



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION  
LEGISLATION COMMITTEE

ESTIMATES

**(Budget Estimates Supplementary Hearings)**

WEDNESDAY, 5 NOVEMBER 2003

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE**

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

**Wednesday, 5 November 2003**

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

**Senators in attendance:** Senator Tierney (*Chair*), Senators BAARNett, Carr, Crossing, Harradine, Johnston, Marshall, Nettle and Stott Despoja

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

**EDUCATION, SCIENCE AND TRAINING PORTFOLIO**

**In Attendance**

Senator Vanstone, Minister for Immigration and Multicultural and Indigenous Affairs

**Department of Education, Science and Training**

**Australian National Training Authority (ANTA)**

Ms Sharon Coates, A/g General Manager

Mr Adrian Stephens, A/g General Manager

Ms Kareena Arthy, Director, Research, Planning and Reporting

**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

Mr Ken Suter, Chief Financial Officer

Dr Ron Cameron, Director, Government and Public Affairs

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

Dr Ron Sandland, Deputy Chief Executive

Mr David Toll, General Manager, Corporate Finance

Mr George Harley, General Manager, Corporate Property

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

**Australian Research Council (ARC)**

Prof Vicki Sara, Chief Executive Officer

Mr Greg Harper, Deputy Chief Executive Officer

Mr Len Marsden, Executive Director, Corporate

**Cross Portfolio**

Dr Jeff Harmer, Secretary

Dr Wendy Jarvie, Deputy Secretary

Mr Grahame Cook, Deputy Secretary

Ms Lisa Paul, Deputy Secretary

Mr Ewen McDonald, A/g Group Manager, Corporate Strategy Group

Ms Michele Kane, A/g Branch Manager, People Management Branch, Corporate Strategy Group

Ms Margaret Pearce, A/g Branch Manager, Parliamentary and Communications Branch, Corporate Strategy Group

Ms Susan Smith, A/g Branch Manager, Business Performance Improvement Branch, Corporate Strategy Group

Mr Craig Storen, Chief Finance Officer, Finance Group

Mr Tony Kwan, Chief Information Officer, Information Services Group

Mr George Kriz, Chief Lawyer, Procurement, Assurance and Legal Group

Mr Bill Bowron, Chief Audit Officer, Audit and Investigations Group

**Research, Analysis and Evaluation Group**

Dr Jeff Harmer, Secretary

Dr Wendy Jarvie, Deputy Secretary

Mr Grahame Cook, Deputy Secretary

Ms Lisa Paul, Deputy Secretary

Ms Jessie Borthwick, Group Manager, Research, Analysis and Evaluation Group

Mr Richard Bridge, Branch Manager, Science, Economic Analysis and Evaluation Branch, Research, Analysis and Evaluation Group

Ms Dianne Peacock, Director, Transitions & Attainment Branch, Research, Analysis and Evaluation Group

Ms Anne Baly, Branch Manager, Skills Analysis & Research Strategy Branch, Research, Analysis and Evaluation Group

Ms Mylinh Hardham, Branch Manager, Transitions & Attainment Branch, Research, Analysis and Evaluation Group

Dr Judy West, Branch Manager, Science and Innovation Mapping Taskforce, Research, Analysis and Evaluation Group

Dr Martin Gallagher, Team Leader, Policy Development Taskforce, Research, Analysis and Evaluation Group

**Science Group**

Dr Jeff Harmer, Secretary

Mr Grahame Cook, Deputy Secretary

Mr Colin Walters, Group Manager, Science Group

Mr Rod Manns, 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

**Higher Education Group**

Dr Jeff Harmer, Secretary

Dr Wendy Jarvie, Deputy Secretary

Mr Bill Burmester, Group Manager, Higher Education Group

Dr Evan Arthur, Branch Manager, Innovation and Research Branch, Higher Education Group

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Ms Lois Sparkes, Branch Manager, Quality, Equity and Collaboration Branch, Higher Education Group

Dr Carol Nicoll, Branch Manager, Funding Branch, Higher Education Group

Ms Maria Fernandez, Branch Manager, Student Support Branch, Higher Education Group

Mr Indhi Emmanuel, Director, Institutional Reporting and Analysis Unit, Higher Education Group

**VET Group**

Dr Jeff Harmer, Secretary

Ms Lisa Paul, Deputy Secretary

Ms Aurora Andruska, 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

**Indigenous and Transitions Group**

Dr Jeff Harmer, Secretary

Dr Wendy Jarvie, Deputy Secretary

Mr Tony Greer, Group Manager, Indigenous and Transitions Group

Mr Shane Williams, Branch Manager, Strategic Policy and Planning Branch, Indigenous and Transitions Group

Mr Shane Hoffman, Branch Manager, Business Management Branch, Indigenous and Transitions Group

Ms Shelagh Whittleston, Branch Manager, Transitions Branch, Indigenous and Transitions Group

Mr John Baker, A/g Director, Transition Partnerships and Programmes Section, Indigenous and Transitions Group

**Schools Group**

Dr Jeff Harmer, Secretary

Ms Lisa Paul, Deputy Secretary

Mr Chris Evans, A/g Group Manager, Schools Group

Mr Craig Robertson, A/g Branch Manager, Funding and Coordination Branch, Schools Group

Mr Arthur Townsend, Branch Manager, Quality Schooling Branch, Schools Group

Ms Di Weddell, Branch Manager, Performance and Targeted Programmes Branch, Schools Group

**AEI Group**

Dr Jeff Harmer, Secretary

Dr Wendy Jarvie, Deputy Secretary

Ms Margaret McKinnon, Branch Manager, Export Facilitation Branch, AEI Group

Mr Anthony Zanderigo, Director, Market Development Unit, Export Facilitation Branch, AEI Group

Ms Rhonda Henry, Branch Manager, Educational Standards Branch, AEI Group

Ms Linda Laker, Director, Industry Regulation Unit, AEI Group

Mr Stephen Baker, A/g Branch Manager, International Cooperation Branch, AEI Group

Mr Jock Blackburn, A/g Director, Industry Regulation Compliance Unit, AEI Group

Ms Bettina Cooke, A/g Director, APEC, North and South Asia Unit, AEI Group

**CHAIR**—I declare open this meeting of the Senate Employment, Workplace Relations and Education Legislation Committee. I welcome Senator the Hon. Amanda Vanstone, the Minister representing the Minister for Education, Science and Training, and the secretary, Dr Jeff Harmer, and officers of the Department of Education, Science and Training and agencies, as well as observers, to this public hearing. The committee has agreed that we will commence the day with the Education, Science and Training portfolio. The committee was examining budget expenditure in the portfolio in its hearings on 3, 4 and 5 June 2003 and will today be considering matters on which senators have given notice. The committee has resolved that answers to questions on notice be lodged with the committee by Monday, 15 December 2003. I remind participants that oral evidence and documents in estimates proceedings are part of the public record. Minister, do you wish to make an opening statement?

**Senator Vanstone**—Just briefly, Chair, I am sorry I was a few minutes late. I found myself cruising towards yesterday's estimates venue. It must have been so pleasant that I wanted to go back! Anyway, it was the wrong one. I would like to say what a pleasure it is to be back here. I look forward to today, and I hope today is as yesterday—proof that civility is not a sign of weakness—and that we can all play our respective roles politely.

**CHAIR**—We will begin with cross-portfolio issues.

**Senator CARR**—On the question of civility, I am just wondering what concerned you about that.

**Senator Vanstone**—Nothing concerned me about it. I was delighted that yesterday we did not have any argy-bargy. Everybody asked their questions nicely and everybody answered them nicely, and it just seemed to be a very effective way to conduct business.

**Senator CARR**—Is it a question that very often arises on your side of the table?

**CHAIR**—If you have got any questions on cross-portfolio matters, please ask them, Senator.

**Senator Vanstone**—In December, I will start my 20th year here and I have to say, Senator, that over that time I have seen it on all sides of the table.

**Senator CARR**—That is true.

**Senator Vanstone**—I have seen civility, and I have seen incivility.

**Senator CARR**—Could I ask, Minister, why it is that the department has not been able to answer a number of questions from the previous round of estimates?

**Senator Vanstone**—No doubt they have tried, but Dr Harmer or one of his colleagues might have an answer in relation to that.

**Dr Harmer**—Senator, we have done our best to answer all of the questions in a timely fashion. I think my information is that we have only got three outstanding questions from the hearings in June. I have got three of those—two of which were interim—to table today, so by



today we should have dealt with all of the questions from then. Admittedly, I think there are six interim answers in the 329 that will be answered by the end of today. We will do our best to get you answers to those as quickly as we can.

**Senator CARR**—Of the three outstanding, you have answers for two. Which two are they?

**Dr Harmer**—I had answers for all three of those outstanding, two of which I think are interim.

**Senator CARR**—Are they available now?

**Dr Harmer**—Yes.

**Senator CARR**—If we could get copies of those, I would appreciate it. I understand that Senator Johnston will be raising some matters that relate to one of them. What is the final cost of the establishment of the PROMISE system?

**Mr Kriz**—You probably mean the replacement for the PROMISE system.

**Senator CARR**—There is a replacement now, is there?

**Mr Kriz**—We have gone through this before. The new system is called Buyit. It performs similar functions and additional functions to PROMISE, so it is a carry-on of the PROMISE system, but it is a new IT system because it was easier to develop it that way. It is still being put together. The release date is expected to be in early February next year, so it is not possible at this stage to give you the full cost of it.

**Senator CARR**—How much has it cost so far?

**Mr Kriz**—It is in the order of \$500,000, but I will have to confirm that and get back to you if you want the figures to date.

**Senator CARR**—It is just that I recall that in the past the former secretary said that I was responsible for you getting a new computer system. I am wondering whether I am responsible for the new system as well.

**Mr Kriz**—The series of questions that occurred in the previous hearings of this committee related to the building of this Buyit system.

**Senator CARR**—So we can be held responsible for it?

**Mr Kriz**—I am charged with building the system, not with assigning responsibility for it.

**Senator CARR**—So the old system just was not doing the job?

**Mr Kriz**—In part, that is correct. It was not doing it as well as it could. Of course, as with all IT systems you need to keep up to date with developments and so on. Our new system has been fully developed in the web environment in which the department has most of its new software and so on.

**Senator CARR**—When did you discover that the PROMISE system was not able to meet the requirements?

**Mr Kriz**—We started on this process a couple of years ago. Part of the reason for the redevelopment of the system was our desire to answer questions posed by this committee in a more accurate manner and in a more timely fashion. It was also to be able to deal with the

various additional new reporting requirements like the Murray order and so on that have been placed on agencies. The other thing that we are doing with the system is to link this procurement management system with our payment system in the department, which is something that the old system did not have.

**Senator CARR**—So it is fair to say you were not managing your contracts very well up until you established this new system?

**Mr Kriz**—No, it is totally unfair to say that. Indeed, I think we had been managing them extremely well. In fact, if you compare our performance to that of lots of other agencies, I think I can easily say that we have done very well in that regard.

**Senator CARR**—Have you done better than most?

**Mr Kriz**—I think our ability to report to the level of detail that this committee requires is very commendable. Indeed, I cannot think of any other agency that is subject to that degree of reporting and can meet it in the way that we can.

**Senator CARR**—So you think the Senate committee has been able to assist you in improving your level of management and accountability?

**Mr Kriz**—I suppose, as the minister at the table has said, we look upon this as a collaborative process, and we certainly think, whenever good suggestions come up, that we would like to pick them up.

**Senator CARR**—That is good. I enjoy this level of collaboration. It is a pity the previous secretary did not seem to appreciate it as much as you do.

**Mr Kriz**—I can only answer for myself.

**Senator CARR**—If we look at the financial statements on page 158 in the annual report, you are saying that there has been an increase in revenue from the sale of assets last year. What assets were sold?

**Dr Harmer**—I will ask Mr Storen to answer that.

**Mr Storen**—I will just turn to the note that is referred to on page 158: note 3(d).

**Senator CARR**—Yes.

**Mr Storen**—The predominant sale of assets relates to the staff housing that we have around the country. Since 1998, with the departure of the employment function from the department, we have had quite a number of staff houses in remote areas of Australia that we have been slowly selling off.

**Senator CARR**—Can I have a list of those that you have sold off and the price you have received for them?

**Mr Storen**—Yes, we will certainly have that put on notice.

**Senator CARR**—I will also need the location, obviously. Thank you. You say on page 160 that you have purchased land and buildings to the value of \$3.5 million. What buildings and land have you purchased?

**Mr Storen**—That most likely relates to the internal fit out of our buildings in our national office in Canberra. During last year we moved our corporate function to a new location in Northbourne Avenue and we had to fit it out from bare floors. That is treated as an asset.

**Senator CARR**—So it is treated as ‘land and buildings’ at \$3.5 million? You are saying a fit out costs \$3.5 million? Is that right? Have I understood you correctly?

**Mr Storen**—Bear with me and I will dig out the details.

**Dr Harmer**—We will just check, Senator. If we cannot quickly find it, we will give you an answer on notice. I will just give Mr Storen an opportunity to find it.

**Mr Storen**—That is the predominant element of it. We can go back and break it down for you, but we did move into a new building which was 3½ floors and completely empty and therefore required offices, and we established some training rooms in that location.

**Senator CARR**—I will be interested to know. It just strikes me that \$3½ million for 3½ floors is a lot of money. That is \$1 million a floor. I would hope you got a hell of a lot of fitting out for that.

**Mr Storen**—There will also be other minor fit outs across our other two large buildings. As you may recall, there was a restructure of the department last year, so in the main buildings in the national office there was some consequential fit out as well, but predominantly it relates to the new building.

**Dr Harmer**—We can give you a breakdown.

**Senator CARR**—When you took the buildings over, did they have carpet on the floor or were they just empty shells? What was there?

**Mr Storen**—The building on Northbourne Avenue had carpet and that was it. We were required to completely recable it for our IT needs. Partitioning, desks, offices and a security system were required to be installed.

**Senator CARR**—Wouldn’t IT be classified in other aspects of the accounts?

**Mr Storen**—The wiring required is part of the fit out itself.

**Senator CARR**—Okay. You are saying that the core infrastructure goes to the cables—but do the computers and all the rest of it?

**Mr Storen**—No, the computers come under—

**Senator CARR**—A different category.

**Mr Storen**—the next item on that line, which is infrastructure, plant and equipment. In there you will find personal computers, printers and photocopiers.

**Senator CARR**—How much of that \$6½ million went on the building?

**Mr Storen**—The \$6½ million figure is from the previous financial year.

**Senator CARR**—Sorry, \$5.6 million. How much of that was for the head office?

**Mr Storen**—I will take that on notice.

**Senator CARR**—I would like to know the full cost and the breakdown of the move to Northbourne Avenue. Would you say that it was most of that \$5.6 million?

**Mr Storen**—It wouldn't be because last financial year we rolled out a new network of what are called multifunctional devices, which are a combination of photocopier, fax machine and printer. A proportion of the \$5.6 million actually relates to the MFDs, which were rolled out across the country including national office.

**Dr Harmer**—We will give you a detailed breakdown of that because it would relate not only to a move but also to the decisions taken by the department about new equipment and a whole range of things. Rather than have a stab at it here, I think—

**Senator CARR**—I would just like to know what the cost of the move was.

**Dr Harmer**—Indeed. It might be possible to identify that from the detail we give you.

**Senator CARR**—There is a decrease in the cash held of \$23 million, on page 160, as well. Why is that?

**Mr Storen**—There are two factors behind that. The largest factor is the change in the way the Department of Finance and Administration is treating the cash held by departments. Previously, in 2001-02, it was nowhere near the size of that. We held all our cash in our own bank account. As of the end of the last financial year, the majority of the cash we held was removed to the centre and held by the department of finance and treated by us as a receivable to be called on when we need it.

**Senator CARR**—Presumably, in the past when you had your own bank accounts you were able to invest that money?

**Mr Storen**—Under very strict guidelines, yes, we invested it.

**Senator CARR**—You could not go to the casino or anything, but was the short-term money market the sort of thing you were able to invest in?

**Mr Storen**—Or with the Reserve Bank of Australia under tightly controlled fixed term deposit arrangements. You can actually see the decrease in our interest from the change to the arrangements on page 158. The third line down under revenue shows in 2001-02 around \$2 million of interest. In 2002-03 it has dropped to \$1.2 million.

**Senator CARR**—So there has actually been a saving to the government?

**Mr Storen**—Indirectly—

**Senator CARR**—That is how it would be seen by Finance, would it not? A withdrawal of cash from the department means they get the money and not the department of education.

**Mr Storen**—The interest?

**Senator CARR**—Yes.

**Mr Storen**—The funds are still available for the department to call on and use.

**Senator CARR**—But it is \$1 million less available to spend on educational purposes.

**Mr Storen**—To spend on the functioning of the department.

**Senator CARR**—I take it that is for educational purposes. It is the education department. You would argue that, wouldn't you?

**Mr Storen**—It is different from our programs. We would not be able to use this money for the operation of our programs rather than the functioning or placement of staff.

**Senator CARR**—But you could employ staff.

**Mr Storen**—That is correct.

**Senator CARR**—You could fit out buildings if you wanted to.

**Dr Harmer**—That is correct.

**Senator CARR**—So it is \$1 million less that is available for the department. So it is a cut to the department?

**Mr Storen**—When the new arrangements came into place we supplemented our appropriation for our lost interest. So, in the move from \$212 million to \$230 million on the top line, we received compensation, if you like, in view of the interest we would forgo.

**Senator CARR**—And you are satisfied with the level of compensation?

**Mr Storen**—Yes.

**Senator CARR**—What is the reason for the write-down in the assets? There was a write-down in assets. They have gone up from \$348 million to \$485 million, on page 163. Can you explain that to me?

**Mr Storen**—The write-down of assets relates to our administered items rather than to departmental items. This line relates to the provision for doubtful debt for the Higher Education Contribution Scheme. Each year the Actuary makes an assessment of the total debt owed to the Commonwealth and provides us with estimates on how much we are not likely to recover. We make an accounting entry in the—

**Senator CARR**—What is the reason for the increase in the expectation of doubtful debt?

**Mr Storen**—The Actuary's rate that came in was higher than we had anticipated.

**Senator CARR**—Does he give a reason for the departure from your estimate? It is a fair lump of money, isn't it?

**Mr Storen**—Yes, but it is against roughly a \$6 billion to \$7 billion receivable. So the movement of one percentage point in the estimate by the Actuary does throw up significant numbers.

**Senator CARR**—\$140 million. You have no explanation for their—

**Mr Storen**—The Actuary provides us with a full report explaining—

**Senator CARR**—Can we have a copy of that?

**Mr Storen**—I will take that on notice.

**Senator CARR**—On page 164 of the annual report, under 'Payables', there is an increase in subsidies of \$4.8 million to \$8.1 million. Can you explain that to me?

**Mr Storen**—'Payables' is a liability in our accounts which is the level of subsidies due to providers, customers or clients as at the end of the year, 30 June. I would expect some fluctuation of that amount from year to year. The largest component of our subsidies payable relates to the New Apprenticeships system and the transactions that are still in the computer

system as at the close-down at 30 June that are still payable to our customers. There was a rise in the level of incentives paid during the year, so the largest proportion of that increase would relate to the rise in incentives being paid during the year.

**Senator CARR**—So you are paying more incentives?

**Mr Storen**—The level of incentives increased during the year.

**Senator CARR**—By how much?

**Mr Storen**—I do not have the precise figures for incentives with me, but if you look at note 18(b) on page 163 you will see that it breaks down the subsidies expense for the year. You will see on page 191, under item (b) ‘Subsidies: Support for New Apprenticeships’, it has increased from \$364 million to \$431 million.

**Senator CARR**—I suppose that is a matter about which you will refer me to the relevant section, is it? It is quite a significant increase in the level of subsidies, is it not?

**Mr Storen**—It certainly is.

**Senator CARR**—It is not a matter you can help me with at the moment, is it?

**Mr Storen**—Not with the detail that I suppose you want.

**Senator CARR**—We will do that when the VET officers are here. With regard to the consultancies, I see that in the annual report on pages 128 to 144 you let 123 consultancies of \$10,000 or more. Is that right?

**Mr Kriz**—Yes.

**Senator CARR**—In 2001-02, the calculation that I have is that you let 112. Does that sound about right? I am not looking for a precise figure. It is not a trick question.

**Mr Kriz**—Which year?

**Senator CARR**—Last year, 123 consultancies; the previous year, 112. It is my view that there has been an increase in recent years of the number of consultancies let by the department. Can you provide me with details of how many consultancies have been let each year back to 1996-97 so that we can get the aggregate figures?

**Mr Kriz**—I have the numbers here from 1997-98.

**Senator CARR**—How many were there?

**Mr Kriz**—Looking at new consultancies per year, in 1997-98, 105; 1998-99, 114; 1999-2000, 114; 2000-01, 145; 2001-02, 140; and 2002-03, 149. There has been a marginal increase but quite steady over the last three years.

**Senator CARR**—From 105 to 149 is a little more than marginal.

**Mr Kriz**—Yes. Over that period there has definitely been an increase. What is happening now is that the new consultancies are decreasing marginally. You can basically see two lines: one is 1997 to 2000 and the other is 2000 to 2003.

**Senator CARR**—Mr Kriz, the issue I have raised with you in the past is the number of contracts that have gone out to open tender. You and I might have an argument on the policy you are being asked to implement in regard to consultancies per se. I see this as a form of

contracting out for the department. Work which often used to be done by the department is now done by individuals. My second concern is the question of the number of contracts let by open tender. In 2002-03, the way I read it is that about 20 per cent of contracts were let by open tender. Is that right?

**Mr Kriz**—I do not have the full numbers here.

**Senator CARR**—I put it to you, Mr Kriz, that in the previous year the number on open tender was about 30 per cent.

**Mr Kriz**—Do you want me to answer a question?

**Senator CARR**—The reason I am raising this with you, Mr Kriz, is that in previous estimates where I have raised these matters you gave me an indication that you believed the policy of the department was to turn those numbers around. In fact, the exact opposite is occurring. The number of contracts let by open tender is now declining.

**Mr Kriz**—If you wish me to answer a question, I will take that on notice.

**Senator CARR**—Is that true?

**Dr Harmer**—We will have a look at the figures but, just to reassure you, there is no policy within the department. We abide by the general procurement guidelines. We think we are pretty good at taking decisions about where we need to go to open tender et cetera. We will give you the figures. Just to reassure you, there is no policy saying that we reduce or increase the number of open tenders. We do what is sensible administration.

**Mr Kriz**—Indeed, what we have done, which we have canvassed with the committee in the past, is to put in place policies which are designed to make it harder for the line areas to exempt from the open tender requirements to a single supplier, which is a concern you have expressed in the past, and that definitely has been working very well in the department. To the extent that the questioning in the past went to the issue of whether people were going around the rules, the processes that the department has put in place have indeed been very successful in keeping more people at the open tender stage.

**Senator CARR**—Let me take one specific consultancy—the consultancy for the HECS advertising campaign, \$182,000. There was a HECS advertising campaign for \$182,000, wasn't there?

**Mr Kriz**—Yes. Do you have a PR number on it?

**Senator CARR**—No, I do not. My notes do not give me a PR number on it, I am sorry to say. What version of the HECS arrangements was that advertising relating to?

**Mr Kriz**—I can talk to you about the broad issues in relation to all the consultancies and so on in the department, but in relation to particular issues it is best to raise it with the relevant area.

**Senator CARR**—It is a higher education one. All I am interested to know at this time is whether that is a letter sent by the minister to students. Can you give me a description of the work that was undertaken for that?

**Mr Kriz**—We definitely can, and when the higher education people come—

**Senator CARR**—But you cannot tell me now whether or not that is the letter.

**Mr Kriz**—No.

**Senator CARR**—There are payments of \$38,000 to a Mr Peter Grills for investigation of an anonymous complaint listed on page 129 of the annual report.

**Mr Kriz**—I can do a very good job here, and that is pass over to my colleague at the other end of the table who will know all the details of this.

**Mr McDonald**—Peter Grills's anonymous complaint is an independent investigation under our code of conduct procedures for a complaint that was received by the department, the details of which are kept confidential.

**Ms Paul**—It is a personnel inquiry, and Mr Grills is one of a number of consultants who specialise in code of conduct disciplinary inquiries. It is within our own department basically.

**Senator CARR**—Who is Mr Grills?

**Ms Paul**—I am not sure of his company's name. It is probably Grills and Associates or something like that. He was a longstanding public servant in the Commonwealth Public Service and has worked for a number of years in a number of organisations—I have certainly come across him in previous organisations—in this area of helping departments investigate breaches of the code of conduct.

**Senator CARR**—Was this breach of the code of conduct relating to a senior officer?

**Mr McDonald**—This potential breach of the code of conduct—

**Senator CARR**—So it is an ongoing inquiry, is it?

**Mr McDonald**—No, it is now complete, and it has been found that there was no breach.

**Senator CARR**—Was the allegation against a senior officer?

**Ms Paul**—Not a senior executive officer, no.

**Senator CARR**—What level officer was it?

**Ms Paul**—It is in our executive level range.

**Dr Harmer**—Below the SES. Mr Grills has a great reputation. I used him in the Health Insurance Commission and he does a very good job in this area. He is an expert.

**Senator CARR**—Dr Harmer, you have procured his services, have you?

**Dr Harmer**—In the past I have indeed.

**Senator CARR**—Did he work for the education department prior to your becoming the secretary?

**Ms Paul**—This appointment I think was made before Dr Harmer joined the department.

**Senator CARR**—So he is used across a number of departments. That is the point you are making.

**Dr Harmer**—Yes, he is.

**Senator CARR**—Is this process of having a private inquiry into allegations of a breach against the code available to all officers?



**Mr McDonald**—We have a set of procedures in place in the department in relation to the code of conduct that are available on the intranet and known by all staff. They are the procedures we follow. Sometimes we will use independent investigators to look at matters; other times we use people from within the department to independently look at a matter against those procedures.

**Senator CARR**—What I am trying to get to is whether or not all officers have the opportunity to have a process such as that established by Mr Peter Grills to clear their name.

**Ms Paul**—They do in terms of our procedures.

**Senator CARR**—Or is it a procedure that is available to particular groups of officers?

**Ms Paul**—Whether the procedure is done internally or externally, it is exactly the same process. Every officer can avail themselves, you are right, of the same opportunity to have their names cleared. The process is very formal, and it is set out in our procedures.

**Senator CARR**—How long have you had these processes of independent investigation?

**Mr McDonald**—We have used independent investigators since the new procedures came into place in 1999 under the Public Service Act.

**Senator CARR**—Prior to that, how was an inquiry undertaken?

**Mr McDonald**—You are testing my memory. It was a set procedure under the Public Service Act, a two-tiered approach to investigations, where there was an appointment of an investigator—or some term like that—and then there was a decision maker. In relation to this matter, Mr Grills undertook the investigation of the issues but an independent decision maker was appointed within the department to consider the evidence that was put forward and to make a decision.

**Dr Harmer**—This is relatively common practice and has been for some time.

**Senator CARR**—Since 1999.

**Dr Harmer**—I used it in previous organisations long before 1999. Management makes a judgment about what is the best way to get to the facts as independently and as free of stress as possible. Sometimes the best way is to appoint an internal person. It depends on the nature of the complaint and the nature of the issue.

**Senator CARR**—What I am asking is: who gets to choose whether or not this process is undertaken? Is it your decision, Dr Harmer, to appoint such a process or is it the decision of the person who has had the allegations levelled against them?

**Dr Harmer**—It is generally a management decision about which is the most appropriate route, but clearly if there was an issue where the staff member who was involved had a particular preference and had a very good reason we would listen to it.

**Senator CARR**—Is it a decision you take in consultation with the union?

**Mr McDonald**—No. It is an independent decision taken by, in this case, the head of the people management branch at the time, who was me.

**Senator CARR**—Mr McDonald, would you consult the union about the method by which a complaint would be resolved?

**Mr McDonald**—The method by which a complaint would be resolved would be in accordance with our procedures. They are available to everyone and I do and have in the past consulted with the union about that, which often will represent people who are under investigation.

**Senator CARR**—How many inquiries have you had in the last year—just the one?

**Mr McDonald**—Off the top of my head, on code of conduct there would have been fewer than half-a-dozen. I would have to get the exact figures.

**Senator CARR**—What levels of breach of the code of conduct were those allegations?

**Mr McDonald**—The allegations can vary from misuse of our email or Internet to issues of complaint in relation to interpersonal conflict in the workplace. There is a wide variance of things that can occur. Where people put forward complaints they are considered on their merits and then a decision is taken to appoint someone to investigate them.

**Senator CARR**—You are not going to spend \$38,000, are you, if someone has sent a private email?

**Mr McDonald**—No, we are not.

**Senator CARR**—So these are serious allegations to get to this level.

**Mr McDonald**—Yes. In relation to this allegation, as with all investigations, material came up during the investigation that was not necessarily in the original complaint—which also needed to be looked at within the parameters of that complaint.

**Senator CARR**—How many breaches of the code of conduct have you discovered in the last year?

**Mr McDonald**—I cannot recall off the top of my head, but it would be one, if that.

**Senator CARR**—That will be reported in here, will it?

**Mr McDonald**—Breaches of the code of conduct?

**Senator CARR**—Yes.

**Mr McDonald**—No.

**Senator CARR**—Why not?

**Mr McDonald**—It is just not normally done for us to report the number of investigations or the number of findings of breaches. Those breaches are recorded and held on the personnel file of the individual for a specified period under legislation.

**Senator CARR**—So there is no requirement to report.

**Mr Kriz**—No.

**Dr Harmer**—No, and it would be unusual to.

**Senator CARR**—In regard to further consultancies, \$27,885 was allocated for a communications company to prepare an innovation report for 2002-03. Mr Kriz, what expertise did this particular company have that the department did not have?

**Mr Kriz**—Senator, do you have the—

**Senator CARR**—PR number? No.

**Mr Kriz**—name of the consultant?

**Senator CARR**—If you could look at page 136, I am sure you will find it there.

**Mr Kriz**—You mentioned a figure of \$27,000. Is that right?

**Senator CARR**—It was \$27,855.

**Mr Kriz**—It is \$27,885. Is it the Morris Walker Pty Ltd entry?

**Senator CARR**—It is the innovation report.

**Mr Kriz**—Yes, that is the one. We actually have the officer from RAEG here if you would like a direct answer to that.

**Senator CARR**—I do not want a lot of information; I just want to know what it is that the department did not have and why it was that you had to spend this amount of money to get a report prepared.

**Mr Bridge**—This consultancy was with a communications company that assisted us in writing and producing material for the 2002-03 innovation report. They gave us professional services in relation to presenting information correctly and well and in a clear and succinct way—basically, a communications company that helped us.

**Senator CARR**—So you got some writers in, did you?

**Mr Bridge**—They certainly assisted us in writing this report. Can I go into this report slightly. It is a compilation of a number of contributions from across a range of programs and a range of departments, and it is quite difficult sometimes to present that as a coherent report because it is written by literally dozens of people. This communications company helped us to present that in a more coherent and simple manner.

**Senator CARR**—I just cannot understand why the department of education cannot produce its own reports.

**Dr Harmer**—From time to time we make judgments about where we need specialist expertise. I am not sure of the detail of this one, but the reasons we go to external providers are either for specialist expertise or to augment our resources because there is a time constraint and we cannot afford to pull key people off other key jobs. They are the two primary reasons why we go. I am not sure which of those two—it could have been both in this instance—it was.

**Senator CARR**—How many senior staff has the department lost in the last year, Dr Harmer?

**Dr Harmer**—If you will bear with me, I think we have got a breakdown of our losses.

**Mr McDonald**—By senior staff in terms of SES, in the last 12 months we have had three cessations and 10 commencements.

**Senator CARR**—So there is 10 new staff. And at the level immediately below SES how many have you lost?

**Mr McDonald**—Just bear with me for a minute, and I will find that. In the last financial year, 66 executive level staff have ceased.

**Senator CARR**—I take it you have replaced them.

**Ms Paul**—Yes, we did. We might just try to find out how many commencements we had as well.

**Mr McDonald**—Our overall staffing increased by around 95.

**Dr Harmer**—We will see if we can get that for you during the day. We probably have the figures here.

**Senator CARR**—I appreciate that you will get the answers but, Dr Harmer, are you concerned about the loss of corporate memory in the department? That is a very large number of officers to leave. Take the Higher Education Group. How many people in the Higher Education Group who are at executive level would have been new, say, in the last three years?

**Dr Harmer**—I cannot give you the figures; I have only been there for eight months myself. But I am always concerned about the loss of corporate memory in any organisation I have been in. From what I have witnessed at DEST over the last eight months and from having a look at some of these figures, I do not think the figures are any greater here than they are elsewhere. There is a lot of mobility in the Public Service generally. We have some very good officers down the line. We are recruiting at the moment for some key positions. We have some great applicants with relevant experience. It is a fact of life that you lose good people. People get offered other jobs. One of the pluses for the department in losing its senior staff is that it means our senior staff are attractive to other organisations, which is a good thing. We do our best to keep as many people as we can, but it is a fact of life that we have turnover. I do not think our turnover is any greater than that of other departments.

**Senator CARR**—There is a general problem in the Public Service, I agree. In this particular department, where there are obviously rapid changes occurring, aren't you concerned that there is such a limited level of corporate memory within the senior levels?

**Dr Harmer**—I would not call it limited. There is always a concern when someone leaves the department with a great deal of corporate memory, but in the Higher Education Group I have a very good senior officer who is very experienced and has been there for a couple of years now. It is true that I have lost a very senior and experienced officer out of international education recently, but we have some people who have been there for a while who can fill in, and we are recruiting to that. In other divisions, we have some very experienced people. I have moved some around—a couple of people who have been in their jobs, for example, for five years. A lot of corporate memory is still available to me in the senior levels but I have given them—

**Senator CARR**—What is the average age of your senior executive service now?

**Dr Harmer**—I do not have that at my fingertips; I am sorry.

**Ms Paul**—I think it is in the high 40s, which is the average for the APS.

**Dr Harmer**—We probably have a very similar profile to the rest of the APS.

**Senator CARR**—I just flag with you that I am concerned about it. I have noticed in this committee that there have been a number of occasions when I have asked questions that went back to the late 1990s and people just could not really help me. Is Dr Spring still with you?

**Dr Harmer**—He is. He is working on a part-time basis on a couple of key projects. He is working to Dr Wendy Jarvie on ICT and Indigenous projects. He is doing very good work for us.

**Senator CARR**—So he is part time?

**Dr Harmer**—Yes, he is.

**Senator CARR**—How part time is he?

**Dr Harmer**—From memory, I think he is in three days a week.

**Senator CARR**—And that has been the same since you have been there?

**Dr Harmer**—Yes, it has. When I came to the organisation, he had been full time. I think he had already moved to Sydney, but I wanted to retain his services in a couple of areas where he had key expertise, which I have done. He is doing a very good job for us.

**Senator CARR**—So he lives in Sydney now?

**Dr Harmer**—Yes, he does.

**Senator CARR**—So he is no longer a management consultant to the department? He was an executive consultant in the past. That was the nature of his contract in the past.

**Dr Harmer**—He is a consultant on two or three specific issues.

**Senator CARR**—So he is a project consultant?

**Dr Harmer**—Yes.

**Senator CARR**—What is the cost of the consultancy?

**Dr Harmer**—I will get that for you.

**Senator CARR**—That should be readily available, shouldn't it, Mr Kris?

**Ms Paul**—For 2003-04 the total project cost will be \$240,000.

**Senator CARR**—Did you say \$240,000?

**Ms Paul**—That is right. I think that is for the whole project, so it includes travel and so on.

**Senator CARR**—What about Dr Spring?

**Ms Paul**—I do not think I have his personal remuneration with me. I will need to take that on notice.

**Senator CARR**—I would like to know what the \$240,000 for these projects was spent on. Would that be easy to get?

**Dr Harmer**—We can give you a breakdown of that.

**Senator CARR**—Today?

**Dr Harmer**—We will do our best.

**Senator CARR**—It should be pretty easy to pull that figure out.

**Dr Harmer**—Indeed. As in the past, where I can give you information during the day, I will.

**Senator CARR**—As far as you are concerned, Dr Harmer, and I do not expect you to tell me any different from this, the department is gaining a great deal from this arrangement.

**Dr Harmer**—Indeed, and that is not just my view. It is the view of people he interacts with. He is held in very high regard by his state colleagues.

**Senator CARR**—How many reports has he written?

**Dr Harmer**—Again, I do not know.

**Ms Paul**—I think he has already done two reports this financial year. We can give you a schedule of the reports.

**Senator CARR**—Thank you. I appreciate that.

**Dr Harmer**—We can give you what he has been up to.

**Senator CARR**—I would just like to know what he gets in his \$240,000 for three days work a week.

**Dr Harmer**—The \$240,000 would not be all remuneration.

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

**Dr Harmer**—I do not know. We will get you the figure.

**Senator CARR**—I would like to know the full costs associated with that, including superannuation—the whole kit and caboodle. Can I have copies of his reports?

**Ms Paul**—He has done two progress reports. I will see if we can get you copies of those.

**Senator CARR**—How long has he been with the department now?

**Ms Paul**—Probably about 18 months.

**Mr McDonald**—He was originally employed for a 12-month period until April 2003. He was then re-engaged as a consultant around June, but I will need to check that.

**Senator CARR**—Was there an open tender for the consultancy?

**Dr Harmer**—No, it would not have been an open tender for the extension.

**Senator CARR**—Why is he not employed under normal Public Service conditions?

**Dr Harmer**—Do you mean as a permanent public servant?

**Senator CARR**—As a public servant.

**Dr Harmer**—I made the judgment at the end of his initial contract that I did not require him full time but that I had a couple of key projects where he had the expertise. I made the judgment that I would employ him on that basis.

**Senator CARR**—It would be a lot cheaper, wouldn't it, to employ him as a public servant?

**Dr Harmer**—Not necessarily.

**Mr McDonald**—In relation to his remuneration as a consultant, my recollection is that it is no more than he was being paid previously as an employee. So, in terms of consultancy rates, it is quite low.

**Dr Harmer**—He would be a very low-level consultant. On a daily basis, compared with what you can buy, the level of expertise that Jeff Spring has—

**Senator CARR**—I received on Friday night the answer you gave me to question on notice No. E169, regarding an expenditure of \$4½ million for the new apprenticeship market research. Why did it take so long to get that information together?

**Mr Kriz**—That is probably best taken up with the—

**Senator CARR**—When did you give it to the committee?

**Dr Harmer**—Can we try to get you the answer to that during the day?

**Ms Pearce**—I have an answer to that. The focus group reports could not be provided because we had to wait until we had finished the post-tracking research to make sure that we did not influence the outcome of that research. Once we received the research, which was on 25 September, we briefed the minister's office and then we forwarded it on to you and to the Senate.

**Senator CARR**—So on 25 September the answer was sent over to the minister's office, was it?

**Ms Pearce**—I do not have that information. It would have taken us some time to read the reports, do the briefing and so forth.

**Senator CARR**—This is an interim answer that went to the issue of costs.

**Ms Pearce**—I am sorry. This is the complete answer, as I understand it.

**Mr McDonald**—The interim answer had the creative work costs as \$871,324. Following a reconciliation of that cost, the figure was \$849,473, and that is reflected in the latest answer provided to you on Friday.

**Senator CARR**—Fair enough. The tracking research was undertaken in May. You did not get results back until September. Is that what you are saying to me?

**Ms Paul**—No. If I understand this correctly, we are saying there were two parts to the research: pre tracking and post tracking—if that makes sense; it must be a technical term for this type of work.

**Ms Pearce**—We received the benchmarking report on 10 June, but we could not provide that until we had done the post-campaign tracking research.

**Senator CARR**—Fair enough. Dr Harmer, the answer says that I cannot have copies of this report because it is commercial-in-confidence. Are you aware of the Senate order in regard to that matter?

**Mr McDonald**—The report was provided to you. The company that provided the report requested that the methodology and the questionnaire they sent us not be included because of the commercial benefit to them.

**Senator CARR**—I accept that; that is fair enough.

**Dr Harmer**—We are aware of the—

**Senator CARR**—In future, where you wish to claim commercial in confidence, what procedures will you be following?

**Mr Kriz**—In relation to the recent order of the Senate on this issue, I do not think it has ever been the case that public servants could claim commercial in confidence or public interest immunity in relation to documents on the basis of commercial in confidence. To the extent that the order of the Senate does anything in that regard, it reiterates what the position has always been. It has only ever been the case that a minister can make such a claim. Indeed, in the past when that has been the case in the department, we have gone to ask the minister to make the decision.

**Senator CARR**—The order goes a bit further than that.

**Mr Kriz**—It goes on to suggest that the minister should provide reasons, such as are being provided now, presumably to show whether it is a legitimate claim and there is some substance behind it or not. The point I want to make is that we do not presume to usurp the functions of the minister in relation to these issues. When we make that sort of a point we are stating merely that, as in this case, the other party has presented to us that it would be commercially disadvantageous to them if we made some information public. If push came to shove and the committee insisted on the answer being provided, we would then need to defer to the minister and the minister would have to make a call on it.

**Senator CARR**—So you intend to follow that order.

**Mr Kriz**—Yes.

**Dr Harmer**—We are aware of the Senate order and we will follow the correct procedure.

**Senator CARR**—Dr Harmer, I refer now to a letter that you wrote dated 8 August. We have not had an opportunity to discuss this letter, which you wrote to the minister concerning what I term the suppression of certain reports. This refers to the Karmel research that was reclassified as being advice to the minister. Do you recall the letter?

**Dr Harmer**—Yes, I do.

**Senator CARR**—In the letter you say the national report draft was provided in late December 2002 to the higher education adviser in the minister's office. That would be Ms Peta Lane.

**Dr Harmer**—Peta Lane.

**Senator CARR**—Peta Lane; my apologies. Do we have the right person the report was provided to?

**Dr Harmer**—I think the higher education adviser is sufficient description.

**Senator CARR**—I need to be clear on that because there is another officer, Mr Hampton, who was the chief of staff during this period. Was he provided with a copy of the report?

**Dr Harmer**—I don't believe so. I believe it was provided to the higher education adviser.

**Senator CARR**—I see. And you cannot be certain who. In the Senate MOP(S) inquiry, I asked Dr Shergold a series of questions relating to his recollection of these events. I



understand he indicated that the matter was also discussed with the chief of staff during this time, who was Mr Ross Hampton in an acting capacity. Can you confirm that?

**Dr Harmer**—I was not around. I do not know with whom Peta discussed the report in his time. He was presumably talking about a time before I arrived.

**Senator CARR**—That is true. I am just wondering whether or not anyone in the department can assist me that regard. When you wrote this letter, did you make inquiries as to what actually had occurred in the department?

**Dr Harmer**—Indeed I did. But the officers who—

**Senator CARR**—These are higher education matters. I am just wondering: when you prepared the letter, you would have been given full reports as to what actually occurred, given that these events occurred prior to your arrival?

**Dr Harmer**—Yes, indeed.

**Senator CARR**—That would be fair. I would expect that.

**Dr Harmer**—When I say ‘full reports’, I believe I was given sufficient information to allow me to write the letter, yes.

**Senator CARR**—Can you tell me the date on which the various reports—about five of them in total—underpinning the national report were reclassified from being ‘forthcoming for publication’ to being ‘advice to the minister’. On what date did that occur?

**Dr Harmer**—I think Dr Shergold, in his answer to your questions during the MOP(S) inquiry, mentioned some time in early or mid-2002, as I recall—but he, I think, has given that. I do not have the—

**Senator CARR**—I wonder if you can be a bit more precise than that? There is a fair range of dates in there.

**Dr Harmer**—I cannot because I was not there.

**Senator CARR**—I appreciate that you were not there, Dr Harmer, yet you wrote a detailed letter to the parliament of Australia, which was tabled in the parliament of Australia, asserting that certain events occurred on certain dates. I wonder if you could be a little more precise and tell me the date on which these documents were reclassified from being ‘forthcoming for publication’, therefore available for public perusal, to being ‘advice to the minister’ and therefore effectively suppressed. On what date did that occur?

**Dr Harmer**—I am just reading a bit from Peta’s evidence. It is not clear to me from this bit. If I can, during the day when the people from higher education come up, I will try to give you the answer. I remember, when I was checking through this, there was a period of a couple of months when the previous secretary to the department did define them as internal documents for consideration for the policy development work that was going on for the higher education reform. I cannot recall the exact time, but I do remember being told about that.

**Senator CARR**—But it was the secretary who made that classification, wasn’t it?

**Dr Harmer**—I think Peter Shergold, when he was answering questions from you in the MOP(S) inquiry, indicated that it was him, yes.

**Senator CARR**—I want to be clear about that. So, when you say it was the department that made the decision to reclassify this report, we are talking about the secretary?

**Dr Harmer**—I am fairly confident that that is what Dr Shergold said to you in answer to your question in the MOP(S) inquiry.

**Senator CARR**—That is the report that was given to you?

**Dr Harmer**—That is certainly the report that was given to me.

**Senator CARR**—I have some dispute as to what Dr Shergold has told the other inquiry, but I want to be clear about what you are saying.

**Dr Harmer**—That is certainly what I understand.

**Senator CARR**—Who was the head of the higher education division at the time these reports were reclassified?

**Dr Harmer**—I do not know the answer to that. It would have been either Mr Gallagher or Mr Burmester, but Mr Burmester would know and he will be here for the higher education segment.

**Senator CARR**—So you would prefer that this matter be dealt with then?

**Dr Harmer**—If I knew the answer, I would give it to you. It will save a lot of time if I can check with—

**Senator CARR**—Okay. I ask you this question: in terms of the removal of the material from the national higher education report—to this point we have been talking about the five underpinning reports written by Karmel and his team, but I am now asking you about the actual national report itself—who made the decision to remove that material?

**Dr Harmer**—The decision to remove that material, as I understand it, was taken by Mr Bill Burmester who was head of the higher education division at the time and who was given responsibility for editing the final version of the report.

**Senator CARR**—Fair enough.

**Dr Harmer**—And there was an iterative period. It was produced in draft, as I understand it, early in 2002. It went through a series of editing et cetera, which you have already identified in questioning, and then, if I recall correctly, by the end of that year Mr Burmester went through looking finally at the material. He had responsibility at that time for the production of the final report—

**Senator CARR**—And then sent it over to the minister's office. Is that your argument?

**Dr Harmer**—and sent it across to the higher education adviser sometime in December. I think that is the correct time.

**Senator CARR**—It is standard practice to actually address correspondence to the minister's office, is it not, not to a specific adviser?

**Dr Harmer**—It depends on the nature of the advice. It varies, Senator. For minutes requiring a decision or conveying a position would go to the minister, but, if it is something informal which is a draft of something where we are seeking the particular adviser's—the higher education adviser, the VET adviser or the schools adviser—views about something, it

may be provided to them. There are lots of different experiences that I have had in my 26 years in government: I have given it to them individually, sent it across with a covering note or whatever.

**Senator CARR**—We have got a major report here. We are talking not just about a bit of casual advice about what is happening at a TAFE college or what is happening down the road at the ANU; we are talking about a major report across the entire sector, involving the expenditure of very, very large sums of money in its preparation—taking a period of 18 months or so—in the middle of a major review into higher education which is going to set the policy framework for the government, arguably for the next period of parliament. It is not an insignificant matter. What I would like to know from you, Dr Harmer, is: was that report sent to the minister's office, or was it sent just to the higher education adviser?

**Dr Harmer**—As I understand it, Senator, it was sent to the higher education adviser.

**Senator CARR**—What about the briefing notes that were prepared?

**Dr Harmer**—I do not believe—I am operating on memory here; Mr Burmester would know better—there was a formal briefing note sent across at that stage. What often happens with reports such as this very large documentation is that it may have been sent across with a small covering note or even hand-delivered to the higher education adviser.

**Senator CARR**—I put it to you, Dr Harmer, that, at the end of April, a briefing note was prepared: 'recommendation: publication, briefing note prepared for the minister's office'.

**Dr Harmer**—In which year, Senator?

**Senator CARR**—In 2002. Can you confirm that?

**Dr Harmer**—I am not aware of that, Senator, no.

**Senator CARR**—Surely in the detailed brief that was given to you to prepare a very significant letter—

**Dr Harmer**—It was some time ago, Senator.

**Senator CARR**—You do not have that with you?

**Dr Harmer**—I have the letter.

**Senator CARR**—You have the letter there.

**Dr Harmer**—Yes.

**Senator CARR**—You surely would not have written a letter to the minister which was going to be tabled. I expect that he would have told you that it was going to be tabled in the parliament.

**Dr Harmer**—No, he did not. I wrote him a letter clarifying the facts, given that there was a lot of media attention and a lot of—

**Senator CARR**—We were making quite a fuss about it—

**Dr Harmer**—Indeed.

**Senator CARR**—and we still are. It continues to be a major problem, and that is what happens when you people try to suppress reports. In fact, if you had dropped this out on a Friday night, like you do with most of the difficult answers, no-one would have noticed.

**Dr Harmer**—Senator, as I mentioned many times last hearings, there was no suppression of the report.

**Senator CARR**—There was just a substantial delay in its publication.

**Dr Harmer**—Indeed, and, as you said yourself, Senator, there was a lot of work going on at this time. As significant as the national report was, more significant to the department and the minister at the time was all of the work that was going on in the higher education review, which was in parallel.

**Senator CARR**—I will raise these issues again with the higher education division. Why did it take so long to publish the Blakers report on student mobility which—again—was put out pretty late last week?

**Dr Harmer**—As I understand it, that was an oversight in the department. It ought to have been published earlier, but it was not. Again, Senator—and I have had a look at that one because I knew it was an issue coming up—there is no conspiracy in this. It was an oversight in the department. It ought to have been published earlier. It came to our attention because we were fulfilling your request for copies of some of these.

**Senator CARR**—But I actually asked a direct question: where is the report? It is not just an issue coming to your attention.

**Dr Harmer**—Indeed. When we discovered that we had not published and it should have been published, we stuck it on the web site. It was drawn to our attention in answer to your question but there was nothing in that, and I have been briefed very thoroughly on that because I knew it was an issue you would be raising. There is no conspiracy in that at all.

**Senator CARR**—What changes were made in that draft from the time that report was produced?

**Dr Harmer**—I do not know the answer to that.

**Senator CARR**—You do not have any information on that?

**Dr Harmer**—I was briefed about the process. I knew you would ask me about why it was not published earlier.

**Senator CARR**—Can I have a look at the draft that was actually sent by the consultant?

**Ms Borthwick**—No changes have been made to that report at any stage, to my knowledge.

**Senator CARR**—To your knowledge.

**Ms Borthwick**—I can give that undertaking.

**Senator CARR**—So you will not have any trouble giving me a copy of the report that was actually submitted by the consultant.

**Ms Borthwick**—That was not a consultant; I believe that was an internal report.

**Senator CARR**—At the time of its completion, which I understand was last year, it sat on the shelf for how many months?

**Ms Borthwick**—The Blakers report? For a substantial amount of time. I am not across how long that was.

**Senator CARR**—Can I have a copy of the report? I am sure it will be a straightforward matter.

**Ms Borthwick**—We can table a copy for you now.

**Senator CARR**—I have got a copy of the published version, obviously. You have provided that to me. I appreciate that. It is just that these other reports were substantially edited.

