, is around the 55 per cent mark for traineeships, given a broad division, and around about the 75 to 80 per cent mark, I think, for traditional apprenticeships.

**Senator CARR**—Are you talking about completions or noncompletions?

**Mr Walters**—These are completion rates. They are around about 55 per cent—

**Senator CARR**—The noncompletion rate is 45 per cent?

**Mr Walters**—Something like that. There has been some feeling around the system that that is probably an underestimate of the number of completions. But that is what we are recording.

**Senator CARR**—Again, we have had this argument over many years. That is the current figure, is it?

**Mr Walters**—They are the most recent estimates carried out by the NCVER.

**Senator CARR**—And how many of the traditional trades are noncompleters, in your judgment?

**Mr Walters**—The NCVER estimate of noncompleters is around about 20 per cent.

**Senator CARR**—Are you sure that is right?

**Mr Walters**—They were estimating completions at between 70 and 77 per cent. For comparison, in Germany I was told it was around 80 per cent. But they do not count people who drop out in the first three months in Germany.

**Senator CARR**—Do we?

**Mr Walters**—Yes.

**Senator CARR**—If that is the growth that is anticipated, what do you expect the growth to be in the coming year?

**Mr Walters**—The growth in the numbers in training?

**Senator CARR**—Yes.

**Mr Walters**—I would not like to speculate. It is certainly very much at the crossroads at the moment. We have seen some rise up to December. We have the March figures due out soon. I really do not know what they contain. They are an estimate, in any case. We are seeing a number of trends around the states which could pull the numbers down. For example, we have seen changes in the rules on user choice in some states which will have the effect of restraining demand. We have in Victoria seen restrictions on payroll tax. In fact, we have seen the removal of payroll tax exemptions for new apprentices. That is also likely to restrict demand. So it is very hard to say. Certainly all the indications we are getting is of a slowing in the increase, as one would expect after several years of really quite rapid increase.

**Senator CARR**—Is that why, according to my reading of the PBS on pages 81 and 82, there is a forecast rise of 16 per cent? How do you reconcile your statement with that?

**Mr Walters**—There are a number of factors in all of that. We have factored in an increase in commencement numbers for 2003-04. These estimates were done some time ago. There were a number of changes in user choice policies and other policies around the system, which may have an impact. It happened really quite recently. Also you have to bear in mind that there is a timelag in claiming. People can claim for 12 months after registration.

**Senator CARR**—I understand that.

**Mr Walters**—After that, the numbers start to slow down. We will still get the increase in commencement payments arising from the previous 12 months because of that timelag. There is also some increase arising from last year's incentives review because of the introduction of a new incentive for group training while the old incentive, which is the incentive for traineeship commencements, is being phased out over two years. It will continue to be paid at the rate of \$1,100 for 2003-04. It will be half that rate for the next year. So there is a bit of an overlap. That would tend to increase for next year. So, in short, those estimates—and they are only estimates—are the result of a combination of factors. They do not necessarily mean that demand will continue to increase. We will wait to see. We just do not know.

**Senator CARR**—Can you explain this to me. Why does there appear to be, on the estimates you have provided in the PBS, an increase of 16 per cent? Why does it appear at table 2.21 as a decline in the departmental appropriation for this measure from \$21.926 million to \$20.416 million?

**Mr Walters**—Would you mind telling me which page you are on?

**Senator CARR**—I am on page 81. Under 'Departmental appropriations' there is 'Funding for VET'. The second line says 'Output Group 2.2—New Apprenticeships. It has \$21.926 million versus \$20.416 million. It appears to me to be a reduction of \$1.5 million. Why is that?

**Mr Walters**—That is just a departmental cost. That is for staff.

**Senator CARR**—So there are fewer staff doing this now?

**Mr Walters**—It goes up and down. We had a few more last year because of the incentives review and because we carried out the national tender this year. So it fluctuates a bit. That is a fairly minor staff fluctuation.

**Senator CARR**—What, \$1.5 million worth of staff?

**Mr Walters**—That is not a lot when you are looking at exercises like the incentives review and you put in a few extra people.

**Mr Johnson**—It supports national consultations around the incentives review process. As Mr Walters indicated, it is to run the national tender this year. Again, it requires additional resources.

**Mr Walters**—There has not been any significant change, really, in the base level of funding for that operation.

**Proceedings suspended from 9.45 p.m. to 9.55 p.m.**

**Senator CARR**—On page 83, Mr Walters, I have questions relating to the same matters I was raising with you before. You might need to take this on notice because we need a detailed breakdown of the intake and the total number of forecasts that underpin the financial assumptions.

**Mr Walters**—On page 83?

**Senator CARR**—Yes.

**Mr Walters**—Which particular line?

**Senator CARR**—The one that begins ‘The growth in the Literacy and Numeracy Training estimate’. That is output 2.3. On page 82, it appears we have a reduction in the funds provided for national programs. Is that right? It is \$36.67 million and \$34.744 million. It is on the second line. Why is that?

**Mr Walters**—That is last year’s budget measure. You will recall the Commonwealth took out the money for the state ITABs. It discontinued funding for the state ITABs.

**Senator CARR**—That is the state ITABs, is it?

**Mr Walters**—Yes.

**Senator CARR**—I understand that at a meeting of the ANTA board on 29 April it decided to create a new set of national ITABs. That involved the replacing of 29 industry based ITABs with 10 industry skill councils. Is that correct?

