



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

ECONOMICS LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

MONDAY, 31 MAY 2004

CANBERRA

BY AUTHORITY OF THE SENATE

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:
<http://parlinfoweb.aph.gov.au>

SENATE
ECONOMICS LEGISLATION COMMITTEE
Monday, 31 May 2004

Members: Senator Brandis (*Chair*), Senator Stephens (*Deputy Chair*), Senators Chapman, Murray, Watson and Webber

Senators in attendance: Senator Brandis (*Chair*), Senator Stephens (*Deputy Chair*), Senators Carr, Fifield, George Campbell, McLucas, O'Brien and Watson

Committee met at 9.02 a.m.

INDUSTRY, TOURISM AND RESOURCES PORTFOLIO

In Attendance

Senator Nick Minchin, Minister for Finance and Administration

Department of Industry, Tourism and Resources

Mr Russell Baker, Investment Manager, Minerals Team, Invest Australia

Mr Erik Beens, General Manager, ICT Infrastructure, eBusiness Division

Mr Alex Behm, Corporate Division

Mr Rick Belt, Manager, Environment Industries Section, Energy and Environment Division

Ms Vicki Brown, General Manager, International Energy Branch, Energy and Environment Division

Mr Don Bruncker, General Manager, Industry Analysis Branch, Industry Policy Division

Ms Chris Butler, General Manager, Business Development, AusIndustry

Mr Peter Chesworth, General Manager, Office of Small Business

Mr Drew Clarke, Head of Division, Energy and Environment Division

Mr Peter Clarke, General Manager, Automotive and Engineering Branch, Manufacturing, Engineering and Construction Division

Ms Tania Constable, General Manager, Resources Development Branch, Resources Division

Mr Robert Crick, Head of Division, Analytical Division

Mr Peter Cummins, General Manager, AGAL

Mr Chris Dainer, Chief Finance Officer

Mr Ivan Donaldson, Executive Director, Australian Building Codes Board

Mr Garry Draffin, Chief Executive Officer, Invest Australia

Ms Cherie Ellison, Manager, Strategic Coordination and Support, Resources Division

Mr Warren Fletcher, Manager, Budget Coordination Unit, Corporate Division

Ms Robyn Foster, General Manager, Business Services Group, Corporate Division

Mr Gino Grassia, Manager, Greenhouse Section, Energy and Environment Division

Dr Michael Green, Director, Space Licensing and Safety Office, Manufacturing, Engineering and Construction Division

Mr Paul Griffin, General Manager, Business Entry Point, eBusiness Division

Ms Aneela Hakim, Assistant Manager, Budget Coordination Unit, Corporate Division

Ms Kerri Hartland, Head of Division, Innovation Division
Mr John Hartwell, Head of Division, Resources Division
Ms Rowena Hodges, Investment Manager, Agribusiness Team, Invest Australia
Mr Graeme Holt, Deputy Chief Finance Officer
Ms Wendy Honeyman, Assistant Manager, Budget Coordination Unit, Corporate Division
Mr Chris Hyman, Corporate Manager, Energy and Environment Division
Ms Beryl Janz, Acting General Manager, Ministerial and Coordination Group
Mr Barry Jones, Executive General Manager, Industry Attraction, Invest Australia
Mr Paul Kay, Acting General Manager, Offshore Resources Branch, Resources Division
Ms Melissa Kelly, Policy Officer, Automotive and Engineering Branch, Manufacturing,
Engineering and Construction Division
Ms Patricia Kelly, Deputy Secretary
Mr Daniel Killaly, Budget Officer, Corporate Division
Ms Karen Kuschert, Acting General Manager, Innovation Policy Branch, Innovation
Division
Mr Mike Lawson, General Manager, Aerospace and Defence Industries Branch,
Manufacturing, Engineering and Construction Division
Mr Chris Lloyd, Acting General Manager, Safety, Taxation and Projects Branch, Resources
Division
Mr Terry Lowndes, Head of Division, Industry Policy Division
Mr David Luchetti, Manager, R&D Tax Concession Program, AusIndustry
Mr Tim Mackey, Deputy Secretary
Mr Jurek Malzacher, General Manager, ICT Transition Team, eBusiness Division
Mr Richard Marson, Assistant Manager, Space Policy Section, Manufacturing, Engineering
and Construction Division
Mr David McCarthy, General Manager, TCF and Construction Branch, Manufacturing,
Engineering and Construction Division
Mr Rob McKeon, General Manager, Industry Collaboration Branch, Manufacturing,
Engineering and Construction Division
Mr Ken Miley, General Manager, Trade and International Branch, Industry Policy Division
Ms Janet Murphy, Head of Division, Tourism Division
Mr Kevin Noonan, General Manager, Online Systems, eBusiness Division
Mr Philip Noonan, Head of Division, Corporate Division
Mr Kevin O'Brien, General Manager, National Energy Market Branch, Energy and
Environment Division
Mr Bruce O'Meagher, General Manager, Industry Policy Branch, Industry Policy Division
Mr Mark Paterson, Secretary
Mr Steve Payne, General Manager, Minerals and Fuels Branch, Resources Division
Ms Helen Pearce, Budget Officer, Corporate Division
Mr Bill Peel, Executive General Manager, AusIndustry
Mr Craig Penniford, General Manager, Pharmaceuticals and Biotechnology Branch,
Innovation Division
Mr Ken Pettifer, Head of Division, Manufacturing, Engineering and Construction Division
Mr Rick Phillips, Manager, Post-2006 Accommodation Project, Corporate Division

Ms Di Redwood, Manager, Regional Tourism Program, AusIndustry
Ms Rebecca Reimers, Investment Manager, Energy Team, Invest Australia
Mr Jeff Riethmuller, Acting General Manager, Tourism Market Access, Tourism Division
Dr Peter Robins, Director, Bureau of Tourism Research
Ms Martine Rodgers, Assistant Manager, Business Improvement Group, Corporate Division
Ms Kerry Rooney, General Manager, Business Development Group, Tourism Division
Mr Paul Ross, Manager, Biotechnology Australia, Innovation Division
Mr John Ryan, Deputy Secretary
Mr Les Rymar, General Manager, Small Business and Industry Programs, AusIndustry
Ms Samantha Silver, Manager, Markets, Office of Small Business
Mr Krishan Singh, Manager, Coordination Unit, Corporate Division
Mr Paul Sexton, General Manager, Customer Services, AusIndustry
Dr Terry Spencer, Group Manager, AGAL
Mr Rolf Taylor, Executive Officer, AGAL
Ms Lynne Thomson, Manager, Venture Capital Programs, AusIndustry
Mr Garry Wall, General Manager, Energy Futures Branch, Energy and Environment Division
Ms Sue Weston, Head of Division, Office of Small Business
Ms Margaret Wilson, Manager, Small Business Assistance Programs, AusIndustry
Ms Judi Zielke, General Manager, Innovation Programs, AusIndustry

Portfolio agencies**IP Australia**

Dr Ian Heath, Director-General, IP Australia

Geoscience Australia

Mr Peter Holland, General Manager, National Mapping Division, Geoscience Australia
Dr Chris Pigram, Chief, Minerals and Geohazards Division, Geoscience Australia
Dr Trevor Powell, Deputy CEO and Chief, Spatial Information Sciences Division, Geoscience Australia
Mr Tony Robinson, General Manager, Corporate, Geoscience Australia
Dr Neil Williams, Chief Executive Officer, Geoscience Australia
Mr Paul Williamson, Acting Chief, Petroleum and Marine Division, Geoscience Australia

Australian Tourist Commission

Ms Louisa Aherne, Government Relations Manager, Australian Tourist Commission
Mr Ken Boundy, Managing Director, Australian Tourist Commission
Mr Rodney Harrex, Business Development Manager, Western Hemisphere, Australian Tourist Commission
Mr John Hopwood, Executive General Manager, Corporate Services, Australian Tourist Commission

CHAIR—I declare open this public hearing of the Senate Economics Legislation Committee. On 11 May 2004 the Senate referred to this committee for examination the following documents: particulars of proposed expenditure for the service in respect of the year ending 30 June 2005 and particulars of certain proposed expenditure in respect of the year ending 30 June 2005, together with the particulars of certain proposed supplementary

expenditure in respect of the year ending 30 June 2004 and particulars of proposed supplementary expenditure in respect of the year ending 30 June 2004. The committee is required to consider these documents insofar as they relate to the portfolios allocated to the committee by the Senate on 13 February 2002 and to report to the Senate on or before 17 June 2004.

Agencies that are released from the hearings may have written questions on notice directed to them. The committee has set Friday, 16 July 2004 as the date for the submission of written answers to questions taken on notice. While the Senate Finance and Public Administration Legislation Committee oversees the format of the portfolio budget statements, I remind you that the Senate Economics Legislation Committee is continuing to monitor the format of the PBSs presented to it. This is in accordance with the recommendation by the Senate Finance and Public Administration Legislation Committee in its third report on the format of PBSs that the legislation committee report on the adequacy of the PBSs provided for its use.

The hearing today will commence with the Industry, Tourism and Resources portfolio. Examination of the Treasury portfolio will commence on Tuesday, 1 June. The committee will consider proposed expenditure for departments and agencies in the order in which they appear on the circulated agenda, which was agreed to by the committee last week. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. I further remind officers that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. Evidence given to the committee is protected by parliamentary privilege. The giving of false or misleading evidence to the committee may constitute a contempt of the Senate. I welcome the Minister for Finance and Administration, Senator the Hon. Nick Minchin, representing the Minister for Industry, Tourism and Resources, and officers from the department and associated agencies. Minister, do you wish to make an opening statement?

Senator Minchin—No, thank you.

[9.05 a.m.] **Australian Tourist Commission**

CHAIR—In that event, I will invite Senator O'Brien to commence the committee's examination of the Australian Tourist Commission.

Senator O'BRIEN—I thank the ATC officers who are here. I am grateful to be able to start with you this morning. I understand that you had intended to be at the ATE in Melbourne this morning and you changed your plans to come here. I am grateful that you have been able to do that. The new Brand Australia was launched at Fox Studios on 18 May. Unfortunately, although I do acknowledge an invitation, I was unable to attend. I thank the ATC and the division for the invitation. I think I was with Senator Brandis on a hearing on the US free trade agreement at the time. Having read Scott Emerson's piece in last week's *Weekend Australian* I am disappointed that I could not get there. According to Mr Emerson, some at the unveiling and the post-launch party were asking just how much of the white paper's \$235

million increase was spent on the gig and what was being showcased—the campaign or Joe Hockey. Can you address that issue? How much did the launch festivities in Sydney cost?

Mr Hopwood—The total cost for the event—that is, the media launch, the industry briefing and the launch event, which is the one you are referring to—was \$275,000.

Senator O'BRIEN—Can you break that down for us?

Mr Hopwood—I do not have any further details on the \$275,000. If you are looking for things like catering, I think that was about \$40,000. We had special activities for the media on the day. Also, some of the media work was presented on that day to the industry and to the media that were there.

Senator O'BRIEN—So that was the cost of the events on that day?

Mr Hopwood—That is correct.

Senator O'BRIEN—If you could give us a more precise breakdown on notice I would be happy.

Mr Hopwood—Certainly.

Senator O'BRIEN—Could you advise us of the cost of the festivity at Parliament House last Wednesday night?

Mr Hopwood—I am sorry, I do not have the details of that particular one. I can provide that one on notice as well.

Senator O'BRIEN—Thank you. I am referring to the same article. There is an allegation that the signature line, 'Australia—a different light,' was released to the media before the launch. Is that the case?

Mr Hopwood—I believe there was a media article on the weekend prior to the launch which had details of some of the aspects of the branding. That is correct.

Senator O'BRIEN—Which media outlets were given the preview and how were they selected?

Mr Hopwood—I have been advised that the media outlets were not actually given a briefing by the ATC. They just released some of the details. They were not transcribing an official briefing.

Senator O'BRIEN—They were just given some details?

Mr Hopwood—Yes, but not from the ATC.

Senator O'BRIEN—Where did they get the details?

Mr Hopwood—I have no details of where the leakage occurred, but there was a large number of people involved in the whole exercise for many months. It is difficult to understand.

Senator O'BRIEN—Did it come from the department or the minister's office?

Mr Hopwood—I have no understanding of where it came from.

Senator O'BRIEN—Can you tell us what steps were taken to try and ensure confidentiality of the new brand details until the launch?

Mr Hopwood—For the month I mentioned leading up the launch, the extent of communications about the detail were restricted to only those parties who were required to comment on and produce the ultimate final brand—those parties being relevant industry bodies, states who were part of the brand research, research companies who were researching the brand globally, the production companies and of course staff of the commission and the department. So there were a large number of staff involved. Each communication incorporated comments about the fact that it was to be kept confidential so that the impact and final communication of the brand would be pure, in that it would not have a preliminary brand position in it which may have been adjusted prior to the final day.

Senator O'BRIEN—Mr Emerson's article suggests that a Mr Perry was the prime suspect in See Australia. Was an investigation undertaken into that, as suggested by Mr Emerson?

Mr Hopwood—We do not have any indication of why that statement was made. At this point in time I am not aware of any investigations.

Senator O'BRIEN—So there have been no investigations into Mr Perry and he therefore—

Mr Hopwood—Not from the commission, no.

Senator O'BRIEN—I understand that, in the case of Richie Benaud's 'Marvellous' ads, Mr Benaud was superimposed on Australian backdrops while he was in England. If that is what occurred, was that done by a British crew or an Australian crew?

Mr Harrex—The shoot was done in Australia with a production crew that was based in Australia. So that was done in here in Australia.

Mr Hopwood—Could I add to that. Whilst the background production was done here in Australia, Richie Benaud was superimposed on the production. From my limited knowledge of that particular ad, a production crew was flown over to the UK, but I am not sure of the full extent—whether or not there was a local crew assisting with that. I cannot quite tell.

Senator O'BRIEN—Can you advise on what the circumstances were? Thank you. I am given to believe that there were some 75 hours of scenery footage shot, from which the current ad program has been drawn. Is that an unusually large volume of production for an ad campaign of this nature? Can you tell us what that has added to the cost of the production?

Mr Harrex—The footage is actually used broadly for all our activities globally. While it is core footage that is used for the development of these commercials, it is also used for further publicity programs that we use globally around the world. When we work with different media outlets, it is a core part of how we do, and how we will continue to, promote Australia internationally. It is the foundation of material that allows us to really get out and do that job.

Mr Hopwood—We will be spending up to \$360 million using this branding work as part of the basis for our marketing over the next four years. Traditionally, within the commission approximately every four or five years we rebrand our entire work. This was the first stage of the rebranding and the most significant stage, with the generation of the large amount of footage that we use extensively.

Senator O'BRIEN—What would it have cost?

Mr Hopwood—Sorry, what was—

Senator O'BRIEN—What would the cost of generating those 75 hours of scenery footage be?

Mr Hopwood—For 75 hours alone?

Senator O'BRIEN—Yes.

Mr Hopwood—I would have to check that. I do not have that specific for you.

Senator O'BRIEN—So there would be no need for TA or ATC to reshoot for a period of about five years, you said.

Mr Hopwood—We use it as a base and, as each new campaign and each new market comes on board in subsequent years, we would have to shoot if there is a certain focus to add on to that particular base. It is more cost effective to run with the same base but just to add the different focuses required at the time. We will be requiring additional shoots, but of nowhere near that magnitude.

Senator O'BRIEN—Who shot that scenery footage? Were there a number of contributors? Did someone have a particular contract to do it? Was it distributed to a variety of providers? How was it achieved?

Mr Hopwood—Again I do not have the various contract details, but there were various companies involved in the shoot according to their own specialities.

Senator O'BRIEN—Can you supply us that detail on notice, please.

Mr Hopwood—Yes.

Senator O'BRIEN—Which agency or agencies were used to deliver the new brand strategy?

Mr Harrex—A Sydney based agency led that. It was TBWA. In terms of the development of the brand, it was in consultation with a number of other agencies as well. I am sorry, but I do not have those names here. I can get those for you.

Senator O'BRIEN—If you would. How was TBWA selected?

Mr Hopwood—TBWA were our resident advertising agency, if I could call them that. Once every three years we go to tender for each of our overseas offices and our Sydney office for an agency that we use for the subsequent three years. TBWA were the agency which was selected two years prior to that. So they are in the last of their normal three years.

Senator O'BRIEN—Was that a competitive tender or a selected tender?

Mr Hopwood—It is a selected tender which we go to once every three years—selected on the basis of who is available in the marketplace to provide that type of marketing support to us. There are only a handful of potential candidates which are large enough to do this. We go to all of those in the marketplace who are available. In some respects, it is not competitive; in some respects, you could call it selective. But, in actual fact, we have targeted all the major suppliers anyway.

Senator O'BRIEN—And who selected the agencies who were in the consultation that you describe with TBWA about the process—TBWA or ATC?

Mr Harrex—That was done in conjunction with both TBWA and the ATC.

Senator O'BRIEN—What was the basis for selection?

Mr Harrex—It was in terms of the development of the brand, Brand Australia, and the global positioning. As part of the development of Brand Australia and how we would position tourism for Australia, this involved consultation with industry and consultation with key stakeholders. That involved that agency and a brand architecture agency.

Senator O'BRIEN—Can you tell us how much has been paid to date in agency fees for services?

Mr Hopwood—For TBWA for the year to date or just for production—that is, in what respect?

Senator O'BRIEN—In relation to this Brand Australia campaign. That is what I am after.

Mr Hopwood—I would have to come back to you on that. I have some costs here but they are not by company; they are by type of cost. If you are wanting to know the TBWA component—

Senator O'BRIEN—Could you give us the TBWA component to start with.

Mr Hopwood—No, sorry, I do not have that. I will find it.

Senator O'BRIEN—I see. When does TBWA's contract expire?

Mr Hopwood—That current contract will expire during the 2004-05 financial year.

Senator O'BRIEN—So, having begun the campaign, they are up for renewal or termination.

Mr Hopwood—Sorry?

Senator O'BRIEN—Just having begun this campaign, presumably it will be handed to Tourism Australia and that new board will oversee the making of a decision on this.

Mr Hopwood—Correct. Once the work is shot, it is then subject to how it will be applied in the various markets, as I mentioned before, and in what marketing medium. That is purely a management and board decision. Which agency works with that can be looked at at any point in the cycle. The normal cycle would be to go out and look at our advertising agencies again, which is something we do in every office around the world on a cyclical basis.

Senator O'BRIEN—Does their contract allow that in the event the agency's contract is not renewed all intellectual property, the ad footage and branding becomes, without question and without further payment, the property of the Commonwealth?

Mr Hopwood—Normally, yes. I could not tell you if the words are exactly the same as that, but in all our standard contracts and specifically in very important contracts like that we certainly retain the rights to intellectual ownership and copyright.

Senator O'BRIEN—How is their payment structured? Is it structured around the number of ad placements?

Mr Hopwood—No. The major activity for a Sydney based advertising agency is more the strategic than the production work. I have to qualify this. Next year in TA there will be

domestic placements for new agencies, but to date there has been no media placement from the Sydney agency. They are to work with the Sydney office in the areas of production and strategy. So their fees have predominantly been a standard routine fee, whether it is monthly or quarterly, followed by any special project work at a set rate.

Senator O'BRIEN—So there are specialist agencies that will do the ad placement for both domestic and international markets next year?

Mr Hopwood—Yes, that is correct. That is part of the fundamental basis on which our overseas agencies are selected and managed. In relation to where they place it and how much it costs for placement, that is something that the ATC has not done domestically before, but we will take that model and we will look at working that domestically.

Senator O'BRIEN—What is the domestic spend budget?

Mr Hopwood—Sorry, I do not have the See Australia current budget. ATC is not part of that. We do not have a domestic placement budget.

Senator O'BRIEN—Fair comment. So we would have to ask See Australia about agencies' use for the domestic buy?

Ms Murphy—I could probably answer some questions about See Australia and its domestic spend, at least for this financial year.

Senator O'BRIEN—It would be good if you could tell us that.

Ms Murphy—See Australia was granted \$2.5 million this financial year, as preliminary white paper implementation funding, and the bulk of that funding has been directed towards Brand Australia domestically and the domestic roll-out of the campaign.

Senator O'BRIEN—Have there been any matching funds from any other contributors towards that campaign to date?

Ms Murphy—I am not aware of any matching funds to date, but I think the intention is for See Australia to try and leverage additional funding.

Senator O'BRIEN—What has been the process of media buys? Have they been quarterly, six-monthly or annual buys in the past?

Ms Murphy—I would have to take that on notice. I am not familiar with See Australia's precise media buy activities.

Senator O'BRIEN—Thanks for trying to help, anyway. We do what we can and try and avoid the questions on notice if we can. Perhaps you could tell us on notice also who the main agencies used are and how they were selected?

Ms Murphy—Will do, Senator.

Senator O'BRIEN—Have any steps been taken to address the issue of currency fluctuations which, if the dollar were to drop further below 70c, might see the marketing spin decline in real terms?

Mr Hopwood—Do you mean the spend of TA in the future for overseas marketing programs?

Senator O'BRIEN—Yes.

Mr Hopwood—Our funding is supported by the Department of Finance and Administration to a set rate. That rate is set in about May of each year. We now know what our programs will be costing us in foreign currency for 2004-05. If the rates fluctuate then we are protected and we will get the same spend that we are currently planning for.

Senator O'BRIEN—Do Finance convert your budget of Australian dollars into foreign currency, effectively?

Mr Hopwood—They give us the rate. We then manage the funds, in Australian dollars, that you have seen in the appropriation. Suppose by the end of the year we have had some form of gain or loss on those sets of rates. If it is a loss then we apply to the Department of Finance and Administration to supplement that loss. If it is a gain then we hand the money back to the department of finance, subject to a very small window around the fundamental appropriation. It is just a timing sense in the cash flow.

Senator O'BRIEN—What do you mean 'a small window' around the fund?

Mr Hopwood—It is one per cent leeway either way. If one per cent of our total spend is less expensive to us, we retain the one per cent. If it is one per cent of cost to us, we retain the cost. Anything outside that is funded by or returned to the Department of Finance and Administration.

Senator O'BRIEN—So in about May you know what your budget is for the year's spend?

Mr Hopwood—For the future year. That is correct.

Senator O'BRIEN—Do you make a decision on the currency apportionment of the spend then?

Mr Hopwood—We know the appropriation and we know the exchange rate communicated from the department of finance. We then have an allocation process within the Australian Tourist Commission which looks at a whole range of factors, such as the economics of the countries where we will be marketing, their position in the maturity of the market itself relating to tourism, their airline capacities and a whole range of factors like that. We allocate the dollars to those markets then we convert them at that exchange rate given to us by the department of finance. We say, 'Here it is in local currency,' and we keep to that throughout the year.

Senator O'BRIEN—So is it fair to say that in May this current financial year the ATC made decisions on the spending of the Brand Australia money by international market?

Mr Hopwood—Correct.

Senator O'BRIEN—What are the proportionate breakdowns of the fund spend?

Mr Hopwood—There is a whole list, because there are 21 markets. Would you like me to send them to you?

Senator O'BRIEN—Yes, please.

Mr Hopwood—I will send those to you.

Senator O'BRIEN—Are they able to be tabled today?

Mr Hopwood—I have them in the middle of a worksheet, so if I can extract them I can table them today for you. Otherwise I could have them sent to your office.

Senator O'BRIEN—Thanks. If you could do that, that would be good. I take it that within those parameters the new board will have its decisions about placement made for it. How easy is it to make a change if a market collapses and it is decided that it is not worth spending the money in one particular market or, conversely, if you need to spend a lot more and you want to divert money from other markets?

Mr Hopwood—We have had a lot of practice at this in the last couple of years, with September 11 and changes in domestic and international tourism. The thing is that the marketing is not spent at one point during the year; it is spent progressively throughout the year. We do a lot of long-term planning with our cooperative partners and our advertising agency, so we know at any one point in time what we are doing this week and what we plan to be doing, roughly, in 11 months from now. So if something like that were to come up then we would obviously be looking at our plans for the year. We would be looking at how much money was involved in that and we would be looking at the marketplace. We would make the decision on whether or not the market was worthwhile to go ahead with that spend or whether to stop it and move it to other markets which were not impacted. Tourism markets are very much like a portfolio, with shares and investments. If there is an impact in one market you generally do not have a problem because you have an opportunity in another market. So you can just move those around and take advantage of that. The biggest issue we would have would be if these changes were occurring in April or May, when you have only a very short time to make adjustments. However, for the commission, the highest spend period happens to be in May and June of each year, so you still have an opportunity to move reasonable amounts of money or keep them back in those times.

Senator O'BRIEN—So, other than in May and June each year, the spend is negligible?

Mr Hopwood—Compared to May and June, yes. I would say that approximately 75 per cent of the spend would have happened by March to April. So you still have 25 per cent to spend in a very short period.

Senator O'BRIEN—What difficulties, if any, occur where you want to make a substantial market shift and you have to change currencies? Do you have to go back through the department of finance?

Mr Hopwood—No, again the department would work on a portfolio basis—in other words, what would the cost of funding be for an entire appropriation. We just look at the currency break-up and then at the end of the day say, 'It cost us X. We were planning for Y.' Depending on what that difference is, we would simply hand money back or ask for supplementation.

Senator O'BRIEN—So you can still swap currencies within that parameter during the year?

Mr Hopwood—Yes, it is not fixed by currency.

Senator O'BRIEN—At the rate agreed in May or at a later rate?

Mr Hopwood—The rate agreed in May is what they are giving the funding based on. We look at the actuals that go through, and the changes, and compare it at the end of today. So you compare the actual to the rate agreed. That is where you find your difference.

Senator O'BRIEN—I am not sure I understand what you mean by that. Are you saying that you compare the rate at the time you want to make the change with—

Mr Hopwood—With what was set at the beginning of the year.

Senator O'BRIEN—And if there is some significant change, you wear the cost or grab the benefit?

Mr Hopwood—Correct.

Senator O'BRIEN—If there is a currency variation such that your number of placements would have to significantly decline in a particular market that you wanted to service, is that just the way it is—in other words, you live with making that decision—or do you have the facility to apply to bring forward some funding to deal with that?

Mr Hopwood—First of all, that is a hypothetical question. That has not happened to us yet.

Senator O'BRIEN—Of course, yes.

Mr Hopwood—Secondly, it would be one of two scenarios. We would prefer not to apply for additional funding. There are many ways to market. If we were in that scenario and we believed that the benefit would be so great that we wanted to push more funding into a market without deteriorating any other market then we would potentially—hypothetically—try other mediums of marketing which might be more cost-effective for those types of scenarios. We could try and work with our partners, our cooperative, and induce them to perhaps put extra dollars into a campaign which they would get some benefit from as well or, failing that, we could say: 'Yes, there's something unique about what's happening now. We believe we should continue our marketing and we don't believe we should move funds from another market.' Then we probably would apply for more funding, but only as a last resort.

Senator O'BRIEN—Was there a brand positioning in place prior to the current Brand Australia campaign? If so, was it the Naturally Free Spirited campaign?

Mr Harrex—That is correct, yes.

Senator O'BRIEN—When was that brand developed?

Mr Hopwood—My guess is about four or five years ago.

Mr Harrex—Yes, it was five years ago.

Senator O'BRIEN—So that would make it 1999?

Mr Hopwood—Somewhere around there, yes.

Senator O'BRIEN—What was the one before that?

Mr Hopwood—Sorry, I have just been told that it was 1996 when we first developed that brand.

Senator O'BRIEN—Have we been running effectively the same branding since 1996?

Mr Hopwood—Correct. But we have been using those images for a while, which is why this was such an important launch for us. We were refreshing all our imagery, as we talked about before. Whilst we use it as the base, as I have also mentioned before, we tailor it to the individual markets and the needs of the time. So we use the same imagery, the same logo and the same base shots, but then just work the changes over time around them on a regular cycle—normally about five years. It is a little longer this time. You need to refresh that; otherwise, there are only so many things you can do with it to get the attention of the market.

Senator O'BRIEN—So would there be significant spin to refresh a branding over the period of its life or would you go with the initial branding exercise and just incrementally adjust it?

Mr Hopwood—It is the incremental one, yes.

Senator O'BRIEN—I am not sure what the up-front spin on Brand Australia's current campaign has been. Perhaps you could tell us what that has been.

Mr Hopwood—The marketing spin associated with it?

Senator O'BRIEN—Production and marketing, yes.

Mr Hopwood—The initial cost in full marketing dollars I have not got yet because it is only happening now. We have only just started the marketing in the various locations.

Mr Harrex—Approximately \$320 million that has been allocated for international marketing for the new brand will be spent over the next four years.

Mr Hopwood—That is actually the marketing using the brand.

Mr Harrex—Those are the marketing activities for the delivery of that brand to markets internationally.

Mr Hopwood—It is expected that the development or finetuning that you talk about, which you might be basing the question on, will be about \$1½ million to \$2 million a year at this time.

Senator O'BRIEN—Those are the maintenance costs of the campaign?

Mr Hopwood—Correct.

Senator O'BRIEN—Are the initial production costs known yet?

Mr Hopwood—The initial production costs are around \$3 million.

Senator O'BRIEN—Does that include all the shoots and creative campaign materials?

Mr Hopwood—Correct.

Senator O'BRIEN—Could you tell us what the Naturally Free Spirited campaign has been costing to refresh?

Mr Hopwood—I could probably give you an example. To give you an idea of the production costs spent, say, a year or so ago, we are looking at about \$2 million. It seems to be an average amount we spend refreshing.

Senator O'BRIEN—So we spent \$5 million roughly this financial year on the upgrade of Naturally Free Spirited and the production of Brand Australia?

Mr Hopwood—No. Because we knew that the brand was going to be cycled, I do not think we would have done any work on it for this financial year.

Senator O'BRIEN—When did indications start to register that Naturally Free Spirited was becoming tired and uncompetitive internationally?

Mr Hopwood—I do not know that it was really tired or uncompetitive. It is the cycle we go through where we are always trying to do something better. A year ago we started looking seriously at doing something different. Up until that stage it was still quite a successful campaign and still quite a successful basis, but there is always something better that you can strive for.

Senator O'BRIEN—Has there been any feedback about the Naturally Free Spirited campaign over the last year?

Mr Harrex—We do tracking measures in core markets around the world in terms of the effectiveness and the penetration of that. In those markets where we do have the brand tracking, it has been a healthy position. The Naturally Free Spirited program has provided the right foundation for us to evolve the new brand activity globally.

Senator O'BRIEN—An eight-year-old campaign has been the foundation of the new one.

Mr Harrex—In terms of Naturally Free Spirited, as John has indicated we have refreshed that annually in terms of that application market by market. We have tracking measures to measure and understand the impact of the activity in the markets that we run it, so that we can understand, refine and modify as we apply that to a particular market.

Senator O'BRIEN—What are those tracking measures?

Mr Harrex—We conduct comprehensive research brand tracking of all of our marketing programs in key markets. It is really designed to evaluate the effectiveness of ATC's marketing and communications programs in key markets. It is really about ensuring that we are getting the right messages in terms of what we need to achieve in these key international markets. It is about really tracking the performance of that advertising. As an example, in a particular market we will have core segments that we will be aiming to communicate to, and these are segments of the market that have the potential to travel to Australia. We track their intentions to travel and whether the advertising is making an impact with that target segment.

Senator O'BRIEN—Do you track actual visits to Australia?

Mr Hopwood—We get statistics on visits, but the type of tracking we are talking about here is the effectiveness of the brand and the campaign. As an example, we do a 20-minute interview with someone who is in our target market. We ask them about recognition of brand, their intentions and how appropriate what we are selling is to what they are wanting to do. We always look at the figures coming through, and there are a lot of factors we cannot influence in those figures, but we can influence how the recognition and recall of our marketing is.

Senator O'BRIEN—But that is exactly what you are trying to influence, isn't it: not whether people would like to come here but whether they actually do?

Mr Hopwood—Correct. On a one-on-one basis in an interview with research, we can tell how that is going; but, when you look at the total figures coming to Australia, our marketing,

whilst it may influence individuals, there are other factors too which influence the total travel. Therefore we do not consider that the actual numbers coming to Australia are a prime factor to look at our effectiveness.

Senator O'BRIEN—I recall earlier questions, for example, saying that a change in the exchange rate is not going to deter people, in the main, from making decisions about coming to Australia.

Mr Hopwood—Correct.

Senator O'BRIEN—So if you have done your tracking and you establish that the desire to come here has been figure X, whether that has indicated an upward or a downward trend in the market would be an indicator which would track the effectiveness of a campaign, wouldn't it?

Mr Hopwood—It would be an indicator, that is correct, but it would not be a prime indicator. It would be one of many factors. You would look at what is the total travel, what is the economy looking like, what is the outcome of these research projects, and you would put that whole thing together to get a picture.

Senator O'BRIEN—Wouldn't that track the effectiveness of the decision to target a particular market in a certain way?

Mr Hopwood—I mentioned before that we have a priority setting for where we are spending on marketing. There are many factors in that, and those are certainly some of the factors that we look at.

Senator O'BRIEN—You did not mention visitor numbers from particular markets, so I take it that that is not an important indicator.

Mr Hopwood—Visitor numbers is in the portfolio of factors that we look at.

Mr Harrex—As well as how much those visitors spend here in Australia.

Mr Hopwood—Spending patterns and dispersal patterns.

Mr Harrex—That determines who we target our communications to in particular markets.

Senator O'BRIEN—I understand that. What I am asking is: how important an effectiveness indicator is the actual visitor numbers pattern?

Mr Hopwood—If you were to ask, 'What is the one indicator that looks at the effectiveness of the Australian Tourist Commission available right now?' or 'Is that indicator the number of visitors to Australia?' we would say that if we had to pick one that would probably not be the one we would pick, but unfortunately there is no other indicator. So we use that, as I said, as part of a portfolio to be more realistic.

Senator O'BRIEN—Your answer is telling me that there is not one you can pick.

Mr Hopwood—There is not one indicator that is so outstanding as to enable us to say that that is how we measure the effectiveness of the commission; it is, rather, a portfolio of indicators which show a trend.

Senator O'BRIEN—It is probably the only concrete one, isn't it?

Mr Hopwood—It is, and that is part of our dilemma. There is one concrete, very solid, very black and white indicator; but unfortunately we are not the only people who can influence that indicator.

Senator O'BRIEN—It would have to be the indicator you would use in a benefit-cost analysis, wouldn't it?

Mr Hopwood—It might, for instance, be more important to look at the spend of the tourists as opposed to just the number coming. The spend changes depending on which country the numbers are coming from. There are the classic types of visitors too. The backpackers are traditionally very heavy spenders compared to people with a one-day stay, but they all come as one on the numbers. Then of course there is a responsibility to try to disperse the visitors around Australia as much as possible, and certain types of tourists disperse more than others. So that is all part of this as well.

Senator O'BRIEN—That is a fair comment. What about feedback from the Australian industry about an overseas campaign? Is that a factor as well?

Mr Hopwood—We work extensively and consistently with the industry—with the state tourism offices and with the industry both here in Australia and overseas—always seeking not only comment but also input into what we are doing. It is ever-evolving; it is never just the one thing that we do. We are always changing it and improving it or adjusting it depending on that feedback.

Senator O'BRIEN—Has there been a strong industry view for some time that Naturally Free Spirited has outlived its life?

Mr Harrex—Not that I have heard. Again, it provided the foundation and that is how we have evolved the new activity.

Senator O'BRIEN—I understand that the new ads started running in Australia and the UK the week before last. Is that right?

Mr Harrex—They were launched in Italy and Singapore as well.

Senator O'BRIEN—Whilst it is early days, have you got any indication of the effectiveness of the campaign at present? How is it being measured, and what—if any—results have you judged to date?

Mr Harrex—As it was launched just 10 days ago it is early days in being able to track the effectiveness of the campaign. So at this stage, no, we do not have that information. Initial responses, though, from industry as part of the launches has been extremely positive in terms of those launch markets. It is also important to recognise that this brand is a long-term strategy. It is about working to change consumers' perceptions of, and emotions towards, Australia; so it is a long-term strategy.

Senator O'BRIEN—Is that what Mr Boundy's statement, reported in the *Weekend Australian* as, 'It's probably ... going to be something that the industry doesn't necessarily grab hold of all of a sudden,' conveys?

Mr Hopwood—When was that comment made?

Senator O'BRIEN—I think it is from the *Weekend Australian*.

Mr Hopwood—The most recent *Weekend Australian*? As Mr Harrex said, the feedback from the actual launch from industry was extremely good. If you take industry in its wider sense and the large number of players that we are dealing with, it is going to take a while for all of that industry to see the impact of this brand and understand where it is coming from. The people at the actual event got the background to it and could see how it comes together. As for the rest of the industry, we will have to involve them in our usual activities. They have to start to see our ads and see how they can benefit from this as well. They have to see how it differentiates it from the competitors in the marketplace. Over time, which is, I guess, what Mr Boundy is referring to, they will hopefully get to see the benefits of the campaign.

Senator O'BRIEN—I was a bit surprised to read that, given that the industry has been widely consulted over the development of the campaign, as I understood it.

Mr Hopwood—I am guessing that Mr Boundy is talking about the final application of the brand and what we finally looked at—that is, what we finally came to with 'Australia—a different light'. A lot of the work with industry would have been on the basis of the relative importance of branding to them and what they were trying to do, but they may not have seen the final result. I think Mr Boundy was saying that, now we have this final position, as it moves back into the industry they need to relate that to the comments that they would have made to us and to their own businesses.

Senator O'BRIEN—So the consultation process was substantially disconnected from the development of the philosophy behind the ads?

Mr Hopwood—No, I would not say that. We are talking about philosophies here. I am more talking about the final application—the final ads themselves and how they can be used in context for each individual business. It is also a timing thing, just getting to all the industry when they are ready to do the marketing. I think that comment covers a few areas—firstly, it is the final realisation of what they were involved in; secondly, it is all industry; and, thirdly, it is just a timing sense of when they are going to take specific benefit from it.

Senator O'BRIEN—I understand that the Les Murray and Delta Goodrem ads have been altered for the Singapore market. That is right, isn't it?

Mr Harrex—That is correct.

Senator O'BRIEN—When did that alteration occur—before or after they were aired in Singapore?

Mr Harrex—It was before they were aired in Singapore. Again, that forms part of the footage that has been shot. They look at those and apply them based on the local understandings and research insights we have on what motivates Singaporeans to travel to Australia.

Senator O'BRIEN—So that was pre-prepared at the time of the bookings for Singapore?

Mr Harrex—Yes. The footage that we shot as part of the shoot was used in the modifications for that.

Senator O'BRIEN—I see that Mr Hockey, according to that same *Weekend Australian* article, is 'refusing to set a target for how many additional travellers will head here because of the campaign'. You say this is a \$320 million campaign over four years—that is the budget?

Mr Hopwood—That is correct. That is our marketing budget, which will utilise dimensions of the brand.

Senator O'BRIEN—I had the figure of \$360 million. Is that including the See Australia component?

Mr Hopwood—That would also incorporate some of See Australia, plus the Australian attributes of developing Brand Australia. So \$360 million is the total; \$320 million would be for international.

Senator O'BRIEN—How much for the domestic campaign?