**Dr Harmer**—The reports were not. The national report was edited.

**Senator CARR**—I am sorry, that is not the case in regard to the underpinning reports as well.

**Mr Cook**—Senator, we can give you the copy of the report that was approved for publication, which is what you are after, to show that there were no changes in that between—

**Senator CARR**—I want a copy of the report that was submitted by the authors, not a copy of the report approved for publication. That has been the issue here. There seems to be a significant gap between the time it enters the sausage machine to the time it ends.

**Mr Cook**—What we are saying is that the failure in the department had nothing to do with changing the report. The report was approved for publication and then for whatever reason action was not taken to actually publish it.

**Senator CARR**—It was just an oversight.

**Mr Cook**—Yes.

**Dr Harmer**—From time to time there is a lot of work goes on. It happens.

**Senator CARR**—I will return to these issues. Thank you very much. That concludes my cross-portfolio questions.

[10.20 a.m.]

#### **Australian National Training Authority**

**CHAIR**—We move to the estimates relating to the Australian National Training Authority and issues relevant to VET.

**Senator MARSHALL**—I have some questions about incentive payments in the New Apprenticeships scheme. Can you tell me the amount of funding allocated to the Commonwealth New Apprenticeships incentives scheme for the 2002-03 financial year for employer incentives and the final total amount actually paid to employers at the end of the financial year?

**Mr Johnson**—We have answered this question I think previously on notice from the last hearing. You were seeking a total of incentives paid to employers for the 2002-03 financial year?

**Senator MARSHALL**—Yes.

**Mr Johnson**—As we indicated at the last hearing, employers under the program guidelines for the New Apprenticeships incentives program have up to 12 months to claim a range of incentives under the program so reporting information for the financial year will not be conclusive, but I can take that on notice and before the end of the day bring that figure back to you.

**Senator MARSHALL**—Roughly how much is it, do you know? How much was actually allocated then?

**Mr Johnson**—The budget allocation on table 11 on page 43 of the annual report indicates that we provided \$586,989,000 under assistance to New Apprenticeships for 2002-03.

**Senator MARSHALL**—How many new apprentices were engaged under the training contracts where an incentive was paid under the incentive scheme to employers in the last financial year?

**Mr Johnson**—Again I will have to take that on notice and bring that information back to you. We currently have, as at June 2003, 396,000 new apprentices in training in the system, but I will have to bring back to you today the actual figure of incentives paid to employers to date.

**Senator MARSHALL**—Can you tell me how many of these were full time, part time, casual or school based?

**Mr Johnson**—Again I will have to take that on notice and provide you with the answer.

**Senator MARSHALL**—Do you know roughly what the percentage break-up is?

**Mr Johnson**—As at June 2003 we had approximately 12,000 new apprentices in school based new apprenticeships. I do not have the figures in front of me for part-time new apprentices. Could I just clarify what the third element of your question was?

**Senator MARSHALL**—There is full time, part time, casual or school based. Those are the four categories. Are there any other categories?

**Mr Johnson**—The Commonwealth's New Apprenticeships incentives program does not provide incentives to employers for casual or seasonal apprenticeships or employment through casual arrangements. I will get those other figures for you through the course of the day.

**Senator MARSHALL**—Can you also provide me with the details of the types of qualifications that school based apprentices were engaged in in the last financial year?

**Mr Johnson**—Certainly. There will be a wide range of qualifications. I have to take that on notice to provide that to you.

**Senator MARSHALL**—Thank you. Can you also provide details of the amount of incentives paid to employers by qualification offered under the national training packages payable under the Commonwealth New Apprenticeships incentives scheme for the financial year?

**Mr Johnson**—We can provide you with that breakdown. We will take that on notice.

**Senator MARSHALL**—I think you will probably have to take this on notice too. Can you provide the details of the amount of financial incentives paid to individual employers broken down to the types of qualifications for new apprenticeships over the financial year?

**Mr Johnson**—I recall that we have previously provided information around incentives paid to employers by classification of their business size. We have not provided information specific to incentives provided to individual employers.

**Senator MARSHALL**—What is the benchmark where you start to provide it by employers?

**Mr Johnson**—If we are providing that information by employer size, we would be talking about aggregates, focusing on small to medium businesses and larger employers. Generally we would not disaggregate the information against individual companies or employers.

**Senator MARSHALL**—What makes someone a large employer? I am looking for the level at which we can say, ‘employers over this size,’ and break it down by qualification.

**Mr Johnson**—From memory, we use the definitions provided by the ABS, which refer to small to medium sized businesses comprising 19 or fewer employees, small businesses being of five or fewer employees, and larger corporations of 20 or more employees.

**Senator MARSHALL**—Will you be able to provide that information based on every employer with more than 20 employees?

**Mr Johnson**—We certainly can provide that information.

**Senator MARSHALL**—Thank you. Can you detail the amount paid to employers in the Commonwealth New Apprenticeship scheme for the innovation incentive from January 2003 until now, and which qualifications it was paid for?

**Mr Johnson**—You would be aware that the innovation incentive was announced in the budget last year and has been introduced effectively from 1 January this year. There are a range of particular qualifications attributable to the innovation incentive. Certainly we can table today a list of those qualifications. Currently in the department’s Training and Youth Internet Management System we have 12,790 new apprentices who have commenced a qualification which is eligible for the innovation incentive so far this year—that is effective through to 24 October—of which employers have attracted incentives of \$4,929,540. I can table the list of qualifications which are generically identified on the incentive, but we would have to take on notice the request to provide a breakdown of which of those qualifications have attracted those \$4.9 million of incentives.

**Senator MARSHALL**—You may wish to take this question on notice, too: what amounts in total for each separate occupation were paid to employers under the New Apprenticeship scheme to enrol apprentices and trainees in current areas of skills shortages identified by the Department of Employment and Workplace Relations, including child care, aged care, electricians, carpenters, plumbers, cabinet makers, panel beaters, metal fabricators and chefs?

**Mr Johnson**—Certainly we will take that on notice and provide that information.

**Senator MARSHALL**—How much funding from the total incentive scheme was paid to employers for enrolling new apprentices in the certificate III in information technology and software applications in the past financial year?

**Mr Johnson**—I do not have the specific numbers available for incentives under that qualification. I certainly can provide you with clarification of the incentives that have been profiled in the media, attributable to a particular registered training organisation in that package in Victoria.

**Senator MARSHALL**—That is where I am going, of course.

**Mr Johnson**—Recent media coverage, as I am sure you are aware, is profiled. The employer incentives have been attributable to the Broadscope registered training organisation in Victoria. I would like to clarify that the Australian government's incentives program does not provide any incentives directly to registered training organisations, that only eligible employers under the program attract incentives, and that the government has provided to date \$5.6 million in financial incentives to those employers who have undertaken training in this particular package with Broadscope as the registered training organisation. It is my understanding that those employers have entered into a range of commercial fee-for-service agreements with that registered training organisation and may have paid a portion of that \$5.6 million to that training organisation.

**Senator MARSHALL**—Can you confirm that there is a joint Commonwealth-Victorian government review of this issue?

**Mr Johnson**—We have been working closely with the Office of Training and Tertiary Education in Victoria to review the training—

**Senator MARSHALL**—So there is a review?

**Mr Johnson**—Of the training arrangements? Yes. That review commenced on 6 August this year.

**Senator MARSHALL**—What are the circumstances that led to the review?

**Mr Johnson**—There was a range of reviews and audits initiated by the Victorian Office of Training and Tertiary Education around the delivery of this training package by Broadscope. On the basis of those initial audits and reviews the Victorian Office of Training and Tertiary Education identified that a significant number of those employers who had signed up to training agreements with Broadscope as the registered training organisation had signed into those training arrangements inappropriately—that is, the training arrangements were not vocationally relevant to the qualifications offered. On the basis of that review undertaken by the state department, OTTE approached the Commonwealth in early August seeking its support to involve the Commonwealth's New Apprenticeships centres in undertaking a broader review of all of the employers associated with the training by this particular registered training organisation.

**Senator MARSHALL**—When you say a significant number, you mean nearly all?

**Mr Johnson**—It is my understanding that that is correct. A majority of those training contracts were reviewed.



**Senator MARSHALL**—When are we likely to have the result of this review? Will it be made public? Will it be tabled here?

**Mr Johnson**—The review has been initiated by the state, so that is a matter I would have to refer to the state department.

**Senator MARSHALL**—But it is a joint review, though?

**Mr Johnson**—It is a review that has been initiated, as I said, by the state. It is a review that has only been undertaken under the auspices of the state legislative head of power. In that sense the Commonwealth has no direct role in the review. The state has approached the Commonwealth's New Apprenticeships centres to assist it in that review process, so I would not be able to provide any detailed comment about disclosing information flowing from the review or a firm indication of the time frame of that review.

**Senator MARSHALL**—But you will be getting a copy, won't you?

**Mr Johnson**—We are working with the state department to monitor progress on the review.

**Senator MARSHALL**—Do you intend to keep that copy secret or will you make it available?

**Ms Paul**—I think it would be a matter for the state department, but I would be very happy to approach them on that matter. They asked for our assistance simply because we have the New Apprenticeships centres on the ground. We were pleased to offer some assistance. The report is solely a matter for them because states, as you know, through state training authorities, control the quality issues. Nonetheless, we can approach them. Obviously, we have a keen interest in the results—as you do—so I am happy to do that.

**Senator MARSHALL**—The trainees are signed up through the New Apprenticeships centres, aren't they?

**Ms Paul**—Yes.

**Senator MARSHALL**—They are under your control and your authority?

**Ms Paul**—Yes.

**Mr Johnson**—I would indicate that there are obviously a range of safeguards which the Commonwealth has in place in respect of the New Apprenticeships incentives program.

**Senator MARSHALL**—They have not worked, have they?

**Mr Johnson**—With due respect, those responsibilities revolve around an assessment process and registration of the registered training organisations by the state department to provide particular training in certain packages—in this case the certificate III in information technology software applications. That approval process for providing employers with access to Commonwealth incentives also revolves around the state approving and registering the contract of training between an employer and a new apprentice and around ensuring that the minimum probation periods for that training package have been met and that a three-month waiting period has expired before the Commonwealth's incentives flow to the employer. So there is a range of safeguards which the Commonwealth institutes in respect of ensuring that incentives are provided to support only genuine training arrangements.

**Senator MARSHALL**—This is my understanding of what happens, so I will put that to you and you can correct me if I am wrong. You get a company like Broadscope waltzing into Red Rooster, for instance, and seeing people using what might be considered a computer: a cash register or a machine that places an order out the back. There might also be people who then place orders to the head office. They get offered a deal to sign up to, but they have to go through the New Apprenticeships scheme, which releases the subsidies from the Commonwealth. Broadscope provide the training and invoice the employer once they have received the subsidies from the Commonwealth. The New Apprenticeships scheme takes its cut of \$500 for doing the paperwork and releasing the funding. Once the \$5,000 or so has been issued to the employer, Broadscope invoices them for, say, \$3,000. The employer keeps \$2,000 per employee, and a company like Broadscope takes the rest for the training. They then deliver some training, supposedly at certificate III level. In the case of Broadscope, their web site says training can be delivered in 11 hours. They keep \$3,000 worth of Commonwealth government money for 11 hours of training. The individuals get issued with a certificate III qualification, which they obviously have no entitlement to, and the employer pockets the rest. It is a scam, isn't it?

**Mr Johnson**—I draw your attention back to the fact that the states are responsible for regulating the performance—

**Senator MARSHALL**—I know everyone will want to blame everyone else, and that is okay. If I had the state people here, I would be asking them questions, but unfortunately I do not think they will be here. It is Commonwealth money. On their web site, Broadscope say they have done this 17,500 times. My rough calculation says that that is somewhere around \$70 million.

**Mr Johnson**—I would like to clarify a couple of points in your statement, and there may be others I will need to come back to later on. The Commonwealth's New Apprenticeships centres are contracted by the government to provide appropriate and accurate advice to employers about training through New Apprenticeships, including providing those employers with advice about the appropriateness of training packages which they are interested in pursuing.

There certainly is an issue—and they would understand that that would be one of the key elements of the reviews undertaken by the states—about how Broadscope presented information to those employers about the appropriateness and suitability of this particular training package to their workplace and how some of those arrangements were negotiated well prior to a formal commencement visit by a New Apprenticeships centre to advise the employers about more suitable or appropriate training arrangements or alternative registered training organisations which could deliver that service. You touched on the New Apprenticeships centres providing incentives at the front end of that process, and I just want to reiterate that in discharging their responsibilities to the Commonwealth under the contract the New Apprenticeships centres are responsible for providing information to those employers about appropriate packages and under user choice about the range of registered training organisations which can provide appropriate training to their organisations.

**Senator MARSHALL**—Were you satisfied that that has been done?

**Mr Johnson**—We certainly are reviewing—and we always do under ongoing program monitoring—the capacity of New Apprenticeships centres to meet those responsibilities under the contract. That is a clear part of the ongoing monitoring process.

**Senator MARSHALL**—How many hours should a certificate III take to complete?

**Mr Johnson**—The duration of a particular training package is a matter, as I understand it, that is considered in the actual development of each package, so I could not really speculate about how appropriately this particular certificate level III package compared to others. As I understand it, in the development and approval of a training package, there are a range of views considered about the duration of that arrangement and how the training would most appropriately be delivered. In respect of this qualification, it is my understanding that there has been an approval process for the normal duration to be extended to 24 months or greater. I do not have before me the details of what was laid down in the approval of this qualification to determine delivery arrangements.

**Senator MARSHALL**—It could not be done in 11 hours, could it?

**Mr Johnson**—I think there are genuine questions about the capacity to deliver training—

**Senator MARSHALL**—I will just put it into context. I am an electrician by trade, which is a certificate III qualification. That is four years of training with 1,040 hours of classroom training. That gives me a certificate III qualification as an electrician. Surely, any qualification is going to be comparable to some degree, even if we doubled the 11. So where are we?

**Ms Paul**—We certainly would not want to say that we thought that 11 hours was absolutely fine in that sort of circumstance—not at all. Indeed, when something like this comes up, even though the responsibility for registration and so on rests with the states, we have been very happy to offer our services through the NACs to review them properly. From our perspective, their claim that they have had 17,000 is not the case—Mr Johnson gave you some numbers. When these things come up—and, fortunately, they do not come up very often—it is best to try to act on them as quickly as you can. That is why we have been helping the states—so they can act as quickly as they need to. Our role is to assist employers towards new providers and so on.

**Senator MARSHALL**—I have no problem with the objective of the scheme. I asked you earlier about what constitutes a larger employer so you could break these down by qualification, and I think you said it was more than 19. So all the satisfied customers on the Broadscope web site, of which there are a lot, would be above the 19 employees size. So you will be able to break that down for me. Are you aware of those employers listed on the Broadscope web site?

**Mr Johnson**—Not the individual employers, but we would be able to provide you with an aggregated list of employers by size, as we indicated previously.

**Senator MARSHALL**—Did Broadscope provide this type of training to any Commonwealth departments?

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

**Senator MARSHALL**—Will that be part of the investigation?

**Mr Johnson**—It certainly will be. My understanding is that the review process covers all employers to which Broadscope has purported to provide training services.

**Senator MARSHALL**—Given the process of this rort was clearly identified on the web site, which I understand was there for some years—it means a very generous surplus left for the employer, as they describe it—why wasn't that picked up? Who would have had that responsibility? I am assuming from what you have said that the New Apprenticeships scheme, which was supposed to look at the training being offered and make sure it was suitable, should have picked this up and reported it.

**Mr Johnson**—If I could just clarify, there is not a training arrangement or proposal that has been actively out in the market for a number of years, as you commented.

**Ms Paul**—We have looked into this, too, because we have had the same concerns you are raising. They got going in the last calendar year. We started to hear complaints through the NACs quite shortly after that and into this calendar year, at which point OTTE, the Victorian state people, started acting on it. You are absolutely right; the web site was one of the key things which people started complaining about as looking strange and not properly reflecting the quality processes that the states like to adhere to through their state training authorities.

**Senator MARSHALL**—How many other companies like Broadscope are you investigating?

**Mr Johnson**—Again, this is an investigation, or review more broadly, of this particular qualification. The state would be able to provide us with details about how many other organisations in Victoria have been registered to deliver this qualification under their scope of registration. I do not have the number of other registered training organisations in front of me.

**Senator MARSHALL**—Do we know how many people IT Today will put through? On their web site they also go through the precise scam. They give an example of the subsidy and surplus per eligible trainee and say that the surplus cash flow for the organisation is \$3,250 for each person put through this scheme.

**Mr Johnson**—There is a range of issues—and Ms Paul touched on those—about the appropriateness of the marketing activity Broadscope, as a registered training organisation, provided last financial year around the Commonwealth's New Apprenticeships incentives program. The Commonwealth only authorises New Apprenticeships centres as contracted agents of the government to provide information about the promotion of the new incentives program and to provide advice about and assessment of eligibility for particular incentives. At the cornerstone of some of the issues that the Commonwealth raised with the Victorian department was the inaccuracy and portrayal of some of the marketing and promotion that Broadscope was providing to Victorian employers about those incentive arrangements.

There is again some significant inaccuracy in the figures that over various points of time have been referenced on Broadscope's company web site. The figures that I have before me indicate that the employers that Broadscope has supported have attracted incentives in the order of \$5.6 million, and for that I understand that there are approximately 1,800 new apprentices involved with those employers who have been eligible for and who have attracted some form of incentives payment under the New Apprenticeships incentives program.

**Senator MARSHALL**—Given what you said earlier about not necessarily being able to track these per financial year because of the process of moving people through the system, are you confident that that will be the total or are there a lot more in the system being processed as we speak?

**Mr Johnson**—A key element of the review process the state department is pursuing in respect of this qualification—and which we have agreed to assist them in—has made it clear that New Apprenticeships centres will assist the state department in reviewing the appropriateness of this qualification in every workplace in which a sign for this qualification by Broadscope has been up. In that respect, from the date the review commenced on 6 August this year, no Commonwealth incentives have been paid to any Victorian employers until they have been through that review process.

**Senator MARSHALL**—Just in this qualification?

**Mr Johnson**—In this qualification alone.

**Senator MARSHALL**—Do we know whether any of these companies are operating outside of Victoria?

**Mr Johnson**—It is my understanding that they are registered particularly to provide this qualification in Victoria, but again that is really a matter for the states to respond to. We can take that on notice and bring that back to you.

**Senator MARSHALL**—Are there any like companies operating in the same way outside of Victoria?

**Ms Paul**—We have not heard of anything like this coming up. Nothing in this recent period has touched us in the same way as this. We would hear, I am sure, as we did with this one.

**Senator MARSHALL**—How will you know? Are we just going to wait for it to show itself?

**Ms Paul**—It would be through our normal liaison with our state and territory counterparts—and, of course, through the New Apprenticeships centres themselves—that we would hear.

**Ms Andruska**—Ms Paul spoke earlier around when the number of trainees Broadscope took on occurred, and that occurred over the last calendar year but particularly in the latter part of that year and the early part of this year. We have in place now monitoring arrangements so we can try and get some other early warning advice if there are any changes in behaviour or trends in particular training packages.

**Senator MARSHALL**—Will part of the investigation be to audit every single qualification in this area?

**Mr Johnson**—The review process that the state is pursuing is particular to only one qualification—that is, the certificate level III in IT software application support.

**Senator MARSHALL**—Are you telling me that New Apprenticeships centres have been asked to audit every one of the qualifications in Victoria in the certificate III IT software applications with a view to either cancelling or transferring the qualifications?

**Mr Johnson**—The state has asked that New Apprenticeships centres assist them in that review process. It would cover all training contracts in that particular qualification.

**Senator MARSHALL**—Can you provide the detail on how many of these traineeships have already been cancelled or transferred?

**Mr Johnson**—The review process is ongoing at this stage. As I indicated, it commenced on 6 August. I would certainly be happy to take on notice to provide you with the detailed information of how many of those employees have been reviewed to date and what the outcomes of those reviews are. Again, it is a review that was initiated by the state, so I would need to confirm with the state the availability of that information.

**Senator MARSHALL**—I am just trying to get a feel for whether it will be done as they are identified or whether we will be waiting for the results of the inquiry before any action is taken.

**Mr Johnson**—In respect of what particular action?

**Senator MARSHALL**—The cancelling of the qualifications or the transferring of them to another RTO.

**Mr Johnson**—The review is an ongoing process. It is certainly the intent, as I understand it, of the state's review process that employees be assisted to clarify the appropriateness of this qualification to their workplace and to make a decision to cancel that contract of training, to vary it to a more appropriate contract of training or to seek the support of a different registered training organisation to deliver a more relevant training qualification.

**Ms Paul**—I do not think there is any intention by the Victorian state government to keep employers hanging on this at all. It is my understanding that, if an employer wants to change to a different provider through this review process, that will be facilitated. It is quite smooth. The whole aim from our point of view is to try to have a smooth experience both for the new apprentice and for the employer.

**Senator MARSHALL**—In the case of council training contracts, will employers be asked to repay the incentive?

**Mr Johnson**—We have provisions within the incentives program guidelines to recover incentives from employers if a review of those payment arrangements determines that they have been accessed inappropriately. To date, the indications from the review process are that employers have not breached the eligibility guidelines for those incentives—that is, they have signed up to that contract of training in good faith, based on the information provided to them.

**Senator MARSHALL**—In good faith—the money they have put in their pocket, the surplus provided?

**Mr Johnson**—They committed to enter into a formal training arrangement, though, to train their employees in a particular qualification.

**Senator MARSHALL**—But, through these schemes, part of that formal training arrangement meant that in some cases they put up to \$3,000 into their pockets.

**Ms Paul**—Yes. But, for that money, we are hoping their employees actually did get some training. In particular, we now want to work with them to transfer, if that is appropriate, those

new apprentices to another provider so that they can finish their training, the incentives are appropriate, the employer has not missed out and the new apprentice gets their qualification. Ideally, that is the aim of a review like this.

**Senator MARSHALL**—But I thought we had already established that very few of these people actually have got the qualification they are supposed to have.

**Ms Paul**—Most of them had not finished, so there is a fair bit of scope.

**Senator MARSHALL**—It does not take long to finish your 11 hours.

**Ms Paul**—If that was the case.

**Senator MARSHALL**—My understanding is that the initial desktop review indicated that less than one per cent would have had the qualification.

**Mr Johnson**—That analysis indicated that, in the majority of those cases, their qualification was inappropriate to their workplace. I think none of us would dispute the validity of providing appropriate training, particularly in the area of information technology, to business. The review process has identified, consistent with the requirements of the apprenticeships program, that employers have committed to provide training to their staff through this arrangement. What employers determine to do with the incentives that they attract under the Commonwealth's program—whether they seek to use some of those incentives in part to offset the cost associated with providing training to employees—is a matter for individual employers.

**Senator MARSHALL**—I could accept that if that were genuine training, but clearly it is not. That is why we are having the investigation and that is why everyone is a little bit agitated about this issue. So the question is: if an employee has not been given proper training, they have not achieved the said qualification, will you be recovering the subsidy back from the employer, regardless of how many cases there are?

**Ms Paul**—We can do that if we must. Our preference, though, of course would be that this review facilitate a shift to a provider who can provide a qualification which is relevant to the employee of that employer. We want to promote and maintain the training. That is a far better outcome. We can give you a progress report on this review, as Mr Johnson promised.

**Senator CARR**—Would you pay the subsidy a second time?

**Ms Paul**—No.

**Mr Johnson**—We would determine the appropriateness of eligibility for any residual incentives under the existing contract of training. For example, where an employee has already attracted a commencement incentive under the program for this qualification, as Ms Paul has indicated, the intention of the states' review process is to determine whether that qualification is appropriate to that workplace, and if that is the determination of the review then we determine the appropriate registered training organisation available to continue that ongoing training for that qualification. As you have indicated, subject to the employer going through that review process to determine whether they have met their obligations under the national training contract to assist their employees to gain appropriate training under that arrangement, they would still be eligible to attract residual incentives under the program—namely, a completion incentive for that qualification.

**Ms Paul**—They cannot double-dip obviously. Ideally, their employee gets some qualification which is relevant and the employer works with a provider who can provide a relevant qualification.

**Senator MARSHALL**—You say that employers cannot double-dip, but once employees who should have received the training have been through this scheme they cannot be eligible for a subsidy through a new employer at a future time, can they?

**Mr Johnson**—We have agreed with the states, as part of the review process, that we would review on an individual basis the training arrangements provided to employers to determine that, if there were more appropriate training qualifications which the employees should be pursuing other than this particular package, that may not preclude them from accessing residual incentives for those other qualifications.

**Senator MARSHALL**—What if they are with a new employer?

**Mr Johnson**—Again, we have undertaken to review this on a case-by-case basis with the principal aim, as Ms Paul has indicated, of trying to maximise employers retaining employees in appropriate training.

**Senator MARSHALL**—What concerns me is, and it is my understanding, that in some instances, especially with part-time employees, they have not really been aware that they have been signed up into the traineeship, they have not really been aware that there has been any formal training going on—and it seems as though there has not been in many instances—and when they leave their part-time job at, say, Red Rooster and then a year or so later seek to enter into a formal apprenticeship, whether it be as an electrician or a traditional apprenticeship, and their employer seeks to apply for the subsidy they are denied it. Is that the case?

**Mr Johnson**—We certainly will be considering carefully the application of the prior qualifications guidelines in respect of the program for those employees who are currently signed up under the training arrangements for this particular qualification, again with the objective that it may not preclude them from entering into more appropriate training at a future date.

**Proceedings suspended from 10.59 a.m. to 11.16 a.m.**

**Senator MARSHALL**—Can the department outline what accountability mechanisms are in place in the New Apprenticeships scheme to track high levels of training rates and turnover of new apprentices by individual employers?

**Mr Johnson**—The department has an ongoing monitoring regime to look at the performance of New Apprenticeships centres to meet their obligations under the contract. We institute six-monthly monitoring of records of New Apprenticeships centres. We recently commenced an analysis—as Ms Andruska touched on in her earlier response—of commencements in particular qualifications. We are working on that on a weekly basis and providing some of that information to our state colleagues. At this stage, we do not scrutinise the cessation of training arrangements in particular qualifications.

**Ms Paul**—Not surprisingly, we are looking for exactly what you say—large numbers et cetera.



**Senator MARSHALL**—Are you aware of any issues presently in that respect?

**Mr Johnson**—There are several thousand qualifications, as you would be aware. We are trying—as are our state and territory counterparts—to monitor the performance activity in those particular qualifications, but there have been no other significant anomalies of the nature of the particular qualification you are talking about in Victoria.

**Senator MARSHALL**—What about certificate III in information technology and software applications in relation to the issue we have been talking about? My understanding is that there are some employers—such as call centres—who have high turnover levels and effectively roll people through, picking up the subsidy and, under these arrangements, putting a number of thousand dollars in their pocket each time. Have you identified that as an issue?

**Mr Johnson**—Again, that really would be a matter that the state would be scrutinising closely in respect of this current review process. I am certainly happy to provide that information to you as it becomes available through this review. I am not aware to date of any significant evidence of churning of staff through these training arrangements.

**Senator MARSHALL**—Are you monitoring it through the New Apprenticeships centres, which are your responsibility?

**Mr Johnson**—We monitor commencement activity against allocated business targets with New Apprenticeships centres. To date, that monitoring, as far as I am aware, has not identified any significant trends in churning activity in particular qualifications.

**Senator MARSHALL**—I will leave that issue there. I want to touch on one other issue and I also have a number of questions which I will put on notice. Can the department provide details on where the formation of the industry skills councils is and what contingencies have been put in place if the current declaration process is not completed by 30 December?

**Ms Paul**—ANTA will answer that question, Senator.

**Mr Stephens**—I commence by apologising, on behalf of our CEO, Ms Janina Gawler, who has been unable to attend due to laryngitis. Sharon Coates and I, as acting general manager, and Kareena Arthy as director, will field the questions.

**Ms Coates**—You will be aware that we have two skills councils that have already been declared by the board: resources and energy and connectivity. We are expecting another one to come forward this week and another two before Christmas, so that will be five in total. We hope the other five will be putting their submissions to the ANTA board about their intentions to form skills councils early in the new year. In terms of the bodies that are currently losing their declaration on 31 December, ANTA will not extend that declaration but we will enter into contracts of a transitional nature to ensure that the training packages are being well looked after in that process, in the time leading up to their declaration as part of the new industry skills council.

**Senator MARSHALL**—Will their status be changed?

**Ms Coates**—Yes. They will not be a declared body, but we will have a contract with them to maintain and to review their training package.

**Senator MARSHALL**—What will be the status of the national training packages and qualifications then?

**Ms Coates**—They will be nationally endorsed, and the work that the body will be doing will be of a monitoring and review nature to put forward to the NTQC any additions or changes to the qualifications.

**Senator MARSHALL**—Thank you. I will put the rest of my questions on notice.

**Senator JOHNSTON**—Mr Stephens, at the last set of estimates you and I had a discussion with respect to the then state of the funding of apprentice trade training schemes in Western Australia. You have given me an answer to one of my questions on notice with respect to the Balga TAFE apprentice trade training scheme as to the money dating back to 1999. I asked you whether there were any training schemes in Western Australia, in addition to the Balga training scheme, which had 155 apprentices. I must confess that I did not particularly say that was a question on notice, but do you have any information in that regard?

**Mr Stephens**—We could take that as a question on notice, if you like, and provide that information for you. Certainly, there are a whole range of group training organisations that operate in Western Australia. We can get details on those as a formal question on notice, if that would be useful.

**Senator JOHNSTON**—Okay. That was the lead-up to discussions about the \$1 million establishment grant that ANTA gave to the CFMEU to set up their construction skills training centre. Are you familiar with all that now?

**Mr Stephens**—Yes. I will pass over to Kareena Arthy to answer that question.

**Ms Arthy**—I am responsible for the skills centre program. As I think is on your question on notice now, we have been taking this matter up with the Western Australian department. We have written to them now three times, seeking specific answers to the questions that have been raised. Our chief executive has met with the head of the WA department, and there have been ongoing discussions at the official level. Even as at this morning, we still have not received a response from WA, yet we understand that it is imminent.

**Senator JOHNSTON**—When did you write the first time?

**Ms Arthy**—July.

**Senator JOHNSTON**—And that was immediately after estimates, was it?

**Ms Arthy**—That is right.

**Senator JOHNSTON**—In line with the minister's request for an inquiry and a review.

**Ms Arthy**—That is right.

**Senator JOHNSTON**—And you have followed up twice since that time?

**Ms Arthy**—Yes; once in August and once in October.

**Senator JOHNSTON**—And they have given you to understand that a response is imminent.

**Ms Arthy**—That is right.

**Senator JOHNSTON**—Have you had a look at the application for the grant that was given in 1998?

**Ms Arthy**—I have not personally, but my officers have.

**Senator JOHNSTON**—Did it specify that the money was to be used in the training of apprentices and other construction workers?

**Ms Arthy**—I cannot tell you because I have not seen it, but that is what the skills centre proposal was for, so I would have to assume that that is correct.

**Senator JOHNSTON**—You are aware that Justice Cole, of the Cole royal commission, said that none of the money obtained through the industry levies in fact went to training, it went into the back pocket of the union?

**Ms Arthy**—That is what we cannot establish. That is what we have written to the WA department to provide us with information on.

**Senator JOHNSTON**—Do you seriously think the WA government is going to tell you the answer to that question?

**Ms Arthy**—I do not know, but depending on what the answer is we will explore what legal options we have to pursue this. The problem we have is that under the guidelines that surround this program all the proposal was done by WA and all the responsibility for putting in place management arrangements to protect public funds, to check the industry contribution and to make sure that it occurred rests with WA. I cannot gather any of the information from the material we have on our records.

**Senator JOHNSTON**—Do we have an audit capacity into the end user of the funds that we provide?

**Ms Arthy**—At present no, but that is what we are looking into at the moment. We are looking at revising guidelines to provide some form of capacity.

**Senator JOHNSTON**—When we get an application for a grant for a union through a jointly administered state-federal scheme, I trust we are now going to require that the Commonwealth can follow an audit trail into where the money has gone and where it is ultimately consumed and then look at and benchmark the outcomes from that money.

**Ms Arthy**—We are certainly looking at strengthening the reporting requirements. At present all the reporting requirements, which include the tracking of outcomes, the tracking of where the funds have been paid and the tracking even of ongoing financial viability, rest with the state or territory. We get reports from the state or territory, no matter who the proponent is, about whether the funds have been spent appropriately.

**Senator JOHNSTON**—Is it fair to say that, had it not been for Justice Cole's royal commission, ANTA would have been none the wiser as to the fate of its \$1 million?

**Ms Arthy**—I think that would be fair. Our records show that the project was acquitted in 2001, so at that point we would have had guarantees from the WA department that funds were acquitted according to the original schedule.

**Senator JOHNSTON**—Did you have guarantees?

**Ms Arthy**—That is part of the acquittal process.

**Senator JOHNSTON**—So they said that the funds went to the source as specified in the application and that the project was fulfilling its objectives?

**Ms Arthy**—I have not seen the actual letter from WA about this specific instance, but that is what we require in our acquittal process.

**Senator JOHNSTON**—Who signs off on the giving of \$1 million to an organisation like the CFMEU? Is it a departmental decision or does the minister do it?

**Ms Arthy**—It is departmental. In ANTA, depending on how much money it is, the delegation rests with either the general manager or both the general manager and the ANTA CEO. At the state level, it is usually the head of the department that signs off on the proposal before it comes to ANTA.

**Senator JOHNSTON**—What sort of check and balance is there in an application such as this? Is there any investigation into the veracity of the applicant?

**Ms Arthy**—I cannot comment about the processes that happened in 1998, as I was not there, but now there are.

**Senator JOHNSTON**—So we have learnt the lessons?

**Ms Arthy**—Yes.

**Senator JOHNSTON**—That is reassuring. Your departmental head, the lady who is unfortunately stricken with laryngitis today, is new, isn't she? Are you aware of whether she has been briefed as to this matter?

**Ms Arthy**—Yes, she has. She met with the head of the WA department last month to discuss the issue.

**Senator JOHNSTON**—Is there a limitation matter arising with respect to the recovery of any moneys here?

**Ms Arthy**—That is our next step. What we are trying to do now is establish the facts of the case. Once we have those, we will be determining what legal action needs to be taken.

**Senator CARR**—If any.

**Ms Arthy**—If any, yes.

**Senator JOHNSTON**—What is the time frame for that? We are almost five years down the track. It took a royal commission to yield the problem and we have been discussing it since June. Where are we going? What is the schedule?

**Ms Arthy**—As I said, we hope to get a response from WA this month certainly and have our course of action decided upon by the end of the year.

**Senator JOHNSTON**—If you do not get a response from WA or they give you a one-line response, what will your next course of action be?

**Ms Arthy**—Our next course of action is to see what legal options we have, given the time that has elapsed and given our roles as administrators of the fund.

**Senator JOHNSTON**—So it will be May when you and I are sitting here again discussing where we have been than what we have done.

**Ms Arthy**—We can provide you an update out of session once we have it resolved.

**Senator JOHNSTON**—I would be much obliged.

**CHAIR**—Senator Nettle.

**Senator CARR**—Can I ask on this same matter?

**CHAIR**—We will come back to you, Senator. Senator Nettle has not had a chance to ask any questions yet.

**Senator CARR**—Neither have I.

**CHAIR**—You have. You have been asking questions for an hour and a quarter this morning.

**Senator CARR**—I have not been asking questions to these officers on these specific matters.

**CHAIR**—We will get to you, Senator. Senator Nettle has the call.

**Senator NETTLE**—My questions are not on the same area as Senator Johnston was speaking about.

**CHAIR**—But they are in the same area of the program.

**Senator NETTLE**—It is the same outcome. My questions relate to the language, literacy and numeracy programs. I will start with confirming the current budget allocation, which I understand to be \$39.866 million.

**Ms Cross**—The budget for the language, literacy and numeracy program is \$40.7 million but some \$0.9 million of that is associated with legislation which has not yet been passed in the Senate.

**Senator NETTLE**—Can you let me know by what process that allocation of \$40 million was determined? How was that figure arrived at for the allocation for this financial year?

**Ms Cross**—That was a decision by government as part of the normal budget processes.

**Senator NETTLE**—Can you explain briefly what is the process for allocation of that \$40 million between the various providers of the program?

**Ms Cross**—This year the budget has been allocated to providers based generally on the level of business that providers experienced last financial year. We have also checked the budgets by state against each state's share of the working age population just to make sure that each state was getting an appropriate share of the funding available.

**Senator NETTLE**—In the DEST annual report there is an indication that the program has undergone some strain from significant increases in demand. I understand that there are providers within this program in my state, New South Wales, who to date have spent 70 per cent of their allocation of the budget item, and they will be running out of money well before the end of this year and certainly before the end of the financial year. Can you give us an indication as to how prevalent that problem is?

**Ms Cross**—We are aware of a number of providers in New South Wales in the situation that you describe and we are currently working with all of those providers. I think there would be less than 10 in New South Wales that we are working with.

**Senator NETTLE**—And how many nationally?

**Ms Cross**—Probably around 15 to 17.

**Senator NETTLE**—So of those 15 nationally we have got people who have spent, in instances that I know of, up to 70 per cent of their allocation to date. What is the implication of this in terms of the demand control measures that the program sought to put in place earlier this year?

**Ms Cross**—As I said before, in determining how to allocate the budget generally we gave providers the same level of business as last year. For a number of the providers offering basic language training they actually had a slight reduction in the budget, and we are currently working with those providers to give them some additional funding. That additional funding will be used to ensure that there is a steady flow of new clients throughout the rest of the financial year.

**Senator NETTLE**—I want to go through a couple of those things. You said some of the providers of language programs have had a reduction in their budget. Can you explain why that was the case?

**Ms Cross**—Compared to last year, the notional allocation represented a reduction. One of the things we looked at was the balance between the different streams of training. We offer training in basic language, literacy, numeracy and advanced language and we wanted to ensure that the literacy, numeracy and advanced language streams continued to be funded at an appropriate level rather than all of the funding being drawn to basic language training, where the demand was being experienced. Some of the providers with large language components were initially allocated smaller amounts than the previous year. What we are doing at the moment is giving them additional funds to bring them back to the level they experienced last year.

**Senator NETTLE**—Extrapolating from the example of 70 per cent of the allocation having been spent, an additional \$16 million would be required. You have given me some figures on how many of those providers are at that 70 per cent allocation. How accurate is that proposal of \$16 million to cover the additional funding?

**Ms Cross**—We are certainly not looking at that level of additional funding. We are looking at providers having roughly the same budget as last financial year. In part this will mean that providers will have to manage the resources more efficiently and look carefully at the number of new clients that they take on. They may not be able to take on as many new clients as they did last year.

**Senator NETTLE**—If \$16 million is not in the order, what order are we looking at?

**Ms Cross**—At the moment we are looking at around \$2½ million.

**Senator NETTLE**—So \$2½ million will make up for that?

**Ms Cross**—To manage the program within the available budget.

**Senator NETTLE**—I have to say I am a bit surprised. Where is it proposed that the \$2½ million will come from?

**Ms Cross**—That funding will come from within the program budget. In addition to the funding that we provide to the training providers, we also have allocations for other purposes such as innovative projects or marketing. Clearly we think that the priority is to put that funding into the providers' budgets rather than to market the program. So that is where the funds are being reallocated from.

**Senator NETTLE**—What allocation of money was given to marketing of these programs?

**Ms Cross**—I do not have the specific breakdown, but there was around \$2.7 million or \$2.5 million that had not been initially allocated to providers. That would have been for a range of reasons, such as marketing and innovative projects. I do not know whether it was specifically broken down into marketing, but that is that money that we are currently talking to providers about redistributing.

**Senator NETTLE**—I presume that giving an allocation for marketing was an encouragement to market these programs. We now have the demand, and the money to cater for that increased demand is coming out of the marketing budget.

**Ms Cross**—The marketing money would have been used to market the program nationally by DEST. Rather than doing that, we are giving it to providers to purchase additional places for job seekers.

**Senator NETTLE**—What level of encouragement would individual providers have received from DEST for their own marketing? The marketing that you are talking about is DEST marketing. What encouragement will those private or public providers have been given to market their own programs?

**Ms Cross**—The program and its predecessor had been significantly underspent for several years, so providers were encouraged to make contact with their Centrelink offices, which do the majority of the referrals to the program, and undertake other marketing as they needed to build up the level of business. This was after several years where we had not had the level of activity that the budget had provided for. So they were encouraged to particularly establish those links with their local Centrelink offices.

**Senator NETTLE**—What processes is the department putting in place to discourage them from taking on clients, having previously encouraged them to pursue marketing?

**Ms Cross**—We are not discouraging providers from taking on clients. We are working with them to help them manage the program within the available budget and within their notional allocation and to look at how to actually use the funds they have more efficiently.

**Senator NETTLE**—Can you run me through some of the sorts of things that you are encouraging them to do to meet within that allocation?

**Ms Cross**—One of the initiatives that we have introduced is that the up-front payment to providers is now for 200 hours of training rather than 400 hours of training. This was the payment rather than the amount of training that the client can receive. This means that the clients who drop out of training early are not attracting such a significant amount of money, so

the funds that are available can be used for the clients who stay in training rather than paying for clients who drop out after one or two days.

**Senator NETTLE**—When you say that you are proposing that the payment relates only to 200 hours rather than to 400 hours but that that does not necessarily determine that the client only gets 200 rather than 400, are you asking the providers to find their own budget allocations to allow for people to get 400 hours, if that is what they have assessed the client needs?

**Ms Cross**—No, the way it works is that we initially pay up front for 200 hours and, if the client is still in training after 200 hours, the provider can extend the period of training to 400 and we will give them further payments at the midpoint and the completion. So they will still be paid for the 400 hours of training; it is just that the up-front payment is less and then, if the client drops out, we have spent less on that client who has dropped out very early in training.

**Senator NETTLE**—Can I ask what responses you have had from the various providers relating to these changes.

**Ms Cross**—In relation to the 200 hours, we have had a number of forums around Australia and met with providers three times, I think, in New South Wales, South Australia, Victoria and Brisbane. I would say that generally they understand why we have introduced the 200-hour limit, and most of them are comfortable about our need to do that to manage the program more efficiently.

**Senator NETTLE**—Have they given you any response about possible implications of that and other measures you have suggested upon the quality of the service that they are able to provide to their clients?

**Ms Cross**—The 200 hours does not actually impact on the quality of the service they provide to the client because, as I said, if they want to extend that to 400 hours, they can. I do not think we have had any feedback that the 200 hours is impacting on quality.

**Senator NETTLE**—What about the other measures that you have introduced? Have you had any feedback about the implications on those issues?

**Ms Cross**—The other measure that we introduced, as well as giving them notional budgets, was a 28-day delay between the assessment and commencement of training for language clients. I think it is fair to say that providers think that it would be better if a client could go straight into training, particularly if they have finished a course with another program, when they would like them to transfer straight into the language stream of our program. But, again, I think there is a general understanding that we have introduced that measure to manage the budget, and most of the providers accept that we do need to manage the budget within the level of resources that is available. I think they would argue it would be more desirable if that waiting period was not there, but they are working with us to ensure that that has the minimum possible impact on the clients.

**Senator NETTLE**—Are you getting any differing responses to these measures from providers depending on whether they are private or public providers?

**Ms Cross**—No, and certainly TAFE, private and community providers were all represented at the forum which was held recently in New South Wales. There were no major differences.



**Senator NETTLE**—Have you made any suggestions to providers in relation to issues such as class sizes?

**Ms Cross**—The department issued a discussion paper to all providers that picked up the range of suggestions which had been put forward in the forums which we held so that all providers would have an opportunity to comment on the different ideas which had been proposed. One of those proposals was that we looked at the student-teacher ratio, or the class size, so we included that in the discussion paper. We are currently looking at the feedback that we have received from providers who responded.

**Senator NETTLE**—So did you determine a specific suggested size for classes?

**Ms Cross**—The current guidelines are a ratio of one to 15. In the discussion paper we suggested that, for some client groups, you might move to a ratio of one to 20. From memory, I think we said you might do that for advanced language clients who have higher language skills. We are getting feedback from providers on that and we are currently analysing the responses. From the responses I have seen, there was general agreement that a provider could probably increase the class sizes in some circumstances. For other clients, you might still need to stay with small groups of one to five, but that was a decision that a provider with the professional expertise could make.

**Senator NETTLE**—So was there any indication from providers that they thought an increase in class size might have a detrimental impact on the quality of the service they are providing?

**Ms Cross**—I have not seen all of the responses to the discussion papers, so I cannot answer that. The ones which I have seen were certainly suggesting that with some client groups it might be appropriate to increase the class size.

**Senator NETTLE**—How does that fit with the more general attitudes that DEST has in relation to what are appropriate class size levels for these sorts of clients?

**Ms Cross**—I think we had set the ratio of one to 15 because we recognise that, for this client group, you did need a reasonable teacher-student ratio. As I said before, for some of the more advanced clients, we expect that a higher ratio would probably be acceptable, but we would rely on the professional expertise of the providers, who are literacy and language experts. That is why we have asked for their views in the discussion paper.

**Senator NETTLE**—So, if the one to 15 decision was made on the basis of educational outcomes, is the suggestion—and I recognise it is a suggestion—in the discussion paper of one to 20 being made on the basis of budgetary determinations rather than quality education outcomes?

**Ms Cross**—No, it was a suggestion in one of the forums, put forward by a provider, that you can still get educationally sound outcomes with a slightly increased teacher-student ratio for some client groups.

**Senator NETTLE**—And that is something DEST agrees with?

**Ms Cross**—We put it out in the discussion paper to get the views of the providers who have the professional expertise. As I said, we would still expect that, for some clients, you may end up with individual tuition or classes of one to five, because that is the only way you

will get a good educational outcome. We think it varies according to the client and the particular level of language or literacy skills that they have.

**Senator NETTLE**—What is the time frame in which you would be making any determination about whether or not you change the guideline from one to 15 to one to 20?

**Ms Cross**—We have given providers an indication that we will get back to them as quickly as we can. The responses to the discussion paper were coming in towards the end of October, so we are currently going through and initially identifying where there is broad consensus. In areas where there is broad consensus, we had hoped that we could make the change in November or December so that the new arrangements would be in place for the first semester of 2004.

**Senator NETTLE**—You spoke before about changes to the program and previously unspent budgets. That was prior to the program including a literacy component. Is that correct?

**Ms Cross**—The new program has a basic language stream, and the prior programs were advanced language, literacy and numeracy.

**Senator NETTLE**—Do you believe the increased demand was related to the need for the language stream of this program?

**Ms Cross**—We think that has had a major impact, but we have also seen a steady increase in the amount of literacy and numeracy activity, which we think in part is due to the better relationship between our providers and Centrelink. Centrelink has improved in terms of identifying clients with literacy and numeracy needs and referring them to our program. So, yes, the language stream has had a major impact, but there are other factors as well.

**Senator NETTLE**—What sorts of clients are taking up the language stream component of this program?

**Ms Cross**—You get a range of clients, some of whom have been in Australia for a long time and now need to improve their language skills to get a job, because we are seeing that the language skills you require for even cleaning jobs or other sorts of occupations are increasing. You get new migrants who have come into Australia, have accessed language training from the department of immigration and are then, as job seekers, looking for further language training to help them find work.

**Senator NETTLE**—In terms of the encouragement they get through Centrelink, it is around a \$20 payment once they have been accepted into one of these programs. Is that right?

**Ms Cross**—There is a new language and literacy supplement which I believe is \$22.80 a fortnight.

**Senator NETTLE**—They receive that supplement if they have been accepted by a provider. Centrelink may make a recommendation and then, dependent on their capacity to be accepted by a provider, that is the determining factor for whether they receive the supplement. Is that correct?

**Ms Cross**—I believe they receive the supplement once they are enrolled in training, and it is in part to offset the additional costs of undertaking that training, travel, child care or other costs which they would incur once in training.

**Senator NETTLE**—So, if Centrelink is providing them with financial encouragement to participate in the program and yet, because of budgetary constraints, there may be decisions made by providers to limit the number of clients and commencements that they are able to take on in each month to the end of the year, how does that fit with Centrelink encouraging them to take on these programs? Providers, as a result of budgetary decisions through DEST, are not able to offer them the positions and the training that Centrelink is encouraging them to take up.

**Ms Cross**—I do not think the payment is to encourage them to take on training; I think the payment is to cover the additional costs they incur once they are in training. The process for Centrelink, if they believe a client would benefit from language or literacy training, is that they refer them to one of our providers who initially does an assessment, and that assessment determines whether or not they require language and literacy training and whether or not they would benefit from that training. If they believe they would, they then refer them to a training place. Centrelink's role is really identifying clients who potentially would benefit from this training, and the supplement is not an encouragement but more a covering of the additional costs they incur.

**Senator NETTLE**—Has this program always been provided by a mixture of private and public providers?

**Ms Cross**—As far as I am aware, yes. It has always been purchased through a tender process and generally you get a mix of providers. Certainly at the moment it is.

**Senator NETTLE**—You were talking before about additional money that may be available for these programs, and I am presuming that is for this financial year. It would come from this financial year's allocation for the LLN program?

**Ms Cross**—Yes, and if the legislation is passed in the Senate then the funding associated with that legislation would also be provided to the program.

**Senator NETTLE**—Are there any proposals to allow providers to have an advance on any of the financial allocations for next financial year?

**Ms Cross**—Next financial year the program's budget goes from \$40.7 million to \$44 million, so all providers would be expecting to get a slight increase in their notional allocation next year. We have indicated to some providers that if it helps them manage the flow of clients and manage their cash flow we are willing to bring some of that funding forward into this financial year. Over the 18 months that remain of their contracts, they would get the same amount of money as we have notionally allocated; it is just that some of that might be brought forward if that helps them manage the program.

**Senator NETTLE**—Are you expecting the demand for this program that we have seen this year to continue on a similar trajectory into next year?

**Ms Cross**—We do not have any projections of demand and there is a whole range of factors which influence demand, including the rate at which Centrelink identifies clients, the

migration program and a whole lot of other external factors. I think it would be fair to say that we expect that, now that we have this level of activity, we are always going to have to manage the program carefully to manage it within the budget.

**Senator NETTLE**—Do you think the increased allocation for the next financial year will be allocated for that increased demand?

**Ms Cross**—I think it will provide an additional budget to all of the providers, which will help in the level of activity they can fund.

**Senator NETTLE**—But you are not sure whether it will cater for the increased demand that we have seen and may be expecting?

**Ms Cross**—No. I think the language, literacy and numeracy program needs to be seen in the context of a range of assistance that the government provides for job seekers. This is not the only assistance that is available to them. They are also assisted through the Job Network. The Job Network have a \$180 million personnel training account that they can use to purchase places for job seekers. There is a whole range of assistance available, and this is just one component of that. I do not think we would ever say that this program would meet all of the needs of all job seekers, but it is part of the government's response.

**Senator NETTLE**—If providers are offered the opportunity to have access to their budgetary allocation for next year, is that potentially putting off the inevitable in their having the finances through the notional budget allocation process to cater for the demand that they have?