**Ms Scollay**—I am not sure it was 29 April, but that was their decision.

**Senator CARR**—Is 10 the upper limit?

**Ms Scollay**—Initially, the ANTA board said there would be eight. But they were open to listening to ideas or suggestions as to how to take the issues forward. They subsequently came to a view that there should be 10. That is still their view. There has been a range of representations to the board, as I am sure you would be aware. The ANTA board is listening to

all of those representations, but there has been no change at this stage to their decision of 10 councils.

**Senator CARR**—What is the rationale for 10?

**Ms Scollay**—I will get Mr McDonald to answer this in more detail in a minute. It is basically an effort to enhance the profile of industry leadership and to try to get better synergies across emerging skill sets. In looking into the 21st century, we are seeing such mobility in the work force that we are making great efforts to try to break down some of the silos that have existed between the skill sets designed by the 29 existing bodies. Overall we predict that in the order of 80 training packages might over time reduce to somewhere in the order of about 40, which would be a great saving in terms of the whole delivery system gearing up to provide for such highly specialised differences when up to 50 per cent of competencies are now common across training packages. So we want to find a better balance between areas of real specialisation and allowing for greater mobility, which is the way the work force is going.

**Senator CARR**—It interests me that you say that we are getting higher specialisation by being more general.

**Ms Scollay**—It is both. We will be able to achieve both this way.

**Senator CARR**—And reduce from 80 to 40 training packages?

**Ms Scollay**—Potentially. That is an estimate.

**Senator CARR**—How does that allow for greater specialisation?

**Ms Scollay**—Because within the training packages, as you know, they are big and they do allow for specialist skills. But we also know that, in the way in which the training packages have been developed until now, each industry has wanted to develop its own standards or skills which we have found to be quite generic, such as client service or some of these different sorts of areas. Mr McDonald will want to add to what I have just said.

**Mr McDonald**—There are issues where the particular industries are actually extensively using training packages from industry areas other than the ITAB that they would normally be attached to. We have the issue about the proliferation and it being driven by the view that everything is specific. As Moira said, we are finding that the commonality of units of competence across the training packages is growing. That leads us to believe that the number of packages that are in place now is not necessary. We need to be able to get a set of advisory arrangements in place to look at commonalities of competencies that would be common across a number of industries. A reduction in the training packages will also have savings in terms of the development of new packages and reviews. We also suggest that in terms of the provider system a smaller number of packages would be much more manageable than the numbers that are growing.

With the existing ITABs and the industry advisory arrangements, there were 29. When the current arrangements were put in place in 1996, there were 23. They have been growing. About three other industry areas were seeking to be declared as ITABs. In a lot of cases, because of the work they are doing and the complexity of it, several of them in our view were



starting to become financially suspect. We did do a review of all of the 29 bodies in 1999 and provided them basically with free consultancy on issues that ought to be addressed.

**Senator CARR**—But none of them were insolvent?

**Mr McDonald**—We put auditors into the ITABs on a regular basis to keep a very strong handle on that issue. Some of them have got close. We have provided assistance in terms of resources from our auditors to assist them to get their financial affairs in better order.

**Senator CARR**—You indicated there are 10 that the ANTA board are prepared to accept. What are the 10 they are going to accept?

**Mr McDonald**—There is transport and logistics; community services, health and corrections; business and innovation; agrifood; extractive resources; public service; services industries; manufacturing. I do have the list here. There is transport and logistics.

**Senator CARR**—I think you mentioned that already.

**Mr McDonald**—Electro-technology; building, construction and property services.

**Senator CARR**—Building and construction or just construction?

**Mr McDonald**—It is construction, but it is covering the building area as well.

**Ms Scollay**—And property services.

**Senator CARR**—These ITABs have traditionally been tripartite. Will these new ITABs—

**Ms Scollay**—They have employee and employer representatives, yes.

**Senator CARR**—The industries you have chosen here are quite broad. How will you pick representatives from each of the sectors?

**Mr McDonald**—With the current ITABs we have had an extensive number of meetings with both ITABs and peak industry associations, both employer and employee, and some of the affiliates of those organisations. Some of the areas that have gone substantially forward have worked through the issue of the representation through the new company structures. Other areas which are not as well progressed quite often are getting hung up about the issue of sectoral representation.

**Senator CARR**—They are not getting hung up?

**Mr McDonald**—They are getting hung up. The ones that are taking longer to move through the process are getting hung up on the sectoral representation.

**Senator CARR**—So is there consultation with the ACTU about nominees from unions?

**Mr McDonald**—Yes.

**Senator CARR**—They have agreed to these 10, have they?

**Mr McDonald**—We had a meeting with the ACTU last week. They have a view that the manufacturing area should actually be what they are calling general manufacturing, light manufacturing and automotive and, in the services area, tourism should be separate. That would give a total of 13. We are continuing in discussions with them.

**Senator GEORGE CAMPBELL**—Transport and logistics: what is the employer representation on that council?

**Mr McDonald**—At the moment, the existing ITAB representation is predominantly company people such as Brambles and those sorts of organisations. There are also members of the National Union of Workers. It is chaired by the national secretary of the National Union of Workers.

**Senator GEORGE CAMPBELL**—To what extent is the maritime industry covered in that ITAB?

**Mr McDonald**—The maritime industry is covered by that ITAB.

**Senator GEORGE CAMPBELL**—Who is represented on the ITAB?

**Mr McDonald**—I would have to take that on notice and get back to you. I do not have the detail of the individual breakdowns. We have asked the ones that are ready to go ahead for their business plans. Within their business plans will be the details of their board representation as well as the company's structural representation for the individual sectors. We could ask them to provide that to us a bit earlier and pass it on to the committee.