Mr Hopwood—I do not have a breakdown of what they call the Australian component of that \$40 million. I could come back to you on that.

Senator O'BRIEN—Is that See Australia money?

Mr Hopwood—It would be predominantly See Australia money. We also do some work within Australia—for example, it could be research; it could be developing the equivalent of some of the production we talked about but doing it here, on the Australian side. We do know that \$320 million will be spent in the overseas markets.

Senator O'BRIEN—Can you give us a breakdown of the other \$40 million?

Mr Hopwood—Yes, certainly.

Senator O'BRIEN—Again, going back to the refusal to set a target, there must be some sort of target—at least a strong expectation of some increased visitor number impact or increased visitor spend impact to underpin the basis for this, on average, \$80 million spend over four years?

Mr Hopwood—The issue I mentioned before about not having that as our prime, as it were, KPI—key performance indicator—is used for the same answer, in that given that this is all about building awareness et cetera it is hard to then relate that back to a specific number. The commission itself does not do the forecasts for the tourism industry. The Tourism Forecasting Council sets the figures. Therefore we tend to use the figures which are set by them and we just make sure that we are doing our best in relation to the marketing in the regions. The actual forecasts of the number of arrivals are set by the Tourism Forecasting Council. They do that based on what they see us doing and the other market conditions. Internally, we just use those numbers. In their next series of forecasts they will take into consideration any changed factors.

Mr Harrex—Importantly as well, in terms of measuring the effectiveness of the advertising, that is where the tracking measures come in. We track the penetration and the ability of the advertisements to work with consumers: do consumers recognise the advertisements; how does that change their thinking in terms of a holiday to Australia? Measures are used to track the performance and the consumer intentions in terms of Australia as a holiday destination.

Senator O'BRIEN—Do these measures effectively set benchmarks?

Mr Harrex—They do in terms of consumers. Our target consumers are the consumers that we identify as being the best prospects. It is their recall of Australia that they see in media, it

is their recall of specific communication and it is their recall of advertisements specifically relating to Australia that we are putting into the market. It is about their mind-set in looking at Australia and thinking about it.

Senator O'BRIEN—I realise that there are a whole lot of vagaries out there—international terrorism, the Iraq war, SARS; a range of issues—but with any product or service marketing spend there is usually some means of analysis which determines whether you have it right. Getting it right for this economy is getting an outcome in terms of numbers: backsides on aircraft seats, flying into the country, and the number of dollars spent as a result of that. Presumably those are two key factors in your benefit cost analysis, if you do such a thing.

Mr Hopwood—Yes, correct. They are part of the analysis. We look at the numbers—the yield, the dispersal—and the reasons behind either highs or lows in those numbers. We look at the economies—whether or not they are the spend of the product in Australia, of the wholesalers in the market, of the airlines—and global issues. All of those become part of that picture. Our position within that picture is to provide the best marketing platform for all these other factors and forces to take place.

Senator O'BRIEN—So by how much will our UK spend increase in the coming financial year?

Mr Hopwood—In 2003-04 there was an allocation of \$10.8 million to the UK. In 2004-05 the figure is \$11.9 million in the UK.

Senator O'BRIEN—That is about a 10 per cent increase.

Mr Hopwood—Yes, just under that.

Senator O'BRIEN—So would it be fair to say that we would expect to see some sort of proportionate growth in spend or numbers or both?

Mr Hopwood—I just cannot say about the relationship of one spend here. You also have a timing impact. You could be spending a dollar today for changing a person's perception of travel in one or two years time, as much as for two months time. It is the sort of thing which is cumulative in their mind-set about travel.

Senator O'BRIEN—Can details of these effectiveness benchmarks be supplied to the committee?

Mr Hopwood—Of the details that we were talking about before? I will have a look at the details we have on those, yes.

Senator O'BRIEN—Presumably, by looking at the responses or data that apply to those benchmarks, we will be able to ascertain whether the campaign has been successful or not?

Mr Hopwood—Over time, yes, that is correct.

Senator O'BRIEN—But you are saying we might have to wait two or three years?

Mr Hopwood—No, probably by campaign, so we would have to wait until a campaign is finished. At the end of the campaign we would then go in with the research and talk to these individuals, as I mentioned before, and ask: 'What's your recall? Has your intention to travel changed?' And then we would ask, 'Do you plan to travel within the next three months, six

months et cetera?’ We already have benchmarks on those, so we will just see whether they have changed.

Senator O’BRIEN—That Emerson piece on the weekend before last also said: ‘Cynics might suggest the campaign—which, in a first, will run domestically as well as overseas—will not do the coalition any harm in making Australians feel good about themselves and their country in the lead-up to the federal poll.’ My question is: is the ‘first’ the domestic running of an overseas campaign?

Mr Hopwood—Sorry?

Senator O’BRIEN—Is it a first to run in this country an overseas focused campaign?

Mr Hopwood—My understanding is that we have not had a domestic focus before, so we have not worked with See Australia before. This production, because of its future usage over the next three or four years, was done in consultation with See Australia, because—come Tourism Australia—that is the way we will be working, so that was a logical way to do it. So, yes, it was a first in that regard.

Senator O’BRIEN—Where did that idea originate from? Was it See Australia, ATC or the government?

Mr Hopwood—I have no knowledge of where it actually originated from. We have been working with See Australia now for many months in the lead-up to the formation of Tourism Australia, so it seemed logical to talk about the future production and the future branding.

Senator O’BRIEN—This was not ATC’s idea?

Mr Hopwood—It could have been. It could have been a joint activity formed as part of the group. We are talking about the future. See Australia was very close to us in the last six or so months, so they know what we are doing.

Senator O’BRIEN—Was it a way of deciding how See Australia would spend their money?

Mr Hopwood—It is always a part of that as well. The talks are budget related; talks are future program planning related. It was simply a logical thing to do for the future.

Senator O’BRIEN—It did not have any more basis than that?

Mr Hopwood—Not that I am aware of.

Senator O’BRIEN—Was there any direction from the minister’s office about that strategy?

Mr Hopwood—No.

Senator O’BRIEN—Or any other office—the Prime Minister’s office?

Mr Hopwood—No.

Senator O’BRIEN—Can you tell us whether the Prime Minister’s office has had any role in the development and distribution of this campaign?

Mr Hopwood—I am not aware of any.

Mr Harrex—I am not either.

Mr Hopwood—Not at this stage, although Minister Hockey's office had briefed the Prime Minister's office just prior to Brand Australia being launched so that he was aware of what we were undertaking. But there are no details or instructions at this point in time.

Senator O'BRIEN—Do you know how long See Australia has used the Ernie Dingo ads?

Ms Murphy—It is at least three or four years, but I will have to get the precise time frame for you on notice.

Senator O'BRIEN—That was the first of its campaign ads.

Ms Rooney—It commenced in November 2000.

Senator O'BRIEN—That is when See Australia initiated its campaign—was that with the Ernie Dingo ads?

Ms Rooney—Yes. The campaign was launched in November 2000 and it used Ernie Dingo.

Senator O'BRIEN—And that is the only campaign; there has not been another one?

Ms Rooney—Yes, it has utilised Ernie Dingo throughout.

Senator O'BRIEN—Has there been any research done on the See Australia-Ernie Dingo campaign?

Ms Rooney—There are a number of surveys that See Australia carries out to track the effectiveness of the campaign and the awareness of the campaign.

Senator O'BRIEN—Has that created brand equity for See Australia or Ernie Dingo?

Ms Rooney—I cannot really answer that question.

Senator O'BRIEN—Is there research, or could we find out?

Ms Rooney—I do not know that the research addressed that issue.

Senator O'BRIEN—How will the domestic proportion of the current campaign be spent over the coming financial year—or is that something that is yet to be decided?

Mr Hopwood—We have not developed the specifics of the budget for Tourism Australia for next year with those details yet.

Senator O'BRIEN—Do we know how much is budgeted?

Mr Hopwood—I think we were asked that question before.

Ms Murphy—I can tell you how much was budgeted for this financial year and, broadly, how that—

Senator O'BRIEN—2003-04?

Ms Murphy—Yes. It is \$2.5 million to See Australia in 2003-04. The majority of that was devoted to the Brand Australia domestic roll out. In broad terms, around \$1.8 million of that was devoted to TV programming, which is the advertisements that we are seeing in Australia. There was about \$50,000 for research, about \$100,000 for establishing a web site with ninemsn, which will be a new hosting of the See Australia web site, and some funding to communicating Tourism Australia to the Australian tourism industry domestically, and some

sponsorship funding. See Australia engages in sponsorship funding as a matter of course, and so it looks to that to help leverage off additional funding. That is broadly the break-up of the \$2.5 million.

Senator O'BRIEN—How much is that latter component? You said 'some' funding but you did not give me—

Ms Murphy—For which?

Senator O'BRIEN—You went through a number of categories. In the last category you said 'some' funding—

Ms Murphy—For sponsorship? About \$100,000.

Senator O'BRIEN—That leaves about \$450,000.

Ms Murphy—Online advertising is about \$50,000, central marketing costs are about \$50,000 and radio is about \$250,000.

Senator O'BRIEN—Is the rest administrative costs?

Ms Murphy—Yes.

Senator O'BRIEN—To See Australia?

Ms Murphy—That is right.

Senator O'BRIEN—And See Australia is a privately incorporated company?

Ms Murphy—Yes, it is a company limited by guarantee.

Senator O'BRIEN—What happens to See Australia in 2004-05? Does it remain as a separate entity?

Ms Murphy—No, the idea is that it becomes part of Tourism Australia, which will be a statutory authority. The current See Australia company would need to be wound down and See Australia staff transferred across to the new Tourism Australia.

Senator O'BRIEN—How much is allocated to Tourism Australia to fund the See Australia staff component for the year 2004-05?

Ms Murphy—The same amount as is currently allocated to See Australia. The See Australia budget would carry through to Tourism Australia, plus the additional funding that has been received for the white paper. That would all carry across to Tourism Australia.

Senator O'BRIEN—And Tourism Australia will make a decision on which staff they need and which they do not?

Ms Murphy—There are only three staff in See Australia, and they will all be transferring, if they choose, across to Tourism Australia.

Senator O'BRIEN—How much in white paper funding is available for the See Australia component for 2004-05 and the out years? Or can you point me to where in the PBS I will find that?

Ms Murphy—See Australia has been granted \$10.2 million from the white paper for 2004-05, \$10.4 million in 2005-06, \$11.1 million in 2006-07 and \$11.2 million in 2007-08.

Senator O'BRIEN—And you are not aware of any matching funds that have been arranged with other businesses?

Ms Murphy—No, not at this stage. Certainly the idea, though, is for Tourism Australia and the See Australia component of Tourism Australia to be looking for opportunities for matching funds, including from the states.

Senator O'BRIEN—Is this limited to promotional activities?

Ms Murphy—It could be a combination of promotional activities and, particularly on the regional side, a combination of developing regional plans and marketing and promotional opportunities arising from those plans.

Senator O'BRIEN—But there is regional tourism promotional funding as well, isn't there?

Ms Murphy—The funding I just outlined combines generic tourism funding in Australia as well as the regional allocation: the new focus for See Australia on regional development. Most of the regional marketing funding comes from the states and territories and the regional tourism organisations.

Senator O'BRIEN—When did the Commonwealth acquire the name Tourism Australia?

Mr Hopwood—In approximately April of this year, I think it was.

Senator O'BRIEN—From whom was it acquired?

Mr Hopwood—It was purchased from a body who, obviously, were using that name, and it was also their business name.

Ms Murphy—I will just clarify that the final settlement and acquisition of the name Tourism Australia was in February this year.

Mr Hopwood—February, sorry.

Senator O'BRIEN—Whom did we buy it from?

Ms Murphy—We bought it from a businessman who already had the name Tourism Australia. His name is Graeme Haycraft.

Senator O'BRIEN—What was the cost?

Mr Hopwood—It was \$175,000 to purchase the name.

Senator O'BRIEN—When were negotiations concluded? Was it February or sometime earlier?

Ms Murphy—It would have been pretty close to February.

Senator O'BRIEN—February this year?

Ms Murphy—Yes.

Senator O'BRIEN—The green paper suggested the entity be called Australian Tourism. Would there have been a need to acquire that name?

Ms Murphy—Yes. Any name would have needed to have been acquired if it were already owned by somebody else.

Senator O'BRIEN—Has someone cornered the market on those sort of names?

Ms Murphy—Somebody had a lot of foresight.

Senator O'BRIEN—Mr Haycraft?

Ms Murphy—No. There are a number of names of organisations with Tourism Australia and particularly a number of names with Australian Tourism as part of the name of an existing organisation or business.

Senator O'BRIEN—On what basis was the decision made to go with Tourism Australia? Was it market tested against others and performed better?

Ms Murphy—I think it was primarily on the basis, as I foreshadowed, that Australian Tourism is also a name that is encapsulated in many other business names and activities, whereas Tourism Australia was only owned by one individual, and it was easier to buy out one individual than to try to renegotiate with a series of other businesses.

Senator O'BRIEN—Was Mr Haycraft previously connected with any of the government tourism entities?

Ms Murphy—I understand that he was a previous employee of the Australian Tourist Commission some years ago.

Senator O'BRIEN—When you say some years ago, what do you mean—two, three, five?

Mr Hopwood—I think we are talking around 10 years ago.

Senator O'BRIEN—In February you gave me some different numbers for See Australia for the years 2003-04, 2004-05 and 2005-06. I refer you to page 22 of the transcript for Wednesday, 18 February. You said the breakdown for See Australia existing in new funding was \$4 million in 2003-04, \$12.7 million in 2004-05 and \$12.9 million in 2005-06.

Ms Murphy—What I just read out to you was the new funding for the white paper package. In addition to that, See Australia had, pre white paper, \$1.5 million of funding in 2003-04, \$2.5 million in 2004-05 and \$2.5 million in 2005-06.

Senator O'BRIEN—Okay. I am just making sure I am not confused by different figures and I understand what the components are. The funding figures for the international campaign for the four out years are all old money, if any, and all new money combined?

Mr Hopwood—Combined, yes.

Senator O'BRIEN—So it is a total of \$320 million.

Mr Hopwood—Correct.

Senator O'BRIEN—All funding combined over the next four years?

Mr Hopwood—Yes, the additional funding plus our base—that is correct.

Senator O'BRIEN—Is it as simple as an \$80 million profile over each of the four years?

Mr Hopwood—Yes, approximately.

Senator O'BRIEN—So there are some minor variations, are there?

Mr Hopwood—If there were it would be a \$1 million or \$500,000 difference. Again, we are forward planning here and we are looking at impacts of exchange rates too, but basically yes.

Senator O'BRIEN—Ms Murphy, in February we were advised that the department was working on a contract with See Australia. Presumably that will not be necessary.

Ms Murphy—That was for expenditure of the \$2.5 million.

Senator O'BRIEN—Presumably that is all done and finished.

Ms Murphy—That has been settled, yes.

Senator O'BRIEN—Will the full \$4 million allocated to See Australia for 2003-04 be expended in 2003-04?

Ms Murphy—As far as we are aware, yes.

Senator O'BRIEN—In February we were advised that the funding profile for enhanced research and statistics was \$5.3 million in 2004-05, \$5.5 million in 2005-06, \$5.3 million in 2006-07 and \$5.5 million in 2007-08, totalling \$21.5 million. Is that still the profile?

Ms Murphy—That is still the profile.

Senator O'BRIEN—And no allocation in 2003-04?

Ms Murphy—This is additional money. This is additional research and statistics money. It was on top of what the Bureau of Tourism Research and the department currently spend on research activities.

Senator O'BRIEN—So if that was additional money, what does that give us as a total in each of the years?

Ms Murphy—I can divide it in a couple of ways. For the Bureau of Tourism Research, I could give you an indication of what that means for its Commonwealth funding. It means that in total in 2003-04 it received \$3.7 million; in 2004-05, \$5.5 million; in 2005-06, \$5.5 million; and in 2006-07, \$5.5 million. Some of the funding has been allocated to the Bureau of Tourism Research. It might be simpler if I give you a breakdown of the new research funding, which I was not able to give you in February but I can now. Some of this is still to be finetuned, you will appreciate, but in total in 2004-05 the breakdown of \$12 million goes to Tourism Research Australia—

Senator O'BRIEN—\$12 million?

Ms Murphy—Sorry, \$4 million in all goes to Tourism Research Australia; \$300,000 to the ABS through the Department of Industry, Tourism and Resources for the Australian tourism satellite account; and \$500,000 to the ABS through Industry, Tourism and Resources to expand the tourist accommodation survey. In addition, there is \$500,000 as a strategic research fund. The total of that is \$5.3 million. The 12 refers to new staff for Tourism Research Australia.

Senator O'BRIEN—Sorry, the 12?

Ms Murphy—I referred to \$12 million before, but it is 12 staff members, not \$12 million. The funding is \$5.3 million. In addition to that, the Department of Industry, Tourism and

Resources has been funding a reduced survey of tourist accommodation and an update of the Australian tourism satellite account each year, so there is a little bit in addition to be the total research pool in terms of Industry, Tourism and Resources funding and the Bureau of Tourism Research.

Senator O'BRIEN—So there is a little bit in addition to those numbers that you have given—

Ms Murphy—That the Department of Industry, Tourism and Resources has spent on research activities—or statistical collection activities, to be more correct.

Senator O'BRIEN—How much would that amount to?

Ms Murphy—For the update of the Australian tourism satellite account for 2003-04, which is the one released last week, we paid \$145,000. I would have to come back with a precise figure for the survey of tourist accommodation, but I think it is in the order of \$250,000.

Senator O'BRIEN—That is 2003-04 spending?

Ms Murphy—That is right.

Senator O'BRIEN—On top of the \$3.7 million for BTR?

Ms Murphy—That is right, yes.

Senator O'BRIEN—Can you tell us the total combined department-BTR spend on research and statistics for 2003-04?

Ms Murphy—For this year, it would be \$145,000 for the Australian tourism satellite account and, let us say, \$250,000—which I will have to confirm—for the survey of tourist accommodation and then you add to that the funding for the Bureau of Tourism Research—

Senator O'BRIEN—\$3.7 million?

Ms Murphy—Yes, and that would be the total.

Senator O'BRIEN—Thank you.

Proceedings suspended from 10.30 a.m. to 10.47 a.m.

Senator O'BRIEN—Ms Murphy, you wanted to clarify a matter?

Ms Murphy—Yes. I said earlier that I thought we had provided about \$250,000 to the survey of tourist accommodation. In fact, we provided nothing to the survey of tourist accommodation. The ABS has been absorbing that cost. The white paper provides additional funding to enable that survey to be expanded. Also, with the Bureau of Tourism Research, the figures I read to you before included state government funding as well as Commonwealth government funding.

Senator O'BRIEN—The \$3.7 million?

Ms Murphy—Yes.

Senator O'BRIEN—How much was actual Commonwealth funding?

Ms Murphy—Commonwealth funding is in the order of \$1.7 million.

Senator O'BRIEN—Are the figures you gave us in February for 04-05, 05-06 and 06-07 all Commonwealth figures?

Ms Murphy—They are all Commonwealth, as I recall, yes. The Bureau of Tourism Research will receive from the Commonwealth an additional \$4 million in 04-05, 05-06 and 06-07.

Senator O'BRIEN—So plus \$4 million in each of the next three out years?

Ms Murphy—That is right.

Senator O'BRIEN—And that is without any state contribution?

Ms Murphy—That is right, yes.

Senator O'BRIEN—Is it envisaged that in each of the out years there will be about \$800,000 for the ABS?

Ms Murphy—Yes. It is an average. It goes up and down, because the tourism satellite account costs vary depending on whether it is a new account or just upgrading the existing account. I can give you the precise figures, with the proviso that we are still negotiating with the ABS the precise break-up of the tourism satellite account year by year. For white paper funding purposes there is a budget per year, but we are negotiating with the ABS about the precise dollar each year. The general amount for the Australian tourism satellite account over the four-year period is an additional \$1.1 million and the expansion of the tourism accommodation survey is an additional \$2.1 million over the four years. The tourism accommodation survey is costed at \$500,000 a year. The tourism satellite account costings will vary between \$250,000 and \$400,000 each year, depending on the particular year.

Senator O'BRIEN—And what is the \$4 million?

Ms Murphy—For the Bureau of Tourism Research?

Senator O'BRIEN—Yes. What is that supposed to buy?

Ms Murphy—That will enable it to expand the forecasting capacity. The BTR is responsible for providing technical services to the Tourism Forecasting Council. It will enable it to expand the international visitor survey and the national visitor survey. It will also enable it to establish a tourism statistics regional advisory service and to put more effort into information dissemination. One of the criticisms at the moment about current research efforts is that the results are not disseminated to industry in a way that is meaningful to industry. A fair degree of effort will be put into working with the industry to enable it to better understand and to ensure that the sort of statistics research that is undertaken is appropriate to its needs.

Senator O'BRIEN—How much is set aside for that task?

Ms Murphy—For that purpose there is about \$5.6 million over the four years.

Senator O'BRIEN—Coming back to the Tourism Australia name, how long have we been negotiating with Mr Haycraft about acquiring it?

Ms Murphy—It has been settled now.

Senator O'BRIEN—How long had we, I should say, up until February?

Ms Murphy—I estimate that it was probably six to eight months.

Senator O'BRIEN—So when the Prime Minister announced the name last year in November or December—

Ms Murphy—Tourism Australia—when the white paper was launched.

Senator O'BRIEN—the Prime Minister would have been aware that we did not actually own the name.

Ms Murphy—We had certainly got to the stage with Mr Haycraft of in principle agreement.

Ms P. Kelly—We had a signed letter agreeing to sell us the name at that point.

Senator O'BRIEN—The price was not agreed at that point?

Ms P. Kelly—Yes. We had a signed letter agreeing to transfer the name at an agreed price if we went ahead with establishing the new body.

Senator O'BRIEN—So that was agreed prior to the launch of the white paper?

Ms P. Kelly—Yes.

Senator O'BRIEN—When was the amount of \$175,000 agreed?

Ms P. Kelly—I will have to check the precise date.

Senator O'BRIEN—But it was prior to the announcement of the white paper?

Ms P. Kelly—It was.

Senator O'BRIEN—Did the agreement include the domain name www.tourismaustralia.com?

Mr Hopwood—Yes, it did.

Senator O'BRIEN—That was all included in the \$175,000 fee?

Mr Hopwood—That is correct.

Ms Murphy—To correct the total amount of the transaction for the name Tourism Australia from Graeme Haycraft, according to our records the total amount was in the order of \$201,000. I will break it down for you—

Ms P. Kelly—There is a total of \$192,500, which is comprised of \$175,000 plus \$17,500 GST. There was also payment for legal costs of about \$8,800. So the actual money to Mr Haycraft for the name was \$175,000, but the entire amount that was paid was \$201,300. That included payment of GST and some legal costs.

Senator O'BRIEN—Was that for his legal costs or yours?

Ms Kelly—His legal costs.

Ms Murphy—It was for Mr Haycraft's legal costs.

Senator O'BRIEN—Did he also get an invitation to the launch as part of the settlement?

Ms Kelly—I do not know.

Senator O'BRIEN—In February we were advised that the funding profile for the accreditation initiative was to be \$1.2 million in 2004-05 and \$1.1 million in 2005-06. Has there been any change to this profile?

Ms Murphy—No.

Senator O'BRIEN—There was no allocation in 2003-04?

Ms Murphy—No.

Senator O'BRIEN—Has there been any progress made on what the new accreditation regime will look like or is this left for Tourism Australia?

Ms Murphy—The new accreditation regime will remain with the Department of Industry, Tourism and Resources. There has been quite significant progress on what the framework will look like.

Ms Rooney—The national tourism accreditation working group is an advisory group that has members from state and territory governments and industry. They are advising at the moment on how the new framework should be established. It will receive an implementation and business plan for consideration on 8 June on how the framework will be structured and how the new body will be structured. The new body will be an industry body.

Senator O'BRIEN—So where will the \$1.2 million next year sit—with the department or with this new body?

Ms Rooney—One million dollars will go to the new body, depending upon the business plan that comes forward.

Ms Murphy—We have to be satisfied that the business plan is a sensible and robust one that will set up the new framework to be self-sustaining within two years. We are not giving any commitments about funding anybody at this stage until we are satisfied that the business plan is well worth funding.

Senator O'BRIEN—Is it the intention to contract for two years or one year with an option to extend for a year?

Ms Rooney—The intention is to provide \$2 million over two years. The contracts will be structured according to how we need to achieve milestones and will be subject to negotiation with the new body once established.

Senator O'BRIEN—And the other \$300,000 presumably is for the department?

Ms Rooney—That is correct.

Senator O'BRIEN—With regard to the Indigenous Tourism Business Ready Program, in February we were told that the profile was \$0.9 million in the coming financial year, \$1 million in 2005-06, \$1 million in 2006-07 and \$1 million in 2007-08. Has there been any change to that profile?

Ms Murphy—No, there has not.

Senator O'BRIEN—There is no allocation in 2003-04 for that?

Ms Murphy—That is correct.

Senator O'BRIEN—Have the mentors been selected or is that a matter for Tourism Australia?

Ms Murphy—No, once again, that program is remaining within the Department of Industry, Tourism and Resources. The mentors have not yet been selected. The program does not actually start up until 1 July.

Senator O'BRIEN—Is that when you will start selecting? Is it intended that the mentors will be in place on 1 July or that you will start the process of selecting them on 1 July?

Ms Murphy—It is intended to have the mentors in place as close as possible to 1 July. Certainly the process and the thinking behind it is well advanced.

Senator O'BRIEN—Have any approaches been made?

Ms Murphy—No, not yet. We are expecting to advertise sometime during June for mentors.

Senator O'BRIEN—In February you were able to advise the committee that there were \$1 million dollars allocated to implementing the white paper and that \$500,000 was to be spent in the current financial year. Can you update the committee on the funding profile of this aspect—how much has and will be spent this year and how much next?

Ms Murphy—It certainly will be spent this year. In fact, regarding the total cost of implementing the white paper in the areas against that \$500,000, we have already hit the \$500,000 mark. We are absorbing the rest within the division. So the short answer to your question is, yes, it will be spent—it has been spent.

Senator O'BRIEN—And another half a million dollars next year?

Ms Murphy—No, it will not be half a million dollars next year. There is \$1 million allocated over the next three years.

Senator O'BRIEN—Okay.

Ms Murphy—For implementation.

Senator O'BRIEN—Is that for the department's budget.

Ms Murphy—That is right.

Senator O'BRIEN—What sorts of costs will need to be met from that \$1 million per year?

Ms Murphy—That is over three years; it is not \$1 million per year. It is a mixture of staffing costs and residual administrative costs associated with establishing Tourism Australia, negotiating the intergovernmental agreement and joining the World Tourism Organisation.

Senator O'BRIEN—In February there were some areas that you could not give us information on, so I will try them now. What is the projected expenditure profile for the niche segment development initiative?

Ms Murphy—I am afraid I am not in a position to give you the year by year break down this estimates. The niche segment initiative has not been formally announced, although Minister Hockey did foreshadow the broad amount of \$14 million at the Meetings Industry Association conference earlier in May. But I am not in a position yet—

Senator O'BRIEN—Has it been decided?

Ms Murphy—It has been decided, but it has not been formally announced.

Senator O'BRIEN—So when is it to be announced?

Ms Murphy—The amount has been decided.

Senator O'BRIEN—Yes. The profile over the—

Ms Murphy—There is a budget profile, but I am not in a position today to break it down.

Senator O'BRIEN—Because it has not been announced?

Ms Murphy—It has not been formally announced.

Senator O'BRIEN—When is it to be announced? We are here for estimates, and that is why I am asking the questions, and you are saying you cannot tell me, because the Minister has—

Ms Murphy—I think it will be announced very close to the establishment of Tourism Australia. I might explain that what is encapsulated in that niche area is also the events activity and the events that will be associated with Tourism Events Australia. The new body will want to be in a position to make its own decisions about what dollars are allocated to Tourism Events Australia, as opposed to the other niche activities. We do not have that at hand at the moment.

Senator O'BRIEN—So you have been given a direction that says that you cannot tell this committee about those matters that have been decided?

Ms Murphy—It is for two reasons: first of all, that the amount has not been publicly announced as a whole and, secondly, that the new body will need to be the body that makes the decision about the precise allocation within the broad funding profile.

Ms Kelly—I think what we are saying is that we have a total amount over the four years and for budgetary purposes we have split it up between years, because money needs to go into the budget system, but the exact split-up of that money—how it will be spent on which niches and how it will be spent between the years—may be renegotiated after the board of Tourism Australia is established, because they will be the decision-making body for that program.

Senator O'BRIEN—What about the funding profile for tourism in protected areas?

Ms Murphy—I am able to tell you about that. The funding profile for that is \$4.6 million. I will break that down for you. There will be \$1.1 million in 2004-05; \$1.9 million in 2005-06; and \$1.7 million in 2006-07.

Senator O'BRIEN—Is that in the department?

Ms Murphy—Yes, it is.

Senator O'BRIEN—How much of that is departmental expenses?

Ms Murphy—It is all departmental spend.

Senator O'BRIEN—Is there a projected funding profile for Tourism Events Australia as yet?

Ms Murphy—No, as I mentioned earlier, the events funding and the Tourism Events Australia funding is part of the niche segment budget.

Senator O'BRIEN—How much will it cost to rejoin the World Tourism Organisation?

Ms Murphy—It will cost in the order of about \$260,000 to \$270,000. It is based against the euro, but at the moment it would be around about \$270,000.

Senator O'BRIEN—By when is that money to be paid—if it has not already been paid?

Ms Murphy—At the moment there is a national impact analysis, which is before the Joint Standing Committee on Treaties. We expect the Joint Standing Committee on Treaties to bring its decision down in mid-June. Once that is done, there are a few things that need to be wrapped up, but we expect to be in a position to sign up to the World Tourism Organisation early in the new financial year. We have to await the outcome of the parliamentary process.

Senator O'BRIEN—Is the money for that in the 2003-04 budget?

Ms Murphy—No, it is in the 2004-05 budget.

Senator O'BRIEN—Page 167 of the PBS shows the appropriation for the Australian Tourism Commission at \$121.03 million. How much is appropriated each year for the Tourism Division within the department—for the coming four years?

Ms Murphy—The division's budget has not been entirely settled for the next year. We have the white paper allocated funding, but we have not settled our administration related funding. Every year we have to submit from within the department the funding for our staffing and associated costs, and that has not yet been settled for next year. But we do have coming to the division the range of activities that were announced under the white paper that do not go to Tourism Australia.

Senator O'BRIEN—I have been to other estimates where these breakdowns have already been established. Why hasn't this department sorted this out prior to the estimates round?

Mr Dainer—The numbers that are put into the PBS are done well before the budget. We break up the forward estimate by division, then we look at new policy and we add that on. But we actually go through a process of revision. The bids from the divisions come in at the end of next week, so that we can set new settled budgets for each division from 1 July. We have forward estimates for divisions, and when you include the component of the tourism white paper that would notionally go to the Tourism Division we would be looking at about \$10.28 million for the division. That does not include the money that has been appropriated to the department which will be transferred to Tourism Australia on its establishment—that is a bit over \$14 million.

Senator O'BRIEN—So that includes the new money in the package for the department but not Tourism Australia's money?

Mr Dainer—Yes, so we are saying that the notional forward estimate for the division for next year would be about \$10.3 million. That is subject to revision, because we have a whole lot of pressures within the department that we need to deal with. Then there is, I think, \$14.2 million, which has been quarantined for transfer to Tourism Australia, on its creation.

Senator O'BRIEN—How much did the division have in the current financial year?

Mr Dainer—About \$6.5 million, excluding BTR.

Ms Murphy—That is excluding the additional See Australia money.

Mr Dainer—That is right. There was \$3 million this year out of the tourism white paper.

Ms Murphy—So, if you take the combination of the additional tourism white paper funding this year and our base budget, our total budget this year was in the order of \$9.4 million for Tourism Division.

Senator O'BRIEN—That is including BTR?

Ms Murphy—That is excluding BTR.

Senator O'BRIEN—Back to the ATC, table 1.1 shows what appears to be an appropriation of \$121.03 million under appropriation bill (1) and this agrees with the figure in table 3.1, on page 182 of the PBS, described as revenues from government. But table 3.3, on page 186, shows a figure of \$120.975 million, described as appropriations. Which number do we rely on?

Mr Hopwood—The difference is between the financial series of accounts, using normal guidelines for putting together department of finance general accounts versus a cashflow statement. There are slight variations between cashflow. An example is depreciation, which goes in one series of financial statements but not in cashflow. Cashflow would have capital, as an example, so these are always slightly different for those purposes. For example, on page 186, down the bottom, under 'Cash Used' it says 'Purchase of property, plant and equipment'—that is a capital item. On the previous page that you referred to, you have 'Depreciation', which does not always match the capital purchase of the year. That is just one example of many.

Senator O'BRIEN—We are certainly not talking about sheep stations; there are minor differences.

Mr Hopwood—Correct. They aim to be very similar.

Senator O'BRIEN—They may be sheep stations now—I do not know how valuable they are around the country.

Mr Hopwood—Not unless they are generating tourist dollars!

Senator O'BRIEN—I want to refer to the Prime Minister announcing the white paper on 20 November, when he promised 'additional funding worth a total of \$235 million over four and a half years'. The additional estimates statement earlier this year, on page 53, said the government would provide \$235 million over five years. Could you tell me which is more accurate?

Ms Murphy—Four and a half years is probably more accurate, because it applied for only half of this current financial year. It depends on whether you are looking at full financial years or the precise calendar equivalent. The calendar equivalent is four and a half years.

Senator O'BRIEN—For each of the years 2004-05, 2005-06, 2006-07 and 2007-08, could you advise us exactly how much white paper money is included in the estimated appropriation, on top of that which was previously allocated?

Ms Murphy—It is all on top of that that was previously allocated. The total on top of what was previously allocated for Tourism Australia will be \$197 million and for Industry, Tourism and Resources it will be \$38 million.

Senator O'BRIEN—So how much additional is allocated in each of those four years?

Ms Murphy—For Industry, Tourism and Resources, there is \$0.5 million in 2003-04—

Senator O'BRIEN—No, 2004-05 and on.

Ms Murphy—There is \$8.9 million in 2004-05; \$9.5 million in 2005-06; \$10.3 million in 2006-07; and \$8.9 million in 2007-08. For Tourism Australia, it is \$14.5 million in 2003-04; \$44.9 million in 2004-05; \$45.1 million in 2005-06; \$46 million in 2006-07; and \$46.4 million in 2007-08. That is all additional money on top of current appropriations.

Senator O'BRIEN—So what will Tourism Australia's allocation of the appropriation be in 2007-08?

Ms Murphy—Our estimate of what Tourism Australia's total allocation will be in 2007-08 is \$120.9 million, plus the See Australia component, which will be \$11.2 million. If you want to add the Bureau of Tourism Research into that as well, that will be \$6.1 million.

Senator O'BRIEN—How does that compare with the previous three years? You had better give us the figures for 2004-05, 2005-06 and 2006-07 for Tourism Australia.

Ms Murphy—I will have to give it the same way—just breaking it down.

Senator O'BRIEN—Yes, that is good.

Ms Murphy—For 2006-07, the ATC equivalent is \$119.6 million; the See Australia equivalent is \$11.1 million; and the BTR equivalent is \$5.5 million. In 2005-06, the ATC equivalent is \$122.4 million; the See Australia equivalent is \$12.9 million; and the BTR equivalent is \$5.5 million. In 2004-05, the ATC equivalent is \$121.5 million; the See Australia equivalent is \$12.7 million; and the BTR equivalent is \$5.5 million.

Senator O'BRIEN—In February I asked about the role of area consultative committees in distributing See Australia and other regional tourism funding. At the time, you indicated that more work needed to be done in this area and that there may be a variety of models used. What has happened since then?

Ms Murphy—Since then, there has been some progress. As a first step, the Department of Industry, Tourism and Resources and the Department of Transport and Regional Services have set up a formal consultation group to look at ways of taking forward our respective regional efforts in a more coordinated way. One of the functions of that group will be to agree on the role of area consultative committees in the delivery of the Australian Tourism Development Program and in the roll-out of See Australia's regional activities. In relation to the Australian Tourism Development Program, the application forms encourage applicants to seek a referee's report, as it were, from their local area consultative committee. So it is a first step. There is still more to be worked out about the precise roles, but the idea is that we now have a formal mechanism to work this through.

Senator O'BRIEN—So what is the profile for the Australian Tourism Development Program, which I believe was announced on 6 April?

Mr Peel—The profile for ATDP, which includes the former Regional Tourism Program appropriations, is \$5.207 million for 2004-05, \$5.718 million for 2005-06, \$5.695 million for 2006-7 and \$5.681 million for 2007-08.

Senator O'BRIEN—Are the current applications, which close on 1 June, for funding from this financial year or for next financial year?

Mr Peel—For 2004-05. We will assess the applications and make payments next financial year.

Senator O'BRIEN—It does not give much time for the response. What was the amount of time in which to consider and respond?

Mr Peel—Applications were called on 6 April, they close tomorrow and we anticipate that the minister will make announcements in September. We anticipate quite a large number of applications.

Senator O'BRIEN—What is the process for reviewing those applications?

Mr Peel—There are two sorts of applications. Category 1 funding is for smaller projects. They will initially be assessed by AusIndustry's regional offices around Australia, and their assessments will be returned to our central office in Canberra for review. The larger applications will be reviewed within AusIndustry's Canberra office.

Senator O'BRIEN—What do you call larger?

Mr Peel—There are two categories of applications: category 1, which can fund up to \$100,000 and category 2, which can go as high as \$500,000.

Senator O'BRIEN—How much is available for category 1 applications? Is there a limit for either of the categories?

Mr Peel—No. We will need to decide that when we see the nature of the applications. We are just managing to the total funding envelope at this stage. We have not yet divided that between categories 1 and 2.

Senator O'BRIEN—Has the department been in discussion with any coalition MPs about funding for particular projects?

Mr Peel—Not to my knowledge, although we do get letters regularly from MPs and senators around Australia supporting particular organisations that are intending to make applications.

Senator O'BRIEN—I understand that Mr Hunt claims that he is working with a series of groups on the Mornington Peninsula and around Westernport to pitch for funding. Have you had any approaches from Mr Hunt?

Mr Peel—I would have to check, but not to my knowledge. But it is not unusual for senators and members to support local groups that are applying for funding.

Senator O'BRIEN—Can you tell me if you have had any directions from the minister or the Prime Minister's office in relation to any particular projects that you are working on?

Mr Peel—No.

Senator O'BRIEN—What program does this one replace?

Mr Peel—The Regional Tourism Program was the predecessor program.

Senator O'BRIEN—What was the profile for the Regional Tourism Program for 2003-04?

Mr Peel—For 2003-04, the Regional Tourism Program had total funding available to it of about \$1.827 million.

Senator O'BRIEN—What was the process for allocating that funding? Was it the same process?

Mr Peel—What we are doing is that any funds remaining from the Regional Tourism Program are being combined with the new funding for the Australian Tourism Development Program and that total amount of money is being allocated to grants under the—

Senator O'BRIEN—How much was remaining?