**Ms Cross**—Not really. It is more about letting them manage the number of clients. It would not be sensible to have a reduction in the number of clients who can be assisted this year and then an increase next year, so we are trying to level that out across the 18 months. We are not talking about bringing forward significant portions of next year's budget. We are really talking about evening out the allocation across the 18 months rather than having it go down and then go back up again.

**Senator NETTLE**—Would it be fair to say there continue to be funding allocation problems that the department is dealing with in relation to this program and the providers?

**Ms Cross**—I do not know that I would describe them as problems. I think we are working with providers to make sure that we manage the program effectively within the level of funding that is available.

**Senator NETTLE**—I asked the minister questions on this last year and was told that there were no funding problems. To have providers using 70 per cent of their allocation before they are through 50 per cent of the financial year I would certainly describe as a financial problem for them to have to deal with.

**Ms Cross**—I am not sure when you asked those questions, but certainly the program had a long history of underspend. In its first six months of operation it underspent, and right up until Christmas last year the program was still underspending in many areas of Australia. I think the demand has steadily increased from the beginning of this year. As soon as the department became aware of this, we started implementing measures to manage the program within the budget. But that is after a very long history of significant underspend.

**Senator NETTLE**—It was a few weeks ago that I asked the question of the minister and was given the answer that there were no funding problems.

**Ms Cross**—As I said, we would not describe it as a problem. We say that we are working with providers to manage the program within the available budget.

**Senator NETTLE**—You may have seen comments in the *Financial Review* this week from providers saying, ‘I’ve suffered and my clients have suffered because DEST have not done their sums properly.’ How do you respond to that kind of comment from a provider under this program?

**Ms Cross**—When DEST tendered the program and providers responded to that tender, DEST gave an indication of the level of business that we were anticipating nationally, and that was some 14,500 places. So DEST did actually give an indicative level of business right from the tender process, but we have since expanded beyond that.

**Senator NETTLE**—They were given an indication that around 14,000—

**Ms Cross**—Broken down by region.

**Senator NETTLE**—would be appropriate and we are now seeing—is it 19,000?

**Ms Cross**—With the additional funding that we put in last year, there were 19,000 places.

**Senator NETTLE**—So in the circumstances that those providers are dealing with, going back to that comment, they are suffering and they are saying that their clients are suffering because of the budgetary allocations they have or have not been given by DEST. Do you feel that the DEST budgetary allocations were appropriate?

**Ms Cross**—In determining the budget allocations, as I said, we looked at the level of business that providers had had in the previous year and, as far as possible, tried to give all providers the same allocation as that which they had previously, which means that over the 12 months their cash flow would be the same this financial year as it was last financial year. We did that taking into account state shares of the working age population, as I said, to make sure that no state misses out. We have done that process as fairly as we can and we are currently working with providers to help them manage the program in the environment we are in.

**Senator NETTLE**—So there is nothing more that you feel you need to say to those providers as to the service they are able to provide to their clients?

**Ms Cross**—As I said, we are working very closely with providers. Our primary concern is to ensure that there is a steady flow of new places available for new clients, and that is what we are doing. I have to say that we have been working very cooperatively with providers. Really the intention is to ensure that the clients get the best possible service.

**Senator NETTLE**—My last couple of questions relate to the service that is provided and the difference between public and private providers. In the last three months, do you understand there to be any difference between the commencements taken on by public and private providers?

**Ms Cross**—I have not seen any analysis of that, but we would expect the commencements to reflect the budgets which were allocated. As I said, that was really based on the expenditure of each provider last year.

**Senator NETTLE**—I understand that, with institutes like the South West Sydney Institute of TAFE and the Sydney Institute of TAFE where in July we saw in the order of 300 commencements, we are now seeing in the order of 40 commencements. Why do you think we would see that reduction in the number of commencements by public providers like those two TAFEs?

**Ms Cross**—A number of the providers had large numbers of clients already in training at the beginning of the financial year. In looking at their budget allocation, I think they made the judgment that once they had received a payment for those clients to complete their training they had the capacity to take on fewer new clients. We are working with those providers to ensure there is a steady flow of new clients throughout the rest of the financial year. I think some of them quite sensibly judged that, with the budget they had been given, they needed to look carefully at the next existing business so they could manage within their allocation.

**Senator NETTLE**—Given we are seeing that kind of response from the TAFEs, if we were to look at a private provider—for example, CSA Training Services, which operates in New South Wales—do you think we would see a similar reduction in the number of commencements that would have occurred over that same time period?

**Ms Cross**—I expect you would see something similar, but it really depends on the strategies that an individual provider puts in place. If a provider gives each client 800 hours of training, you will have fewer new clients than another provider who gives each client 200 hours of training. So there is a range of strategies that providers implement that will actually impact on the number of new clients they take on. I expect you would see a similar pattern, but it really would depend on the decisions the provider takes about how they manage their budget and their program activity.

**Senator NETTLE**—I understand that CSA was taking on in the order of 150 client commencements per month in July and 155 commencements per month in September. So it is not really a similar pattern to going from 200 down to 40. We are seeing essentially the same order of commencements being taken on. Why do you think that would be the case?

**Ms Cross**—As I said, it may take account of the fact they are offering clients smaller amounts of training than they were previously. It may be a decision they have taken about how they allocate their budget from month to month. I guess the main point is that each provider will have generally the same level of funding as they did last year and we are asking them to manage within that allocation. They are adopting a range of strategies.

**Ms Andruska**—The public providers indicated to us at the forum that they were in very much the same situation, even though they were part of the TAFE system. They had their budgets and have to work as business units within those organisations, so they did not see that their circumstances were any different from the need to work within the budget.

**Senator NETTLE**—So that example I have given of the differences between how public and private providers are dealing with the circumstances would seem unusual to you?

**Ms Cross**—On the face of it, I would have expected a similar pattern between providers in that region—that most of them would have fewer referrals of new clients than they had previously because a lot of their business is existing clients. I would have thought you would

have a similar pattern of new commencements. As I said, they can offer training that varies between 800 hours and 120 hours, so those sorts of factors influence what patterns they have.

**Ms Andruska**—We have been working closely with the providers that you mentioned and we are continuing to do so. Our state colleagues are working closely with them and we are continuing to monitor and look at how they are progressing.

**Senator NETTLE**—I will leave the questions there. Thank you.

**Senator CARR**—I might return to this matter that Senator Johnston has raised. When was the agreement between the CFMEU and the Western Australia government that is the basis for this dispute struck? Do you have a copy of it?

**Ms Cross**—No, those responsibilities lie with the state.

**Senator CARR**—Are you aware of the details of what the moneys were purported to be allocated for?

**Ms Arthy**—No, I am not. That is the information I have asked for.

**Senator CARR**—Are you aware that the royal commission, which I understand is the basis for your action—is that correct?

**Ms Arthy**—That is correct.

**Senator CARR**—Have you read the royal commission report?

**Ms Arthy**—Not all of it.

**Senator CARR**—Have you read the relevant section of the report relating to this matter?

**Ms Arthy**—Yes.

**Senator CARR**—Did you read the evidence that was presented during the hearings into this matter?

**Ms Arthy**—A while ago. I cannot recall the details.

**Senator CARR**—But you have read it?

**Ms Arthy**—Yes.

**Senator CARR**—You are aware that the conclusions drawn by the royal commissioner are the subject of considerable controversy?

**Ms Arthy**—Yes.

**Senator CARR**—They are not claims that have been accepted by the other parties to this dispute?

**Ms Arthy**—Not that I am aware of.

**Senator CARR**—Are you also aware that the royal commission has been attacked widely for being a highly politicised exercise?

**Ms Arthy**—I cannot comment on that.

**Senator CARR**—You are aware that that claim has been made?

**Ms Arthy**—Yes.

**Senator CARR**—I am not asking you to make a judgment as to whether or not it is a politicised exercise. The reason I ask you that is that in your inquiries I trust you will be taking due caution and care, given the highly politicised nature of these arguments?

**Ms Arthy**—Of course. That is why I am not willing to rush this.

**Senator CARR**—I appreciate that. What if I were to tell you that the claims that have been made today are totally erroneous in terms of the project objectives?

**Ms Arthy**—As I said, until I establish the full facts I cannot comment.

**Senator CARR**—The specifications for the project were set down in the agreement. Are you aware of the parties to that agreement?

**Ms Arthy**—Without having a copy of it, no, I cannot say with certainty.

**Senator CARR**—Who was the minister at the time of the agreement in Western Australia?

**Ms Arthy**—I have no idea.

**Senator CARR**—Would it be right to say that the agreement was struck with Mr Graham Kierath, who was the Minister for Employment and Training at the time?

**Ms Arthy**—As I said, I have not seen the agreement, so I cannot possibly comment.

**Senator CARR**—He was a Liberal member of parliament, and from my recollection a fairly controversial minister. He was the one who signed this agreement, I put it to you, on behalf of the Western Australian government. The agreement set down the project details to be the acquisition of and the building modifications to 103 Radium Street, Welshpool, to maximise its effectiveness as a Western Australian Builders Labourers, Painters and Plasterers Union of Workers construction skills centre. Is that the case?

**Ms Arthy**—I understand that that is the case, but again, without having seen the agreement, I cannot comment.

**Senator CARR**—It specifies in the agreement that the money was to go to that union, and it says the other purpose of the project was the purchase of the necessary plant, teaching support and building infrastructure and associated equipment to maximise the benefits to the training centre. I am wondering how those project descriptions fit with the royal commissioner's claims that this money had been misappropriated.

**Ms Arthy**—I am going to have to take that into account when I get the information about that from WA.

**Senator CARR**—I will help you by tabling the agreement, if it is the wish of the committee. I understand the department is responsible for administering the payment of the moneys. Is that true?

**Ms Cross**—We pay the money to ANTA as part of the general appropriation.

**Senator CARR**—ANTA has to acquit the moneys, not the department. You have no responsibilities at all. Do you have any supervisory responsibilities?

**Ms Cross**—No.



**Senator CARR**—As far as you are concerned, it has nothing to do with the department whatsoever? Do you have copies of these agreements?

**Ms Paul**—No.

**Senator CARR**—Did you want to add something?

**Ms Cross**—No. I was just saying it is an ANTA responsibility.

**Senator CARR**—Entirely an ANTA responsibility. Given that these issues have come about since 1998, I am wondering why ANTA has not taken any action prior to this. I take it the money was acquitted in 2001.

**Ms Arthy**—It was acquitted in 2001. We were not aware of any issue until this was raised. As I said earlier, we are now putting in place much tougher guidelines and reporting arrangements so that we can pick up things like this in future.

**Senator CARR**—As far as you are concerned, up until this point there has been no problem?

**Ms Arthy**—No, because the WA department had told us that it had acquitted all the moneys according to the guidelines.

**Senator CARR**—You were satisfied with that process up until this point?

**Ms Arthy**—Up until this point. We are trying to investigate the facts of this case to see whether there is any basis for further action.

**Senator CARR**—I take it that, if you had discovered something prior to this, you would have acted. That is a reasonable expectation, isn't it?

**Ms Arthy**—It is a reasonable expectation, yes.

**Senator CARR**—Was there a similar arrangement with the Master Builders Association of Western Australia?

**Ms Arthy**—I do not know. I am not aware of it, but that does not mean that there was not an arrangement.

**Senator CARR**—Can you take that on notice for me, please?

**Ms Arthy**—Certainly.

**Senator CARR**—Were any payments made by ANTA to the Master Builders Association?

**Ms Arthy**—Again I will take that on notice.

**Senator CARR**—Is it the case that the Master Builders Association facility is no longer operating?

**Ms Arthy**—Again I do not know. I will take that on notice.

**Senator CARR**—Thank you. Can you tell me whether any Commonwealth moneys were associated with that centre and, if there were, have any efforts been made to recover those moneys?

**Ms Arthy**—I will take it on notice.

**Senator CARR**—Thank you. I will table a copy of this document. I trust this will help you in your deliberations. I understand it to be a full and accurate record of the matter. In your inquiries, can you establish whether there was any attempt at any point by the union in its applications to hide the fact that it was involved in the seeking of this money and whether the applications to ANTA were on union letterhead?

**Ms Arthy**—I will certainly do that.

**Senator CARR**—Can you confirm, when you have seen these documents, whether the agreement specifically stated that the purpose of this facility was to establish an entity directly associated with the relevant union in Western Australia? I have a number of further questions that I will place on notice, given that we are so far behind in the program. Are we going to call the other agencies at this point?

**CHAIR**—Yes, we will call the ARC.

**Senator CARR**—I must say that we had not sought to call ANTA on this occasion. You were called here as a result of the government's insistence to deal with this particular matter. I trust you have enjoyed your time in Canberra.

**CHAIR**—Thank you, officers.

**Senator CARR**—I take it that VET in schools is still being dealt with by the schools division.

**Ms Paul**—Yes.

[12.16 p.m.]

#### **Australian Research Council**

**Senator CARR**—I begin by asking a question concerning the Discovery grants program. I understand that 661 discovery grants have been awarded this year.

**Prof. Sara**—I think that is correct, Senator, but I will have to come back to you. I just cannot get my hands on the exact figure.

**Senator CARR**—I also understand that 921 were awarded in the previous year. Does that seem about right?

**Prof. Sara**—That seems about right.

**Senator CARR**—Can you explain to me why there has been such a significant drop in the number of grants awarded?

**Prof. Sara**—This year we have a reserve list of grants which have yet to be announced. We do expect the number of grants for the 2004 funding year to increase quite significantly. The reason we have a reserve list is that, as you know, the ARC has gone over from a calendar year to a financial year and we have been a little conservative in our handling of the budget. But we do expect that there will be a number of additional grants being allocated within the next few weeks.

**Senator CARR**—So you are having a second round.

**Prof. Sara**—No, it is not a second round. In the only round that we had in Discovery there was a reserve list and, in order to inform the research community as soon as we could, we did

so with the majority of those grants. We do expect a number of others to be announced in the next few weeks as we move down the reserve list.

**Senator CARR**—So will this reserve list significantly alter the numbers?

**Prof. Sara**—Yes, it will.

**Senator CARR**—How many are you expecting to announce within weeks?

**Prof. Sara**—At this stage it is not possible for me to say exactly. I would guess it would be between 50 and 100 grants extra.

**Senator CARR**—If it is 50 grants it takes us up to the 700 mark or thereabouts. If it is 100 it is obviously 50 more. That is still considerably below the 921 of the previous year.

**Prof. Sara**—Obviously that is true, but we expect the success rate to sit at around 25 per cent at least.

**Senator CARR**—So that is the important issue. You're saying 25 per cent—

**Prof. Sara**—Roughly.

**Senator CARR**—Is that a reasonable success rate?

**Prof. Sara**—It is not a bad success rate. I think anything between about 25 and 30 per cent is a good success rate. As I have said before when we have had this discussion, I do think that a 30 per cent success rate would be tremendous for the research system.

**Senator CARR**—Yes, but, by international standards, we are in fact well below the international comparison, which runs at around 33 per cent.

**Prof. Sara**—Not according to the information we have got, Senator. It sits really between about 25 and 30 per cent from the information we have, and that is mainly from the UK funding councils or the NSF.

**Senator CARR**—Can you get me a list of what you believe to be the success rates by comparable countries?

**Prof. Sara**—Yes, of course we can.

**Senator CARR**—Thank you. Would you argue, therefore, that the level of university research funding, including infrastructure funding, is too low?

**Prof. Sara**—I think there needs to be improvement in the research system in Australian universities, yes.

**Senator CARR**—Will that improvement include increased allocations of money?

**Prof. Sara**—I am a researcher, Senator: obviously, I would like to see additional funding going into the research system in higher education.

**Senator CARR**—The point I am making is that, if we have significantly lower success rates than our international competitors, could it not be reasonably argued that this may well be a contributing factor to people moving overseas?

**Prof. Sara**—I think there are many factors contributing to people going overseas. I do not accept the argument that our success rates are well below international standards any more.

They have been in earlier years. Prior to BAA they were around 20 per cent. I think, from our data at least, it is between about 25 and 30 per cent that we would be aiming for.

**Senator CARR**—But the current rate is 25.8 per cent.

**Prof. Sara**—Yes.

**Senator CARR**—So you have got a fair way to go to get to 30. That is a significant—

**Prof. Sara**—I said between 25 and 30 per cent. I would like to, obviously—and, again, this is from a researcher's perspective—reach the level of one in three.

**Senator CARR**—Yes, but, clearly, given that the number of grants is actually less than last year—even with your new reserve list—you are not likely to get to 30 per cent this year, are you?

**Prof. Sara**—I do not think we will get to 30 per cent, but I think we will get to over 25 per cent and we will be able to announce that—we hope—in the next few weeks.

**Senator CARR**—You are still well below the international comparison. I raise this in, for instance, the context of a recent press report about those two Queensland stem cell researchers that have moved to Singapore. My recollection is that they said at the time that they did so because the package that was available to them in Singapore included substantially higher salaries and other benefits but, in particular, laboratory facilities were worth five times the value of the labs that they could get access to at the University of Queensland. It may well be argued that the salaries issue is significant in itself, but the people I deal with tell me that the salaries issue is less important than the question of research infrastructure. At those sorts of success rates, how are we able to compete internationally?

**Prof. Sara**—We all accept there is a global market for researchers at the moment and that probably these top-quality researchers are the most important commodity that a country can try to attract. We are competing with significant players, like the US, Europe and Singapore, as you rightly mentioned. I agree with you that salary is not an issue; it is more the environment and the number of very bright young people it attracts. It is about innovation centres built around it. It is about infrastructure. It is the whole package that you are able to offer. Australia is a small country. Australia is able to offer that type of package in many areas across research, but we cannot possibly try and do that across all research areas.

**Senator CARR**—It is not an issue about prioritisation; it is a question about some more basic issues than that. I would put the view to you that salary is important, particularly for young researchers. At the Science Meets Parliament proceedings recently, I had people in my office who were telling me that they could not get housing loans. They could not undertake the normal processes of family formation that you would expect professionals to undertake because of the insecurity of funding and the poor rates of success in our university system. Are you monitoring, for instance, the situation in regard to examples such as that recent Singaporean one? Are you undertaking any studies of these matters?

**Prof. Sara**—Currently we do not have that data available. Of course, when we introduced the Federation Fellowships scheme two years ago, we did at that stage look at comparable schemes and what was being offered for researchers earlier. Also, after BAA, we were able to raise the salaries of the research fellowships, as you know, from about 18 to 41 per cent, and

in that case we also looked at the different salaries being offered around the world. These ranges have to be assessed every three years and we have not reached the third year.

**Senator CARR**—How many people have you attracted from overseas as a result of the fellowship program?

**Prof. Sara**—According to my memory, 24 people through the Federation Fellowships. I can check that number. I think we have attracted about 19 Australians living abroad to come back to Australia.

**Senator CARR**—How many fellowships have you issued?

**Prof. Sara**—Forty-nine. That is 39 per cent coming from abroad.

**Senator CARR**—How many millions has it cost?

**Prof. Sara**—It is \$225,000 plus on-costs for each of those.

**Senator CARR**—What is the total project cost of the fellowships program now? What does it cost?

**Prof. Sara**—One moment and I will come back to you with that.

**Senator CARR**—You must have an annual figure there, and you could work that through pretty easily.

**Mr Harper**—The cost of each—

**Senator CARR**—No, what is the program total? I am just trying to work out what it costs the Commonwealth to get 19 people to come back from overseas.

**Prof. Sara**—But it is more than that, because it is not just 19 coming from overseas; it is also the other 39 who have decided to stay in Australia because we are able to offer them things. We do not lose them to Singapore.

**Senator CARR**—I understand that argument. I am asking, though, how much have you spent on the program.

**Prof. Sara**—The Federation Fellowships project budget at this stage is \$11.747 million.

**Senator CARR**—Per annum, isn't it?

**Mr Harper**—That is for the first half.

**Prof. Sara**—The first half of 2004.

**Senator CARR**—So what is it per annum?

**Prof. Sara**—It increases as we have pipeline effects in increasing numbers. The total cost in 2004-05 will be \$27.395 million.

**Senator CARR**—What is it across the forward estimates period?

**Mr Harper**—For the years 2004-05, 2005-06 and 2006-07 the figures are 27.39, 35.18 and 39.67.

**Senator CARR**—We are getting \$130 million or thereabouts for 19 people?

**Prof. Sara**—No, for 49 people thus far. And I am sorry, I made a mistake. It is 18 who have come back from overseas.

**Senator CARR**—So we have actually attracted 18 people. We are spending \$135 million or thereabouts—whatever the number is—and we have 18 people.

**Prof. Sara**—No, that is not right. It is not right at all. We have 18 Australians returning from abroad, nine foreign nationals coming to Australia and—I am trying to calculate this in my head—31 who are actually Australians who are staying here, and these are Australians of exceptionally high calibre.

**Senator CARR**—I see. And you know that they are going to stay here, do you—or they said they were going to stay here. Was it a criterion of the program that otherwise they would leave if they did not get it?

**Prof. Sara**—That was not a selection criterion, but the scheme was designed to attract and retain leading Australian researchers.

**Senator CARR**—I am just wondering what value we are getting for \$135 million. That is the issue I am raising. What evaluation have you undertaken?

**Prof. Sara**—I would suggest to you that the Federation Fellows are really the top researchers in the country. If you look at the careers of these individuals, most of them are leading major centres of research excellence across Australia. That is 49 centres of excellence and focus that we have built in Australia. We are building a capacity in areas such as quantum technologies and information systems which really cannot be achieved without investing in the best researchers.

**Senator CARR**—I appreciate the need to spend money on researchers. My point is whether we are getting value for money out of \$135 million in this particular program. You have undertaken no evaluation at this point.

**Prof. Sara**—The program has only been going since 2002, so really we are into our second year. The third round will be offered later at the conclusion of this year for funding starting in 2004. I certainly agree with you that all programs need review, but they have to at least run for three years before they can be assessed.

**Senator CARR**—You say that a number of prominent persons have been attracted back and that these scientists and researchers are heading up major centres. Is it true that some of these recipients of the fellowships were heading up major centres of research? For instance, Professor Iain McCalman was heading up the Humanities Research Centre but was stood down as a result of this awarding of a fellowship. Was that not the case?

**Prof. Sara**—Yes.

**Senator CARR**—So there has actually been a reallocation in some cases, has there not?

**Prof. Sara**—The Federation Fellowship is for full-time research and research activity, and that is the difference. Iain McCalman may have been heading a centre, but also it is my understanding that he had an academic position at the university which involved administration and teaching. He is now in a full-time research position.

**Senator CARR**—The reason I raise this is that I think we have another problem emerging. I notice that a number of young researchers are not able to attract support. With the success rates being as low as they are, it imposes considerable anxiety. During the Science Meets

Parliament week, a number of researchers indicated to me the struggles they have in this regard, and no doubt you are familiar with them. I have a letter here that was written to me by an award-winning young scientist who said:

Career opportunities are intimately linked to federal funding (such as ARC) and there is a real potential for scientists to be unemployed for 12 month periods between funding allocations. The market-place for research positions is extremely competitive and a scientist's ability to compete is limited by their capacity to do research and publish results. Without employment (and consequently a home institution) and funding it is difficult to actively research.

What consideration is the ARC currently undertaking to address those particular concerns?

**Prof. Sara**—The issue you raise very much relates to the ARC's or any other funding council's ability to offer young researchers the option of a research career. We do not have that option at the moment, because we do not have the resources to do that. The type of approach we have been taking, given our funding envelope, has been to work more in partnerships with the universities to provide a system that allows young researchers to come into the ARC and to have some teaching experience during that time through a partnership arrangement in which we pay half the salary of a post-doctoral fellow and the university pays the other half so that the individual can be trained in both teaching and research during that period. We have been exploring different options like that throughout the careers and various levels of research fellowships.

**Senator CARR**—What I have been told is that people are not able to get basic facilities in place, like a housing loan. Are you getting the same sorts of representations put to you?

**Prof. Sara**—In discussions with the research community, and we are in close contact with researchers, we have issues of being unable to produce stability in a research career that are being raised. That of course relates to the issue of being able to get a housing loan. We do not have the ability to offer an extensive research career for young people at this point.

**Senator CARR**—So do you acknowledge that it is a major problem?

**Prof. Sara**—I do not know that it is a major problem. It is an issue that has been raised. It is an issue that we have addressed, as I said, by trying to expand the fellowship program through various institutions.

**Senator CARR**—If you are reducing the number of discovery grants from 921, and if we take your optimistic figure of, say, an additional 100, that is still 750 or thereabouts. I am told that that could lead to the reduction of up to 400 positions.

**Prof. Sara**—I do not understand how that leads to a reduction of 400 positions. I certainly would not agree with that because the people who apply for ARC grants hold positions within an academic institution. So I do not see how they could lose their position because they are not getting the ARC grant.

**Senator CARR**—No, that is not the case. I have had people in the office who have explained to me that they will not hold a substantive position at the university if they are not able to attract funding from the ARC.

**Prof. Sara**—But that is an institutional issue; it is not an ARC issue. The ARC provides the funding through the institution. It comes through higher education institutions.

**Senator CARR**—I see the point you are making, but I put it to you that, without employment, people cannot get housing loans. Our scientists, our researchers, are not provided with the necessary financial security to develop the necessary saving strategies or with the security of employment to get a housing loan. If you are talking about keeping people in this country, I would have thought that basic living conditions such as that would be absolutely fundamental to the development of a research career.

**Prof. Sara**—And that is why we have gone through the partnership route, so that the very best researchers have the opportunity of having a constant position within the institution. I think it is very important to recognise that the ARC funding is only a small part of the system and that the type of researchers that we support are those at the top level of research activity. They are judged to be that. There is a lot of research activity and hence, as you will probably agree, we have a dual funding system for research in higher education. The block funding and the competitive funding work hand in hand to be able to provide opportunities for research either at the developmental levels supported by the block or through the competitive level supported through ARC and NHMRC.

**Senator CARR**—That is exactly where I want to go on this issue. Is it not the case that the ARC is pursuing a strategy to increase the level of competitive funding, which will in fact lead to an increase in short-termism within the research community in this country?

**Prof. Sara**—It is absolutely true and on the public record that the ARC believes that research excellence through competitive peer review will result in increased economic growth and betterment for the community in Australia. Absolutely true. We are suggesting that there needs to be an increase in the competitive funding side of the equation as well as the institutional funding side of the equation. We believe that funding councils such as the ARC and the NHMRC need to take responsibility for a greater proportion of the direct costs of funding research.

**Senator CARR**—And will that not have a serious human cost as well?

**Prof. Sara**—On the contrary, I would believe that, if we were successful, what that would do would be to ensure that when a research project is given to a successful applicant then the costs for the infrastructure and the costs for their salaries are contributed to by the funding councils rather than leave it to the discretion of the institution, which may or may not wish to support that research and may or may not have the funds to do so.

**Senator CARR**—At the previous estimates I think it was you, Professor Sara, who indicated to me that to bring the RIBG scheme and the linkage program, the infrastructure, equipment and facilities schemes, up to international standards would require an additional \$400 million. Is that right?

**Prof. Sara**—I do not know that that was the Senate estimates. I think that was at the Senate inquiry into higher education. But I think that was true.

**Senator CARR**—I have a note here that says Senate estimates on 5 June, at page 618.

**Prof. Sara**—I am happy to repeat that.

**Senator CARR**—The point is you think that \$400 million is right.



**Prof. Sara**—I believe that the project specific infrastructure costs, which are currently at 20c in the dollar, need to be doubled to reach the international benchmark of sitting around 40c to 60c in the dollar.

**Senator CARR**—And the effect of that would be \$400 million.

**Prof. Sara**—The effect of that would be about an additional \$200 million on where we will end up being. The current RIB is 20c and we need to at least double it.

**Senator CARR**—You said \$400 million last time. Has that changed?

**Prof. Sara**—No, the RIB component will be in 2006-07 \$200 million, so an additional \$200 million will be required.

**Senator CARR**—What about the LIEF program?

**Prof. Sara**—The LIEF program currently is \$25 million per year given out by the ARC. We believe that that program could well be doubled because there is such a demand on the infrastructure through that program.

**Senator CARR**—So you say \$225 million—

**Prof. Sara**—That is \$225 million through the ARC type programs or the project related infrastructure.

**Senator CARR**—But in terms of the overall needs to improve our research infrastructure, what would the cost be to the budget?

**Prof. Sara**—As I said to you before, we are providing—

**Senator CARR**—That is my next point.

**Prof. Sara**—Yes. We can estimate the costs that we are accountable for, and I can say to you now we believe it will be \$250 million a year for us.

**Senator CARR**—You say \$250 million is the estimate at this point. I say, what would it cost to bring our research infrastructure up to international standards?

**Prof. Sara**—That is a broader question.

**Senator CARR**—That is not just those two programs, is it?

**Prof. Sara**—No, and it is really important that that is quite clear today, that the \$250 million is an additional funding of \$50 million to LIEF and an additional funding of doubling the RIBG to bring both of them up to international standards.

**Senator CARR**—But that is not the only source—

**Prof. Sara**—That is not the entire infrastructure spectrum.

**Senator CARR**—What I was asking you, and what I understood I was going to get from you at the hearing on 17 October, was your estimate of what it would cost for all programs. Obviously when you are arguing these cases you have a bit of ambit in it, so I want a fair dinkum figure of what you think it would cost to bring our research infrastructure up to international standards.

**Prof. Sara**—We are collecting that data to provide you with it.

**Senator CARR**—How long do you think it will take?

**Prof. Sara**—Within the next week it can be in your office.

**Senator CARR**—Thank you very much.

**Proceedings suspended from 12.45 p.m. to 1.47 p.m.**

**CHAIR**—The committee is considering the Australian Research Council.

**Senator CARR**—I trust Senator Harradine's office is monitoring these proceedings and will let us know what is happening. I was speaking before about the reduction in the number of discovery grants. I mentioned that 400 positions may well depend upon a reduction. That is the estimate I have been given. You replied, 'Not 400 scientists.' Would you concede that, if we include postdoctoral students, junior researchers, lab assistants and what have you, there may well be 400 positions that are dependent upon those grants?

**Prof. Sara**—We would certainly have to look at it, but associated with each individual grant are a number of postdoctoral fellows or postgraduate students as well. However, I did say to you that the 666 grants that have already been announced will be increased considerably within the next couple of weeks.

**Senator CARR**—I accept that, but it was no more than 100.

**Prof. Sara**—I did not say that; I said I was estimating. I really cannot tell you. I expect that we will raise it by around 100. I expect, but I cannot tell you.

**Senator CARR**—I am not asking you to be precise about that. I am trying to get an assessment from you of the number of positions that are dependent upon these grants.

**Prof. Sara**—I cannot tell you that without looking at the individual grants that were not supported. I make the point again that the applicants on those grants have positions in the majority of cases at the institution or at least the grants come through the institution that has responsibility for the chief investigators.

**Senator CARR**—Professor Sara, how much are we spending on research in systematics—biodiversity, environmental, destabilisation—at the moment?

**Prof. Sara**—In terms of taxonomy of systematics, we will have to take that on notice.

**Senator CARR**—It is put to me that there were no grants in this area in the Discovery grants issue. Is that right?

**Prof. Sara**—I said that I would have to take it on notice.

**Senator CARR**—Thank you. Given that biodiversity was one of the government's priority areas for funding, how much money was allocated for that?

**Prof. Sara**—Do you mean biodiversity or sustainable environment? Which is the government priority?

**Senator CARR**—Would you quantify it as sustainable biodiversity?

**Prof. Sara**—No. I am thinking of the full national priorities. There isn't one on biodiversity but there is certainly one on environmental sustainability.

**Senator CARR**—There is a series of questions here that I will put on notice for you.

**Prof. Sara**—Thank you.

**Senator HARRADINE**—Professor Sara, I want to raise this matter, which is quite serious. You recall that the secretary to the department, Dr Shergold, who is now the Secretary to the Department of the Prime Minister and Cabinet, gave an unequivocal undertaking in answer to a question that I raised in the 2002 estimates:

Senator HARRADINE—I have one question. I am wanting to clear up the fact that no other activity will take place in the building which is funded under the major national research facility specifically for the multiplication of stem cells, that that will be the only activity undertaken in that building and with those facilities.

Dr Shergold—I can confirm that. It actually involves two buildings because next year the NCACE will be housed in an existing but self-contained facility.

Senator HARRADINE—The NCACE?

Prof. Sara—The National Centre for Advanced Cell Engineering.

Dr Shergold—Thank you. Well done, Professor Sara, you saved me. During that time, there will be a purpose-built freestanding facility that they will move into. I am able to confirm that harvesting activity will not take place in either facility.

That means harvesting cells from human embryos. Professor Sara, when was that undertaking dishonoured?

**Prof. Sara**—The ARC is not responsible for the MNR program. I would have to refer you to the MNR division of the Department of Education, Science and Training.

**Senator HARRADINE**—You were able to state:

I presume that Dr Shergold took advice.

**Prof. Sara**—You would have to ask the department, I am afraid.

**Mr Harper**—My understanding is that that building is under construction.

**Senator HARRADINE**—We are talking about an existing building at present and we were talking about an existing building when Dr Shergold gave that undertaking. Again, Dr Shergold said:

I can confirm that. It actually involves two buildings because next year the NCACE will be housed in an existing but self-contained facility.

He made it perfectly clear. He went on to say:

I am able to confirm that harvesting activity will not take place in either facility.

When was that undertaking to the committee breached?

**Prof. Sara**—I am afraid that the ARC cannot answer that question. It is the responsibility of the MNR division of the department.

**Senator HARRADINE**—Where are they? Why are they not here? This facility was funded through the MNR and is now being used, as I understand it, to harvest stem cells and other things from human embryos. That was never the intention of the MNR.

**Prof. Sara**—I can only repeat that we are not responsible for the MNRF. It is my understanding that any activities happening within the centre are happening in accordance with legislation and all ethical requirements.

**Senator HARRADINE**—We are not talking about that; we are talking about what was said with regard to public moneys to this particular committee by Dr Shergold, the former secretary of the department—

**Prof. Sara**—I cannot answer that.

**Senator HARRADINE**—and now the Secretary to the Department of the Prime Minister and Cabinet. This was an unequivocal undertaking. When was it breached and why?

**Prof. Sara**—I am sorry I do not have any information to be able to answer your question.

**Senator HARRADINE**—You did not expect this line of questioning?

**Prof. Sara**—I can only repeat that the MNRF program is not the responsibility of the ARC.

**Senator HARRADINE**—You were at that meeting.

**Prof. Sara**—Yes, I was there and that happened prior to parliament's discussion of the legislative requirements and the building of the new legislation. I do recall this.

**Senator HARRADINE**—It happened prior to it, but did you not know the details of the legislation at that particular time?

**Prof. Sara**—Yes.

**Senator HARRADINE**—It is no good you saying now that it was dealt with. I do not recall it being dealt with in any of the discussions about the legislation at all.

**Prof. Sara**—I recall the discussion, but I cannot answer for someone else's program.

**Senator HARRADINE**—Do you not agree that it is a serious question—money was earmarked by the major national research facility and then diverted to the National Stem Cell Centre, which was recommended by you?

**Prof. Sara**—The National Stem Cell Centre is operating in accordance with the legislation.

**Senator HARRADINE**—That is not what I asked you.

**Prof. Sara**—But that is the only answer I can give.

**Senator HARRADINE**—It was never envisaged that the National Stem Cell Centre would be utilising those buildings which were funded by the major national research facility. That undertaking was breached. Who is there to accept the responsibility? Who am I to ask the questions of? Where is the department head, as the department head gave us that undertaking? I repeat: Dr Shergold said, 'I am able to confirm that harvesting activity will not take place in either facility.' Chair, this involves a number of millions of dollars.

**CHAIR**—Senator Harradine, we do have the Science Group coming a little later. It might be more appropriate to ask some of these questions then.

**Senator HARRADINE**—Where is the head of the department?

**CHAIR**—The head of the department is here, but agencies appear by themselves—that is the usual protocol. When we get back to the department, which we will when we have the Science Group, it will then be appropriate for the head of the department to be here as well.

**Senator HARRADINE**—Professor Sara, were you consulted about the use of the major national research facility buildings? Were you advised? Did you know about them?

**Mr Harper**—The ARC was aware and is aware that the MNR facility will be used by the National Stem Cell Centre.

**Senator HARRADINE**—You were consulted?

**Mr Harper**—Yes.

**Senator HARRADINE**—Before this occurred?

**Mr Harper**—Before what occurred, Senator?

**Senator HARRADINE**—Before approval was given—and I don't know how—for the National Stem Cell Centre to use those buildings.

**Mr Harper**—Yes, Senator.

**Senator HARRADINE**—Did you know that the secretary of the department, your predecessor Dr Shergold, had made that statement?

**Mr Harper**—I am not sure whether I was aware at the time. I am certainly aware now.

**Senator HARRADINE**—When was that undertaking dishonoured?

**Mr Harper**—I think that Professor Sara has confirmed, and I can confirm that I am unaware of its having been dishonoured—let alone the date on which it was dishonoured.

**Senator HARRADINE**—Chair, this is very difficult. We have the departmental secretary here.

**CHAIR**—The normal procedure is that the agencies appear by themselves without the department. You will have the opportunity, when the next witnesses appear, to ask questions of the secretary and of the Science Group. Perhaps you could leave those questions until they appear.

**Senator HARRADINE**—Professor Sara, I want to raise the question of the porn study that you are funding—understanding pornography in Australia: public discourses and pornographic texts. Isn't it true that the study is not really about understanding pornography; it is about understanding those who produce it and those who consume it?

**Prof. Sara**—It is my understanding that the study is looking broadly at the social impact of pornography.

**Senator HARRADINE**—That is your understanding?

**Prof. Sara**—It is a large-scale study of producers and distributors of pornographic texts, as well as consumers. It is my understanding that it is both those groups.

**Senator HARRADINE**—Why are you studying the producers? What has that got to do with it?

**Prof. Sara**—The study—again, as I understand it—is to try to understand the implications of the work they are producing and the impact that that work has on the consumers. Similarly, it is to understand the feedback from the consumers to the producers. It is to understand the rationale behind the production and consumption of pornographic material.

**Senator HARRADINE**—The rationale behind the production—wouldn't that be one word?

**Prof. Sara**—Sorry?

**Senator HARRADINE**—Money.

**Prof. Sara**—That may be a foremost word in the producer's mind, but the study is actually looking at the impact on consumers as well.

**Senator HARRADINE**—I am seeing press reports referring to the study which attempt to normalise pornography as something used without harm to everyday people. Indeed, in an opinion piece written by the project leader, Dr Alan McKee, it is trumpeted:

We have found no sexual violence, bestiality or under-age sex in the mainstream of pornography.

Of course, he forgot to mention that all these things are outlawed. The porn industry got a pat on the back for observing the law. Given the endorsement of this study by the pornography group called Eros Foundation, isn't it just a publicly funded public relations exercise by people with sympathies with the porn industry.

**Prof. Sara**—I cannot agree with that, Senator. These are highly respected social scientists who are trying to understand the rationale and the impacts of pornography. If we are going to restrict it, or to make it free—whatever the changing regulations of pornography are—we need to have a scientific rationale for any change to pornography. These are respected social scientists trying to understand that rationale.

**Senator HARRADINE**—How was the leader of the group able to find that in mainstream pornography produced by porn merchants that he has not been able to see any 'sexual violence, bestiality or under-age sex'? That is taken for granted; that is illegal. Why do you need a study to result in that statement? That is against the law. What is Dr Alan McKee doing by making a statement that is simply a matter of fact—a matter of law?

**Prof. Sara**—Certainly there are wide differences between the reporting through ARC reporting mechanisms and the press clippings that may come out, and we all know how distorted they can be.

**Senator HARRADINE**—I am sorry. I am talking about an opinion piece that was written by the leader of the group. Professor Sara, one really needs to raise a question about the rigour of the analyses of your particular projects. Who decided that this study would be done?

**Prof. Sara**—The research projects that we fund are initiated by the investigators themselves. They are then assessed by a committee of experts in the area.

**Senator HARRADINE**—Who was on the committee of experts in this instance?

**Prof. Sara**—I would have to provide that information. The committees change on a yearly basis and the date of this project is 2002, I think. We could provide you with a list of those experts in the social, behaviour and economic sciences. There were 12 experts on that

committee, and they requested information from external assessors who looked at it and ranked it as opposed to others.

**Senator HARRADINE**—How much taxpayers' money was spent on this?

**Prof. Sara**—I will have to take that on notice, in the interests of time.

**Senator HARRADINE**—Thank you. I have a number of other questions, but I will ask just one.

**Prof. Sara**—I am sorry, Senator, I can tell you. I did not see it. In 2002 it was \$57,500; in 2003 it was \$75,000.

**Senator CARR**—So the figure has changed from the answer to the question.

**Prof. Sara**—Sorry?

**Senator CARR**—Does the figure change from the answer?

**Prof. Sara**—No. It was funded over two years, and I am providing both of those.

**Senator CARR**—Yes. So the figures are \$57,500 and \$75,000. Is that right?

**Prof. Sara**—The figures of \$57,500 and \$75,000 for 2003 are the approved funding for that project.

**Senator HARRADINE**—Thank you. My last question is in respect of the National Stem Cell Centre. Your organisation recommended that \$22 million be spent on that from the ARC.

**Prof. Sara**—Yes, through the ARC, and Biotechnology Australia were partners in funding the centre.

**Senator HARRADINE**—To the tune of \$45 million or something.

**Prof. Sara**—Yes.

**Senator HARRADINE**—What proof of concept did you have?

**Prof. Sara**—The establishment of the Stem Cell Centre was the result of a selection process to establish a world-class centre in biotechnology.

**Senator HARRADINE**—I am raising the question about what proof of concept you had that influenced the ARC to spend an extraordinary amount of taxpayer dollars on the use of human embryos for harvesting of their stem cells and so on. What was the proof of concept? That is a simple question.

**Prof. Sara**—The simple answer is that the Commonwealth held an open competition to establish a world-class centre of excellence in biotechnology. It was an open competition and there were a number of applicants. A selection committee of experts looked at those and ranked the stem cell centre as the first and the most prominent of all the applications. That was then recommended to our board and to our minister and continued with funding. It was based on a number of selection criteria.

**Senator HARRADINE**—That is not the question I asked. I will repeat the question: what proof of concept did you have for recommending a program which involved the utilisation of human embryos for destructive research purposes? Can you also tell me, whilst you are doing that, what proof you had using animal models in that respect?

**Prof. Sara**—The centre was selected on the basis of several selection criteria—research excellence being one, commercialisation being another, research training being another and national benefit being another—and the centre presented evidence in its application of the scientific validity of the use of stem cells, be they embryonic or adult stem cells.

**Senator HARRADINE**—I am asking about human embryonic stem cells. What proof of concept did you have and what evidence from animal models did you have?

**Prof. Sara**—I need you to explain to me what the concept is that you need proof of.

**Senator HARRADINE**—Have you never heard of the term ‘proof of concept’?

**Prof. Sara**—Yes, I have.

**Senator HARRADINE**—That is how I am using it.

**Prof. Sara**—But what is the concept that you wish to prove?

**Senator HARRADINE**—I am asking you for the proof of concept as to the concept that the embryonic stem cells are successfully utilised in a number of ways in the cure of disorders.

**Prof. Sara**—I understand. There are a number of experimental studies which have been done to suggest that the use of embryonic stem cells would be beneficial in the treatment of disorders. There are a number of experimental studies and a number of clinical studies in the use of adult stem cells in the treatment of various disorders.

**Senator HARRADINE**—I know that with adult stem cells; I was able to provide to another committee the success rate in respect of those. But there is no success rate in respect of embryonic stem cells.

**Prof. Sara**—The work is at an experimental stage. There is no doubt about that.

**Senator HARRADINE**—I am asking about proof of concept. What is the proof of concept? Could you provide us with what you were saying and, as it might save time, with what you said to the committee before it made its decision. It had before it a number of experimental studies on embryonic stem cells.

**Prof. Sara**—We have previously provided you with all the published studies relating to both embryonic and adult stem cells.

**Senator HARRADINE**—I do not recall you providing me with anything in respect of human embryonic stem cells which showed that they were successful in treating disorders.

**Prof. Sara**—As I said earlier, it is at an experimental stage. There is sufficient experimental data using both cell cultures and animal models to suggest that this is a worthwhile pathway for experimentation leading to a possibility for the treatment of very severe disorders.

**Senator HARRADINE**—I have asked you to supply that information.

**Prof. Sara**—We can resupply it.

**Senator HARRADINE**—If you consider that it has already been supplied then resupply it, please.



**Prof. Sara**—Yes.

**Senator HARRADINE**—I want to come back to that question. It is quite a serious question we in this committee are faced with. We have been misled, to say the least, by a very senior public servant. If you want him to wear it then that is your decision.

**Prof. Sara**—I can only repeat, Senator, that the National Stem Cell Centre complies with all the legislation.

**Senator HARRADINE**—Just refer to the question that I posed to you.

**CHAIR**—If there are no further questions to the ARC, I thank the witnesses and call ANSTO.

[2.21 p.m.]

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

**Senator STOTT DESPOJA**—I might seek some clarification firstly as to whether or not this is the appropriate time to ask questions that may be better placed in outcome 3.2, relating to the nuclear waste dump and activities in South Australia. I am not sure if the chair can provide guidance or whether ANSTO is in a position to advise me on that.

**Dr Cameron**—We believe the issues to do with the national waste repository are better dealt with by output group 3.2.

**CHAIR**—The Science Group.

**Senator STOTT DESPOJA**—In that case, I think I will defer those questions. Thank you.

**CHAIR**—Any other questions for ANSTO?

**Senator CARR**—I will put all my questions on notice. Sorry to bring you down here, but we are running so far behind today that we have had to put questions on notice.

**CHAIR**—I am sure they are very disappointed that you are not going to grill them for an hour, Senator!

**Senator STOTT DESPOJA**—That has got to be one of the better estimates committees!

**CHAIR**—I call the witnesses from CSIRO, who live in hope they will have similar treatment.

[2.29 p.m.]

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

**Senator CARR**—Good afternoon. I have a few simple questions to kick off. I want to ask about the issue of the branding. Dr Shergold has issued an edict for the whole Commonwealth public sector that everyone has to carry the same logo. Has CSIRO sought an exemption from this edict?

**Dr Sandland**—Yes, we have, and we have heard today that we have been granted a full exemption.

**Senator CARR**—Has any member of the CSIRO staff had a discussion with Dr Shergold about this in the run-up to the decision today?

**Dr Sandland**—One member of our staff was involved in such a discussion as a result of being misquoted in the *Australian*.

**Senator CARR**—What was the nature of this misquoting?

**Dr Sandland**—There was a discussion that took place between the officer and a reporter of the *Australian*. The officer has described to me a situation in which she gave some fairly neutral responses, simply saying the nature of the case that we had put to the government, and that was taken out of context as a direct criticism of the government.

**Senator CARR**—So Dr Shergold was concerned that the CSIRO officer was complaining?

**Dr Sandland**—Dr Shergold was not concerned that CSIRO had put forward a case for exemption and, indeed, he was supportive of that case for exemption.

**Senator CARR**—Lilian Harrison was the name of the officer, wasn't it?

**Dr Sandland**—Correct.

**Senator CARR**—This is the officer who was misquoted in the paper?

**Dr Sandland**—This is the officer who was misquoted.

**Senator CARR**—There was a claim that PM&C were dragging the chain on the process to reach a decision. Was that the nature of the misquote?

**Dr Sandland**—I do not have the article in front of me. There were several areas where the officer felt that she had been misquoted.

**Senator CARR**—How would you describe this meeting? Was it a confrontation?

**Dr Sandland**—I was not present at the meeting. I think Dr Shergold made it clear that he was not happy with the quotes as they were read. Ms Harrison assured him that they were a misquotation, and that was essentially the nature of the meeting.

**Senator CARR**—So it is Ms Harrison that was quoted?

**Dr Sandland**—Yes, indeed.

**Senator CARR**—Because that would account for the fact that she went to see Dr Shergold and not you or Dr Garrett.

**Dr Sandland**—It was in relation to that specific discussion. I had spoken to Dr Shergold earlier in the day, before that meeting occurred. I was acting chief executive at the time.

**Senator CARR**—And you were able to assure Dr Shergold that the officer was misquoted?

**Dr Sandland**—I was able to give him that assurance, yes.

**Senator CARR**—So you are happy with the delay in the decision process, are you?

**Dr Sandland**—I recognise that as an objective fact.

**Senator CARR**—But it is a delay.

**Dr Sandland**—The process took the time that it took.

**Senator CARR**—What was the explanation for why it took so long for a decision to be taken, given that it has occurred only today?

**Dr Sandland**—There was no explanation given to us concerning the delay.

**Senator CARR**—I suppose it is not for you to reason why; you are mere servants of the government in this matter.

**Dr Sandland**—We thought we had put our case forward effectively and justifiably, and obviously that was vindicated.

**Senator CARR**—So you do not think the decision that has been made today had anything to do with your appearance before the estimates?

**Dr Sandland**—I do not believe so.

**Senator CARR**—It is merely coincidental?

**Dr Sandland**—I believe that it is coincidental.

**Senator CARR**—Another great service the Senate provides to CSIRO. When did you actually make an application?

**Dr Sandland**—Let me just check my material on that.

**Senator CARR**—Mr Cook, would you like to come to the table and give us all the benefit of your advice. As an independent agency, they are normally able to provide advice to us directly.

**Dr Sandland**—Mr Cook has pointed out to me that the decision was in fact taken last week and we did receive an email with advance warning that this decision was taken. What I should have said to clarify that is that we received confirmation of that outcome today.

**Senator CARR**—Did you think the decision was taken last week?

**Dr Sandland**—In relation to your earlier question, we made our application for exemption on 28 July 2003.

**Senator CARR**—The wheels of government move with lightning speed, don't they? Is there a similar pattern across the government in your experience? Does it take this long to get a simple decision like this?

**Dr Sandland**—I am not aware of the reasons that led to the delay of that length.

**Senator CARR**—Given that the newspaper report we referred to misquoted you, what action did you take with the newspaper concerned to draw to their attention that you had been inaccurately quoted?

**Dr Sandland**—I am not absolutely sure. We did discuss that and certainly Ms Harrison indicated to me that she was prepared to speak to the reporter about that. It is quite possible that our media manager, Richard Forbes, spoke to the paper about that, but I am not absolutely certain.

**Senator CARR**—I know how difficult it is when newspapers get these sorts of things wrong, but you did not write a letter to the editor?

**Dr Sandland**—We did not write a letter to the editor. We regarded the issue as closed following the discussion with Dr Shergold.

**Senator Vanstone**—That is not unusual. Honestly, if I had a buck for every time the media misled in relation to something I had said or done, frankly I would be in Majorca having expensive holidays. None of us has the time to correct the media all the time.

**Senator CARR**—That is true, but hopefully we have the time to correct the record here. Dr Sandland, do you recall that at previous estimates we discussed the question of AMC and the outstanding loan of \$75 million? Do you recall that discussion?

**Dr Sandland**—Indeed.

**Senator CARR**—Do you recall that Mr Whelan advised the committee that the department of industry would be guaranteeing the loan?

**Dr Sandland**—I do not recall the details of that advice precisely; however, I do have Mr David Toll here, who may be able to shed some light on that.