**Senator GEORGE CAMPBELL**—Could you do that, because there is a real issue in that industry sector. The submissions we have received in the skills inquiry from the Victorian government says that the recent withdrawal of Commonwealth funding to the state ITAB was unexplained. Can you advise of the reasons for the withdrawal of the funding and what consultations have occurred with state governments and what reasons were given to the states for withdrawing funding?

**Ms Scollay**—That is a matter for the Commonwealth.

**Senator GEORGE CAMPBELL**—Mr Walters?

**Mr Walters**—I am sorry to say that I did not quite catch the question.

**Senator CARR**—Why did you knock off the ITAB funding?

**Mr Walters**—Why did we knock off the ITAB funding? This is last year's budget measures.

**Senator CARR**—I know. That is the question.

**Mr Walters**—The answer was that we knocked off, to use your technical terminology—

**Senator CARR**—I have many technical expressions.

**Mr Walters**—We reduced funding to the state ITABs because the Commonwealth took the view that they were basically there to advise the state governments. Really, it was for the state governments in future to decide whether they wished to maintain that network or not. The Commonwealth continues to provide funding for the national ITABs.

**Senator GEORGE CAMPBELL**—Why did the Victorian government say that the cut in the funding was unexplained? What explanation was given to the states and what consultations occurred with state governments?

**Mr Walters**—The states were told precisely that: that it was a budget measure. All governments take budget measures and decide on their priorities. The Commonwealth last year took the view that it was no longer a Commonwealth priority to fund the state ITABs. The state governments could decide to step in if they wished. There was a period of grace

given; one quarter of the year's funding was given. There was a 13-week period in which the states were able to come to a decision about that.

**Senator GEORGE CAMPBELL**—So it was a normal process of consultation: 'Here it is, Charlie. Cop it'?

**Mr Walters**—Well, budget measures tend to be like that, as you know, in the sense that—

**Senator GEORGE CAMPBELL**—Not in all circumstances.

**Mr Walters**—Not in all circumstances, but they frequently do. There is always the balance between budget secrecy and the ability to be able to consult people in advance of budget decisions. The government decided to play it that way last year.

**Senator GEORGE CAMPBELL**—One of the things that has disturbed me in this inquiry is why we call training outcomes or training objectives training packages?

**Mr McDonald**—It has been debated for some time whether the title is right. The training packages are in fact a set of competencies that describe what a package should have. If you asked different people the same question, some would say that the training packages have established a certain credibility in the nomenclature. Other people would say it is actually probably a misnomer.

**Senator GEORGE CAMPBELL**—I have asked this question of a lot of people in the past few months. I cannot get a logical answer for the use of that term.

**Mr McDonald**—I would not argue with that view.

**Senator GEORGE CAMPBELL**—Why do we continue it? Why don't we describe it for what it is?

**Mr McDonald**—Part of the issue is the branding of VET, which is part of the overall approach of the national strategy. My recollection is that, during the consultations around the national strategy, the nomenclature did come up. I think it is something that we have to address because it gives a connotation that it is a training package. There is a high-level review of training packages, which is currently under way. It came out of a series of discussions generated by New South Wales in November last year. We would certainly expect that high-level review would pick up this issue.

**Senator GEORGE CAMPBELL**—It may sound trivial, but I think it is actually important. I raised the issue with Ms Scollay earlier. In another inquiry that the references committee of this committee was doing, we were told in Western Australia that in the cleaning industry they had a seven-hour training package on how to empty the rubbish bin. I must admit I have spent months looking at the rubbish bin in my office. I am still damned if I can work out how you can put seven hours into learning how you can tip it upside down. There may be legitimate reasons why it takes seven hours, but I have never yet been able to come across somebody who can explain to me why it takes seven hours. It might take seven hours to assess if someone can empty a rubbish bin. That is a different issue. When I finally worked out what these training packages were, the penny dropped.

**Mr McDonald**—It might be a confusion. I can certainly understand it being a unit of competence, but not in terms of a training package for emptying a rubbish bin. Although, like Senator Crossin's husband, my wife might suggest that I could do with training in that as well.

**Senator CROSSIN**—You would have to learn what day of the week to put it out, first. That would be the biggest hurdle.

**Senator GEORGE CAMPBELL**—My attention was deliberately drawn to it. It was drawn to it by people in the training sector, so there is an issue out there in terms of what language is being used. It may be actually being misused.

**Mr McDonald**—I think we would agree that that is an issue that is emerging across the whole VET sector. The language can be almost indecipherable to the people who need to know simply what it is about.

**Senator GEORGE CAMPBELL**—I do not want to distract from more important questions, but I do recall being on an ACTU executive meeting some years ago. Bill Mansfield, who then was the ACTU representative, presented a report on a joint ministers meeting which occurred in Alice Springs. Maybe it was the fact that it was in Alice Springs, but to me it was a foreign language, and I think it was to everybody around the table. Some of these industries become an industry unto themselves with their own language. That appears to be what is occurring here in part.

**Ms Scollay**—It is an issue we would like to address in the future.

**Senator GEORGE CAMPBELL**—Luckily, Ms Scollay, you will not have to address it.

**Senator CARR**—I return to the matter of the ITABs. You have given me the 10. How many representations have you had complaining about them?