Mr Peel—There was \$1.87 million in 2003-04, as I mentioned.

Senator O'BRIEN—Was that remaining funding that had not been spent?

Mr Peel—The Regional Tourism Program was originally funded out to 2005-06, so it continues on until the new program starts up and they are rolled together. So it has not stopped and a new one started up.

Senator O'BRIEN—What was the value of projects funded for the financial year 2003-04 from the Regional Tourism Program?

Mr Peel—The figure that I have here is \$1.257 million.

Senator O'BRIEN—How much was available in the program?

Mr Peel—It was \$1.827 million. There is some funding for departmental costs.

Senator O'BRIEN—How much?

Mr Peel—There is \$410,000 for AusIndustry and \$160,000 for the Tourism Division.

Senator O'BRIEN—How much out of the next four years will go to administration costs within the division?

Mr Peel—Around \$800,000.

Senator O'BRIEN—Is that each year?

Mr Peel—Yes, each year.

Senator O'BRIEN—Where will that go?

Mr Peel—Essentially to AusIndustry to run the program.

Senator O'BRIEN—Is that just for transmission of information and assessing applications?

Mr Peel—Assessing the applications, making people aware that the program is available, making payments, once grants are approved, monitoring the progress of projects and that sort of thing.

Senator O'BRIEN—That is a fairly high-cost program to administer then.

Mr Peel—It depends how you look at it. If you compare it to the amount of money available for grants, yes, it is high cost, but if there was significantly more money available for grants the cost would probably be about the same. The issue is that we get many hundreds of applications that need to be assessed, and obviously they cannot all be funded, but we still need to assess them. That is why the cost appears relatively high compared to the appropriation available.

Senator O'BRIEN—I received an answer to a question on notice about the effectiveness of See Australia with a Colmar Brunton report. I understand the study is based on 30 telephone interviews per week with people aged between 18 and 79. Over the last two financial years, how much has this survey work cost the Commonwealth?

Ms Murphy—We would have to take that on notice. That would have come out of the Commonwealth's allocation to See Australia, so we would have to take on notice the precise survey costs.

Senator O'BRIEN—I would also like to know how much the Colmar Brunton report cost.

Ms Murphy—We will take that on notice too.

Senator O'BRIEN—What is the methodology which bases this on 30 calls a week over such a wide age range? How has that become statistically viable?

Ms Murphy—Again, we will have to take that on notice.

Senator O'BRIEN—In its conclusion, the report made the point that See Australia had been successful in key measures of advertising, increasing awareness, promoting domestic holidays and helping people decide to take their next holidays in Australia. But directly under that on the same page in the report the point is made that, in looking at actual intentions to holiday, the number of Australians choosing to holiday has decreased. I am trying to understand how we should assess that. Should we be judging the decreased inclination to take a holiday as a failure of the See Australia promotion?

Ms Murphy—I think that would be a little unfair. There are a lot of factors influencing whether people are taking holidays at the moment. It is partly to do with demographics and partly to do with how people spend their discretionary dollars. I think looking at the results of the latest Tourism Satellite Account is worthwhile. They show that in 2002-03 there was a 5.1 per cent increase in domestic tourism consumption over the previous year. You might recall that that was the year we had the impact of SARS, when See Australia was given \$2 million in additional funding to undertake a cooperative campaign with the states and territories. It would appear that that campaign had some significant benefit.

Senator O'BRIEN—People were not travelling overseas so we were measuring the people who holidayed here. Is that what we were measuring?

Ms Murphy—I do not think there was a total substitution effect, but certainly the additional activity directed towards marketing and promotion appears to have had an influence on the increase in domestic tourism consumption in that year.

Senator O'BRIEN—What is the national industry spend on domestic promotion? Forget See Australia.

Ms Murphy—Through See Australia or just generally?

Senator O'BRIEN—No, generally. Not See Australia. See Australia would be dwarfed by that spend, wouldn't it?

Ms Murphy—There is some work being undertaken at the moment by See Australia to benchmark the domestic tourism industry spend. We have not got those figures available yet.

Senator O'BRIEN—Is there an assessment of the value of regular pro-tourism publication—newspaper inserts, regular newspaper promotions, lifestyle tourism television shows et cetera? Is there any annual value assessment of that sort of promotion?

Ms Murphy—Not that I am aware of, but we can take it on notice.

Senator O'BRIEN—Going back to the report, it said that a closer look at the data showed that the actual number of Australian holidays that Australians were looking at taking in the next 12 months had also been declining. That seems to be telling me that people may enjoy the ads, and the ads may be creating an awareness, but they are not actually driving behaviour.

Ms Murphy—That is one conclusion that you could draw, and it also goes back to your earlier question of why the additional \$2.5 million to See Australia was directed towards Brand Australia's domestic roll-out and promotion. There is always the residual desire to travel and I think it was felt that, if we rolled out the new approach, the new tag line, the new views of Australia domestically, that should help build upon the current See Australia's generic marketing base. It is similar to the conversation you were having with our colleagues from the ATC this morning. There are so many factors that influence whether somebody is going to travel or not.

Senator O'BRIEN—I touched on this, but I could not see any reference to the halo effect in the report. I guess the point of my earlier questions was this: how can we be certain that See Australia is what respondents to the survey are reacting too, rather than the myriad of other travel information that I referred to earlier?

Ms Murphy—You cannot be totally certain. I think they all play a role. It is important, though, to say that See Australia's role really is about raising awareness, trying to change attitudes. The actual conversion to take a holiday is far more in the purview of the states and territories, which do the specific destination marketing. See Australia's performance indicators are linked to the Tourism Forecasting Council forecasts. If you look at those forecasts, you will see that See Australia's performance has actually exceeded the TFC's forecast for domestic tourism nationally. And you can point to a number of other statistics which could be seen as an indication of See Australia's effectiveness. If you look at 1999, only 40 per cent of working Australians took no holidays at all. This has improved to 30 per cent taking no holidays at all in 2001. So you have 10 per cent fewer Australians taking no working holidays between 1999 and 2001. If you look again at 1999, 43 per cent took some but not all of their holiday entitlements; in 2001, this increased to 50 per cent taking some but not all of their holiday entitlements. And in 1999, 17 per cent took all of their holiday entitlements; by 2001, this had increased to 20 per cent. So I think it depends on what sets of figures you are looking at.

Senator O'BRIEN—And on what the overall environment is. As I said, the report does not look at the halo effect of those other areas.

Ms Murphy—No, it does not.

Senator O'BRIEN—It seems to be attributing to See Australia a very small proportion, I would suggest, of the total domestic market tourism spend—a very small proportion.

Ms Murphy—It is certainly a performance. It could well be that, in the new organisation Tourism Australia, different sets of performance indicators might be developed. But the performance indicators that See Australia has at the moment are ones that it is exceeding.

Senator O'BRIEN—I placed a number of questions on notice at the beginning of March which are not yet answered. I wonder if we can get some answers today. Page 24 of the tourism white paper indicates that the Australian Tourist Commission is establishing a working relationship with a marketing body, AusFILM. Can someone tell me what meetings are taking place between ATC and AusFILM in relation to establishing this relationship?

Mr Harrex—The ATC has met with AusFILM representatives in Sydney and in Los Angeles to discuss joint initiatives. Currently both organisations provide joint referrals for each other for journalism and for film crews that are interested in filming in Australia. As an example, both organisations are set up to host journalists to Australia. As in the ATC, we bring down about 1,000 journalists—from newspapers, magazines, broadcast media—annually through the visiting journalist program. The program generates in excess of about a billion dollars in positive publicity for Australia. The ATC is currently working with AusFILM on a joint project that is called 'Movie map', a map of locations where famous films have been shot. This will be used for promotional purposes for both organisations—as an example, for tourists and for visiting media and film crews.

In Los Angeles the joint activities included the Australia Week promotions in January this year as well as the future Australia Week promotions that are planned for 2005. There is promotion around Australian film screenings that have a significant destination component. As an example, the ATC is partnering AusFILM for a screening of *Ned Kelly*, to which the ATC will invite travel, trade and key media in relevant markets. Again, it is about working to generate and leverage publicity opportunities where we can work together, particularly on programs like the Visiting Journalists Program.

Senator O'BRIEN—How much is committed to that aspect of the work?

Mr Harrex—The Visiting Journalists Program is an example. It is one that is ongoing and is part of our overall strategy that drives the program. Specific dollars on that program I do not have. It is part of our core strategic activity that we have market by market.

Senator O'BRIEN—How much is set aside for this whole AusFILM co-operation?

Mr Harrex—I do not have those specific details.

Senator O'BRIEN—Could a copy of the current National Tourism Response Plan be provided to the committee?

Ms Murphy—Yes, it could be, Senator.

Senator O'BRIEN—Is it true that the response plan was activated on 21 March last year in part as a result of the invasion of Iraq?

Ms Murphy—Yes. It was activated on 21 March 2003 as a result of the conflict with Iraq, but it was extended to cover SARS.

Senator O'BRIEN—How much funding was provided for the response plan in the current financial year?

Ms Murphy—There was no specific funding allocated for the response plan, but we estimate that it has probably taken about the equivalent of a quarter of a staff person to oversee and update it.

Senator O'BRIEN—One-quarter of one staff person per year?

Ms Murphy—One-quarter of one staff person per year on the plan itself. During the SARS period, when we actually had the plan activated, I would estimate that there was the equivalent of two people working on the various elements of the plan. When it is not activated, it probably only takes about a quarter of a staff person a year just to maintain it.

Senator O'BRIEN—I understand that the response plan was reviewed after it was deactivated on 7 August.

Ms Murphy—That is right.

Senator O'BRIEN—Who conducted that review?

Ms Murphy—We conducted it internally with oversight of our evaluation area within the department. We had a steering committee which had on it the Commonwealth and some state representatives. The framework of the evaluation was guided by our internal evaluation unit.

Senator O'BRIEN—So it was done within the department on department budget?

Ms Murphy—It was run within the department from department budget, yes.

Senator O'BRIEN—What were the key findings of the review?

Ms Murphy—I will just find them. The overall finding of the review was that the plan had been fairly effective in its instrumentation. All up, there were 19 recommendations made, some of which were cosmetic in nature. Among the more important recommendations was a recommendation that the scope of the plan should be expanded to cover a range of other external incidents—the plan was initially set up to cover incidents such as terror attacks or war, and the recommendation was that it be specifically broadened to cover other natural disasters or diseases or other external events that have the potential to very badly affect the industry.

It was also recommended that there be some articulation of the roles and responsibilities of the various groups responsible for certain activities under the plan. The plan provides for a communicators network and it provides for a central management group to come together as soon as the plan is activated to oversee the operation of the plan. It also provides for a research group to undertake research work on the impact of whatever the event is in the industry and for a policy group to advise on possible policy responses. It was felt that there should be a clearer articulation of each of those groups, their roles and responsibilities. It was also recommended that further work be undertaken in developing scenario plans, so that in the

event of a future external shock we would be in a better position to respond even more quickly.

It was suggested that some further work be done in the research area to have a database immediately available to go and test with industry the impact of the event on industry and that there be a research template developed ready to take up and amend as necessary for any future research activity. Fairly significantly, it also suggested that the department approach the Attorney-General's Department to see whether the plan could be made a public document. We did that, and the plan is now a public document.

Senator O'BRIEN—Where do I find that? On the web site?

Ms Murphy—It should be on the web site, but we will certainly give you a hard copy.

Senator O'BRIEN—Thank you. What is the activation period for the response plan? Do you do it in anticipation of a shock or after you have noticed a shock?

Ms Murphy—It depends on the nature of the event. For example, if foot and mouth disease were unfortunately to come to the country, you could not really anticipate that but you would activate the plan as soon as there was notification of foot and mouth disease. In the context of SARS and the Iraq war, the plan was activated once it became apparent that the combination of events was beginning to have a significant impact. There is a filter matrix that is part of the plan that is used to provide a reasonably rigorous step through whether or not the plan should be activated. The reality is that, intuitively, you know whether or not the plan needs to be activated for a particular event.

Senator O'BRIEN—Is it fair to say the Bureau of Tourism Research's quarterly visitor survey report for the last two years reveals that, for the year ended 31 December 2003, expenditure by overnight Australian visitors fell by \$300 million for the December quarter as compared with the same quarter in 2002?

Dr Robins—I do not have the figures in front of me. I think you are talking about the domestic tourism survey?

Senator O'BRIEN—Yes.

Dr Robins—It is quite possible.

Senator O'BRIEN—Australian residents took 1.7 million fewer overnight trips compared with the same period and spent 4.5 million fewer nights away compared with the same period. That is not indicative of a tourism recovery—rather the reverse.

Dr Robins—There could be various explanations for a decline in travel.

Senator O'BRIEN—People not travelling is probably the main one, isn't it?

Dr Robins—Fewer people travelling than in the previous reference period—yes.

Senator O'BRIEN—The figures would indicate that, whatever is happening to promote domestic tourism, for that period it was not working.

Dr Robins—It is always difficult when you are not in a laboratory controlled situation to assign the causes. It is possible that if you have a decline in travel then in the absence of that promotion the decline would have been greater.

Senator O'BRIEN—Just as it is possible that the promotion was irrelevant to the decision-making process.

Dr Robins—It would demand a very careful evaluation.

Senator O'BRIEN—Is the Fishing Hall of Fame something to do with the Tourism Division?

Ms Murphy—Yes.

Senator O'BRIEN—On 15 October 2001, Minister Anderson announced that the Commonwealth would provide \$3 million towards the Fishing Hall of Fame and the World Heritage Fraser Island interpretive centre. Does the Tourism Division control that \$3 million?

Ms Murphy—Yes, we do.

Senator O'BRIEN—Do you know why it was announced by Minister Anderson and Minister Truss?

Ms Murphy—The reason for the announcement?

Senator O'BRIEN—Do you know why they did it, and not the relevant minister?

Ms Murphy—No. There were a number of election commitments made by a number of areas' ministers that ended up coming to the division. They clearly have a very strong tourism focus, which would be why they have come to this department.

Senator O'BRIEN—So that was just political strategy?

Ms Murphy—It was as in any election.

Senator O'BRIEN—I understand that the Hervey Bay Tourism and Development Bureau received \$30,000 from the Regional Assistance Program in 1999-2000 to determine the environmental, social, cultural and economic impacts of the proposed Australian fishing museum. The project was to incorporate a hall of fame concept, assist development time frames, determine the construction costs, draft a development strategy and a draft marketing plan. It was anticipated that this would lead to business planning and the construction of a museum. Is the department aware of that report?

Ms Rooney—We are aware of a feasibility study that the department partly funded together with Queensland and the Hervey Bay City Council. I am not sure if that is the study you are referring to.

Senator O'BRIEN—Is that feasibility study able to be made available to the committee?

Ms Rooney—It has not been publicly released. I would have to take that question on notice.

Senator O'BRIEN—At the time of the announcement in 2001, what was the total projected cost of the project?

Ms Murphy—The total projected cost of the project was \$2.97 million out to 2004-05.

Ms Rooney—I think the grant that it was outlined the Commonwealth would provide would be in the order of \$3 million. However, it was anticipated that that grant would be

matched by funding from the Queensland government and the community. So the total project would have been worth substantially more than \$3 million.

Senator O'BRIEN—How much more?

Ms Murphy—We were hoping to get matching funding from the Queensland state government and from the community.

Senator O'BRIEN—So it was a \$9 million project?

Ms Rooney—It could be in the order of \$9 million, but I do not think there was a definitive figure in mind at the time.

Senator O'BRIEN—When funding was announced, there was not a known figure for the cost of the project?

Ms Rooney—There had been an early scoping study done on the project. Certainly, in terms of the way the announcement was made, it would have been anticipated that it would have been in the order of \$6 million to \$9 million.

Senator O'BRIEN—Was there an actual plan, or did that depend on architectural and engineering works being done?

Ms Rooney—No. There was no actual plan. The feasibility study has attempted to outline in more detail what might be involved in the development.

Senator O'BRIEN—Were there projected start and completion dates for construction?

Ms Rooney—Not that I am aware of.

Senator O'BRIEN—Can you tell the committee the current projected cost of the project and the projected completion date?

Ms Rooney—No, I cannot.

Senator O'BRIEN—So the department is not aware of any such costings or of the timetable?

Ms Rooney—There is a feasibility study, but I would have to see if it is available. It has not been released publicly.

Senator O'BRIEN—Page 48 of this year's PBS shows that \$2.97 million is the estimated expenditure on this project in 2004-05. It's Groundhog Day, is it? It is the same funding being announced for another election issue.

Ms Rooney—It has been rephased.

Senator O'BRIEN—So it is the same funding being reannounced for this election?

Ms Rooney—It is the same funding. The progress on the project is dependent upon the Queensland government agreeing to provide matching funding, which it has yet to do.

Senator O'BRIEN—Page 48 of the 2003-04 PBS shows that \$1 million was to be spent in that year. Can I assume that did not occur?

Ms Rooney—On the Fishing Hall of Fame?

Senator O'BRIEN—Yes.

Ms Rooney—The only funding that has been spent to date has been \$30,000, which the Commonwealth provided as part-payment for the feasibility study.

Senator O'BRIEN—Has a viability study been conducted by or for the department since the one done by the Hervey Bay Tourism and Development Bureau?

Ms Rooney—As I say, I am not sure whether we are talking about the same study. There was a feasibility study completed towards the end of last year. That was funded by the Commonwealth, the Queensland government and, I understand, some funding from the Hervey Bay City Council. I am assuming it is the same study, but I am not sure.

Senator O'BRIEN—And we still do not know what the final cost of the project would be if it were to be funded?

Ms Murphy—No.

Senator O'BRIEN—How much has the local community been able to raise towards this project?

Ms Rooney—I am not aware of a figure.

Senator O'BRIEN—Has the department received information about that?

Ms Rooney—No.

Senator O'BRIEN—Has there been an attempt to ascertain what mechanisms exist in the local community to raise the funds, local government or otherwise?

Ms Rooney—The concept, I think, is that through the feasibility study the proposal would be such that it would attract investment.

Senator O'BRIEN—I take it there is no funding committed from the Queensland government.

Ms Rooney—Not as yet.

Senator O'BRIEN—Do you know why they have not committed funding?

Ms Rooney—No, I do not.

Senator O'BRIEN—What has Minister Hockey done to attempt to secure that funding?

Ms Rooney—The department has been in contact on a regular basis with the Queensland government and has funded the feasibility study. We certainly saw the feasibility study as a way of, I guess, energising the project.

Ms Murphy—We can take on notice whether the minister has made any approaches himself.

Senator O'BRIEN—Thank you. On a department-to-department level, what meetings have occurred and when did these take place?

Ms Rooney—I do not have those dates with me.

Senator O'BRIEN—Can you take that on notice?

Ms Rooney—Yes.

Senator O'BRIEN—I am aware that staff of BTR and TFC have concerns about their positions should they transfer over to Tourism Australia, and I understand the relevant staff were surveyed and that nine of the 20 staff listed flex time as the key issue missing from the proposed AWAs. Given that the government would have us believe the AWA is the tool for delivering flexibility and equity in the modern workplace, can you advise us of any steps that the department is able to take to address this particular concern?

Ms Murphy—Yes. The department has been meeting very regularly with the staff of the BTR and the TFC. Late last week there was another meeting with the staff about the provisions in the draft AWA and the department has agreed to amend the AWA to incorporate provisions around flex leave that equate to the conditions currently in the Department of Industry, Tourism and Resources certified agreement. It has also agreed to incorporate provisions around leave without pay that were of concern as well. The department is comfortable that it has addressed the issues that have been raised by BTR and TFC staff.

Senator O'BRIEN—I understand that eight out of the 20 effective staff still have reservations about no longer being employed under the Public Service Act. How is the department addressing those concerns?

Ms Murphy—The department has, on a number of occasions, made an offer to any BTR staff who are concerned about leaving the Public Service for them to come and talk with us and we would see what we could do to facilitate another job for them within the APS.

Senator O'BRIEN—I believe that staff were asked if they would 'support the recommendation included in the submission to the Senate hearing'. Which recommendation is that?

Ms Murphy—I can only imagine that it would be the recommendation which suggests that Tourism Australia may employ staff both under the Tourism Australia Act and the Public Service Act. A very small minority of staff responded in the affirmative to that question.

Senator O'BRIEN—They probably did not understand it.

Ms Murphy—I think they did.

Senator O'BRIEN—During the hearing into the Tourism Australia Bill 2004, Mr Boundy told the committee that currently the ATC in the UK is based in Putney. Where is Putney in relation to London?

Mr Harrex—It is in the south-west area. By train, it is about 15 minutes out of central London.

Senator O'BRIEN—When did ATC take up residence in Putney?

Mr Harrex—That would have been about 16 years ago.

Senator O'BRIEN—Is it a suitable location?

Mr Hopwood—There are a lot of components to suitable. Because it is slightly out of the centre of London it is very cost effective. It is on the major transport routes, so, again, depending on the direction staff are coming from, it could be suitable; it may not be suitable. It is a location where the building itself is not necessarily modern but it houses the operations of the commission. It is in a direction which is somewhat closer to the airport, transport-wise,

if you are going straight from the offices to the airport. There are a whole range of factors which, overall, have meant that the staff are somewhat comfortable, but for the future strategic direction for that office we would find that the staff would be somewhat put out—in that, to get additional staff into that location would be quite a squeeze and it would be quite a reasonable cost to refurbish the premises.

Senator O'BRIEN—So you have been in that property in Putney for some time?

Mr Harrex—Yes, that is correct.

Senator O'BRIEN—Mr Boundy told us there was some space available at Australia House, but that it requires a significant investment to get it to a habitable state and that negotiations are currently taking place. Is that space still available at Australia House?

Mr Hopwood—I believe so, and I believe the negotiations are still occurring as well.

Senator O'BRIEN—Do you know how long it has been vacant?

Mr Hopwood—No.

Senator O'BRIEN—What is the rental being asked of ATC to occupy that space?

Mr Hopwood—Sorry, I have not got any details of the offer with me, mainly because whatever that offer is is still being negotiated through.

Senator O'BRIEN—With DFAT?

Mr Hopwood—With DFAT, correct.

Senator O'BRIEN—It is not commercial-in-confidence then?

Mr Hopwood—I just do not know what the details are, sorry.

Senator O'BRIEN—Could you supply that on notice, please?

Mr Hopwood—Yes. I could check with DFAT, as well, first.

Senator O'BRIEN—How much money is required to suitably fit out that space?

Mr Hopwood—It is probably best if I get those details as well, rather than take a guess.

Senator O'BRIEN—Who would pay for that—the ATC or Tourism Australia?

Mr Hopwood—Given that we are only four weeks from the end of the year, more than likely Tourism Australia would pay that, if they had to pay it at all.

Senator O'BRIEN—Presumably, that would come out of the \$119.6 million for 2004-05.

Mr Hopwood—Which would be no different to any other premises that we enter into. It is part of the capital cost. We were talking before about the difference between two sets of pages. It is a capital cost. Sometimes it is built as part of the negotiations, and rentals are adjusted accordingly, so it really depends where the negotiations go.

Senator O'BRIEN—I take it that at this stage the discussions are between the ATC and the Department of Foreign Affairs and Trade.

Mr Hopwood—I believe so.

Senator O'BRIEN—Are discussions taking place at department to department level as well?

Ms Murphy—The department has had a role in working with the ATC, and we have been in some discussions with DFAT, but the primary running is with the ATC.

Senator O'BRIEN—Has it been discussed minister to minister?

Ms Murphy—No, I am not aware of that. I do not think so. We will take that on notice just in case, but we are not aware of any such discussion.

Senator O'BRIEN—What assistance has this department asked for and received from DFAT in relation to the impact the proposed US free trade agreement may have on Australian tourism? Are there any issues in the US-Australia free trade agreement in relation to which this department has asked DFAT for assistance?

Ms Murphy—The only issue in the free trade agreement that the department has specifically discussed with DFAT is the provision in the agreement to commit both parties to continue to work towards further liberalisation of their services arrangements.

Senator O'BRIEN—Ms Rooney, in February you told us that between the division TFC and BTR there was one Indigenous employee and one Indigenous cadet. Can I expect to be impressed by growth in Indigenous staffing?

Ms Murphy—Those figures that we advised you in February still stand today.

Senator O'BRIEN—Pity. In February Mr Boundy told us that ATC currently had no Indigenous employees but that there was one a couple of years ago. How many Indigenous employees does ATC currently have?

Mr Hopwood—There is also no change. There are no Indigenous employees, although we do have one Indigenous board member.

Senator O'BRIEN—In February I asked about the Indigenous Tourism Business Ready Program—how many businesses would benefit and so on. There were no details then, and we were told that details would be sorted out in conjunction with the Indigenous Tourism Leadership Group and ATSI. ATSI, as you now know, will disappear on 1 July. What consultations have been held with ATSI to date? Further, in place of ATSI who have you been advised to deal with in finalising this program?

Ms Rooney—Discussions were held with ATSI. We held an IDC with all departments that had an interest in Indigenous tourism and we consulted with ITLG as well. The feedback from that has been built into the design of the program to date.

In terms of the way we will continue to work with ATSI, the relevant areas of ATSI will end up being transferred to other agencies. I do not think that that has been decided yet, but we will continue to work with the economic development areas of ATSI and with Indigenous Business Australia in the future as well.

Senator O'BRIEN—You will not be working with ATSI but with somebody else in the future areas.

Ms Rooney—No, with the areas that are transferred to other agencies.

Senator O'BRIEN—How will this program operate specifically with respect to the application and assessment process?

Ms Rooney—The final details have yet to be agreed to by the minister. I could talk generally, but the final details have yet to be agreed.

Senator O'BRIEN—When is it expected that they will be announced?

Ms Rooney—We would expect to be able to go out and seek mentors in June, and we would anticipate that those mentors would work with about 100 businesses through the life of the program.

Senator O'BRIEN—In February I asked Mr Boundy about the \$12 million available to ATC to 30 June. I was advised that the funds would be used in the following way to the end of the year: \$2 million on brand development, \$5 million in the UK using the new branding in that market, \$2 million in Italy, \$1 million in Singapore and \$2 million on direct marketing in the United States. Can you give us some detailed progress and expenditure on each of the items and advise if we are on track to fully expend these funds?

Mr Harrex—In terms of the \$12 million, in the UK the funding was used as part of the launch for the UK, so that funding is in place as part of the brand launch activity there as well as in Italy and in Singapore.

Senator O'BRIEN—So the \$5 million, \$2 million and \$1 million are committed to be spent.

Mr Harrex—They are committed to be spent as part of the brand launch activity that started 10 days ago. So that activity is in place and happening now.

Senator O'BRIEN—Has the \$2 million in brand development been spent?

Mr Harrex—It has indeed.

Senator O'BRIEN—What about the \$2 million in direct marketing in the United States?

Mr Harrex—That activity has been committed to and is part of a program activity that is in place in the United States.

Senator O'BRIEN—So all those funds are committed and will be spent by 30 June.

Mr Harrex—Correct.

Senator O'BRIEN—Ms Kelly, in February I asked about the coordination with See Australia and how its activities would interact with those of state and regional tourism bodies, and I was advised that there was to be a series of consultations with the states about how the regional elements, in particular, of that money would be spent. Could you give us some details of these consultations, when they were held and what the outcomes were?

Ms Kelly—I will pass you over to Ms Murphy, who has some details on that.

Ms Murphy—There has been a range of activities. See Australia has consulted with states and territories and has also met with the CEOs of the state and territory tourism organisations. We have also been talking with the state and territory CEOs in developing the intergovernmental agreement which sets out some principles for collaboration in the future, including on regional work.

Senator O'BRIEN—So that proposed agreement is in the process of being negotiated?

Ms Murphy—It is very close, we hope, to being finalised, at least at official level. There is a final draft with the states and territories at the moment. The next step is to get approval through the ministerial channels in each jurisdiction.

Senator O'BRIEN—Is that an item of business for the next ministerial council meeting?

Ms Murphy—Yes, it is.

Senator O'BRIEN—When is that to be held?

Ms Murphy—30 July.

Senator O'BRIEN—Is that agreement going to deal with how what I will loosely describe as the See Australia component of Tourism Australia will interact with state programs?

Ms Murphy—At a principles level, yes. It is going to delineate the roles and responsibilities of the different levels of government—which would include, of course, elements within Tourism Australia, as part of the Commonwealth government. It will set out some principles for collaboration and communication in those areas.

Senator O'BRIEN—Is the Commonwealth seeking certain funding commitments from the states?

Ms Murphy—One of the overriding principles behind the agreement will be that of no cost shifting between governments, but the agreement will not be seeking specifics in individual areas on funding by each party. There are a couple of elements of areas covered by the intergovernmental agreement which will be seeking to ensure that there is cooperative funding or no diminution of current funding effort—and research is a good example.

Senator O'BRIEN—This is the intergovernmental agreement that was advised in the outcome of the tourism ministers meeting in Perth earlier this year?

Ms Murphy—Yes. In Perth this year it was agreed that there would be a group set up to look at the research funding contributions.

Senator O'BRIEN—Is that a different agreement that you are working on or will it be part of the same agreement?

Ms Murphy—It will become part of the broader intergovernmental agreement which is being worked on and which ministers discussed as well in February.

Senator O'BRIEN—I think the ultimate goal was to have that agreement signed by 30 June but you say it will be 30 July, probably?

Ms Murphy—Yes, it will not happen by 30 June. That is largely because the clearance time required by some of the jurisdictions is up to 10 weeks. Some jurisdictions have to go to their cabinets for approval and that takes a fairly lengthy time. Similarly, at the Commonwealth end, we have had to get clearance with our Australian government department colleagues.

Senator O'BRIEN—Under the Tourism Australia Bill, the board of Tourism Australia may establish advisory panels to advise Tourism Australia on key issues. What work has been done in preparing recommendations to the incoming board when Tourism Australia is established?

Ms Murphy—There is a structural reform group, which is chaired by Tony Clark and which has on it members of the various bodies coming together, as well as this department. That group is looking at a range of issues to do with the establishment of Tourism Australia, including issues that the new board will need to consider. But it is probably fair to say that its primary efforts to date have been in advising on the legislation that is still before the parliament. The next set of priorities will be to look at the issues that the new board will need to consider at its first meeting.

Senator O'BRIEN—Can you tell me what specific work has been done about the ongoing role of the Indigenous Tourism Leadership Group?

Ms Murphy—The Indigenous Tourism Leadership Group is a very important source of policy advice to the government. The minister is very keen to see it continue and has approached his state and territory ministerial colleagues to ascertain whether they would be prepared to jointly fund the ITLG in the future.

Senator O'BRIEN—Would that be the advisory panel under the bill?

Ms Murphy—It has not been mooted as an advisory panel in its own right. It is certainly at the moment seen as a very important source of policy advice to the Commonwealth, and it would be ideal to extend its remit to be a source of policy advice to the Commonwealth and the states and territories. That may or may not sit as an advisory panel under Tourism Australia. It could continue to have a life of its own outside Tourism Australia.

Senator O'BRIEN—What would it do in those circumstances? Advise government policy?

Ms Murphy—Which is what it does at the moment, essentially.

Senator O'BRIEN—In relation to Tourism Australia, anything?

Ms Murphy—In relation to Indigenous issues more broadly.

Senator O'BRIEN—Given that we have a bill which sets up a board that can establish advisory panels, does that mean that, if the board of Tourism Australia wanted an Indigenous advisory panel, we could have two bodies from which information would be sourced? Would there be a conflict in that sense? Could they pick up the ITLG and, if so, who would fund it?

Ms Murphy—Potentially we could be looking at any number of models. The important distinction between the role that Tourism Australia plays and the role that the department and some of our state and territory colleagues play is that we have the primary role of policy advice to the ministers. Tourism Australia will not be primarily a policy-advising body. The sort of advice that it will be seeking will be different, in many cases, to the sort of advice that we might be seeking. It is early days in terms of what sort of advisory committees might be set up and where they might be drawn from, but the members of the ITLG are very keen for it to continue in its own right as a body with some policy advisory clout.

Senator O'BRIEN—In February we were advised that the aviation consultation forum would be set up by April and that Minister Hockey had written to Minister Anderson to get the process rolling. Was the goal of setting this up achieved?

Ms Murphy—No. The timeline was not achieved but Minister Anderson has agreed to the establishment of this body. Subsequent to his agreement, there have been discussions with the Department of Transport and Regional Services to agree on the likely terms of reference and *modus operandi* for the new body.

Senator O'BRIEN—When can we expect this forum to be set up?

Ms Murphy—I would hope that it would be in place by July.

Senator O'BRIEN—Is there agreement between the ministers, if not the departments, on the scope for this body?

Ms Murphy—The departments have certainly agreed that the new body should have a primary role in attempting to better consolidate the various tourism positions on aviation issues, particularly in terms of negotiating positions for international air services negotiations. At the moment, it would be fair to say that the tourism perspective is not a terribly well-coordinated one and is not always giving the negotiators consistent messages that they need to be pushing. The idea is to bring together the key players around the table, which would include the tourism industry, airlines, airports and certainly state and Commonwealth government officials, to ensure that we are all working from a very similar information base and that the negotiators are able to go into international air services negotiations with a far clearer remit from the tourism sector than they currently have.

Senator O'BRIEN—In February you advised the committee that the IIAG had two further meetings scheduled, on 23 March and 6 May. Did they occur?

Ms Murphy—Yes, they did. A further meeting is scheduled for 10 June.

Senator O'BRIEN—Can you give the committee a precis of the outcomes of those meetings?

Ms Murphy—The meetings have focused on a few key issues. The primary focus, understandably, has been on Tourism Australia's establishment and on advising the minister about various aspects that industry colleagues wish to see included in the draft bills. The IIAG has also been putting together an implementation plan that will form the basis of a public implementation plan to be released, hopefully, in the next couple of months. A research working group has been set up, which has looked at industry research needs, and a yield working group has also been set up, which has been looking at adoptions for growing yield for Australian tourism consistent with the white paper theme. Neither of those groups has yet submitted final reports, so their work is still work in progress. The IIAG also provides an opportunity for various members to update the industry on other aspects of white paper implementation—for example, Brand Australia updates, updates on aviation and updates on the rollout of other white paper initiatives that were announced.

Senator O'BRIEN—What methodology would the industry research needs panel be using to ascertain the direction for industry research needs?

Ms Murphy—The members of that panel have pretty significant skills in research issues already. It is chaired by Daniel Gschwind, who is the chair of the Queensland Tourism Industry Council. The other members comprise representatives of the Sustainable Tourism CRC and BTR and other research experts. It has been looking at what the focus of Tourism

Research Australia should be, primarily, and at options for how it might be set up, with a view to advising the minister and the new board on the outcomes of its deliberations. It has not undertaken any specific survey work or any other research work of its own, but it has drawn on the expertise of its members—who have a very strong industry focus—to look at what its new Tourism Research Australia body could ideally do by way of adding value, particularly for industry.

Senator O'BRIEN—Was this approach not available to BTR?

Ms Murphy—BTR is the body that will go across to Tourism Australia, but this group is available to comment now in probably a fairly vigorous way. The whole purpose of the IIAG is to advise the minister and others about ways to take the white paper forward. It made sense to set up a research working group under the IIAG auspices.

Senator O'BRIEN—Is the role of ABS going to be a matter for the industry research needs group?

Ms Murphy—ABS sits on that group. ABS of course has a fairly well defined role already. But we are trying with the ABS to look at ways of continuing to work cooperatively on research, particularly on statistics issues.

Senator O'BRIEN—What is the actual criticism of BTR that will be addressed by the transfer to Tourism Australia?

Ms Murphy—There are quite a few benefits under the transfer. BTR has, through the white paper, a significantly enhanced budget which will enable it to do some of the things that it has not been able to do in the past. If there has been a criticism in the past, it has been about the accessibility of the research and the analytical work that is undertaken by BTR and the extent to which industry have found it accessible, understandable and meaningful to them. So the opportunity now exists, with the additional white paper funding, for BTR to address that. There will also be an opportunity to develop some very good synergies between the market research function, which currently sits within the Australian Tourist Commission, and the other research function, the IVS, the NVS and the analytical work, and the forecasting work that the BTR undertakes. So we will be bringing together for the first time all the various research arms under the Commonwealth tourism portfolio.

Senator O'BRIEN—So, whilst—

Senator Minchin—Excuse me, Senator, are we going to take our lunch break now?

Senator O'BRIEN—I want to send this group away. If I could ask a couple more questions I would appreciate that opportunity.

Senator Minchin—Okay. Thanks.

Senator O'BRIEN—Then the Tourism Division people do not have to return after lunch.

Senator Minchin—Great.

Senator O'BRIEN—In taking that function out of the department, even though it was a tourism based thing, does that break any linkages that exist between other research bodies that are relevant to this department's operations in industry and resources? Are there any connections that existed that are being severed by this transfer to Tourism Australia?

Ms Murphy—Not within the department. The department will be looking to enter into arrangements with Tourism Australia which ensure that those bridges are maintained between the division and the BTR. But the BTR's relationship with the department, with the Australian Bureau of Statistics and with the sustainable tourism CRC will not be compromised at all by the move to Tourism Australia. In fact, it can be argued that Tourism Australia is closer to industry than the department is and therefore the research focus will be a bit closer to industry than it can be, sitting in the department.

Senator O'BRIEN—So what are the interactions at the moment, Dr Robins, if any, that may be influenced by this change?

Dr Robins—I think one very relevant fact is that Tourism Research Australia, the new body, under Tourism Australia will remain located in Canberra. It will not be moving to Sydney. So we will be able to maintain very strong links with the department, the ABS, the department of immigration and other research bureaus in Canberra.

Senator O'BRIEN—They are the key bureaus you link with now?

Dr Robins—Yes, as well as the Bureau of Transport and Regional Economics.

Senator O'BRIEN—Thank you very much for that. I will put other questions on notice.

Senator WATSON—The committee is suspended until 1.30 p.m.

Ms Kelly—So can I take it that the tourism officers can be allowed to leave at this point?

Senator O'BRIEN—As I said, I will put further questions on notice to facilitate that.

Ms Kelly—Thanks.

Proceedings suspended from 12.34 p.m. to 1.34 p.m.

CHAIR—I welcome to the table Mr Paterson, the Secretary of the Department of Industry, Tourism and Resources. This afternoon we will deal with outcome 1, A stronger, sustainable and internationally competitive Australian industry, comprising the manufacturing, resources and service sectors, and outcome 2, Enhanced economic and social benefits through a strengthened national system of innovation, including biotechnology and innovation issues, as listed on the agenda, in aggregate.

Senator CARR—Good afternoon, Mr Paterson. I am sure, like all the officers, that you are pleased that there is a very good chance that this will be the last estimates before the election. So we will be able to, presumably, proceed with vigour. You will be able to answer most of the questions I put today, I trust, because there may not be that much of an opportunity for answers to come back on notice. So we would be concerned to ensure that, if we could, we get answers as quickly as possible. Does that seem reasonable?

Mr Paterson—That is reasonable to us.

Senator CARR—Thank you. I want to begin on the question of responses to parliamentary questions. Have do you think the department is going with regard to its capacity to respond to Senate estimates?