**Senator CARR**—I am interested in whether you can advise me on the accuracy of the advice that has been tended to this date to the committee. Would you agree that CSIRO has in the past advised the committee that the department of industry would be dealing with the matter of the losses to the Commonwealth from the AMC of a \$75 million loan that had been allocated to the CSIRO and the AMC?

**Mr Toll**—I think the reference that Mr Whelan made to the industry department related to the fact that the industry department was the portfolio department for CSIRO at the time. The issue is really that the loans were derived from the Commonwealth government, not the industry department specifically.

**Senator CARR**—Mr Whelan said:

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.

That was in reference to the collapse of AMC. Is that right?

**Mr Toll**—All of those things are correct.

**Senator CARR**—Is it your view that the department of industry is the guarantor for that loan?

**Mr Toll**—The issue is that the Commonwealth provided the loan moneys to CSIRO through appropriation and, at the time, CSIRO was part of the industry portfolio. However, I think the issue really is that the Commonwealth provided those loans.

**Senator CARR**—Today I received a note from the Minister for Industry, Tourism and Resources telling me that the CSIRO-AMC loan arrangements are not secured by the Department of Industry, Tourism and Resources. Who is responsible for that loan?

**Mr Toll**—I would say that the Department of Finance and Administration is the more appropriate body on behalf of the Commonwealth government.

**Senator CARR**—Would you agree that there has been a loss of \$75 million?

**Mr Toll**—CSIRO has derecognised the \$75 million asset and liability.

**Senator CARR**—Derecognised?

**Mr Toll**—Derecognised within its balance sheet. The issue of the whole-of-government accounts is an issue for the Department of Finance and Administration.

**Senator CARR**—You have derecognised \$75 million?

**Mr Toll**—That is correct and that is reported in the annual report.

**Senator CARR**—Who is going to pay that?

**Mr Toll**—The issue does not impact on CSIRO's operating position at all. The issue is that the money was provided by the Commonwealth government at a point in time—the idea being that those moneys will be repaid once the royalties come on stream from the magnesium production.

**Senator CARR**—Now it has collapsed. There are no royalties. Who is going to repay the loan?

**Mr Toll**—The loan will not be repaid until there are such royalties in the future, and that is the nature of a non-recourse loan.

**Senator CARR**—But the operation has collapsed.

**Mr Toll**—I am not in a position to comment on the future viability of the company.

**Senator CARR**—It is in liquidation, is it not? Does the operation function?

**Mr Toll**—To my knowledge, at present, no. However, I believe that options for the future are being considered.

**Senator CARR**—What was the total Commonwealth exposure to that project?

**Mr Toll**—The Commonwealth government provided loans of \$70 million and the Queensland government provided loans of \$5 million.

**Senator CARR**—Will AMC default on the payment of that \$70 million?

**Mr Toll**—The arrangement was that AMC would provide royalties to CSIRO as a result of the commercialisation of the magnesium production. Those royalties would then be paid back to the two governments—the Commonwealth government and the Queensland government—by the CSIRO once it had received them.

**Senator CARR**—Do you expect AMC to default on the loan?

**Mr Toll**—At this stage we believe that it is less than probable that that will be the case and that is the reason we have—

**Senator CARR**—I am a simple fellow: I want to know what 'less than probable' means.

**Senator Vanstone**—It does not mean probable.

**Senator CARR**—That is very good, Senator. Can you tell me whether you think AMC is going to repay the loan?

**Senator Vanstone**—No, I cannot tell you. I am answering a simple question. You say you are a simple fellow, and it is not for me to dispute or agree with that. That is your own assessment. But you are saying, 'What does less than probable mean?' and I think it has a pretty clear meaning.

**Senator CARR**—They are not going to repay it?

**Mr Toll**—We have assessed it to be less than probable, and that is the reason we have derecognised those amounts from our balance sheet.

**Senator CARR**—So who is going to pay?

**Mr Toll**—With the nature of the loans being non-recourse loans, the repayment does not need to occur unless the royalty stream—

**Senator CARR**—So it is a gift?

**Mr Toll**—The money was provided in order for CSIRO to be able to carry out research in this area, and that was done.

**Senator CARR**—The research was done?

**Mr Toll**—Yes, up to the point of the AMC preparing itself to go into commercial production.

**Dr Sandland**—It is clear that CSIRO will not be responsible for repaying this loan and perhaps it should therefore be taken up with the department of finance.

**Senator CARR**—In the previous estimates you told me it was the department of industry. I took it up with them and they said no. This is your opportunity to correct the record that previous advice was wrong.

**Mr Toll**—I think that, yes, it is the Department of Finance and Administration which is the appropriate organisation.

**Dr Sandland**—I said it. I apologise for any error that we made in answering your earlier question and, should there be any change to the answer we are giving today, we will let you know immediately.

**Senator CARR**—I am having a bit of trouble following that—\$75 million is a lot of money just to go missing and it is a bit hard to track down who asked about that. We have had a couple of answers on that matter. I will come back to that. Where can I find the list of consultancies that CSIRO has let?

**Dr Sandland**—We do in fact have such a list.

**Senator CARR**—Where can I find it?

**Dr Sandland**—I do not believe that we have published such a list.

**Senator CARR**—Why not?

**Dr Sandland**—Unlike departments, agencies under the CAC Act are not required to submit such a list of consultants.

**Senator CARR**—I am told that under the CAC Act you have discretion as to whether you declare these consultancies or not. Is that right?

**Dr Sandland**—I am not aware of the precise details other than our lack of compulsion to supply that information under the act.

**Senator CARR**—My understanding is that section 1 of the CAC Act says that your annual report may include other matters required by another act or by ministerial guidelines. I am

wondering whether you have considered including an indication of the number, type and cost of your consultancies.

**Dr Sandland**—I think the aim of our annual report, of which you have a copy, recently tabled in parliament was to demonstrate clearly the nature of our business, the changes that occurred in our business and the achievements we have had in both science and business, and we used the space to full advantage to put across that message.

**Senator CARR**—Thank you, Doctor, but I cannot find a list of consultancies.

**Dr Sandland**—That is correct, and, as I said earlier, that was a choice we made.

**Senator CARR**—How much do you spend on consultancies?

**Dr Sandland**—In 2002-03, we spent \$20.3 million against the cost code HT, which pertains to consultants.

**Senator CARR**—How much have you spent in the last three years?

**Dr Sandland**—I have in front of me only the figures for 2002-03 and the year to date for 2003-04.

**Senator CARR**—How much is that?

**Dr Sandland**—It was \$20.3 million in 2002-03 and \$5.6 million for year to date in 2003-04.

**Senator CARR**—So you cannot tell me the previous years?

**Dr Sandland**—I do not have that information in front of me

**Senator CARR**—If you could provide that, I would appreciate it. Who was responsible for approving consultancies?

**Dr Sandland**—A variety of individuals in CSIRO are empowered to approve consultancies. In the approval process, we have a set of underpinning principles on which consultancies are let.

**Senator CARR**—Can I have a list of the people who are responsible for approval of consultancies?

**Dr Sandland**—I believe that it depends in the organisation on the financial delegations associated with particular costs to be incurred with consultants and a process that must be followed.

**Senator CARR**—Can I have a look at the guidelines and the processes that you are currently operating? You are not providing us with a list as a matter of course, which most other sections of the government now do. Certainly the department in which CSIRO is housed does at some length. Can I have that list?

**Dr Sandland**—When you say the list, are you—

**Senator CARR**—I would like to know the delegations for approval of consultancies and under what terms.

**Dr Sandland**—We can provide that list.

**Senator CARR**—Thank you. Where are your consultancies normally reported?

**Dr Sandland**—To a variety of people in the organisation.

**Senator CARR**—Where are those consultancies, as a matter of course, reported externally?

**Dr Sandland**—They are not reported externally.

**Senator CARR**—Who has access to the register of consultancies?

**Dr Sandland**—That is kept within CSIRO.

**Senator CARR**—Just with senior officers?

**Dr Sandland**—Senior officers are responsible for that information.

**Senator CARR**—How often is that list updated?

**Dr Sandland**—I am not aware of the frequency with which the list is updated.

**Senator CARR**—Does the list include all fields of information that the department has agreed to provide in respect of consultancies that they initiative? Do you work on the same basis as the Department of Education, Science and Training for the provision of such information, even to senior officers?

**Dr Sandland**—Under the CAC Act, we have a set of principles that pertain to our own business which we use. They are principles that pertain in particular to CSIRO. They are not a set of DEST principles that we use in this context.

**Senator CARR**—The Murray order dealing with the agencies reporting biannually on contracts is an order of continuing effect. That clearly does not apply to you because you are not doing it. That would be a fair conclusion to draw, would it not?

**Dr Sandland**—Yes.

**Senator CARR**—You do not fall under the Murray motion. Would you be prepared to provide that information as a matter of course or do we have to get a special amendment? Is there any reason why you should not provide the information?

**Dr Sandland**—Should not provide information of a list of consultancies?

**Senator CARR**—A list of consultancies in the form in which that is provided by the rest of the department?

**Dr Sandland**—Only insofar as it adds to the workload of the organisation, but if that is seen as being desirable then we can certainly consider it.

**Senator CARR**—We have had this discussion with the department at large. Even some of my sternest critics in the department might suggest that this actually improves the management of consultancies insofar as it has led to new computer systems being put in place and it has encouraged people to be a little more careful about whether contracts are issued on open or selected tenders. So there are benefits in providing public accountability on these issues. So I ask you: can you provide the list of consultancies on the same basis as the Department of Education, Science and Training provides them to the committee?

**Dr Sandland**—I shall certainly take that question on notice and we shall discuss it with a favourable consideration at executive team.



**Senator CARR**—Thank you. How many of the consultancies were issued on open tender and how many were issued on selected tender?

**Dr Sandland**—I have a detailed list here, but I do not have that precise breakdown.

**Senator CARR**—If you could provide that for me, I would appreciate it. Given that the department already has undertaken extensive work in terms of its programming for the provision of this information, would you be prepared to discuss this matter with the department? I am sure they would be only too happy to help you provide that detail.

**Dr Sandland**—Yes, Senator.

**Senator CARR**—Thank you. I have one particular consultancy I would like to discuss with you, but before I do there are a few little, niggly things I have that need to be covered. Can you indicate to me what invitations to sporting matches or cultural events have been offered by suppliers or potential suppliers of travel or other services to CSIRO and have been accepted by the executive team since January 2001?

**Dr Sandland**—I do not have that information.

**Senator CARR**—I would be interested to know how many, when they were, to what events and which executive members attended. I would be interested to know which of these occasions were considered to be official duties, what the cost of the travel involved in such gifts or considerations was, who determined who was to go on behalf of CSIRO, who approved the relevant travel, whether there are any guidelines for such matters and whether such decisions were within the normal Public Service Board guidelines. I expect you will take all of this on notice. Specifically, has a Mr Ian Dean, who I understand is a consultant, undertaken work for CSIRO? Do you have information on Mr Dean?

**Dr Sandland**—I do have information on Mr Dean.

**Senator CARR**—Did he ever accompany a member of the executive team to any sporting or cultural events offered by suppliers or potential suppliers of services to CSIRO?

**Dr Sandland**—I am not aware of that, but I will find that out.

**Senator CARR**—Could you check that for me?

**Dr Sandland**—I will.

**Senator CARR**—Perhaps you could give me some assistance on who funded Mr Dean's travel.

**Dr Sandland**—I will.

**Senator CARR**—Was this an approved attendance, if he attended? I am wondering what the relationship was between Mr Dean's attendance at any events and his consultancy work. Could you help the committee with that?

**Dr Sandland**—I shall provide that information.

**Senator CARR**—This is another little one. When did Di Jay resign as communications manager?

**Dr Sandland**—I believe Di Jay resigned from CSIRO in February 2003.

**Senator CARR**—How many staff have acted in the position since that time?

**Dr Sandland**—We have been in a process of active search for the director of communications over that period of time and have been carrying out the full functions of CSIRO communications over that time. We have had three separate arrangements over that period of time. The first person who acted in that position was Ms Donna Edman. The second arrangement was a shared arrangement between Mr John Williams and Ms Rebecca Scott. Recently we have put in place as acting director Ms Donna Staunton.

**Senator CARR**—I have been led to believe—and I know I often get misinformed, so you will be able to correct me—that Ms Staunton has been telling people she will be there for six months. Is that right?

**Dr Sandland**—That is not the arrangement we have at this stage. The time and precise nature of that arrangement is still being finalised. It will be finalised in the near future. It will certainly be for a period of at least three months.

**Senator CARR**—I am also told that you have been telling staff that there was an excellent short list prepared and that headhunters had done a great job. Were you happy with the short list that was prepared?

**Dr Sandland**—There is no doubt that the short list of candidates was very interesting. We looked at each of those individuals in some detail and in the end chose not to appoint any of those individuals. We are continuing to work with the recruitment agency to select the exact person.

**Senator CARR**—So you did not tell the staff that there was an excellent short list?

**Dr Sandland**—I did tell staff that there was an excellent short list because, given the characteristics of the individuals prior to interview and prior to consultation with referees, it was indeed a very strong one.

**Senator CARR**—Can you tell me what it has cost to get this excellent short list together: the consultant fees, the travel cost, the higher duties, the whole operation?

**Dr Sandland**—The recruitment costs were of the order of \$60,000, plus \$15,000 for advertising.

**Senator CARR**—Then there are the higher duties allowances that had to be paid.

**Dr Sandland**—We paid higher duties allowances to people acting in that role, but those higher duties allowances were against the provisions for the director of communications, where money was freed up after Ms Jay resigned.

**Senator CARR**—Are you able to confirm for me that the interview process produced a preferred candidate?

**Dr Sandland**—I am certainly able to tell you that the interview list produced a strong short list and we consulted with a variety of stakeholders before reaching a decision not to appoint any of those people.

**Senator CARR**—I am going to come to that. Don't worry; you will get your chance to tell me all about that in a minute. But you spent \$75,000 on the selection process. I presume you came forward with a preferred candidate.

**Dr Sandland**—Yes.

**Senator CARR**—Was that person advised of their selection?

**Dr Sandland**—They were certainly not advised of their selection, because we had not finalised the process.

**Senator CARR**—But they were advised that they were the preferred candidate of the selection panel?

**Dr Sandland**—They were advised that they were at the top of our list.

**Senator CARR**—So CSIRO's preferred candidate was advised that they were at the top of the list?

**Dr Sandland**—They were advised that they were at the top of our list at this stage of the process.

**Senator CARR**—Can you confirm that the applicant had in previous years worked for a Mr Jeff Kennett?

**Dr Sandland**—I can.

**Senator CARR**—Can you confirm for me who would normally have made the decision on the appointment of such a person as the communications manager?

**Dr Sandland**—I can confirm both who would normally make the decision on the appointment and who did make the decision on the appointment, because they were the same person: me.

**Senator CARR**—In the past a person in your position would have appointed a person like Di Jay to that position.

**Dr Sandland**—I believe Di Jay was appointed by Dr Garrett, but I now carry the responsibility for the communications manager.

**Senator CARR**—But it is a senior officer. It would have been an internal appointment.

**Dr Sandland**—Yes.

**Senator CARR**—I am just wondering why you referred it to the minister.

**Dr Sandland**—As I said, we did refer the appointment to a number of stakeholders, of whom the minister was one.

**Senator CARR**—Why did you refer it to the minister?

**Dr Sandland**—As this position involves day-to-day liaison with the political process, it is not uncommon to refer such positions to the minister's office.

**Senator CARR**—How long have you been working for the CSIRO now?

**Dr Sandland**—All too long.

**Senator CARR**—I bet you feel that way today.

**Dr Sandland**—Thirty-four years, I believe.

**Senator CARR**—You would have seen a lot of ministers in that time.

**Dr Sandland**—Yes.

**Senator CARR**—And you would have seen people in the communications manager position come and go. Would it be a regular feature for ministers to appoint the communications manager for CSIRO?

**Dr Sandland**—As I explained, I took the decision not to proceed with that appointment, and I explained it to the candidate.

**Senator CARR**—But it would be normal practice for the minister to appoint the communications director of CSIRO, would it?

**Dr Sandland**—No.

**Senator CARR**—But on this occasion you referred it to the minister.

**Dr Sandland**—As one of a number of stakeholders, as I referred it to a number of internal stakeholders and to a number of people outside the organisation.

**Senator CARR**—And was it the minister who rejected the appointment?

**Dr Sandland**—As I explained, it was my decision not to proceed with that appointment.

**Senator CARR**—Yes, but on the advice of the minister.

**Dr Sandland**—I took the decision, based on a variety of inputs, of which the minister's was one.

**Senator CARR**—So all these other inputs—who were they?

**Dr Sandland**—There were a number of internal people, a number of external people who were confidentially nominated referees by—

**Senator CARR**—I understand that, but what I am interested to find is that you have a selection process, \$75,000 is spent, you come up with your preferred candidate, you tell the preferred candidate that they are the preferred candidate, you go to the minister's office and then suddenly you decide not to appoint the person. Would it be reasonable for me to conclude from that series of events I have put to you that the minister did not want the person?

**Dr Sandland**—That is an inference that you may choose to draw. However, there were a number of inputs that led to that decision. There were a number of issues, and I think it would be unfortunate to go down to describing personal characteristics in some detail.

**Senator CARR**—I have not mentioned personal characteristics.

**Dr Sandland**—There were a number of issues that arose in relation to discussions of the candidate who was at the top of our short list with board members and with internal candidates.

**Senator CARR**—So the board thought it was a good idea to appoint the person as well?

**Dr Sandland**—There were a number of points raised by board members, all of which I took into account in reaching that decision.

**Senator CARR**—And the board said they did not want this person—is that what you are telling me?

**Dr Sandland**—I am not saying that in specific terms, because the board made no explicit recommendation. They described the nature of their discussions with the interview, alluding to both positive and negative features.

**Senator CARR**—I want to be clear here. You are telling me that your internal processes produced a preferred candidate, you told the preferred candidate and then members of the board said they were not happy with your choice?

**Dr Sandland**—I did not say that; I said that there was a process of consultation with a variety of stakeholders.

**Senator CARR**—Let us cut this short. Apart from the minister, who said no, how many others said no?

**Dr Sandland**—It was not as simple a matter as that. In making a senior appointment to CSIRO, a person may have many qualities which would appear positive in one context but nevertheless have aspects of fit to the organisation that lead to a decision not to appoint.

**Senator CARR**—It just strikes me as very strange that a minister is getting involved in the appointment of the communications director of CSIRO. How often has that happened in your 34 years working for CSIRO?

**Dr Sandland**—This is the first time that I have been responsible for the function where such an appointment was made. It is very common in CSIRO to refer senior appointments to external stakeholders. In this particular case, the minister was a significant external stakeholder.

**Senator CARR**—Certainly; very significant, it would seem. The applicant worked for Jeff Kennett, so obviously one can presume them to be a Liberal. It is not because they were a Liberal that they were knocked back, was it?

**Senator Vanstone**—Senator Carr, I have been listening reasonably closely to what Dr Sandland has been saying and it does occur to me that, if you choose tomorrow to go over the *Hansard*, you will see numerous occasions where you have attempted to paraphrase an answer back to him which is not consistent exactly with what he has said. The short form of that is that you are trying to put words in his mouth. I am sure, after 30-whatever years in CSIRO, he can look after himself, but I was just wondering if you could take his answers at face value and move on to different questions.

**Senator CARR**—I have.

**Senator Vanstone**—I think the *Hansard* will show otherwise, that is all.

**Senator CARR**—I was just thinking that I hope that this person was not discriminated against by a National Party minister simply because they worked for a Liberal. I would think this is a bit rough—very rough.

**CHAIR**—Senator, perhaps we can move on.

**Senator CARR**—I am more concerned, though, about the minister getting directly involved in the appointment of the communications director of CSIRO, which is an independent statutory authority.

**Dr Sandland**—I have said I took the decision as to the non-appointment of that person.

**Senator CARR**—What additional recruitment costs will be involved in finding another person?

**Dr Sandland**—We do not expect to advertise. We expect the agency to continue the search process within the budget that it has already been allocated.

**Senator CARR**—You are not going to spend any more?

**Dr Sandland**—I do not believe so at this stage.

**Senator CARR**—Will you ask the minister again whether he agrees with your choice?

**Dr Sandland**—As I said, it is common practice in CSIRO to refer senior appointments to a variety of stakeholders.

**Senator CARR**—Will you put this to the board as well?

**Dr Sandland**—I did not put it to the board as such. I put the appointment past a number of senior board members.

**Senator CARR**—Senior board members?

**Dr Sandland**—No, a number of board members. They are all senior people.

**Senator CARR**—And you cannot tell me which ones?

**Mr Baghai**—I think we have tried to explain a number of times now the process that goes into the selection of a senior appointment. The executive officer at CSIRO who is responsible for the appointment consults with a number of people internally and externally. Typically, the question, ‘Is this a yes or no?’ is not asked. The question asked is, ‘Can you identify strengths and weaknesses of this candidate?’ and, ‘How would the person fit?’ That process may or may not include board members; it may or may not include external people. It is still up to that executive officer to make that decision, that is what Dr Sandland is telling you.

**Senator CARR**—That is fair enough. You are not going to appoint a consultant, though, to fill in, are you? Are you going to appoint a consultant to do this sort of work?

**Dr Sandland**—I missed that question.

**Senator CARR**—Are you going to appoint a consultant as the communications director?

**Dr Sandland**—We have a person who has worked as a consultant—who has also worked in senior positions in industry—to carry out that role over the period.

**Senator CARR**—I referred to Mr Ian Dean earlier. Is that the same Mr Dean of Gorman Consulting?

**Dr Sandland**—It is actually Groman Consulting.

**Senator CARR**—Formerly of South Africa—is that the one?

**Dr Sandland**—That is correct.

**Senator CARR**—He conducted a review of the learning and development function of the CSIRO in 2001?

**Dr Sandland**—That is correct.

**Senator CARR**—What was the duration and value of that contract?

**Dr Sandland**—The total value of the contract was \$102,380, including travel and accommodation.

**Senator CARR**—Can we get a copy of the report that was provided?

**Dr Sandland**—I shall look into that. I am not sure exactly what form the report takes.

**Senator CARR**—Did Mr Dean undertake any further consultancy tasks in the learning and development for CSIRO between July 2001 and June 2002?

**Dr Sandland**—Yes. Mr Dean did undertake the consultancy to support the implementation of the framework in learning and development.

**Senator CARR**—Were there any reports prepared in relation to that consultancy?

**Dr Sandland**—I am not exactly sure, once again, of the nature of the output of that consultancy, except that it has clearly been embedded in the way that the L and D framework operates within CSIRO.

**Senator CARR**—Can you give me an indication of the value, individually and collectively, of this further range of consultancies?

**Dr Sandland**—In relation to the L and D framework?

**Senator CARR**—Yes.

**Dr Sandland**—The additional consultancy to which you refer, including travel and accommodation, was \$108,498.

**Senator CARR**—That is in 2002. So there was \$102,000 in 2001 and \$108,000 in 2002. Would that be a fair summary of the evidence you have presented?

**Dr Sandland**—That is in relation to the leadership and development framework consultancies.

**Senator CARR**—Were there any others?

**Dr Sandland**—Carried out by Mr Ian Dean? Yes, there were.

**Senator CARR**—How many others?

**Dr Sandland**—Some of them were of small size and short duration.

**Senator CARR**—How small?

**Dr Sandland**—As an example, there was supporting workshops for petroleum research: \$8,020.

**Senator CARR**—What is the total value of contracts issued to Mr Dean of Groman Consulting? Could I have a list of those individually?

**Dr Sandland**—Since 2001-02, Mr Dean has been given consultancies, including accommodation and travel costs, to a total value of \$658,000.

**Senator CARR**—How many of those were on the basis of open tender?

**Dr Sandland**—Initially, in view of the services required by Dr Garrett as incoming chief executive for the organisation, Dr Garrett wished to appoint Mr Dean to carry out an initial consultancy based on his positive experiences with Mr Dean previously. Subsequent to that,

we put in place a process of preferred suppliers to CSIRO in this general domain, and Mr Dean was successful in being listed as one of those preferred suppliers.

**Senator CARR**—So the original contract was let by Dr Garrett. Is that what you have told me? I just want to be clear about this. Then Mr Dean was put on a list of preferred suppliers. How many others were on the list of preferred suppliers in this area?

**Dr Sandland**—It is of the order of seven or eight.

**Senator CARR**—He gets \$658,000 worth of contracts by virtue of being on the list. That is the nature of the competition, is it? You put him on a list, and then you give him a contract?

**Dr Sandland**—He is on the list, and in each instance a process is undertaken to select the most suitable person from the list.

**Senator CARR**—Who made the decision in the case of each of the contracts?

**Dr Sandland**—Different decisions were made by different people. For example, Mr Dean, as part of that total set of activities, was hired by the Chief of Forestry and Forest Products, Dr Paul Cotterill, to support change management for CSIRO Forestry and Forest Products. That decision was taken by Paul Cotterill. In relation to executive coaching around divisional leadership in CSIRO Livestock Industries, the decision was taken by Shaun Coffey, the Chief of CSIRO Livestock Industries.

**Senator CARR**—Could I have a list of the contracts and the person who made the decision, and whether or not there was an open tender process in each and every case?

**Mr Sandland**—Yes. I should just correct something. In relation to the leadership and development framework and the initial contract, Mr Dean was actually engaged by Mr Peter O'Keefe, our Director of People Development. However, I was accurate in describing that as based on the Chief Executive's recommendation.

**Senator CARR**—Thank you very much for that clarification, but it was on the recommendation of the Chief Executive. Is that right?

**Mr Sandland**—Correct.

**Senator CARR**—You have given me these aggregates, but I am specifically looking for the total amounts of fees, airfares, accommodation expenses and allowances paid by Mr Dean in the period from 2001 to now. Has Mr Dean ever been provided with an official CSIRO residence?

**Mr Sandland**—Not to the best of my knowledge.

**Senator CARR**—Has he used CSIRO accommodation?

**Mr Sandland**—If you are referring to whether he has ever stayed the Chief Executive's residence, I believe he has.

**Mr Baghai**—That is not an uncommon practice. I have stayed there many times. It is a way for us to save money occasionally in Canberra.

**Senator CARR**—That is fair enough. I do not really care much who stays with the Chief Executive, to tell you the truth. It is whether or not he was getting accommodation allowances at the same time.



**Mr Sandland**—My understanding from the Chief Executive was that he did not.

**Senator CARR**—Thank you. I appreciate your candour. I come back to those matters in regard to AMC. How much has CSIRO now invested in the AMC process technology, if we include Commonwealth loans through CSIRO, CSIRO's own funds, staff time and access to CSIRO's facilities and equipment? What is the total amount of money that you have committed to the project?

**Mr Toll**—Apart from the loan amounts, I do not have that information with me today.

**Senator CARR**—Note 15 of your annual report suggests that there was an arrangement between CSIRO and AMC where a fifty-fifty share arrangement was in place for the technology. Is that right?

**Mr Toll**—Yes, that was part of the arrangement.

**Senator CARR**—What is the current value of the technology?

**Mr Toll**—We do not record the value of the technology on our books.

**Senator CARR**—So you cannot give me any indication of how much you have spent on the project. What is the order of it at this time?

**Mr Toll**—In addition to the \$75 million, not at the moment, no—but that information can be provided.

**Senator CARR**—Thank you. Are you intending to acquire the technology outright, given that AMC has collapsed?

**Mr Toll**—I do not believe that is our intention at this time.

**Senator CARR**—In terms of the legal position that CSIRO now finds itself in, is there any limitation upon CSIRO entering into joint ventures with partners other than AMC in respect of the use of this technology?

**Mr Toll**—I think it is probably a matter at this stage of seeing what happens with AMC in the short term and future options would then be considered. There are various processes that AMC would be going through at present.

**Senator CARR**—Mr Toll, I appreciate that there are options before you. My question went to the legal questions. Are you aware of any legal restrictions upon CSIRO entering into any joint ventures with partners other than AMC in respect of the use of this technology?

**Mr Toll**—I am not aware of that.

**Dr Sandland**—We can find that information for you.

**Senator CARR**—What is happening with the research laboratory that CSIRO was managing for AMC? Is it still operating?

**Dr Sandland**—We do not appear to have that information. We can take that on notice.

**Senator CARR**—Thank you. Is the contract that CSIRO is using to undertake research on behalf of AMC still operational?

**Mr Toll**—My understanding is that if AMC manages to restructure itself and goes into commercial production then the royalty streams would continue to be owed to CSIRO in the future.

**Senator CARR**—So that is the legal position at the moment. Their contract still operates.

**Mr Toll**—Yes.

**Senator CARR**—Are you still spending money on this technology?

**Mr Toll**—To my knowledge, no.

**Senator CARR**—So, as far as you know, you are no longer committing any funds to the development of this project.

**Mr Toll**—Yes.

**Senator CARR**—I am looking at your contingent liabilities in the report and there seems to be a 400 per cent increase in contingencies against employment, contractual and motor vehicle disputes. Can anyone explain that to me? It is in the annual report—note 15 on page 130.

**Mr Toll**—Could you repeat the question?

**Senator CARR**—Why has there been a 400 per cent increase in contingencies against employment, contractual and motor vehicle disputes?

**Mr Toll**—Note 15 relates to the AMC. There is a note 23—

**Senator CARR**—My apologies; you are dead right. It is note 23 on page 134.

**Mr Toll**—So this is ‘Estimated legal claims arising from employment, motor vehicle accidents and contractual disputes’, which is \$980,000 against the previous year of \$205,000. I do not have information on that at the moment, but we could provide that.

**Senator CARR**—It just seems like a hell of a lot—a 400 per cent increase.

**Mr Toll**—It does, yes.

**Senator CARR**—I have a series of questions about the information provided in the annual financial report. In regard to the external earnings targets, can you advise me as to why it is that the external earnings targets seem to remain so static? In previous years I have asked you questions about the application of the relevant indices to give us a real impact on external earnings targets. You advised me in the past that I should not use CPI but use gross non-farm product deflators, which are included in figure 3 of the annual report. That is your preferred model for calculating indices, is it not?

**Mr Toll**—The revenue estimates that we prepare are not based on indexation as such; the revenue estimates for external earnings from co-investment and consulting are based on what we believe we will be able to achieve. The revenue relating to the appropriation is indexed according to a government formula, as you have just said.

**Senator CARR**—That is true. If you apply the non-farm product deflator to the external earnings figures using the base figure for the deflator of 2001-02, it shows that external earnings have stalled over the last 12 months and that they have only grown 10 per cent in the four years since 1998-99 and five per cent since 1999-2000. I can go through those

calculations for you in detail, but in essence I understand the situation to be that there has been effectively a growth of \$20 million in that period, using the base figure of 2001-02. Given that you have told us repeatedly how important it is to have the external earnings revenue growing, that it is a major driver of CSIRO expansion, how do you explain the relatively flat performance since 2001-02?

**Dr Sandland**—The external revenue figures do in fact show significant growth, particularly in some of the sectors that we are targeting. For example, for the Australian private sector the external revenue grew from \$68.6 million to \$77.8 million over that period of time, and that has been an area that we are particularly targeting. We have taken a strategic decision to increase the professionalism with which we tackle our business development and commercialisation functions in the organisation. It takes a little while for that to actually kick in, but with a figure like that we are certainly heartened. And we are heartened by the year-to-date figures in 2003-04 financial year in the growth of our external revenue: we are certainly running very significantly ahead of the same period last year. We are starting to see some real signs of this kicking in. I think that we have to be wary of taking a short-term view of the growth in our external revenue, and statistical artefacts can always be found to support an argument that we are not actually getting there. There is a range of overall signals that suggests that our external growth is well and truly starting to kick in.

**Senator CARR**—I am not taking a short-term view of this. I have gone back over recent years and I see that there is a relatively flat trend line here. However, your strategic plan is now suggesting that there is going to be growth of 10 per cent per annum over the next four years. That is obviously not reflected in the experience of the last four years. Why do you think you can get something done in the next four years that you have not achieved in the last four?

**Dr Sandland**—As I explained to you, it is a long-term view. It is a program of enhanced professionalism in business development and commercialisation that we are adopting. Indeed, I think the year-to-date figures for 2003-04 indicate, although it is early days, that we are on track for an increase of that order of magnitude.

**Senator CARR**—That is fair enough. I notice that in the past year the external earnings have risen by about \$8 million. That does not exceed the rate of inflation, does it? Does that figure of \$8 million keep up with the inflation rate?

**Mr Toll**—I believe the increase was of the order of three per cent between those two years. I think the inflation rate was in the two per cent range. So, roughly, it does; yes.

**Senator CARR**—The non-farm effect, not the CPI effect. You have advised me in the past that I should not use the CPI model; that the non-farm deflator would be somewhat—

**Mr Toll**—I think that the two are not overly dissimilar.

**Senator CARR**—No. It is just that you did make this point to me quite strongly in the past. I see in the report on page 39 that the external earnings ratio has fallen. Did you expect that to happen?

**Dr Sandland**—I think that what we have in relation to the apparent fall in the external earnings ratio, which is genuine, is but one measure of the progress that the organisation has

made over that time. I think that one can always take in a plethora of measures, one of which leads to an indication that maybe is not optimal.

**Senator CARR**—What is the target for the ratio in the current financial year?

**Mr Toll**—The external revenue target for the current financial year is \$313 million.

**Senator CARR**—What is the ratio?

**Mr Toll**—The ratio is 35 per cent.

**Senator CARR**—What is the current ratio?

**Dr Sandland**—The current ratio is 34.1 per cent.

**Senator CARR**—So you expect an increase of one per cent in the ratio, do you?

**Dr Sandland**—Yes.

**Senator CARR**—I see that IP revenues are down 18 per cent.

**Dr Sandland**—IP revenues are characterised by, essentially, two sources. There are one-offs, around which there is very significant lumpiness. Then there are what Mr Baghai and his team are attempting to build up: annuity revenues, which are far more certain and far less variable. In such situations the lumpiness and this decrease of 18 per cent are not unexpected. However, if you look at the change between 1997-98 and 2002-03, you will see an increase over that period of time of approximately 200 per cent. We also, in relation to IP revenue, need to look at lead indicators versus lag indicators. There are a number of lead indicators in this space, which I will ask Mr Baghai to expand on in a moment, that are showing very positive signs indeed. In fact, we expect to be well and truly on track to exceed any IP income that we have achieved in the past in this current financial year.

**Senator CARR**—So you can tell me what the target for IP revenue for the current financial year is?

**Mr Toll**—The target this financial year is \$22 million.

**Senator CARR**—Are you on target?

**Mr Toll**—At this stage, after three months of the financial year, we are almost on target. I think we are just short of target by about \$200,000.

**Senator CARR**—What is the cost to CSIRO of doing business these days? Where do I find that? On page 39 of the annual report you give us an annual revenue figure of \$34 million for CRCs. Can you tell me what CSIRO's contribution to CRCs was during the last year?

**Mr Toll**—Do you mean during this current year?

**Senator CARR**—Let us just have a look. I do not particularly care which one it is. What I want to know is how much it costs you. If you say you are making revenues of \$34 million from CRCs, I think it would be reasonable for you to tell us what it cost you.

**Mr Baghai**—We have had this debate a couple of times, Senator—

**Senator CARR**—We have, and I have not got a satisfactory answer.

**Mr Baghai**—so I think a number of times we have discussed with each other what the measure is that you are actually asking for.

**Senator CARR**—What is your spending? That would be a good measure.

**Mr Baghai**—There are actually lots of different ways of measuring the thing you are describing. If you take, for example, what we spend corporately on business development and commercialisation, that is a sum of about \$12.3 million. That really goes towards higher end business development and commercialisation. It does not include the work that goes on in divisions. It does not include the part of time, for example, that division chiefs spend. Just to give you a sense, out of that \$12.3 million, only about \$1.1 million goes towards building up the IP revenues from the patent and equity portfolios—the reason being that that represents less than five per cent of our total revenue base, so you have to be proportionate in what you spend. About \$7 million of that \$12.3 million goes towards targeting revenues more directly through business development of our key segments and some strategic transactions. There is about \$1.7 million that goes into improving the way we do business. For example, you were saying, ‘Where are your external earnings? Where are the increases going to come from?’

One of the things we have historically found is that a lot of people doing business with CSIRO found our contracts to be too complex. On average, for 90 per cent of our transactions—which tend to be under \$200,000—the legal agreements had tended to be somewhere in the neighbourhood of 20 pages long. In a series of pilots in our divisions over the last year, we have been experimenting with single-page contracts which have been received very positively by customers. To give you a sense of it, the closure rate on those contracts is about double what it used to be. That \$1.7 million has gone towards improving our ability to interact with our customers and have them find CSIRO easier to do business with. That is going to be rolled out into the organisation over the next year-and-a-half. So there will be results both in terms of the cost of doing business going down and of increased revenues.

There is another \$2.5 million out of the \$12.3 million that goes into governance aspects of controlling the commercialisation and making sure there is robustness in the collection of various data and the procedures that are followed. So, if what you are asking is how our spend on BD&C gets distributed that way, there is about \$7 million out of the \$12.3 million that goes towards interacting with different customer segments. Primarily those end up being the RDCs, state governments, large corporations and so forth.

**Senator CARR**—I appreciate the detail into which you are going, but I asked a simple question. You say you get \$34 million out of the CRCs. I want to know how much you spend, and you have not been able to tell me.

**Mr Baghai**—Again, you have asked that question a number of times, historically. I am still not clear exactly what you want back, Senator.

**Senator CARR**—I want to know how much you spend. I am sorry—it is an old-fashioned concept and, I repeat, I am a simple fellow—I want to know how much you spend.

**Mr Toll**—In note 25 of the financial statements, in the second last paragraph on page 136—

**Senator CARR**—I will just find that.

**Mr Baghai**—Senator, when you ask this question, I have to try to interpret what you mean if you are looking at a project that is a co-investment. Maybe you can clarify it for me. In a co-investment situation in a CRC, for example, there are multiple parties that come together and jointly invest in making the collaborative project work. Are you asking us: (a) how much money we are putting in as a co-investment into that venture, or (b) what is the transaction cost of negotiating the CRC agreements? I am just not sure which one you are asking.

**Senator CARR**—Look, I want to know how much CSIRO spends on CRCs.

**Mr Baghai**—So he is asking the first: how much we are investing in CRCs.

**Mr Toll**—This note says that CSIRO's total—

**Senator CARR**—Sorry—what page was that again?

**Mr Toll**—It is on page 136 at the second-last paragraph, note 25. It says:

During the financial year—

that is, the last financial year—

CSIRO's total actual 'in kind' and cash contributions to CRCs from its own resources was \$65.1 million ...

**Senator CARR**—Thank you. It is very good of you to point that out for me. That says \$65 million but you made \$34 million.

**Dr Sandland**—As Mr Baghai has explained, it is not a direct expenditure in order to achieve a particular cash outlay. It is a co-investment that leads to the creation of a variety of benefits, including the creation of intellectual property to which we have access and which has a value.

**Senator CARR**—Sure, but you give this parliament a definite figure. You say on page 39 of your annual report that you had external revenues of \$34 million from CRCs. I have asked many times before what it cost you to raise that amount. You have kindly pointed out to me, at page 136, note 25, that you actually spent \$65 million.

**Mr Baghai**—What I am saying, to be very clear, is that we did not spend \$65 million to get \$34 million.

**Senator CARR**—No. You said it in kind.

**Mr Baghai**—Yes, but again it is really important that this is not mischaracterised. A CRC is a co-investment of multiple parties trying to achieve an aim. Most CRCs become an entity either unincorporated or incorporated—

**Senator CARR**—I know what they are.

**Mr Baghai**—Excuse me, Senator, if I may finish.

**Senator CARR**—Yes.

**Mr Baghai**—The CRCs then purchase services from CSIRO. The \$34 million that you have as income to CSIRO is from the purchase of research services by those agencies from the CSIRO. It would be inaccurate, and nonsensical in some ways, to argue that the investment of several parties in a venture is a cost of attracting that revenue. That is not the way this is working. That question might apply in other areas in business development, where

you might ask, 'How much do you spend to raise business from large corporations?' Then I could give you some specifics on that. In the case of CRCs and joint ventures it is more difficult to answer the question that way.

**Senator CARR**—What was the annual cost of patents in defending CSIRO's IP?

**Mr Baghai**—I will have that information for you in one second.

**Senator CARR**—Because we are running out of time, I am going to give you a series of questions that come back to this same proposition. To give us a figure on what you are earning we need to know how much you are spending.

**Mr Baghai**—Yes. Roughly speaking it is just over \$1 million to go and defend the intellectual property, but the cost of the patents themselves could be around \$5 million. If you are asking whether the IP is net profitable, it is. So you would take the 13 and subtract around six or seven.

**Senator CARR**—I would like that across the whole agency, though, please. I would like to know what you are spending to raise external revenues. I have a question which will assist you in getting to the information I am looking for. I have no doubt we will come back and debate it yet again. I notice in a *Financial Review* article of 15 October you indicate to us that the external revenue figure that you were looking for has changed. On page 101 of the strategic plan you say the target of financial scenario shows anticipated revenue of \$1.076 billion. In previous estimates you have given us a figure of \$1.3 billion. I am wondering what has happened to that \$224 million.

**Dr Sandland**—That is correct. I would like to place on record that the \$1.3 billion target that we alluded to was in fact an aspirational target. It has clearly achieved its end in increasing the focus on and the professionalism in our business development and commercialisation activities. We no longer have the \$1.3 billion target as a target. The \$1.076 billion to which you allude is in fact the new target.

**Senator CARR**—Is that an aspirational target as well?

**Dr Sandland**—That is the target on which we have now done the analysis, and that is the target against which we wish to be judged.

**Senator CARR**—You wish to be judged against that target.

**Dr Sandland**—Against the \$1.076 billion.

**Senator CARR**—It is not a stretched target; it is solid.

**Dr Sandland**—It is a stretched target in a number of ways. We do not put forward targets that we know we can achieve easily. Our strategic plan indicates the directions that we wish to take between 2003 and 2007. The plan indicates a number of major initiatives that we intend to undertake and that we are actively undertaking. It involves all components of our budget and, therefore, not all of those are within our control. For example, if you take the \$1.3 billion target, a component of that was the government's capital use charge, which has been dropped. This is neutral to CSIRO, but it immediately subtracted \$100 million plus from our external revenue target.

**Senator CARR**—In the previous guidelines I saw IP revenue targets 2001 to 2003. The three targets you gave were \$8 million, \$19 million and \$14 million. In the latest report, though, I see that these figures have now changed: instead of \$9.3 million, we have \$8 million; in the next year, \$16 million becomes \$19 million; and \$13.8 million becomes \$14 million. You could well argue that some of that is just rounding, but there seem to be quite considerable departures from your targets for IP. We have seen it previously in external earnings. Does that flow right through all of your targets for external earnings? You are now adjusting them.

**Dr Sandland**—As I said, when we originally set the \$1.3 billion target, we had a clear desire to put an aspirational stake in the ground. We have now come back and done the analysis, and we understand precisely how we are going to get various levels of growth and we have looked at a number of scenarios. This is the scenario we believe it is appropriate to work with now.

**Senator CARR**—I will put some more questions on notice in that regard. I am surprised at how stretched these targets have become. In the ‘Operational plan, market research and staff surveys’—and would you make sure that Dr Garrett understands that I appreciate his providing me with a copy of the plan—how much was committed to market research?

**Dr Sandland**—I do not have the answer to that question in front of me. I am not sure whether Mr Toll or Mr Baghai might have that information. No, it appears that we do not have that information. We would have aggregated it out from a variety of sources. For example, divisions would often undertake market research. We run our customer value survey program to look at the quality of work as perceived by our customers and the value for money. We have a variety of market research activities being undertaken at any one time.

**Senator CARR**—So you cannot tell me how you budgeted for it?

**Dr Sandland**—I do not believe we have budgeted for it as a line item.

**Senator CARR**—Can you tell me who will do the market research for you?

**Mr Baghai**—What you are hearing is that market research happens in a lot of different places in the organisation. As an example, sometimes we find pieces of intellectual property that we think could be worth significant sums. In order to validate or confirm whether that is the case, we would then conduct a piece of market research to understand that.

**Senator CARR**—Let me talk to you about specific market research, then. It is always helpful to be specific about these sorts of things. How many years have you been undertaking market research into what the public thinks of CSIRO?

**Dr Sandland**—Some work in the area of what the public thinks of CSIRO was carried out in the national awareness program. We have recently carried out some work in relation to the perception of articles appearing in the media as being positive or negative. Of course, we carry out independent research, our so-called ‘insight poll’, that looks at the way the staff feel about the changes in their employment in CSIRO and a variety of factors of that nature.

**Senator CARR**—Have you also taken on work as to what the government thinks of CSIRO?

**Dr Sandland**—In the past.



**Senator CARR**—Have you looked at what professional organisations and universities think of CSIRO?

**Dr Sandland**—That could well have formed part of market research we have done in the past.

**Senator CARR**—Who receives these market research reports?

**Dr Sandland**—It depends on who commissions them, how they were commissioned and what the level of confidentiality associated with those reports might be. It differs from report to report.

**Senator CARR**—Have you ever released any of them?

**Dr Sandland**—I do not believe that we have publicly released reports of that nature. I could be wrong. I would have to take it in relation to a specific question. But, generally speaking, market research reports are confidential to the agency that commissions them.

**Senator CARR**—Can you confirm that work has been undertaken at different times by Market Attitudinal Research Services Ltd, known as MARS?

**Dr Sandland**—I cannot confirm that. I do not know if either of my colleagues can.

**Senator CARR**—It is not on the list of consultancies you have there?

**Dr Sandland**—I do not believe so.

**Senator CARR**—What about AC Nielsen?

**Dr Sandland**—Allow me to check the consultancies that have been undertaken on the list that I have in front of me—no, I certainly cannot see either of those on the list of consultancies that I have in front of me.

**Senator CARR**—I ask you formally, then, to provide us with copies of the research reports that you have undertaken in the last four years in the areas I have mentioned. You say you do not have a contract with Market Attitudinal Research Services.

**Dr Sandland**—I am saying that we have not done so in the sense that the organisation is multifaceted and divisional chiefs have considerable autonomy in carrying out—

**Senator CARR**—Dr Sandland, the nature of public agencies is that you provide reports to parliament. One of those basic requirements is that we know what you are spending on consultancies. You are telling me that you, as the deputy CEO, do not know what you are spending on consultancies?

**Dr Sandland**—I gave you the figures for consultancies.

**Senator CARR**—I am asking about two specific consultancies. You are saying they are not on your list.

**Dr Sandland**—I am unaware of those particular consultancies.

**Senator CARR**—But you cannot tell me that they have not been engaged by CSIRO.

**Dr Sandland**—I do not have that information.

**Senator CARR**—Take that on notice for me please. I would like copies of the reports undertaken by either of these two consultants. I understand that the latest staff insight survey has been completed. Is that true?

**Dr Sandland**—The insight poll has been completed, and we have a preliminary report on the outcomes.

**Senator CARR**—It has been put to me that it went to executive managers at their two-day meeting on 27 and 28 October. Is that right?

**Dr Sandland**—That is correct.

**Senator CARR**—It was also put to me that the survey result is being withheld from staff until after the estimates. Is that correct?

**Dr Sandland**—The survey results were put together. Let me take a step back from that. As we developed the insight poll result, the percentage of staff who had responded to the poll was a bit lower than what we would have liked and would not have given us a statistically representative account of what our staff were feeling. We therefore extended the period in which staff could respond. Because we extended that period, our consultants, ISR, had insufficient time to prepare full briefings for our chiefs and to release the material. The results of the inside poll were anything but bad, so we would have been delighted to have had these on the table.

**Senator CARR**—If that is the case, you would be delighted to give me a copy.

**Dr Sandland**—I will certainly provide you with a copy.

**Senator CARR**—What was the cost of putting the strategic plan together?

**Dr Sandland**—Roughly speaking, it was \$100,000.

**Senator CARR**—How many drafts were prepared?

**Dr Sandland**—It was a highly iterative process; therefore a large number of drafts were prepared as we went through the process of finalising them.

**Senator CARR**—Would seven be too many?

**Dr Sandland**—In the total process of putting the plan together, seven would have been a significant underestimate of the number of drafts.

**Senator CARR**—I have been misinformed then? It was more than seven?

**Dr Sandland**—As I said, it was a highly iterative process. In terms of the finalisation of the strategic plan, a significant exercise was undertaken by Dr Garrett and various members of the executive to reach 200 to 300 of the most senior and influential people in the organisation. There was a finalisation process, which is maybe where the ‘seven drafts’ comes from.

**Senator CARR**—I am told that the cost is about \$5,000 for each of these versions. Would that be a fair estimate?

**Dr Sandland**—That could well be a fair estimate.

**Proceedings suspended from 4.02 p.m. to 4.14 p.m.**

**Department of Education, Science and Training**

**Senator CARR**—In the *Mapping Australia's Science and Innovation System* draft report, I noticed that Mr Cook was listed as a observer at the reference group. Are you able to take questions on that? Mr Cook, are you still handling that or is it Dr West?

**Mr Cook**—Dr West is heading the task force, but Dr West reports to me, so between us we should be able to answer.

**Senator CARR**—When will the final report on *Mapping Australia's Science and Innovation System* be released?

**Mr Cook**—Our expectation is that it will be released before Christmas this year.

**Senator CARR**—Have any significant changes been made between the draft report—a copy of which you know I have—and the final report?

**Mr Cook**—Yes, there have been changes in a number of dimensions in both adding additional material and refining the draft analysis.

**Senator CARR**—Have there been some deletions?

**Mr Cook**—No. The copy I understand you have was put out to a broad range of stakeholders for comment and input and was discussed by the reference group, which is chaired by the Chief Scientist. Those inputs have been put in.

**Senator CARR**—What is the nature of the deletions?

**Mr Cook**—I am not aware that there have been any deletions, but I will check that with Dr West. There have been no deletions.

**Senator CARR**—None at all?

**Mr Cook**—No.

**Dr Harmer**—Again, there is no conspiracy around this one either. This is going through a process.

**Senator CARR**—I am pleased to hear that. The interim report was nearly 350 pages long. How many pages will this one be?

**Mr Cook**—Very substantial. Perhaps Dr West can give you those figures.

**Dr West**—It is about 450 pages.

**Senator CARR**—So it has grown by 100 pages. How many staff have been involved?

**Dr West**—Over the period of time of the task force there have been 12 people on the task force, but it is not that number now.

**Senator CARR**—Who authored the report?

**Mr Cook**—It has been put together by the task force under the guidance and direction of the reference group chaired by the Chief Scientist.

**Senator CARR**—But it is done within the department?

**Mr Cook**—Yes.

**Senator CARR**—The draft report I have says: ‘The investment in and maintenance of Australia’s research infrastructure appears to have declined, and we are facing significant challenges in building adequate broadband infrastructure to support e-science and leverage access to international infrastructure.’ Has that been changed?

**Mr Cook**—The report has found that the capital component of the investment going into infrastructure has been declining, and that would suggest that there are issues about further investment in capital infrastructure for the future.