**Ms Scollay**—I cannot answer that. I would have to take that on notice. There has been a robust amount of dialogue. I would also have to say that overwhelmingly there are very positive moves forward in almost all of the areas. They are areas such as the business innovation skills council that has been proposed. It is bringing together quite a large number of, until now, disparate areas. I sense quite a lot of excitement about the prospect of really good synergies happening there. While change is always difficult and people will always want to express their views, I suppose overall I have been quite surprised at the amount of real intention on the part of industry to try to make sure that we have in this country the best set of industry advisory arrangements that we can have in order to make sure that we really do keep the momentum of the VET reforms moving. I think that has been a very positive outcome of this initiative.

**Senator CARR**—I am disappointed that you refer to industry as employers again.

**Ms Scollay**—I did not mean to. Employers and employees.

**Senator CARR**—The original concept of industry was that it was in fact—

**Ms Scollay**—And it still is for ANTA. There is no question that it is employers and employees. I am sorry if that is what I inadvertently said.

**Senator CARR**—I have had representation from some organisations about these proposed changes. Take, for instance, correspondence I have received from the Motor Trades Association. I take it you have received it as well?

**Ms Scollay**—Yes. There has been quite a lot of dialogue with the automotive industry over these issues. They would like to remain separate.

**Senator CARR**—That is right. There is an extremely strongly worded letter from an employers association. It says it is not prepared to accept a role in a forced amalgamation of training advisory bodies with other industry sectors. It is also saying that Automotive Training Australia has lodged an application of declaration to the Australian Automotive Industry National Skills Council. How are you intending to deal with this rejection of the proposal?

**Ms Scollay**—We are right in the middle of dialogue with the automotive industry. There are a series of meetings taking place with the whole of the proposed manufacturing group, including the automotive group. We are working our way through the issues. They have put to us a very strongly worded submission, as you have said. It is a submission along with others. Of course, the ANTA board is working its way through all those issues. It is not yet finalised. These issues are still being worked through, particularly with the automotive group

**Senator CARR**—Has there been an appointment made with the minister yet?

**Ms Scollay**—That is not for me to answer.

**Senator CARR**—Can you tell me, Mr Walters? Has the Motor Trades Association sought an appointment with the minister to discuss this matter?

**Mr Walters**—I would not be surprised, because at any given time the minister has hundreds of people with outstanding requests for appointments. I would not like to say. A number of people have approached the minister's office. I think they have made it clear that this is an exercise which has been initiated and conducted by the National Training Authority and have been directed to pursue their inquiries with the National Training Authority.

**Ms Scollay**—Some years ago, the ministerial council handed the responsibility for ITABs to the ANTA board.

**Senator CARR**—So it is not a matter for the minister?

**Ms Scollay**—This is something the ANTA board is doing.

**Senator CARR**—That is a fair enough answer. Have you told the Motor Trades that their application to be the automotive skills council has been rejected?

**Mr McDonald**—No.

**Senator CARR**—You haven't told them?

**Mr McDonald**—There is a set of meetings, including one today, where representatives of the automotive industry, including the MTAA, the Victorian Automotive Chamber of Commerce, the Federated Chamber of Automotive Industries and other groups have met with Vince O'Rourke from the board, Stella Axarlis from the board and, today, with Leonie Clyne from the board. So it is an issue that we are continuing consultations with them about.

**Senator GEORGE CAMPBELL**—You have read out the list of the new industry councils. What is the average representation on those councils, the physical numbers of people?

**Mr McDonald**—When the business plans come in, they will include that sort of information. There is a set of criteria around the business plan which asks them to give the breakdown, the employer-employee representation and where they come from. We have suggested to them that the board of the company needs to be more in line with the governance responsibilities of a board. The sectoral representation for industry interests should be dealt with through the construct of the company through the sectoral committees.

**Senator GEORGE CAMPBELL**—The truth of the matter is that you have reduced from 29 ITABs down to 14 of these industry councils.

**Ms Scollay**—Ten.

**Senator GEORGE CAMPBELL**—The reality is that the ITABs grew up out of 100 years of the old state apprenticeship systems and were representatives of the skills base at that point in time. Isn't the reality going to be that over time these industry councils are going to break into subcommittees? Aren't you going to finish up with effectively very much the same sort of groupings that you have now? How can you cover the diversity of manufacturing in one industry council or even in three industry councils?

**Ms Scollay**—My understanding is that some years ago there were in the order of 70.

**Mr McDonald**—There were over 50.

**Ms Scollay**—The ITABs were reduced down to 21 or some number like that. That crept up to 29. We are now looking to go back to 10. It may well be that over time they evolve into either more or less. There is no intention with these arrangements to completely demolish the fact that there would be sector-specific subgroups within these councils. You are bringing together disparate groups like the agrifood one, and the business and innovation ones; quite disparate groups are being brought together. We are trying to achieve the synergies that would be possible by these groups meeting who have not ever met before. Clearly, to meet the needs of those industries, there will also be subgroups beneath the council that will assist with them achieving the level of specificity they need.

**Senator GEORGE CAMPBELL**—Take transport and logistics, for example. You have rail, which is a specific set of skills. You have road, which is a specific different set of skills. You have maritime and you have seagoing, which is a big set of skills. You have the leisure craft industry, which is a different set of skills. You have the fishing industry, which is a different set of skills. With the breadth of skills involved in these areas, at the end of the day, it cannot be managed through one council, can it?

**Mr McDonald**—The coverage of the transport and logistics council is actually in the new arrangements unchanged. Those areas you worked through are what in fact traditionally it has had.