Mr Paterson—As well as anybody, I think.

Senator CARR—I thought you might say that. I do a bit of work across the committees, and my other area of interest is in DEST. I might say the record of performance there is little better. My questions were due back on 2 April from the last round of estimates. I received the first lot of answers on 3 May and a second lot on 10 May. Can you give us an indication as to what the reasons were for the delay in answering questions from the last round?

Mr P. Noonan—Essentially the delays were caused by the substantial number of questions that were put on notice at the end of the last sittings. Particularly, some questions were quite involved and required us to go back several years, into our past finance system in many cases. Making sure that we got that right was the essential reason for it taking as long as it did.

Senator CARR—It is fair enough that you should try to get answers correct; I appreciate that. I am just wondering, though, how the number of questions compares to the number you have had in previous years. I would be surprised if there was a significant increase.

Mr P. Noonan—In my experience, at least, for questions that were of this nature, asking detailed financial questions going back several years, it was an unusually large number for us.

Senator CARR—Why didn't you then answer all the questions? If it took so long because you were being so thorough, how do we account for the fact that not all the answers were actually provided?

Mr P. Noonan—There were questions involving judgments to be made about the amounts of resources that needed to be allocated, and we made those decisions on a case-by-case basis. I hope they are fairly clear on the face of our answers.

Senator CARR—I do not actually have the question number that the committee allocated, but there was a question that we asked concerning a breakdown of people and companies under each program by electorate. That was not answered. Why was that? I would presume that would be a fairly straightforward administrative matter.

Mr P. Noonan—No, in contrast, we do not actually keep a record of the number of companies who are assisted by our programs by electorate. In some cases, such as the R&D tax concession, for instance, there are questions of confidentiality—in order to ascertain that information we would have essentially had to go back to individual files and worked with the tax office.

Senator CARR—It is an interesting concept of confidentiality when it comes to the electoral roll. If people are clearly identified with registered addresses in particular electorates, I think it is not an unreasonable part of your record keeping to be able to tell us where people who are applying for government programs are located.

Mr P. Noonan—Our systems are not set up to generate reports in that way. I should say that our answer also foreshadowed that we recognise that this is a problem and have been creating a data warehouse that will enable this kind of question to be answered easily.

Senator CARR—Would it be fair to say that the estimates processes can facilitate management's programs by encouraging the department to change its data collection processes so that there is a clearer focus on these sorts of matters? I have found this in other portfolios. Do you think that is the case here?

Mr P. Noonan—I think we have been aware of the desirability of being able to capture information more easily. Mr Peel might add to this, but our programs have grown up over the years with a number of different databases. For some little while we have had an objective to create a system whereby those databases can talk to each other more easily.

Senator CARR—We will come to this issue in regard to consultancies in due course, but it has been an area where in other departments I have found that the management of consultancies seems to be somewhat underdeveloped and the estimates process can sometimes highlight the need to have a stronger focus on who is getting what, and where. They are fundamental questions in government.

Mr P. Noonan—I am not sure that I—

Senator CARR—I am surprised at the department. It takes questions such as this—and I am sure there are other catalysts. I am surprised that this sort of basic information is not more readily available.

Mr P. Noonan—I can only indicate again that we have recognised this issue for some little time and are trying to remedy it.

Senator CARR—I notice that on page 57 of the PBS, you have the heading ‘Budget estimates—enhanced quality and timeliness’. You are receiving an additional \$600,000 next year and \$800,000 the following year. How far do you think that amount of money will go towards fixing this problem?

Mr P. Noonan—I think that that relates to the budget estimates framework review. There are a number of additional requirements around monthly reporting and more rigorous estimating. Basically these are financial issues. That money will certainly contribute to the department being able to report financial information more promptly and more frequently. It is not itself directed at the question of data holdings about programs, but we do separately have resources focused on that issue.

Senator CARR—So I cannot look with great enthusiasm to the prospect of these questions being answered more fully, drawing on these particular funds?

Mr P. Noonan—We always endeavour to answer questions as fully as we can within a reasonable allocation of resources, and once this new system is in place we are confident that we will be able to answer these questions much more easily.

Senator CARR—Do you have any performance indicators for answering parliamentary questions? Is that part of your management analysis?

Mr P. Noonan—There are a variety of parliamentary questions. Questions that are taken on notice in the course of the parliament we endeavour to answer within the time frame that is set down.

Senator CARR—How often are they late?

Mr P. Noonan—I do not have precise data available, but not often.

Senator CARR—So it is the estimates that are the main area of difficulty?

Mr P. Noonan—It is certainly an added complication when there are a large number of questions at the one time.

Senator CARR—Perhaps I can turn to another issue in regard to the PBS. Again, it is an issue of management. The portfolio budget statements are never great documents in terms of explaining what is actually going on. Occasionally you come across some information that is helpful. I was curious to note that on page 62 you are indicating an operating loss of \$6.9 million.

Mr Dainer—That is right, for this financial year.

Senator CARR—At the additional estimates hearings some few months ago, we asked some questions regarding this—back in February—and we were told that there were several measures recently announced by the government, with only a modest impact on departmental estimates. That was on page 12 of those statements. We were told that the budget allocation was increased by \$7.484 million from what was reported and that you were aiming for an operating loss of \$2.3 million. What I find curious is that in February the Senate estimates was told that there was an operating loss of \$2.3 million but by May we are told that the loss has grown to \$6.9 million. Can you explain to me why that is?

Mr Dainer—Yes. Perhaps I can go back and talk about the originally budgeted operating loss for this financial year, which was in the budget for last year and was \$2.5 million. Of that, \$1.5 million was essentially due to a phasing or timing issue associated with payments to ISONET SAMP. We had received the appropriation revenue in a previous year; however, because the related agreements had not been entered into, there was no expense that matched the revenue. We approached the department of finance to get approval to expense those funds over two years. To do that effectively means that you run a loss. All we are doing is drawing down on the cash that we have received. We have an expense but we have no revenue to match it. The reason for that is that appropriation revenue is only recognised in the year in which it is received. The second component to it is—

Senator CARR—That is \$1.5 million, is it?

Mr Dainer—Yes. The second component was \$1 million. That related to the Australian Building Codes Board. The Australian Building Codes Board has been in existence for some years and has built up cash reserves over time. It operates its departmental funding through the department's finances. It receives revenue, but where it wants to draw down on its cash reserves, thereby having higher expenses, it is revenue for the year and it also creates an operating loss situation. We received approval for it to draw down \$1 million in its cash reserves in the financial year.

Senator CARR—That is basically what you told me in February. Would you agree that that is not inconsistent with what you told me in February?

Mr Dainer—I was not here in February.

Senator CARR—That is what the department basically told me was the position to account for the \$2.5 million. I am interested to know how it is—

Mr Dainer—I was going to go to the next stage. We are now estimating a \$6.9 million operating loss. When you take off the \$2.5 million for the measures I have already spoken about, that leaves approximately \$4.4 million, which is an operating loss that is coming out of the operations of the Australian Government Analytical Laboratories. AGAL will be looking

at running a loss of about \$4.4 million this financial year. That was the number that was estimated in the context of putting the budget together.

Senator CARR—They raise revenue, don't they?

Mr Dainer—They do.

Senator CARR—How much of that revenue is to be taken into account in this loss of \$4.4 million.

Mr Dainer—That takes account of all their revenue—both appropriation revenue and external earnings.

Senator CARR—When did AGAL come into the department's accounts?

Mr Dainer—In 1997-98.

Senator CARR—Why then do we have in the last three months this variation of \$4.4 million?

Mr Dainer—They have had a deterioration in their operating performance. There were measures put in place to try to mitigate the extent of it, but it got to the point where they could not be accommodated within the department's overall bucket so we approached the government for an operating loss approval for AGAL.

Senator CARR—So it got away from you?

Mr Dainer—No; it was under active management by the division that manages AGAL. But they have had continued drop-offs in their external earnings as well as increased costs.

Senator CARR—I am familiar with the line of argument you are putting. When did you approach the government for an increase in the approval to operate at that level?

Mr Dainer—It was done in the budget context.

Senator CARR—So November last year.

Mr Dainer—No.

Senator CARR—When was that?

Mr Dainer—I think operating losses were required to go through in February in the budget context.

Senator CARR—So when you were at the Senate estimates in February your department did not think it was necessary to tell us that there was a problem?

Mr Dainer—We did not have approval to run an operating loss.

Senator CARR—But you have approval to tell the estimates committee that you have got a problem with one of your agencies.

Mr Dainer—There was a problem.

Senator CARR—A \$4.4 million problem—would it be fair to describe it in those terms?

Mr Dainer—At that point in time it was estimated that there would be an operating loss of around that if we did not curtail activity in the rest of the department. That is, overall the department would not make a loss.

Senator CARR—Let me be clear about this. I forget the precise day on which the estimates were held in February, but I put it to you, Mr Dainer—and you are not personally responsible; perhaps it is Mr Patterson I should be directing these questions to—that at the meeting in February I asked some specific questions about the state of finances in the department. I was told that you had an operating loss expected at that time to be \$2.5 million. At the time of that estimates committee you had an application before the government to increase your approval for a figure closer to \$7 million—\$6.9 million. Would that be a fair characterisation of the facts since 18 February? So, on 18 February when I asked those questions you had already put your application to the government—would that be a fair characterisation of the situation, Mr Paterson?

Mr Dainer—I am not sure of the date that it went forward.

Senator CARR—Someone can tell us. That is one thing departments do well: keep records. I would like to know when you applied for that approval. Can someone tell me that, please?

Mr Dainer—At that point in time we were looking for an operating loss approval, but if it were not given we would have had to come within the \$2.5 million operating loss that was already approved. Therefore it would have required a series of management actions to come in at the original operating loss level.

Senator CARR—So you do not think it would be fair for me to feel that I had been misled in February when I asked you direct questions about these matters, and you gave me one figure which was clearly not the figure you were operating on at that time?

Mr P. Noonan—I was at the February hearings, and I do not recall us giving you a misleading answer.

Senator CARR—In February you said the loss was going to be \$2.5 million.

Mr P. Noonan—That was a correct statement of the approved operating loss at that time. Whether or not it was going to be larger depended upon whether we received approval.

Senator CARR—To increase it.

Mr P. Noonan—Had we not received approval then we would have kept—

Senator CARR—That is what we are talking about here, isn't it—whether or not you had approval to increase the approved operating loss? It was not an accurate reflection of what the financial situation of the department was at the time.

Mr P. Noonan—Perhaps we will not reach agreement here—

Senator CARR—I suspect that we will not.

Mr P. Noonan—but I do not think that it was an inaccurate representation.

Senator CARR—Can I go through some of these other matters. It struck me that, given that you have now had a chance to go back through your records, you would have an understanding of what has occurred in previous years. I will not take you right back to 1998-99, but it is my understanding that the operating loss at that time was \$8.5 million. In 2001-02—and you should be able to give me this figure—was it \$2.4 million?

Mr Dainer—Are you talking about for the department?

Senator CARR—Yes.

Mr Dainer—In 2002-03?

Senator CARR—In 2001-02, what was the operating loss?

Mr Dainer—We had an operating loss of \$8.6 million in 2001-02. That was based on the transfer of the net assets of the Australian Surveying and Land Information Group from the department to Geoscience Australia; that impacted on the operating statement. There was actually an underlying surplus. I cannot recall off the top of my head—I think it was about \$7 million.

Senator CARR—What was the operating loss in 2002-03?

Mr Dainer—The operating surplus was \$4.8 million.

Senator CARR—It was a surplus, you say?

Mr Dainer—Yes.

Senator CARR—In 2003-04 it was \$2.5 million and it is now—

Mr Dainer—For 2003-04, we are now talking about a \$6.9 million loss.

Senator CARR—Right. Are there activities that you undertook in that period that would not have been budgeted for, other than those matters that you have related about AGAL?

Mr Dainer—I do not quite understand the question.

Senator CARR—Do you think you have been funded for all the activities the department is required to undertake?

Mr Dainer—The government pays the department a price to deliver an agreed set of activities.

Senator CARR—And you are not doing more than that?

Mr Dainer—I do not think I can answer that question in a sensible way.

Senator CARR—The AGAL loss, you say, is simply because they did not get external revenues the way they expected.

Mr Dainer—There has been a collapse in their external revenue.

Senator CARR—What is the cause of that; do you know?

Mr Dainer—I do not think I am in the best position to answer that question.

Senator CARR—They must tell you, surely. What is their explanation to you as to why they cannot meet their targets?

Mr Dainer—There is a range of factors that they have told me about, including the impact of the drought and not being competitive in terms of their external competitors—a range of reasons.

Senator CARR—They are not required to meet an external earnings target, are they?

Mr Dainer—They are not required to—if you are talking about things like CSIRO having an external savings target.

Senator CARR—They do not have those sorts of restrictions, most of them?

Mr Dainer—No.

Senator CARR—So they are doing more than they can fund.

Mr Dainer—I think it is a slightly different proposition. It is costing them more than they are generating.

Senator CARR—Your budget allocation has increased by \$7 million over the additional estimates period; is that right?

Mr Dainer—For this year?

Senator CARR—Yes.

Mr Dainer—Yes, and the funding we got was for specific activities.

Senator CARR—And those are all listed in the PBS?

Mr Dainer—Yes.

Senator CARR—The \$4.4 million from AGAL was not an expected activity—you did not expect that loss?

Mr Dainer—Not at the beginning of the year, no.

Senator CARR—When did AGAL tell you that they had a problem?

Mr Dainer—AGAL ran a loss, I think, last year.

Senator CARR—Yes, I think you will find that is right.

Mr Dainer—But they then put in place a series of actions to recover the situation, and that did not come to fruition. That is why we approached the government for an operating loss.

Senator CARR—When did they tell you that there was a problem?

Mr Dainer—There have been ongoing discussions, and as I said they ran at a loss last year. I think it is true to say that AGAL have not run surpluses very often in their history.

Senator CARR—You have got to expect that. That is the nature of the job they do. They are now part of that Measurement Institute, aren't they?

Mr Dainer—The National Measurement Institute, from 1 July.

Senator CARR—So those losses will continue?

Mr Dainer—No, there is action in train to restructure the operation for them to live within their means. But part of next year's position for the department is a further half a million dollar loss for AGAL—the AGAL component of the NMI—as they move through a restructuring process to start to live within their means.

Senator CARR—I will come back to that. You have already told us that SAMP and the ISONET program were not fulfilling their expectations—'rephrasing', I think was the word—

Mr Dainer—No. The agreement for those bodies to get that money did not occur in the year in which the funding was provided through an appropriation. So the appropriation revenue was recognised but not the expense because it was not incurred. It happened in later years. Once you recognise the expense, it is more than revenue; therefore, it creates a loss.

Senator CARR—You have been paid a million dollars for each of those functions, haven't you? That is the standard amount you have been getting for those?

Mr Dainer—No, it was \$2.5 million over two years.

Senator CARR—For both of those functions?

Mr Dainer—Yes, that is right.

Senator CARR—In other words, it is \$2.5 million on top of that, or this compensates for that loss?

Mr Dainer—The \$2.5 million for ISONET SAMP was spread over two years.

Senator CARR—What I cannot quite follow is that we know AGAL has had a problem for a while, and then it becomes a surprise to you in February presumably—you did not give me a date when they told you—that their losses were greater than those.

Mr Dainer—Any business unit can run into problems, and it can sometimes happen quickly or there can be a problem that occurs that can be managed through. That is what they have been told to do—to manage through. It got to the point where they could not generate enough revenue to cover their costs, even through those management actions.

Senator CARR—By downsizing staff and those sorts of things?

Mr Dainer—That is part of it.

Senator CARR—What date did they tell you that they were not able to meet the agreements in terms of their budget?

Mr Dainer—We track them throughout the year, like we do with every division in the department. When their performance is dropping off, we talk to them about that. So it is an ongoing process is what I am saying.

Senator CARR—You must have made a decision at some point to apply for the extra approval, the additional approval?

Mr Dainer—That is right.

Senator CARR—On what date was that decision made?

Mr Dainer—I cannot tell you that here and now.

Senator CARR—You do not have the resources, the records? What is the reason? You do not know?

Mr Dainer—The date of the operating loss request we could find out.

Senator CARR—That is the date of the request. I would like to know the date the department made the decision to seek the request. They are two separate events.

Mr Dainer—It would not have been too much before that date.

Senator CARR—Was it in February?

Mr Dainer—I am pretty sure the loss approval would have been in February, but I cannot tell you the exact date.

Senator CARR—How would you answer the charge that this is really bad financial management?

Mr Dainer—By whom?

Senator CARR—By the department.

Mr Dainer—What, the loss of external revenue because they are not competitive?

Senator CARR—Losses of these types.

Mr Paterson—We have identified only a single loss.

Senator CARR—We have actually identified AGAL and we have also identified the other two areas where you are running a loss of \$2.9 million.

Mr Dainer—That is just part of a tiny exercise in relation to ABCB and ISONET SAMP. They have nothing to do with bad management.

Mr P. Noonan—The situation is that the appropriation revenue has come in in the previous year but the money has not been able to be spent in the previous year. When you come to the next year you cannot count the appropriation revenue again but you will have the expense. So to that extent you have a loss, but it was only because you did not spend the money in the previous year.

Senator CARR—Why then do I find on page 62 of the budget papers you are already budgeting for a loss of \$1.6 million for this financial year?

Mr Dainer—Because ABCB again will be drawing down on its cash reserves by about \$1.1 million and, as I have also mentioned, we expect that AGAL, as part of getting through its restructuring, will have a further half a million dollar loss next year.

Senator CARR—I am just surprised that you would be able to predict. In the budget you tell the parliament that you are going to make a loss. It is an unusual set of circumstances, surely?

Mr Dainer—The budgeted operating losses are a part of the Commonwealth framework.

Mr P. Noonan—In the case of the ABCB, it is an active decision to draw down cash reserves that were bigger than they needed to be.

Senator CARR—What do DOFA say about this?

Mr Dainer—They approved it, and they supported the approach.

Senator CARR—Is it common across the Commonwealth to have these sorts of arrangements in place?

Mr Dainer—I think many agencies run losses.

Senator CARR—Who else can you draw my attention to that runs losses like this?

Mr Dainer—I could provide that information to you, but I cannot do it right now.

Senator CARR—Could you, please. I thought you might have been able to give some off the top of your head. I am surprised that you would put to us a document that says you are going to make a loss at this stage in the budgetary cycle.

Mr Paterson—The point needs to be reinforced that part of this identified operating loss for budgeting purposes is a draw-down on cash reserves. The only anticipated operating loss that is being raised in these budget papers is the anticipated operating loss for AGAL, which is part of the business-planning strategy going forward. We know that there is going to be an operating loss in the current financial year, and we anticipate as part of turning that business around that there will be an operating loss in the next financial year, and we are declaring it.

Senator CARR—What measures do you have in place to fix the problem?

Mr Paterson—In addition to the creation of the National Measurement Institute we are rationalising the operations of AGAL. It competes in a commercial marketplace for a range of services. Its commercial competitors in the marketplace are also facing challenging market conditions. You can increase your revenue by increasing fees and charges. Increasing fees and charges could have an impact on the number of services you supply. It is a balancing consideration, but it is, as Mr Dainer has already indicated, being actively managed.

Senator CARR—These are the things you could do. What are you doing?

Mr Paterson—I just indicated what we are doing.

Senator CARR—So you are increasing fees and charges?

Mr Paterson—We have increased fees and charges.

Senator CARR—Are you increasing them further?

Mr Paterson—I anticipate—

Mr Crick—I am sorry, I thought I had a reprieve till nine o'clock in the morning, but no such luck.

Senator CARR—That is what happens. I was just asking Mr Dainer about the situation regarding the losses in the department. It appears that you are to be given considerable prominence in proceedings earlier than otherwise anticipated because AGAL makes up over half the losses the department is likely to face in the last financial year and there will be continuing loss in AGAL next year. Is that right?

Mr Crick—A much smaller loss, yes.

Senator CARR—The question I put to the officers and the management of the department is: what steps are being taken to fix this?

Mr Crick—It might be helpful to look first at some of the driving forces for that loss. There is a combination of driving forces for the loss. The key one is in fact the drought, because a lot of AGAL's business comes from things that are associated with the agricultural sector. There has been quite a drop-off in a lot of our business in that regard. Another aspect is a lot of the food analysis that we do associated with AQIS is being spread amongst more laboratories. Part of AQIS's policy is to try to spread that out amongst a lot more commercial laboratories. There is a lot more competition in the marketplace with competitor laboratories, both private and public sector ones, and state governments are getting out there and being

more aggressive. AGAL has missed out on a couple of major tenders in that sort of marketplace context. The unit cost of our work has gone up. That has been driven by increased salary bills and an increase in a lot of our rental arrangements, which has caused overall increases in overheads. So a lot of forces have driven that.

Some of the strategies that we have been putting in place include, as we were talking about when I came in, that we have increased the base cost of any service and we have increased selective services by a percentage amount to improve that revenue. But that can be a two-edged sword, as you might appreciate, because if you increase prices you are then becoming less competitive in the marketplace. We have also reduced our overall staff levels by putting off some temporary contract staff—no APS staff, of course—to help reduce costs. We are looking at more consolidation of AGAL to try to keep the overheads down. Some of those will be effective strategies, but they will not show up this year. They will start to show up next year and then into the out years. So we are confident that we can have this agency back on a break-even basis perhaps not next year but the year after.

Senator CARR—When did AGAL tell the department that it had a problem meeting its targets?

Mr Crick—AGAL is part of the department, so it is—

Senator CARR—When were the finance officers advised that there was a—

Mr Dainer—As I said, we have an ongoing monitoring role. Senator, you asked before about operating losses in other agencies. I have just pulled out the DEST PBS. ANTA has an operating loss for this year, as do the Australian Research Council and the CSIRO—three of the six agencies in the portfolio.

Senator CARR—Thank you. I was interested to know, Mr Crick, when the application was made for extra approval for an operating loss.

Mr Crick—The application to whom?

Senator CARR—The Department of Finance and Administration.

Mr Crick—Not all that long ago. AGAL is I guess a fairly relatively minor party in the bigger department, so judgments have to be made about whether the overall agency is going to make a loss simply because one element of it is. That judgment is not easy to make when things are moving from week to week and month to month. But it was a couple of months ago, in February, that the application to Finance was made.

Senator CARR—Mr Dainer, on page 10-14 of Budget Paper No. 1 the general government expenses by agency show there is a slight increase in 2004 and the expenses reduce every year after that. Why is it that the reductions are being made in the out years?

Mr Dainer—Yes. If you like, I can go through that in detail. I did actually explain it in the document.

Senator CARR—Which document are you referring to?

Mr Dainer—The PBS. I did talk about reductions. In terms of departmental, the appropriations this year are \$214 million, going to \$269 million in 2004-05. That is based on a range of initiatives both pre budget—that is, the tourism white paper—and in the budget,

such as the Commercial Ready biotech strategy. Approximately \$17 million will be coming in as well as a result of the creation of the NMI. That is appropriations funding coming in from the National Standards Commission and the national materials laboratory. That is offset by phasings-down of measures in previous years. That flattens out in 2005-06 to about \$268 million. Then there is a drop-off in 2006-07 of about \$16 million. That is as a result of the first BAA program funding ceasing. That was about \$30 million. Plus there is ramp-up in new measures, such as Commercial Ready—that is about \$10.6 million—stem cell and TCF. So the \$16 million essentially is a net amount after allowing for a big drop-off in BAA 1 and offset by an increase in other measures coming in. Then in 2007-08 the number is flat again.

Looking at the administered side of things, the administered expense figure is \$1.527 billion in 2003-04. It increases to \$1.621 billion in 2004-05. At page 64 of the document I have listed some of the more significant increases: Biofuels infrastructure grants, \$37.6 million; GTL Resources, \$27.4 million; ethanol production, \$24.8 million; Hismelt, \$80 million; Mitsubishi, \$35 million; pharmaceuticals partnership, \$14.6 million; Asia Pacific Space Centre, \$31.4 million; and offshore petroleum royalties, \$23.6 million.

In relation to the assistance to pharmaceuticals scheme—the one that just ceased—there is a \$68 million reduction in the appropriations as a result of that program ceasing. So the impact on appropriations from 2003-04 to 2004-05 was an increase of about \$197 million in administered expense appropriations, which was offset by a reduction in non-cash administered expenses of about \$103 million. The main issue there was the fact that we were expensing the AMC loan guarantee this year. We are recognising the liability. It was \$90 million.

Then across the out years there is phasing-in programs affecting Biofuels capital grants, the ethanol production scheme, Hismelt and the Asia Pacific Space Centre as those things drop out. So many of the six drop out and they have a big impact on our numbers. As well there have been estimate variations for the petroleum program, which is a special appropriation outside our control, so we are just making sure that the estimates are right for the budget. Some of these things have been identified in the PBS.

Page 34 gives you an idea of movement of administered funds between years, \$117 million being moved into the out years in terms of rephasings. The impact next year is an additional \$90 million; the following year, \$12 million; and the following year, \$16 million.

There has been a series of other variations in our administered expense appropriations. As I said before, the petroleum royalties one is significant because it is really an estimate and it has to be updated all the time. This year's estimate for that special appropriation is going down by \$13.5 million; next year, \$19.7 million; the following year, \$19.9 million; the year after, \$31.9 million; and the year after that, \$57.8 million. So that has a big impact on our forward estimates as we get those estimates right. As I say, that is based on production estimates of the North West Shelf.

There has been a reduction as the environmental flows programs has moved to AFFA. The Small Business Interest Rate Relief program drops out at the end of 2004-05. So there is a whole range of factors impacting on our out year estimates.

Senator CARR—So in terms of the departmental expenses by agencies and the general government expenses we get a peak essentially in 2004-05. That is how it works, isn't it?

Mr Dainer—That is right. Then it stays flat in the next year and then drops by about \$16 million the following year and stays at that level in the year after that as well.

Senator CARR—And it is just a coincidence that that is the election year?

Mr Dainer—As far as I am concerned it is—programs cease, programs commence; rephasings.

Senator CARR—Can I turn to the question I asked on 18 February—it does not appear to have a number on the top of it—about how many staff had mobile phones. I notice that the number of staff who have mobile phones has increased every year since 2000. There has been a significant jump from last year, from 329 to 428 phones. What is the reason for this?

Mr P. Noonan—Essentially, mobile phones are becoming an increasingly important part of being able to do a job effectively.

Senator CARR—So it is a matter of time before everyone has one?

Mr P. Noonan—I do not know how high the figure will go, but the increase in that year does not surprise me.

Senator CARR—What do you have to do to get a mobile phone?

Mr P. Noonan—You have to get an approval within your division, and there is a paper record of the approval.

Senator CARR—Are there guidelines for appropriate use of mobile phones?

Mr P. Noonan—Yes. The paper approval requires you to state that you will—I do not recall the exact words—essentially use it for business purposes, take care of it and so forth.

Senator CARR—At what level do officers receive mobile phones?

Mr P. Noonan—There is no restraint. It is up to the business needs of the division. It depends on the job involved. If it is a highly mobile job then there may well be a case for a very junior officer to have one.

Senator CARR—How many junior officers would have mobile phones?

Mr P. Noonan—I do not have a breakdown by classification of officers at different levels who have phones.

Senator CARR—What has the increase in cost been? Do you have any information on that?

Mr P. Noonan—The mobile phone bill has been declining slightly over recent years.

Senator CARR—It has been declining because of what—shorter phone calls?

Mr P. Noonan—I would suggest that the major reason would be competitive negotiation of contracts. In fact, it has fallen by 8.8 per cent from 1999-2000 to the most recent complete financial year.

Senator CARR—So that includes the cost of the calls. Has there been an increase in the hardware?

Mr P. Noonan—That is the total mobile phone bill.

Senator CARR—That is good. So more officers should be able to get mobile phones, then? Since they are essential and it is a business, wouldn't there be an increase in the number of officers who have them?

Mr P. Noonan—Clearly enough, the cost of a particular mobile phone is falling. That would be taken into account by the delegate making a decision.

Senator CARR—Fair enough. How many officers do you have in the department at the moment?

Mr P. Noonan—There are 1,650, or thereabouts.

Senator CARR—So one in four officers has a mobile phone?

Mr P. Noonan—Yes.

Senator CARR—Some share them out, but roughly one in four?

Mr P. Noonan—That is right.

Senator CARR—If there is a decline in the costs of them then presumably that should increase?

Mr P. Noonan—I cannot really say because a number of factors have to be taken into account there. Perhaps it is the case that we are getting to the point where we are meeting the needs of all the officers who need mobile phones, those who move around during their jobs. I do not have a feeling for that.

Senator CARR—Are you the officer responsible for management attending retreats and the like?

Mr P. Noonan—Yes.

Senator CARR—I asked some questions last time about what I am told are referred to in the department as 'love-ins'. Are they referred to as 'love-ins'?

Mr P. Noonan—Not by me.

Senator CARR—You have been able to provide me with only partial information in relation to this question. You were able to provide me with information about offsite activities organised in the corporate area of the department. You said it does not include 'any such activities conducted under divisional auspices as this would seem an unreasonable diversion of resources'. Are you able to tell me now how many love-ins were conducted by the divisions?

Mr P. Noonan—No, I am not. Because the nature of your question covered management retreats, training, seminars and staff information sessions at the divisional level, it is hard to define exactly where the boundaries are there, and there would be many activities—potentially just a meeting of the division is a staff information session.

Senator CARR—Yes, I can see what you mean. It is a bit broad. How often would a division find it necessary to go offsite for an in-service or a professional development program?

Mr P. Noonan—I do not have that information, but we do run substantial corporately run learning and development programs which involve offsite training courses. Those are all set out.

Senator CARR—Do you think it would be on a significant number of occasions that a division would feel it necessary to go offsite for a conference?

Mr P. Noonan—I would not like to hazard a guess about that. There are management advantages in getting people away from the workplace to concentrate on a learning and development activity.

Senator CARR—Yes. But you do not think it happened very often?

Mr P. Noonan—I would not have a feel for the numbers.

Senator CARR—In relation to the pathways program, the partnership day cost \$93,000 in 2003-04, \$100,000 in 2003 and \$59,000 in 2001. That is a quarter of a million dollars.

Mr P. Noonan—Yes. That is a learning and development program pitched at the middle management levels of the department, particularly from APS4 to EL1. We were progressively putting groups of 20 to 25 through that course over those three years.

Senator CARR—Will everyone in middle management of the department get to attend one of these courses?

Mr P. Noonan—The intention is that everyone would have the opportunity to do so, but I do not expect that everybody would take up that opportunity.

Senator CARR—Where is it held?

Mr P. Noonan—Recent ones have been held at the Kamberra Wine and Tourism Complex in the ACT. They have a conference facility attached to the centre.

Senator CARR—How often is it held?

Mr P. Noonan—It has been about once a month until recently, but now demand is dropping away and they are becoming less regular.

Senator CARR—Why is the demand dropping away?

Mr P. Noonan—I think basically because we have covered the number of people who wish to avail themselves of the course so that now we are dealing with people newly arrived at that level.

Senator CARR—So will there be a saving there?

Mr P. Noonan—The spending on this program will certainly decline in the next year.

Senator CARR—It is up near \$100,000 a year. You would hope it would.

Mr P. Noonan—Yes, but quite a number of staff have been put through the program.

Senator CARR—How many?

Mr P. Noonan—I could get you that number if I could come back to that. I will need to look up some papers.

Senator CARR—But they are in small groups of 20 to 25?

Mr P. Noonan—Twenty to 25, yes.

Senator CARR—How long does the course take?

Mr P. Noonan—It is a three-day course.

Senator CARR—So they go offsite for three days?

Mr P. Noonan—That is right.

Senator CARR—It does not cost the officers anything, does it? Are all expenses paid for?

Mr P. Noonan—Yes; it is paid for centrally.

Senator CARR—What do they do in these three days?

Mr P. Noonan—Essentially there are presentations from a particular division of the department about the activities that that division is involved in, and there is an opportunity to discuss the different aspects of that work. We try to structure the group so that they are a cross-section from across the department. We find that that is quite valued by the participants because they are able to talk about their own experiences and get different perspectives on the work that they do. They are also told a little about the organisation, the history of the organisation and all the various activities that a very diverse department does. Then there is a focus on them and how they can advance their career by identifying gaps perhaps in their career so far, and by identifying perhaps learning and development opportunities they can consider in the future to try to fill some of those gaps.

Senator CARR—That is all very worthwhile. I am led to believe that \$20,000 is spent on venue packaging, meals, use of training facility equipment and a dinner. What is the other \$73,000 spent on?

Mr P. Noonan—That would be spent on the provider, a company called Yellow Edge, who actually provide the facilitators.

Senator CARR—Will I be able to find that somewhere on your list of consultancies?

Mr P. Noonan—Yes.

Senator CARR—To get that is by open tender, is it?

Mr P. Noonan—At the time—it is going back a little while—yes, certainly at least a number of potential providers were invited to tender for that. I cannot recall whether we actually went to a newspaper advertisement.

Senator CARR—They get about \$73,000 a year to run those courses?

Mr P. Noonan—That is right. For this year, 2003-04, that would be seven or eight courses.

Senator CARR—What do you get for \$73,000? You get someone to talk to you?

Mr P. Noonan—A professional learning and development expert to present the three-day course probably seven or eight times during the course of the year.

Senator CARR—Twenty-one days work; is that right?

Mr P. Noonan—More than one presenter has been there at least on the occasions I have attended the course.

Senator CARR—I used to be a school teacher and I can tell you that is awfully good money. Twenty-one days work for a class of 20 to 25 people: that is not bad. So we must be getting more than talking. What else? Why are they so expensive?

Mr P. Noonan—I would not agree with you that that is expensive having regard to the costs of the development of the course which preceded any of them being conducted.

Senator CARR—How long has the course been running now?

Mr P. Noonan—A bit more than two years, I think.

Senator CARR—This is the same company; they have got \$250,000 over the life of the course, the bulk of which has gone to them. I presume the venue costs have not changed greatly, have they?

Mr P. Noonan—There have been new costs as set out in the answer there, and they are, as you say, a modest proportion.

Senator CARR—About \$20,000. So that is \$190,000 for 60 days work.

Mr P. Noonan—There is the design and preparation of the course, and covering a large number of—

Senator CARR—Are you saying you are not running it next year? Is that what you are saying? Are you not running it next year?

Mr P. Noonan—No, I did not say that. I said that I anticipated that demand for the course would reduce next year because we were reaching the point of saturation for the cohort.

Senator CARR—I am pleased to hear that. The leadership development course at Lincoln Downs, Batemans Bay—I understand there was one run in 2001, and that was \$619,620,000. Is that right?

Mr P. Noonan—That is right. It was a similar structure, in a sense—a residential course provided for cohorts of 20 to 25. This was pitched at a more senior level: SES and EL2s.

Senator CARR—That is why you went interstate, is it?

Mr P. Noonan—At the time there was a competitive selection based on the number of potential providers in the area, and it was the Lincoln Downs venue that proved best.

Senator CARR—How many people went on that course?

Mr P. Noonan—That cohort that I mentioned is towards 200. I do not have that number with me.

Senator CARR—So there are 200 SES officers?

Mr P. Noonan—Plus EL2s. In fact, I do not think the number was as high as 200, but it was between 100 and 200.

Senator CARR—So your senior officers have gone on a course. For how long did you say the course was?

Mr P. Noonan—That one was a five-day residential.

Senator CARR—That \$620,000—I am just wondering what they got for \$620,000.

Mr P. Noonan—It is some time ago now, but broadly the structure of the course was a consideration of developments across the public sector and as they might affect the department. There was a guest speaker at a dinner and then there were a number of sessions that focused on developing the management potential of the group.

Senator CARR—I hope a fair bit of management potential went out for that sort of price. When I look at the figures next year, in the same answer, I see that the leadership development course—same place—in 2001-02 cost only \$117,000.

Mr P. Noonan—The reason for that was that, having saturated that cohort, the course was dropping away. You would find there were one or two at the most for that amount there.

Senator CARR—One or two officers went?

Mr P. Noonan—No, one or two groups.

Senator CARR—How many went then?

Mr P. Noonan—They were in groups of 20 to 25.

Senator CARR—How many went for the \$620,000 program?

Mr P. Noonan—At their peak I think they ran once every two months, to my recollection, but it may have been more frequent than that.

Senator CARR—So about six; is that right?

Mr P. Noonan—I should not try to guess the number at this distance in time, but it was—

Senator CARR—Whichever way you look at it, to move from \$620,000 down to \$117,000 is a substantial drop, so there have been some economies there somewhere.

Mr P. Noonan—I think the declining number of courses is the explanation.

Senator CARR—I see there was one at Wollongong too—in the Novotel in Wollongong—which did not cost as much. In fact, the SES visit to Wollongong only cost \$50,000. Why was that the case?

Mr P. Noonan—That was a gathering of the SES in the portfolio—a much shorter function. It was a couple of days, from recollection.

Senator CARR—Is this the aggregate amount of money for SES in-service training? What is the aggregate across these years, or are these just special conferences that were held? Were there other additional moneys spent?

Mr P. Noonan—There would be moneys spent on individual SES officers at the divisional level. I am not sure I could give you an aggregate number.

Senator CARR—So the only programs the department runs are the pathways program, a masters program, a graduate induction, leadership development—is that right?—Senior Women in Management?

Mr P. Noonan—I think the studies assistance program, Indigenous cadets training and the masters program.

Senator CARR—These clearly are not open to everybody and they are relatively small. The Indigenous program is \$3,000; studies assistance is \$51,000. I am just wondering what is the aggregate amount of money spent on professional development for senior officers.

Mr P. Noonan—I would have to take that question on notice.

Senator CARR—And how has that moved over the last three years? Is that possible?

Mr P. Noonan—Yes. I can take it on notice. Could I just clarify that that is senior executive service officers?

Senator CARR—SES and—what do you call the other—

Mr P. Noonan—Executive level 1s and 2s.

Senator CARR—The ones who participated in these love-ins as part of this leadership development program.

Mr P. Noonan—They were mainly EL2s; they rank below SES.

Senator CARR—Can you just give us the aggregate figure, and if you could break it down into the two categories of officers I would appreciate it. I am interested to know about staff travel too. I understand that the ministerial staff travel is usually paid for by the department of finance; however, in 2000-01 the cost of one trip was met by a ministerial adviser. That is a figure that is information drawn from your answers here. Do you know that one?

Mr P. Noonan—Yes.

Senator CARR—What is the background of it? It is an overseas trip for a ministerial adviser.

Mr P. Noonan—Yes. The department of finance does not support learning and development opportunities for ministerial staffers. For a couple of years we looked at whether the department could provide support there, and on that occasion the decision was that the office proposed and which I agreed—

Senator CARR—The office?

Mr P. Noonan—The office, the relevant ministerial office.

Senator CARR—I see, yes.

Mr P. Noonan—and which I supported as delegate was that an overseas study trip would be an appropriate thing to do.

Senator CARR—Which officer was this?

Mr P. Noonan—The officer was Mary Wooldridge.

Senator CARR—Who was the minister at the time?

Mr P. Noonan—I think Senator Minchin.