**Senator CARR**—It is a clear case of government neglect, isn’t it?

**Mr Cook**—I would not say that. The figures we have are aggregate figures—and perhaps Dr West will have further insights into those. The aggregate figures are ABS figures, but we have collected them and done the analysis of them in a way which has not been attempted so comprehensively before.

**Senator CARR**—Was it the case that that particular conclusion was placed in the report on the insistence of the private sector members of the task force?

**Mr Cook**—No, I do not think so. I think it emerged from the analysis that Dr West’s task force had done of the numbers. It certainly was discussed by the reference group and by other stakeholders that we consulted about the report.

**Senator CARR**—There is great emphasis there on the incompatibility of our broadband networking with our international competitors. How many representations has the department had on that matter?

**Mr Cook**—I cannot answer that specifically.

**Dr West**—The whole project of the mapping task force was not actually done on calling for submissions. We did have some comments from different people on the broadband issue.

**Senator CARR**—How many?

**Dr West**—I cannot answer that directly, but less than half a dozen.

**Senator CARR**—So what data did you call upon?

**Mr Cook**—We called upon the data that was available, including information provided by the Department of Communications, Information Technology and the Arts.

**Senator CARR**—It has been put to me that we are 1,000 times below our international competitors in some regions in Australia—for instance, North Queensland. Would that be a fair conclusion?

**Mr Cook**—Dr Arthur may be able to help you with that. He is a broadband expert.

**Senator CARR**—Dr Arthur, what is your judgment? Are we 1,000 times below?

**Dr Arthur**—Senator, you mentioned North Queensland. In fact, the minister announced some months ago funding to provide a 2.5-gigabit—that is a billion-bit—per second connection between Brisbane and Townsville. That connection is being developed in coordination with the Queensland government and should be completed before the end of this calendar year. That will be, by world standards, an extremely high capacity connection.

**Senator CARR**—And to Tasmania?

**Dr Arthur**—The issue of broadband connection to Tasmania is being discussed between us and the Commonwealth government, and those discussions are progressing very well.

**Senator CARR**—What is the capacity at the moment?

**Dr Arthur**—It is a capacity in the megabits at the moment; I cannot tell you exactly how many hundred megabits the connection is. Certainly, in terms of the connection provided under the auspices of the university owned carrier AARNet, it is a connection to Tasmania which is lower than their connection to mainland capitals, and that is an issue which has certainly been considered by the group that is currently advising the minister on the broadband issue, the Australian Research and Education Network Advisory Committee.

**Senator CARR**—And our connection through to Europe via Singapore?

**Dr Arthur**—Most of our connection to Europe goes across the Pacific and then via the United States. There is a connection through to Singapore. AARNet does have capacity on the cable between Perth and Singapore. However, that is an old cable and does not readily allow very high-speed communications. At the moment, most of the connection goes by way of the Pacific. AARNet has a several hundred megabits connection to the Pacific, and at the moment the issue of the upgrading of our connection across the Pacific is also being considered by ARENAC.

**Senator CARR**—What is the current capacity? How far below the international standards is the connection through to Singapore?

**Dr Arthur**—The question of ‘below international standards’ is not really a meaningful one, in that the connection to Singapore is not something with which, in terms of the degree of traffic at either end, you could readily find a comparison around the world.

**Senator CARR**—So you do not have a comparison? You say it is not meaningful—or is it that you don’t have one?

**Dr Arthur**—Between which countries and Singapore—

**Senator CARR**—Australia and Singapore.

**Dr Arthur**—Yes, but compared with what other countries and Singapore?

**Senator CARR**—We compare, for instance, our connections across the Pacific. What is the relativity of those two channels?

**Dr Arthur**—I would need to take that on notice to get the exact figures for you, Senator. The government has agreed to provide \$42.5 million over the next two years to develop a high-speed communications network connecting all Australian university campuses and major research facilities. There have been two announcements to date on actual projects giving effect to that commitment: the one to Queensland that I mentioned and a project to provide again a multigigabit connection from Sydney to Wollongong. I have no doubt that further announcements of projects giving effect to that decision will be forthcoming.

**Senator CARR**—So the \$42 million has already been allocated?

**Dr Arthur**—It has been agreed that it can be provided for this purpose. The funding is coming from the systemic infrastructure initiative funding.

**Senator CARR**—Yes, I understand that. So there is no additional funding planned?

**Dr Arthur**—That is funding which the government has made available specifically for this purpose.

**Senator CARR**—That is right. And all of that has not been allocated yet, has it?

**Dr Arthur**—That is correct.

**Senator CARR**—But the total program is \$42 million?

**Dr Arthur**—The currently announced commitment of the government is \$42.5 million.

**Senator CARR**—How much do we need to spend to bring our broadband connectivity up to international standards?

**Dr Arthur**—The figure of \$42.5 million was the figure recommended by the Higher Education Bandwidth Advisory Committee as being a desirable figure to bring Australian domestic telecommunications for universities up to a gigabit standard which is comparable with any network in the world. The minister received expert advice that \$42.5 million was the funding necessary to do that and he accepted that advice. He has also received advice concerning international connections and that as yet has not been announced, and I am not able to go to the details of that.

**Senator CARR**—So you cannot tell me what the international connections costs are?

**Dr Arthur**—No, because part of the costs that would be involved are flowing from discussions which the carrier which works the universities' AARNet has with international suppliers and, until that is announced, those particular discussions are commercial-in-confidence.

**Senator CARR**—How many carriers have we got that carry the universities' bandwidth? It is a monopoly, isn't it?

**Dr Arthur**—AARNet is a not-for-profit company owned by all of the universities and acts as the agent for universities.

**Senator CARR**—Why would it be commercial-in-confidence then?

**Dr Arthur**—Because AARNet gets its connectivity from the market and to get it from the market it deals with for-profit companies which offer telecommunications services and it does so by normal commercial processes.

**Senator CARR**—I see your point.

**Senator HARRADINE**—I want to turn briefly to the bandwidth advisory committee recommendations. They had certain priorities, as you know. Are the priorities in relation to Tasmania proceeding well? Has the government accepted the recommendations and pursued them vigorously over the last few months?

**Dr Arthur**—The government did accept the recommendations of the Higher Education Bandwidth Advisory Committee in toto and those recommendations included that connections to Tasmania be pursued as a matter of priority. That decision of government has been implemented. Indeed, there has been an intense round of discussions involving Commonwealth officials, the University of Tasmania and Tasmanian officials about solutions,

both short term and long term, for Tasmania. We are confident that those discussions will come to a successful conclusion.

**Senator HARRADINE**—A satisfactory outcome. When is there likely to be an announcement about that?

**Dr Arthur**—I am not able to speculate on that.

**Senator CARR**—But it is work in train; it is not new work or new initiatives. It is work that has been in train for how long?

**Dr Arthur**—The Higher Education Bandwidth Advisory Committee did its work last calendar year and made recommendations to government, as I recall, in December of last year. The minister made decisions accepting those recommendations at the same time. Since then we have been in the process of implementing those decisions.

**Senator CARR**—That is right. So you are implementing decisions already made?

**Dr Arthur**—The funding decisions provided an amount of funds and provided quite a detailed concept of how bandwidth would be provided, all of which is publicly available from the DEST web site. We are implementing that plan.

**Senator CARR**—I have a number of questions on the mapping exercise, but because time is getting away from us tonight I ask: has there been a consultancy issued to commission a 20 to 22 page precis of the report?

**Mr Cook**—Yes. A consultant was engaged to help bring the summary together.

**Senator CARR**—Who was that consultant?

**Mr Cook**—I will have to ask Dr West for the details.

**Dr West**—The name of the company was Biotext.

**Senator CARR**—How much was spent on that consultancy?

**Dr West**—I think it is \$4,600.

**Mr Cook**—I just found it in my notes. It is \$4,642.

**Senator CARR**—So \$4,642 has already been paid.

**Dr West**—It has not actually been paid.

**Senator CARR**—It has been approved for payment? It is an invoice that has been issued?

**Dr West**—We have not actually got the invoice yet, but it is in process now.

**Senator CARR**—What was the title of the work?

**Dr West**—It was *Science innovation mapping: summary report*.

**Senator CARR**—A highly sophisticated title. What was the contract number?

**Dr West**—I do not have that here.

**Senator CARR**—Can you give that to me on notice? It is not particularly relevant at this point, but it may well be when I put in the return to order.

**Dr West**—Yes.

**Senator CARR**—When was it submitted to the department?

**Mr Cook**—We will take that on notice. Recently.

**Dr West**—In the last two weeks. I cannot remember the exact date.

**Senator CARR**—When did it go to Minister Nelson's office?

**Dr West**—Again, I do not have that date here, but within that period as well—almost straight afterwards.

**Senator CARR**—So in the last two weeks.

**Dr West**—Yes.

**Senator CARR**—When was the department advised by the minister that the precis document was not to be released?

**Mr Cook**—The summary document is intended to be released.

**Senator CARR**—This report will be released?

**Mr Cook**—We have done more work on it and a summary document will be released—

**Senator CARR**—So it is being edited, is it?

**Mr Cook**—No, it has actually increased in length, I think, on what we had before.

**Senator CARR**—Being clarified?

**Mr Cook**—We have put more charts and things in it to make it a bit more readable.

**Senator CARR**—So the report was not rejected by the minister. Is that what you are saying to me?

**Mr Cook**—That is correct. And I did not particularly like it either.

**Senator CARR**—I will put the rest of my questions in regard to the report on notice. Thank you very much. That concludes my questions for the Science Group.

**Senator HARRADINE**—How much did the Major National Research Facilities Program centre for the multiplication of stem cell lines involve?

**Mr Manns**—That is a total grant of \$5.5 million.

**Senator HARRADINE**—Where is that money at the present moment?

**Mr Manns**—At the moment, only the initial payment of \$1 million has been made.

**Senator HARRADINE**—To whom?

**Mr Manns**—To NSCC Ltd. The National Stem Cell Centre is now the contracted entity to run the MNRF.

**Senator HARRADINE**—But that amount of \$5.5 million was for a specific purpose.

**Mr Manns**—Yes, it is still for the same purpose. As I think Minister McGauran has advised you in writing, in around June this year there were significant delays in finalising the contractual arrangements. During that time, of course, the NSCC—the National Stem Cell Centre—had progressed and the ARC and Biotechnology Australia had contracted with the NSCC. The decision was taken that it was sensible, given the relationship that existed



between the two activities of what was formerly to have been known as the National Centre for Advanced Cell Engineering, rather than requiring the establishment of a separate incorporated entity to receive the major national research facility grant, that the MNRFF would, in fact, become established as a division of the NSCC and the MNRFF grant contract would be with the NSCC.

**Senator HARRADINE**—I will come back to that. When was the undertaking given by Dr Shergold to this committee reneged upon? Do you understand that Dr Shergold made a firm commitment? On 5 June 2002 he said: ‘I am able to confirm that harvesting activity will not take place in either facility.’ ‘Harvesting activity’ means the killing of a human embryo to develop a stem cell therefrom. The undertaking was given and it was a very firm statement by Dr Shergold as your predecessor, Dr Harmer.

**Dr Harmer**—It was. I am aware of it. It was made, in answer to a question, with the best available information at the time. Dr Shergold made it, I think—provided the answer—having made contact with the body et cetera. The situation has changed since. Dr Shergold can give answers to questions, but he cannot make commitments on the part of governments or other organisations. He answered with the best available information at the time, and the situation has changed.

**Senator HARRADINE**—But he answered on advice.

**Dr Harmer**—He did. He answered on advice from the NCACE, I think.

**Mr Walters**—Would it help if we just gave a little bit of the history?

**Senator HARRADINE**—Can we not have an expectation that commitments made by departmental secretaries will be kept, particularly when no notification to anybody, including the committee, has been provided?

**Dr Harmer**—Senator, it was an answer to a question, given with the best available information. I do not think it would be accurate to describe it as a commitment. He confirmed that, as far as he was aware, there would be no harvesting activity in either facility. That was certainly the case on the best available information at the time.

**Senator HARRADINE**—There were no ifs or buts about it; it was quite clear.

**Mr Walters**—But the situation has changed since Dr Shergold gave that undertaking. Since the undertaking was given, legislation has been enacted by the Commonwealth and most states permitting embryonic stem cell research—in the case of the Commonwealth, the Research Involving Human Embryos Act 2002 and the Prohibition of Human Cloning Act 2002. In addition, the NCACE has been established as a major national research facility division of the NSCC, rather than a separate entity as originally proposed, but with a separate deed of agreement with DEST. Together, these changes have meant that the major national research facility would be able to harvest embryonic stem cells. In fact, there is little point in it being prevented from doing so when the remainder of the NSCC can do so lawfully.

The minister advised you of this change by letter on 17 June 2003. We gather you have since written twice, seeking to have the facilities deed changed. The minister has responded to the most recent letter, noting that Dr Shergold’s statement to you in June 2002 was an accurate answer in the light of the information available to the department at the time.

Basically, the situation has changed but Dr Shergold's statement was certainly accurate in the light of the information he had at the time.

**Senator HARRADINE**—So he knew nothing about the Research Involving Human Embryos Bill?

**Mr Walters**—The bill was passed by the parliament, and that has changed the situation.

**Senator HARRADINE**—I know when it was passed. Did Dr Shergold know of the provisions of the draft bill at the time he gave that assurance? If he did, why are you using that as an excuse for an incorrect response to my question?

**Mr Walters**—Even if he had known that at the time—

**Senator HARRADINE**—Did he or did he not?

**Mr Walters**—He could not have known whether it would be passed by the parliament at the time, so the information he gave you was certainly accurate.

**Senator HARRADINE**—So you are placing in his mouth now a statement that he really did not know about the legislation or the outcome of the legislation.

**Mr Walters**—Certainly what he said was accurate in the light of the information he had available at the time.

**Mr Manns**—It is really a combination of the fact that the parliament has now enacted the legislation and the fact that what was to have been the NCACE has effectively been merged into the NSCC. That decision was taken subsequent to questioning of Dr Shergold back in June last year.

**Senator HARRADINE**—Dr Shergold would have known about the legislation. He would have known, if there was any doubt about what he was saying, that those buildings, which were paid for by the money in the major national research facility, would not be used for the harvesting of cells from human embryos to their destruction. If he knew that this legislation was coming on and he wanted to qualify it, he would have qualified it. But he did not qualify it. The decision, his statement, was overruled somewhere along the line. When was the decision made to hand over the MNRF buildings or facilities to the National Stem Cell Centre? When did that occur?

**Mr Manns**—The discussions about that possibility were in the early part of this year. My recollection is that the final approval for us to enter into the contract with the NSCC would have been in or around June this year. The minister wrote to you advising you relatively soon after that decision had been taken.

**Senator HARRADINE**—Wasn't the statement of Dr Shergold drawn to the attention of those involved?

**Mr Manns**—We were certainly aware of the statement that Dr Shergold made. It was treated as a statement of the circumstances that applied the best part of 18 months ago. As I have said, circumstances changed considerably in that intervening time. The fact that the NSCC was lawfully able—subject to getting the necessary licences and so on—to conduct the activity and would now be operating the Major National Research Facility showed that circumstances were very different than had been the case in June 2002.

**Senator HARRADINE**—What was the difference?

**Mr Manns**—I have just explained that to you, Senator.

**Senator HARRADINE**—Are you saying that Dr Shergold, knowing what was in the legislation and what was likely to occur—it was common knowledge anyhow; even I knew it—anticipated that that would have meant that the money from the Major National Research Facility would go to the National Stem Cell Centre?

**Dr Harmer**—I do not think it was in contemplation at the time that the MNRF grant would end up being by way of a contract with the NSCC.

**Senator HARRADINE**—But that is not the point. The point that you and the secretary—or perhaps it was Mr Walters—have been making is that legislation has gone through and that changes the situation altogether. Dr Harmer, all I am saying is that had the secretary, Dr Shergold, known—which he did; he knew quite well—that the legislation—

**Dr Harmer**—I do not know whether he knew or not.

**Senator HARRADINE**—Did you know?

**Dr Harmer**—No, I did not.

**Senator HARRADINE**—Where were you at the time?

**Dr Harmer**—I was probably in the Health Insurance Commission running the agency that runs Medicare payments.

**Senator HARRADINE**—Your department was involved with it—with the NHMRC and others. Your department knew full well. Seeing that Dr Shergold's department knew about this, why wouldn't he have qualified that undertaking? The undertaking was given to the committee and to me. I certainly was not made aware of the transfer of \$5.5 million to the National Stem Cell Centre.

**Dr Harmer**—As Mr Manns has just made it clear, at the time that Dr Shergold gave the answer, there was no contemplation of the \$5.5 million being provided to the National Stem Cell Centre.

**Senator HARRADINE**—But that is not the question that I am asking. I put it to you that had you been in that situation and had you known about the legislation that was likely to be approved, would you not have qualified that statement?

**Dr Harmer**—I do not know. I do not know in what context the question was asked or what information was available to Dr Shergold.

**Senator HARRADINE**—It is all on the record.

**Dr Harmer**—I think it is quite hypothetical for me to answer that question.

**Senator HARRADINE**—I can go away and lose faith in my expectation that commitments made by departmental secretaries will be carried out. If they are not, the obvious courtesy of the situation would be to have a discussion with the committee and those who have been misled. Frankly, I was misled about that.

**Dr Harmer**—I think that is the wrong conclusion to draw given the information we have just provided. I do not think it is at all possible in a situation like this for the departmental

secretary to give a commitment. He can give an answer—which he did, according to the best information available at the time—but I do not think you can claim that that is a commitment. A secretary giving an answer to a question in an estimates hearing cannot commit the parliament and the government to things that might change.

**Senator HARRADINE**—He said that it will not happen.

**Dr Harmer**—He did. If I have the quote correct, he said:

I am able to confirm that harvesting activity will not take place in either facility.

**Senator HARRADINE**—That is right.

**Dr Harmer**—He did that on the basis of the best information available to him at the time. As Mr Walters has just said, he had no idea whether the legislation would be passed. There was no contemplation of \$5.5 million going to the National Stem Cell Centre at the time so Dr Shergold, on the best advice available, gave an accurate answer. It was not a commitment; it was an answer to a question.

**Senator HARRADINE**—It was not an accurate answer, was it?

**Dr Harmer**—It was an accurate answer at the time. It was the best available information.

**Senator HARRADINE**—Yes, well, that is not how I operate, to be quite frank. If I give an undertaking, I give an undertaking. If I make a statement, I stick to it. I would have expected the head of the department to have stuck with that. Who made the decision about the MNRF?

**Mr Manns**—The decision to enter into the contract with NSCC?

**Senator HARRADINE**—Yes.

**Mr Manns**—The Minister for Science approved that.

**Senator HARRADINE**—On whose advice?

**Mr Manns**—He obviously took advice from the department, but he took his decision.

**Senator HARRADINE**—Was there any input into that particular decision by the National Stem Cell Centre?

**Mr Manns**—As I think I said earlier, there was a significant delay in finalising the arrangements for this particular contract. The discussions occurred in the early part of this year with the proponents of the Major National Research Facility. We also had discussions, as I think Vicki Sara and Greg Harper mentioned to you this morning, with the funders of the National Stem Cell Centre. The consensus position basically was reached that it was now a more sensible proposal to proceed to enter into the deed with the entity that was being established—namely, the NSCC Ltd—rather than to require a separate entity to be established.

**Senator HARRADINE**—When were the first discussions held? When was the so-called consensus, presumably between Biotechnology and ARC? We are talking now about \$45 million.

**Mr Manns**—No. This does not affect the ARC and Biotechnology Australia's grant.

**Senator HARRADINE**—No. You mentioned to me just then that there was a consensus between the funding organisations, which were ARC and Biotechnology Australia.

**Mr Manns**—They clearly had an interest because—

**Senator HARRADINE**—I am sorry. Not Biotechnology Australia's recommendation—I presume it was the department's.

**Mr Manns**—Those agencies, as the funders of NSCC—and, if you like, the agencies really bringing into being the NSCC in a sense—clearly had an interest in the fact that we were going to contract with the same entity. I could not give you a precise date on when discussions started. My recollection is that they were in the early part of this calendar year and that it was on or about June this year that the minister took the final decision to enable us to enter into the deed of agreement with NSCC Ltd.

**Senator HARRADINE**—I regard this as a very serious matter. It has never happened to me in my 26 or 28 years here to be told something by the secretary of a department and for that to then be changed under our noses, without any indication of what has happened.

**Mr Manns**—I think, Senator, that the minister wrote to you very quickly after the decision was taken and advised you of the change in circumstances.

**Senator HARRADINE**—That is not what I said. I was not told anything about this. You could have had the commitment that was made incorporated in the funding agreements if the department wanted to be true to upholding the MNRF proposal.

**Mr Walters**—My understanding is that the minister wrote to you on 17 June this year advising of the change.

**Senator HARRADINE**—I have the correspondence. That is right, but all of this was fixed up beforehand, behind closed doors and without reference to the committee. You are talking about \$5.5 million. Where is it going to go? So it is \$45 million—give them another \$5 million, and that is \$50 million.

**Mr Manns**—There is a separate agreement in relation to the MNRF grant. The agreement in relation to that grant is with the department, with DEST, whereas the agreement in relation to the \$45 million is with the ARC and Biotechnology Australia. It is still a separate grant.

**Senator HARRADINE**—Would you provide me with those documents?

**Mr Manns**—With which documents, Senator?

**Senator HARRADINE**—With the funding agreements.

**Mr Manns**—I will have to take some advice on that. They may well contain some commercial-in-confidence material.

**Senator HARRADINE**—Forget that hoary old story.

**Mr Manns**—I simply said I would take some advice.

**Senator HARRADINE**—Time and time again I ask you. Dr Harmer, can you provide that material to us and also the deeds?

**Dr Harmer**—I will take it on notice. If we can possibly provide it to you, we will.

**Mr Walters**—I can answer. You asked what the purpose of the grant was. In short, the facility will combine several measures that Australian scientists and technologists have developed over the years, providing a powerful resource for academic and commercial

research in the areas of bioengineering cells, tissue engineered products and recombinant proteins. Also, the facility will be used to conduct education and training programs, research seminars, postgraduate courses and scholarships and cell engineering. That is really what it is for.

**Senator HARRADINE**—What does that have to do with what we are talking about?

**Mr Walters**—You were asking about the purpose of the grant.

**Senator HARRADINE**—Chair, I will have to leave it there. It is most unsatisfactory. I have never had it happen to me in my 28 years.

**CHAIR**—That concludes questions to the Science Group. I call the Higher Education Group.

[4.59 p.m.]

**Senator CARR**—Mr Burmester, the Senate inquiry into the current bill that is before the parliament took evidence from you a couple of weeks ago, on 17 October. You indicated to the committee that you had undertaken some modelling work on the effects of the government's proposed Commonwealth Grants Scheme. You said that the work had been undertaken on the types of institutions. This is the issue of the regional impact statements. Did I understand your evidence correctly?

**Mr Burmester**—At the time, you were asking questions about whether there was a regional impact statement and the impact on individual institutions. We said that, in the process of developing the policy framework out of the Crossroads review, we looked at the likely impact, in the broad, on the types of institutions of the various proposals that government was considering.

**Senator CARR**—So it was in the broad that you looked at it?

**Mr Burmester**—Yes. I made it clear that we had not done individual modelling at the individual level of institutions.

**Senator CARR**—Did you model cluster 2 provisions—that is, the accounting, administration, economics and commerce groups?

**Mr Burmester**—We were talking about the overall impact of the—

**Senator CARR**—No, we were not. We were talking specifically about the Commonwealth Grants Scheme. I was quite specific.

**Mr Burmester**—Yes, but in terms of the impact of the package of reforms on institutions I cannot say.

**Senator CARR**—You were talking about the regional impact statement with regard to the Commonwealth Grants Scheme and whether or not you had undertaken any modelling with regard to individual institutions, and you told me that you had not.

**Mr Burmester**—That is right.

**Senator CARR**—In fact, you told me, as I understand it—that is why I asked the question and reinforce it again today—that you had undertaken this work at the broad level, not at the institutional level.

**Mr Burmester**—That is right.

**Senator CARR**—Thank you. I am asking you now: did you undertake any modelling of cluster 2 subsidies with regard to the Commonwealth Grants Scheme?

**Mr Burmester**—I am not sure why cluster 2—

**Senator CARR**—I am asking a specific question: did you undertake any modelling of cluster 2?

**Ms Fernandez**—No, we did not.

**Senator CARR**—You did not?

**Ms Fernandez**—No, we did not.

**Senator CARR**—You did not?

**Ms Fernandez**—No, we did not.

**Senator CARR**—Can you tell me, then, if cluster 2 subsidy levels under this proposal would be reduced for the University of Melbourne by 1.4 per cent?

**Ms Fernandez**—Sorry, Senator?

**Senator CARR**—By 1.4 per cent.

**Mr Burmester**—The cluster values were derived from the existing funding rates for institutions under the operating grants scheme that we currently have. There was no change to either the quantum or the value of the clusters, except in the case of teaching and nursing where the government's proposal is to increase the subsidy rate for those two disciplines. So to say that in one cluster in one institution there was a change does not make any sense.

**Senator CARR**—I will ask you this, Mr Burmester—we heard some evidence today about Senator Harradine's concerns about being misled—

**Dr Harmer**—I just put on the record that Senator Harradine was not misled; he was given—

**Senator CARR**—You are saying that he was not. I have indicated to you that I have heard his concerns that he was misled. I am going to ask you this: did the senior minister's review, as of December 2002, request that modelling be undertaken by the department to examine the financial impacts of the reduced Commonwealth subsidy levels for particular disciplines?

**Ms Fernandez**—Yes, they did. I am just trying to stretch my memory back. Yes, they did.

**Senator CARR**—Did you undertake that modelling?

**Ms Fernandez**—You might just have to give me a moment to think about that and what that was in relation to.

**Senator CARR**—I put it to you that that was in relation to the proposed Commonwealth Grants Scheme and, in particular, the effects on cluster 2—

**Mr Burmester**—Senator, can I just confirm something.

**Dr Harmer**—What review were you asking about?

**Senator CARR**—I was asking about the modelling undertaken with regard to the proposed Commonwealth Grants Scheme at that time.

**Dr Harmer**—Were you referring to a decision of some group?

**Senator CARR**—Was it the case that the senior ministers of this government required a modelling project to be undertaken by the department?

**Dr Harmer**—It sounds like you might be asking a question in relation to a decision taken by either cabinet or a cabinet subcommittee. We could not answer that.

**Senator CARR**—I have asked you whether a group of senior ministers in the government has asked you to undertake some modelling work.

**Dr Harmer**—We would not be able to say yes.

**Senator CARR**—But you have already confirmed that you did.

**Ms Fernandez**—No, I did not confirm that we had undertaken modelling, but there was—

**Senator CARR**—You were requested to?

**Mr Burmester**—Can I confirm that, in the package as announced by the government, there were no changes to the funding rates of any cluster value other than nursing and teaching. I think the secretary has said there were deliberations by which they got their matters from cabinet, but the outcome was clearly that there were no changes to the funding values of any clusters other than teaching and nursing.

**Senator CARR**—What is the Commonwealth contribution towards cluster 2—that is, accounting, administration, economics and commerce?

**Ms Fernandez**—\$2,481 in 2005 dollars.

**Senator CARR**—On current dollars, what is the figure?

**Mr Burmester**—The package was calculated for the year that it was proposed to be introduced. We would have to get that figure. I do not think we have got that figure.

**Dr Harmer**—We could probably calculate it for you, but it will take a little while.

**Senator CARR**—In fact, weren't the figures calculated on 2002 dollars?

**Mr Burmester**—No, the disciplined load, on which the costing and the budget estimates were based, was based on the disciplined distribution of 2002. But the dollar values applied were those that will apply in 2005.

**Senator CARR**—I put it to you that the modelling was undertaken on 2002 prices. Are you going to say that that is not true?

**Mr Burmester**—I am not sure how the price estimates were generated at particular stages throughout the package. The presentation of the proposals to cabinet and the decisions announced by the government were based on outturn budget prices. In this case, the case of funding values, they were 2005, which will be the first year that the funding values will come into operation. It is normal to present budget and forward estimates in outturn prices.

**Senator CARR**—It might well be, but I am asking you about the modelling that you have undertaken. The modelling was undertaken on 2002 prices. Is that correct?



**Dr Harmer**—I think Mr Burmester is saying that he does not think so. He would want to give a very accurate answer and we need to check that.

**Senator CARR**—I put it to you, Mr Burmester, while you are checking these figures, that that modelling showed that the University of Melbourne would have a reduction of 1.4 per cent—that would apply only to cluster 2 modelling—and Victoria University, 4.6 per cent.

**Mr Burmester**—As I have said, the decision and policy position of the government was that the cluster values were not altered. So the fact that there may at some point have been some modelling, which I do not recall, is of little consequence.

**Senator CARR**—Are you saying that the figures or the modelling were changed later on?

**Mr Burmester**—There was a decision to maintain the cluster values. There may well have been some calculations done on a whole range of things, but the government's position was quite clear—that the cluster values that were announced in the policy were unaltered, other than teaching and nursing, where they were increased by \$641 at 2005 prices.

**Senator CARR**—What is the cluster 1 value at the moment?

**Mr Burmester**—Cluster 1—Law?

**Senator CARR**—Yes.

**Ms Fernandez**—The figure is \$1,509. When you say 'at the moment', that again is in 2005 dollars.

**Senator CARR**—Yes, but what was it in 2002 prices?

**Ms Fernandez**—We do not have the 2002 prices at hand.

**Senator CARR**—Can you confirm them for me?

**Ms Fernandez**—We can.

**Senator CARR**—And can you confirm for me the humanities in 2002 prices? What is it at the moment?

**Ms Fernandez**—We can get that for you. We do not have the costs of the cluster values for 2002 on hand.

**Senator CARR**—What is the current one?

**Ms Fernandez**—For 2005? The figure is \$4,180.

**Senator CARR**—That makes sense. I maintain that you have undertaken modelling work at 2002 prices. I put it to you, Mr Burmester, that that modelling work showed that the University of Melbourne would receive less on the cluster 2 figures at 1.4 per cent; Victoria University, 4.6 per cent; University of Queensland, 1.7 per cent; University of the Sunshine Coast, 3.7 per cent; University of Canberra, three per cent; Macquarie University, 3.6 per cent—these are all minuses—Southern Cross University, 3.4 per cent—

**Mr Burmester**—They are not the government's decision. They may be of some academic interest; they are of no practical interest.

**Senator CARR**—They are not just of academic interest. I will continue: University of Sydney, 1.4 per cent; and University of Western Sydney, 3.2 per cent. I put a return to order in

on these questions and I was told that we could not have these figures because there was no separate table produced for cabinet; it was built into the cabinet throughout the cabinet's submission. Was this modelling work attached to a cabinet submission?

**Mr Burmester**—The return to order that you raised in the Senate recently was about the regional loading and the regional impact statement.

**Senator CARR**—The regional impact statement. It was not about the regional loading; it was about the Commonwealth Grants Scheme.

**Mr Burmester**—But in terms of a regional impact statement. You are now talking about—

**Senator CARR**—The regional impact statement is what you referred to in your evidence before this committee on 17 October where you said there was no institutional studies undertaken. I am putting to you that there were institutional studies undertaken at cluster 2 of the proposed CGS.

**Mr Burmester**—The proposal the government has announced on CGS is that there is no change to the cluster value. So the impact of those things is no change from cluster—

**Senator CARR**—You are not denying that research was undertaken now, are you?

**Dr Harmer**—What Mr Burmester is saying is that he is not aware of what modelling you are referring to. It may be modelling that was done some time ago. He does not know about it.

**Senator CARR**—It was done this year, not some time ago. It was this year. You have told this committee that no modelling was undertaken.

**Mr Burmester**—We have not said that no modelling was undertaken; we have said that the impact of the government's package was not modelled to individual institutions until after it was announced.

**Senator CARR**—I see. So now there has been individual modelling undertaken?

**Mr Burmester**—We have given you a table with each of the impacts of the CGS on individual institutions.

**Senator CARR**—Are you able to confirm for me that work was undertaken for the CGS in regard to cluster 2?

**Mr Burmester**—I do not recall that work happening. If it did happen, it was in the process of policy development across a range of things that were considered in the development of the Crossroads review. I do not remember that specifically, but that goes to possible models of cluster values, the outcome of which was government endorsed current cluster values, other than in the case of teaching and nursing.

**Senator CARR**—The trouble is that you have already confirmed that the senior ministers of this government asked you to undertake modelling work in December 2002. This is not some time ago.

**Mr Burmester**—I do not recall that.

**Dr Harmer**—Mr Burmester has not confirmed any such thing.

**Senator CARR**—I understood that that had been the case. Are you saying that was not the case? We need to be very clear on this.

**Dr Harmer**—We cannot answer questions about cabinet decisions.

**Senator CARR**—No. I did not ask you about a cabinet decision. You volunteered that information. Ms Fernandez indicated that research had been undertaken as a result of a request by senior ministers. Was that the case or not?

**Ms Fernandez**—No, I said there was no modelling done and there was no research done.

**Senator CARR**—But you confirmed there was a request made.

**Ms Fernandez**—Yes, I did.

**Senator CARR**—Senior ministers did request that the research be done, but there is now a denial that this research was actually undertaken.

**Ms Fernandez**—The research was not undertaken. There was no institutional modelling done, as Mr Burmester said, before the announcement of the package. The modelling that was asked for was not at an institutional level anyway. Senator, I am sorry but I do not know what it is that you have and I cannot work out what it is that you have. I have no recollection of anything that resembles what you are suggesting that you have there.

**Dr Harmer**—If you have something there, we may be able to help. If you will provide it to us, we can have a look at it and be much more helpful.

**Senator CARR**—Let me just advise you that I am not in a position to provide you with assistance about my sources.

**Dr Harmer**—We could be a lot more helpful if you were to give it to us.

**Senator CARR**—I have already indicated to you a series of events that I say occurred. You are saying they did not. It is a very serious matter.

**Mr Burmester**—Firstly, I do not recall the type of modelling that you are talking about and, secondly, the secretary is saying that, even if it did occur, we are not prepared to comment on it, because it goes to cabinet deliberations.

**Senator CARR**—So you are not prepared to comment?

**Mr Burmester**—That is normal practice.

**Senator CARR**—I have not asked you about cabinet; I have asked you about whether modelling has occurred.

**Mr Burmester**—You are asking us about what concerns went to cabinet or committees of cabinet.

**Senator CARR**—The question of cabinet was actually introduced by your officers. I have not raised the issue of cabinet. It has been introduced by your officers, as it was in the case of the evidence that was presented to this Senate committee on 17 October. Is that not the case? Did not Dr Nicoll introduce the question on modelling for cabinet?

**Mr Burmester**—You asked us whether we had modelled the impact. My recollection of 17 October was that you asked us whether we had modelled individual institutions and the impact of the proposals that went to cabinet. We said that that had not been done at the individual level but that some modelling had been done on the types of institutions that would

be affected. That was about the extent of the information we provided on that occasion and I think that is about the limit of what we should provide to this committee.

**Senator CARR**—I draw your attention to the *Hansard* of 17 October. Dr Nicoll advises the committee:

The government made a decision that when it went through the cabinet processes there would be further modelling done on the basis of the Commonwealth Grants Scheme after the announcement of the package.

I did not raise the issue of cabinet; your officers did. It is a bit cute to turn around here and say, ‘I can’t talk about that because it’s a cabinet issue,’ after you have already raised it.

**Dr Harmer**—I have lost track of what the question is.

**Senator CARR**—The question is simple: was there modelling undertaken for individual institutions?

**Ms Fernandez**—No, there was not.

**Senator CARR**—You are denying that it was undertaken?

**Ms Fernandez**—Prior to the announcement, there was no institutional modelling undertaken.

**Senator CARR**—On cluster 2, to be very clear about this—

**Ms Fernandez**—On anything.

**Senator CARR**—You are very clear about that.

**Ms Fernandez**—Yes, I am.

**Senator CARR**—That is extraordinary. When the senior ministers asked you to undertake modelling in the second week of December 2002 the department chose to ignore that; is that right?

**Ms Fernandez**—There was no institutional modelling done prior to the announcement of the package.

**Dr Harmer**—And we cannot confirm anything in relation to questions that were asked of the department by cabinet or a senior cabinet committee.

**Senator CARR**—You have now undertaken further assessments on the effect of the Commonwealth Grants Scheme? Can you give me an update on the modelling from question E068? You have previously referred to it.

**Mr Burmester**—We have provided you with an updated table—

**Senator CARR**—It is the winners and losers list.

**Mr Burmester**—of the CGS impact statement of 17 October.

**Senator CARR**—Have you got an update on that?

**Mr Burmester**—No. It has not been updated since that time.

**Senator CARR**—So there are no changes to it that you are aware of?

**Mr Burmester**—Not at this point, no.

**Senator CARR**—Are there expected to be changes?

**Mr Burmester**—As we have always said, as we get new measures of discipline mix and load across universities, that would be updated to reflect those changes, and in fact it is quite clear on the table and throughout the things that we have been using— initially, 2001 cluster distributions. We have updated it to 2002 cluster distributions and we will in the future update it for 2003 cluster distributions.

**Senator CARR**—The prices were at 2005 prices.

**Mr Burmester**—That is when the proposals come into being.

**Senator CARR**—But the modelling you have given me already is on 2005 prices. Is that right?

**Mr Burmester**—On the prices side of it, it was released in the statement in 2005 dollars, but we are talking about the student count or the EFTSU count. We can only use the latest available distribution of clusters, and in those cases we have used initially 2001, mapped them to 2002 and we will do it for 2003 once that data becomes available.

**Senator CARR**—What is the value of the Commonwealth operating grant less HECS for each institution funded under HEFA? Are you able to provide that information as it stands at the moment?

**Ms Fernandez**—It might even be in the triennial report.

**Senator CARR**—I am interested in the figures for 2002, 2003 and estimated for 2005.

**Ms Fernandez**—You are after net operating grant by institution.

**Senator CARR**—Yes, minus HECS, for 2002, 2003 and estimated for 2005.

**Mr Burmester**—I do not think we would have that. Under the current system where we talk of operating grant, that includes a HECS component. So we have not produced a table that would have a net result. In the calculations of the impact of CGS, the table we have already given the Senate, obviously we have produced a figure of a net operating grant. So we could compile that. It is based only on the 2001 or 2002 cluster loads, so I cannot give you the series that you are after, but we could take it on notice to provide a table showing the net operating grant of institutions based on those particular years based on the load that they delivered in those years.

**Senator CARR**—All right. You can give me a table for 2002 and 2003 under HEFA funds?

**Mr Burmester**—Yes.

**Senator CARR**—And you can give me one for 2005 under the proposed—

**Mr Burmester**—You have got the ones for 2005 as part of the information we provided to the inquiry on 17 October.

**Senator CARR**—You have got information as to what the base grant would be assuming a 2.5 per cent—

**Mr Burmester**—Yes, you are quite right. We would again have to separate HECS from Commonwealth Grants Scheme. We can do that.

**Senator CARR**—I am going to assume that there are no other trick bits and that all institutions have met under the proposed 33-15 of the so-called HESB, as it is at the moment—the bill.

**Mr Burmester**—I am sorry—

**Senator CARR**—I would like a figure for 2005 compared to 2003 for each institution, the base grant amount increased by the 2.5 per cent across each institution. Can you provide that?

**Mr Burmester**—We will take that on notice and provide it.

**Senator CARR**—Bear in mind that our report is due on Friday, so it would be helpful if you have it handy. Do you have that handy?

**Mr Burmester**—I do not think we have compiled precisely that. We will try and get it to you as quickly as possible.

**Dr Harmer**—We will do our best to get it to you as quickly as we can.

**Senator CARR**—Thank you. What is the value to each institution of the increases set out in 33-15 of the bill for 2005, 2006 and 2007?

**Mr Burmester**—We can provide that. However, I think that is simply the application of a pretty straightforward inflater of 2.5 per cent, so the committee could derive those answers from that table that we have given you.

**Senator CARR**—So you will have no trouble providing that?

**Mr Burmester**—We will not have trouble. I am just concerned that you are asking us today, the day before your report is due. But we will do our best.

**Senator CARR**—The fact is that this is a pretty big bill. You keep telling us how urgent this bill is. This is information I think the Senate should have.

**Mr Burmester**—We will do our best.

**Dr Harmer**—We will do our best to get it to you tomorrow.

**Senator CARR**—I would be interested to know precisely how much money is being paid for each of the institutions on workplace relations and governance matters. What is the relative funding position by EFTSU, what is the weighted EFTSU for each institution under HEFA in 2003 and what was it, for instance, back in 1993? Would you be able to provide that information? I am trying to establish the extent of the relativities gap around the funding clusters.

**Dr Harmer**—We could probably do that, but certainly not within the sort of time frame you are talking about.

**Senator CARR**—I trust it will be by the time we get to discuss the bill in the chamber.

**Dr Harmer**—I am not sure how much work is involved.

**Senator CARR**—Two weeks? Do you know when the bill is going into the parliament?

**Ms Fernandez**—I believe it is 24 November.

**Senator CARR**—Are you expected to be in the chamber on the 24th?

**Ms Fernandez**—I expect so, yes.

**Senator CARR**—Are there any other bills coming in before it?

**Ms Fernandez**—I do not know.

**Senator CARR**—So it will be on the *Notice Paper* on the 24th. We do not know which number it will be.

**Ms Fernandez**—No, I do not.

**Senator CARR**—Would that be a fair summary? Mr Burmester, I am wondering whether you could assist me with the funding agreements processes under the new Higher Education Support Bill. Will the agreements be made public?

**Mr Burmester**—Effectively some components of them will be made public because they go to the load and discipline components that the universities have agreed to deliver. They would certainly be public. The load and the disciplines they have agreed to deliver are a key public accountability.

**Senator CARR**—Will all the agreements be made public or just portions of them?

**Mr Burmester**—We have not actually written an agreement yet. The main part of the agreement will be the specification of the load and the discipline mix that an institution will be expected to deliver. I believe that should be readily available.

**Senator CARR**—Will the powers that the secretary has to impose conditions be limited by ministerial direction?

**Mr Burmester**—Which section of the bill are you looking at?

**Senator CARR**—I am looking at the clauses of 33-15.

**Mr Burmester**—Could you repeat the question now that I have looked at it?

**Senator CARR**—Will the powers of the secretary to impose conditions be limited by ministerial direction?

**Mr Burmester**—In 33-15?

**Senator CARR**—Yes.

**Mr Burmester**—I cannot get a connection to the—

**Ms Fernandez**—The secretary does not have any powers in 33-15.

**Senator CARR**—Do we have a copy of the bill here? I may well have the wrong clause.

**Mr Burmester**—There is no reference to the powers of the secretary under that proposed section.

**Senator CARR**—Is it 10 then? That is where the conditions are set by the secretary. What I am interested to know is whether, under those particular clauses on the reaching of agreements, the powers of the secretary to impose conditions are limited by ministerial direction.

**Mr Burmester**—Perhaps it is 30-25. It reads:

(1) The \*Secretary may, on behalf of the Commonwealth, enter into a funding agreement with a higher education provider relating to a grant under this Part in respect of a year ...

Is that the section you are talking about?

**Senator CARR**—Yes. Will those powers be limited by ministerial direction?

**Mr Burmester**—The way that would be structured would be that, if there were particular requirements that the minister had determined, the secretary would be bound by those in settling the agreement. This is to allow the department to enter into those agreements with the universities and operate at an official level. The minister would not necessarily be involved in all aspects of those agreements in settling those details.

**Senator CARR**—Could he or she if they wanted to be?

**Mr Burmester**—They could indicate to the secretary the requirements that they would want in funding agreements, yes.

**Senator CARR**—So a minister could set conditions. Will those directions be subject to scrutiny by the parliament?

**Mr Burmester**—The matters that agreement go to are set out in that section. The third clause in that section goes to the types of matters that would be encompassed by the agreements. So parliament, in passing the bill, would specify what those agreements could cover and encapsulate. So the parliament would not specify or review individual agreements, but the types of issues that are included in those agreements are set out in the bill.

**Senator CARR**—What rights will institutions have in reaching these so-called agreements, other than the right to say no to the money?

**Mr Burmester**—They are agreements, which means that we would be working with the institution and seeking an agreement to the load—the discipline mix that they would deliver and be funded for. As to how we reach those agreements, there would be consultation and discussion, but at the end of the day, as under the current act, the minister and the Commonwealth would have the final say on the funds that are used and applied at a particular institution.

**Senator CARR**—So they do not have a role; ultimately, they have to accept it or reject it?

**Mr Burmester**—It is the same as under HEFA where the minister specifies a profile after consulting with the institution. This is exactly the same arrangement, in that he has an agreement with the university. In reaching that agreement he would have to consult with them. It has not caused a problem to date, but at the end of the day—and we talked a bit about this on 17 October—it is the minister's determination of the spending of Commonwealth money that results from the agreement.

**Senator CARR**—I return to the question of these impact statements. You have given us a statement with regard to the CGS—that is, as indicated, EO68. You are saying that it has not changed.

**Mr Burmester**—No, it has not changed.

**Senator CARR**—Can you tell me then: have any further assessments been undertaken of impacts?



**Mr Burmester**—I am not sure what you mean by ‘further’.

**Senator CARR**—You say that you have a table there, that you are not changing the table, but have you actually undertaken any reviews of that assessment on an institutional basis, on a region specific basis or on the basis of the whole sector?

**Mr Burmester**—From the time that we put out that modelling to the institutions earlier in the year, a number of institutions have come back for clarification or raised concerns about their particular circumstances, and we have had a number of discussions with individual institutions about their circumstances. I am not sure whether that covers the word ‘assessment’ that you used. We have spoken to those institutions about what components impact on them and what scenarios they might be thinking about in terms of managing their circumstances or pursuing their goals. So, on that basis, we have had some discussions with some institutions, but not all of them.

**Senator CARR**—How many institutions have sought these assessments—these reviews?

**Mr Burmester**—We have not kept a specific list that we can immediately turn to. We would have to go back—

**Senator CARR**—Who has had access to the impact assessments?

**Mr Burmester**—Each of the universities was provided with the funding sheet for their institution. On that basis, we have been happy to sit down with any vice-chancellor or university that has wanted to work through the details of that, and a number have done so—some in a great deal of detail and others just to confirm one or two features of it.

**Senator CARR**—What does the department see as the changes to the mechanism for the funding of research and research training and how will that interact with the incentives for institutional differentiation contained in the support bill?

**Dr Arthur**—To my understanding, the bill as it is currently drafted makes no changes whatsoever to the Research Training Scheme. I stand to be corrected—I do not know the bill in detail—but that is my understanding. The Research Training Scheme will not, assuming there are no further changes introduced by the government, particularly change from their current role. It is certainly the case that the government is reviewing the Research Training Scheme and the other block grant funding schemes for research in universities as part of its evaluation of knowledge and innovation. No doubt the government will consider whether or not it should make any changes to the RTS following the outcome of that evaluation.

**Senator CARR**—It is a bit hard to assess the impact of this program unless we get the full package—the research side of the funding arrangements.

**Mr Burmester**—On 17 October when this matter came up, we indicated that the modelling we had provided to the Senate was about the impact of the CGS. The other components of the \$1½ billion package that the government is providing to the sector could not be mapped to individual institutions because they are largely competitively based and the distribution of those funds could not be determined until after the event. Similarly, with the distribution of the new 25,000 fully funded places, the decisions on the allocation of those places have not been made yet and they could not be captured in any modelling. The RTS is in exactly the same situation. The RTS formula is known to the sector and will apply to the 2004

distribution of funds as it has applied in 2003. It is subject to review as part of the current deliberations of government.

**Dr Arthur**—In fact, the RTS, like the other block funding schemes, is a competitive process. The performance of universities varies year to year depending on their performance in the elements of the formula, so it is not possible to model with confidence future years of funding under the scheme for that reason.

**Senator CARR**—Are you saying that there have been some variations for some universities?

**Mr Burmester**—With regard to?

**Senator CARR**—With regard to the operations of the proposed Commonwealth Grants Scheme?

**Ms Fernandez**—No.

**Senator CARR**—You have had this review. Some universities have had a look at it—the ANU is an example. It says the figures you put out were wrong.

**Ms Fernandez**—Not since we tabled it in the Senate.

**Senator CARR**—EO68.

**Ms Fernandez**—The table that Dr Nicholl provided on 17 October.

**Senator CARR**—Is there a revised table on EO68?

**Ms Fernandez**—No, the modelling of the Commonwealth Grants Scheme still stands as Dr Nicholl tabled it.

**Senator CARR**—I will get another copy of that table. Is that an update of EO68? I just want to be clear about that.

**Mr Burmester**—That is correct. The basis for updating could well have been the change from the 2001 model to the 2002 cluster distributions. I am not sure. I would have to go back and check the original answer to EO68. In the case of ANU, there were some recalculations of the amounts because—I think we flagged it at the time we answered those questions—there was the issue of how we determine the value of the Institute of Advanced Studies. That has now been confirmed with the ANU. We have worked through that process.

**Senator CARR**—I will take it that that table shows the latest available figures that you have. If I can have another copy of that, that will help me a lot.

**Dr Harmer**—That is what Dr Nicoll tabled on the 17th.

**Senator CARR**—It is the same one, yes. While we are photocopying that, I want to talk about the Victorian College of the Arts. We met on the 17th and discussed the Victorian College of the Arts. I think you agreed that, under this proposal, they will lose 35 per cent of their funding. Did I understand you correctly?

**Mr Burmester**—I am not sure that I confirmed that. I might check the *Hansard*.

**Senator CARR**—Is it the case that they will lose 35 per cent of their funding?

**Mr Burmester**—We do not fund VCA directly; we fund the University of Melbourne. The University of Melbourne, on the table that you are about to get, is a significant winner out of the changes to the CGS. If there are internal funding issues within Melbourne, they are being discussed between Melbourne, VCA and the minister.

**Senator CARR**—I understand that argument. You would be aware that Professor Gilbert assured the committee on 2 October that the VCA was:

... an independent entity set up under its own legislation with which the university has a specific and limited relationship.

That was evidence put to this committee. This relationship, he said, goes to its ‘**academic programs** and their quality assurance’. There is no mention of funding. What is the status of VCA as far as you are concerned?

**Mr Burmester**—We fund the University of Melbourne, and the VCA, for the purposes of funding, is a component of the University of Melbourne. We do not have a separate funding arrangement with the VCA.

**Senator CARR**—So, as far as you are concerned, the VCA is not an independent institution?

**Mr Burmester**—It is a component—a constituent part—of the University of Melbourne, which we fund through the University of Melbourne.

**Senator CARR**—What action does the Commonwealth intend to take to give meaning to the assurances that you gave us about their viability and their importance to the sector?

**Mr Burmester**—As I think we also indicated on the 17th, the minister had declared his intention that VCA would continue to be an important part of the sector, that it should remain viable and that those issues that have been raised by Melbourne and VCA would be discussed further. We have had discussions with VCA, the state of Victoria and the University of Melbourne to explore options about the arrangements that VCA could make with the University of Melbourne. The minister has had further representation from both Professor Gilbert and, I believe, Professor Hull from the VCA, and those deliberations are still occurring.