**Senator GEORGE CAMPBELL**—We have had representations from the leisure craft industry and the fishing industry bitterly complaining about the lack of attention their sectors have been given by the old ITABs. I think there is some credibility in their argument.

**Mr McDonald**—They are the issues that need to come to us that we can then work with that ITAB to ensure that it does give the focus. Some of those issues that it will be focused on will be reflecting the traditional industrial approaches that cover those areas. The industry areas are the key areas we need them to focus on as they become more proficient.

**Senator GEORGE CAMPBELL**—The issue I am concerned about is that at the end of the day, if you keep narrowing down the funnel through which you channel the debate about development in the future, aren't you in danger of actually ending up missing the wood for the trees?

**Ms Scollay**—We think through these arrangements that we can do both things. There are many who are saying that the current structures have entrenched silos that are not helpful. These arrangements aim to bring areas together where we believe there are synergies. If you take the transport area, yes, there might be very specific skills in maritime that are quite different from rail at some levels in the industry, and at other levels of the industry in terms of the management of transport, GPS systems, logistical systems, we are seeing now quite a lot of crossover at certain levels within the industry that was never there before. There is much more mobility than we have ever seen. In fact, whole supply chains are now working their way through connections between all of those different forms of transportation. We need to achieve both. With the new technology, new styles of management and new ways of organising—for instance, in this case transport and logistics—we need to combine the synergies in some areas. There is also clearly the need to maintain different skills if you are a maritime worker or a ship's captain compared with a train driver. They will be quite specific and different sets of skills. We try to achieve both, and we will achieve both through these arrangements.

**Senator GEORGE CAMPBELL**—I think it is true what you say. But it is also true to say that there will be skills across all of those 10 industry sectors or industry councils which are common to all of them.

**Ms Scollay**—That is right.

**Senator GEORGE CAMPBELL**—IT skills are common across all industry sectors. But you are not using that as a reason to suggest you merge all 10 into one. There are specific skills and knowledge related to each industry sector. Take transport and logistics. Within the maritime sector there are distinctly different skills, quite apart from the differences between a train driver and a tub captain or a captain of a 45,000-tonne container ship, although those skills are disappearing rapidly off the coast because we no longer have that industry. We are moving out of it. But that is having an impact also on the bottom end of the industry. What I am simply suggesting is that there has been a point when you have gone beyond a system that is actually rational and reasonable in terms of achieving the outcomes. It appears to me that what has been put in place has gone beyond that point.

**Senator CARR**—How many times have you had a review of industry advisory bodies in the last 10 years?

**Mr McDonald**—This would be the fourth.

**Senator CARR**—There have been four in 10 years? And how many times have you changed the structure in 10 years?

**Mr McDonald**—The 1993 review was a fairly major exercise, because there had been a proliferation of ITABs and competency standards bodies and it had gotten out of hand. They were crunched down to 18, and there was a recognition at that time that there was an adjustment made. It was made in 1996. The review in 1999 was a performance review. There was no intention that it actually look at the structures—nor any outcome.

**Senator CARR**—Why is the situation at the moment so bad that you feel it necessary to have this whole issue elevated to a key objective for 2003-04?

**Mr McDonald**—Because—through the broad spread of the numbers—one of the issues that we identified related to the necessary industry leadership becoming too disaggregated and too filtered, which meant that we were not able to get the right level of influence. With the ITAB structures being so numerous, they had become very much process workers in terms of the training packages. Their expected role—providing industry leadership, strategic advice and trying to look further than the next 12 months funding, two or three or four years down the track—was substantially suffering. So the reason it is one of the key objectives is not the structure; it is the impact.

**Senator CARR**—When will this matter be resolved?

**Mr McDonald**—The timelines are for the end of this calendar year. But in the discussions we are having with some of the parties we are certainly open to a case by case basis.

**Senator CARR**—We will come back to this in the next round, because I think there is considerable water to go under this bridge. When was the skills centre program last reviewed?

**Mr McDonald**—There is a review currently under way. Prior to that, it was reviewed in 1999.

**Senator CARR**—So it was reviewed four years ago?

**Mr McDonald**—Yes.

**Senator CARR**—Do you feel the need to review it every four years?

**Mr McDonald**—The review being undertaken now was precipitated by looking at the take-up and the effectiveness and impact, particularly in one of the streams where we were not getting the proposals through to warrant just continuing on with the funding without questioning what its take-up and impact was.

**Senator CARR**—Will this review go to the issue of examining the extension of the program to cover school based centres?

**Mr McDonald**—The school based centres program is one of three skills centre programs, and all of them are being subject to the same review.

**Senator CARR**—When will it be concluded?

**Mr McDonald**—Towards the end of this year.

**Senator CARR**—I want to move to the ANTA Agreement. I have here a copy of the heads of agreement—the new requirements for the ANTA Agreement 2004-06—which may facilitate our discussion tonight. You are now asking for 11 annual reports. Is that right? I read it, and I see that it is a fairly cynical exercise. Who drafted this document?



**Mr Walters**—The Commonwealth.

**Senator CARR**—The amorphous Commonwealth; the hidden hand of the Commonwealth—they must have lessons in cynicism in the Commonwealth these days! The way I read it, you are now saying that the Commonwealth is the defender of the disabled, of youth, of the mature aged, of the disadvantaged, of Aboriginal people and of people who live in rural areas. You have everyone you can find in there. You are trying to suggest that the states are neglectful to all of those groups, and then you go on to say that, despite the fact that the states have been running the system for a number of years now and they provide the bulk of the money, they need to provide the Commonwealth with 11 annual reports. Is that right—11 annual reports?