Senator CARR—There you go. I have the man here himself. I am just wondering whether you could explain to us, Mr Noonan, what the department's thinking was to provide this in-service training for ministerial staffers?

Mr P. Noonan—Discussions were held with the then chief of staff and me as the head of the corporate division about this gap in funding for ministerial staffers between the money that is provided by the department of finance and the money that is normally provided by us. Learning and development initiatives were a gap, and the chief of staff and myself—well, I invited him to have such discussions among the staff members as he thought was appropriate and come forward with a proposal. That was basically how it developed.

Senator CARR—How much was the cost to the department?

Mr P. Noonan—It was \$8,710.

Senator CARR—Where was the trip to?

Mr P. Noonan—I do not recall the details of the trip at the moment. I would have to take that on notice.

Senator CARR—There would have been a report prepared, wouldn't there?

Mr P. Noonan—I do not recall.

Senator CARR—Could you check for me?

Mr P. Noonan—Yes.

Senator CARR—Obviously I would like to have a look at the report, if I could, please. If there is such a gap—I take it this has only happened once?

Mr P. Noonan—Yes.

Senator CARR—As I say, if it is such a gap why has it not happened more often?

Mr P. Noonan—I cannot answer that question. It is a matter for each office to consider the learning and development needs of staffers and balance that against workloads in the office and so forth. No other proposal has come forward.

Senator CARR—Senator Minchin, do you recall this matter?

Senator Minchin—No, I do not actually.

Senator CARR—You would have had to sign off on it, though. I know you have to sign off a lot of things for staff, but—

Senator Minchin—I have no recollection of it.

Mr P. Noonan—It was a matter primarily between the chief of staff and myself.

Senator CARR—The chief of staff. That would account for Senator Minchin. And there have been no other requests?

Mr P. Noonan—None to me, and I do not imagine that they would come anywhere else.

Senator CARR—Are you not surprised by this request?

Mr P. Noonan—Not in the sense that learning and development needs are something that I have an interest in ensuring that all people working within the portfolio are able to access, and this seemed a reasonable proposal to me.

Senator CARR—Do you provide assistance to ministerial advisers—in-service training to ministerial advisers of any other type?

Mr P. Noonan—None that has been requested in recent years, no.

Senator CARR—Apart from briefings, of course. Obviously you provide briefings to ministerial officers and ministerial advisers; you provide them presumably to DLOs in the ministerial office.

Mr P. Noonan—Indeed.

Senator CARR—Which would hopefully communicate. But there is no formal process of induction, no formal process of explaining to ministerial advisers what the work of the department is?

Mr P. Noonan—No, there is no set procedure that everybody goes through.

Senator CARR—So it is an ad hoc arrangement such as this?

Mr P. Noonan—In accordance with the needs at the time. With the establishment of a new office, for instance, there is obviously quite a lot of interaction between the department and the office.

Senator CARR—So when Minister McFarlane took over you offered another trip, did you, for people?

Mr P. Noonan—No, that would not have been appropriate. But had a proposal come forward I would have considered it.

Senator CARR—And none did?

Mr P. Noonan—None has come forward.

Senator CARR—Could you please provide me with a copy of the report and itinerary.

Mr P. Noonan—Certainly.

Senator CARR—Eight thousand dollars—that is a European trip, is it?

Mr P. Noonan—I think it was North America. I do not remember the details.

Senator CARR—How long would it take you to get the itinerary for us? Would that be readily available in the departmental records?

Mr P. Noonan—I can certainly try to get that for you as soon as we can.

Senator CARR—Was the ministerial adviser accompanying a minister?

Mr P. Noonan—No.

Senator CARR—So they were on their own?

Mr P. Noonan—Yes.

Senator CARR—Did departmental officers go?

Mr P. Noonan—No.

Senator CARR—So they really were on their own?

Mr P. Noonan—Yes. As far as I am aware, yes. I dealt with the one proposal.

Senator CARR—I am surprised you would let that happen. All those ministerial advisers wondering around at departmental expense! You would have somebody to mind them, wouldn't you? No-one at all?

Mr P. Noonan—No, I am not aware of anyone accompanying the person in question.

Senator CARR—You did not find this surprising?

Mr P. Noonan—No, I did not.

Senator CARR—Have you ever had an expression or a request like this before?

Mr P. Noonan—No, I have not.

Senator CARR—Are you aware of this happening before?

Mr P. Noonan—I am not aware, but I would not have a wide knowledge.

Senator CARR—How long would it take you to get the itinerary?

Mr P. Noonan—We will get it as soon as we can.

Senator CARR—Thank you. I appreciate that. The other question on notice we asked concerned the number of employees who received a financial bonus due to exceptional performance. Twenty-six men received the seven per cent salary bonus and four women received a bonus, but no women in the SES received one. Can you help me here? Why is that? Why were there no women who received a bonus for exceptional performance in the SES ranks? What is the explanation for that? Were there any women actually eligible?

Mr P. Noonan—Which table are you referring to?

Senator CARR—I am still getting used to the department and the ways of the department. You will have to bear with me. In other committees you actually put numbers on the answers. I do not have them here. It says 'for each performance assessment mechanism describe (1) adviser number, male and female, employees of each possible outcome by classification level for the most recent full cycle in the performance mechanism'. It was at page 82 of the booklet that I finally received. Have I described the question adequately for you?

Mr P. Noonan—Page 82 relates to Geoscience Australia.

Senator CARR—It is the performance assessment mechanisms across the department though, isn't it?

Mr P. Noonan—Yes, the way the answer was structured was that the department was addressed, then IP Australia and then Geoscience Australia.

Senator CARR—Can you tell me this: am I clear? Is the issue I have raised with you straightforward enough?

Mr P. Noonan—Yes.

Senator CARR—Would you agree that 26 men received a seven per cent salary bonus and that four women received a bonus, but that there were no women in the SES classification? Is that a fair description of the data you have provided?

Mr P. Noonan—I think you may be putting together a number of different elements of the table. I do see a number 26, but that relates to the department. That relates to the superior rating.

Senator CARR—‘Exceptional performance’; is that the proper term?

Mr P. Noonan—‘Superior performance’; it is not a term that we use.

Senator CARR—How do you describe it? Performance assessment mechanisms—how would you describe it? These are people who have done pretty well?

Mr P. Noonan—Yes. The rating for the SES is a five-point rating scale with outstanding, superior, fully effective, developmental and unsatisfactory.

Senator CARR—Right. Were there 26 men who received a seven per cent salary bonus?

Mr P. Noonan—I cannot get that 26 male number from you. In fact, the way the SES performance scheme works is that everybody who has attained fully effective or higher receives the bonus, and that includes a number far larger than 26. I am afraid I am at a loss to know the information that we supplied last time that you are referring to. I do see numbers for Geoscience Australia which have four males and no females.

Senator CARR—That is in the SES equivalent.

Mr P. Noonan—But that basically—that represents the—

Senator CARR—How many women in the department at SES level received a bonus for exceptional performance last year?

Mr P. Noonan—I could get for you the answer as to how many women SES officers received a performance bonus last year. Is that the essence of it?

Senator CARR—There is no higher rating than just performance bonus?

Mr P. Noonan—There are three levels that attract performance bonus.

Senator CARR—What are the three levels?

Mr P. Noonan—Fully effective, superior and outstanding.

Senator CARR—How many outstanding women did you have in the department last year?

Mr P. Noonan—There were two officers. I do not have a gender break-up.

Senator CARR—There were only two?

Mr P. Noonan—Yes.

Senator CARR—How many were in the second category?

Mr P. Noonan—Twenty-six.

Senator CARR—How many were men and how many were women?

Mr P. Noonan—Again, I do not have a break-up on gender there.

Senator CARR—And the third category?

Mr P. Noonan—There were 46.

Senator CARR—If you could also categorise them into how many men and women, please.

Mr P. Noonan—I will take that on notice.

Senator CARR—Is that information readily available?

Mr P. Noonan—We should be able to calculate it reasonably quickly.

Senator CARR—If that is the case, we might come back to it. Minister, Senator McLucas wants to spend 20 minutes on matters relating to small business, which I think, broadly defined, might fit into cross-portfolio. Is that all right?

Senator Minchin—Sure.

Senator CARR—I understand that that concludes all the questions on cross-portfolio. I am not aware of any others. I want to help them get away. I understand that you wanted to get them away.

Mr Paterson—I did not want the Office of Small Business stuff going into tomorrow.

Senator CARR—I am not aware of any other questions. I am not responsible for small business.

Senator McLUCAS—It is with the Office of Small Business that I think I would like to deal.

Senator CARR—As far as we know, there are no other questions.

Mr Paterson—Thanks, Senator.

Senator McLUCAS—I want to ask some questions about the report of the review of the retail grocery industry code of conduct.

Ms Weston—Yes.

Senator McLUCAS—Was the commissioning of that report in response to the 1999 report of the Joint Select Committee on the Retail Sector entitled *Fair market or market failure*?

Mr Chesworth—Yes. The 1999 inquiry was responded to with a government recommendation to support a voluntary code of conduct in the retail grocery sector. The current review represents the third-year review of the government's response to that Senate inquiry.

Senator McLUCAS—Sorry, the review represents the government's response?

Mr Chesworth—Yes. In essence, in 2000 the government responded to the inquiry, and the review that is going on at the moment is a review of the code that was an outcome of the government's response.

Senator McLUCAS—I think I follow that.

Ms Weston—There was the government's response to that review, and one of the recommendations was to have another look at the review in three years. That is what is currently being undertaken.

Senator McLUCAS—So when was, let us call it, the review commissioned?

Mr Chesworth—Is that the current review?

Senator McLUCAS—I am not sure that we all know what we are talking about here. There was a report of a joint select committee called *Fair market or market failure*. The government responded to that, and one of the recommendations of that response was that there be a review; is that correct?

Mr Chesworth—After three years, which is 2003.

Senator McLUCAS—Let us call it the Buck review.

Mr Chesworth—Yes.

Senator McLUCAS—Are we talking about the same animal?

Mr Chesworth—The review is an ongoing process. The report that was undertaken by Mr Neil Buck constitutes a part of that process.

Senator McLUCAS—I think we are getting to it now. When was Mr Buck commissioned to do that piece of work?

Mr Chesworth—It was around August 2003.

Senator McLUCAS—Is that work completed?

Mr Chesworth—His report is completed, that is correct.

Senator McLUCAS—When was that completed?

Mr Chesworth—The report was accepted by the department in January 2004.

Senator McLUCAS—When you say it was accepted by the department, what was the process from when Mr Buck finished the work? Did he give it to the Office of Small Business? Where did it go?

Mr Chesworth—The report was delivered to the Office of Small Business by Mr Buck, that is correct.

Senator McLUCAS—What has happened with it since then?

Mr Chesworth—There have been a number of things. In essence, there has been an ongoing period of consultation with the sector. We are working on developing a policy response.

Senator McLUCAS—Was it given to the minister at that point?

Ms Weston—Certainly the minister is aware of the fact that Mr Buck has responded, and obviously we have the minister aware of this particular departmental activity. But that response, our various consultations and other things form part of a policy response the department is working on at the moment.

Senator McLUCAS—So it was received in January 2004 and the minister is aware of it. But there is not a normal formal process of providing to the minister a report that your office would commission? That is just not what you would usually do?

Mr Chesworth—We have briefed the minister's office on the policy aspects coming out of the report in the context of the broader review.

Senator McLUCAS—When was that briefing?

Mr Chesworth—I would have to go and check my records, but it has been an ongoing process.

Senator McLUCAS—I do not need you to check your records. But there has been a series of briefings to the minister's office; is that what you are telling me?

Mr Chesworth—Yes, and those briefings may have constituted various forms—not only written but also oral briefings.

Senator McLUCAS—How much did the report cost?

Mr Chesworth—The report cost \$81,000.

Senator McLUCAS—You said that there has been an ongoing consultation as a result of the receipt of the report. What does that entail?

Mr Chesworth—The code itself is administered by an industry code administration committee. That code administration committee comprises quite broader representation from the sector right through the vertical supply chain. So the consultation in that context has included the National Farmers Federation, the Australian Retailers Association, the National Association of Retail Grocers of Australia, the Australian Food and Grocery Council, Woolworths, Coles and the Australian Chamber of Fruit and Vegetable Industries. In addition, we have extended our consultation to some stakeholders that we know have a close interest in the subject matter of the retail grocery industry code, and that includes the Queensland Fruit and Vegetable Growers, Horticulture Australia Ltd, Horticulture Australia Council and some bodies in the Northern Territory as well.

Ms Weston—We have also been consulting with our colleagues within other government departments and agencies.

Senator McLUCAS—Like whom?

Ms Weston—For instance, Agriculture, Fisheries and Forestry.

Senator McLUCAS—Why was Mr Buck chosen to do this piece of work?

Mr Chesworth—Mr Buck was chosen because of his experience in relation to codes of conduct and his background in regulation of markets.

Senator McLUCAS—He is regarded as somewhat of an expert in regulation and this sort of work?

Mr Chesworth—That is correct. Yes, that is right, he has a background in that area.

Senator McLUCAS—Back to the consultation process: you have gone to the code administration committee. Have they responded formally to your consultations? Is there a formal transfer of views?

Mr Chesworth—Yes. The code administration committee meet quite regularly, around three or four times a year. The last meeting was on 12 March in Melbourne. The code administration committee had an opportunity to respond to some of the issues raised in the context of the review. They have obviously taken quite a close interest in the review from when it was first instigated just after the middle of last year.

Senator McLUCAS—What was the code administration committee's response to the review?

Mr Chesworth—We have tried to include the code administration committee very much in developing the government's policy response to the code review. Given that the proceedings of the code administration committee are in confidence, I may not be able to respond to that question.

Ms Weston—I note that in the *Australian Financial Review* this week Colin Gray, who is Executive Director of the Australian Chamber of Fruit and Vegetable Industries, put on open record his view about the code. That might interest you.

Senator McLUCAS—Is that the article that is entitled 'Something rotten in the hard world of fruit and vegetables'?

Ms Weston—A response to that.

Mr Chesworth—That was in response to that article. That article was in the *Financial Review* on 22 April, and Mr Gray responded last Friday.

Senator McLUCAS—Who put out that statement?

Mr Chesworth—Mr Colin Gray, who is from the Australian Chamber of Fruit and Vegetable Industries.

Senator McLUCAS—Thank you; I will seek out that one. You have talked to a range of other people involved in the sector as well. I think by doing that you recognise that the code administration committee is, with the exception of the Farmers Federation, very much up the chain, so to speak. Is your intention to talk to the Queensland Fruit and Vegetable Growers, for example, in recognition of the fact that they are not strongly represented, except through the NFF, on that committee?

Mr Chesworth—The code administration committee is responsible for its own make-up, but we are very keen to ensure that in delivering I suppose the right policy response we get consultation from right across the sector. The Queensland Fruit and Vegetable Growers in particular have shown a very keen interest in the review of the code. Not only have representatives from that organisation visited Canberra but we have had the opportunity to engage in some telephone conversations with them to receive their views.

Senator McLUCAS—Why don't we release the report more broadly and let consumers and farmers have a look at it? What is the obstacle to releasing this report?

Mr Chesworth—It is just a matter of the government continuing to formulate its policy response in this area.

Ms Weston—It is obviously not the only thing that the government is considering in terms of its policy response. That forms part of it. But obviously the consultations and the views of the code administration committee are also important in developing that policy response.

Senator McLUCAS—It is the minister's decision to release or not, isn't it?

Mr Chesworth—The department is working with the minister's office at the moment. We are putting together a policy response in relation to the review, which is ongoing. The Buck report forms part of that, but we are also looking at other aspects of the retail grocery code. I

think one of the issues is that not only does the code apply to relationships between growers, in particular horticulturalists, and those who are the first buyers, but it is intended to apply right through the retail grocery sector, not only along the path of the major chains but also to independents, wholesalers, food manufacturers and food processors. So there is actually a range of issues that we are keen to canvass and take into account in developing the policy.

Senator McLUCAS—But the question I did ask was: who has the authority to release the report? Is that authority held by the minister or by the Office of Small Business?

Ms Weston—As we have mentioned before, the report and the policy advice we are providing the minister have been the subject of ongoing discussions with his office. We would probably take advice from the minister's office before making a decision to release that review.

Senator McLUCAS—So the minister has advised the office not to release the report; is that what are you telling me?

Ms Weston—We would like to seek his permission before doing so.

Senator McLUCAS—Have you sought his permission to release the report?

Ms Weston—Part of our discussions with the minister is about making sure we have in place the whole scene in terms of not just Mr Buck's report but also all our consultations to make sure that we can have a policy decision that is quite comprehensive. I think that to a large extent releasing a report ahead of that is not particularly helpful when a whole lot of other factors need to be taken into account.

Senator McLUCAS—Like what?

Ms Weston—The consultations we have been having with various groups in the sector. Obviously Mr Buck has formed his view. It forms part of the policy advice, as does the advice of the retail grocery industry code administration committee, which actually has the carriage of the code and is responsible for formulating it, making variations to it and so on. We would also like to take into account the views of those players you mentioned too: for instance, Queensland Fruit and Vegetable Growers.

Senator McLUCAS—How do consumers have input into this process?

Mr Chesworth—The code is directed at the retail grocery industry sector, and it actually relates to the businesses involved in that sector.

Senator McLUCAS—Which affect the price, I think.

Mr Chesworth—The code is not so much focused on price. It is determined more on fair trading within the vertical relationships in that sector.

Senator McLUCAS—I think you would agree, though, that there is a linkage between price paid and how the industry operates, how the market operates?

Mr Chesworth—There are, I suppose, a number of threads here. As you probably well know, the AFFA food pricing report that was released in February this year tracked prices at various stages throughout the vertical supply chain. As well as that, there are the ongoing activities of the ACCC—the fact that they have to administer the Trade Practices Act. But the

retail grocery industry code of conduct focuses solely on issues of I suppose fair conduct and fair trading within the vertical supply chain of the retail grocery industry.

Senator McLUCAS—So, essentially, the minister has basically said not to release the report? That is the reality?

Mr Chesworth—No, I think essentially we would have to seek his advice and agreement to its being released.

Ms Weston—We are obviously quite keen to have a chance to have the whole policy included in our advice to the government. As I said before, I think it is useful to have all that in place, and we would obviously ask the minister whether he would be interested in releasing the report.

Senator McLUCAS—What do you think the time frame is to develop up these other pieces of work that have to be done?

Mr Chesworth—It is actually the decision of the government and the minister in relation to the timing of the process from here on.

Senator McLUCAS—You do not have a work plan? A lot of consultation processes have an overall plan. Obviously Mr Buck's report is one element of that; I think that is what you are telling me. There is no plan for a consultation process?

Ms Weston—We have almost completed our consultations at this point, if that would help. But the timing of when the minister considers the policy advice we provide to him is obviously in his court.

Senator McLUCAS—So there are other reports that have been developed?

Ms Weston—No.

Mr Chesworth—No.

Ms Weston—Other than our own advice to the minister.

Senator McLUCAS—Which is completed, in your view?

Ms Weston—We are still doing some consultation, but the bulk of the consultation we consider is complete.

Senator McLUCAS—Are we talking about a month or six months until your work is complete? I understand there is a process, you have to finish your consultation and then you hand that information across to the minister's office, and included in that is Mr Buck's report.

Ms Weston—We probably do not have too much more consultation to go. We have to obviously write up our views. When we put them to the minister he might like some more information and so on. That is the way policy develops. So it is very hard for us to quantify an exact time frame.

Senator McLUCAS—On 22 April this year the *Australian Financial Review* reported that Mr Buck had recommended in the report that the ACCC should be given new powers over the industry and had uncovered allegations of intimidation and unfair practices whereby farmers cannot enforce their contractual rights. Is that an accurate reporting?

Mr Chesworth—As I indicated before, it is very difficult for us to comment on the report. However, I mentioned Mr Gray's letter in last Friday's *Financial Review*. I understand that was in response to a partial retraction from the *Financial Review* on 25 May. But we cannot actually comment on the content of the report. The code, in focusing on fair trading, does not in itself deal with those issues raised by that article in the *Financial Review*. If there are issues of intimidation or such like, it is more of an issue for regulatory authorities and does not fall within the ambit of the code of conduct.

Senator McLUCAS—Is it true that Mr Buck recommended that the ACCC should be given new powers over the industry?

Ms Weston—That relates to the report, which at this time has not been released. It is part of the policy advice we are providing to the government. I am not sure how a copy of the report got into those hands, but I cannot comment on it now in that it forms part of the policy advice.

Senator McLUCAS—Have you contacted the ACCC?

Mr Chesworth—Yes.

Senator McLUCAS—In terms of regulation?

Mr Chesworth—We have contacted the ACCC in relation to a range of issues relating to the retail grocery sector. Obviously the ACCC enforce the Trade Practices Act. As with any industry, there is conduct that may or may not fall within the ambit of that, but it is more in the context of developing the policy that this review is focused on at the moment.

Ms Weston—We do consult with the ACCC frequently.

Senator McLUCAS—I imagine you do, but I am talking about in reference to these particular recommendations from Mr Buck.

Ms Weston—Because you are asking about specifics of that report, we cannot comment specifically. But I can say that in relation to the whole review we have contacted the ACCC and consulted with them.

Senator McLUCAS—Given the range of previous inquiries that have been undertaken into the fruit and vegetable sector broadly, including one in the mid-1990s by the National Crime Authority, does the report contain any findings that may be of interest to federal law enforcement agencies?

Mr Chesworth—Once again, we cannot comment on the contents of the report at this stage.

Senator McLUCAS—Has your office been in touch with the Federal Police, for example, following receipt of the report?

Ms Weston—Certainly after the article in the *Financial Review* and perhaps at an earlier time we discussed within the Office of Small Business other law enforcement type issues that related to the sector. But I am not particularly sure whether we have contacted the Federal Police, for instance. It would not have been in relation to this particular review in any case.

Senator McLUCAS—Media coverage also points to Mr Buck finding evidence that tax avoidance is rife within the sector as well. Have you been in touch with the Australian Taxation Office as part of the consultation process?

Ms Weston—The answer to that is yes, but I am saying that just in relation to general consultation on the vertical supply chain issues and not in relation to what the report may or may not say.

Senator McLUCAS—There is clearly concern in the community about the fact that this report has not been released. The reportage of it certainly makes certain sectors of the industry very concerned that there is a cover-up. Wouldn't it be simpler just to provide the report to the community and let the community decide whether or not it holds valuable recommendations?

Mr Chesworth—As I indicated previously, the report relates to but I suppose forms but one part of our overall review of the retail grocery code, and it is being used to help form our policy advice to the minister and to the government.

Senator McLUCAS—Is it true to say that the Office of Small Business gets more complaints about that sector of the chain, the interface between growers and marketers, than any other part of the chain?

Mr Chesworth—No, I would not necessarily say that was the case.

Senator McLUCAS—What other sectors of the chain do you have complaints about?

Mr Chesworth—We receive many ministerials each year, and with respect to the retail grocery sector I think it is fair to say that correspondence is received in relation to many parts of the chain.

Senator McLUCAS—I might leave it there. Thank you.

CHAIR—I think this is a convenient time to have the break.

Proceedings suspended from 3.19 p.m. to 3.40 p.m.

CHAIR—We will resume, and we will return the call to Senator Carr, who has general cross-portfolio questions.

Senator CARR—How are we going, Mr Paterson, with that inquiry regarding Mary Wooldridge?

Mr Paterson—We are still looking for the detail.

Senator CARR—Is Mary Wooldridge the same Mary Wooldridge who is the sister of then Minister Wooldridge? Is that right?

Senator Minchin—That is correct.

Senator CARR—Do you have the file at hand?

Mr Paterson—No, we do not have the file. As I indicated, we are still looking for the detail.

Senator CARR—You are still looking for the file. So we will come back to that later in the evening. Could I ask some general questions concerning the presentation of the budget. I notice in Budget Paper No. 1, statement 3, 'Economic outlook', a range of indicators is listed

by the government, such as world economy; household consumption; dwelling investment; business investment, such as investment in plant and equipment; public final demand; exports; terms of trade; employment; inflation; and GDP. Mr Paterson, do you know why no private sector R&D is in that list?

Mr Paterson—No.

Senator CARR—Perhaps, Minister, you could assist me here in another capacity. Why is there no list in the budget papers of private R&D figures? We list all these other economic indicators. Why are there no private R&D figures?

Senator Minchin—I guess it would be a matter for Treasury as to whether, in presenting economic data for the nation in their presentation in the budget papers of various economic statistics, they did or did not believe that was a relevant piece of information for the purposes of the national economy. I do not want to speak on behalf of the Treasury, and you would be free to ask them, but I guess it is not typically seen as a measure of the general performance of the economy. It gives you an indication of where we are going in a particular area, but it is not like unemployment, inflation, interest rates et cetera as a general measure of the performance of the economy per se. But I will leave you to quiz Treasury on it.

Senator CARR—Mr Paterson, has the department sought to have private R&D figures included in the economic statistics that are listed in the budget?

Mr Paterson—Not that I am aware of.

Senator CARR—Are you aware whether the minister has sought to have the figures included?

Mr Paterson—Not that I am aware of.

Senator CARR—Are the Industry Analysis Branch here? Are they able to help me with some questions on R&D tax concessions?

CHAIR—Senator Carr, are you able to foreshadow the topics that you propose to cover between now and dinnertime?

Senator CARR—I will do my best. There is a range of questions, but—

CHAIR—I understand there are some convenience issues of getting the witnesses to the hearing room from the holding room where they are waiting, so could you give us a bit of advanced notice of the topics you propose to cover.

Senator CARR—I need some industry analysis officers and the officers who deal with the R&D tax concession, particularly revenue matters. I will need some officers in regard to other economic indicators. Presumably, they will all be covered by the Industry Analysis Branch; is that right? Do they cover the general—

Mr Paterson—We have an Industry Policy Branch. The R&D tax concession is administered by AusIndustry, and some of the R&D industries are dealt with by the Innovation Division. You have the heads of those three divisions—

Senator CARR—So it is genuinely cross-portfolio in that regard. There will be some issues with regard to the free trade agreement. It goes on and on, but that will keep you going, I would have thought.

CHAIR—Can we do it this way, Senator Carr: when you approach your next major block of topics, could you foreshadow a bit more particularity what you will require?

Senator CARR—I need the officers from the Industry Analysis Branch. Are they available? Is that the right—

Mr Paterson—The Industry Policy Division.

Senator CARR—That will do us for a start, but others will be needed as well. Does the department do an estimate of the private sector investment in research?

Mr Lowndes—No, we do not do estimates.

Senator CARR—None whatsoever?

Mr Lowndes—No.

Senator CARR—How do you calculate the R&D tax concession?

Mr Lowndes—The revenue estimates are calculated by Treasury.

Senator CARR—So you rely entirely on their advice to you?

Mr Lowndes—We talk to them about it. It is not purely a matter of their telling us what the number is. There is two-way communication. But at the end of the day revenue matters are ultimately the responsibility of Treasury.

Senator CARR—Yes, that is true. I understand that, but you are an officer in the industry department. Do you have any target to measure program performance against from the industry department's point of view?

Mr Lowndes—There is a range of programs.

Senator CARR—Let's deal with both the tax offset and R&D tax concessions. Do you have any targets that you would measure performance against?

Mr Lowndes—With revenue forgone type concessions, they are very much demand driven in the sense that they are quite open ended. So, in terms of perhaps a normal target you would have with an outlays program, it is not quite the same arrangement. I think we have broad objectives, I suppose you would say, in terms of what we might expect the use of the concessions to be. But it is not quite as precise as you would have with an outlays program.

Senator CARR—Certainly if you do not do any estimates, which is what you have told me, the word 'precision' really is not part of the dictionary here, is it? You do not do any estimates of private sector investment in research and development?

Mr Lowndes—No.

Senator CARR—How do you measure performance when you are not collecting statistics of this type?

Mr Lowndes—I did not say we did not collect statistics. There are statistics available on the usage of the R&D tax concession which are sort of monitored in terms of aggregate. It is collected by sector. There is quite a range of information—

Senator CARR—So aggregate, by sector. But they are all retrospective, aren't they?

Mr Lowndes—Yes.

Senator CARR—You have no modelling, no sense of where this program is going to go?

Mr Lowndes—I would not say we have no sense of where it is going to go. I am saying we do not do a precise formal estimate. The tax expenditure statement does have forward estimates of all tax expenditures that go out a couple of years. So there is a sort of indicative costing in that process.

Senator CARR—But the minister can rely upon only Treasury if he wants information about the R&D program?

Mr Lowndes—No. As I have said, the department does have this information on the concession that I mentioned and Treasury do the forward costings. But, as I say, they do not do them without any input from us. So the minister can be given a lot of information on the R&D tax concession.

Senator CARR—Would you agree that Backing Australia's Ability contained some estimates about forward projections of estimates for the taxation offset program? Would you agree some figures were contained within those tables published for Backing Australia's Ability 2?

Ms Hartland—Yes, there were.

Senator CARR—Where do those figures come from?

Ms Hartland—They are Treasury figures.

Senator CARR—So they are entirely Treasury; you had no input into them whatsoever?

Ms Hartland—That is correct, they are Treasury figures.

Senator CARR—None whatsoever?

Ms Hartland—That is correct.

Senator CARR—So all the figures you have given me in answers to questions on notice rely entirely on Treasury?

Ms Hartland—Yes, that is correct.

Senator CARR—What do you do?

Mr Peel—We actually administer the registration process for the tax concession. So we are able to provide figures on the number of companies that register each year and the level of claim they are likely to make in the way of tax deductions. The actual tax concession, though, is managed by the tax office, of course, when companies put in their annual tax returns. So we certainly collect statistics on the number of companies registering each year, the break-up of those companies between the various elements of the concession and the amount of expenditure they are likely to claim as tax deductions.

Senator CARR—So you do do some forward projections?

Mr Peel—No, these are just collected from the registrations that we do each year. So they are contemporary information.

Senator CARR—Just bear with me. They register with you?

Mr Peel—That is right.

Senator CARR—You have an expectation of what they are going to spend because they obviously state that in their figures to you?

Mr Peel—What they are likely to claim, yes.

Senator CARR—You then make an estimate of what they are likely to claim based on what has already been spent?

Mr Peel—No, they register with us, they indicate to us what they are likely to be claiming in the particular year that they are registering for and we simply collate that information. What they actually claim when it comes around to putting in their tax return is a matter known only to the companies and the tax office, which is within the Treasury portfolio.

Senator CARR—So do you do any analysis of demand patterns for the next couple of years?

Mr Peel—Not in AusIndustry, no.

Senator CARR—Who does that?

Mr Peel—I think Treasury was the answer that you were given earlier.

Senator CARR—So you cannot advise the minister on the expected number of registered applications—whether it is likely to continue to rise or fall?

Mr Peel—We can look at trends over the past years and where it is headed, and at present it is headed upwards, but we do not do any forward projections for future years.

Senator CARR—Can we have a copy of that analysis that you have done? I take it you have done that?

Mr Peel—I can provide you with a list of figures of registrations and revenue.

Senator CARR—But you have done no analysis of the trends for the future?

Mr Peel—You can see the trend from the list of figures.

Senator CARR—You have done no analysis about what the future demand is likely to be?

Mr Peel—Not in AusIndustry. That is not our role.

Senator CARR—Are you aware there is some demand within industry circles to lift the taxation concession rates from 125 per cent to 150 per cent?

Mr Peel—Yes, I am aware of that.

Senator CARR—In the lead-up to Backing Australia's Ability 2, have you provided to government any advice about meeting that request?

Ms Hartland—An evaluation was carried out in mid-2003 which surveyed tax concession recipient firms. Seven hundred firms were involved with that. It was an assessment of the effectiveness, appropriateness and efficiency of the 125 per cent tax concession. The evaluation found that it was appropriate, that it was encouraging additional business investment; and that was the advice that was provided to the government.

Senator CARR—So you say at 125 per cent it meets this requirement. What would happen if you lifted it to 150 per cent?

Ms Hartland—It was evaluating the 125 per cent, so it was not looking at—

Senator CARR—So you have done no work at all on what would happen if you lifted the rate to 150 per cent?

Ms Hartland—No.

Senator CARR—The department has done no evaluations?

Ms Hartland—Not in the context of BAA 2.

Senator CARR—Did it do it in the context of anything else?

Ms Hartland—Certainly not in recent times.

Senator CARR—When was the last time you did have a look at it, if it was not in recent times?

Ms Hartland—I do not know whether the department has done any work on it. Certainly some work was done by the Industry Commission, I think going back a number of years, showing mixed results as to the benefit of the tax concession being at 150 per cent or 125 per cent.

Senator CARR—Can you give me a reference for that?

Ms Hartland—Sure. Work was done by Ralph Lattimore in 1997. He actually concluded there was more ‘bang for the buck’ from the 125 per cent than at the 150 per cent level. But we have not done specific work.

Senator CARR—So you have done no further work since that time. The revenue forgone estimates in BAA 1 were \$15 million, \$12 million, \$10 million and \$8 million. That is revenue forgone of around \$15 million in the first year, declining to \$8 million in 2005-06. Is that still your expectation?

Ms Hartland—They are the Treasury figures.

Senator CARR—You see no reason to change them?

Ms Hartland—We take the Treasury figures.

Senator CARR—When the earlier estimates were done it was \$15 million, \$12 million, \$10 million and \$8 million, and now it is down to \$15 million. Why is there such a gap between the two estimates in Backing Australia’s Ability 1 and 2?

Ms Hartland—I do not think I can answer that. I think you would have to refer it to Treasury.

Senator CARR—You had no input whatsoever into these calculations?

Ms Hartland—No. They are Treasury figures.

Senator CARR—The BAA 2 figures show revenue forgone of, if we go through from 2006, \$80 million, then \$70 million, then \$70 million, then \$80 million, then \$90 million out to 2010-11. How do we get to those figures?

Ms Hartland—Again, they are Treasury figures.

Senator CARR—And you just take them—whatever they give you?

Ms Hartland—We do.

Senator CARR—Why there might be such a variation does not pose any policy questions for the department?

Ms Hartland—There are discussions with Treasury about their modelling, but largely it is Treasury's determination as to what those figures are.

Senator CARR—I am looking at this chart—you know the chart I am talking about. The department was a cosignatory to this chart, was it not?

Ms Hartland—Yes.

Senator CARR—So I am talking to the right people?

Ms Hartland—Yes.

Senator CARR—That is all I want to know. When I look at the chart here, I see R&D tax concession F in the middle of the page under 'Research and development'. For the R&D tax concession there are two separate lines but the figures are aggregated. Do you see that? Would that be a fair conclusion to draw?

Ms Hartland—You are talking about the 390 figure?

Senator CARR—Yes, from 2006-07 to 2010-11. How do I get a breakdown of the different components of the R&D taxation programs? How do I know which one is revenue forgone from the tax concession of 125 per cent or 175 per cent or the tax offset?

Ms Hartland—I am sorry, you will have to ask Treasury. I do not think we actually have those breakdowns.

Senator CARR—You do not know either?

Ms Hartland—No, we do not have the breakdowns. Treasury have responsibility for them, and we have to accept their figures.

CHAIR—Would we find those sorts of figures in the tax expenditure statement published each year?

Ms Hartland—No, my understanding is that not all of those figures are broken down.

Senator CARR—Mr Peel, you administer this program. I understood you to be saying before—

Mr Peel—Yes, we register companies for the tax concession, that is correct.

Senator CARR—Mr Peel, how do we know what the revenue forgone from the three components I have just indicated costs?

Mr Peel—As I tried to explain, I can tell you how much companies are likely to claim on their tax returns. Converting that to revenue forgone depends on the tax circumstances of the individual companies. Only the tax office would have that information, and the tax office is part of the Treasury portfolio.

Ms Hartland—The figures that are there in gold were actually the estimates, the projections—so that was taken from just the BAA charts—and the total figure ended up being \$77 million.

Senator CARR—In BAA 1 you were able to disaggregate them. Why is it not disaggregated now in BAA 2?

Ms Kuschert—The breakdown between the 175 per cent and the offset used to be included in the TES—the tax expenditure statement. Treasury has recently moved to take out the offset numbers and to put them in tax office statements, and they are not broken down under the ATO statements.

Senator CARR—So they have changed their presentation?

Ms Kuschert—Yes.

Senator CARR—So you, frankly, do not know what it costs to run these programs; that would be right, wouldn't it? Mr Paterson, you do not actually know what each of these different components of the program costs?

Mr Paterson—Mr Peel has given you an answer to the question. We know what companies tell us they might claim. But a tax expenditure program like this depends upon the tax position of individual companies, and we do not have access to the tax position of individual companies. That is why it is a Treasury matter.

Senator CARR—Senator Campbell, I think they have covered their profound knowledge here. Did you have something else on those particular issues?

Senator GEORGE CAMPBELL—Not on this particular issue. I have some stuff on specific programs.

Senator CARR—In Budget Paper No. 1, section 3, page 319 it says there will be slower growth in new business investment. Why is that the case? What is the basis for that calculation?

Mr Lowndes—The basis for the slower growth is a slowdown in building and construction, and the chart breaks that up. The levels are still reasonably strong. As you can see, the figures in the current year are quite high and they have just come off a bit.

Senator CARR—So you again rely entirely on Treasury advice to you? I can read the table; appreciate that I do read that.

Mr Lowndes—Treasury do the economic forecasts for material that is in the budget paper.

Senator CARR—So you have no independent way of analysing the slowdown in new business in this?

Mr Lowndes—We have not chosen to do so. If we wanted to or chose to investigate the basis of these numbers, we probably could. But we are not involved in the budget estimates at all and, as I say, we have not done any analysis of them.

Senator CARR—What about in engineering construction? Do you see it as your role to be involved in compiling data on engineering construction?

Mr Lowndes—We have areas of the department that deal with building and non-residential construction, the building codes area and so forth. But we are not directly involved in data collection on investment.

Senator CARR—So would it be fair to say we do not have any analysis of that either?

Mr Lowndes—As I say, we are not involved in producing the budget forecasts.

Senator CARR—Do you undertake any analysis of the budget forecasts once they are given to you?

Mr Lowndes—We have a look at them in the sense that we do monitor economic developments. As I say, part of our role is to keep a broad overview on what is going on in the economy, so we do look at them and monitor them.

Senator CARR—Do you talk to industry about them?

Mr Lowndes—Not to industry, no.

Senator CARR—Do you talk to the industry about the building figures? In fact, do you talk to industry about any of this economic data?

Mr Lowndes—We do not go out and cross-check the Treasury estimates with industry, no.

Senator CARR—Doesn't this have any influence on policy development? Doesn't this give you a guide to what might be happening in the economy?

Mr Lowndes—It certainly does. Clearly it does give you an indication of the strength of business. As I say, the business investment forecast is quite strong and it does give you an idea of what is going on in the economy.

Senator CARR—What about elaborately transformed manufactures? Presumably that is something the department would be pretty interested in. That shows there is an improvement. I would have thought you would be very keen to talk to people about improvements. Has there been any discussion with industry about those figures?

Mr Lowndes—No.

Senator CARR—The budget paper says the recovery will 'be less than in previous recoveries, due to the loss of competitiveness of Australian goods'. Have you talked to anyone about that?