**Senator CARR**—Is it the case that you had a meeting with Mr Ian Marshman on 23 October 2003?

**Mr Burmester**—I am not sure of the date. There was a joint meeting with the VCA, the state of Victoria and the University of Melbourne, represented by Mr Marshman, some time in October. I cannot remember the exact date.

**Senator CARR**—I put it to you that it was the 23rd. It is neither here nor there—the meeting did occur. I put it to you as well, Mr Burmester, that the department’s figures were actually corrected at that meeting in regard to the funding of the VCA provided by the Commonwealth. Is that true or not?

**Mr Burmester**—We clarified the basis of the load that the VCA deliver and, on that basis, the figures were confirmed. We had on our records a higher number of EFTSU delivered through the VCA. The VCA and Melbourne indicated that in fact Melbourne was delivering

some of that load through one of their other faculties. So, yes, the figures were confirmed at that meeting.

**Senator CARR**—What did the clarification lead to—a lessening or an increase in the estimates of the amount of the funding that would be received by VCA?

**Mr Burmester**—On the application of the Commonwealth grants formula, we confirmed the outcome for VCA on the EFTSU load that they were delivering. It was higher than our original estimate but, as I said, there was a basis for that.

**Senator CARR**—But it was higher? Your figures were wrong?

**Mr Burmester**—The figures attributed exclusively to VCA for the load that they deliver were different from ours but that had no overall impact on the University of Melbourne, which is the entity that we actually fund.

**Senator CARR**—Can you confirm that your advice regarding the solution to the problems faced by VCA was an amendment to the legislation?

**Mr Burmester**—We discussed a range of options and approaches to the circumstance that VCA was presenting to us. We explored some of those options—their strengths and weaknesses and their shortcomings—but there was no proposal from the Commonwealth on a single way forward. We were going to consider and deliberate further on the options with the minister.

**Senator CARR**—So you did not at any point propose an amendment to the legislation?

**Mr Burmester**—I cannot recall. Perhaps from the discussions that we had one solution that could be identified was to increase a cluster value or introduce a new cluster value. They were all options, but they were not undertakings or given Commonwealth endorsement as a way forward. They were just options. We were exploring any range of options to address the situation that VCA was presenting to us.

**Senator CARR**—Is it your view that Melbourne university should provide a sum of around \$5.4 million from its existing allocation to support VCA?

**Mr Burmester**—We fund Melbourne university in toto. They benefit out of the CGS part of the reforms quite significantly. VCA is a part of Melbourne when it comes to funding purposes, so it is up to Melbourne to provide internal subsidies to any of their faculties or constituent parts as they see fit.

**Senator CARR**—Is it your view that the figure of \$5.4 million is what is required?

**Mr Burmester**—I am not quite sure of the specifics in terms of which year funding and which load we were using—

**Senator CARR**—So you are happy to use the figure of—

**Mr Burmester**—but there was a figure of about \$5 million suggested between the operating funds that VCA currently attract through Melbourne and the level of funding that they would attract under the Commonwealth Grants Scheme.

**Senator CARR**—They need about \$5 million. That is about the difference.

**Mr Burmester**—That was the order of magnitude. I cannot remember the decimal places.

**Senator CARR**—With regard to the Maritime College, is it the case that there is a report of an expert review panel with the government at the moment?

**Mr Burmester**—The minister has considered that report and made a decision with regard to the AMC.

**Senator CARR**—I am sorry about this: the secretary has just advised me that you have given me the wrong table.

**Ms Fernandez**—I thought I had provided you with the same table that Dr Nicoll provided on 17 October. You have had this table before and it has been updated several times, as you are aware. It is simply that the figures for institutions that require transition funding in the table that I think Dr Nicoll provided you just had zeros and this one has the amounts. That is the only difference on my understanding. It is just to bring it to your attention. It is not a different table.

**Senator CARR**—So you do not mind my keeping this then?

**Ms Fernandez**—No, that is fine. I just said that I would table the same document and I—

**Senator CARR**—I was just concerned that you might have given me the wrong document. As you know, I am conscious of the need to protect government secrets. It does say here in the figures provided ‘operating grants excluding HECS’, which is precisely the information I sought before. I see it is in a table format, so it will not be any trouble at all.

**Ms Fernandez**—You were asking for earlier years, I believe. Didn’t you say 2003?

**Senator CARR**—Yes, I was asking for earlier years, but I also asked for 2007, which I see is here. So it will not be difficult at all to provide me with the rest of the information, will it?

**Ms Fernandez**—It was the relative funding per EFTSU back to 1993 that was going to take all of the time.

**Senator CARR**—Is the report from the expert review panel to the Maritime College publicly available?

**Mr Burmester**—It is available on request.

**Senator CARR**—I am now requesting it. Can you provide me with a copy?

**Mr Burmester**—Yes, we will provide you with a copy.

**Senator CARR**—Thank you very much. What were the reasons cited by the panel in rejecting AMC’s application for university status? The advice I had was that they were losing a third of their money too.

**Mr Burmester**—AMC are similar to the ANU in that a portion of their funds that have been paid through the operating grant are received for non-higher education load purposes. In the case of ANU, they get funding through the operating grant for the Institute of Advanced Studies. In the case of AMC, they receive some of their funding for vocational education and training load, not higher education load. So the calculation shown in the table relates to their higher education load only and reflects a difference basically between their current levels of funding that they would receive exclusively on that basis.

**Senator CARR**—It is just that in one table you have given me here today you have got big noughts beside it and on the other table it has got -3.6, -3.3, and -3.3 in the out years.

**Ms Fernandez**—That is simply the amount of transition funding that will be provided to that institution.

**Senator CARR**—So you are intending to provide them with \$10 million, are you?

**Mr Burmester**—As I was saying, that goes to the component of their funding that relates to non-higher education load that they are currently receiving through the operating grant. We propose to pay them transitional funding over that period so that there is no reduction in their grant. We are talking to them on how we can restructure their load, what forward plans they have so that in fact they can position themselves within the new arrangements. Nevertheless, there is a component of their activities that has been funded through higher education that does not flow out of the Commonwealth Grants Scheme.

**Senator CARR**—Do you expect that they will be required to amalgamate with the University of Tasmania?

**Mr Burmester**—There have been various proposals put on that basis. I believe the University of Tasmania has, and I am not sure whether the state of Tasmania has raised that as a possible option. The college itself does not favour amalgamation. It has indicated, following the findings of the expert panel and the minister's decision on its status, that it would seek reaccreditation as a university in about three years time as an independent institution, not as an amalgamated one. That is basically where we are at at this stage.

**Senator CARR**—I see. You have in this package \$25 million available for possible amalgamations. Is that right?

**Mr Burmester**—There is a collaboration and restructuring fund but it is not for amalgamations of institutions.

**Senator CARR**—But it could be.

**Mr Burmester**—It could be used for that purpose, but there are no proposals to do that at this stage.

**Senator CARR**—Could it be used for the closure of campuses, for instance?

**Mr Burmester**—Again, we covered some of this on 17 October, and that could be one use of that fund if a university determined—

**Senator CARR**—Have you had any discussions with any institutions since then?

**Mr Burmester**—Not since the 17th.

**Senator CARR**—No-one else has raised with you the need to close any campuses?

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

**Senator CARR**—In regard to multicampus institutions, I understand you have a proposal currently relating to the University of Western Sydney. Are you looking at a package of measures for that?

**Mr Burmester**—Again, there has been a proposition put to the government, to the minister, that some institutions which were not eligible for the regional loading do in fact have

cost structures higher than others would, because they are running multiple campuses. The University of Western Sydney is the example, and they have put a case that the minister should consider some loading to assist in their cost structures. Again, that is something that the minister is considering. It has been put to the minister and he is considering it.

**Senator CARR**—And VUT?

**Mr Burmester**—VUT, I think, has put a similar case.

**Senator CARR**—And I understand South Australia is being excluded. Is that right?

**Mr Burmester**—They cannot be excluded, because no decision has yet been made.

**Senator CARR**—No, but they are not part of the package.

**Mr Burmester**—I do not know. We are looking at possible arrangements for institutions that have put a proposition to the government and whether that would be something that the minister would want to pursue.

**Senator CARR**—Fair enough. Mr Burmester, has the University of South Australia sought special consideration on the same basis—that of being a multicampus institution?

**Mr Burmester**—I am not fully across that area. I do not recall the University of South Australia making such a case, but that could well have been made. I am just not aware of it.

**Senator CARR**—If they have not made a submission, they are presumably not part of the consideration at the moment.

**Mr Burmester**—They have not made a submission or a proposal that I can recall. I am not saying that they have not made one, either to the minister or to somebody in the group, that I am not aware of.

**Senator CARR**—We talked amalgamations and we mentioned the AMC. If no amalgamation does occur in regard to the AMC, how will the college be dealt with under this current legislation?

**Mr Burmester**—As I said, initially there is transitional funding to be provided to ensure that they are no worse off, but we readily recognise that a component of their funds that have previously been paid through the operating grant is not for higher education place purposes. Therefore, we will look at a funding mechanism to arrange that that component that the Commonwealth has previously funded would be able to be continued similar to the ANU's Institute of Advanced Studies. There is no way that the funding for that was ever envisaged to be part of the Commonwealth Grants Scheme. It is not place based, cluster based or HECS based, so we need to use another mechanism.

**Senator CARR**—So the model just does not work for them, does it?

**Mr Burmester**—These are not place based components of their funding. That is why in the bill under 'Other grants'—I cannot quite recall the section off the top of my head—there is provision for the Commonwealth to provide funding to national institutes. The section is 41-10. Two instances of that would allow the funding of ANU's Institute of Advanced Studies and the non-higher education component of the AMC.

**Senator CARR**—So, under section 41-10, VCA could be funded as well, couldn't they?

**Mr Burmester**—It could be, if—

**Senator CARR**—That is equally a solution for VCA, isn't it?

**Mr Burmester**—If the Commonwealth determined that that was appropriate and that the VCA was a national institute, it could use that facility. That is not the funding arrangement we have had with the University of Melbourne or its VCA component.

**Senator CARR**—So do you currently fund moneys expressly for VCA as part of the University of Melbourne?

**Mr Burmester**—They are not separately identified. We pay an operating grant to the University of Melbourne.

**Senator CARR**—So you do not consider them to be independent, do you—despite their act.

**Mr Burmester**—Not for funding purposes. It has never been recognised under the current Higher Education Funding Act, nor are they listed in the new bill as a separate provider. For our funding purposes, they are part of the University of Melbourne.

**Senator CARR**—Will students from the AMC have access to HECS and the new FEE-HELP program?

**Mr Burmester**—Yes.

**Senator CARR**—And will they have access to competitive funds such as the teaching excellence fund?

**Mr Burmester**—Yes. They are listed in the new bill—

**Senator CARR**—Under the schedule.

**Mr Burmester**—as a self-accrediting institution, Table A, so all Table A provisions would apply to them.

**Senator CARR**—What about the Australian Film and Television School in Sydney?

**Mr Burmester**—No. They are not listed as a self-accrediting institution. They are funded through the DCITA portfolio, not through us. I believe some of their courses—and I would not know which or how extensively—are accredited through Macquarie University, but I would have to check that that is in fact the case.

**Senator CARR**—Could you check whether or not they would have to go through a university or whether they could seek independent funding?

**Mr Burmester**—They do get independent funding now directly from DCITA.

**Senator CARR**—No, through the support bill.

**Mr Burmester**—They are not listed as a current higher education provider as a self-accrediting institution in either table A or the transitional bill because they do not currently get any funding from us. They could, like any number of other institutions, seek funding for fee help assistance for their students under this bill, but they would have to qualify as a higher education provider and meet the requirements set out in the bill.

**Senator CARR**—Fair enough. The same principle would apply for NIDA, wouldn't it?



**Mr Burmester**—That is correct. They are currently accredited through the University of New South Wales but funded through DCITA, not through us. They have no status under the current HEFA or under the new HES Bill.

**Senator CARR**—The departmental analysis of the Labor Party's policy was conducted on 30 July, was it not?

**Mr Burmester**—We did provide the minister with an assessment of the Labor Party's policy proposals, yes.

**Senator CARR**—Who initiated the analysis?

**Mr Burmester**—It was normal that we undertake an assessment and advise the minister on the proposals that he may well be questioned about.

**Senator CARR**—So you did the analysis without him—

**Mr Burmester**—We certainly did the analysis. I cannot recall whether the minister—

**Senator CARR**—Can you take on notice whether it was requested of you or you provided it?

**Mr Burmester**—I would have to check whether it was requested or whether we—

**Senator CARR**—Initiated it.

**Mr Burmester**—commenced the work.

**Dr Harmer**—I suspect we probably initiated it as part of the normal course of policy advice to the minister. I have been doing it for 26 years for both sides of government.

**Senator CARR**—What was the normative framework that you used in your analysis?

**Mr Burmester**—I am not sure what—

**Senator CARR**—Which assumptions did you make? Do you have a research brief available?

**Mr Burmester**—We read the policy document and interpreted the measures that had been announced from both the statement itself and any other statements that were made publicly by the spokesman at the time. If we did make some assumptions, then we would have indicated to the minister the basis of our calculations.

**Senator CARR**—So you cannot tell me what the research brief was for the analysis?

**Mr Burmester**—I am not sure what you mean by 'the brief'.

**Senator CARR**—I want to know what assumptions you made.

**Mr Burmester**—They would have been set out in our assessment, which I believe the minister has released.

**Senator CARR**—He released your findings. He did not release the analysis.

**Mr Burmester**—I think the costings that we came up with and the comments that we provided to the minister would explain the basis on which we understood the policies.

**Senator CARR**—That is what I am asking you. Can I have a copy of those assumptions?

**Mr Burmester**—We can provide you with the material that the minister has made public.

**Senator CARR**—I am not interested in what he made public. I can read that off the thing. I want to know what you provided to him of the basis of your assumptions.

**Dr Harmer**—Senator, you would know that we would not be able to provide you with that. In the end, that is in the category of policy advice to the minister.

**Senator CARR**—I expected that answer; I just thought I would ask anyway. With regard to the overenrolled places, you have said, ‘We can’t really do a full assessment on this package yet because we don’t have the RTS and we don’t have the overenrolled places.’ Let us try and see where we can go with that. I have question on notice EO95, which goes to the management and removal of certain places. I am wondering how it is that some of the institutions which have very large numbers of overenrolment are going to adjust to meet the time lines. I ask the question here regarding Swinburne’s Lilydale campus. How do you expect Swinburne university to meet the time lines?

**Mr Burmester**—It is anticipated that the minister will be making a decision on the distribution of places in the first half of next year—that is, early 2004. The places would start flowing in 2005. No university would be penalised for exceeding five per cent overenrolment before 2008, so that is a four-year period over which institutions will be able to adjust their load. They cannot start that process until we get the distribution of places. So we do not know the target for Swinburne or any other individual institution until the allocation of places has occurred, because it could be that they are concerned that they have to wind down to a certain level, when in fact by 2008 they will have had some growth places put in in 2005 which will have pipelined up. Their total enrolment target for 2008 could well be different then from the one that they initially anticipated.

**Senator CARR**—The difficulty is, though, that you have allocated \$38 million now—up from \$12 million, so we acknowledge that there has been a significant change in that figure—

**Mr Burmester**—The \$12 million related only to the one year’s funding and was calculated in terms of the package as a whole. As we said, when the modelling was done at the individual level the government agreed that it would cover the transitional funds for the CGS component.

**Senator CARR**—That is fair enough; I accept that. We have been through that. I want to know what happens after 2007, because that is when that transitional funding runs out. What do institutions do after 2007?

**Mr Burmester**—By 2008 the world in which the universities are operating will be significantly different from the one in 2003.

**Senator CARR**—But you cannot tell me what that world will look like, can you?

**Mr Burmester**—No, for a range of reasons. One is the distribution of places that we were just talking about. The second is the decisions that they themselves make in regard to what they do in setting their HECS levels and what they do with fee-paying students, together with how successful they are in a range of the competitive funds that come on stream over the course of 2006-07, such as a teaching fund—a significant amount of money. So we cannot speculate what an individual institution will be looking like in 2008.

**Senator CARR**—That is right, so it is a bit of a flight in the dark here, is it not?

**Mr Burmester**—The overall contribution increase in funding to the sector is \$1.5 billion over that time. It flatlines at about a billion dollars additional funding into the sector from 2007 onwards. So we anticipate, given the modelling that we have done just on the CGS, where there is only a limited number of institutions that have not returned to their current levels of funding, that most institutions, when you take into account the full range of things, will be well advantaged as compared to their current position.

**Senator CARR**—The trouble is that we cannot prove that, can we, and you cannot prove that either?

**Mr Burmester**—No, you cannot prove that at this point because of all those unknowns in the formula.

**Senator CARR**—That is right, there are all these unknowns. We have said Swinburne and Lilydale. How many overenrolled have they got at Swinburne? Just remind me of that. What is the percentage overenrolled at Lilydale campus?

**Mr Burmester**—I am not sure about the absolute level of overenrolments at Lilydale.

**Ms Fernandez**—Swinburne University has 904 EFTSU overenrolled.

**Senator CARR**—What percentage is that?

**Ms Fernandez**—It is 17.75.

**Senator CARR**—How many at Lilydale?

**Ms Fernandez**—I do not know. I do not have that breakdown.

**Senator CARR**—That figure of 17 per cent goes across the whole university.

**Ms Fernandez**—That is Swinburne University, that is right.

**Senator CARR**—At Lilydale it is much higher than that, is it not?

**Ms Fernandez**—I do not have that figure. I would have to take that on notice.

**Senator CARR**—I put it to you that it is much, much higher than that, and someone will probably tell me pretty smartly.

**Mr Burmester**—We do not impose the overenrolment arrangements at a campus by campus level. It is whole of institution, so again it is the overall figure that Swinburne would have to meet.

**Senator CARR**—What is the figure at the Hawkesbury campus?

**Mr Burmester**—Again, we are not concerned in the new arrangements proposed by the bill about the individual campuses; that is up the universities themselves to manage. All we are saying is that, over the breadth of their activities, there is a limit to the overenrolment that the Commonwealth will accept as not diminishing the quality of their offerings.

**Senator CARR**—I understand what you are saying there, but I am advised that at Lilydale there might be as high as 90 per cent overenrolment.

**Mr Burmester**—The way the university counts and where it determines overenrolment is up to the university. We do not count overenrolments by campus, either now or into the future.

**Senator CARR**—At Hawkesbury it is similar, with very heavy overenrolments. The point is that you are asking institutions—for instance, in the case of Swinburne—to come down from 17 per cent to five in two years.

**Mr Burmester**—No, it is between the middle of 2004 and 2008, and netted from that would be any increase in places they got out of the distribution of the fully funded places.

**Senator CARR**—But you cannot tell me how many that will be?

**Mr Burmester**—Not at this stage, no.

**Senator CARR**—You cannot tell me the process by which they are going to be allocated?

**Mr Burmester**—We have commenced that process, which is to get the views of the state governments on how they see a national distribution of the 25,000 places, and then further decisions and discussion by the Commonwealth will have to occur on the actual distribution of places.

**Senator CARR**—I am just wondering where the transparency is in all of this. Where is the accountability in all of this?

**Mr Burmester**—The accountability will be that the minister is responding to a range of propositions put to him by, firstly, governments and, then, the individual universities, and his decisions at the end of the day will be known and public and he will be accountable for those decisions.

**Senator CARR**—I have got another little one here for you to clear up for me. At the hearings on the 17th, Dr Nicoll said that institutions would have the opportunity to increase their fees for HECS-HELP for up to 30 per cent. Can you show me in the bill a particular clause that limits the possibility of HECS increases to 30 per cent?

**Ms Fernandez**—That is the table that shows the funding rates. That is, those maximum rates that institutions can charge are the current rates plus 30 per cent.

**Senator CARR**—I am saying that I want a clause in the bill that says the limit is 30 per cent. Can you show me which one it is?

**Ms Fernandez**—There is no such limit. The limit is the maximum amount in the actual table, and that number is the current rate plus 30 per cent.

**Senator CARR**—So will you show me in the guidelines?

**Dr Harmer**—What Ms Fernandez is saying, and I think it applies to the question you are about to ask, is that we do not believe there is any need to have such a clause because there is a limit imposed in the table that shows the maximum.

**Senator CARR**—So there is nothing in the guidelines that I could point to which would show that the limit has been set at 30 per cent?

**Mr Burmester**—Clause 93-10 sets out the maximum student contributions that are permissible by discipline cluster. They are specified as maximums. They were derived—that figure that is shown in the table—as the current HECS contribution for those amounts plus 30 per cent. If you wanted to work it out backwards, you could take that figure and deduct the 30 per cent, and you would get the forecast 2004-plus value.

**Ms Fernandez**—This is 2004 dollars.

**Senator CARR**—There are a few figures now, aren't there—some 2002, some 2003, some 2004? It is not consistent, is it?

**Mr Burmester**—It is consistent to allow this bill to operate on a clear set of indexation arrangements that are set out in another clause that says, 'Starting in 2004, this would be the maximum. From 2005, we apply the 2005 indexation factor.' It is constructed that way specifically, so the indexation arrangements are clear, consistent and enduring throughout the length of time the act operates.

**Senator CARR**—I put it to you, though, Mr Burmester, that what this effectively means is that the minister can set the upper limit on an annual basis. Is that not the case?

**Mr Burmester**—No. These are the maximum amounts specified in the bill, derived as I have said. That includes the 30 per cent already, so is bound by those maximums.

**Senator CARR**—So the minister cannot change them?

**Mr Burmester**—I do not know. Subclause 93-10(a)(ii) says that another amount could be specified by the Commonwealth in guidelines in relation to that cluster. Those guidelines would be a disallowable instrument, so only parliament would allow the variation of those maximums, not the minister.

**Senator CARR**—That is right, it is a disallowable instrument, but the guidelines can change the maximum whenever you seek to issue guidelines, subject to parliamentary disallowance.

**Mr Burmester**—Subject to parliament's approval.

**Senator CARR**—That is my point.

**Mr Burmester**—The bill is subject to parliament's approval too.

**Senator CARR**—We will soon discover to what extent that is in fact the case. Are there not provisions in this bill which actually say that the minister may determine which programs allow for 100 per cent fee-paying places?

**Mr Burmester**—There is a provision—and again we covered this on the 17th—

**Senator CARR**—We did.

**Mr Burmester**—that the minister has a reserve power that allows him to say that he will not provide Commonwealth funded places in a particular course in a particular institution, and he has indicated publicly that he would do that where it was inappropriate to fund such places or where the course was funded in another way. So if a course has already been funded—for example, the Department of Health and Ageing funds some places in some institutions—then he might not provide funded places in that course and therefore the 50 per cent limit on fee payers in that course would not apply, because the Commonwealth would not have any places in that course.

**Senator CARR**—So these guidelines could be changed, subject to the parliament meeting and disallowing them. Is that right?

**Mr Burmester**—Yes, they would be a disallowable instrument subject to parliamentary approval.

**Senator CARR**—So we would have to hope, if a disagreeable guideline were issued, that the parliament would meet pretty soon afterwards. Isn't the requirement that a certain number of sitting days afterwards be the limit under which a parliament can disallow it?

**Mr Burmester**—Yes, that is correct. The funding rates and any allowances or guidelines that were issued in that regard would have to coincide with university planning and enrolment cycles—

**Senator CARR**—Of course.

**Mr Burmester**—and I am sure there would be ample opportunity, in all instances, for the parliament to look at those guidelines.

**Senator CARR**—Can I ask you to look at clause 19-90, which says, does it not, that the provider must set one fee level. Is that right?

**Ms Fernandez**—Yes.

**Senator CARR**—One fee level each year. Is that right?

**Ms Fernandez**—That is right.

**Senator CARR**—So a HECS-HELP charge could be set, say, in December, before the parliament had a chance to scrutinise the minister's determination. Wouldn't that hold until December the following year?

**Ms Fernandez**—We would not be able to change it in the guidelines until parliament agreed.

**Senator CARR**—No, that is not how guidelines work. The government sets the guidelines and it is the parliament that has to meet and disallow them. If the parliament does not disallow them, they stand.

**Ms Fernandez**—That is right.

**Mr Burmester**—But if the parliament subsequently disallowed the guidelines then the universities could not charge above the maximum; so, if they had proceeded on the basis of a guideline that had yet to face parliamentary scrutiny, they and we would be involved in refunding to students, because a maximum would be determined and set by parliament.

**Senator CARR**—Fair enough, Mr Burmester, but under that clause they could not set another fee until December the following year. That is what that means, isn't it?

**Mr Burmester**—I would have to get some technical legal advice on the interaction of those two clauses, but the intent is that the maximum would be set and you could not charge above that. If you somehow charged above that, then it would have to be repaid to the students.

**Senator CARR**—That is true, I accept that point. My point to you is a different one. This bill says 'one, and only one'—it is quite specific—'tuition fee for each unit of study that it provides or proposes to provide during the year'. That suggests to me that that can only be done once a year.

**Ms Fernandez**—That tuition fee is for fee-paying students; that is not for Commonwealth supported students. The clause above is for Commonwealth supported students. That clause is not about HECS places; that clause is about fee-paying places.

**Senator CARR**—We cannot disallow those?

**Ms Fernandez**—No, I am saying that that does not interact with the other table which has the student contribution amounts on it.

**Senator CARR**—It was clause (2) I referred to, but clause (1) has a similar effect. It says ‘each year, determine the student contribution’. If the fee is set in December after the parliament has risen, which can be from any point in the second week of December, and the parliament does not resume until February or March, there cannot be another fee set if that disallowance occurred?

**Dr Arthur**—As Mr Burmester indicated, we would need some technical advice but it would seem to be plausible that, if a university made a decision which was not available to be made in terms of the guideline, that decision would not be a decision which was validly made under the act and that particular prohibition of only making one decision would presumably not be invoked. However, this would be a matter on which one would need to seek technical advice.

**Ms Fernandez**—Administratively, the prices are already out there and students have already been given places by December.

**Senator CARR**—That might be the case, but I am saying that this is a brave new world. Under this provision I am saying to you that that is more than feasible.

**Mr Burmester**—I may have confused the situation. We may be talking at cross-purposes here.

**Senator CARR**—That is not like you, Mr Burmester.

**Mr Burmester**—I was talking about HECS maximums. The clause you then went to actually relates to fee-paying students. As Ms Fernandez said, there is no interaction between those clauses.

**Senator CARR**—If I take you back to 93-10 ‘Maximum student contribution amounts per place’, clause (2) states:

... such other amount as is specified in the Commonwealth Grant Scheme Guidelines in relation to that funding cluster ...

So it is plausible for those costs to be varied?

**Mr Burmester**—By guidelines, subject to the non-disallowance by parliament.

**Senator CARR**—It comes back to the same proposition I am putting to you: those guidelines could be issued in December and will not be disallowed until March, but under the provisions of this bill they could not set the new fees for another year.

**Ms Fernandez**—I think that is a fairly implausible proposition.

**Senator CARR**—I find much of this bill implausible. That any government, particularly a tory government, should put up—

**Senator Vanstone**—‘Tory’, honestly!

**Senator CARR**—You would not call this a liberal government any more, would you?

**Senator Vanstone**—Yes, I would.

**Senator CARR**—You would call these sorts of proposals liberal?

**Senator Vanstone**—Yes, I do call it a liberal government; indeed, I do.

**Mr Kriz**—I would need to look into this in greater detail; however—

**Senator CARR**—We missed you, Mr Kriz, at the hearing.

**Mr Kriz**—I do not think the points that you made follow at all. There is a difference between 19-90(1) and (2) if for no other reason than subsection (2) says they can determine one and only one—and that is in relation to tuition fee-paying students—in contrast to subsection (1) where that sort of a restriction does not apply at all. That, in conjunction with my friendly bush lawyer’s analysis before, I think solves this whole issue. There is not a problem with Commonwealth supported students because if parliament does disallow it then it is of no effect and there is no other provision which contradicts that provision in the table, if you like.

**Senator CARR**—So you mean they can set fees twice a year?

**Mr Kriz**—In 19-90(1) they must provide for each year, but there is not a restriction which says they can do so once and only once, which is what you related—

**Senator CARR**—I have, from the other clauses.

**Mr Kriz**—And the other one relates to tuition fees for units of study as opposed to those that applied to Commonwealth supported students. It would have to be examined more closely than this, but the provisions are cast quite differently and the words that appear in subsection (2) do not appear in subsection (1).

**Senator CARR**—Can I draw your attention to sections 19-5 and 19-10 and schedule 1, clause 1 of the bill where it talks about ‘financial viability’. Can you show me the definition of ‘financial viability’ in this bill?

**Mr Burmester**—I presume this is something you raised on the 17th. We advised that financial viability would be the normal meaning of the word from the accounting world.

**Senator CARR**—The normal accounting interpretation.

**Mr Burmester**—That is right.

**Senator CARR**—I am trying to get a bit of guidance here. If I go to the report from the international financial rating agency Standard and Poor’s, which is dated 28 July, and which I have here, would you say Standard and Poor’s is an accounting firm that would provide reasonable advice on the normal accounting interpretation?

**Mr Burmester**—I think Standard and Poor’s rate creditworthiness rather than financial viability. They are two different concepts and will be treated as two different concepts. I am not sure what they have said specifically in regard to financial viability. If they have a definition, we would be happy to look at it.



**Senator CARR**—Would you do that? They say that, when assessing financial soundness and the creditworthiness of universities, they bring a number of factors to mind. They regard universities essentially as a subset of the public sector agencies, with special characteristics. That would be a fair interpretation of their analysis, would it not?

**Mr Burmester**—I would have to look at the document you are looking at, Senator. I do not have it in front of me. I have seen references to it, but only in the press.

**Senator CARR**—You have not got a copy of it?

**Mr Burmester**—Not that I can recall, but I think we have got it in the department.

**Senator CARR**—I hope you have. I have got it here—‘Australian Universities—A credit rating perspective’.

**Mr Burmester**—As I said, it sounds like it is creditworthiness, rather than financial viability.

**Senator CARR**—It says, for instance, that it is a good thing the Commonwealth limits the number of full fee-paying domestic undergraduate students that universities can enrol. It says, ‘Plans to lift the ceiling’—to double it, on one interpretation—‘for domestic undergraduate students may undermine the credit capacity of universities.’ Would you agree with that?

**Mr Emmanuel**—The term ‘financial viability’ leads to a capacity to meet ongoing commitments. Whereas Standard and Poor’s refer to creditworthiness, it measures the ability of an entity to borrow funds. Those two concepts do not have to be necessarily the same.

**Senator CARR**—It refers to the support that is provided by governments to universities in times of financial stress. It says on page 12, ‘Some political pressure exists for the government to maintain the viability of universities.’ I take it they mean their financial viability. Would that be right?

**Mr Emmanuel**—Yes, Senator.

**Senator CARR**—Would you agree that similar pressure exists for the Commonwealth to bail out private sector providers once they have entered into this new arrangement under this bill?

**Mr Burmester**—No. The provisions for private providers are quite distinct. We provide those institutions listed in the bill. We provide Commonwealth supported places to them through the Commonwealth Grants Scheme. That would be a substantial and ongoing part of the course offerings that they provide. There is no equivalent for private providers where they may get a number of national priority places, but certainly we would not anticipate that that would ever be a substantial part of their business. We require other requirements for those, such as they would have to enter into a tuition assurance scheme so that those students who had started a course on the basis of fee help could be guaranteed credit for the part of the course they had completed or they could continue in their course with another provider. So there is a different set of requirements on private providers. The financial viability assessment that we would do with them would be of a different nature to those of the major public institutions.

**Mr Kriz**—If I could just chip in on this issue of financial viability, there are two points. One is that, in relation to this legislation, as with any other, the issues of the meaning of this particular phrase would be taken in the context of the proposed act as a whole, particularly having regard to the objects of the act. Those objects are set out in 2-1 of the bill, so in looking at the financial viability of particular institutions the Commonwealth could properly have regard to ensuring that the objects of the act are met and set up processes to test financial viability to ensure that those objects are met. They would go to issues such as quality, diversity and equity of access, contribution to the development of cultural and intellectual life in Australia, the higher education system being appropriate in meeting Australia's economic and social needs and so on. So that would go to inform what issues, in part, we would look at for financial viability.

However, it does not give us total open slather. For example, clause 19-10(2), on page 19, actually talks about what 'must' be in a statement that a higher education provider needs to give to us in order for us to assess financial viability. It talks about the fact that the form must be approved by the minister, but the minister does not have open slather. The bill provides that that report must be accompanied by a statement by an independent qualified auditor, which in effect will constrain the minister's ability of what the minister can ask for, because qualified auditors, in performing their professional functions, would have to be able to do it in a way in which they can actually understand what the hell they are being asked to do. Consequently, we would be also constrained in what sort of information we could look at—namely, the sorts of things that were mentioned by my colleagues previously. It is the normally, commonly understood idea of what financial viability means.

**Senator CARR**—We are due to break at 6.30. We are in a quandary, because Senator Crossin is coming in after the break to look at Indigenous matters and then we will return to this division for some work on international matters. That leaves schools, basically, but I cannot see us getting to that tonight. We might do it tomorrow if the other part of the committee's work is concluded early; otherwise, we are going to have to seek an extension of time from the chamber.

**Senator Vanstone**—This could be a problem in terms of a minister. I had advice that none of these committees was going over the one day, and therefore I am representing another minister in the morning.

**Senator CARR**—But this committee is already scheduled to go tomorrow. It always has been.

**Senator Vanstone**—That is obviously a change of arrangements on our part, and something we will need to get on top of somehow.

**Senator CARR**—We have always been scheduled to deal with the Employment and Workplace Relations portfolio tomorrow.

**Senator Vanstone**—That is another minister.

**Senator CARR**—What has been suggested in the committee is that should the committee's work conclude early—it is due to go to 11 o'clock—we would return to education. Presumably you have a minister somewhere that is—

**Senator Vanstone**—I am not sure how that would go. The understanding I had was that education would be dealt with today, and that is why I have got other arrangements tomorrow.

**Senator CARR**—If you are not available, we may have to seek additional time through the chamber.

**Senator Vanstone**—We will just have to work out what can be done.

**Senator CARR**—I cannot see us getting to schools tonight.

**Dr Harmer**—I can therefore advise the schools people that they do not need to be on standby? That would be helpful.

**Senator CARR**—You do not really need many on standby, do you?

**Dr Harmer**—No, Mr Evans and about three people, probably.

**Senator CARR**—But they would want to go home too. Could we conclude these proceedings now and then discuss it with the secretary.

**Senator Vanstone**—Is there some suggestion that you want to finish tonight before 11?

**Senator CARR**—I just cannot see that happening.

**Senator Vanstone**—I thought you were saying that we might finish before 11 and therefore go on tomorrow. Then I heard that you were going to 11.

**Senator CARR**—We are going to 11 tonight, but that will not conclude the proceedings in this regard. We are talking about whether or not the Schools Group should be put on standby.

#### **Proceedings suspended from 6.35 p.m. to 7.35 p.m.**

#### **Indigenous and Transitions Group**

**Senator CROSSIN**—I will take you through some of the issues in the annual report on page 25. Your annual report says:

During 2002–03 the department commenced a series of reviews of the way Commonwealth assistance and services are provided to Indigenous students ...

Can you provide me with a rundown of what exactly you have been reviewing and a time line for the completion of that?

**Mr Greer**—Yes, Senator. There were a number of reviews. There was a review of the independent Indigenous vocational education training providers. There was a review of Indigenous education consultative bodies and Indigenous support units. There was a review of the ATAS bulk-funding arrangements for higher education institutions and boarding schools. The second phase of the review of IEDA has also been progressed in the recent past. There are still a couple of outstanding issues around that that need to be resolved, but the other three reviews have been completed and those reports should be available for publication during this month. I am happy to make those available to you.

**Senator CROSSIN**—The three reviews are the ones specifically mentioned on page 25 of the report. Is that right?

**Mr Greer**—Yes, that is correct, Senator—the Indigenous education consultative bodies and Indigenous support units, the second phase of the IEDA review—phase one was handled

prior to that—and also a review of ATAS bulk-funding arrangements for higher education institutions and boarding schools. There is a review currently proceeding—and I think we touched on that last time, Senator—jointly with our colleagues in Centrelink on how we may be able to look at better service delivery. That is progressing now.

**Senator CROSSIN**—I will move to the IEDA issue. Do you remember, earlier this year, there was a situation in the Northern Territory where the amount of funds allocated was substantially less than the demand for those funds? Has there been any mechanism by which that has been evaluated with a view to perhaps increasing funds for that program to provide more assistance to match the demand?

**Mr Greer**—The policy aspects of the whole issue of ATAS—that is, in-school tuition, in-class tuition and tuition generally—have been part of the second phase of this review. We will be looking to the budget parameters of that as we go forward into the next funding triennium.

**Senator CROSSIN**—When is the second phase due to report on the IEDA review?

**Mr Greer**—It is largely complete, but there are a couple of outstanding issues that we need to address on that before we would be in a position to make the report public. But certainly my understanding is that the reports from the other reviews are in the process of being finessed for publication on the web or in hard copy.

**Senator CROSSIN**—This is the review of Indigenous education consultative bodies and support units.

**Mr Greer**—That is correct.

**Senator CROSSIN**—Are you saying it is nearly completed?

**Mr Greer**—That has been completed, as have the review of independent VET providers and the review of ATAS bulk-funding arrangements.

**Senator CROSSIN**—Where is the review of the analysis of the Centrelink and Abstudy provision?

**Mr Greer**—That is pretty well advanced. There has been considerable progress made in that project. The focus of the project was to review new information products, including the Abstudy guide and an Abstudy handbook. We expect that that will be ready for release during November. We are looking at a simplified form for claiming incidentals and part-time study as well as at plans to review and improve other forms. We are looking at plans to develop stronger partnerships with stakeholders. We are exploring with Centrelink how we might be able to better put in place debt prevention and management strategies specifically around Abstudy. We are looking for a new and simplified e-policy manual and a comprehensive Abstudy training strategy for Centrelink staff, and we are working with Centrelink to improve our management information for ongoing performance monitoring. That activity has been progressed quite collaboratively with our colleagues in Centrelink during the year to date and we will be starting to see a number of the outcomes of that.

**Senator CROSSIN**—Are the items you have listed to me in some sort of report format?

**Mr Greer**—I am not sure whether it is a report format, but we could give you a detailed update on where each of those elements is at.

**Senator CROSSIN**—All right. That would be useful. I would appreciate that. Thank you. Can I also ask you about the increase in the number of ASSPA committees. I have noticed an increase by nearly 100 over the 2001-02 period. Has there been a corresponding increase in the amount of funds that have been allocated for ASSPA if that is the case?

**Mr Greer**—Yes, to the extent that new ASSPA committees have been established. As you correctly say, they increased from 3,771 last year to 3,811 in 2002. There is a formula driven arrangement depending on the size of those committees. Funds have flowed to those committees but within the existing IEDA bucket.

**Senator CROSSIN**—I notice the number of homework centres has decreased. In your annual report you put that down to the fact that there has been an increase in in-school-hours tuition.

**Mr Greer**—Yes.

**Senator CROSSIN**—Has there been a movement of funds from homework centre allocation? I am assuming the in-school tuition comes from the ATAS funds. Is that right?

**Mr Greer**—Yes, it comes from ATAS funds but from funds out of IEDA generally. All of those elements are elements that have been picked up in the policy review that is under way. To the extent that fewer homework centres were funded in 2002 than in 2001—I think there were 648 in 2001 compared to 583 last year—fewer funds have gone from there. Mr Williams may be able to add to that.

**Mr Williams**—The shift from the homework centres to the in-class tuition stuff is a measure that has proven very fruitful. Our network staff are realising that it is far more productive to have tuition during school hours, so we have been working gradually on that agenda. The increase in the homework centres is not an indication that the students are not committed. We are just doing it in a different way.

**Senator CROSSIN**—When I read the annual report I see that there are still some difficulties with learning outcomes—and I guess I will move on to some of those in a moment—but it would seem to me that, since retention and enrolment have improved, there is a good case for increasing the bucket of funding for IEDA. Is the department doing an analysis of why there is an increased enrolment figure and an increased retention rate? Is it in some way linked to that additional assistance that was given through IEDA?

**Mr Greer**—Yes, the department is doing some preliminary work in the lead-up to the new funding quadrennium which will be looking at what the global envelope for both IESIP and IEDA will be as we move into the new quadrennium. The next national report to parliament on Indigenous education—I understand its tabling is imminent—will confirm a number of your observations about the strengthened take-up of Indigenous students and their retention across the grades in schools.

**Senator CROSSIN**—Let us just talk about that. It will be the second national report to parliament on Indigenous education. Like you, I read the article in *Campus Review* about that. Can I say at the outset, and I think I said this last year: I welcome the initiative of reporting to parliament on Indigenous education outcomes. The content we will have some debate about,

but I think the actual capacity to report is a good thing. So where is this at? I am assuming it will be tabled in the last sitting fortnight. Is that correct?

**Mr Greer**—At the latest. It may well be tabled before that.

**Senator CROSSIN**—It could be tabled out of session, then.

**Mr Greer**—My understanding is that it would be tabled in session. My understanding is that its tabling is imminent.

**Senator CROSSIN**—You have only got Friday to do that. Is that why we are recalling parliament on Friday: to table the Indigenous report? That would be good! I do not think that is the case, though. Otherwise it will be tabled Monday fortnight when we are back.

**Mr Greer**—My understanding is that it may be tabled during November.

**Senator CROSSIN**—Are you telling me it could be tabled tomorrow?

**Mr Greer**—No, I am not telling you that. I am saying its tabling is imminent.

**Senator CROSSIN**—All right. Let us go to some of the comments that have been attributed to you in that article, Mr Williams. Is the government in fact considering major reforms to its Indigenous education system?

**Mr Williams**—What I mentioned in that article was very much the fact that we are certainly looking at the environment, assessing what the environment is saying. In terms of the last time that we met I discussed the fact that we looked at the last 10 years of implementation of policy. There is a need to become extremely focused and strategic in our responses and in particular to pick up on what this government has done in terms of what works. I suppose we are doing an examination of the environment, and when the *Campus Review* interviewed me it was in that context of arguing what is making a difference out there.

**Senator CROSSIN**—So have you had a look at things like parliamentary reports from the House of Representatives or the Senate over the last five or six years, for example, as part of your review of what is happening out there?

**Mr Williams**—We have looked more specifically at what the Commonwealth has invested its resources in in the last three to six years as it relates to curriculum pedagogy and school based activity as well as in the VET sector et cetera. We have examined what the literature is saying and what the outcomes are revealing in terms of retention and participation.

**Mr Greer**—Just one other point on that too: another framework within which clearly government will be framing not only responses in relation to education but in other areas is the government's response to the Commonwealth Grants Commission report on Indigenous funding—

**Senator CROSSIN**—Last year.

**Mr Greer**—Last year. The government in making that response set out a commitment to action and a set of principles that clearly indicated that the government had adopted a set of principles to guide its approach to meeting the needs of Indigenous people; and, secondly, that the government would continue to work to reduce Indigenous disadvantage through improving access for Indigenous Australians to mainstream programs and services by better targeting of Indigenous specific programs to areas of greatest need, including remote

locations. It indicated that where appropriate the government would seek to include clear Commonwealth objectives and associated reporting requirements in respect of inputs and regional outcomes for Indigenous Australians in renewed specific purpose payments to states and territories in the areas of health, housing infrastructure and indeed education.

**Senator CROSSIN**—But you are reading from the government's response to the Commonwealth Grants Commission. That is the government's response, isn't it?

**Mr Greer**—That is correct. I am saying that it is not unreasonable to assume that in looking forward to framing what a government policy might be—going forward to a new quadrennium—to expect that it would be, in part, framed against its response to the Commonwealth Grants Commission's report. I have a copy of that here if you would like one.

**Senator CROSSIN**—No, I have plenty of copies of that in my office. Who is conducting the review? Is it your research and policy unit within the department?

**Mr Greer**—What review is that?

**Senator CROSSIN**—The review of what has been happening.

**Mr Williams**—I was just describing the process over about the last 12 months. There has been a process of us examining the environment. We are working—

**Senator CROSSIN**—When you say 'us' are you talking about the Indigenous education unit?

**Mr Williams**—Yes.

**Mr Greer**—In addition to that there are some formal evaluations that are under way. For instance, there is a formal evaluation—which was reported on in the first national report to parliament, and will be touched on in the second national report—about the NIELNS evaluation. There were other elements that we have funded, major national strategies for scaffolding—the scaffolding approach to literacy—and they have been evaluated, for instance, by the—

**Senator CROSSIN**—Yes, I have asked questions about that.

**Mr Greer**—by the Australian Council for Educational Research and the like, so it will be that suite of—

**Senator CROSSIN**—Have you looked at the effectiveness of, say, the IESIP program? To my knowledge, it has been a bit less than 10 years since there was a national review of what was then the Aboriginal education program, which was headed up by Mandawuy Yunipingu. Is there a move to conduct a national evaluation of the effectiveness of that program again, for whether or not funds should be siphoned through state governments or handed directly from the Commonwealth? Is the evaluation at that level?

**Mr Greer**—The evaluations that I have talked about do not go to that fundamental basis. But in the context of framing any responses going forward against the government's response to the Commonwealth Grants Commission, they are some of the issues that the government will no doubt be wanting to look at and explore as we move towards 2005.

**Mr Williams**—In addition to that, the national report to parliament is the evidence of how the broader Indigenous education agenda is travelling.

**Senator CROSSIN**—You are at an advantage because you have seen it and I have not.

**Mr Williams**—In terms of your asking for an evaluation after 10 years, the current report to parliament is the qualitative and quantitative data that is in itself evidence of how we are travelling.

**Senator CROSSIN**—It is a pity that the report was not tabled before today. Perhaps that timing was planned, was it?

**Mr Greer**—What can I say? My understanding is it will be tabled imminently.

**Senator CROSSIN**—Are there any major reforms planned in the Indigenous education area?

**Mr Greer**—As we have said before, it would not be appropriate to speculate on what advice the department or the minister might be receiving on this. But I draw your attention to—

**Senator CROSSIN**—But it was a good try, don't you think?

**Mr Greer**—Yes. But I draw your attention again to the government's response to the Commonwealth Grants Commission's report. Is not an unreasonable framework for people to be thinking that—

**Senator CROSSIN**—Has the department actually looked at any of the education and training reforms being trialled or piloted in Queensland?

**Mr Greer**—Certainly, Senator. In fact, a number of the reforms in Queensland are jointly funded by the Commonwealth. For instance, Partners for Success is a jointly funded state and NIELNS initiative. It was one of the key NIELNS initiatives in that state.

**Senator CROSSIN**—Mr Williams, you are quoted in the article as saying that the Australian government was very concerned about the past 13 years of resource use under the bipartisan national Indigenous education policy. Could you just expand on what some of those concerns are, or give me an indication of where you believe the use of resources has not been effective.

**Mr Williams**—I think I was broadly being quoted there. What had happened is that, in the national report to parliament, we say quite clearly in the 2001 report that there has been achievement or significant achievement but the gaps are still there. And I argued quite unequivocally in that particular article that the Australian government has sustained its effort in providing additional resources to states and territories to improve the education outcomes of Indigenous people. It is the systems, and their responsibility to deliver those services. We are only there to accelerate or leverage outcomes through the Commonwealth dollars. And so I was arguing quite strongly that the Australian government has sustained its effort over the last 13 years.

**Senator CROSSIN**—Could I take you to a recent report, which I am sure you are aware of, from the Centre for Aboriginal Economic Policy Research, the infamous CAEPR, entitled *Monitoring 'practical' reconciliation: evidence from the reconciliation decade, 1991-2001*. That is a fairly damning report which, according to ANU, indicates that Indigenous education



has got worse in both relative and absolute terms over the last five years. Have you had a look at this report? What is your reaction to the report?

**Mr Greer**—Yes. I think that, even by the report's own measure of educational outcomes, the results are clearly not as negative as described in some aspects of the media. The absolute and relative changes between censuses were positive for post school qualifications. Three of the social indicators used in the report focus on all adults and therefore do not highlight the really positive changes that have occurred over recent years. And those trends overwhelmingly indicate that education outcomes are improving for Indigenous students.

**Senator CROSSIN**—You are saying that the report actually looked at 15- to 24-year-olds. Are you saying to me that if you looked at a younger age cohort the statistics would be better?

**Mr Greer**—Let us have a quick look at the four parameters. The first is people who did not go to school, as against the percentage of adults. That is based on census data, and the report shows that, in 1996, 3.1 per cent of Indigenous adults did not go to school, as compared with 0.7 per cent of non-Indigenous adults, a ratio of 4.3. In 2001, however, 3.2 per cent of Indigenous adults did not go to school. So that is not a negative result. That is a reduction in the ratio, and the proportion of Indigenous adults who had not gone to school had remained relatively steady.

To look at one of the other parameters, those who left school at age under 15, as a percentage of adults: based again on the census data, the report shows that 44.2 per cent of Indigenous adults in 1996 left school before the age of 15, as compared with 35.7 per cent of non-Indigenous. That is a ratio of 1.27. In 2001, 33.4 per cent of Indigenous adults had left school at that age. That is again not a negative result for Indigenous people. The report itself shows that the proportion of Indigenous adults leaving school before age 15 years had decreased by 10.8 percentage points between 1996 and 2001.

I mentioned earlier that, if you look at grade progression ratios, you see that they have consistently improved between 1996 and 2002, and the gap between grade progression ratios for Indigenous and non-Indigenous students is closing across all grades. In 1996, 95 per cent of year 8 Indigenous students went to year 9, as compared with 99.7 per cent of non-Indigenous students.

**Senator CROSSIN**—So are you saying that you categorically dispute the report, or that there are some aspects where you would agree that there has been a decline in the situation?

**Mr Greer**—The report itself indicates on page 2, I think, that using the census as a data source has shortcomings. It is a blunt instrument that was not designed to track changes in socioeconomic status over time. This is what I am saying. I am saying that some of the media treatment of what the report was really saying, when you have a close look at the report, might not reflect what the report really did say. Clearly, it needs to be looked at more broadly in the context of the improvement in education for Indigenous students across the board. Whether that improvement is sufficiently fast is another matter. I think we here, and I think the government, take the view that the momentum and the gaps are not closing fast enough.

**Senator CROSSIN**—I am looking at table 3, 'A summary of direction of absolute and relative inter-censal change'. It shows a decline in the number of Indigenous students aged 15

to 24 years currently attending tertiary institutions. What is the government's response to that sort of statistic, particularly in the light of Abstudy changes in 1998?

**Mr Greer**—I do not think the indicator as it is seen there necessarily tells the whole story. There are two components to tertiary education: vocational education and training, and higher education. In both sectors, the outcomes for Indigenous people are improving. More Indigenous students than ever before are enrolled in vocational education studies.

**Senator CROSSIN**—Has the department looked at why that is the case? Have you looked at the fact that that corresponds with a decline in students enrolling in higher education?