**Mr Walters**—There are a number of comments in your question.

**Senator CARR**—Well let us start with the 11 annual reports. Do you require the states to provide you with 11 annual reports?

**Mr Walters**—Firstly, I would say that this is a negotiation, and so the heads of agreement was an attempt to start that negotiation in a timely way, well in advance of the expiry of the existing agreement. It sets out what Commonwealth ministers are seeking in return for what is a substantial investment—around \$3.6 billion of Commonwealth money over three years. In terms of the precise reporting arrangements, there is another document to be considered and that is the VET national strategy, which has been developed by the National Training Authority as a result of a very extensive process of consultation around the country, with, I think, something like 35 consultative fora. That was being developed at the same time as this offer was being developed.

What this offer shows is what Commonwealth ministers have asked for as a response for handing over \$3.6 billion in public money over three years. That does not mean that it is the final way it will come out or that we are necessarily requiring 11 discrete reports. What we would now hope to do is sit down with the states and territories. We are hoping to have a meeting next week—it is not certain that we will—to start the process of looking at the requirements. We will be looking at the outcomes of the national strategy discussions—which cover very much the same sorts of areas and reflect issues which not just the Commonwealth but the states and territories themselves have reflected as priorities—and seeing how we can roll those together into a common reporting framework that picks up all the important things, especially the priorities which Commonwealth ministers have set as conditions for putting this offer on the table.

**Senator CARR**—So the request for 11 annual reports is just an ambit claim, is it?

**Mr Walters**—No. I would not put it quite that way. I would say that these are 11 areas where we are looking for reporting, and we would now like to sit down with the states and territories to see how that can be done most sensibly, in the least onerous but most effective way possible.

**Senator CARR**—What is the cost of collecting and reporting on all these 11 discrete areas?

**Mr Walters**—All I would say is that the cost of not doing would probably be greater, because we would have a system where it was not clear whether the system was running to the priorities that governments and ministers want it to run to.

**Senator CARR**—I notice that everywhere I go the Commonwealth claims it is cutting red tape, but you are asking the states to provide you with 11 discrete reports.

**Mr Walters**—We are anxious to do it in a way which involves as little red tape as possible. That is why we are starting discussions with the state officials and with ANTA as soon as they can make themselves available.

**Senator CARR**—What is the cost of providing these reports? Have you calculated that?

**Mr Walters**—It is a hypothetical question at the moment, because we do not know exactly what the reporting framework will be. We are certainly not suggesting that it will necessarily need to be separate reports. All of this will be decided as a result of a negotiation process at—

**Senator CARR**—So this is just an ambit claim, isn't it?

**Mr Walters**—It is not an ambit claim; it is a statement. What the states were looking for was a clear statement of what the Commonwealth was putting on the table and what it was asking for in return. What we have said to them is that we will look at the separate proposals coming out of the national strategy, many of which cover the same areas, and see what the most effective way of reporting is, because everyone needs it. The states need it just as much as we do.

**Senator CARR**—I put it to you that it is about you asking the states to fund your propaganda campaigns. That is what it is all about, isn't it?

**Ms Paul**—We do not expect to be working with the states off a zero base either. Under the current agreement there are requirements, of course, and they have their own reporting mechanisms. These are areas of mutual interest. We would fully expect the states and territories to be reporting in some depth against many of these areas already. I would not want you to have the view that it is starting from nothing.

**Senator CARR**—No, it is certainly not from nothing. That is why people, I would have thought, might get pretty cranky when they see this blatant attempt to shift the blame to the states for problems, for instance, in Indigenous education.

**Mr Walters**—I am not sure why you would characterise it as an attempt to shift the blame. The states are responsible—

**Senator CARR**—Just read the document! It is a propaganda document aimed at the states.

**CHAIR**—Order! The officer was answering the question, Senator Carr, and you interrupted.

**Mr Walters**—The document sets out the priorities which Commonwealth ministers are trying to establish as a condition of further funding of around \$3.6 billion in public expenditure over the next three years. That is an enormous amount of public money. I would have thought that people would be critical if the Commonwealth was not clear about the priorities it was looking for and where it was expecting the system to go over the next three years.

**Senator CARR**—We will get to a few things I am critical of. Why wouldn't you feel this is an attempt to try to blame the states for these difficulties, for instance, in Indigenous education?

**Mr Walters**—You might as well say that the inclusion of Indigenous education as a priority in the national strategy was an attempt to blame the states. But the states themselves have supported putting that priority in. In fact, so has the National Indigenous Task Force, which I am a Commonwealth member of, and includes a large number of members of the Indigenous community. It has been very insistent that Indigenous vocational education and training be one of the top priorities in the new national strategy. So the Commonwealth offer merely reflects what the Indigenous people themselves in the VET field have asked to be put in as a top priority in the national strategy.

**Senator CARR**—Clauses 6, 7, 8 and 9 all deal with Indigenous matters. Wouldn't your case for requiring greater reporting be stronger if the Commonwealth had actually done more in this area themselves?

**Mr Walters**—The reporting framework for Indigenous vocational education and training has basically been established by a blueprint which is called *Partners in a learning culture*. It was established some two years ago as a result of work done by the National Training Authority and developed with the Indigenous people themselves. So it is quite a comprehensive blueprint and framework. It is the Indigenous representatives on the task force that have been very insistent that the progress of Indigenous vocational education and training should be closely monitored. So we are not doing anything more than the Indigenous community leaders have asked us to do.