Mr Lowndes—No. As I have already said, we do not go out and talk to industry specifically on the budget. We do monitor developments in industry, including the impact. The talk about loss of competitiveness relates to the movements in the exchange rate. Clearly the movement in the exchange rate is now much higher than it has been previously, and that would be the basis for what Treasury is saying.

Senator CARR—But it is more than just a question of the dollar, isn't it? There is a question here about the level of R&D investment which goes to broader issues than the currency.

Mr Lowndes—R&D investment is growing quite strongly.

Senator CARR—I am just wondering whom you talk to about that, since we do no forecasts and it would appear we have no analysis. How do you advise government about the policy options that are available to government if this sort of basic work is not being undertaken?

Mr Lowndes—As I have said, the overall economic projections which are relevant to the overall policy stance are monitored and are relevant to the advice that we take. Business

investment in R&D has been growing quite strongly, overall business conditions are quite good, the surveys undertaken are all showing a fairly positive outlook, and the overall perspective feeds into the development of policy.

Senator CARR—What is the evidence that R&D investment in manufacturing is quite good?

Mr Lowndes—I think it has been growing in the last couple of years. I do not have the figures in front of me, but I will probably be able to look them up.

Senator CARR—It grew last year, didn't it? The BIRD figures grew last year. But what was the contribution percentage from manufacturing?

Mr Lowndes—I know it is around half. Someone here I think will have the exact figure.

Ms Hartland—Real R&D expenditure increased by five per cent to \$2.4 billion, and that is looking over a time frame of 10 years ending 2001-02.

Senator CARR—That is not your figure, is it? That is from the Treasury?

Ms Hartland—They are BIRD figures.

Senator CARR—Yes, they are BIRD figures.

Ms Hartland—Yes, that is right.

Senator CARR—I am interested to know how the industry department is able to advise government about the best way to improve R&D investment in industry. How do you do that?

Ms Hartland—We look at the BIRD figures, which we have just talked about. We look at the Treasury figures. We recently evaluated all of our programs. We look at the results of those programs. We certainly do individual surveys in individual sectors and bring all of that together to provide policy advice.

Senator CARR—What was the nature of the evaluation of your programs?

Ms Hartland—In terms of looking forward in the BAA 2 package, for example, we evaluated all of the programs that were—

Senator CARR—There was a review?

Ms Hartland—Yes, an evaluation of individual programs.

Senator CARR—It was an interdepartmental review, was it?

Ms Hartland—There were independent evaluations that were contracted by the department. I quoted the tax concession evaluation before, for example.

Senator CARR—What independent economic analysis did the department draw upon?

Ms Hartland—I do not think there was any independent economic analysis.

Senator CARR—What research capacity do you have to draw upon within the department to advise government?

Mr Lowndes—There is research in terms of the overall impact of R&D on economic growth in terms of getting right back to the basics. In that type of work we are able to draw on a lot of economic analysis and so forth that has been done in the Productivity Commission

and in the OECD. At the moment the ABS, at our instruction, is in the process of undertaking an innovation survey, which will be the first time that has been done comprehensively for a couple of years. We are also working closely with the Productivity Commission to look more closely at the links between R&D and economic growth in Australia rather than relying a lot on general econometric evidence.

As was pointed out earlier, there were a couple of new initiatives introduced in BAA 1, the incremental tax concession. I think it is referred to as the premium 175. That idea had come out of previous research reports that had been done by the BIE. I think the Productivity Commission had mentioned it. During the BAA 1 process the department was quite actively involved in the design and development of that particular initiative. So I think we are quite active overall. It happens on two levels. There is the actual broader economic impact, monitoring statistics and so forth, and there is also some work done on program design. The department has a number of programs that focus on R&D and innovation. As Mr Peel indicated, we are responsible for managing them and by and large we have been responsible for designing them.

Senator CARR—Last time I asked some questions about the free trade agreement, and again it was on this issue about advice to government. You indicated to me that no formal written advice had been provided to government on the free trade agreement. What assessments have been undertaken by the department and provided to DFAT about the impact on industry of the agreement?

Mr Lowndes—We talked about this before. Essentially the role we have played is to consult with industry, jointly with DFAT, to get assessments first hand as to the impact on industry of the free trade agreement. So it has been done in a consultative type manner. We do not have an economic model as such.

Senator CARR—So there was no economic modelling?

Mr Lowndes—Not from this department. You will be aware that there has been a major study by—

Senator CARR—Nothing from this department. Was there any written advice provided to DFAT?

Mr Lowndes—The vast majority of the communication we had with them was oral. As I mentioned before, we were involved in the negotiations. DFAT were present at the industry consultations. We did not adopt the model where we went and talked to industry and then went and spoke to DFAT. It was all done together.

Senator CARR—The vast majority of the advice to DFAT was oral. That presumably means that a minority was—

Mr Lowndes—I was speaking loosely. I cannot remember every single piece of advice. I am not aware of any formal written advice we provided them.

Senator CARR—I presume you would be in a position to know. When you say you do not recall, you are in a position to know whether any substantive work was provided?

Mr Lowndes—If we had written something that was very extensive, I would certainly know, yes.

Senator CARR—We are not talking about an email or catching up for coffee.

Mr Lowndes—Yes, I understand that.

Senator CARR—We are talking about a substantive piece of work from the department. Nothing. No modelling. You say there have been consultations with industry. Have they been formal?

Mr Lowndes—We have gone around the country with DFAT talking to industry.

Senator CARR—So they are with DFAT.

Mr Lowndes—Roundtable type discussions.

Senator CARR—Could I get a schedule of these roundtable discussions that you have held?

Mr Lowndes—Yes, I guess that would be possible.

Senator CARR—Thank you. Do you recall what sectors you had?

Mr Lowndes—Some of the discussions would have been general, as in a range of industry groups and organisations, but it was certainly the manufacturing of motor vehicles, textiles et cetera—the full range.

Senator CARR—So across all the industry sectors. Have you had meetings with everybody in every sector?

Mr Lowndes—I cannot guarantee that we met with every single person.

Senator CARR—No, not every person but every sector.

Mr Lowndes—I would think so, yes.

Senator CARR—So that will come up in the schedule, won't it?

Mr Lowndes—Yes. The schedule should be quite comprehensive.

Senator CARR—Did you provide to any of these meetings any formal advice as to the nature of the free trade agreement?

Mr Lowndes—Yes. As I say, I did not go to the meetings personally. The standard process is to indicate to industry just what the free trade agreement is all about and what sorts of things are being considered, so they have some basis to respond. There is certainly some scene setting.

Senator CARR—Would you call this promotional material?

Mr Lowndes—It varies in the sense that originally it is consultation. When you are forming your position on the agreement, you are consulting to get information and to get their views; you are not promoting it. Subsequent to the announcement in February that people were proceeding with it, there was an element of promotion in the activities.

Senator CARR—Can I have a copy of any of this promotional material that you have provided?

Mr Lowndes—Austrade were given some money in the budget to actively go out there.

Senator CARR—Has the industry department put any material out on the free trade agreement?

Mr Lowndes—No, I would not think so. We would have relied or worked with—

Senator CARR—Let's gets this straight—

Mr Lowndes—The material that DFAT provide is provided in consultation with us. We work with DFAT as a team rather than it being us and them.

Senator CARR—There is no formal advice to DFAT, no modelling, no separate material. So DFAT is running the show, isn't it?

Mr Lowndes—There is no written advice. We have talked to them. I have dealt with the chief negotiator on a number of occasions, as have my staff.

Senator CARR—I appreciate you talk to people. When I used the word 'formal', I understood that we were talking about written advice. I thought I asked the question specifically.

Mr Lowndes—The other point I would mention is that these agreements are ultimately matters for the government, and it is a government process beyond the department.

Senator CARR—I am just wondering what the industry department actually does. This is what I am troubled by so far in this exchange. What do you actually analyse?

Mr Lowndes—As I say, in this particular instance we have been involved in analysing and considering the impact on industry. We are also closely involved in the detail in terms of issues such as rules of origin and product standards.

Senator CARR—Let's turn to the free trade agreement with China that has been proposed. Have you done any work on that?

Mr Lowndes—There is a feasibility study proceeding. The model that is being adopted is quite similar to that done previously, in that Foreign Affairs and Trade are managing the process. We are going along to the consultations with them. So it is again being done jointly between the departments. We are actively involved.

Senator CARR—Have you provided any preliminary analysis of the industry sectors most likely to be affected?

Mr Lowndes—We have provided DFAT, because of the nature of this exercise, with a feasibility study, a bit of scoping just to give them a bit of an idea what impact it might have. So we have actually provided them with some material.

Senator CARR—That is a difference already. That is a big improvement. You did not provide scoping for the American agreement, did you?

Mr Lowndes—There is a difference between not doing it and not writing it down.

Senator CARR—Fair enough. Is this scoping for the proposed free trade agreement with China in writing?

Mr Lowndes—Yes.

Senator CARR—Can we have a copy? It can hardly be secret. It can hardly be confidential.

Mr Lowndes—I would have to check whether it is or not, but I can undertake to do that.

Senator CARR—Will you be taking a more active role in the negotiation process of this agreement than you did in the others?

Mr Lowndes—We took a very active role in the others. It depends on how this one pans out as to whether we have to be more or less active.

Senator CARR—I have the impression you are along for the ride. That is unfair, is it?

Mr Lowndes—Yes.

Senator CARR—It is just that you do not provide stuff in writing, you do not provide any independent modelling, you do not seem to be an active player other than being there at the meetings with DFAT.

Mr Lowndes—There is the process of going around consulting with industry and with DFAT and trying to work out the impact of the agreement. Getting on top of rules of origin is quite a complicated process. With the Thai FTA, we were closely involved in industry awareness as to how the arrangements would be administered on the Thai side. The department also has a role, given that these are government decisions, through our minister.

Senator CARR—So you have provided advice to the minister, have you?

Mr Lowndes—Of course, yes.

Senator CARR—Based on what?

Mr Lowndes—Based on the discussions we have had with industry and our analysis of them.

Senator CARR—So there have been formal meetings on an agreement with China?

Mr Lowndes—Formal meetings?

Senator CARR—Yes, with the industry.

Mr Lowndes—The consultation process on the feasibility arrangements has already started. Yes, there have been a number of meetings already.

Senator CARR—So there have been formal meetings with industry on a proposed agreement with China?

Mr Lowndes—A preliminary feasibility study is being undertaken to decide whether or not we should proceed with actually commencing negotiations.

Senator CARR—So there will be formal consultations with industry?

Mr Lowndes—There have been formal consultations in terms of looking at the feasibility. The process at the moment is a feasibility study on an FTA with China, and there have been formal consultations in that process.

Senator CARR—There have been?

Mr Lowndes—Yes.

Senator CARR—Can I have a schedule for those consultations?

Mr Lowndes—Yes. I do not have them with me.

Senator CARR—When did they take place?

Mr Lowndes—They took place I think about two weeks ago.

Senator CARR—How many have there been?

Mr Lowndes—There are three that I am aware of.

Senator CARR—So Sydney?

Mr Lowndes—Melbourne and Adelaide.

Senator CARR—Whom were they with?

Mr Lowndes—I do not have the list but, as I understand it, there was a very wide range of participation. The meetings were quite well attended.

Senator CARR—There were key industry organisations, were there?

Mr Lowndes—Yes.

Senator CARR—Employer organisations?

Mr Lowndes—Yes.

Senator CARR—Were any trade unions involved?

Mr Lowndes—As I say, I am not sure. I would have to check.

Senator CARR—Were any community groups involved?

Mr Lowndes—As I say, I did not go to any of the meetings myself, so I am not absolutely certain who attended.

Senator CARR—How long would it take to gather that information?

Mr Lowndes—I assume it would not take very long.

Senator CARR—Do you think we could get it tonight?

Mr Lowndes—We can try.

Senator CARR—I would appreciate that. What extra money did you seek in the budget for you to be able to play a more active role in this free trade agreement?

Mr Lowndes—In the government's budget, none.

Senator CARR—None whatsoever?

Mr Lowndes—The department has its own budget allocation process within its fixed amount. We may well need some more resources as part of that process. But, in terms of the actual government's budget, none.

Senator CARR—Did you seek any money for analysing the American free trade agreement?

Mr Lowndes—No.

Senator CARR—So this will all be done within existing resources?

Mr Lowndes—Yes. We have a trade policy section, and this is what they do.

Senator CARR—Mr Paterson, do you know when the last manufacturing ministers meeting was held?

Mr Paterson—No, I do not.

Senator CARR—I put it to you that it was in 1996. Can you confirm that? Can anyone here confirm that?

Mr Jones—I am speaking with a past hat on. The manufacturing ministers council meetings I think became industry ministers council meetings, and then industry and technology ministers council meetings. I am not sure when the last one was, but I think it was about 2001.

Senator CARR—That is under this broader title of technology and—

Mr Jones—Yes. The scope broadened as the portfolios in both the Commonwealth and the states changed.

Senator CARR—Who attended the meeting in 2001?

Senator Minchin—My recollection is that I did when I was industry minister for three years. My recollection is that I met once a year, I think, with my counterparts from the states.

Senator CARR—That was up until you changed portfolios?

Senator Minchin—Yes. I ceased being the industry minister in 2001.

Senator CARR—You do not recall closing down prior to that time?

Senator Minchin—No.

Senator CARR—That was the last one, 2001?

Mr Jones—To my knowledge, but I am not directly involved with them anymore.

Senator CARR—There was a meeting scheduled in March 2003, was there not?

Mr Jones—I am not sure of that.

Senator CARR—Can anyone here help me with that?

Mr Paterson—We will bring an officer across from the other side of the building. Do you want to go on?

Senator CARR—I might have to go to another issue. He is coming from next door, is he?

Mr Paterson—No, from the other side of the building.

Senator CARR—I will go to another issue and come back to the councils. The department has 15 existing regional offices; is that right, Mr Paterson?

Mr Peel—We have 14 regional offices around Australia.

Senator CARR—How do you choose the location for an office?

Mr Peel—The regional offices were put in place in 2001. At that time within AusIndustry we consulted with each of our state managers about where the best locations would be for those offices, and we determined them in consultation with our various state managers.

Senator CARR—Who makes the final decision about where a state office goes?

Mr Peel—The regional offices were announced as part of the Stronger Regions statement in August 2001. So ultimately I guess the government decided.

Senator CARR—So the minister.

Mr Peel—But really it was within the department that these decisions were taken.

Senator CARR—So the final decision on the location is the departmental secretary's decision, is it?

Mr Peel—At the particular time it was certainly signed off within the department other than within AusIndustry, and I would imagine that the secretary at that time would have been across the issue, yes.

Senator CARR—Let's just take a case in point. On budget night the minister announced there will now be a regional office in Gladstone. Why was Gladstone chosen?

Mr Peel—The department undertook an evaluation of the regional manager network and looked at how it performed and at where there might be gaps in the network. One of recommendations coming forward through that evaluation was that we have a regional office in Gladstone in Queensland.

Senator CARR—Could we get a copy of that evaluation?

Mr Peel—I will take that on notice.

Senator CARR—Thank you. What criteria are used for the evaluation?

Mr Peel—Essentially work demands, customer numbers—those sorts of criteria.

Senator CARR—There were bids, were there, from other regions?

Mr Peel—No, we did not do it that way. We went out and talked to the constituency in each of the regions and got advice as to how they felt our regional managers were going. We spoke to each of our state managers and regional managers about the coverage in their particular areas. There was not a bidding process.

Senator CARR—Who was the constituency that you spoke to in Gladstone?

Mr Peel—In the consultations we spoke to customers of AusIndustry that we had had through each of our regional offices, regional partners, which included Commonwealth agencies, state and local government, business and community groups, and so on.

Senator CARR—When will the Gladstone office be operational?

Mr Peel—We are likely to advertise in the next couple of months. So I would imagine it would be set up within the next three or four months.

Senator CARR—Before the election?

Mr Peel—That is not a consideration and I do not know when the election is going to be, so I cannot answer that question.

Senator CARR—Additional officers are going to be placed as additional regional customer service managers; is that right?

Mr Peel—We are going to have some additional staff in some of our existing offices as well, yes.

Senator CARR—Where will they be located?

Mr Peel—They will be located at the Gold Coast, Newcastle, Darwin and Townsville.

Senator CARR—Why is it that there is such a strong correlation between the location of these regional offices and marginal seats?

Mr Peel—I did not realise there was.

Senator CARR—It has not struck you?

Mr Peel—No. It is not a consideration that crosses my mind.

Senator CARR—It is just a coincidence?

Mr Peel—Yes.

Senator CARR—I can understand how that happens. You say you made the decision to locate them, not the minister; is that right?

Mr Peel—The proposal as to where they should be located was the department's, and the department's proposal was adopted.

Senator CARR—Can I turn to another issue, and that is the engagement of John Howard, a consultant to the CRC program. Do you have someone who can help me with that? Do you have the file on that one ready?

Ms Hartland—A file?

Senator CARR—Yes. There will be a few notes for you, won't there? There will be a brief for you there?

Ms Hartland—I have just the figure.

Senator CARR—When was John Howard appointed?

Ms Hartland—Can you just clarify what consultancy you are talking about?

Senator CARR—I am told that he was engaged by your department to spread the word to industry about the current CRC selection round. Is that right?

Ms Hartland—There was a consultancy undertaken by Howard Partners. I do not know exactly when he was contracted, but they reported in February.

Senator CARR—So he did a review for DEST last year. That is the same John Howard who did the review for the CRC program?

Ms Hartland—That is correct. We were not involved in that particular evaluation.

Senator CARR—I accept that. I take it you would have made representations to the review?

Ms Hartland—Yes.

Senator CARR—It is not an unreasonable thing to do. I hope you did.

Ms Hartland—Yes, we did.

Senator CARR—The bloke who did the review for the CRC program which led to the change in the guidelines in December gets a job in your department in February; that is basically what has happened, isn't it?

Ms Hartland—Because he had been involved in the evaluation and had that knowledge, he was involved in then doing some work about industry awareness of the changes to the CRC program.

Senator CARR—What was the process for the selection of this particular consultant?

Ms Hartland—It was a direct engagement related to the fact that he had actually done that previous work, so had done that evaluation. It was directly related to that.

Senator CARR—How much was the consultancy for?

Ms Hartland—\$18,472.

Senator CARR—For how long is the consultancy to run?

Ms Hartland—I do not have here the exact number of days that he was working on that. I can get that for you.

Senator CARR—He has finished, has he?

Ms Hartland—Yes. It was a short consultancy.

Senator CARR—I suppose \$18,000 does not get you much in the way of consultancy, does it?

Ms Hartland—I would have to check on the number of days he was involved with it.

Senator CARR—It was an open tender, was it?

Ms Hartland—No, it was a direct engagement because—

Senator CARR—That is what 'direct engagement' means?

Ms Hartland—That is right.

Senator CARR—It means a selected, closed tender?

Ms Hartland—Yes. It was seen as a follow-up to the work that he had done on the evaluation.

Senator CARR—It was not advertised?

Ms Hartland—No, that is right.

Senator CARR—Who approached him to do the work?

Ms Hartland—It was not me directly, but it would have been someone in the industry policy area. I would have to check exactly whom it was.

Senator CARR—Ms Hartland, did it occur to you that it was a good idea or did it just happen?

Ms Hartland—Sorry, Senator?

Senator CARR—Who initiated this appointment?

Ms Hartland—It was a result of discussions in the Industry Policy Branch to look at whether there was good awareness of the changes to the program. It involved discussions with industry stakeholders.

Senator CARR—Were there any concerns expressed to the department about this appointment?

Ms Hartland—About the appointment?

Senator CARR—Yes.

Ms Hartland—Not that I am aware of.

Senator CARR—Are you sure?

Ms Hartland—I have nothing to indicate—

Senator CARR—Are you sure a senior officer of the Department of Education, Science and Training did not raise with you any concerns about this appointment?

Ms Hartland—Not with me, no.

Senator CARR—I do not want to personalise this, but with the department? I presume it is your section, so with anyone in your section?

Ms Hartland—Nothing has been raised with me about it.

Senator CARR—No, I am asking for your section. Has anyone within the department had raised with them the question of Mr Howard's appointment?

Ms Hartland—Nothing has been raised with me on it through my people.

Senator CARR—We have been through this three times. I am asking you: has the department been advised of any concerns about the appointment of this consultant?

Ms Hartland—I would have to take it on notice and ask more broadly.

Senator CARR—I think you will find there is probably something in writing. I would check your records carefully on that one.

Ms Hartland—Okay.

Senator CARR—In the process of his appointment did you consider the fact that, as he was the author of the government report and the person who was clearly behind the change of the guidelines, there might be some issues raised about his capacity to actually spread the word to industry about this program?

Ms Hartland—The CRC issue more broadly and the changes in the guidelines would have to be directed to the DEST portfolio. But it was not Howard Partners' decision to make any changes to the program. The reason that he was appointed to do this piece of work was that he had then an intimate knowledge of the CRC program. We wanted to ensure that industry was aware of the sorts of changes that had been made to the program.

Senator CARR—Would it be of concern to you to know that one of the CRCs actually bidding for money had on its web site as the contact person for the consultant and adviser the same Mr John Hamilton Howard?

Ms Hartland—We were aware and he made us aware of that potential conflict. I also understand that that particular CRC application did not get up, did not go anywhere.

Senator CARR—So you are saying they did their dough as well?

Ms Hartland—I did not say that. I am just providing the facts.

Senator CARR—What was that CRC?

Ms Hartland—I do not know.

Senator CARR—You do not know?

Ms Hartland—No. I will have to have a look.

Senator CARR—Can you take that on notice and make sure we have the same one?

Ms Hartland—Yes, I can.

Senator CARR—Do you think that is consistent with your guidelines, that he should be employed as a departmental consultant while advising an applicant for money?

Ms Hartland—The link was, as I have said, because he had undertaken the evaluation and so understood the program well. It was an ongoing piece of work then. We were aware, and he let us know and others know, that he was initially involved with a CRC, but it was one that did not go forward.

Senator CARR—When you were advised that your consultant was in fact an adviser and consultant to a person who had placed an expression of interest for the same program, what action did you take?

Ms Hartland—He in fact let us know of that. We then ensured that anyone he was talking to was aware of that as well.

Senator CARR—You did not terminate the consultancy?

Ms Hartland—No. It was a fairly short, sharp consultancy. It seemed to be sensible to actually use someone who, as I said, had been intimately involved in terms of knowing the program well.

Senator CARR—I have seen emails from Mr Howard where he indicated that there was considerable confusion about the last round of CRCs. The time frames were short, the knowledge of the change in the guidelines was extremely limited, and there has been this major kerfuffle now about the number of CRCs that have had their funding applications rejected. Do you regard it as being a successful consultancy?

Ms Hartland—It provided us with information that we then acted upon so that people were aware of the changes to the program; so, yes, in the sense that it has provided increased awareness.

Mr Paterson—Senator, we can respond to your question in relation to the ministerial council.

Senator CARR—I would appreciate it if you could, please.

Mr Pettifer—I understand you were asking about when the last manufacturing ministers meeting was.

Senator CARR—Yes.

Mr Pettifer—The last industry ministers meeting which covers manufacturing was in April 2001.

Senator CARR—Was there a meeting scheduled for 2003?

Mr Pettifer—I do not know whether you would say a meeting was scheduled. We were certainly thinking about having a meeting in 2003. We talked to the states and territories about what might be on the agenda for that meeting, but decided on balance that it was not worthwhile holding. The meeting in 2001 was an important meeting because it enabled state and territory ministers to sign off on a new Commonwealth-state Australian industry participation framework.

Senator CARR—There was a different minister then too. Would it be fair to say there has been a change in attitude since the change of minister?

Mr Pettifer—I do not think that would be fair. At the senior officials level we talk to the states and territories regularly. In fact we had a senior officials meeting about six or eight weeks ago and used that to talk about whether we thought there would be value in having a Commonwealth-state industry ministers meeting.

Senator CARR—Did you receive an invitation to the one on 19 May?

Mr Pettifer—The one on 19 May?

Senator CARR—This year.

Mr Pettifer—I did not receive an invitation.

Senator CARR—Did the department?

Mr Pettifer—No, I have not seen an invitation to that.

Senator CARR—Has the minister?

Mr Pettifer—The minister may have, but I have not in the department seen such an invitation.

Senator CARR—You have no knowledge as to why the minister declined to attend?

Mr Pettifer—No, I do not.

Senator CARR—Are you not aware that the meeting was scheduled on 19 May?

Mr Pettifer—I am aware that there was a meeting because I have read about it in a press release.

Senator CARR—That I put out, yes.

Mr Pettifer—That is right.

Senator CARR—You never received an agenda?

Mr Pettifer—No.

Senator CARR—The department did not receive an agenda?

Mr Pettifer—I did not receive an agenda, and I look after the relevant area.

Senator CARR—Did the department receive an agenda?

Mr Pettifer—Not that I am aware of.

Senator CARR—You had no discussions with officers of the Victorian department, who were the sponsors of the meeting?

Mr Pettifer—No.

Senator CARR—There was no advice tendered to you by the minister's office about discussions between the Victorian minister's office and the Commonwealth minister's office?

Mr Pettifer—No.

Senator CARR—Have you had an opportunity to read the communique that was issued from that meeting that occurred on 19 May which you appear not to have known anything about?

Mr Pettifer—I have read several documents. I think one of them may have been the communique, if it was a page or so.

Senator CARR—It was longer than a page. You have not had a response? You have not provided the minister with any response to the communique?

Mr Pettifer—No.

Senator CARR—Your advice has not been sought?

Mr Pettifer—No.

Senator CARR—When is the next ministers meeting scheduled?

Mr Pettifer—There is not a meeting scheduled. As I say, at the senior officials meeting six or eight weeks ago we did talk about whether there would be value in having a ministerial meeting, and we thought at this stage there would be limited value in doing so.

Senator CARR—So there is no value in the process. Why is that?

Mr Pettifer—I did not say no value. I said limited value in doing so. It would have amounted pretty much to an exchange of information which can be done in other ways.

Senator CARR—What other ways?

Mr Pettifer—We do it through officials levels, and of course our minister does engage with other Commonwealth and state ministers in various ways.

Senator CARR—How does he engage if there are no ministerial meetings as such? Is it one-on-one sort of stuff? Personal contacts?

Mr Pettifer—There are issues that come up from time to time that mean there is Commonwealth-state engagement.

Senator CARR—That communique, which I trust someone will give you sooner or later, addressed a number of national issues. You do not think there is value in discussing those?

Mr Pettifer—Which particular issues are you referring to?

Senator CARR—R&D, for instance, the ones we have just discussed now; free trade agreements. Did you not canvass those questions at your senior officers meeting?

Mr Pettifer—We certainly talked about the free trade agreement and the attitude of the states and territories to the government purchasing arrangements in that agreement.

Senator CARR—So if you had known about the meeting on 19 May you would not have gone anyway?

Mr Pettifer—That is an academic question. I cannot answer that.

Senator CARR—But six weeks ago you had a senior officers meeting—

Mr Pettifer—If I had been invited to a meeting dealing with manufacturing industry policy issues, I would have considered it very seriously.

Senator CARR—It is put to me that you were invited through your minister's office, and it appears that the invitation was not passed on to you.

Mr Pettifer—That may have been. I was not aware that that meeting was going to take place.

Senator CARR—All the other state and territory representatives were there. There was some form of communication. It is apparent to me that this was not a secret meeting.

Mr Pettifer—I cannot comment on why the communication, if there was communication, broke down.

Mr Paterson—It is worth making the point that there are a variety of ministerial council meetings that cover a range of the issues that we deal with in the portfolio—small business, tourism, resources, biotechnology. Those ministerial meetings invariably are held where there are decisions that need to be taken by ministers. It does seem strange that a senior officials meeting six or eight weeks ago decided that there was no need to have an industry ministers meeting and that there was then apparently one on 19 May. Senior officials certainly did not raise it six or eight weeks ago.

Senator CARR—The same senior officials were at both meetings, it would appear.

Mr Pettifer—I do not know who attended the meeting that you are referring to, but they were the key officials dealing with industry issues in their relevant departments.

Senator CARR—There were questions about innovation, R&D incentives, Backing Australia's Ability 2, exports, the industry capability network, training and skill shortages, and there was of course the question of future meetings, all of which I thought were worthy of discussion and I am surprised that the Commonwealth did not.

Mr Pettifer—Just to reiterate, we actually convened a Commonwealth-state senior officials meeting in Canberra. I do not have the date exactly in my head, but it was about eight weeks ago. It was well attended. The officials thought the meeting was worth while. It was a good exchange of information.

Senator CARR—Thank you.

Senator GEORGE CAMPBELL—I have a couple of general questions. Stop me if they have already been asked by Senator Carr, because I missed the early part of the proceedings. Mr Peel, at the last estimates hearing you informed me that AusIndustry would be introducing a corporate reporting system that would allow you to gather data from across the various

programs regarding companies or enterprises accessing multiple programs. I think you went on to say that the system would start generating reports in May. Has that occurred?

Mr Peel—It is nearly there. I think probably June now will be the time that it will be ready. We have got it up and running for a number of our programs, but we still have to load a number of programs into the system. So we have the software working. We just need to get a few more programs translated into the system. I think the end of June is now the date that we are looking at for that.

Senator GEORGE CAMPBELL—Is this material going to be available on your web site?

Mr Peel—We had not thought of that. We just had it as an internal reporting tool at this stage. But there is no reason why, if there was a need to publicise this sort of information and it was permissible under the rules of the particular program, we could not do that.

Senator GEORGE CAMPBELL—How does someone like me access the information outside of the estimates process, or do I have to wait until November to find out who is accessing multiple programs?

Mr Peel—I could undertake to talk to you about that.

Senator GEORGE CAMPBELL—Will you be generating this on a monthly basis or quarterly basis?

Mr Peel—Probably a quarterly basis.

Senator GEORGE CAMPBELL—I would be happy to talk to you because I am interested in the information. It does not worry me so much if the companies are identified, but I am interested about—

Mr Peel—As you would appreciate, Senator, for some of the programs like, for example, the tax concession we cannot give out the name of the company; we can give only aggregate information.

Senator GEORGE CAMPBELL—I understand that.

Mr Peel—There is a bit of that involved in it.

Senator GEORGE CAMPBELL—I am particularly interested to see not so much what companies but what multiple programs companies are accessing, so where the linkages are between the programs. The identity of the actual company does not worry me greatly at this point in time.

Mr Peel—Once the system is a bit more developed, I would be happy to talk to you about that.

Senator GEORGE CAMPBELL—Fine. I would also like to follow up your attempts to construct the database with the Commonwealth and state industry assistance programs. Where is that up to?

Mr Peel—I think I mentioned last time that it was there for the Commonwealth and we had distributed that information reasonably widely. The state and territories are still not responding as well as we would have liked them to to the information that we have asked for.

We have requested content, I am told, from 30 agencies and have received replies from only eight so far. We are putting that information together anyway and hope to have that combined with the Commonwealth information in the next few weeks. But we are having a bit of trouble getting some of the information out of the states and territories.

Senator GEORGE CAMPBELL—So it is still pretty slow progress?

Mr Peel—Yes.

Senator GEORGE CAMPBELL—I have a couple of general questions relating to Backing Australia's Ability. I am happy to deal with them under outcome 2 if you think that is more appropriate. It specifically goes to funding, Mr Paterson. I am looking for a breakdown of Backing Australia's Ability 1 from its inception to the point where it is superseded by BAA 2, and that is a breakdown of the amounts initially budgeted for each financial year of a package's life and done on a program-by-program basis.

Ms Hartland—Just to clarify, it is different from the information that was provided as part of the Backing Australia's Ability 2 announcement where all of those numbers of BAA 1 and BAA 2, if you like, were set out? They are done program by program.

Senator GEORGE CAMPBELL—I have not seen that. I have been away and I am relying on my staff. I asked whether the information was available and they said no.

Mr Peel—We can have a go and see if we can find what you are after.

Senator GEORGE CAMPBELL—The second thing I am after is what moneys were actually spent in each financial year. So, as well as the budgeted amounts, I am after what moneys were actually spent on each of the programs by financial year up to the point that it is superseded by BAA 2. From a quick look at this, this does not give the actuals, does it?

Ms Hartland—That is right. This will not have any reprofiling, for example, in that. You are wanting the actuals for BAA 1; is that correct?

Senator GEORGE CAMPBELL—Can you take that question on notice, about what the actuals were for each of those years?

Ms Hartland—Yes.

Senator GEORGE CAMPBELL—A simple question, Mr Jones: can you provide us with a list of all the current projects that have received funding on the strategic investment coordination scheme, what is the status of each of the projects and how much money has each project received from the Commonwealth?

Mr Jones—I can easily answer the first two parts of that question. Since the inception of the scheme, the projects that have received funding are the Visy pulp and paper mill, the Syntroleum gas to liquids process and facility, the IBM e-business innovation centre, the Holden V6 engine plant, the Asia-Pacific Space Centre space launch facility, the Comalco alumina refinery, Methanex's methanol plant, the Hismelt direct reduction plant, and GTL Resources methanol plant.

The Syntroleum plant and the Methanex plant have been abandoned. The Visy pulp and paper mill, the IBM innovation centre and the Holden engine plant have been commissioned and are fully operating. The Comalco alumina refinery and the Hismelt direct iron reduction

plant are under construction. The space launch facility and the GTL Resources plant are still in the process of finalising the agreements they would need to go forward.

Senator GEORGE CAMPBELL—And the third part of my question?

Mr Jones—You want the money that has actually been paid?

Senator GEORGE CAMPBELL—The money that has been expended in each project.

Mr Jones—That is a little more complicated.

Senator CARR—If you tabled that chart, it would probably save us a lot of time.

Mr Jones—It does not answer the last part of the question. I am happy to table the piece of paper I have in front of me; that is not a problem. My understanding is that the Visy plant has been paid all of the \$36.05 million that was owing to it. Syntroleum were in the process of getting the money back.

Senator GEORGE CAMPBELL—I will be visiting you later about that.

Mr Jones—My understanding is that IBM have been paid their full \$3.216 million. Holden have been paid their full \$12.5 million. APSC have been paid none of the portion of the incentive that was going to APSC, although some money has been spent on the multi-user infrastructure for Christmas Island.

Senator GEORGE CAMPBELL—That has not changed from our last discussion about that at the last estimates, has it?

Mr Jones—The status of that has not changed. No money has gone to APSC, no. In relation to the Comalco alumina refinery, I would have to take advice on precisely how much money has gone to Comalco so far. The relevant officers have just arrived in the room. We have got all of the money back from Methanex. I would have to take some advice on exactly how much money has gone to Hismelt so far. No money has gone to GTL Resources yet. So the two I am not sure about are how much money has gone to Comalco and Methanex, and Mr Hartwell could probably answer that.

Mr Hartwell—I am sorry, Senator; I was out of the room. I understand that there is a question in relation to how much money has been paid so far to Comalco and Hismelt. At this point in time there has not been a payment to Hismelt but we are expecting to make a payment some time this fiscal year. In terms of the Comalco alumina refinery there have been two payments. The exact amounts are \$45.6 million and \$45.7 million.

Senator GEORGE CAMPBELL—That is out of a total of \$130 million?

Mr Jones—Out of a total of \$137 million.

Senator GEORGE CAMPBELL—There are two payments; when is the last payment due?

Mr Lloyd—The third payment of \$45.7 million is due in July 2004.

Senator GEORGE CAMPBELL—And that is the completion date?

Mr Lloyd—Yes.

Senator GEORGE CAMPBELL—And the Hismelt payment is due when, Mr Hartwell?

Mr Hartwell—With respect to the Hismelt payment, when I said this fiscal year, I was referring to the 2004-05 fiscal year. We have not made a payment. We expect to make a payment depending on certain milestones being met.

Senator GEORGE CAMPBELL—When is the first milestone due?

Mr Hartwell—Basically there are a number of milestones but one of the milestones involves the signing of a licence agreement with a similar company in China and we understand discussions have proceeded to the point where there is a possibility that those arrangements will be finalised some time during 2004-05 and we may then, provided all the requirements in relation to the contractual arrangements are met, make a payment.

Senator GEORGE CAMPBELL—Mr Paterson, are you aware of an article that appeared in the *Financial Review* on 24 May headed ‘Public service fee bonanza for lawyers’?

Mr Paterson—I am not conscious of it.

Senator GEORGE CAMPBELL—That article states that your department spent almost \$4 million on external lawyers which represented a 13.7 per cent increase from the previous year. Are you able to tell us what accounted for the climb?

Mr Paterson—Mr Philip Noonan, the head of the corporate division, is on his way; he will be able to respond to that question.

Senator CARR—While we are waiting, can I follow up those questions about the strategic initiatives coordinator grants and, in particular, the space centre—the APSC. Has there been any progress made on the project itself since our February meeting? Has there been any work done on the cosmodrome, as it is called, I am told, in some quarters?

Mr Pettifer—No. We understand that the project proponent, APSC, is still seeking a commercial financier for the project.

Senator CARR—How much money are they looking for?

Mr Pettifer—I just need to take advice on this. The total cost of the project would be about \$800 million.

Senator CARR—How much money is APSC seeking—\$800 million?

Mr Pettifer—Yes.

Senator CARR—Have they spent \$800 million?

Mr Pettifer—Sorry, no they have not—

Senator CARR—To build their launch site? I presume that, for that \$800 million, you are talking about the joint use facilities as well, are you, or is the \$800 million just for the launch site?

Mr Pettifer—It is a launch site that APSC is going to build.

Senator CARR—How much money is required to get that launch site up and running?

Mr Pettifer—That is the figure I gave you.

Senator CARR—\$800 million?

Mr Pettifer—Yes.

Senator CARR—Of which the Commonwealth is providing—

Mr Pettifer—I should be clear up front and say that the Commonwealth has not provided any money towards that project yet, other than some funding for infrastructure. But the government has said that it will provide \$100 million for common user infrastructure on Christmas Island and for the spaceport itself.

Senator CARR—But the \$800 million refers just to the launch site—is that right?

Mr Pettifer—Yes.

Senator CARR—So only half of the \$100 million, or a smaller percentage of that, will go towards the launch site?

Mr Pettifer—Some of the \$100 million is to upgrade the port and put in a new road and a new airport.

Senator CARR—Yes, so it is about 70-30, from memory—is that right?

Mr Lawson—It is about \$68 million for that.

Senator CARR—That is 68-32. No money has been spent by the Commonwealth, so APSC has to raise the better part of \$800 million—is that right?

Mr Lawson—Yes.

Senator CARR—Of which they have raised?

Mr Pettifer—We have not had a read-out in the last few months. We have requested an update from them by June.

Senator CARR—That is tomorrow—is that right?

Mr Pettifer—We will find out from them how they are travelling.

Senator CARR—Is that right?

Mr Lawson—I wrote to them in September last year requesting a further interim report by June 2004.

Senator CARR—What day in June?

Mr Lawson—I said June 2004; I did not make a date.

Senator CARR—So they have 30 days?

Mr Lawson—Yes, if they are unable to provide—it is an interim report—the so-called reports that are required when they meet the deadlines.