**Mr Greer**—There has been, and I think we touched on this before, preliminary analysis that might have suggested that that was happening. Some further preliminary analysis that we have done, using 2002 figures, suggests that that causal impact is not there, that people are not opting to go—

**Senator CROSSIN**—Is that an analysis that the department has done in any official capacity?

**Mr Greer**—No. This is a bit of preparatory work that we have done within the group, which will feed into the major review and evaluation of—

**Senator CROSSIN**—The Centrelink study.

**Mr Greer**—No—the impact of the 2,000 policy changes to Abstudy.

**Senator CROSSIN**—Yes, I was going to get to that.

**Mr Greer**—I think when we spoke last we mentioned that, during 2003-04, we were going to undertake a rigorous review of the impact of those changes on Abstudy. This bit of work that I have talked about that we have done broadly within the group will feed into that. The terms of reference for that review are well advanced. Our expectation is that the review in some form will commence this year. Predominately, the work will be done in the early part of next year and a report should be available about the middle of the year.

**Senator CROSSIN**—Is this the review of Abstudy?

**Mr Greer**—This will be a review of the impact of the 2,000 changes that we have indicated to this committee on a number of occasions we would be undertaking.

**Senator CROSSIN**—Can you tell me a bit about that? Certainly, during the higher education inquiry, there was a major call across the board from a number of sectors for that to be examined. Will that be given to a consultant to do, or is it something you are doing inside the department?

**Mr Greer**—I think we would do that at arms-length from the functional area. It would be done at arms-length and objectively by our research, evaluation and analysis group. As we have mentioned previously, that evaluation is on our research and review agenda. It is up and running. Whether our colleagues in RAEG will do all of it internally or whether they will push some of it out, we will have to wait and see.

**Senator CROSSIN**—If it is done internally, what guarantees can you give me that it will be an independent and unbiased analysis of the changes?

**Mr Greer**—I think the area has quite a professional and robust approach to its evaluation.

**Senator CROSSIN**—That is if the government does not get to it and delete some paragraphs before the reports are made public. What guarantees can you give me that it will not be biased or doctored?

**Mr Greer**—I think you should take the fact that that will not happen as a given.

**Senator CROSSIN**—We will look for that in the next 12 months; is that what you were saying?

**Mr Greer**—Absolutely. We were saying that we are on the cusp of finalising the terms of reference, the methodology and the identification of collections. The broad methodology would be interrogating existing administrative data for Abstudy, for schools, for higher education and for VET. We would be looking at an analysis of Indigenous and non-Indigenous student participation trends across the three sectors—

**Senator CROSSIN**—This is in the Abstudy review?

**Mr Greer**—Yes. And we would be looking at consultation with education providers, student services and government administrative officers. We would certainly be making contact with Indigenous students as part of that process. Importantly, we would be driving it at arm's length from the functional area that actually crafted some of the policy.

**Senator CROSSIN**—There has just recently been quite a major surge in calls for a review of Abstudy. I do not know if you would be aware of that. A number of us are getting quite a number of emails from Indigenous students in light of the higher education changes. They are very anxious that Abstudy will be reviewed. Providing students or people who are concerned with an opportunity to have input would be welcomed I think.

**Mr Greer**—This is not a review of Abstudy per se. This is a review of the policy changes that were implemented in 2000, given the perceptions of a number of commentators that there may have been a causal link between some of those changes and a decline in tertiary numbers in 2000—a decline of course that has subsequently been arrested and is climbing back.

**Senator CROSSIN**—Is \$467.7 million an accurate figure for the Commonwealth's overall spending on the Indigenous education program?

**Mr Greer**—Yes, if you are looking forward to 2003-04, across the portfolio it is \$467.724 million. Included in that is IESIP at \$174.2 million, IEDA at \$66.298 million, Abstudy at I think \$197 million, the Indigenous support funding program at \$24.8 million, funding under the Vocational Education and Training Funding Act at \$4 million, Indigenous staff scholarships at \$200,000, Indigenous Higher Education Advisory Council at \$300,000 and the Australian Research Council's Indigenous Researchers Development Scheme at \$200,000. I am happy to give you a schedule of that.

**Senator CROSSIN**—That would be useful. Is it possible to say how much of that \$467.7 million is directed to primary education, secondary education, VET and higher education? It is probably hard to disaggregate that.

**Mr Greer**—It would be. We can give that a fair shot on some of the key elements. We should be able to do that for the recurrent element of IESIP. It might be more difficult in relation to IEDA—

**Senator CROSSIN**—ATAS, for example.

**Mr Greer**—ATAS and things like that. But Abstudy secondary—

**Senator CROSSIN**—If you could just give me a breakdown of primary, secondary, vocational education and higher education.

**Mr Greer**—Yes.

**Senator CROSSIN**—I was asked this question some weeks ago and I could not find the answer—we had a bit of trouble getting our hands on it. In a way it is related to IESIP, but it might entail more programs than that. Let us take the Northern Territory, for example. I was asked how many Commonwealth dollars under the Indigenous education programs go, per capita, to an Indigenous child attending a government school compared to a non-government school attendee. I was able to find under your IESIP program the total bucket of funds that would go to, say, the Northern Territory government sector compared to the non-government sector. But have you ever done a per capita breakdown?

**Mr Greer**—No. We could have a crack at that. It might not be down to the last dollar.

**Senator CROSSIN**—We seem to be able to do it with general schools program money. We know how many Commonwealth dollars go to each primary school child and secondary school child in the government and non-government sectors. We can do that. Can we do it with Indigenous programs money?

**Mr Greer**—We can certainly track down on Indigenous specific funding the breakdown of dollars that would go to the government and non-government systems in the Northern Territory. We can take some averages out of that, if you like.

**Senator CROSSIN**—You could probably divide it by the number of students.

**Mr Greer**—Provided you give us a bit of licence to make some assumptions, we will certainly do that.

**Senator CROSSIN**—Don't lose any sleep over it. This is a question that has been asked of me a number of times now: what is the amount of Commonwealth dollars per child going to non-government Indigenous students? I could not find that answer anywhere.

**Mr Greer**—I think we will have to derive that for you.

**Senator CROSSIN**—It might be a useful figure for you anyway.

**Mr Greer**—We are happy to do that.

**Senator CROSSIN**—It would be useful if you could have a look at that. Do you keep figures on exactly how many Indigenous students are assisted by the ATAS scheme, for example?

**Mr Greer**—I am pretty sure we do. We might have that here, Senator.

**Senator CROSSIN**—The IEDA, IESIP and the NIELNS are the three main strategies. Do you keep figures on how many students are assisted under each strategy?

**Mr Greer**—Yes, I might be able to give you something on that now. For 2002, the number of individuals and small groups—approved students—attracting ATAS was 9,219.

**Mr Hoffman**—That does not include students receiving tuition through in-school tuition, so there would be additional numbers.

**Senator CROSSIN**—Is it something you want to take on notice?

**Mr Greer**—We are happy to do that.

**Senator CROSSIN**—Perhaps we can that. Is it easy to tell me—or have you ever done it in fact—what proportion of the \$467.4 million that we talked about previously is spent on assisting Indigenous students in remote communities as compared to, say, Indigenous students in urban or inner city areas?

**Mr Greer**—Not at the moment. With some of the changes that we will be wishing to see underpin a new policy framework going ahead in 2005-08, we should be able to do that. We will be able to report by region, certainly by remote and very remote region.

**Senator CROSSIN**—‘New policy framework’?

**Mr Greer**—We are saying that as we gear up for the next funding quadrennium 2005-08.

**Senator CROSSIN**—And the IESIP agreements are all up for renegotiation. You have your year mapped out for you, Mr Williams, if that is the case.

**Mr Greer**—That is essentially what I was saying. As we look to renegotiate with jurisdictions the new funding agreement for IESIP, one of the things we will be looking at is far greater specificity on remote and very remote areas.

**Senator CROSSIN**—While we are on IESIP, I am assuming—I should not assume at all really, but I am hoping—that all states and territories are reporting on time and as completely as you would like them to. This is your big chance to tell me who the recalcitrant ones are. And I hope you are not going to tell me it is the Northern Territory, because I think we fixed that problem up.

**Mr Greer**—Last time we spoke on that I think there was a question you asked. At 4 June there were a number who had not reported. By 24 June all but one had reported, but I am pleased to tell you that all have reported. That is an update on one of the questions you asked last time round.

**Senator CROSSIN**—So there are still a few dragging the chain, I suppose.

**Mr Greer**—They have certainly all reported.

**Senator CROSSIN**—I am taking it that your second annual report to parliament will in some way tabulate those reports to provide an analysis of outcomes and progress of students.

**Mr Greer**—Yes. It is not unreasonable to think that the second report will build on the first one—the presentation, the framework, the templates and so forth—so you can start to see a trend across critical reporting areas.

**Senator CROSSIN**—I want to go to the NIELNS strategies and have a look at some of the six key elements under that. One of the key elements is overcoming hearing, health and nutrition problems, with one of the objectives being joint action between government

agencies and communities. Can you give me a breakdown or an understanding of the way in which DEST is working with other agencies: Hearing Australia, the Department of Health and Ageing or FaCS? I am not talking about the COAG trial you are responsible for; other than the COAG trial.

**Mr Greer**—I will ask colleagues to contribute to this, but certainly one of the key NIELNS projects that we undertook this quadrennium was focused on hearing issues, how you may address otitis media and the like. Those projects are being evaluated through the arms-length evaluation I mentioned to you earlier. I think, but I would have to confirm it, that we may even have in that process a case study on hearing deficit. There is a case study on hearing and I think we are getting that report very shortly. I am happy to make that available to you.

**Senator CROSSIN**—That would be useful and I will make sure that is right. Is there any attempt being made, though, to actually work across portfolios without being restricted by policy guidelines or parameters? We constantly hear that if you are in a school schoolteachers do this and only this and nurses in a community do this and only this and there is not enough cross-portfolio discussion or collaboration. Is there any movement towards that progressing? Is the Commonwealth taking the lead in any way? I know that the COAG trials are a big attempt to do that, but outside the COAG trials is that happening?

**Mr Greer**—We are certainly doing it, as you say, and that is one of the driving rationales of the COAG trials. We are endeavouring to work collaboratively and to encourage schools to work collaboratively in a whole school policy approach on a number of these. It is probably fair to say that we have not done this on a national basis, but there may be some bilateral examples of where this is working better than others. And again, with the recent budget decision to bring those functions of ISF into government, one of the driving rationales there will be to try and use that footprint of local community partnerships around the country to better join up the services of support agencies in those communities, to focus on trying to keep young people in learning and education pathways within those cluster arrangements. In some cases they are working particularly well; in other cases we are looking at evolutions toward that.

**Mr Williams**—Senator, I know that you did not want to refer to COAG, but COAG does give us the opportunity—particularly within the Murdi Paaki region in New South Wales which DEST is the champion for, through our secretary and minister—to think, to actually have open discourse with the communities, to listen to the ground, to ask how we can work collaboratively, focusing on core business obviously, which is education and training, but bringing in other co-producers to see how we can work collaboratively. So COAG does provide that. Might I add that there are pockets of activity occurring across the nation. For example, in Cape York DEST is running with a bit of a pilot activity where we are looking at how we take the ATAS, the ASSPA and the VEGAS and we think more collaboratively, bringing in the community health, bringing in the CDEP, if that is what you are asking, and trying to work out how we can translate policy into realistic life outcomes for that community. The best outcome from that particular pilot is that it has now translated into the COAG roundtable agenda in Lockhart. So it is occurring in small pockets.

**Mr Greer**—Just to add to that, one other thing that we have been working on for some little while, and on which we will be having some further discussions very shortly, is the

possibility of an MOU with our colleagues in the Northern Territory around similar types of arrangements.

**Senator CROSSIN**—Do you mean in the Northern Territory government?

**Mr Greer**—Yes.

**Senator CROSSIN**—Was DEST involved in the review of CDEP that is being undertaken by ATSIC at the moment? Were you consulted by ATSIC?

**Mr Williams**—We participated in reference group type consultations, but not in that broader context. We were a co-producer and they just came to us and asked us what we thought about students engaging in these projects, what sort of advice we could provide in terms of the linkages between CDEP and VET and proper training, and how that articulates into economic sustainability for the community. So it was in that broader context.

**Senator CROSSIN**—One of the other key alliances of the NIELN strategy goes to achieving attendance. In particular, it identifies utilising the skills of Aboriginal and Torres Strait Islander education workers—preferably teachers, I suppose—to improve the attendance level. Statistics tell us that the number of Indigenous students enrolled in teaching degrees, in particular, has fallen by 33 per cent over the last five years. What particular strategy is in place to try and arrest that decline and improve that outcome?

**Mr Greer**—I have heard that 33 per cent mentioned, but I am not sure that is necessarily the case. The data from the higher education student statistical collection on Indigenous commencing students in initial teacher education courses tends to show there has been an increase in these student numbers of about 13 per cent since 1995 and, if you looked at 1998 to 2002, of around 50 per cent.

**Senator CROSSIN**—What are the completion rate statistics, though?

**Mr Greer**—I think we gave you an answer to a question on notice—

**Senator CROSSIN**—To me?

**Mr Greer**—Yes, I am pretty sure.

**Senator CROSSIN**—My apologies if you did, because it slipped through—

**Mr Greer**—That might have been broader. That might have been Indigenous students in higher education generally—

**Senator CROSSIN**—I thought so.

**Mr Greer**—as distinct from Indigenous students in—

**Senator CROSSIN**—I have that answer here. It was question EO11/04.

**Mr Greer**—Yes.

**Senator CROSSIN**—It was not particularly about people enrolled in teaching degrees.

**Mr Greer**—Sorry; this is a narrower focus.

**Senator CROSSIN**—There are no figures on completion rates, for example?

**Mr Greer**—There may be; I do not have them in front of me. What I do have in front of me are the commencing Indigenous students in initial teacher education courses. As I say, from 1995 through to 2002 there has been an increase of 13.2 per cent.

**Senator CROSSIN**—But we do not have completion rates, though.

**Mr Greer**—The department may have completion rates. I do not have completion rates at the table.

**Senator CROSSIN**—Do we know how many Indigenous people are employed as teachers and education workers across the country?

**Mr Greer**—Yes. I thought I might have had something on that here, but it looks as though I might not have brought that.

**Senator CROSSIN**—Can you take that on notice?

**Mr Greer**—I can take that on notice. It is reasonable to assume that that will be covered off in the next national report as well.

**Senator CROSSIN**—Okay.

**Mr Williams**—That is keeping in mind that, when states and territories respond to Indigenous education workers, it is difficult because they either respond at paraprofessional level—

**Senator CROSSIN**—I know that from my experience in trying to write a national Aboriginal education workers award.

**Mr Greer**—I think it is. I have some figures here. I am not sure whether it is for 2002 or 2001, but it would suggest that the number of Indigenous teachers nationally was 1,390 and that the number of AIEWs was 2,175.

**Senator CROSSIN**—They are figures for 2002?

**Mr Greer**—Yes, they are for 2002. There may be a bit more elaboration around those figures in the next report.

**Senator CROSSIN**—Can you tell me about the Aboriginal and Torres Strait Islander capital grants scheme? I am looking for a bit of history.

**Mr Greer**—I do not think I can. It is not a program that this portfolio manages or runs.

**Senator CROSSIN**—Isn't it? I want a bit of history about why it was stopped in 1996-97, and I am wondering whether the funding was redirected into another Indigenous education program.

**Mr Greer**—It is not an Indigenous-specific program. It may be a question better directed to our schools colleagues when they come, but my understanding is that there was in the several years to 1995 or thereabouts a particular injection of capital funding in government and non-government schools.

**Senator CROSSIN**—For Indigenous schools?

**Mr Greer**—Yes. I do not think that has been a feature—



**Senator CROSSIN**—Would it be best if I put these on notice so that someone could work them out when they got them?

**Mr Greer**—Yes.

**Senator CROSSIN**—Can I take you to Jabiru and to the Indigenous Heritage and Education Program that is in operation there. I know about the history of that. We have been tracking it through estimates. If I remember correctly, it is a program that is run through a contract between the department of environment and the Northern Territory government.

**Mr Greer**—That is correct.

**Senator CROSSIN**—You handed some money over to the department of environment.

**Mr Greer**—That is correct.

**Senator CROSSIN**—Was that \$300,000 from each Commonwealth department?

**Mr Greer**—No, I thought our contribution was \$300,000, or \$100,000 annually over a three-year period.

**Senator CROSSIN**—That was DEST's contribution?

**Mr Greer**—Yes, that was DEST. Our first payment was made to the Department of the Environment and Heritage in September 2001. Our second payment was made in January 2003 and the final payment under the current agreement was made in August this year.

**Senator CROSSIN**—Can you remember—because I cannot—how much the department of the environment contributed? I have a memory of the figure of \$600,000.

**Mr Greer**—I think Environment and Heritage matched the \$300,000.

**Senator CROSSIN**—And was there any Northern Territory government contribution?

**Mr Greer**—I do not think there was a direct contribution or matching contribution as such—

**Senator CROSSIN**—But they just managed—

**Mr Greer**—but, recognising it was a government school there, there were in-kind and indirect contributions going through to that. I could certainly clarify that for you. I do not have that level of specificity.

**Senator CROSSIN**—It is probably not important in terms of what I want to ask you. I am aware that the school reports quite regularly against this money to the department of the environment, rather than to your department—or is it to both of you?

**Mr Greer**—It is largely, I understand, to the department of the environment, which is the contract manager for that arrangement.

**Senator CROSSIN**—Do you also receive an evaluation of the program, or do you have any way in which you are also tracking how successful the program has been?

**Mr Greer**—We certainly provided assistance to the Northern Territory education department and to Environment and Heritage to establish a performance management framework. I think that framework was finalised earlier this year. Our understanding is that preliminary analysis of progress indicates some pleasing results, particularly in relation to

attendance rates at preschool and primary school and indeed, as you just touched on, the employment of Indigenous staff. Again, like outcomes in Indigenous education generally, whilst encouraging, there is still a long way to go.

**Senator CROSSIN**—That is right. I understand that the ratio of Indigenous to non-Indigenous was 30 to 70. It is now 60 to 40. That is a remarkable turnaround in terms of Indigenous students to non-Indigenous students. Non-Indigenous students are not even at 50 per cent of the school population, which is an incredible change. But of course the funding for this program runs out in June next year. Can you tell me whether there have been any discussions, correspondence or approaches made between you and the department of the environment to look at continuing this program, either jointly or with one department taking it over?

**Mr Greer**—Yes, I think there have been approaches made by us to both other agencies to look at ways to facilitate the continued good work. I would be misinforming you if I said there was any resolution of that at this stage, but certainly we have been proactive in raising that with both agencies.

**Senator CROSSIN**—I am aware that \$600,000 is a large amount of money, but it was over three years, if that is correct. What form of discussion or evaluation has taken place in terms of progressing this? I suppose the time line for this is whether or not you include money in your budget again next year to fund this sort of program.

**Mr Greer**—My colleagues can correct me if I am wrong, but I think there is to be an analysis or evaluation of the project against the initial project objectives and against the education and performance measurements that we have put in place. As I say, we have certainly taken a lead and raised with both other agencies the likelihood of continued funding, but that is still work in progress and we would want to see what the outcome of the initial investment was.

**Senator CROSSIN**—Can I say for the record that there is a view there that communities have given an incredible commitment to and made an incredible effort in getting their kids to school and increasing that rate. You would be aware that one of the common concerns with whitefellas funding programs is that they do it for three years and then walk away and everything collapses and goes back to where it was. I do not know what pressure I can put on you to consider this favourably but I did promise them I would raise it in estimates, and I hope you take it on board.

**Mr Greer**—We will do that and continue to press this. Perhaps next time around when we are back we can give you an update on where things are at.

**Senator CROSSIN**—I will ask about it in February; that is for sure. One of the reasons I have raised is now is so it is on the transcript.

**Mr Williams**—We have just completed, in collaboration with NT DEET and the department of environment, the establishment of a performance framework. It is important that what we are sharing is fed into that qualitative stuff that you are specifically asking for, which is good in terms of school-community partnerships.

**Senator CROSSIN**—I am not entirely sure I have anything else other than—if I have a bit of time—to ask you if you are involved in the initiatives under the higher education package, or is that best left to the higher education area?

**Mr Greer**—No. We have a number of initiatives that we are engaged in. We can touch on those for you.

**Senator CROSSIN**—Can you just clearly explain to me what the proposed changes in the Indigenous support funding are as to whether or not that funding is still going to be provided to universities on a per capita basis?

**Dr Harmer**—I think it would be better directed to higher education.

**Mr Williams**—The thing associated with that funding is that there will be a much tighter performance framework associated with how we monitor those resources in the future—that is, asking universities to put in place an employment strategy and asking serious questions such as whether they have an advisory council. With those funds will come very much tighter performance measures.

**Senator CROSSIN**—You cannot explain to me how the \$10.4 million is going to be allocated across universities?

**Mr Williams**—We cannot, no.

**Senator CROSSIN**—The higher education mob can answer that. Can I ask you about the Indigenous Higher Education Advisory Council and the progress made towards the establishment of that?

**Mr Williams**—We have consulted and we are currently consulting with the higher education sector—for example, with the NTU, with the Indigenous Higher Education Network and with various other stakeholders within the sector. No decision has been made at this point on the composition of that committee or the structure but we have provided advice to the minister.

**Mr Greer**—The minister is keen, as part of a consultative and collaborative process on this, to bring together a round table to help shape some of the structure and governance of that.

**Senator CROSSIN**—When are we likely to see that established? Are we looking at early next year or the middle of next year?

**Mr Greer**—We were hoping for the end of this year or early next year. We hope to be in a position to have something concrete for you at our next meeting.

**Senator CROSSIN**—Is the annual Indigenous higher education conference going to happen after the council has been established? Is that right?

**Mr Williams**—Yes. One of the roles of the council is to decide on that conference.

**Senator CROSSIN**—Can I ask you about the five national Indigenous Staff Scholarships. I am hoping that by now you have read all of the transcripts of the hearings we held around the country just recently with respect to the higher education reform package. I think overwhelmingly there was a view that five Indigenous Staff Scholarships was less than adequate, particularly when we came across places in Queensland that had, say, 55 Indigenous

staff at their campus, let alone what is happening at Batchelor or NTU, for example. Has your department looked at those figures and made an analysis of the number of scholarships compared to the number of higher education Indigenous staff and put a case to the government that that should be increased?

**Mr Williams**—I think, Senator, it is a starting point. That issue was raised at the last estimates and Mr Burmester responded in terms of it being a starting point. Once the council has been convened, I would see it as part of the council's terms of reference to examine the number of academic personnel out there and identify how we can help build the professional upskilling of those people. I think that five scholarships at this point has been perceived as a starting point and can be examined broader as part of the council's terms of reference.

**Senator CROSSIN**—Regarding the Indigenous employment strategies, how is your area planning to handle the implementation of those strategies? Will there be guidelines? Will you have a travelling road show that will assist universities to develop these employment strategies? I am assuming you just do not write to them and say, 'Write an employment strategy and send it back to us and we will tick it off.' Is some sort of implementation plan being devised by the department to look at best practice employment strategies to assist universities to do this?

**Mr Williams**—I think it is a combination of all of that. We certainly know, from consulting with the sector, that universities have in place certain employment strategies. We would want to present to them evidence of good practice, of course, but I think our particular agenda will be focused within the performance measures that we put in place. As part of our bilateral process we consult with them and work with them.

**Senator CROSSIN**—I was amazed to find around the country that a lot of them did not have employment targets. They do not have targets for Indigenous student enrolments, let alone employment targets for Indigenous people. Will that be part of your guidelines for the employment strategies?

**Mr Williams**—I think it is all captured under the broader umbrella of EEO in the university sector. In terms of the Australian government dollars that are invested in the universities for Indigenous people, we are asking to see specific outcomes. So we will be asking for targets in those areas. That is certainly part of the—

**Senator CROSSIN**—So in, say, five years time we will be able to look at performance indicators and perhaps see an increase in the number of Indigenous people employed in universities.

**Mr Williams**—We will anticipate that.

**Senator CROSSIN**—We will anticipate it. We all hope for that, I assume.

**Mr Williams**—But through our bilaterals it will be monitored as part of our monitoring process.

**Senator CROSSIN**—I am not sure if you can answer this for me or whether I should put it on notice—it might even be more of a fax related question. I refer to an answer you gave me on 4 June, No. E003/04. It was about the remote service in case management model in Far North Queensland. Is that the one you were talking about before earlier?

**Mr Williams**—No.

**Senator CROSSIN**—Is this the one on assisting remote students to apply for Abstudy?

**Mr Williams**—No, it was not that one. I was giving you an example of what you asked for—cross-agency collaboration.

**Senator CROSSIN**—Is there any plan to extend this type of assistance?

**Mr Greer**—Through the joint process, we are currently working with Centrelink to look, over time, at ways of improving remote area servicing, particularly for Abstudy clients. My understanding is that there is a very good example of that at Yarrabah.

**Senator CROSSIN**—Are there plans to extend this type of assistance, or are you just looking at this stage at the effectiveness of that plan?

**Mr Greer**—I think it is fair to say that it is part of a continuing agenda of our DEST-Centrelink continuous improvement strategy—from an Abstudy point of view, on how we can improve services.

**Senator CROSSIN**—Will you look at that in the review that you are doing?

**Mr Greer**—It is already part of the joint steering committee work that we are doing with Centrelink. As I indicated earlier, I am happy to give you a progress report on each of the elements that I mentioned to you. This is one of those elements.

**Senator CROSSIN**—That would be good. Going back to the Indigenous Higher Education Council, \$260,000 has been proposed for the council. Is that still the amount for this financial year?

**Mr Williams**—No, not for this financial year. I understand there is about \$40,000 in place to help kick-start the council. We hope to have resources available within the next financial year to kick-start the conference.

**Senator CROSSIN**—What is the time line?

**Mr Greer**—Essentially we are looking at providing seed funding this year of around \$50,000 then ongoing funding of \$260,000 being made available, pending passage of the legislation.

**Senator CROSSIN**—What has your role been in the recruitment activities of the Shalom Christian College in Queensland? You would be aware of complaints from Northern Territory communities about their activities?

**Mr Greer**—Absolutely. I am just trying to find my briefing on this. Having been aware of those issues, the minister recently agreed to changes to Abstudy policy which limit the eligibility of secondary school students to move away from home to undertake a specialist course where those courses are embedded in the curriculum of the local school.

**Senator CROSSIN**—For example, where Tennant Creek High School offers that course or mode of curriculum, students whose home base is Tennant Creek would not be eligible for Abstudy if they moved to Queensland. Is that correct?

**Mr Greer**—That is correct. They may still wish to move to Townsville, but they will not take with them an Abstudy eligibility.

**Senator CROSSIN**—Will this apply from the start of next year?

**Mr Hoffman**—It applies now.

**Senator CROSSIN**—I assume people in Queensland and the Northern Territory have been made aware of this change?

**Mr Hoffman**—Centrelink has certainly been made aware of it, and it is Centrelink that interprets the policy.

**Mr Greer**—There were some recent representations made. Minister Stirling made some representations and highlighted the fact that appropriate Indigenous studies were embedded in curriculum that was offered at local schools. The policy has been tweaked to that effect.

**Proceedings suspended from 8.49 p.m. to 9.01 p.m.**

**Mr Burmester**—Chair, can I clarify two matters that came out of our earlier discussions. Firstly, I had indicated that I thought the Australian Film, Television and Radio School was a non self-accrediting institution. I am advised that they are a self-accrediting institution and that they do not rely on Macquarie University for accreditation.

**CHAIR**—They just sit in the grounds of Macquarie University.

**Mr Burmester**—That is right. Secondly, I would like to confirm that, while there was no individual institutional modelling of the Backing Australia's Future package for each institution before the Backing Australia's Future package was announced, there was some analysis of some suboptions, I suppose you could call them, at the institutional level as part of cabinet's deliberations. However, as they relate to cabinet deliberations, we cannot provide further details about that individual modelling. I would like to reiterate that the funding cluster values that were announced as part of the Backing Australia's Future package were not changed from the current model except in the case of nursing and teaching.

**CHAIR**—Thank you for that clarification. We will return to higher education questions.

**Senator CROSSIN**—Can I start with the current funding situation for Batchelor Institute. I understand that Batchelor, along with ANU and AMC, get current anomalous funding. Is that correct?

**Mr Burmester**—I have explained that AMC has a component of their funding for non-higher education places, VET places, provided as part of their operating grant and that the ANU gets funding for the Institute of Advanced Studies, which is again nothing to do with teaching of undergraduate places, as part of their operating grant. In the case of Batchelor, they currently get an amount of funding through the Indigenous support fund on a different basis to other institutions. Also, they have a large number of enabling courses which under the proposed new arrangements are treated in different fashion to other funded places in that they do not have a HECS component.

**Senator CROSSIN**—Let us go to the enabling courses. What are the proposed changes for enabling courses under the new package?

**Mr Burmester**—The enabling courses will be funded at the funding rate for the discipline in which the course is provided. At the moment there is a separate enabling rate. So there is a

change to the funding rate. I have not got the particular make-up of the discipline mix for Batchelor.

**Senator CROSSIN**—Are you saying that if it is an enabling course for teaching it will be funded at a different rate to, say, an enabling course for law?

**Mr Burmester**—That is correct.

**Senator CROSSIN**—What is the current rate for an enabling course? What is the current amount? Is that a standard amount across all disciplines?

**Mr Burmester**—This is one of the anomalies in the current operating grant arrangement. They just count as an EFSU value in delivering funded loans. So they would be part of the base. The value of an enabling clause at one institution would be different to the funding rate at another institution simply because it is part of operating grant. You have a total target. They just get counted as part of their load. So there is not a specific funding rate for enabling courses.

**Senator CROSSIN**—I understand that ANU and AMC have been identified and are listed in the proposed legislation as guaranteeing their special funding beyond the transition stage. Is that correct?

**Mr Burmester**—There is provision in one of the sections here on ‘Other grants’. Section 41-10 provides the basis of other grants to universities. Item 4 of the table on ‘Other grants’ goes to national institutes specified in the guidelines. In the early specifications of the guidelines that were released by the minister on Monday, the ANU’s Institute of Advanced Studies and the AMC were identified. But no other institution has been identified as an existing national institute.

**Senator CROSSIN**—In other words, only ANU and AMC have been identified?

**Mr Burmester**—At this point, yes.

**Senator CROSSIN**—What does this mean then for Batchelor College? Why is Batchelor College not on that list and not continuing to get the funding it is getting now?

**Mr Burmester**—The funding that has been calculated for Batchelor is on the sheet that we provided to the Senate and to the committee on 17th October and relates to their grants from the Commonwealth Grants Scheme. So that would relate to their load, including their enabling load, calculated on the basis set out and the funding rates for the clusters. It does not include the arrangements for Indigenous support funding which they currently get and will continue to get into the future. I am not sure that the basis for that has been determined. You would have to talk to Indigenous colleagues.

**Senator CROSSIN**—They are saying you can answer my questions about the Indigenous Support Fund. I have asked them.

**Mr Burmester**—Okay; we will have to talk to them.

**Senator CROSSIN**—On the sheet you provided us on 17th October, what exactly does that mean for Batchelor College?

**Mr Burmester**—That relates exclusively to their Commonwealth Grants Scheme funds. It does not relate to their Indigenous support funds.

**Senator CROSSIN**—Have you got the amount with you there?

**Mr Burmester**—Basically, for the first three years, 2005-07, Batchelor would be eligible for transitional funding of about \$2.2 million for each of the years over that transitional period, based on the Commonwealth Grants Scheme. Again, that does not include all the sources of funding that could potentially flow to Batchelor.

**Senator CROSSIN**—What are you saying with this negative sign in front of Batchelor? They will get \$2.2 million to make up for this amount each year?

**Mr Burmester**—Yes, over the transitional period, out of the transitional fund.

**Senator CROSSIN**—What are they currently getting, though, under this anomalous funding regime?

**Mr Burmester**—Effectively, this is saying that if you recalculated their operating grant based on student numbers and student load, given the discipline mix they have, the formula we would be applying would reduce their funding by \$2.2 million over those three years, which would be made up through the transitional funding. That is setting aside their current funding through Indigenous support funding or any other funds that may come on stream.

**Senator CROSSIN**—So what happens to their special funding arrangements beyond the transition stage? If you have made no provision for them in the act, what happens in 2008?

**Mr Burmester**—Beyond the transition period we talked to the institutions that have circumstances such as Batchelor or AMC and initially sought their views on the strategic direction they wished to pursue into the future. We will be meeting with them twice before the middle of next year to identify a strategy to take them into the future. In the case of Batchelor, my colleagues visited Batchelor about three weeks ago and had discussions along the lines that in the first instance we would like to know from the college itself—in this case, the institute—about how they saw their future strategic direction, and that that would form the basis of subsequent discussions with them.

**Senator CROSSIN**—Are ANU and AMC also being put under the same pressure?

**Mr Burmester**—The AMC is, yes. We did not visit AMC, but we have had discussions with the principal. With the ANU, the IAS is such a significant component of the university and we have now clarified the funding of the institute, so we have not asked them for the same details.

**Senator CROSSIN**—Given that Batchelor College is the only institute in the country that has only Indigenous students, and given that in terms of higher education institutions its name has only changed in the past five years since I entered the Senate, why has there been a decision to not list it in the bill and continue its funding in the manner it has been used to?

**Mr Burmester**—It is listed in the bill.

**Senator CROSSIN**—No, it is not listed as one of the three institutions that will continue to get the current anomalous funding they are getting. You confirmed to me that it is only the AMC and ANU on the list—that Batchelor is not there any more. Why has the decision been made to not include them?



**Ms Fernandez**—That may be an option that Batchelor and the Northern Territory government may want to propose, but it is not for the Commonwealth. These two institutions—the ANU and AMC—are Commonwealth institutions, as opposed to Batchelor, which is a state legislated institution.

**Senator CROSSIN**—But they have received this funding for a number of years. Why has a decision been made now that they will not be included as part of this arrangement, given their particular circumstances and their cohort of students?

**Mr Burmester**—Their current operating grant includes a number of components, including their Indigenous support funding. In the new proposals, the Indigenous support funding has been taken out of the operating grant for all institutions across the board. It is going to be treated as a separate fund and allocated on a new basis. That is one reason they have been changed. As I said earlier, this figure does not include the Indigenous support funding that they had previously got.

**Senator CROSSIN**—How will that be determined in relation to payment at Batchelor College?

**Mr Burmester**—At this stage, the arrangements for the Indigenous support funding—the basis of the allocation of those funds—has not been determined.

**Senator CROSSIN**—I am assuming that this bill will be in the Senate on 24 November. Are you asking me, in particular, to stand up and support that bill when I have an institution like Batchelor College lobbying me to say, ‘What’s happening with our funding arrangements?’ How can I possibly be expected to lend any support to a bill, and let down my constituents in the Northern Territory, when I do not have answers even as to how the ISF funding is going to be applied to them? When are we going to know the details of that?

**Mr Burmester**—That is part of the funding arrangements.

**Senator CROSSIN**—When are we going to know the details of that?

**Mr Burmester**—I am not sure. I would have to confer with the relevant people in the Indigenous Education Group.

**Senator CROSSIN**—So you want me to stand up in the Senate and say: ‘I’ll support this bill. I have no idea what the details or the arrangements are. I have no idea what the impact on Batchelor College and all of its Indigenous students will be. The government has said, “Just trust me,” so I’ll stand up and do it’? When will we get to look at this? When will this institution get to have a look at it and provide feedback to me about whether I ought to pass it on their behalf?

**Mr Burmester**—As I said, that is part of the funding arrangements for the institute. But, equally, we have asked the institute itself to identify strategies and a strategic direction for the institute so that they can be considered and the government can take them into account. Part of that may well be—

**Senator CROSSIN**—But you cannot tell me how the Indigenous Support Fund is going to be calculated, worked out and derived, and what it will mean for Batchelor in terms of amount and impact on that college at this point in time, can you?

**Mr Burmester**—Not at the moment, no.

**Senator CROSSIN**—So when will that become clearer to us?

**Mr Burmester**—I do not know. I would have to consult with my colleagues in the Indigenous Education Group.

**Senator CROSSIN**—What will the impact of this bill on Batchelor College be after the transitional funding?

**Mr Burmester**—The institute will be provided with transitional funding for 2005, 2006 and 2007 so that they are no worse off than their current funding levels. During that time we will be working with them to identify the basis of their activities into the future, taking into account their own desires. That is what we have asked them to do: identify their strategic directions and how they could be facilitated.

**Senator CROSSIN**—Can you take on notice then to provide us, as soon as possible, with the arrangements for the calculations and the payment of the Indigenous Support Fund and what they will mean for each and every institution around this country?

**Mr Burmester**—Yes.

**Senator CROSSIN**—Why is Northern Territory University listed as that, rather than Charles Darwin University, in the proposed support bill?

**Mr Emmanuel**—The name change is coming into effect only on 1 January 2004. At the moment, it is still Northern Territory University.

**Senator CROSSIN**—Has the name change been gazetted?

**Mr Burmester**—Our advice is that it takes effect from 1 January 2004.

**Mr Emmanuel**—Yes, it has been gazetted, but the name change is coming into effect only on 1 January 2004. The Higher Education Funding Act lists it as ‘Northern Territory University’, to avoid any confusion at this stage. We have advised the people who are drafting the legislation or liaising with them.

**Senator CROSSIN**—So, if the legislation is not passed this year and is held over until February, I am assuming that there will be an amendment from the government.

**Mr Burmester**—Yes, there will be an amendment from the government to adjust the name to accord with the new status of Charles Darwin University.

**Senator CROSSIN**—Can you tell me what amount of funding the Commonwealth has given Charles Darwin University over the last five-year period, over and above the standard payments—outside operational grants or outside other moneys paid to universities under the standard calculations? I know, for example, that in the last 12 months there has been \$3 million. A certain amount of money was also paid in order to conduct the consultancy for the KPMG report. Are you able to provide me with that information? Do you understand the sorts of amounts that I am talking about, over the last five years?

**Mr Burmester**—Yes. We do not have the information here. Over a period like that, we will take that on notice.

**Senator CROSSIN**—Let us go particularly to the last 18 months. What amount of money has been provided by the Commonwealth to the Northern Territory University since, say, January 2002?

**Mr Burmester**—I think the only abnormal item within the sort of concept you are talking about would be those payments that flowed out of the consideration of the KPMG report, where the Commonwealth undertook to provide \$3 million to the university to reposition itself and address the issues that were raised in the KPMG report. But I would like to take that on notice also, just to check that those were the only payments that were made.

**Senator CROSSIN**—Have you conducted an evaluation as to whether you have got value for money for your \$3 million?

**Mr Emmanuel**—We have got an interim report. We are waiting for the final report before the final payment is made.

**Senator CROSSIN**—What does the report go to? What would be in the report that you have asked for?

**Mr Burmester**—Basically, they are based around the implementation of the measures identified in the KPMG study—the recommendations. I cannot remember, off the top of my head, what those were or which ones they have moved most rapidly on, but the payment was on the basis that they would commence to implement the recommendations of that report.

**Senator CROSSIN**—So how many reports have you had from them to date on the implementation of that vis-a-vis your \$3 million? No reports to date on that?

**Mr Burmester**—Yes, we have got reports. We do not know—

**Mr Emmanuel**—We have got reports. We have made payments on the basis of progress reports.

**Senator CROSSIN**—How many of those have there been?

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

**Senator CROSSIN**—If you could, I would appreciate that. Can you tell me if the university is currently running with a deficit—whether it has an operating deficit budget?

**Mr Emmanuel**—For last year, yes.

**Senator CROSSIN**—For 30 June 2002 and 30 June 2003?

**Mr Emmanuel**—They work on a calendar year basis.

**Senator CROSSIN**—So at 31 December there was a deficit?

**Mr Emmanuel**—Yes.

**Senator CROSSIN**—Is the Commonwealth doing anything about asking questions about that and analysing the situation?

**Mr Burmester**—Yes.

**Senator CROSSIN**—You have just given them \$3 million to reposition themselves.

**Mr Burmester**—The department—but not I personally—visited the university about three weeks ago for a profile discussion, in which their financial situation would have been

discussed and we would have established that they had some strategies in place to address their financial situation. But you would have to bear in mind that it would have been in only the new vice-chancellor's first or second week that we visited the institution. They also have a new chief financial officer at the university, and so the detail and the degree to which they had progressed their plans was at a pretty early stage, I would have to say.

**Senator CROSSIN**—The proposition that Charles Darwin University had to reposition itself is not a new idea here. I would have thought, coming up to two years past that time, the repositioning may well have been almost in place by now. You may well have been convinced, as a Commonwealth agency, that they would be operating in surplus mode. Are there any signs that cause you some concern and alarm at this stage, given that we are nearly 24 months on from those initial discussions?

**Mr Emmanuel**—It may be a bit too early to speculate on the effects of the reform. There had been an interim vice-chancellor making some structural changes, and there had been redundancies and associated staff costs, so we cannot really say how lasting the reforms are or what their impact is going to be for 2003, but we will be visiting the university in early December to spend a day or two with the finance people there.

**Senator CROSSIN**—Have you received the university's annual report this year yet?

**Mr Emmanuel**—For 2002 we have, yes.

**Senator CROSSIN**—For 2002. I understand there is an annual report to be handed down fairly soon.

**Mr Emmanuel**—They operate on a calendar year basis, so it will be early next year.

**Mr Burmester**—We are having and have had discussions with the vice-chancellor, even though it is early days. We have undertaken that officers of the Higher Education Group will visit the university so we can get a better understanding of their financial situation and the plans that the new officers are developing and, equally, so they can understand our requirements and expectations of them. That will happen within the next month or so. So we are not just standing back and ignoring the situation of the Northern Territory University; we are working with them and have established quite good rapport with the new executive.

**Senator CROSSIN**—So when is the next progress report due?

**Mr Burmester**—I am not sure.

**Mr Emmanuel**—I was just told that the final report has come, but it has still not been evaluated.

**Senator CROSSIN**—So the final payment has not been made?

**Mr Emmanuel**—Not yet.

**Senator CROSSIN**—Have you been involved in discussions that might incur an amalgamation of Batchelor College with the Charles Darwin University?

**Mr Burmester**—That is a notion that has been considered on and off for some time. I think at one point, when the former Vice-Chancellor, Ken McKinnon, went to the Northern Territory University and was identifying possible strategic paths for the university into the

future, he looked at a range of amalgamations or collaborations in the Territory or even beyond that.

**Senator CROSSIN**—But have you been involved directly in discussions?

**Mr Burmester**—Yes, Professor McKinnon came and discussed these matters as possibilities with the minister. When we went to the Northern Territory a few weeks ago, we asked the state government officials, and also the Vice-Chancellor, what the intentions and plans were in that regard—but, again, the Vice-Chancellor has only just arrived—and I think it will be an issue that the university, the institute and the state government will consider into the future.

**Senator CROSSIN**—Have you had discussions with the director of Batchelor Institute about this?

**Mr Burmester**—Yes, as I understand it—again, I was not present—when we visited Batchelor College that was one of the options or possibilities that we thought the institute should encompass in their consideration of the strategic plan we had asked them to consider. It is an option. Whether they are in favour of it or not was not established at that meeting; it was just one of the options that was flagged as a possibility to be considered.

**Senator CROSSIN**—So is the withdrawal of their anomalous funding part of the pressure to get them to consider amalgamating with Charles Darwin University?

**Mr Burmester**—No. The funding that we talked about earlier is a consequence of the new arrangements. The Commonwealth does not have a position on the amalgamation of the institute with the Northern Territory University. We did indicate, as I understand it, that we would at least expect greater collaboration within the Northern Territory on higher education provision. For example, we had proposals from both the institute and the universities for capital development in Alice Springs. In a place the size of the Territory and Alice Springs, we do not see that there needs to be separate provision or facilities provided and that some collaboration might achieve a better outcome for the Territory as a whole. Again, that was put on the table in the discussions we had with both institutions.

**Senator CROSSIN**—Finally, has the Commonwealth been provided with any figures or any analysis of what it will cost Charles Darwin University to amalgamate with Centralian College?

**Mr Emmanuel**—No. That would be one of the areas that we would be addressing during our visit.

**Senator CROSSIN**—Are you satisfied that those costs are covered by the \$3 million you have already given the university to reposition itself?

**Mr Burmester**—I do not think we have done that level of analysis.

**Senator CROSSIN**—I would have thought that they would have been some of the questions you would have well and truly asked the university by now.

**Mr Emmanuel**—There have been some evaluations done of Centralian College, of the assets and the impact of the merger and so on, but we do not have the details. We will be visiting the Northern Territory University to ascertain the impact for ourselves.

**Senator CROSSIN**—Who have the evaluations been done by?

**Mr Emmanuel**—I cannot remember the name.

**Senator CROSSIN**—Are they available for this committee?

**Mr Emmanuel**—No. I think they were undertaken by the university itself. We have not seen it yet.

**Senator CARR**—I will return to the questions that I was raising before the break—

**Dr Harmer**—We have just finished with the Indigenous and Transitions Group, but I remember Senator Carr signalling earlier this morning that he had some questions on VET in Schools. At the time I did not say, but I think it is appropriate to deal with it in the Indigenous and Transitions Group and I have those people standing by. Is it possible to deal with those quickly?

**Senator CARR**—In the interests of time, I will put them on notice.

**Dr Harmer**—Thank you.

**Senator CARR**—I just cannot be certain that we will get through the Higher and International groups.

**Senator CROSSIN**—Before we start, I am interested in what Mr Burmester had to say when we were not here with regard to individual modelling being part of cabinet's submission. Could Mr Burmester repeat for us the information he gave at the start of the session?

**Senator CARR**—Do you wish to clarify your evidence?

**Mr Burmester**—Yes, I want to clarify some evidence that Senator Crossin referred to. I would confirm that, while there was no individual institutional modelling of the Backing Australia's Future package for each institution before its announcement, there was some analysis of some suboptions at the institutional level as part of cabinet's deliberations on the package.

**Senator CARR**—Thank you, Mr Burmester. That was my claim to you.

**Mr Burmester**—I am clarifying that. However, as it relates to cabinet processes, we cannot provide further detail.

**Senator CARR**—I understand that.

**Mr Burmester**—I would like to reiterate that the funding cluster values announced in BAF were not changed from the current ones, except in the case of nursing and teaching.

**Senator CARR**—Mr Burmester, you cannot comment on what it was, but all I was seeking at the time was that this had occurred. You have been denying it for two sets of meetings. I am glad that you have clarified it. I am surprised that you are so unfamiliar with what is happening in the department.

**Mr Burmester**—We said that there was no modelling of the BAF package as a whole at the institutional level—

**Senator CARR**—Mr. Burmester, do not—

**CHAIR**—Order, Senator Carr!

**Mr Burmester**—but that there were some suboptions that did have some parts of their modelling done at the institutional level.

**Senator CARR**—That is not what you have been saying up until this point. That is not what you have been saying at all. I put to you quite specific questions about cluster 2 modelling for individual institutions. You are now changing your tune.

**Mr Burmester**—You only put that to us this evening, and we clarified it by going back to the cabinet documents. I said quite clearly, when you raised the matter of cluster 2, that I had no recollection of it. I have now clarified that matter.

**Senator CARR**—I appreciate that you have clarified it. I just think it is getting a bit cute, that is all. The language here is getting very cute.

**Dr Harmer**—Let me assure you that Mr Burmester was not intending to be cute at all; he was intending to be frank and to provide the committee with the answers. We asked you for some clarification of exactly which document you were reading from. You were not able to give it to us or describe it to us; therefore it was not clear at all to us precisely what you were talking about. I do not think it is at all unreasonable that Mr Burmester was not able to give you a definitive answer. We have checked over the break, and he is now giving you the answer.

**Senator CARR**—What I put to you was very clear. I put a return to order furthermore, which is also very clear. I put questions to your department at the Senate hearings. I think the memory position has improved tonight and it is good to see. I am surprised it has taken so long. I ask you again, Mr Burmester: was an attachment put to that cabinet submission, as distinct from having that modelling incorporated into the submission itself?

**Mr Burmester**—You asked earlier about the regional impact statement. As I think has been indicated, what we considered was a regional impact statement included throughout cabinet papers and there was not a separate regional impact statement document. As you have indicated by reading out some figures, there was an attachment that went to the modelling of one possible sub-option, which was not taken up by cabinet and was rather academic in its consequences.

**Senator CARR**—In the bill, a ‘qualified auditor’ is defined as:

- (a) the Auditor-General of a State, of the Australian Capital Territory or of the Northern Territory; or
- (b) a person registered as a company auditor or a public accountant under a law in force in a State, the Australian Capital Territory or the Northern Territory; or
- (c) a member of the Institute of Chartered Accountants in Australia, or of the Australian Society of Certified Practising Accountants; or
- (d) a person approved by the Minister in writing as a qualified auditor for the purposes of this Act.

Have you had any consultations or discussions with the relevant professional associations on this particular clause?

**Mr Burmester**—No.

**Senator CARR**—Can you point to other education legislation that gives the minister such wide discretion on the appointment of auditors?

**Mr Burmester**—What the provision in the bill is saying is that the Commonwealth will require higher education providers to provide audited accounts, which is a reasonable expectation of public and private bodies, and that those audited accounts must be audited independently of the organisation. To allow that to happen, we have identified a range of people who would qualify as independent qualified auditors for the purposes of the act.

**Senator CARR**—So you have no idea of what the professional associations think of this?

**Mr Emmanuel**—I can give an important example of that. There was an instance when the US State Department provided loans to US students studying in Australia. If it is more than a certain amount, they require an auditor qualified in the US's auditing standards to audit the financial statements or the expenses incurred in relation to that grant. Such a case may be covered by the minister.

**Senator CROSSIN**—I would like to turn to the role of the Australian Universities Quality Agency. The bill identifies AUQA as the agency that will be responsible for the quality audits of higher education providers, and that is still really the status quo. Under the bill, is it not the case that there is a significant expansion of the responsibilities of this agency—for example, quality verification audits of self-accrediting higher education institutions and state accreditation agencies, reporting on these audits, commenting on the criteria for recognition and accreditation of institutions arising from these audits and, the bill also says, reporting on the relative standards and the international standing of the Australian higher education system. Again, these are things that arise from the audit process. So all of AUQA's work is currently confined to matters arising from its five-year cycle. Is that correct?

**Ms Sparkes**—Yes.

**Senator CROSSIN**—I understand that that is because it keeps the workload manageable. Is that one of the reasons?

**Ms Sparkes**—It has a schedule that it will roll out, yes, as part of its consideration.

**Senator CROSSIN**—How many staff does the agency have that are directly involved in the audit process?

**Ms Sparkes**—I would have to take that on notice. I do not have that detail with me.

**Mr Burmester**—Senator, I would like to clarify something in the line of your question. You indicated that the act required AUQA to undertake these activities. In fact, the act says that it has to be a 'quality auditing body'. It does not specify AUQA itself. There is an expectation and an announcement by the government that it would be approaching AUQA to undertake this additional activity. If they are unable to do so, for whatever reason, the act does provide that another 'quality auditing body' could undertake some of this work.

**Senator CROSSIN**—So it is not actually significantly expanding the responsibilities of that quality agency. Is that correct? What other quality agencies are you talking about that you would establish or that you would have the confidence in to undertake the same vigorous role that AUQA has?



**Mr Burmester**—In announcing the Backing Australia's Future package, the government did indicate that it would be asking AUQA to do these things. I was just clarifying that the act does not necessarily require only AUQA to do those.