**Senator CARR**—Let me just look at some of the other propaganda claims in the correspondence you are sending around. What is the indexation arrangements for the forward three years on VET funding?

**Mr Walters**—Over the three years, there is an increase in indexation on base funding of \$136.5 million. There is additional indexation on the growth funding of \$13.5 million.

**Senator CARR**—Outside of the indexation arrangements, where is the additional revenue in the forward estimates for the ANTA Agreement?

**Mr Walters**—There is additional funding for Commonwealth priority areas of \$68.7 million. That is the amount which is being provided over the next three years over and above what is being provided in the present year.

**Senator CARR**—So that is \$68.5 million, is it?

**Mr Walters**—It is \$68.7 million. That makes a total of additional \$218.7 million over three years with the indexation.

**Senator CARR**—When you say there is an indexation of \$100 million a year growth funding, that is not actually \$100 million a year, is it?

**Mr Walters**—The growth funding is \$100 million a year. The indexation on that over the three years comes to \$25.5 million.

**Senator CARR**—Where will I find that in the budget papers?

**Mr Walters**—In the PBS, you will not find that because you will find that, as a budget measure, it is zeroed off because these sums are already in the forward estimates.

**Senator CARR**—They are in the forward estimates already?

**Ms Paul**—It is \$100 million in growth. That is what we have called the growth funding that started in the current agreement. The government has committed to, through this budget, for the next offer, continue this money, which was new in the current agreement. Of course the government in this budget had to consider the complete package for the next agreement. One of the decisions as part of that was to continue the \$100 million extra which had been built into this agreement.

**Senator CARR**—How can you claim that maintaining a previous budget allocation can be described as additional?

**Mr Walters**—It is because there will be more money than there is in the present year. It is already in the forward estimates. What is being proposed under the offer which has been given to the states and territories is that the money which has been for additional Commonwealth growth priorities in the welfare reform area will now be brought into the ANTA Agreement.

**Senator CARR**—I think this is highly dishonest. What you have here is a statement you are putting around to various persons that the Commonwealth funding, compared to funding in 2003, represents an additional \$220 million over three years. That is the claim you are making?

**Mr Walters**—That is additional funding over what is available in the current year. That is right.

**Senator CARR**—If I look at the 2001-03 ANTA Agreement, the Commonwealth put in an extra \$50 million in 2001. In 2002, it left the 2001 increment in place and then added another \$25 million. In 2003, it left the 2001 and 2000 increments in place and added another \$25 million. So there was a genuine growth offer there of \$100 million over three years. Where I do find a similar pattern of growth in this PBS?

**Mr Walters**—It is not in the PBS because it is already built into the forward estimates. In addition to those amounts of growth funding, there has been the amounts which have been put in to the forward estimates for vocational education and training as a result of a number of different welfare reform measures. It is the residue of them over the next three years, amounting to \$68.7 million, which one needs to add to the indexation of the base and growth funding, which gives you the total of \$218.7 million extra over the next three years.

**Ms Paul**—This is always a confusing thing with forward estimates. For all of these specific purpose payments, we have to project forward. We have projected on an assumption, which is that the growth keeps growing. That is what is built in. Therefore it does not show in the PBS. Nonetheless, it is absolutely a fact that the money is additional to the money and that a budget decision had to be taken.

**Senator CARR**—No budget decision has been taken, has it?

**Ms Paul**—Yes—not in terms of a measure but to achieve the agreement itself, of course; to get to an offer.

**Senator CARR**—That is not in the PBS.

**Ms Paul**—That is right. It is in the PBS as maintaining forward estimates. But the government will make a decision in the context of a new offer.

**Senator CARR**—I put it to you that rather than having general growth, you are in fact leaving the amount in the base funding. That is what you are doing, aren't you?

**Mr Walters**—We have three categories. We have base funding. We have the growth funding, which is now running at \$100 million a year. We have the indexation on both of them. We then have the welfare reform money.

**Senator CARR**—But that is effectively leaving the base funding in place.

**Mr Walters**—It is in the base funding if the government decides to put it in the base funding.

**Senator CARR**—It does not decide to take it out. That is the point.

**Mr Walters**—That is right. The decision made has been that if the states and territories agree to the new ANTA Agreement—

**Senator CARR**—Do you honestly think they will buy this, Mr Walters?

**Mr Walters**—Well, we are hoping to have initial discussions with them next week. But it is a matter of trying to arrange the availability of the officials. We had a letter from the states and territories. I am not sure whether you have seen it. It was in reply to the minister's offer. It finishes by stating this:

The strength of the matter of vocational education and training partnership will be enhanced through a new ANTA Agreement that recognises and resources the critical issues. The negotiation of future arrangements has the potential to be seen as a model for such Commonwealth-state agreements in other sectors. We request that you agree that state and territory chief executive officers progress discussions with Commonwealth officers to seek further clarification in relation to the detail of the offer. We look forward to a positive discussion in Darwin on 13 June 2003.

That is next week.

**Senator CARR**—So they want a meeting. That is a revelation for us all. They want a meeting to discuss the clarification of what is clearly a load of nonsense.

**Ms Paul**—In effect, the ministers are inviting the officials to start to negotiate. That is a positive sign, which arrived very quickly. That letter was received at quite short notice.