Senator CARR—It is correct, is it not, that you cannot renegotiate? You cannot get out of this strategic investment coordinated grant offer until December this year—is that right?

Mr Pettifer—No, that is not right. The proponent has until December 2005 to construct the project under the current deed arrangements. As I think I said last time around, it would be up to the government to extend that time frame if it wanted to. Or at that point it might say, 'The project doesn't look like it's going to happen.'

Senator CARR—So the government is locked in until December 2005?

Mr Pettifer—Yes. That would be our assessment of the deal.

Senator CARR—Despite the fact that no work is being done?

Mr Pettifer—There has been no work done explicitly on the spaceport but there has been some work done on Christmas Island.

Senator CARR—When was the last time work was done on the spaceport?

Mr Pettifer—As I have said, the project proponent needs to achieve financial closure for this project, which is one of the key conditions. There are a number of other requirements for this project to go ahead as far as the regulatory approvals processes are concerned. Efforts are continuing down that track. The question of when work was actually done on Christmas Island I think is a bit further on than we are at at this point in time.

Senator CARR—But you can answer the question: when was the last time work was done on this project on Christmas Island?

Mr Pettifer—I cannot, because DOTARS looks after the common use infrastructure elements and they would have to answer that particular question. There has been some work done on the port and those sorts of things, but in relation to the project itself—

Senator CARR—There has been some work done on the joint infrastructure but no work has been done on the spaceport for some time. That would be right?

Mr Lawson—Yes.

Senator CARR—When I say ‘some time’, was it a year, two years? How long?

Mr Pettifer—To come back to the point, I think the work that is being done is the project proponent seeking a commercial financier for the project. That is the nature of the work—and getting necessary regulatory approvals.

Senator CARR—What milestones have been met in regard to the regulatory approvals? Has there been any change from February?

Mr Lawson—There has been no progress since February with regard to the regulatory approvals.

Senator CARR—Have any applications been made?

Mr Lawson—No application has been made for a space licence.

Senator CARR—Any progress with the Russian government?

Mr Lawson—The Duma ratified the IGA, the intergovernmental agreement, in April this year. We understand the Russian upper house also ratified that agreement. That was a precursor—

Senator CARR—It is a council, just for the record.

Mr Lawson—It was described to me as the upper house.

Senator CARR—It has gone through both of the chambers of the Russian parliament?

Mr Lawson—Correct.

Senator CARR—What other requirements are there likely to be from the Russians?

Mr Lawson—As we spoke last time, we had had a meeting with the Russians in December last year, where we made some progress on negotiating a technology safeguards agreement and a technology recognition MOU. Since that time our minister has written to the new Minister for Industry and Energy in Russia—you might have noted that there was a restructure of the Russian cabinet.

Senator CARR—It was either following their election or just before their election.

Mr Lawson—So there was a new minister and we have not yet had a reply to those letters.

Senator CARR—That is a safeguards agreement. Are there any other international requirements?

Mr Pettifer—There was the technical recognition memorandum of understanding. As I mentioned last time, we have agreement to the text of that from the Russian government but it is not yet signed.

Senator CARR—When do you anticipate that it will be signed?

Mr Pettifer—Not before we have resolved issues surrounding the technology safeguards agreement, I would think. They will want to do it as a job lot.

Senator CARR—So basically nothing is happening? You got a piece of legislation through the Russian parliament, dependent on two other agreements for which nothing is happening?

Mr Pettifer—What has happened is what Mr Lawson has outlined.

Senator CARR—You sent a letter and you have not received a reply.

Mr Pettifer—Before sending the letter we tried to consolidate into one text where we thought we got to with the Russians last December when we were negotiating on the technology safeguards agreement. We made some progress, but there are a number of outstanding issues, and they are quite difficult issues. We prepared a consolidated text and that text was sent back to the Russian government with a covering letter from our minister. We are still waiting for a reply to that letter.

ACTING CHAIR (Senator Fifield)—Is it the wish of the committee that the list of strategic investment projects be tabled?

Senator CARR—Yes. Are you aware that the major projects unit at DOFA visited Christmas Island at Easter?

Mr Pettifer—I am not aware of it.

Senator CARR—They do not tell you?

Senator Minchin—I think you are referring to the responsibility that DOFA now has for the construction of the immigration and detention centre.

Senator CARR—They were not looking at these other projects on Christmas Island?

Senator Minchin—Not that I am aware of.

Senator CARR—You were actually there, weren't you, Minister?

Senator Minchin—I visited Christmas Island whenever it was, March or April.

Senator CARR—Easter time, I thought.

Senator Minchin—That was in relation to the announcement of the granting of the early works contract for the immigration and detention centre there.

Senator CARR—There has been no assessment by DOFA as to progress on the strategic investment coordinated grant?

Senator Minchin—No, the visit had nothing to do with that.

Senator CARR—Is the department aware of any other moneys owed by the Commonwealth to APSC or any associated companies?

Mr Pettifer—I am not aware of any moneys that are so owed.

Senator CARR—Is the department aware of any association between APSC and any of the companies undertaking work on the joint infrastructure projects?

Mr Lawson—These are matters for DOTARS, but I have been advised by them that none of the payments that they made for the common user infrastructure relate to APSC or its affiliated companies.

Senator CARR—Thank you very much. That concludes my questions on that matter.

Senator GEORGE CAMPBELL—Is Mr Noonan here yet? Where have they got you billeted? At the embassy or something?

Senator CARR—There are officers here who can handle the AMC grant. Did the AMC project meet the strategic investment coordinator criteria?

Mr Jones—No.

Senator CARR—Who made the decision to support the loan?

Mr Hartwell—The government at that time made the decision.

Senator CARR—When was the loan approval granted?

Mr Hartwell—It was a guarantee to the ANZ bank, and it was in 2001.

Senator CARR—What was the process used to evaluate the AMC loan?

Mr Jones—If you mean the process for evaluating whether or not AMC should be provided with a loan guarantee, the process was essentially similar to a strategic investment coordination assessment. We looked at very much the same type of information about the strategic benefits of the project, the effect on other Australian industries, whether it meshed with Australia's comparative advantages and so forth.

Senator CARR—It is not listed here amongst these projects.

Mr Jones—As I said, it did not meet the SIC criteria and therefore it will not be listed as a strategic investment coordination project.

Senator CARR—So how do you describe the loan that was offered to AMC?

Mr Jones—There was a loan guarantee provided to AMC.

Senator CARR—Under what program was that granted? What was the source of money?

Mr Jones—There was no specific program. It is open to the government at any time to support projects.

Senator CARR—I see, so it was just a Cabinet decision.

Mr Jones—That is correct.

Senator CARR—I read on page 241 of *Budget Paper No. 2*, and also on page 73 of the PBS, table 3.7, and again on page 80, about a reference to a decision to finalise involvement in AMC. What does the word ‘finalise’ mean?

Mr Hartwell—That is correct. On 24 March this year, the Australian and Queensland government ministers advised AMC of their intent to exit the project. In a sense this involved the release of government securities over AMC and the extinguishment of debts owed, while allowing AMC some funds to continue business.

Senator CARR—The Commonwealth loss here is \$90 million. Is that right?

Mr Hartwell—The figure of \$90 million refers to an expense in the 2003-04 budget. While there will be no payment, it is to meet what is expected to be the guarantee to ANZ, which can be called upon in 2005-06.

Senator CARR—In 2005-06 there will be a requirement to pay ANZ \$90 million. Is that right?

Mr Hartwell—The precise figure will depend on the interest and such forth but, yes, it is expected to be around that amount.

Senator CARR—So this would be a loss for the Commonwealth budget of \$90 million?

Mr Hartwell—That is correct.

Senator CARR—Could it be more?

Mr Hartwell—Probably not. Our best guess at the moment is around that figure. That has to be offset against the fact that a number of assets which are not central to the ongoing business of AMC have been returned to the Queensland and Australian governments. They include an amount in escrow of approximately \$40 million and a number of other assets which are not central to the ongoing business plan of AMC. We would expect the Commonwealth’s share of those assets to be somewhere between \$25 million and \$30 million, so the loss of \$90 million has to be offset by that amount.

Senator CARR—What do you think the total Commonwealth government exposure to the AMC project will be?

Mr Hartwell—As I have just indicated, it would be \$90 million less the \$25 million to \$35 million that we may get back via escrow and realisation of assets. You are looking at around \$55 million to \$60 million.

Senator CARR—You do not know about the figure on the realisation of assets, do you?

Mr Hartwell—No, because that will depend on what we can realise some of the assets for.

Senator CARR—Your best guess?

Mr Hartwell—It is pretty precise in that sense.

Senator CARR—The exposure by the government is in that \$55 million to \$60 million range. How much is it by the industry department? Are they one and the same?

Mr Hartwell—They are one and the same. I am not sure we are making that distinction.

Senator CARR—Are you aware of any other commitments to AMC entered into by the Commonwealth?

Mr Hartwell—The only other arrangement between Commonwealth agencies and AMC is the technology licence agreement between CSIRO and AMC.

Senator CARR—What is the value of that?

Mr Hartwell—That is best handled by that portfolio.

Senator CARR—I know that and I asked them. I see in the budget papers there is a multimillion dollar exposure from CSIRO, and they say that you are guaranteeing that.

Mr Hartwell—I think they would be referring only to the ANZ loan guarantee that I have just mentioned. They have a technology license agreement that they entered into with AMC which we are not a part of in this portfolio.

Senator CARR—There is no cost to the Commonwealth?

Mr Hartwell—There is a cost to the Commonwealth, but I think that is best explored with them.

Senator CARR—You must have some indication. You are managing this project.

Mr Hartwell—It is in that region, as I understand it.

Senator CARR—Of \$70 million?

Mr Hartwell—Yes.

Senator CARR—Another \$70 million?

Mr Hartwell—Yes.

Senator CARR—So the total exposure of the Commonwealth really may well be around about \$130 million?

Mr Hartwell—If the figure that has just been referred to by Senator Campbell of \$70 million is correct, yes, you could reach that conclusion.

Senator CARR—Do you have any reason to believe it is incorrect?

Mr Hartwell—No.

Senator CARR—So \$130 million is a reasonable estimate of the exposure of the Commonwealth?

Mr Hartwell—It is a reasonable estimate.

Senator CARR—That is what I was getting to before about the total Commonwealth exposure. It is not \$55 million to \$60 million; it is closer to \$130 million.

Mr Hartwell—I was only speaking about those matters that we have ministry arrangements for.

Senator CARR—I asked two questions. So we are clear about that?

Mr Hartwell—Yes.

Senator CARR—In the past this department has disputed responsibility for losses, and you are no longer doing that. Is that the case?

Mr Hartwell—I am not sure I precisely understand the question.

Senator CARR—Have you in the past rejected responsibility for the debt?

Mr Hartwell—No. We have acknowledged that the guarantee to ANZ for the loan to AMC has been a part of the government's responsibilities. I think it was in last year's budget papers.

Senator CARR—Will the money from these assets that you say you will be able to realise go back to the department of finance or will it come into the industry department?

Mr Hartwell—No, it will go back to consolidated revenue.

Senator CARR—What exactly are these so-called non-core assets in *Budget Paper No. 2* that you refer to?

Mr Hartwell—I will see if I can find a list here of exactly what they are. I do not have the total list here, but they essentially relate to some plant and equipment, some areas of land and things of that nature which are not central to the ongoing business plan of AMC.

Senator CARR—That is all part of that other assessment. It does not change your assessment of the likely exposure of the Commonwealth, does it?

Mr Hartwell—No.

Senator CARR—What is the value of the non-core assets? Do you have any figure on that?

Mr Hartwell—When all the deeds of transfer are executed, we will take back—that is, between ourselves and the Queensland government—somewhere between \$38 million and \$40 million, which is in a cash escrow account. As I said, there a number of other assets—which I have just referred to—which will be realised for some sort of cash value. Given that this is roughly equally shared between the Queensland and Australian governments, that is how we reached that figure.

Senator GEORGE CAMPBELL—What has the \$60 million been spent on?

Mr Hartwell—In a sense, that was the ongoing process to try to bring a primary magnesium project to fruition. As it turned out, the project did not succeed. There were cost overruns and a number of things went wrong. However, money was spent in some construction and some money was spent in acquiring a whole range of things that would have contributed to that project—and I have mentioned some them. Now that project has been suspended. I suppose you could suggest that that \$60 million that you have designated as having been lost to the Commonwealth would have been spent on the project up to that point until it was suspended.

Senator GEORGE CAMPBELL—And that would have been spent on recoverables such as wages, civil construction works?

Mr Hartwell—Yes, there was certainly an ongoing work force there.

Senator GEORGE CAMPBELL—Is the department aware of the breakdown of the expenditure of the \$60 million?

Mr Hartwell—We are not sure that we could get it in that precise fashion. In a sense, the \$60 million that may have been lost to the Commonwealth is just a part of the overall losses of the project, and there were many partners in this project. We could look at the expenditure of AMC and allocate it in a proportional sense in that way. I do not have those figures in front of me, but it would be just an analysis along those lines.

Senator GEORGE CAMPBELL—Do I take that to mean that all of the partners in the project shared the hit equally?

Mr Hartwell—I would not say equally—but, given their proportionate shares, yes. When the project ran into trouble, there was a heads of agreement put together back in June 2003 where the Commonwealth government, the Queensland government, AMC and Leightons, who were the project constructors, came together to see whether there was a possibility of this project going forward. A part of that process was for the AMC people to put together a business plan. When the business plan was produced, the Commonwealth and the Queensland governments decided to exit the project and let the project test itself in the market by going ahead without government support.

Senator GEORGE CAMPBELL—In other words, you made a judgment that the business plan was not going to work.

Mr Hartwell—When I say ‘we’ made a judgment, I mean that our ministers made a judgment.

Senator GEORGE CAMPBELL—Yes, the government made a judgment that the business was not going to work. Was that based on sound advice?

Mr Hartwell—Certainly as a part of assessing the business plan, we took advice from Ernst and Young, as our financial advisors, and we took advice from a firm called Caliburn Partnership, who have some expertise in this area. There is also a firm called Clark and Marron that specialises in advising in the magnesium area. We took advice from all those partners.

Senator GEORGE CAMPBELL—So you took technical advice as well as financial advice?

Mr Hartwell—Exactly.

Senator GEORGE CAMPBELL—Obviously the advice was overwhelming to get out.

Senator CARR—Who initiated this project?

Mr Hartwell—I cannot say exactly who might be responsible for initiating the project. Obviously there were seen to be some possibilities for Australia to develop a magnesium industry, and a number of interested parties got together and formed a company to carry it forward.

Senator CARR—The proposal did not arise from the department as such, did it?

Mr Hartwell—No.

Senator CARR—Were you asked to comment on the proposal before it was agreed to?

Mr Hartwell—Do you mean the initial part of it?

Senator CARR—Yes.

Mr Hartwell—I will just check with my Invest Australia colleague, because the early discussions on that issue were done with Invest Australia.

Mr Jones—The project has a long history. The CSIRO involvement was at an early stage of technology development and trying to look for a way of commercialising the technology. I am not aware of whether the department had a role in consideration of CSIRO's early involvement with the project.

Senator CARR—At the time, CSIRO was a part of this department, wasn't it?

Mr Jones—I am not even sure of that, given the very long history of this project and the movements of CSIRO in and out of the department.

Senator CARR—It was. It only transferred after the last election.

Mr Jones—The best answer I can give you is that I am not sure, given the long history of this project. As to the proposal to provide assistance in the form of a loan guarantee or equivalent assistance, the department provided advice as part of that consideration.

Senator CARR—There would have been some possible follow-up coordination advice, surely?

Mr Jones—At that time?

Senator CARR—Yes.

Mr Jones—Certainly.

Senator CARR—Did you recommend in favour of it?

Mr Jones—I am not at liberty to provide what advice we gave at the time.

Senator CARR—Fair enough.

Senator GEORGE CAMPBELL—Mr Noonan, I want to ask you the question I put to Mr Patterson. Are you aware of an article which appeared in the *Financial Review* on 24 May entitled, 'Public service fee bonanza for lawyers'?

Mr P. Noonan—Yes.

Senator GEORGE CAMPBELL—You are aware that, in that article, it stated that your use of external lawyers had increased by 13.7 per cent? It says a total percentage increase of 43.3. I presume that is between 2001-02 and 2002-03?

Mr P. Noonan—That is my understanding of the article.

Senator GEORGE CAMPBELL—Can you tell us what accounted for this substantial increase?

Mr P. Noonan—I think the article tries to compare apples and oranges. I will give a bit of background to the two bits of data that it is comparing, which I think are our departmental response to a survey by the Attorney-General's Department of legal expenditures, which fed into a report by Sue Tongue, and a question on notice that Mr Macfarlane answered later last year in response to Ms Roxon's question. I will just look at the AG's survey. There we gave an estimate of the spending on external legal services by what I will call the 'core department', which is the department without the two big prescribed agencies that are

financially independent, Geoscience Australia and IP Australia. Our estimate was \$3.5 million. As an aside, that estimate is not absolutely correct, because it was actually \$3.824 million, but that probably does not go to the essence of it. Mr Macfarlane's answer to Ms Roxon's question provided spending on external legal services by the whole department in 2002-03, including IP Australia and Geoscience Australia. So the comparison was between one apple and an apple and two oranges a year later.

I might make some remarks about the two percentage figures that you mentioned. Firstly, as to the suggestion that spending on external legal services rose by 13.7 per cent, you can only derive a figure of 13.7 per cent if you compare our A-G's survey estimate of external costs for the core department in 2001-2002 with the total external costs for the whole department—with IP Australia and Geoscience Australia—in the following year. If you compare the total expenditure for the whole department between those two years, you get a figure of spending on external legal services that actually declined by about 13 per cent or so, from about \$4.7 million to about \$4 million.

Senator GEORGE CAMPBELL—What if you do the reverse—if you just compare the core department to the exclusion of IP and Geoscience?

Mr P. Noonan—Yes, I can do that too. The decline is from about \$3.8 million to about \$3.5 million, which is a decline of about eight per cent or so.

Senator GEORGE CAMPBELL—So what you are saying is, if you compare DITR in 2001-02 with DITR in 2002-03, there is a decline in expenditure for external legal services?

Mr P. Noonan—That is right.

Senator GEORGE CAMPBELL—If you compare the wider department and its external agencies, is there also a decline?

Mr P. Noonan—Yes. I might also add that the article, I think, has made another error because our response to the A-G's survey did not contain an estimate about internal legal services costs. So, when it comes to the figure of 43 per cent, it is actually comparing external costs for the small department with external costs for the big department plus the internal costs. That is how you get a 43 per cent apparent increase. But, again, we say there has been a decline between the two years.

Senator GEORGE CAMPBELL—What have been the figures for in-house legal services—comparing apples with apples?

Mr P. Noonan—It goes from about \$1.06 million to about \$1.04 million, so there has been a small decline.

Senator GEORGE CAMPBELL—Is that the same for the wider department?

Mr P. Noonan—Yes. In the case of internal services, it is the same for both because there are no in-house legal teams for Geoscience Australia or IP Australia.

Senator GEORGE CAMPBELL—That explains that. While you are here, Mr Noonan, I want to ask about advertising. Is the department intending to undertake any advertising in the next 12 months?

Mr P. Noonan—In a normal 12 months, there would be marketing and advertising activities going on.

Senator GEORGE CAMPBELL—Can you tell me what your buy is for the next 12 months?

Mr P. Noonan—It is a question that can only be answered at divisional level because each division is responsible, particularly AusIndustry, for marketing the programs of the department.

Senator GEORGE CAMPBELL—I am quite happy to listen to each division tell me what their advertising buy is.

Mr Peel—I can provide an answer on behalf of AusIndustry. You are asking for the spend in 2003-04 and 2004-05. I can give you this year's budget—advertising for AusIndustry was \$572,000.

Senator GEORGE CAMPBELL—That is for 2004-05?

Mr Peel—That is for 2003-04. I do not have a figure yet for 2004-05 because we are still formulating our budgets for next year.

Senator CARR—I am surprised you do not have a whole-of-department line on this. Surely you know how much is spent across the department on advertising?

Mr P. Noonan—We certainly would be able to answer how much has been spent on advertising.

Senator CARR—No; what your budget is for next year.

Mr P. Noonan—We have not finished the internal allocation process that decides how much money will be budgeted for different activities next year.

Senator CARR—There is a whole-of-government figure. What is your share of it?

Mr Paterson—We have just indicated that we have not made final determinations in relation to the internal budget allocation process.

Senator CARR—That is internal. What is the department's figure? How much money are you spending in the department?

Mr Paterson—We do not approach our budget on the basis of 'How much will we spend on advertising?' and then divvying that amount up between divisions.

Senator CARR—The government does.

Mr Paterson—It is a question of business plans that are developed within each of the divisions.

Senator CARR—I thought the government was spending \$100-odd million between now and the election—or between now and Christmas anyway—on advertising.

Mr Paterson—I cannot comment on that. I am telling you the process that we adopt, which is to determine business plans for each of the divisions and then to make allocations from the budget appropriation that we have to undertake the activities that we require. The largest external advertising activity in terms of program, I think, is AusIndustry's activities.

Senator GEORGE CAMPBELL—Are you saying that you are not able to tell us at this point in time what the department's intention is in respect to advertising for the next 12 months?

Mr P. Noonan—Yes. We have not settled those amounts.

Mr Paterson—In terms of broad numbers also, Invest Australia have an active external promotional activity in seeking to attract inward investment to Australia. Their advertising and promotional budget is in the vicinity of \$2 million.

Senator GEORGE CAMPBELL—What is the change between last year and this year? I assume that that is all external advertising?

Mr Jones—Our spend is fairly constant, at about \$2 million a year. It is largely external advertising in magazines with worldwide circulation, such as the *Economist*.

Senator GEORGE CAMPBELL—Is it primarily print advertising?

Mr Jones—Primarily, yes.

Senator GEORGE CAMPBELL—Is there any electronic medium—video, television?

Mr Jones—We do not use any electronic media. We have put a lot of effort into our web site development and use that as a promotional vehicle, but we have no media spend electronically.

Senator GEORGE CAMPBELL—Your proposal is approximately \$2 million for next year, essentially based on the same advertising you have done in previous years?

Mr Jones—Essentially. Our campaign material changes and we are progressively becoming more targeted in our campaign material. So rather than globally advertising Australia as a place to invest we are focussing our future spending more and more on sectors and highlighting the sectors in which we invest. With that in mind, yes, globally the parameters are pretty much the same.

Senator GEORGE CAMPBELL—I understand that. Are any other departments able to tell us what their intentions are?

Mr Paterson—There was a series of questions in relation to the ATC and its marketing activity which was responded to this morning. I have not included that in the general responses that we have given today.

Senator GEORGE CAMPBELL—If that has been dealt with, that is fine.

Mr Paterson—It has, yes.

Senator GEORGE CAMPBELL—Have you developed a framework program yet, Mr Peel, for AusIndustry?

Mr Peel—We are in the process of doing that for next year.

Senator GEORGE CAMPBELL—How does that compare with what you did last year?

Mr Peel—We have not come down to any precise figures yet. We are still developing the program. Last year, as I said, we spent \$572,000. We placed 700 advertisements last year for various programs.

Senator GEORGE CAMPBELL—Was that mainly print media?

Mr Peel—Largely the print media. We did do some radio advertising as well.

Senator GEORGE CAMPBELL—Regional?

Mr Peel—Yes.

Senator GEORGE CAMPBELL—Is it your intention to vary much from what you did last year?

Mr Peel—Probably not; there will just be a different focus on different programs. We will be introducing some new programs next year and we want to highlight those particularly. Our marketing is about getting people out there to access the programs that are available to them.

Senator GEORGE CAMPBELL—Can you tell us which regional areas were covered by the regional radio that you did last year?

Mr Peel—I will have to take that on notice. I do not have that information here.

Senator GEORGE CAMPBELL—Mr Paterson, what other sections of the department can tell us what their advertising budgets are? While they are trying to work that out, Mr Peel, does AusIndustry engage any external agencies or creative agencies to run their campaigns?

Mr Peel—No.

Ms Butler—Our advertising is run through the Government Communications Unit, so we use the whole-of-government providers.

Ms Hartland—There is about \$1 million a year for the next four years that was allocated under Backing Australia's Ability for biotechnology public awareness raising. It tends to be not straight advertising as such but educational programs, for example.

Senator GEORGE CAMPBELL—Programs that are specifically focused on biotechnology?

Ms Hartland—On biotechnology, yes.

Senator GEORGE CAMPBELL—Where is that million dollars expended? Is it mainly print media, technical journals?

Ms Hartland—Yes, some technical information; some funding generally goes to the CSIRO and to a number of different agencies. It would generally be print media type material.

Senator GEORGE CAMPBELL—Do you use government sources to run those campaigns, or do you run them yourselves?

Ms Hartland—A lot of the money goes out to individual agencies, like CSIRO. It might go to other agencies, like agriculture departments, for example, to do work.

Mr Paterson—Biotechnology Australia is a whole-of-government activity that is administered through this portfolio.

Senator GEORGE CAMPBELL—Yes, I understand that. Is what you plan to do this year consistent with what you have done in previous years?

Ms Hartland—Yes. In fact, we are in the process of developing the specific proposals, and that will go before the Biotechnology Ministerial Council at the end of June.

Senator GEORGE CAMPBELL—So that is approved by the ministerial council?

Ms Hartland—That is correct, yes.

Senator GEORGE CAMPBELL—Anyone else?

Mr P. Noonan—There will be recruitment advertising, which added altogether would be about \$200,000 last year and I imagine a similar amount for this year.

Senator GEORGE CAMPBELL—That is for recruiting new staff?

Mr P. Noonan—That is right.

Senator GEORGE CAMPBELL—Anything else?

Mr P. Noonan—No. As I look through the annual report from last year and look for the large amounts, I think they have all been covered off by the areas that we have already talked about—AusIndustry, Invest and so forth.

Senator GEORGE CAMPBELL—As I tally it up, there is \$3.7 million, plus whatever the ATC is. Can you recall from this morning how much that was, Mr Paterson?

Mr Paterson—Tourism Australia is a major international branding campaign.

Senator GEORGE CAMPBELL—Is that the one you were talking about that is already running?

Mr Paterson—Yes.

Senator GEORGE CAMPBELL—I would say that, out of that, the department's approximate spend will be about \$3.7 million. Is that right?

Mr P. Noonan—The last figures that I have here are lists for 2002-03, where advertising organisations totalled \$1.886 million.

Senator GEORGE CAMPBELL—We just heard Invest Australia is about \$2 million, Biotech is \$1 million, and AusIndustry is \$570,000, I think.

Mr P. Noonan—Indeed. In both cases of Invest and Backing Australia's Ability, they have been increasing advertising over the last 18 months. In the case of Invest, it is the launch of the new national brand. In the case of Innovation Division, it is the second instalment of Backing Australia's Ability.

Senator GEORGE CAMPBELL—What advertising is planned for Backing Australia's Ability for the next 12 months?

Ms Hartland—I am sorry; I think there might be some confusion. I was talking about biotechnology. I should make it clear that it is a public awareness raising campaign, so it does not all go into advertising as such—it is not strictly advertising money. That is why you are not going to get a total match between those figures.

Senator GEORGE CAMPBELL—You are talking about Backing Australia's Ability?

Ms Hartland—No, I was talking about Biotechnology Australia.

Senator GEORGE CAMPBELL—What is the program for Backing Australia's Ability in the next 12 months?

Mr Peel—At this stage, as I said, we are still working out the final numbers. But for overall marketing, of which advertising would only be a component, the notional figures we have are about \$520,000 in 2005-06; \$420,000 in 2006-07; and then about \$200,000 a year going forward.

Senator GEORGE CAMPBELL—This will be primarily what—print media?

Mr Peel—The advertising would be largely print media.

Senator GEORGE CAMPBELL—This would be mainly you communicating with your customer base?

Mr Peel—Yes—or getting people to sign up to the program, so to speak.

Senator GEORGE CAMPBELL—Are there any other areas that we need to know about?

Mr Paterson—Not that I am conscious of.

Senator GEORGE CAMPBELL—Those are all the general questions I have.

Senator CARR—Perhaps I could go to some issues about the R&D Start Program. I will need some people who have expertise in the furnishing industry. I will let you know where we are going.

Senator GEORGE CAMPBELL—Are these general questions?

Senator CARR—They are across the board. They go to criteria. There are still three existing R&D Start programs. There are R&D Start competitive grants, R&D Start Graduate and R&D Start loans. That is right, isn't it?

Mr Paterson—Yes.

Senator CARR—Last time around I put a question on notice with regard to R&D Start Graduate—if it exists—and I do not think I got an answer. Can you help me with that—why was that the case?

Mr Paterson—I am sorry. What was the question?

Senator CARR—There was a question put on notice in the last estimates round regarding R&D Start Graduate, and I did not get an answer.

Mr Peel—There was a question about how many there were. I think the answer was six, from memory. We certainly did answer that question.

Senator CARR—That is the proposition you are putting to me—that we did get an answer?

Mr Peel—I think so, yes.

Senator CARR—My records are far from perfect, so I will take it that that is right.

Mr Peel—You can trust me!

Senator CARR—You will have the answer there, then, won't you, if that is the case. How many people were placed under the R&D Start Graduate program?

Mr Peel—There were six R&D graduate grants in the last year, or the year of which you asked the question, 2002-03.

Senator CARR—I take it there has been a review of the program?

Mr Peel—The program has been reviewed in the context of the recent Backing Australia's Ability announcement.

Senator CARR—Where do I find a copy of this review?

Ms Hartland—There is a precis of the review on the web site.

Senator CARR—So there is a precis for all the reviews?

Ms Hartland—Yes.

Senator CARR—The program is not well known, is it? Would you say that there was a broad awareness of it?

Mr Peel—You can always do more, but we do not have any trouble spending the money or committing the money every year. It certainly gets a lot of customers, and a lot of grants are made.

Senator CARR—How long will the program continue?

Mr Peel—I beg your pardon?

Senator CARR—It is being abolished, is it?

Mr Peel—Commercial Ready is the new program coming out of Backing Australia's Ability.

Senator CARR—So it has been amalgamated. Why was this program chosen to be amalgamated into this new entity? What was the reasoning behind that?

Ms Hartland—What we looked at were the components of R&D Start and of other programs that were working particularly well and tried to bring those together in a continuum of programs to provide more of a one-stop shop and a flexible program for SMEs.

Senator CARR—You felt you could get better value for money; is that what you are saying?

Ms Hartland—Yes, that is correct—and just target more specifically where the greatest need was.

Senator CARR—I take it the same review process was undertaken with regard to the loans and that the precis will be on the website?

Ms Hartland—I am just trying to think whether loans were looked at specifically. I will have to double-check and get back to you.

Senator CARR—You say there are precis available. Is there not a full copy of the reviews available?

Ms Hartland—There is a full copy of the review.

Senator CARR—Can I have a copy?

Ms Hartland—Yes, you can have a copy.

Senator CARR—Again, what is the reason for the abolition of the program?

Ms Hartland—The program is not being abolished. As I said, I think that the aspects of the program that have worked well are coming together in this bigger program, and those areas where they did not have as high an uptake are being really finetuned. We are now going through a process of consultation across Australia to get feedback on how to formulate that program.

Senator CARR—It is true to say, isn't it, Mr Peel, that this was not a program strongly supported in AusIndustry?

Mr Peel—No.

Senator CARR—It is not true?

Mr Peel—No.

Senator CARR—So it actually was supported by your staff?

Mr Peel—Yes.

Senator CARR—Why was there such a poor take-up rate? Do you think it had anything to do with the fact that it was not pushed very hard?

Mr Peel—What do you mean by 'take-up rate'?

Senator CARR—How many applications were there?

Mr Peel—The approval rate—if that is what you mean—is about 60 per cent. About 60 per cent of applications are approved for funding. But they are not approved by the staff of AusIndustry; they are reviewed by committees of the Industry Research and Development Board.

Senator CARR—How many applications were there?

Mr Peel—How many applications in recent years?

Senator CARR—Yes.

Mr Peel—There were 212.

Senator CARR—How do you think that compares with the other programs? Would you regard that as a high level of demand?

Mr Peel—Programs are all different. If you look at the R&D tax concession, for example, you will see that there are about 5,000 companies that apply for that each year. For R&D Start, we are saying there are a couple of hundred. That would compare to other programs that we manage, like TCF-SIP and the ACIS program which have similar sorts of numbers. But I am not sure that you can really compare one program to the other, because they are designed for different purposes and sometimes are targeted on particular sectors.

Senator CARR—If we talk about the competitive grants under Start, there were 12 appeals against rejections for application in 2002 and eight in 2003-04. What is the process for applicants to go to a challenge?

Mr Peel—There are a couple of things that I should mention in relation to that. Firstly, if an application is unsuccessful, we advise the applicant as to the reasons that the application was unsuccessful. In some cases, it might be apparent that with some more work the applicant

may be able to put forward a more competitive application, and we give them that advice. In other cases, it is essentially a lost cause. If applicants do want to contest the decision of the IR&D Board of the department in relation to their grants, they are quite free at any time to put forward revised applications, and they will be considered.

Senator CARR—Are you able to tell me what it has cost the department to deal with challenges before the AAT? That is where they go, don't they?

Mr Peel—No, they do not.

Senator CARR—Where do they go?

Mr Peel—They just go back to AusIndustry and the IR&D Board. There are no external appeals.

Senator CARR—There is no external appeal at all?

Mr Peel—No.

Senator CARR—No administrative appeals process at law?

Mr Peel—No, not in the sense of a legal AAT process. But, as I said, applicants can ask for the decisions to be reviewed, and we would have another look.

Senator CARR—So there is no judicial review of a departmental decision on the granting of moneys.

Mr Peel—The Judicial Review Act, of course, applies but there is no AAT review.

Senator CARR—So what is the judicial review process?

Mr Peel—The Judicial Review Act allows anyone who is dissatisfied with an administrative decision to make an application to the Federal Court for a review of that decision, and that applies broadly across the Commonwealth. But there is no specific legal appeals mechanism.

Senator CARR—Have you had any federal appeal on any decisions?

Mr Peel—No.

Senator CARR—With regard to overpayments, you have identified overpayments to companies totalling \$232,500. Did you have any other payments in the previous year, back in 2002-03?

Mr Peel—I do not know, Senator. You did not ask that question—

Senator CARR—No, I did not.

Mr Peel—But you are asking it now and we will find out for you.

Senator CARR—So you have no indication readily available on that and you will take it on notice?

Mr Peel—I will.

Senator CARR—I have had communications from the furnishing industry. They are concerned about the number of grants received in the last couple of years. Are you able to tell

me how many furnishing industry companies have received R&D Start grants in the last couple of years?

Mr Peel—I have some figures which go from 1997.

Senator CARR—How does that look?

Mr Peel—There have been seven grants and loan applications seeking \$1.8 million considered from companies with an industry classification of furniture industries.

Senator CARR—That is since 1997.

Mr Peel—Six of those have been approved to a value of \$1.7 million.

Senator CARR—So, of the seven, six have been approved.

Mr Peel—Correct.

Senator CARR—Are you aware of an application by a company called J and K Leather?

Mr Peel—Yes, Senator.

Senator CARR—When was their application first received?

Mr Peel—The application was considered initially in February 2004. Our first contact with the company would appear, from the notes that I have here—they would need to be checked out—was in about April 2003.

Senator CARR—So their application may well have been received earlier than that? It was considered.

Mr Peel—Yes, the history of the case is that there was a series of meetings with the company. The company wished to put forward an application for an R&D Start grant. Our staff met with the company on a number of occasions and advised them that their application did not appear to be competitive. We gave the company advice to that effect. Nonetheless, the company wished to go ahead with the application and they eventually submitted the application. The application was considered in February 2004.

Senator CARR—They resubmitted their application, did they not?

Mr Peel—They did.

Senator CARR—When did they do that?

Mr Peel—Their second application was considered by the R&D board in May this year.

Senator CARR—Rejected in May?

Mr Peel—Yes, Senator.

Senator CARR—What appeals mechanism do they have now?

Mr Peel—The only appeals mechanism they have is to talk to us about the reasons for rejection and, if they believe they have any additional information available that might cast their application in a new light, to put it forward again to the board.

Senator CARR—Or to the Federal Court.

Mr Peel—The Administrative Decisions (Judicial Review) Act is about the decision-making process rather than the merits of the decision. So that process would not necessarily

overturn the decision. An outcome may be, in the worst case, that the department has to retake the decision because it failed in some administrative process. But that process would not necessarily result in the company getting a grant.

Senator CARR—I will go to the question then of process. Can you tell me why it was that the R&D board assessed the application from J and K Leather? Why was it that board rather than the manufacturing committee that assessed the application?

Mr Peel—I was talking generally. It was looked at by the Engineering and Manufacturing Committee of the board on the last occasion. On the first occasion the application was submitted it was looked at after the R&D Start Committee convened in AusIndustry, which I chair. We look at applications of \$250,000 and below. When they submitted their application after the initial rejection we thought the fairest thing for that reconsideration was to have it looked at by the Engineering and Manufacturing Committee of the board. They did look at the application in May.

Senator CARR—J and K Leather tell me that their application was rejected due to a lack of technical risk. Is that the description you gave to them as the reason for the rejection?

Mr Peel—The notes I have say that the application was rejected because it did not rate highly enough against technical strength and technical risk.

Senator CARR—What does that mean?

Mr Peel—It did not have an appropriate level of innovation.

Senator CARR—What does that mean?

Mr Peel—The board thought it was not sufficiently meritorious as an R&D project to warrant funding.

Senator CARR—What they say to me is that their application was encouraged by the Parliamentary Secretary to the Minister for Industry, Tourism and Resources, Mr Warren Entsch. Is that true?

Mr Peel—I believe Mr Entsch suggested to them that they should put forward an application, yes.

Senator CARR—It has also been put to me that in a document presented in March 2003 by Mr Entsch it was stated that there was an oversight in the Australian furniture industry by the Commonwealth government regarding R&D grants. Is that true? Did Mr Entsch put forward a document and make that claim?

Mr Peel—I am not aware of it.

Senator CARR—I put it to you this way: I have a copy of a letter here that is purported to be to the Department of Industry, Tourism and Resources, Victorian state office, dated 17 February 2004, specifically in relation to this grant.

Mr Peel—Signed by?

Senator CARR—Signed by the managing director, John Underwood. Are you aware of that letter?

Mr Peel—I have not personally seen the letter, I do not believe.

Senator CARR—It refers to grant application GRA03109. Is that the same grant application we are dealing with here?

Mr Peel—I think that is the correct number, yes.

Senator CARR—I am just wondering if you are able to provide the committee with a copy of your response to that letter?

Mr Peel—If there was a response, yes, I will provide a copy.

Senator CARR—I would be surprised if there were not, it is a pretty strongly worded letter.

Mr Peel—As I said, I am not personally aware of the letter but I do not have a problem with providing a copy of the response.

Senator CARR—The letter claims:

... the Furniture industry is precluded from Government Grant Assistance in this programme.

Is that true?

Mr Peel—No.

Senator CARR—Is it true that there has been money provided to the Furnishing Industry Association of Australia by the department?

Mr Peel—I am not aware of it. It could be some other part of the department that does that.