**Senator CROSSIN**—I am asking you, then, who you envisage would do that, given that AUQA is actually a body that has been set up specifically to undertake that role. Who else would do it? Are you going to set up other bodies?

**Mr Burmester**—We have not investigated an alternative, because we have not concluded with AUQA whether it is in a position to undertake these activities. Our preference, and the announced intention of the government, is to approach AUQA to undertake these things.

**Senator CROSSIN**—Can I just go back to the number of staff employed at AUQA. Its web site indicates that there are eight people who might have that kind of role. You have told me that you cannot tell me the number and that you will have to take it on notice. What is the annual cost to the Commonwealth of running this agency at the moment?

**Mr Burmester**—AUQA operate as a small agency of permanent staff, but the audits they undertake are actually staffed by panels that are constituted for each particular audit. The basis of most of the panels they establish is usually a range of practising academics and an international expert on quality, and a staff member from AUQA to assist in the panel's deliberations in undertaking the audit. So they can expand their activities and undertake a larger number of audits without doing the whole work. They are not the only ones who are doing it. They could do it by expanding the number of panels that they constitute for the purpose.

Equally, in some of these matters we are talking with AUQA and the sector, including the state governments, about how we could coordinate audit activity and other quality management and assurance processes. For example, there is the announced intention that we would also audit overseas activities on a whole-of-country basis. The way we intend to approach that is not to have a second, completely separate stream of activity but to mesh it with AUQA's existing overseas activities so that they visit all the universities in a particular country that they would have audited anyway in a cycle and, through that coordination, minimise the additional requirements on AUQA so that it becomes a manageable proposition.

**Senator CROSSIN**—Let us go back though to my original question, which was: what is the annual cost to the Commonwealth of running the agency?

**Mr Burmester**—I think the Commonwealth's annual contribution to AUQA is \$1 million. AUQA also receives fees from the institutions that are being audited, and the state governments also contribute to AUQA's budget.

**Senator CROSSIN**—So what proportion of its cost does it currently recoup through fees or from state governments?

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

**Senator CROSSIN**—You have indicated to me that AUQA may well be the body that you approach to undertake this sort of expanded audit role. Has any consideration been given to looking at extra staff or increasing the Commonwealth contribution to this agency?

**Ms Sparkes**—There has been an indication of additional funding to AUQA to undertake the whole-of-country audits that were identified in the Backing Australia's Future package of \$590,000 per year.

**Senator CROSSIN**—What about its other activities, though? Is there a Commonwealth contribution coming for that or is this agency expected to recover those costs with fees or additional charges?

**Ms Sparkes**—In Backing Australia's Future and in the legislation private providers approved as higher education providers under the legislation would be required to meet quality requirements which involve an audit. The intention there is that private providers would need to meet the full costs of those audits. It will be on a cost-recovery basis.

**Senator CROSSIN**—For the private providers?

**Ms Sparkes**—For private providers.

**Senator CROSSIN**—And for others?

**Ms Sparkes**—That is the additional requirement.

**Senator CROSSIN**—That is the additional \$590,000?

**Ms Sparkes**—The \$590,000 is for whole-of-country audits for both public and private providers who are approved as higher education providers under the bill.

**Senator CROSSIN**—Is this in international offerings? Is that what you are talking about when you say 'whole-of-country'?

**Ms Sparkes**—Yes, international.

**Senator CROSSIN**—What about other government institutions?

**Mr Burmester**—They are already covered under the current arrangements, and there is no proposal to change those arrangements.

**Senator CROSSIN**—Have you had a look at the cost structure for the additional services to be provided by AUQA? Is that how you have derived the \$590,000 in additional money?

**Ms Sparkes**—The additional \$590,000 is for the offshore audit requirements.

**Senator CROSSIN**—How was that derived?

**Mr Burmester**—It was calculated on an assumption of the number of audits that would be involved and the sort of intensity that would be involved additional to their current activities of auditing Australian institutions providing offshore course provision. It was an estimate that we derived. We have not finalised with AUQA whether that is sufficient or insufficient funding for the level of activity and how we might best achieve the government's goals of having whole-of-country audits within that envelope of funds.

**Senator CROSSIN**—Was that \$590,000 identified in this year's budget?

**Mr Burmester**—Yes, it was announced as part of Backing Australia's Future.

**Senator CROSSIN**—No additional money has been needed to be found to meet that commitment?

**Ms Sparkes**—No.

**Mr Burmester**—It is part of the \$1.4 billion announced as part of BAF.

**Ms Sparkes**—Can I just go back and clarify your questions in relation to the number of AUQA staff and the Commonwealth funding contribution. I have just been advised that your statement is correct—there are eight permanent AUQA staff, including a CEO, three audit officers and support staff. Commonwealth funds to AUQA are about \$500,000 annually. The states and territories contribute another \$500,000 and universities pay about \$600,000 annually as a contribution towards the audit.

**Senator CARR**—Mr Burmester, the figure you will be using here tonight, and one the minister has used, is this package will involve a total of \$10.5 billion of extra investment over the next 10 years. Is that the figure you are using?

**Mr Burmester**—I have not used it tonight, Senator. That was the Commonwealth investment or increased expenditure over a 10-year period, based on this package.

**Senator CARR**—I have asked you questions in the past about your forward projections outside the estimates period, and you have advised me that you do not do that. So I am wondering how you calculated that figure.

**Mr Burmester**—This was a broad level estimate. If you flatlined the proposals announced over the forward years and then just projected them forward for the decade, then that is the sum of money that you would get. But it is at the broad level; it is not down at the level of institution, program or anything like that that you have asked us questions about.

**Senator CARR**—How much of that \$10.5 billion includes loans to students?

**Mr Burmester**—Announced in the foreword of the Backing Australia's Future policy statement is \$6.9 billion in additional funding for the higher education sector over the next 10 years, and \$3.7 billion in financial assistance to students through new student loans.

**Senator CARR**—So that is \$3.7 billion worth of public subsidies?

**Mr Burmester**—No, that is the amount of loans that will be provided to students.

**Senator CARR**—So that is not extra money as such; it is loans, which will be repaid.

**Mr Burmester**—Yes, that is right.

**Senator CARR**—So, in fact, the extra money is \$6.9 billion.

**Mr Burmester**—The \$6.9 billion is additional funding to the university sector.

**Senator CARR**—So, when the minister gets up in the parliament and says that there is going to be \$10.5 billion of extra public funding, he should be saying that it is \$6.9 billion.

**Mr Burmester**—I think that the minister usually does separate the two components out or indicate that it includes the increase in loans to students.

**Senator CARR**—But it is only \$6.9 billion; it is not really \$10.5 billion.

**Mr Burmester**—It is quite clearly said on the first page of the Backing Australia's Future document.

**Senator CARR**—I asked you about the consultations with the Privacy Commissioner with regard to private student information, and you indicated that you had consulted the commissioner. That is right, isn't it?

**Ms Fernandez**—Yes, that is correct.

**Senator CARR**—When did you consult the commissioner?

**Ms Fernandez**—I do not have the exact date.

**Senator CARR**—It is just that it is not listed in his report.

**Ms Fernandez**—We consulted the commissioner's officers. We met with officers from the Privacy Commission.

**Senator CARR**—Information concerning opinions on students can be relayed to the department. Was any comment made about that?

**Ms Fernandez**—Opinions on students cannot be relayed to the department. I think you are referring to the definition of 'personal information' in the act.

**Senator CARR**—Yes. It says 'opinions'. It uses the word.

**Ms Fernandez**—That is a definition of personal information, which is exactly the same definition that is used in the Privacy Act. It is in our act to define what personal information is. It then goes on—

**Senator CARR**—You say 'our act'. Which act is that?

**Ms Fernandez**—That is the Higher Education Support Bill.

**Senator CARR**—That is not your act; it is just a bill.

**Ms Fernandez**—I stand corrected. The definition is there, and the bill then goes on to say how that information is protected.

**Senator CARR**—So the Privacy Commissioner advised you that disclosure of information by educational institutions could be required for the protection of public revenue, did he?

**Ms Fernandez**—No. The personal information definition in the act is there to protect the personal information of students.

**Senator CARR**—So the comment was not about the amount of information they were providing to you; it was just about whether or not anyone told anyone else about it.

**Ms Fernandez**—It is there basically to define what personal information is, and then to say how it will be protected and not disclosed.

**Senator CARR**—Since I do not have it in his report, I am just wondering how we know what he said in response to your inquiry.

**Ms Fernandez**—Again, that was part of the advice that we received when we were developing the cabinet submission.

**Senator CARR**—I see.

**Mr Burmester**—We took advice from the Privacy Commissioner in the preparation of the legislation. As to the provisions in part 5-4 of the bill, as has been explained, the part is there

to ensure that personal information of students is not disclosed, that it is covered by the privacy principles that are set out in the Privacy Act. It starts with a definition of what constitutes private information, so it defines what is private information and then sets out a range of provisions by which universities and Commonwealth officers are bound in protecting that information so that it cannot be misused or released for unauthorised purposes.

**Senator CROSSIN**—Is the support bill going to specify what are the penalties for misusing that information?

**Ms Fernandez**—The penalties for misusing the information would be under the Crimes Act. The Privacy Act would say how we could breach that privacy and then if it is breached the Crimes Act would come into play.

**Senator CROSSIN**—What section of your support bill actually makes that cross-reference?

**Ms Fernandez**—There does not need to be a cross-reference, Senator. The Privacy Act covers all Commonwealth officers.

**Senator CROSSIN**—Is the provision you have got in the support bill similar to provisions in any other legislation—

**Ms Fernandez**—I think it is in ESOS and I believe it is also—

**Senator CROSSIN**—in the Education portfolio?

**Ms Fernandez**—Not in education, but it is in social security.

**Senator CARR**—Yes, but the ESOS Act does not contain a clause like this.

**Mr Burmester**—Senator, I think we are still confused about the intention of part 5-4. This is a provision that is established to protect private information of students. It is saying that, in all the activities that are conducted under this bill, private information must be protected. In doing that, it reflects the requirements and the privacy principles set out in the Privacy Act, and it ensures that not only Commonwealth officers handling private information but also university staff handling private information comply with the privacy principles. The penalties that do apply, if anyone releases information in an unauthorised way, flow from the Crimes Act because this creates an offence for somebody to release information inappropriately. This is not going to the Commonwealth imposing information requirements on students or universities; it is actually the opposite. It is saying that, where the information is obtained and used in other aspects of the act, this protects that personal information.

**Senator CARR**—That is obviously a matter we will have quite a substantial discussion about in the chamber.

**Mr Burmester**—I think you need to understand that this is about protecting information, not collecting information.

**Senator CARR**—I have heard your argument. I do not read it that way. You may well have intended it, but there are many things in this bill that clearly are not consistent with what you have stated in terms of the intentions.

**Mr Kriz**—Senator, could I just pipe in for one second. The actual offence provision is in this bill itself.

**Senator CARR**—Yes, I have read the bill and I have read the offence provision. I am concerned about the level of intrusion that this bill proposes.

**Mr Kriz**—But this whole part, as my colleagues have explained, is designed to protect privacy, and the criminal offence provision, with a two-year imprisonment term for unauthorised use, actually appears in this bill.

**Senator CARR**—That is right. Mr Kriz, the question is: what is unauthorised use? My reading of that is that the Commonwealth officers have enormous discretion—enormous, extraordinary discretion.

**Mr Kriz**—The provisions that are in here basically put into place what the Commonwealth Privacy Act has in place but apply the regime of enforcement under this act rather than under the Privacy Act. This is not different from the Privacy Act.

**Senator CROSSIN**—Why do you need such a provision in an education act, allowing you to access and read student files and student records?

**Mr Kriz**—But this is to protect students. If you do not have it—

**Senator CROSSIN**—I did not ask you that. I asked why you need, in an education act, the provision to access student files and personal records. Surely, all you would want to know is the number of students enrolled and the way in which they are enrolled.

**Mr Burmester**—There is nothing in this bill that requires universities to provide student academic records to the Commonwealth. What we have got is a bill that requires students who take out loans to do certain things. Obviously, for us to be able to recover those loans, we have to know who they are. This section was added to ensure that any information that the Commonwealth has obtained about the individuals who have a loan, which we currently do under HEFA, is fully protected. This is not a provision that says it requires the provision of personal information; it is saying that whatever information we obtain—

**Senator CROSSIN**—But, Mr Burmester, it just does not—

**CHAIR**—Order! Senator, the officer is still answering. Let him finish.

**Mr Burmester**—This provision says that any information that—

**Senator CROSSIN**—I would like him to answer the question I have asked.

**Mr Burmester**—This part of the bill proposes that any information that is obtained for other purposes in the act is fully and completely protected in line with the privacy provisions and the Privacy Act that exist, and extends those beyond the Commonwealth to university officers handling the same personal information.

**Senator CROSSIN**—You have not answered my question. You have said to me that you believe that the only reason you would need to access a student's file is to find out whether or not they have got a loan. That is not the caveat in that part of the bill. The question I asked you is: why would you need a provision that allows you to access the personal files of a student?

**Mr Kriz**—It does not.

**Mr Burmester**—This part does not provide for that.

**Senator CROSSIN**—My understanding is that that part allow officers of the Commonwealth to search and enter a university in order to satisfy yourselves that it has complied with the requirements of that act. Is that correct?

**Mr Burmester**—No, Senator.

**Mr Kriz**—That is not part 5-4. Part 5-4 deals with the protection of personal information. It does not provide any powers for us to do anything with personal information,.

**Senator CROSSIN**—There are clauses of that bill that give you the power to enter and search a university in order to ensure and to satisfy yourselves that the university is conducting its business under the requirements of the act. Is that correct?

**Mr Burmester**—That is correct, Senator. And, as I pointed out on 17 October at the Senate hearings on this matter, those provisions reflect the recommendations of the JCPAA of this parliament proposing that the ANAO have that authority and that the ANAO encourage agencies to adopt that practice as standard, so that the responsibility and accountability of Commonwealth funds is pursued to the use of those funds, not just to the point at which they exit the Commonwealth account. It is actually reflecting the recommendations of the parliament. That part, as I have said this before, relates to the 1999 recommendations of the JCPAA. We have adopted those. DEST has adopted those provisions in its contractual arrangements for funds that are paid to contractors. If there is a matter that needs to be pursued, then under the contract that we sign with the contractors we could investigate those things further, or the audit office could investigate those things further. The proposition in this bill is that funds provided through funding agreements under this bill be treated in the same way as funds paid out—administered funds—are paid out under contracts. So it is putting the same accountability standards on these as for contracted funds, in line with the JCPAA's own recommendations.

**Senator CROSSIN**—Mr Burmester, is it not the case that that bill allows a Commonwealth officer to enter and search, look at or take personal files of a student? The part you are referring to, 5-4, just limits what you can do with that information. Is that correct?

**Ms Fernandez**—No, Senator. If you look at the definition of personal information you will see that it goes on past the standard definition that is in the Privacy Act to say that it is also information or an opinion 'obtained or created by an officer for the purposes of chapters 3 and 4', meaning that it can only be in relation to assistance to students or repayment of loans, and nothing else. So we cannot take a student's files, we cannot look—

**Senator CARR**—The student identifier?

**Ms Fernandez**—No, this is information relating to student assistance and repayment of loans.

**Senator CARR**—And I am asking you: in regard to the student identifier, in regard to the student learning entitlement, what provisions would you make for the enforcement of those matters?

**Ms Fernandez**—The same provisions that protect the student's personal information, as Mr Kriz just explained.

**Senator CARR**—I understand that. But will you be able to use 19-80, ‘Provider to provide access to Departmental officers etc’? It sets down:

(1) The \*Secretary may determine ... in respect of a higher education provider, for access by:

- (a) APS employees in the Department who are authorised under subsection (3); or
- (b) any other persons ... who are authorised under subsection (3);

to any premises or records—

there is no limitation there—

of the provider for the purpose of conducting audit and compliance activities ...

(2) The provider must comply with the arrangements.

(3) The \*Secretary may authorise in writing:

- (a) APS employees in the Department; or
- (b) any other person—

that is, a contractor, the police or presumably anyone else you like, Mr Secretary, could be authorised under that provision—

on behalf of the Commonwealth ...

**Ms Fernandez**—That could only be for compliance with the act.

**Senator CARR**—But the legislation is so broad. It could cover just about anything that goes on in a higher education institution.

**Ms Fernandez**—It cannot, for the personal information of students, go anywhere but student assistance as provided under the act and repayment of loans.

**Senator CARR**—I am sorry, but my reading of that says:

... information or an opinion (including information or an opinion forming part of a database), whether true or not—

whether true or not—

and whether recorded in a material form or not—

**Mr Burmester**—That is not the information that we are acquiring. We are saying any information of that nature is protected by the privacy principles.

**Senator CARR**—Why is it in the bill?

**Mr Kriz**—It gives greater protection. That is not an empowering provision in the bill. It does not authorise anybody to do anything.

**Senator CARR**—That is a matter that I will have to put to my colleagues.

**Mr Kriz**—You can ask any lawyer anywhere. That provision does not empower us to do anything against protection of information that is gathered. It basically reproduces what is in the Privacy Act.

**Senator CARR**—That is a matter that I am sure all senators will take a keen interest in, and we will see how that goes. Can I turn to the issue of this research report, Mr Burmester. Do you have anything further to add to what is on the public record? I take it that you would



agree on the evidence that you were the officer responsible for the editing of the national report?

**Mr Burmester**—Yes, I edited the national report.

**Senator CARR**—When did you decide to remove the relevant sections that have been the subject of the recent debate based on the Karmel research?

**Mr Burmester**—I commenced editing the report towards the end of 2002. There were a number of matters that I considered did not fit within the scope of the national report, so in those cases I edited the material so that there was a consistent line and authority to the contents of the national report.

**Senator CARR**—On what basis did you choose to edit out Mr Karmel's research?

**Mr Burmester**—As you know, the research reports on which some of the material had been included in the earlier drafts of the national report had drawn on those research reports but that those research reports were to be no longer published in their own rights. In looking at the material that had been extracted from the reports, I wanted to assure myself that they were stand-alone, self-explanatory and compelling in their argument. In the case of those reports, I had some concerns that I did not think they met that standard, so I removed the references to those reports.

**Senator CARR**—When did you tell Mr Karmel that his work was not up to standard?

**Mr Burmester**—I did not say that the research was not up to standard; I said that the material that had been included in the national report from those research reports was not self-contained and that I had some concerns about the methodological difficulties faced by the researchers in their work. Their work was methodologically appropriate but, nevertheless, there were limitations on the methodology that could be applied to the problem and the data on which it was based. Therefore, I heeded the actual concerns and caveats that the authors themselves put in their research reports. If you look at the research reports, you will see that a lot of the findings are heavily caveated about their reliability.

**Senator CARR**—I have never read anything Mr Karmel has written which was not heavily caveated.

**Mr Burmester**—In that case, my view was that the material did not form an appropriate part of the national report, which was a factual, retrospective view of the sector.

**Senator CARR**—Mr Burmester, what are your qualifications to judge Mr Karmel's work?

**Mr Burmester**—I have statistical qualifications at undergraduate and graduate level. I was editing a report. I could read the research reports and understand the data on which they were based and was not convinced that the findings were unequivocal or without methodological limitations that would mean that they had a legitimate place in a national report of historical significance over a 10-year period. I could give you an example of that. I would like to table a document to that end. Some part of the public debate that has occurred has referred to the issue of changes in enrolment patterns in band 3 courses.

I was around in 1996 and 1997 when differential HECS was introduced, and there is no basis on which you can draw any conclusions about changes in enrolment in band 3 courses

between 1996 and 1997. The reason for that is that at the time we introduced a new coding system. That coding system split the discipline of law into two categories. One was left as law and a new category of justice and legal studies was introduced. So the total enrolments between 1996 and 1997 in those two categories remained at 14,850. But in 1997 law, which is counted as a band 3 course, showed a 3,000 EFTSU reduction, which was a coding change because 3,000 EFTSU that had previously been coded to law were now coded as justice and legal studies. They were the same students doing the same subjects. I would like to table that analysis.

**Senator CARR**—Sure. You will be familiar with Mr Chapman’s advice to this committee that the reports in question were methodologically sound?

**Mr Burmester**—The methodology that the researchers used was quite appropriate to the task, but a couple of issues meant that the findings they could generate were limited simply by the methodology available to them. As I said, the data on which it was based does not allow you in any meaningful way to separate band 3 or any other bands from the analysis. Similarly, when it comes to the causal relationship between the impact of the 1997 changes, three types of policy shifts were encompassed in the 1997 changes. There was the introduction of differential HECS, there was a reduction in the repayment threshold and there were changes to the residency requirements. All these factors were counted by a single dummy variable in the analysis undertaken by the researchers. So you cannot separate out the contribution of any of those factors. They are treated as one change, when there are three components to it. So within those limitations, their findings being of a small size, uncertain and equivocal in nature meant that they did not have a role in the national report.

**Senator CARR**—I have here a number of press reports from 11 to 13 August this year published in the *Sydney Morning Herald* that quote a senior departmental officer as saying that the reason this report was removed was that the research was flawed. Were you that officer?

**Mr Burmester**—I do not recall that statement.

**Senator CARR**—You do not recall speaking to the *Sydney Morning Herald* about this report?

**Mr Burmester**—The reasons for the removal of the material were set out in a letter to the minister about that time. I cannot remember the exact date of that letter. It could have been that the reporter was referring to the letter from the secretary to the minister.

**Senator CARR**—No, it was referring to these reports and the allegations that I had been making. You would recall that I came to this committee over several months and asked for copies of these reports, and the department found it difficult to provide them. As you would be well aware, I would not be asking questions like that unless I had a copy of the national report. I was disappointed with the response from the department. I was even more disappointed to read of senior officers being quoted in the press as saying the reason these reports were suppressed was that the work was methodologically flawed. I have some regard for Mr Karmel and his team. When did you tell the research team that their work was methodologically flawed?

**Mr Burmester**—The department issued a press release on 5 August that in part went to our concerns about the methodological limitations and the difficulties of the data on which the reports were based. So that was on the public record by 5 August.

**Senator CARR**—That is on 5 August. But these decisions were taken in April 2002, were they not?

**Mr Burmester**—No, certainly not that far ago. I started editing the report towards the end of 2002, in November-December.

**Senator CARR**—When you took over as the Higher Education Group head, were you given a draft report ready for publication?

**Mr Burmester**—I was given a draft report for consideration at about that time. It would have been when I took over the job, yes.

**Senator CARR**—That was about April 2002. Is that right?

**Mr Burmester**—Yes.

**Senator CARR**—Was there a briefing note for the minister attached to that?

**Mr Burmester**—There could have been. I do not recall that there was, but that probably was the standard practice. I certainly did not send a briefing note on this report until July 2003.

**Senator CARR**—So a briefing note was prepared—

**Mr Burmester**—It could have been, Senator.

**Senator CARR**—in April 2002 for ministerial consideration of the report. It was ready for publication at that time, was it not?

**Mr Burmester**—It was not ready for publication. I had not read it. I did not ask for a briefing note to be prepared. There may well have been one prepared in case, to send the report off. It was not read by me until the end of that calendar year.

**Senator CARR**—So you are saying you did not read this report till December?

**Mr Burmester**—That is correct.

**Senator CARR**—Last year?

**Mr Burmester**—Correct.

**Senator CARR**—Mr Burmester, I am very troubled by this evidence.

**Mr Burmester**—It might have been November-December. I cannot remember.

**Senator CARR**—I am very troubled by this evidence, because the former secretary of the department says that you did it before then, and that is on the public record as well.

**Mr Burmester**—I was responsible for editing and reading the report. I do not think Dr Shergold had a copy of the report, and I can assure you I did not read it or start editing it until the end of the year, November-December.

**Senator CARR**—So it was November-December last year, not April-May—

**Mr Burmester**—Not April, not May.

**Dr Harmer**—Could I just say that that does not surprise me one bit, frankly. Bill Burmester took over the Higher Education Division at a time of high activity. As I said this morning, there were two pieces of work going on, one of which was the end trail of a long-term piece of research. The other was a major exercise of evaluation, leading into a reform of higher education. His priority would certainly have been the reform process that the minister had initiated. He may well have been presented with a report with a draft minute attached, but if I had been presented by my predecessor or someone similar with a briefing note and a huge report to read, and had lots of things to do, I would not necessarily sign the briefing note and send it up without having read it. When he did get around to reading it, he made a judgment about some of the bits. That is not terribly surprising.

**Senator CARR**—So when did you read the underpinning reports by Aungles, Fleming, Karmel, James and McLachlan?

**Mr Burmester**—First of all, the James report was an external one that had been published as an EIP study. I do not know exactly when it was published, but it was not an issue. The material from the other reports in relation to changes on HECS—the McLaughlin, Aungles and Karmel material—was used by the policy development review team working on the Crossroads review. In fact, Phil Aungles was a member of that team. It was part of the advice that was being provided to the minister throughout that process. What I did subsequently—as I said, in November or December—was turn my hand to reading and editing the national report.

**Senator CARR**—So you have the report in November or December—a major report like this—and by late December you are able to hand it to the minister's office. Is that what you are putting to this committee?

**Mr Burmester**—Given the size of the report and that it had taken me some time to get, I did not want the same process to be replicated with the minister's office. I provided a preliminary report so that they could start their reading of it and make comments on it. A preliminary draft was provided towards the end of December so that they could have a look at it.

**Senator CARR**—So this is when Mr Hampton was the acting chief of staff?

**Mr Burmester**—I do not know what role Mr Hampton had at that time. The minister has tabled the letter that indicates I provided a preliminary copy of the report to the higher education advisor.

**Senator CARR**—So you did not discuss it with Mr Hampton?

**Mr Burmester**—No, I did not discuss it with Mr Hampton.

**Senator CARR**—And your evidence to this committee is that you did not discuss it with the secretary?

**Mr Burmester**—I did not discuss my editing of the report with the secretary. That is correct.

**Senator CARR**—And you say the secretary did not receive a copy of the report.

**Mr Burmester**—As far as I know, he had no access to the national report. Like I said, it is a large 500- or 600-page document.

**Senator CARR**—I am familiar with it.

**Mr Burmester**—And, as far as I know, I was the only one with a copy of it. There may have been other people but, as far as I know, it was never referred to the secretary.

**Senator CARR**—When did you discuss it with the research team?

**Mr Burmester**—The research team had nothing to do with the national report.

**Senator CARR**—So when did you discuss the underpinning research that you say was methodologically flawed?

**Mr Burmester**—When I looked at the suitability of material that had been included in the national report from the research reports I drew my conclusion. Given there were concerns about the certainty of the findings, the rigour of the signings and my knowledge of the data limitations that underpinned references to changes in enrolments by band, I made the decision to exclude the material.

**Senator CARR**—When did the minister find out about these five underpinning reports?

**Mr Burmester**—I do not think there were ever five.

**Senator CARR**—How many would you say there are?

**Mr Burmester**—I think there is three.

**Senator CARR**—There is the Aungles report; there is the—

**Mr Burmester**—One of them was combined into the Phil Aungles report. So at the end of the day one of them was a combined report of Tom Karmel, Maureen McLachlan and Phil Aungles. There was a separate report under the name of Fleming and Karmel, and one under the name of Martin and Karmel. That is three.

**Senator CARR**—So the McLachlan-Karmel report entitled *HECS: the impact of changes*—

**Mr Burmester**—That included the Aungles work as well.

**Senator CARR**—And there was Aungles's report *HECS and educational opportunities*.

**Mr Burmester**—No, those two reports were combined at some point during their preparation.

**Senator CARR**—As we have discussed, the reason the Blakers mobility report was not published was an oversight.

**Mr Burmester**—Yes, that had been cleared for publication. I do not know when it had been cleared for publication—before I took over the job.

**Senator CARR**—And James's *Socioeconomic Background and Higher Education Participation*?

**Mr Burmester**—That was an external EIP study that pursued its own path through the normal clearance process.

**Senator CARR**—And that was not reclassified, was it?

**Mr Burmester**—It was not within the group of research that Dr Shergold identified as for internal advice to the minister.

**Senator CARR**—On what date did he determine that?

**Mr Burmester**—I do not know when Dr Shergold made that decision. It would have been during the Crossroads review, but as to a particular date I would not know.

**Senator CARR**—Did he ever discuss with you reclassification of this research?

**Mr Burmester**—Yes. When he had made his decision he had indicated that that was the case—that the material was to be used for advice to the minister. I think he confirmed in November 2002 that he had made that decision. That is the first time he publicly confirmed it.

**Senator CARR**—I thought it was actually earlier than that.

**Mr Burmester**—His decision was certainly earlier than that, but his public confirmation I thought was November.

**Senator CARR**—Was there a meeting in the department about the reclassification of this material?

**Mr Burmester**—Once the secretary had made his decision, it was communicated. There was not a meeting, as far as I know, to discuss the reports. There was a discussion in which the secretary indicated that he had made his decision.

**Senator CARR**—The discussion was more an edict, wasn't it? There wasn't any give or take in this.

**Mr Burmester**—He made his decision, yes. He was communicating his decision to officers of the department.

**Senator CARR**—Did it explain to the officers of the department that this was not the line the department wanted to be putting out at this time?

**Mr Burmester**—That was not part of my knowledge of it.

**Senator CARR**—You did not hear him say that?

**Mr Burmester**—No.

**Senator CARR**—That it was contrary to the position that the government was arguing for in terms of Crossroads.

**Mr Burmester**—He had made a decision that the material was to be used for advice to the minister and therefore would not be published in its own right. That is my recollection of the extent of his comments at the time.

**Senator CARR**—Were you surprised that Minister Nelson subsequently felt it necessary to publish this material?

**Mr Burmester**—By that time—we are talking about the middle of this year—

**Senator CARR**—Was it July?

**Mr Burmester**—July some time. It was well after the time that he had been considering it in terms of cabinet proposals and he obviously felt, as is his total discretion, that if he wanted the advice he had received made available he could make it available.

**Senator CARR**—Would you do this the same way if you had your time again, Mr Burmester?

**Mr Burmester**—I certainly would edit the national report exactly the same way, yes.

**Dr Harmer**—For the record, now having been briefed on this, and looking at the situation that Mr Burmester faced, these two parallel pieces of work, the important policy work going on in the department for the higher education review, if I had been presented with this report, with one of the key issues being the likely impact of any increase in HECS, with some internal studies which were at least equivocal in their conclusions—some very good research work done and some very good researchers; I can say we still have some very good researchers in the organisation—

**Senator CARR**—You still do?

**Dr Harmer**—Indeed.

**Senator CARR**—I am surprised.

**Dr Harmer**—We do. Pointing to impacts that were pretty much unclear, with one of the experts in the field from ANU, Bruce Chapman, saying generally and repeating recently that there were no noticeable impacts from increases in HECS on the access to university, I would have done exactly the same thing.

**Senator CARR**—Dr Harmer, the union branch in the department raised with you, did they not, the way in which Dr Karmel and his team had been treated?

**Dr Harmer**—Yes, they did. I wrote back to them and, if I have got it here, I would like to read you a bit of the letter I wrote.

**Senator CARR**—Would you like to table the letter?

**Dr Harmer**—Yes, indeed.

**CHAIR**—There being no objection, it is so ordered.

**Senator CARR**—Were you surprised that the union branch felt so strongly that they needed to raise this matter with you?

**Dr Harmer**—I think the union probably misinterpreted the terms I used in the letter. I should make it very clear that I have been saying, and I still say, that from the time I arrived in the department I have been impressed with the research work and impressed with the quality of the people, and I still am. Nothing in my letter went to criticism of any individual at all.

**Senator CARR**—Dr Harmer, for the completeness of the record would you also table the staff letter to you?

**Dr Harmer**—I am not sure I have it here.

**Senator CARR**—When you have it.

**Dr Harmer**—I am very happy to table it.

**Senator CARR**—I have lots of other questions to ask, but time is getting on. Perhaps, Mr Burmester, I should come back at another time on those matters. I will put the rest on notice for higher education.

[10.31 p.m.]

**CHAIR**—We move now to issues relevant to Australian Education International.

**Senator CARR**—I have an IDP conference paper here by David Back. I am wondering if the officers are familiar with that paper titled 'Costings and accounting practices for international education activities, Australian universities'. It is from 17th IDP Australian International Education Conference.

**Dr Jarvie**—No, I do not have that one with me.

**Senator CARR**—It makes it a bit hard to follow through if you are not familiar with the paper. I may have to come back to that in February then. One figure really jumps out at me from this paper. This is a paper that goes to whether or not universities are properly accounting for the cost of international education. We hear a lot about the revenues. The figure we are now all using is \$5.4 billion. This paper suggests that 32 per cent of institutions never calculate the cost of onshore provision and only five per cent of them do course by course.

**Dr Jarvie**—As we do not really know what the paper is about—

**Senator CARR**—Have you done any work on the capacity of universities to establish the cost of international education?

**Dr Jarvie**—I do not believe so.

**Senator CARR**—Do you have any work planned?

**Ms McKinnon**—It is an issue on which there has been some dialogue with universities, particularly as they look at their strategic plans of integrating international education with their domestic activities. But we do not have a specific project in mind for calculating the total costs of international students.

**Senator CARR**—I will come back to that in February. I suggest you make some inquiries.

**Dr Harmer**—We will make sure. Do we have the reference for the paper?

**Senator CARR**—Yes, you have that detail. In particular I am interested in not so much just what somebody else has said but what you think and whether you have any research work proposed, because if what this paper is suggesting is right then we have a serious problem on our hands.

**Dr Harmer**—Could I just clarify this. Is the implication in there that there is some cross-subsidisation?

**Senator CARR**—There are a number of implications that flow from that question, but it is like the commercialisation argument: unless you know how much it actually costs to gain external revenue, then it is a pretty empty exercise. I will ask you now about some compliance issues. The Australian Institute of Commerce and Language is making a number of claims in regard to links with universities, in particular that this college has direct articulation



agreements with the University of Newcastle, the University of Ballarat, the Central Queensland University and the Australian Computer Society. Are you familiar with this particular outfit?

**Ms Henry**—I will have to take that on notice. I am not aware of that institution.

**Senator CARR**—If you would, please. There is a series of questions there which I will put to you on that matter. In regard to international education, there has been a series of articles in the Sydney press over the last few months concerning international students and allegations of repeated crimes such as kidnapping and extortion. One report I have here, in the *Daily Telegraph* of 1 September, said that DEST is a member of a high-level committee of government agencies and the New Zealand police. Are you able to help me with that?

**Dr Jarvie**—The New South Wales government did convene an interagency meeting in Sydney on Asian students involved in crime. New South Wales Police chaired that meeting and we attended that meeting.

**Senator CARR**—This is an international meeting, though. It involved New Zealand. Do we not regard New Zealand as international?

**Dr Jarvie**—Yes, we understand the New Zealand police were there.

**Senator CARR**—So this was a state—

**Dr Jarvie**—It was initiated by the New South Wales Police.

**Senator CARR**—Was it a permanent body, or was it an ad hoc body?

**Dr Jarvie**—My understanding is that it is not a permanent body but it is part of an ongoing dialogue.

**Senator CARR**—How extensive have your discussions been with VETAB in New South Wales?

**Ms Henry**—We continue to have discussions with our DIMIA colleagues and with VETAB on these issues.

**Senator CARR**—The *Australian* of 19 July draws our attention to the New South Wales Police targeting a Sydney international education provider—it says it is a college located in central Sydney—in June after uncovering crimes involving some of its students. Are you able to tell me which college?

**Ms Henry**—We are not aware that any particular college has been implicated in the activities of the students.

**Senator CARR**—You are familiar with the report?

**Ms Henry**—Could you repeat the report, please?

**Senator CARR**—It was in the *Australian* on 19 July.

**Ms Henry**—Yes, we are familiar with the article, but again there is no evidence to implicate the provider, as far as we are aware.

**Senator CARR**—So you made no inquiries about this matter?

**Ms Henry**—We have been talking with DIMIA and with our VETAB colleagues. The issue is that the nefarious activities of the students are a matter for DIMIA, and we look at the provider and the provider involvement. At this point we have got no reason to believe that the—

**Senator CARR**—No reason to believe there is a problem?

**Ms Henry**—No, not at this stage.

**Senator CARR**—When you attended the meeting with the police, presumably back in August, did you come away from that meeting with a view that there was a problem?

**Ms Henry**—We are aware that the students are allegedly involved in those activities, and we maintain discussions with our colleagues so that if providers are implicated in any way we can pursue that under the ESOS Act. We are not aware of any implicated providers at this point.

**Senator CARR**—I am surprised that the police would call a meeting involving agencies from around the place, including New Zealand, without there being a problem.

**Ms Henry**—There were problems with the students, but in relation to those issues as they relate to providers under the ESOS Act we have no reason to believe that providers are implicated at this stage.

**Dr Jarvie**—Our responsibilities relate to education providers through the ESOS Act.

**Senator CARR**—I am only too well aware of what your responsibilities relate to. There were no issues about fit and proper persons?

**Ms Henry**—Not that we have been aware of, no.

**Senator CARR**—Are you aware of an organisation known as the Australian Institute of Commerce and Language International Grammar School?

**Ms Henry**—No, we are not aware of that one.

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

**Ms Henry**—No, I am sorry.

**Senator CARR**—Its CRICOS number is 02048A and it is registered as Cornerstone Investments. Its registration is under that name but it actually trades as the Australian Institute of Commerce and Language, which is the same college that I have referred to. Also, the AICL International Grammar School is registered with the New South Wales Board of Studies to commence operations from 2004 at years 11 and 12 only. Is it required to register separately on CRICOS?

**Ms Henry**—If it is a different legal entity then, yes, it is required to register separately.

**Senator CARR**—Even though it is run by the same company?

**Ms Henry**—If they would be providing courses to students, yes.

**Senator CARR**—I am told that the New South Wales Board of Studies identified 15 to 20 schools of this type, known as stage 6 schools for upper secondaries only, operating in the international market. Are you familiar with 15 to 20 schools operating in that way?

**Ms Henry**—No, I am sorry, we are not.

**Senator CARR**—Have you discussed with the New South Wales Board of Studies any potential problems or issues surrounding the establishment of such upper-secondary level providers?

**Ms Henry**—No, we have not had those discussions.

**Senator CARR**—Can you tell me anything about the provisional home stay accommodation?

**Ms Henry**—No, I cannot, I am sorry. What are you after particularly?

**Senator CARR**—I am asking whether you have had any reports of kidnappings of international students.

**Ms McKinnon**—As part of the discussions with DIMIA about pastoral care, we have undertaken to write to both the state governments and the industry associations to ask them what their arrangements are in either codes of conduct or state legislation for pastoral care. That will include information about home stay and how that is determined by institution and by state.

**Senator CARR**—But you are not aware of any reports of secondary-level international students in New South Wales or elsewhere in Australia being the victims of kidnapping, extortion or similar crimes?

**Ms Henry**—We are aware that there are allegations of students being involved in many nefarious activities, and I believe that they fall into that category.

**Senator CARR**—But you have no evidence that has been reported to you?

**Ms Henry**—Our issue is that the particular issues relating to students are those carried by DIMIA, and we look to see the activities of the providers. As I mentioned earlier, we do not think there are any providers implicated at this point in time.

**Senator CARR**—What follow-up action has been taken by the department with regard to plagiarism allegations at offshore campuses associated with the University of Newcastle?

**Dr Jarvie**—With regard to the University of Newcastle, this is basically handled through the Higher Education Group. They discussed it at the profiles discussion in September. The minister corresponded with the university in August and the university has commissioned St James Ethics Centre to review all its relevant policies and procedures and their application. The university is cooperating with the ICAC inquiry on this matter.

**Senator CARR**—Have you taken any action in the international arena—in Malaysia and Singapore, for instance—to reassure prospective students after these matters were brought to public attention?

**Dr Jarvie**—I am not aware of any specific actions taken in Singapore.

**Ms McKinnon**—No, Senator, but with the counsellor accredited, particularly, in Malaysia that would be part of their normal course of duty if they got strong signals that there was concern in that market.

**Senator CARR**—In the past, I have raised issues concerning the University of Newcastle's association with Uniworld Colleges. Are you aware of whether or not there is any ongoing relationship?

**Ms Henry**—No, Senator, I am not.

**Senator CARR**—I am wondering why it is that the web sites of both those organisations, I am advised, continue to carry links to one another.

**Ms Henry**—I do not know.

**Senator CARR**—Are you aware that a person associated with Bridge Business College has become the principal of Uniworld?

**Ms Henry**—No, I am not.

**Senator CARR**—Have you undertaken any compliance activities regarding Uniworld in 2003?

**Ms Henry**—Late last year is the best we can estimate.

**Senator CARR**—That is the last time? What was the outcome of those?

**Ms Henry**—It was inconclusive in terms of issuing enforcement action.

**Senator CARR**—Have you raised any of these matters with VETAB in New South Wales?

**Ms Henry**—We are unable to say. We would have to check the file, as it has been a while now.

**Senator CARR**—Would you take that on notice, thank you. I might put the rest on notice. As Mr Evans is here, I would not mind asking him at least one question tonight. Thank you very much. I will put the rest on notice.

**CHAIR**—We thank the officers and now call the schools division.

**Senator CARR**—Mr Evans, the plan here is that we start and maybe we continue tomorrow if we can get a minister. Can you get a minister?

**CHAIR**—Yes, we have a minister tomorrow.

**Senator CARR**—That is terrific, excellent.

**CHAIR**—Senator Minchin will be here tomorrow.

**Senator CARR**—That is terrific. I want to ask you about the STEA program, Mr Evans—just a little short one for you to deal with. Would you refresh my memory about the reason for these particular grants. What does STEA stand for?

**Mr Evans**—Short-term emergency assistance.

**Senator CARR**—That is for cash flow problems, downturns in enrolments, reduced income, sudden decrease in private income, unexpected staffing related problems, that sort of thing?

**Mr Evans**—It is more highly targeted than that, so it is not necessarily paid in respect of a cyclical downturn a school might be experiencing. It is paid in the case of schools that are undergoing financial difficulties such that they may close, but where, in the view of the

department, some assistance might mean that the school could remain open and continue to operate viably in the future. Usually we coincide that with action that may require restructuring of staffing at the school, and other issues may arise about changes in management style and changing the way in which the school board operates. So, in that sense, it is not about simply providing some assistance to change their circumstances; it is about fundamentally overhauling the way in which a school might be operating, so that it can operate successfully in the future.

**Senator CARR**—You have given us a list of schools on EO515. Have you given me any information about payments under this program?

**Mr Evans**—I believe that we have provided answers to previous questions on notice. We will just try to locate which questions they were.

**Senator CARR**—It would be helpful if I could get the right number.

**Mr Evans**—Some of my people are looking for that now.

**Senator CARR**—Thanks very much. I would be interested in the names of schools that have received support under this program across Australia. Would you have a list that could help me with that?

**Mr Evans**—I believe that, in the past, we have not given you the names of the schools because their circumstances might be such that they are now operating well.

**Senator CARR**—But there are payments being made under the Commonwealth program. I would have thought that that was a perfectly reasonable thing for you to provide to me. It is a comment about what payments have been made.

**Mr Evans**—I can give you the payments that have been made, by state, over the last, say, three years.

**Senator CARR**—I would like the names of the schools. You will see where I am going in a minute. Mr Evans, I ask you on what basis you would not be able to provide that information.

**Mr Evans**—Can I take on notice the provision of the names of the schools? I am more than happy to give you other detail, but I think I would just like to check out the privacy implications of naming schools.

**Senator CARR**—Privacy implications of Commonwealth payments? You tell me how much you pay every school in the country. You give me long, 20-page documents, which I am very grateful to receive, explaining year by year how much you are spending. What is it now—around \$24 billion for a quadrennium? It is a huge sum of money.

**Mr Evans**—It is of that order, Senator.

**Senator CARR**—Yes. So you are able to tell me school by school how much you pay them, but you cannot tell me how much you are paying one on this program?

**Mr Evans**—What I am saying is that to name schools that might have had to seek assistance might, in the minds of some in the community, suggest that that is not a school to go to, so it might actually disadvantage it. That is where I am coming from.

**Senator CARR**—I know what you are trying to say to me here, but I think this is a Commonwealth payment and we are entitled to know.

**Dr Harmer**—We will have a look at that, but there is a balance. I think Mr Evans is right: there is a balance. We understand the accountability and the transparency issues—if we pay money, there should be public accountability—but there is also an issue, as Mr Evans has stated, about schools that may be damaged. We will take it on notice. If we can give it to you, we will, but there is an issue, as Mr Evans has identified.

**Senator CARR**—I understand what you are saying. You know I do not give up easily, so you will give me an answer and I will come back and around and around we will go.

**Mr Evans**—It may be that I can give you the answer that you desire.

**Senator CARR**—I am hopeful that that is what you will say, Mr Evans. It will save us all a lot of trouble. But can I ask you about your answer to question EO1504, dealing with capital grants to non-government schools in New South Wales over the period 2000-04. Some of these schools got \$1 million, or \$2 million in some cases. According to the administrative guidelines, schools are required to repay the Commonwealth for amounts over \$50,000 if, within 20 years, they either sell or dispose of the facilities or cease to use them for the purposes approved by the Commonwealth. That is true, isn't it?

**Mr Evans**—Correct.

**Senator CARR**—That is at paragraph 136 of the guidelines. There are similar requirements regarding equipment as a result of project grants—computers bought with Commonwealth money. All that is true, isn't it?

**Mr Evans**—I believe so.

**Senator CARR**—Guideline 137. In fact, the sections of the guidelines refer to the Commonwealth right to repayment. How often have you exercised this right?

**Mr Evans**—I believe we have provided an answer to that just recently, that in recent times we have exercised it—I do not have the answer in front of me. I will check, but my memory tells me that it might be on eight occasions and we might be talking about an amount over \$1 million.

**Senator CARR**—I am the last person to claim my records are infallible—apart from the information Mr Carter gets me. We have never been known to lose a bit of paper in my office! So you will be able to tell me the number.

**Mr Evans**—We are seeking that number at the moment.

**Senator CARR**—Could you provide me with a table showing all the repayments since 1996 to the Commonwealth under sections 136 and 137 of those administrative guidelines? I would be looking for the names of the schools, the details of the purposes of the funding provided, the amount paid and the amount subsequently repaid.

**Mr Evans**—I will take that on notice.

**Senator CARR**—Thank you. Could you also provide me with a table since 1996 of schools that did not repay, and the steps that were taken by the Commonwealth to recoup the funds in the circumstances?

**Mr Evans**—To explain a little, where a school might change its operation but continue as a school there are grounds on which we would not seek to recover because it is still operating as a non-government school under a different school authority.

**Senator CARR**—You can explain that to me and the circumstances.

**Mr Evans**—I will explain that in the answer.

**Senator CARR**—What happens if a school goes into liquidation owing money to the Commonwealth under those provisions? How is the money recouped?

**Mr Evans**—We, like other creditors, line up to see how we fare.

**Senator CARR**—So you can tell me circumstances under which you have lined up and not got any money.

**Mr Evans**—Correct.

**Senator CARR**—I have got a few examples here. Can you tell me what happened to Gippsland Christian College, which received a capital grant of \$120,000 in 2000 and closed in 2002? What happened there?

**Mr Evans**—I will include that in the answer.

**Senator CARR**—Stanthorpe Adventist Primary School in Queensland received \$37,800 in 2001 and closed the following year.

**Mr Evans**—I think the question you asked me and the one I have agreed to take on notice picks up the school examples that you are giving me.

**Senator CARR**—I will give you a few more because I want to make sure I get the information right. Tarlina Community School in Victoria got \$40,000 in 2000 but closed in 2002. Kooralbyn International School in Queensland got \$816,000 through the 1990s and closed in 2002. They got an emergency grant of \$100,000 in 2001. That is right, isn't it?

**Mr Evans**—I will take that on notice, Senator.

**Senator CARR**—Glendale Christian College—

**Mr Evans**—I think we have provided an answer on Glendale for you in a previous hearing.

**Senator CARR**—That is right. That is E617. They got \$1.8 million and reopened but they also got an establishment grant. I am wondering how you can reopen and get an establishment grant.

**Mr Evans**—It reopened as a completely new school. We assessed it in terms of the authority of the school. We assessed it also in terms of the composition of the student population of the school. Under those conditions it was eligible for an establishment grant.

**Senator CARR**—You were satisfied that that was a genuinely new school.

**Mr Evans**—That is correct.

**Senator CARR**—Foothills School in Western Australia got \$275,000, with \$100,000 of that in 1998 and 1999, and then closed the following year.

**Mr Evans**—What you will find with a number of these schools is that, of the \$1 million I have referred to that we have recovered, some of that would be recovered in respect of these

schools. So in giving you an answer to some of these elements I will link the fact that the recovery action has picked up some of those amounts.

**Senator CARR**—All Souls and St Gabriel's School, which closed in 1999, received \$180,000 in capital grants, \$120,000 of that in the year prior to its closure.

**Mr Evans**—That school has reopened and is operating quite successfully in Queensland.

**Senator CARR**—It got an establishment grant as well, didn't it?

**Mr Evans**—I do not believe it did, but if I am wrong I will correct that for you.

**Senator CARR**—But you were satisfied before you paid the establishment grant that it was a genuinely new school.

**Mr Evans**—I have to check whether we actually did pay them an establishment grant.

**Senator CARR**—That is right. That will be picked up. Goulburn Seventh Day Adventist School got \$13,000 in 1996 and closed the next year. There are quite a few of them, aren't there?

**Mr Evans**—All Souls and St Gabriel's did receive an establishment grant.

**Senator CARR**—And you were satisfied that that was a genuinely new school there?

**Mr Evans**—It was new. There was a very significant change in the operation of the school and amalgamations and also quite a significant change in the student population that attended the school and a growth in the population now attending that school.

**Senator CARR**—Kincoppal School at Rose Bay and Vaucluse. I think it has a rating of 122 on the SES score and is an ERI 3. Can you tell me how much it received in Commonwealth grants?

**Mr Evans**—I had only expected you might have wanted information about the former category 1 schools, so I did not extend down to category 3.

**Senator CARR**—I have surprised you again. They do pretty well, don't they? You do not have that information with you?

**Mr Evans**—If we are going to be on at a subsequent hearing, I will have that information for you.

**Senator CARR**—Were they able to secure a capital grant from the Commonwealth and subsequently rent out office space from a building? Can a school actually get a capital grant and then let out the premises they have built with that grant?

**Mr Evans**—The school has to operate as a not-for-profit operation. That does not mean that it cannot have some commercial activities as long as that money is ploughed back into the operation of the school. That happens with squash courts that some schools have—

**Senator CARR**—Do you satisfy yourself that that is what is actually happening? Say, for instance, a school builds an administration building and constructs office space surplus to requirements and then leases it out: do you actually check to see what they do with that money?



**Mr Evans**—Each school that receives Commonwealth money, be it government or non-government, has to meet financial accountability requirements. They have to meet commercial auditing standards and how that money is collected and then disbursed. So, yes, I am satisfied that our schools are providing adequate financial accountability statements.

**CHAIR**—It being after 11 p.m., the committee will adjourn until 9 a.m. tomorrow. We will be considering the Employment and Workplace Relations portfolio. If there is sufficient time before 11 p.m. tomorrow evening, we will return to consider issues relevant to the Schools Group.

**Committee adjourned at 11.04 p.m.**