**Senator CARR**—When does the agreement run out?

**Mr Walters**—December.

**Senator CARR**—We had this problem last time, though, didn't we?

**Mr Walters**—We did not have this problem in the same form last time, because the initial offer that was put on the table last time had no growth funding in it at all, whereas this particular offer does have the additional \$220 million over the next three years.

**Senator CARR**—You cannot show me that in the forward estimates. Let me ask you this: regarding indexation of the \$119 million, that is not new money either, is it? You have said it is part of the welfare reform measures.

**Mr Walters**—The \$119 million, which the states and territories are being asked to match, has been put into the forward estimates. It is the result of a number of welfare reform measures where growth funding was allocated to the VET sector. What we are offering under this new ANTA Agreement offer is to bring that into the ANTA Agreement—in return, together with the base funding, for the requirements or asks which we have put into the heads of agreement document you were quoting a little while ago.

**Senator CARR**—Yes, I was. That is not new money, though, is it?

**Ms Paul**—What Mr Walters is saying is that when the last offer was made it was more or less a flat line, I would imagine, from the previous year. In other words, if the same logic had applied to this new offer, we would have offered pretty well the same amount of money as we are paying out in 2003—perhaps with a bit of indexation—but in fact the Commonwealth is offering \$220 million more this time. So it is confusing, because the \$220 million does not—

**Senator CARR**—I do not find this confusing at all. I have no trouble following this at all. I have a fundamental disagreement with the way you are packaging this. I think it is a political con. I want you to take this on notice, because you will obviously have a detailed explanation for this: can you give me the breakdown of the \$119 million?

**Mr Walters**—Yes. We can give you that quite easily. I can table that immediately.

**Senator CARR**—That is terrific. That is excellent. With regard to the indexation figures you arrived at, what were the base amounts indexed? What was the indexation for each of the components? How was the indexation calculated?

**Mr Walters**—We will probably have to take the first two points on notice. We might be able to give answers to you before the end of the hearings.

**Senator CARR**—That would be helpful. That would be terrific. A document is probably the best way to explain how this is done.

**Mr Walters**—On the third point, I can tell you that the basis for indexation of Commonwealth programs is determined by the Department of Finance, and details of how that indexation is arrived at are not given.

**Senator CARR**—It is about 1.8 per cent for this program, isn't it?

**Mr Walters**—I do not have the percentage figure to hand. We will take that on notice.

**Senator CARR**—If you could confirm that for me. I think it is about 1.8 per cent. It is about 5.6 per cent for schools.

**Mr Walters**—It is a higher rate for schools.

**Senator CARR**—On page 69, I see vocational education and continuing Commonwealth support at the top of the page, and I see a whole lot of noughts.

**Mr Walters**—That is for the reason that Ms Paul was explaining a little while ago: this document is about the forward estimates, whereas the offer we are making to the states and territories is about what is brought into the ANTA Agreement. Those are two different things.

**Senator CARR**—But, in terms of what the PBS says, we have a series of noughts. In terms of expenses, it is nought for 2003-04, 2004-05, 2005-06, 2006-07.

**Mr Walters**—That is correct, because it relates to the forward estimates rather than what is brought into the ANTA Agreement.

**Senator CARR**—Well, I look at the ministerial press release. In terms of the Commonwealth claiming, \$218 million was the offer between 2004-06: that is not in real terms, is it?

**Mr Walters**—That includes the breakdown we gave you a little while ago. That is a composite of the welfare reform money, which is additional to the money which will be paid this year, together with the additional indexation on the base and the growth funding, which will be paid over the three years of the agreement, if the states and territories accept the agreement.

**Senator CARR**—On 27 May I asked similar questions. At page 14681 of the *Hansard* for the Senate, there is a statement where the minister claims that a \$325 million growth fund is built into the base for the new ANTA Agreement. How does that figure come about?

**Mr Walters**—The \$300 million is \$100 million a year over the next three years. As we have said the indexation on that, which we are asking the states and territories to match as a condition of the new agreement, is \$25.5 million.

**Senator CARR**—The government is saying it will create 71,000 new places. Can you give me some detail of where this figure of 71,000 new places comes from?

**Mr Walters**—Yes. We can table a note which explains how that is derived.

**Senator CARR**—That would be very good. Have you got any proposals afoot to extend the current agreement for another year, as was the case in the last agreement?

**Mr Walters**—No.

**Senator CARR**—So you are anticipating a resolution of this matter by December?

**Mr Walters**—We anticipate what the state and territory ministers referred to in their letter—a positive discussion next week.

**Senator CARR**—Which will start the discussions.

**Mr Walters**—We have indicated that we are ready to start the discussions as soon as everyone can get together. That is proving a logistical problem. As soon as that logistical problem –

**Senator CARR**—How long did it take you to resolve the last ANTA Agreement?

**Mr Walters**—The last ANTA Agreement extended over quite an extended period. I think it was a year or 18 months or something like that.

**Senator CARR**—So you are obviously more confident this time that you will do this in a few months?

**Mr Walters**—There are a number of factors which would suggest that would be a good thing to do.

**Senator CARR**—No doubt it would be a good thing to do: I am just wondering about the logic of trying to con people in this way and expecting them to sign up within a couple of months.

**Mr Walters**—I think you are straying into issues that will probably form part of the discussions we will be having with the states and territories. There is probably a point beyond which it is not sensible for us to speculate on how those negotiations might go.

**CHAIR**—The committee stands adjourned until 9 a.m. tomorrow morning.

**Committee adjourned at 10.56 p.m.**