Mr McCarthy—Yes, the department provided funding through the Innovation Access Program of \$3.8 million to develop and implement what is called the Australian Furnishing Industry Technology Network, an outcome of the Furnishing Industry Action Agenda.

Senator CARR—When was that money provided?

Mr McCarthy—It was in July 2003.

Senator CARR—Mr Peel, can you explain to me why, in your view, the company's claim that they have been discriminated against is not true?

Mr Peel—As I mentioned to you, there have been seven applications from this industry sector and six of them have been approved. I would not regard that as discrimination.

Senator CARR—Fair enough. With regard to those matters I raised earlier about that ministerial adviser trip: do you have the file on that yet?

Mr Paterson—I have not heard but we will endeavour to have that after the break.

Senator CARR—Do you have some more information for me?

Mr Noonan—Yes. We have just about got that together. Perhaps straight after the dinner break we would be able to address that.

Senator CARR—What can you tell me now about it?

Mr Noonan—We are just putting together the details. We will have it together at that time.

Senator CARR—Okay.

Mr Paterson—We have the consultation list that you requested in relation to the Australia-China FTA feasibility study, which I am happy to table.

Senator CARR—Thank you.

[6.12 p.m.]

ACTING CHAIR—We will move on to biotechnology.

Senator GEORGE CAMPBELL—This goes to AusIndustry, Mr Peel. Are you aware of recent press reports concerning a serious conflict of interest of a member of the biological committee of the IR&D board, Dr Michael Hirshorn?

Mr Peel—Yes.

Senator GEORGE CAMPBELL—Are you also aware that complaints have been filed with the Australian Stock Exchange regarding misleading information published by Biotron?

Mr Peel—I was not aware of the second issue. I was aware of the first issue.

Senator GEORGE CAMPBELL—Does it concern you as a member of the IR&D board that Biotron has received nearly \$2 million of funding yet has not released any products?

Mr Peel—Biotron has been funded for an R&D Start and a Biotechnology Innovation Fund grant by the IR&D board. Those applications were considered by the biotechnology committee of the board and they were agreeable to funding them on the merits of the cases put forward. So in that sense I am happy that those grants were appropriately funded.

Senator GEORGE CAMPBELL—Have you seen a copy of the disclosure statement that Dr Hirshorn was required to lodge with the secretariat upon his appointment.

Mr Peel—I have not.

Senator GEORGE CAMPBELL—You have not?

Mr Peel—No. They are kept confidentially by the secretariat. There is no need for me to review them.

Senator GEORGE CAMPBELL—Have you raised the issue of the potential conflict of interest of Dr Hirshorn with the secretary of the department?

Mr Peel—No. Dr Hirshorn declared his conflict of interest in the Biotron matters before those matters were considered by the board and did not take any part in the decision making process. He complied with all appropriate procedures.

Senator GEORGE CAMPBELL—I think the issue is this: did he declare his involvement in Biotron?

Mr Peel—He declared a conflict of interest, yes.

Senator GEORGE CAMPBELL—But you said you did not know what is in it.

Mr Peel—You asked me if I had seen his conflict of interest statement. Conflict of interest statements filed by members of the board list all of those shares, holdings and whatever else they have that might place them in a conflict of interest situation. I have not personally seen that. I am aware that Dr Hirshorn did declare a conflict of interest in relation to the Biotron matter.

Senator GEORGE CAMPBELL—At the board?

Mr Peel—At the meetings of the biological committee.

Senator GEORGE CAMPBELL—But you are not aware of whether or not he declared it on his conflict of interest statement that he filed with the secretary of the department, are you?

Mr Peel—He did not file it with the secretary of the department; he filed it with the secretariat to the IR&D board. I have not personally read his conflict of interest statement, but he did declare a conflict of interest in Biotron and did not take any part in those decision making processes.

Senator GEORGE CAMPBELL—This procedure for filing conflict of interest statements has not changed since 1997?

Mr Peel—It has become much more stringent since 1997.

Senator GEORGE CAMPBELL—What are the changes?

Mr Peel—The changes are that members are now required to file with the secretariat a listing of all those matters in which they are engaged and all of those assets that they themselves or members of their family own that may bring them into a conflict of interest. Prior to 1997 I think it was up to the member to declare those conflicts of interest at the time but we now maintain a record of them, and if a member inadvertently fails to declare a conflict of interest the secretariat would remind the member of that conflict of interest. They are also required to keep those conflicts of interest up to date and to advise us of any changes, and they are reviewed on an annual basis.

Senator GEORGE CAMPBELL—Your code of conduct, which is published in the annual report 2002-2003, states at point 3:

Members should avoid any situation in which the private interests of themselves or of their immediate family, whether pecuniary or otherwise, conflict, or might reasonably be thought to conflict, with their public duty.

Do you say that a member of the board making a statement that they have an interest in a particular matter, and even standing down from the board, satisfies point 3?

Mr Peel—Yes.

Senator GEORGE CAMPBELL—Isn't there a potential there for Dr Hirshorn, consciously or subconsciously, to influence other members of the board?

Mr Peel—I do not believe so.

Senator GEORGE CAMPBELL—You do not believe that someone sitting on a board with another member would not feel some favourable response towards that person or towards the company that that person is a member of?

Mr Peel—That would draw into question the integrity of the other members. I do not have any reason to doubt their integrity.

Senator GEORGE CAMPBELL—It does not necessarily call into question their integrity. People are working with each other on a regular basis; that is the way this board works.

Mr Peel—The people that make up the board and its committees are people who are experienced in R&D and who undertake particular roles in industry. We have to expect that they will have involvement from time to time in companies that may seek grants through the

IR&D board. We have introduced strict conflict of interest procedures to deal with that. To go to the next step and say that anyone that has had that sort of involvement should not be a member of a board or a committee would put us in a position where we would never be able to get any members of a board or a committee that would be worth while having.

Senator GEORGE CAMPBELL—That may well be an issue. The conflict of interest guidelines state that a member who has issues or concerns about conflict of interest matters may wish, prior to a relevant meeting, to discuss them with a departmental officer who is nominated to assist the board in these respects. Has Dr Hirshorn had any conversations with you or the departmental officer servicing the board?

Mr Peel—Prior to those decisions being made, no.

Senator GEORGE CAMPBELL—Has it been explained why he did not?

Mr Peel—No, I have not asked him. I would not have expected him to, unless there was an issue that he did not feel he could resolve by observing the board's conflict of interest procedures. He followed to the letter the board's conflict of interest procedures and excluded himself from any consideration of those matters.

Senator GEORGE CAMPBELL—So he did not attend any board meetings where discussions were held regarding Biotron receiving funding?

Mr Peel—He declared a conflict of interest at the meetings that took those decisions and was not present in the room—nor did he receive any papers relating to those matters.

Senator GEORGE CAMPBELL—So, as far as Dr Hirshorn was concerned, there was a Chinese wall between discussions in relation to Biotron and him?

Mr Peel—Dr Hirshorn simply was not involved in those discussions.

Senator GEORGE CAMPBELL—At all?

Mr Peel—No.

Senator GEORGE CAMPBELL—How many meetings of the board did Dr Hirshorn miss?

Mr Peel—How many meetings of the biological committee did he miss?

Senator GEORGE CAMPBELL—The biological committee and presumably also—he is not a member of the board?

Mr Peel—No. He is not a member of the board; he is a member of the biological committee. I do not have those details here. I would have to take that on notice.

Senator GEORGE CAMPBELL—Can you take that on notice? You say that he informed the secretariat prior to the meetings that he had a conflict of interest.

Mr Peel—Yes. The procedure is that we would circulate a proposed agenda for the meeting to members and ask them whether they would have a conflict of interest with any of the companies that were being considered at that meeting. Dr Hirshorn identified Biotron as a company that he had a conflict of interest on. Therefore the secretariat did not provide him with any papers on the matter and he was excluded from the discussions of the committee when it considered the grant application.

Senator GEORGE CAMPBELL—Did Dr Hirshorn advise the secretariat, when Biotron had made the application for funding, that he had a conflict of interest in respect of that company, or did he only advise you when he received the agenda papers for the meeting?

Mr Peel—He would have filed his conflict of interest declaration, which he is required to do each year and to update when changes are made. As I said, I have not seen his conflict of interest declaration but I believe that he did that.

Senator GEORGE CAMPBELL—Presumably the secretariat does not go through the conflict of interest declarations and check them against each set of agenda papers, does it?

Mr Peel—It does.

Senator GEORGE CAMPBELL—On every occasion?

Mr Peel—Yes, it does. If he had not declared it, it would have been picked up anyway.

Senator GEORGE CAMPBELL—But the secretariat did not take any action in respect of it. You waited until he—

Mr Peel—The secretariat did not need to because Dr Hirshorn declared the conflict of interest himself.

Senator GEORGE CAMPBELL—Let us get this straight. He has declared a conflict of interest. Will you explain to me what happened in terms of the first meeting that was going to discuss the Biotron issue?

Mr Peel—The procedure is that the secretariat would have sent to each member of the committee the agenda for that meeting. On that agenda would have been that Biotron was to be considered for a grant. In sending out that agenda the secretariat would have asked each member of the committee whether they had any conflict of interest with any of the companies that were being considered for a grant, or with any companies associated with the companies that were being considered for a grant.

Dr Hirshorn advised the secretariat that he did have a conflict of interest in the Biotron matter. The secretariat would also have checked his annual conflict of interest declaration and the annual conflict of interest declarations of the other members of the committee, in the event that a member may have inadvertently overlooked declaring a conflict of interest. If that had been the case, it would have drawn it to the committee member's attention. But in this case, as Dr Hirshorn did himself declare the conflict of interest, there was no reason for the secretariat to do that.

Senator GEORGE CAMPBELL—If the secretariat checks the conflict of interest prior to the meeting, why would you go through the procedure of sending a person the agenda? Why wouldn't you simply notify them that there is a matter on the agenda that directly conflicts with their interests?

Mr Peel—Because their interests can change between meetings. They can buy and sell shares, and they may not have got around to updating their conflict of interest declaration. It is just a safety net that we use.

Senator GEORGE CAMPBELL—How many of these committee meetings would have discussed the Biotron issue?

Mr Peel—There would have been at least two committee meetings, because they received two grants. I am advised that there were only two meetings.

Senator GEORGE CAMPBELL—I take it that Dr Hirshorn did not attend either of those meetings or receive any minutes from them?

Mr Peel—He did not attend for those agenda items, and the minutes would have been—

Senator GEORGE CAMPBELL—Did you say that he only missed out for those items? He did attend the meetings?

Mr Peel—He attended the committee meetings, but he did not participate in any of the discussions of the committee on those particular items. He left the room and did not get—

Senator GEORGE CAMPBELL—He went to the toilet, had a cup of coffee, read the newspaper or whatever.

Mr Peel—Yes.

Senator GEORGE CAMPBELL—But he attended all of the other items.

Mr Peel—He attends the meetings of the committee but is excluded for the particular items for which he has a conflict of interest.

Senator GEORGE CAMPBELL—What about minutes from the meetings?

Mr Peel—The minutes are whited out, I suppose, so he does not see the outcomes in relation to that particular matter.

Senator GEORGE CAMPBELL—He receives the minutes with any references to Biotron deleted?

Mr Peel—Yes. He gets a sanitised version of the minutes.

Senator GEORGE CAMPBELL—Is that until the board has finally determined the matter?

Mr Peel—He does not get any papers or advice on the progress of the matter.

Senator GEORGE CAMPBELL—Until the board has determined—

Mr Peel—Until a decision has been made. Of course he would be aware, because of his connection with Biotron, that they were successful in getting a grant.

Senator GEORGE CAMPBELL—Does he then have access to the minutes of the meetings?

Mr Peel—No. He only gets minutes with those items deleted from the minutes.

Senator GEORGE CAMPBELL—Post facto of a decision being made?

Mr Peel—After the decision has been made he still does not get a copy of the minutes for that item. He gets the minutes, but that bit is deleted. Even after the decision has been made he does not get the information.

Senator GEORGE CAMPBELL—Are you confident that no other member of the committee passes on their minutes to him?

Mr Peel—I have no reason to believe that they would. I am confident in the integrity of the members of the committee.

Senator GEORGE CAMPBELL—What concerns does the department have about the negative publicity that has been caused by the Biotron case?

Mr Peel—We are concerned that it draws into question the procedures of the IR&D board. We are also concerned that, despite contacting the department and being given the explanation that I have just given you about Dr Hirshorn and how the conflict of interest situation was managed, the newspapers still chose to make an issue of it.

Senator GEORGE CAMPBELL—You are confident that, in respect of Dr Hirshorn's participation in this issue, it meets the test that was set down by Andrew Barram from the Australian Government Solicitor, that members should look at the following question: would the average member of the public of ordinary intelligence, looking at the relevant facts and circumstances, think that there was a real, sensible possibility of conflict?

Mr Peel—I am.

Senator GEORGE CAMPBELL—Do you think in the circumstances of the Biotron issue there is a need for the code of conduct and the conflict of interest guidelines to be reviewed?

Mr Peel—No, I do not believe so.

Senator GEORGE CAMPBELL—The media do not appear to have accepted your view of Barram's advice.

Mr Peel—That is true—for one newspaper and one reporter.

Senator GEORGE CAMPBELL—The reporter may well be of above average intelligence. He may not be regarded as an average member of the public.

Mr Peel—I was not meaning to cast any aspersions. I was just saying that one journalist has reported—

Senator GEORGE CAMPBELL—Nevertheless, it was picked up and it was reported.

Mr Peel—It was—and, as I said, that is a concern—but we are satisfied that the conflict of interest regime that the board follows is effective.

Senator GEORGE CAMPBELL—When you say you are satisfied, is it the department that is satisfied?

Mr Paterson—Absolutely.

Senator GEORGE CAMPBELL—Does this mean that it has been the subject of consultation?

Mr Paterson—I personally reviewed this case when the matter was raised in the media and examined all of the background to it. I am absolutely satisfied with the integrity of the process and the integrity of the individuals involved.

Senator GEORGE CAMPBELL—Are there any other companies associated with the Industry Research and Development Board, or subcommittee members, who have received funding through any program administered by the department or AusIndustry?

Mr Peel—There probably are, but I do not have details here. I would have to take that on notice.

Senator GEORGE CAMPBELL—Please take that on notice and provide us with an answer. When you reviewed the issue, Mr Paterson, did you look at the potential for using external judges in these circumstances?

Mr Paterson—That is essentially what the committees of the IR&D Board are. They are not officers of the department; they are people with expertise in the field that are examining competitive grant applications and making professional judgments about those competitive grant applications. So we do use external examiners in this process.

Senator GEORGE CAMPBELL—I understand that.

Mr Paterson—I think Mr Peel made the point earlier that we can select people who have no expertise in the area and no potential conflict of interest, and they are unlikely to be able to assist in the process, or we can seek to engage people who have an active interest and expertise in a particular area and make sure that we actively manage any potential conflict of interest. I am satisfied that we select people with the appropriate background and expertise and that we appropriately manage the potential for conflict of interest. I see no conflict of interest in this situation.

Senator GEORGE CAMPBELL—I accept both of those points, but the reality is that some, at least in the media, have not accepted that.

Mr Paterson—I am sure there are many stories that get in the media where a person pushes a particular issue—

Senator GEORGE CAMPBELL—There are others; it is not just the person in the media. There are people associated with other companies who have raised issues in relation to this matter.

Mr Paterson—I am satisfied, in relation to this issue, that the appropriate processes have been followed.

Senator GEORGE CAMPBELL—Let me put the question I was going to put to you. You have already told me you are satisfied with the circumstances. I am asking you whether, in circumstances where there is potential conflict of interest, you or the department have considered using external judges to ensure that that conflict of interest is not real.

Mr Paterson—It seems to me that that raises a question about the integrity of the other members of the committee.

Senator GEORGE CAMPBELL—No, it is not. It is a safeguard for the other members of the committee and for the person who has potentially got the conflict of interest.

Mr Paterson—I am satisfied that we have adequate processes in place to ensure that we can practically consider these applications. If we had a number of members of the committee who were conflicted so we could not have an effective quorum, then you might need to consider some action; but there is no evidence of that occurring.

Mr Peel—In that case, I should just say that where there are a number of members who have a conflict in a particular case so that the committee cannot form a quorum the matter is referred to the full board for consideration.

Senator GEORGE CAMPBELL—Are these members of the biological committee also members of the board?

Mr Peel—The chair is a member of the board.

Senator GEORGE CAMPBELL—How many members are there on the committee?

Mr Peel—Seven.

Senator GEORGE CAMPBELL—Is it only the chair who is a member of the IR&D Board?

Mr Peel—Yes. The normal practice is that the chair of each of the board's committees is a member of the board.

Senator GEORGE CAMPBELL—Okay, perhaps we can leave it there.

Proceedings suspended from 6.34 p.m. to 8.03 p.m.

ACTING CHAIR—Thank you, everyone. I declare the hearing reopened, and we are continuing with the industry portfolio.

Senator CARR—We were going to get some material from Mr Noonan. Is that right?

Mr P. Noonan—Senator, I am able to table the approved itinerary for the trip by Mary Wooldridge that we were discussing earlier in the day.

Senator CARR—Yes, if you could do that. Senator Campbell might have a question or two, and I will have a chance to read it.

Senator GEORGE CAMPBELL—Mr Paterson, who is looking after the Commercial Ready project?

Mr Paterson—The policy side or the implementation?

Senator GEORGE CAMPBELL—Both.

Mr Paterson—Kerri Hartland and/or Bill Peel, depending on what you ask.

Senator GEORGE CAMPBELL—Can either Mr Peel or Ms Hartland outline for us what Commercial Ready package will deliver that is different from the three separate components at the moment.

Ms Hartland—The Commercial Ready program is made up of a number of elements. It has an R&D component. It will look at commercialisation outcomes, and proof of concept. There will be a technology diffusion aspect to it. There will be an onus on collaboration. It is designed for SMEs, and I guess one of the differences from the old R&D Start program is that it does not have all of the component parts that R&D Start has had. In particular, it does not have the component parts that are designed for big business. It is a specific program designed for SMEs.

The proof of concept element is for all technologies, not just for biotechnology. The old biotechnology innovation fund was just for biotechnology. This broadens it out to proof of

concept for all sectors. The technology diffusion element is designed to assist SMEs as well. So they are the broad areas and some of the areas of difference.

Senator GEORGE CAMPBELL—So does that mean, Ms Hartland, that the BIF program, R&D Start and the IAP were failing in these areas?

Ms Hartland—No. In fact, the program is picking up a lot of the components of those. As I said, with the Biotechnology Innovation Fund, the evaluations showed that that was a successful program and was working well, and the government decided to broaden it to other sectors, partly as a result of industry feedback. So it would be applicable now, for example, for the ICT sector and all other sectors. And the biotechnology industry association, AusBiotech, has welcomed that and is participating actively in the consultation period at the moment.

Regarding the technology diffusion program—there are a number of elements to that. This is just picking up the grants element and the consultation process is designed to pick up on the best aspects and make them work even better. With R&D Start there was a very small number of grants going out to large companies. The market failure that was identified through the mapping exercise, through the valuations, feedback from stakeholders, all suggested that SMEs should be the target group rather than large businesses. So it is really picking up the result of those evaluations and stakeholder feedback, and now we are out consulting to get the program implementation in place.

Senator GEORGE CAMPBELL—But the R&D Start program essentially was focusing on small to medium enterprises.

Ms Hartland—Well, it had a number of components. It had components that were actually designed for large companies, with a turnover of over \$50 million. This program is specifically for SMEs. I mean, largely you are right; it did concentrate on SMEs. This is just focusing a little bit more on SMEs.

Senator GEORGE CAMPBELL—And does that exclude companies with a turnover of over \$50 million?

Ms Hartland—It depends, I guess, on the definition that comes out on what constitutes an SME, and that is one of the things that we are exploring through this consultation process.

Senator GEORGE CAMPBELL—So tell me about the consultation process.

Ms Hartland—We have gone out and called for submissions from now until 18 June. We have a discussion paper that was sent out on 14 May. I am happy to provide you with a copy of that. We have gone out to some hundreds—I might have to get AusIndustry to help me out with the numbers that this has gone out to.

Mr Peel—There are 600 people that have accepted to attend the various consultation sessions around Australia, although we are finding so far—we have had a couple of sessions—that actually more people are turning up than have accepted the invitation. So there should be at least 600.

Senator GEORGE CAMPBELL—What is the purpose of the consultation?

Mr Peel—As Ms Hartland has mentioned, the department has put out a discussion paper which essentially outlines options for the new Commercial Ready Program—how it will look—and we are seeking views from industry about how they think it should look in its final design.

Senator GEORGE CAMPBELL—So does that mean that the Commercial Ready package is not fixed at this point in time?

Mr Peel—We are looking at starting it in October.

Senator GEORGE CAMPBELL—But does that mean that the parameters are not fixed at this point in time?

Ms Hartland—That is true. The focus of the program on SMEs, that there would be matching funds, that we would be looking for collaboration and looking for involvement of graduates—those sorts of things are all there in the objectives of the program, but they are very broad parameters and we are trying now to put in place the program that best fits—

Senator GEORGE CAMPBELL—So how will the final structure of the package be determined?

Ms Hartland—Once the consultation process is finalised, we will look at pulling together some guidelines for the program. We will be consulting them back through the IR&D Board, and eventually that will go to the minister.

Ms Zielke—The process is that the guidelines will be drafted and ministerial directions will be created under the Industry Research and Development Act, and consultation with the board is a requirement under the act before the minister issues ministerial directions under the program.

Senator GEORGE CAMPBELL—So the minister will have the final say on the shape of the program—or the board?

Ms Zielke—The ministerial directions are issued by the minister.

Senator GEORGE CAMPBELL—In the PBS there are claims that the Commercial Ready Program provides \$1 billion over seven years. How much of this \$1 billion is new money?

Ms Zielke—\$1.022 billion.

Senator GEORGE CAMPBELL—How much of it is new money?

Ms Zielke—\$1.022 billion.

Senator GEORGE CAMPBELL—So there is no rephasing?

Ms Zielke—That is the new money component for Commercial Ready.

Senator GEORGE CAMPBELL—That is the new money component? What is the total package worth?

Ms Zielke—The total package is worth \$1.486 billion. That includes existing funds.

Senator GEORGE CAMPBELL—So there is rephasing of, what, \$464 million?

Ms Zielke—That is available under R&D Start, BIF, and IAP currently.

Senator GEORGE CAMPBELL—And that will be rephased into this program?

Ms Zielke—Yes.

Senator GEORGE CAMPBELL—Of the \$464 million—what is the break-up of that between the three programs?

Ms Zielke—Between the three programs, \$439 million is available under R&D Start, \$7 million under BIF, and \$17.52 million under IAP.

Senator GEORGE CAMPBELL—Why then—just to argue that—does funding effectively drop by \$44 million a year after 2005-06?

Ms Zielke—I am sorry, Senator, approvals at a level of \$200 million a year will be available under the program, which is an increase on the moneys available under the three programs currently.

Senator GEORGE CAMPBELL—Yes, but the analysis I have shows that funding actually drops by \$44 million in 2005-06.

Ms Zielke—I have the total funds available under the program of \$226 million in the 2005-06.

Senator GEORGE CAMPBELL—Yes.

Ms Zielke—Is that consistent with yours? Then, I am sorry, I do not understand how you feel that that is a drop.

Senator GEORGE CAMPBELL—I have an analysis here which shows a drop of \$44 million in real funding in 2005-06 and that that continues through the program.

Mr Peel—I guess we do not agree with your analysis, Senator.

Senator GEORGE CAMPBELL—You don't?

Mr Peel—No.

Senator GEORGE CAMPBELL—So you are saying that the figures that Peter Roberts gave in the *Financial Review* of 7 May are wrong?

Mr Peel—We are saying that our figures are right. If his figures are not the same as ours then I guess they are wrong, yes.

Senator GEORGE CAMPBELL—And why do you say your figures are right—because you produced them?

Mr Peel—That is a good reason, Senator. We have checked them.

Senator GEORGE CAMPBELL—You have checked them? And you do not say that there is an effective drop in funding to these programs?

Mr Peel—As Ms Zielke has mentioned, Senator, there is additional funding being made available by the government of over \$1 billion over the life of the program, so I cannot understand how there has been a drop in funding.

Senator GEORGE CAMPBELL—Real money.

Ms Hartland—That might have included all of the IAP money, and not all the IAP money is within this portfolio. So I think that might be part of the difference that you have—without seeing the figures, I do not know.

Senator GEORGE CAMPBELL—It says elements of the Innovation Access Program, so it would have been only the money in this department, I presume.

Ms Zielke—It is actually only part of those funds that are being combined into Commercial Ready, Senator. There is the competitive grants element of IAP, which is only part of what is administered by ITR in relation to that program overall.

Senator GEORGE CAMPBELL—I see. So it is not all of the IAP funds that are going in?

Ms Zielke—No.

Senator GEORGE CAMPBELL—So where are the rest of those funds going—out of the IAP?

Ms Hartland—There are a number of components that continue on over the next couple of years. There is a showcasing component. There is funding for—

Senator GEORGE CAMPBELL—What heading does that come under?

Ms Hartland—They are not in there, Senator, because they were existing under the BAA program, so there are IAP funds there that are continuing on for the next couple of years.

Senator GEORGE CAMPBELL—So they are not included in any of these figures?

Ms Hartland—No, they are not, although components of them—

Senator GEORGE CAMPBELL—I am finding it hard to hear you because there is chatter going on at the side. Could you speak up a bit please, Ms Hartland?

Ms Hartland—Sure. They are not included there. There are components of the old IAP, though, that continue to roll out under BAA 1 for 2005-06. There are also a number of new programs under DEST that some of those components will now come under. For example, it might be funding for fora such as the Australian Science Festival and the like. So some of them are likely to come in under programs such as Science Connections that will be funded under DEST. We have to have some discussions about some aspects of those yet.

Senator GEORGE CAMPBELL—So that would be, effectively, a transfer of funds out of this department and into DEST. Is that what you are saying?

Ms Hartland—Part of that program was split, so part of the funds were coming from both departments. So, yes, some of that will come under Science Connections.

Senator GEORGE CAMPBELL—How much is earmarked for that?

Ms Hartland—We have not sat down and done all figures with DEST on that yet.

Senator GEORGE CAMPBELL—What are the other components not covered in this current package?

Ms Hartland—There is the intelligent manufacturing systems, showcasing and a fora component of IAP.

Senator GEORGE CAMPBELL—And what is the value of those packages?

Ms Hartland—Altogether?

Senator GEORGE CAMPBELL—Yes, the value of the packages that are not included in this program.

Ms Hartland—It is about \$6 million.

Senator GEORGE CAMPBELL—Does that mean that this IAP figure of \$17.52 million is actually \$23 million? Is that right?

Ms Zielke—Yes, Senator.

Senator GEORGE CAMPBELL—So this is the component that has been rolled over—\$17.5 million. What is going to happen to those two programs? One you say will go into DEST. What will happen to the other program?

Ms Hartland—There are some evaluations of those going on at the moment, Senator. For example, with the intelligent manufacturing systems, the funding continues on until June 2005. There is an evaluation being undertaken at the moment on that part of the program.

Senator GEORGE CAMPBELL—So there is no guarantee that that program will continue beyond 2005?

Ms Hartland—It will be subject to the evaluation and the government's decision, yes.

Senator GEORGE CAMPBELL—And what about the piece that is going over to DEST? Is it also being evaluated?

Ms Hartland—For some of the showcasing aspects of the program, we have to have those discussions with DEST about details of some of the funding to those. So I will have to take that on notice until we have actually had some of those further discussions.

Senator GEORGE CAMPBELL—Under BAA 1, how many staff members were dedicated to R&D Start, BIF and IAP?

Mr Peel—Senator, just bear with me. I will see if I can find that. R&D Start—we currently have about 50 staff involved in the delivery of that program.

Senator GEORGE CAMPBELL—Sorry?

Mr Peel—Fifty in R&D Start currently. And what were the others, sorry, Senator?

Senator GEORGE CAMPBELL—BIF and IAP.

Mr Peel—We have three people permanently involved in the delivery of BIF, although we do use our state offices to help assess applications. But we have three people full-time on BIF.

Ms Zielke—IAP is 8.3.

Senator GEORGE CAMPBELL—8.3 people?

Ms Zielke—Yes.

Senator GEORGE CAMPBELL—I always wonder how you get 0.3 of a person. So that is 61.3. What is the proposed staffing under the Commercial Ready program?

Mr Peel—We are not proposing any staff reductions there, Senator, at this point.

Senator GEORGE CAMPBELL—At all? It is not a consideration?

Mr Peel—No, we are not proposing to reduce any staff, Senator.

Senator GEORGE CAMPBELL—So this 61.3 will be involved in the Commercial Ready program?

Mr Peel—That is the expectation, yes, Senator. It may well be that we will need a few more, but those people who are currently involved in the delivery of innovation programs will continue.

Senator CARR—Can I ask some questions on those same matters? Can you just tell me who made the decision to publish this table, the BAA 2 table? Whose decision was that? Who had to sign off on the production of this document?

Ms Hartland—I am told that it was prepared by DOFA, by the finance department, and that would have ultimately been cleared by PM&C.

Senator CARR—I see. And who made the decision to publish the figures in current prices rather than constant prices?

Ms Hartland—I cannot answer that, I am sorry.

Senator CARR—Are you able to enlighten the committee on what is the difference, in financial terms, between the presentation of this document in current prices, as it is now, and what it actually means in terms of constant prices; that is, the delivery of the programs on some sort of even keel? What is the difference?

Mr Peel—I cannot answer that.

Senator CARR—What are the indexation rates that you have calculated for the relevant programs under Commercial Ready?

Ms Hartland—The BAA 2 funding—the blue line—are outturn prices, so that has got the indexation component in it.

Senator CARR—It is put to me that, in current prices, the figure for Commercial Ready in 2006-07, which is when it cuts into the new program, is \$185 million. Is that right? That is what it says on this sheet here.

Ms Hartland—Yes.

Senator CARR—But if you actually apply it in constant prices it is only \$176 million. Would that be right? Is that right or not?

Mr Dainer—There are two components to the funding: departmental funding, essentially for the delivery of the programs, and the administered component, which is essentially the transfer payments to recipients. The departmental funding is outturned. The administered funding is not outturned specifically, but there was growth built into the estimates, as I understand it, for each of the years. But it was not explicitly on an outturn basis.

Senator CARR—What indexation rate did you apply?

Mr Dainer—The departmental WC3.

Senator CARR—How much is that—2.3?

Mr Dainer—It is around 2.

Senator CARR—Well, I have been very generous and we have calculated it at \$2.3 million, and on the basis of that—

Mr Dainer—On the departmental component?

Senator CARR—On the Commercial Ready program—and I presume that you have taken into account administrative items and program expenses—the difference between the two figures on a seven-year total, on the published table, is \$1,063 million, which I understand is the figure that has been used here this evening. But if you actually apply it in constant dollars it is only \$963 million, so there is a \$100 million difference. Would you agree?

Mr Dainer—I have not seen your numbers. The point is that the administered side was not done on an outturn basis.

Senator CARR—But not \$100 million. Not even the most generous operation would provide for a 10 per cent—

Mr Dainer—But these types of programs have not been outturned in the main. Staff was not outturned.

Senator CARR—But that is not a \$100 million difference.

Ms Zielke—Can I just note that the new funds available under Commercial Ready are \$1.022 billion, not the \$1.063 billion. That is the figure I quoted to Senator Campbell.

Senator CARR—Why then has it been published here at \$1,063 million?

Ms Zielke—The 1.063 figure includes \$41 million that was provided in last year's budget for R&D Start.

Senator CARR—All I am working on is the published document, which I presume you have signed off on as an accurate reflection of what the government's program is—you know, it has been through the proper processes. And it strikes me that it is dishonest. It is dishonest to produce figures which clearly do not reflect what the program is going to do. And I want to know who has actually agreed to this.

Mr Peel—I think the figures do reflect what the program is going to do. I think Mr Dainer mentioned that administrative funds are not made available in outturn—

Senator CARR—A \$100 million difference—\$100 million less, when you apply the figures that were published in terms of the pricing arrangements in constant dollars. There is no way that you could account for that level of discrepancy by telling me that the administered items are not included. There is no way. What I am trying to establish is why it is that these figures are so misleading.

Mr Peel—There was no funding available in 2006-07 onwards—that chart. Programs cease.

Senator CARR—I am saying to you that the difference between this is document—

Mr Peel—The programs came to an end.

Senator CARR—as outlined in current prices and when you apply a 2.3 indexation rate, give it a constant price figure, is a \$100 million difference.

Mr Peel—But Mr Dainer has mentioned that that is not applied to administrative programs as a practice—that the old programs did not have that rate.

Senator CARR—How much does the program drop in real terms from 2004 to 2010-11?

Senator Minchin—I am sorry, Senator Carr, but my understanding is that all grants programs, forever and a day—under your government, under our government—are published in actual dollar spending terms.

Senator CARR—I do not think that is right.

Senator Minchin—Well, you prove me wrong, but that is my understanding—

Senator CARR—What are the portfolio budget papers published in?

Senator Minchin—Actual dollars, aren't they?

Senator CARR—They are published on the basis that that the grants—

Senator Minchin—Grants programs are always published in actual dollar terms. I think they always have been.

Senator CARR—Do you have further questions on this, Senator Campbell?

Senator GEORGE CAMPBELL—Ms Zielke, in our discussion previously you said that there was \$1.022 billion in new money.

Ms Zielke—Yes.

Senator GEORGE CAMPBELL—And that was in addition to existing expenditures on R&D Start, BIF and IAP. Why then does page 64 of the PBS say there are also two savings measures, resulting in increased funding of \$18.2 million for R&D Start and innovation access?

Ms Zielke—Are you talking about the reprioritisation?

Senator GEORGE CAMPBELL—I presume it is a reprioritisation. But you said to me it was all new money on top of what was there.

Ms Zielke—So, if you take into account the moneys that have been reprioritised from R&D Start and those that have been reprioritised from IAP, those funds have been used to assist with funding in 2004-05 and 2005-06 for the continuation of COMET, the national biotechnology strategy, the continuation of the AusIndustry regional managers network, and to assist with funding for the additional round of BIF prior to the commencement of Commercial Ready.

Senator GEORGE CAMPBELL—Where is that spelt out in the PBS?

Ms Zielke—The footnotes that go with the table on page 58 refer to the program being subsumed into one and funding continuing to be provided to the existing elements until Commercial Ready is up and running. And page 32 also shows the reprioritisation of R&D Start funds and IAP funds as well.

Senator GEORGE CAMPBELL—So there is actually a cut in funding for 2004-05?

Ms Zielke—There was a set of initiatives funded through some reprioritisation and offsets that total \$49.3 million. And we have received—

Senator GEORGE CAMPBELL—Where is that figure?

Ms Zielke—I do not actually think it is outlined in the PBS, Senator. So the PBS shows funding reprioritised from R&D Start of \$19.3 million, and for IAP of \$8 million, which comes to \$27.3 million. If you combine what has been provided in 2004-05 and 2005-06 under areas for Commercial Ready, COMET, and the National Biotechnology Strategy, they total \$49.3 million.

Senator GEORGE CAMPBELL—Where do I pick up those figures?

Ms Zielke—They are on the same table as on page 32 and on the previous page, page 31, as well. So I will just note those again—the funding provided for Commercial Ready, COMET and the National Biotechnology Strategy.

Senator GEORGE CAMPBELL—Where do I pick up the figure of \$49.3 million? I do not understand these figures. I cannot pick up where the money goes into COMET.

Ms Zielke—Senator, I will just try again.

Senator GEORGE CAMPBELL—It is the second last line in the table. Is that right?

Ms Zielke—If you take into account the new moneys for Commercial Ready, the new moneys for COMET, and the new moneys for the National Biotechnology Strategy, shown in table 1.2, which goes from page 31 to page 32—

Senator GEORGE CAMPBELL—Yes.

Ms Zielke—the funds for those three items come to \$49.3 million over two years. The department was asked to find offsets of new expenditure in 2004-05 and 2005-06. As a result, we found \$27.3 million. However, government has provided \$49.3 million. So they provided an additional \$22 million above the \$27.3 million that we identified—to fund those three initiatives over those two years.

Senator GEORGE CAMPBELL—Which is the Commercial Ready Program.

Ms Zielke—Yes.

Senator GEORGE CAMPBELL—Of \$16.7 million over that period. Is that right? Is that what we are talking about?

Mr Peel—Commercial Ready is an additional \$5.5 million in 2004-05, and \$16.7 million in 2005-06, which gives you \$22.2 million. COMET is \$3.8 million in 2004-05 and \$13.3 million in 2005-06, which gives you \$17.1 million. And the biotechnology strategy is \$5 million in each year, which gives you \$10 million. So if you add the \$22.2 million, the \$17.1 million and the \$10 million together, you get \$49.3 million. And I think Ms Zielke is saying that that addition does not appear in the PBS. You have to add it up yourself to get the \$49.3 million. You will not find the 49.3 number in there.

Senator GEORGE CAMPBELL—I see. But that does not detract from the argument that there has been a cut in the R&D funding through reprioritisation.

Mr Peel—Well, the overall result is \$22 million extra, because there has been \$27.3 million in reprioritisation from R&D Start and Innovation Access and an additional \$49

million in new money provided by the government. And the outcome of that is \$22 million extra.

Senator GEORGE CAMPBELL—And you say that that is in addition to the moneys that are in this?

Mr Peel—No, that is included in the calculations we gave you before of the \$1.022 billion.

Senator GEORGE CAMPBELL—So my argument is still right—if that is part of the \$1.022 billion.

Mr Peel—Yes, that is right.

Senator GEORGE CAMPBELL—Then it is effectively not \$1.022 billion in new money.

Mr Peel—Yes, it is, Senator. The \$22 million of additional money is included in there.

Senator GEORGE CAMPBELL—That is over and above what you have deducted from R&D Start for 2005-06?

Mr Peel—What we are saying is that, when you add the minuses and the pluses together for 2004-05 and 2005-06, you end up \$22 million in front.

Senator GEORGE CAMPBELL—So the \$4.64 million figure that you talked about is in fact after the reprioritisation?

Ms Zielke—Yes.

Mr Peel—That is correct. That takes that into account.

Senator GEORGE CAMPBELL—That was not said initially when you looked at those figures.

Mr Peel—Sorry.

Senator CARR—I would like to go back to something, if we could. Are there officers here who are able to help us with this ministerial adviser's trip? Thank you very much, Mr Noonan, for getting the document so quickly. Was there a report that accompanied this document?

Mr Noonan—No.

Senator CARR—So no report was submitted?

Mr Noonan—No.

Senator CARR—Did the cost that you gave us before of \$8,000 include the full cost of the trip?

Mr Noonan—That was the travel component cost of the trip, which was the context of the question you asked on notice. There was a registration fee for the providers of the study course of \$10,500.

Senator CARR—Are there any other expenses?

Mr Noonan—Not that I am aware of.

Senator CARR—So it cost the department closer to \$19,000?

Mr Noonan—Yes, \$10,500 plus the earlier number.

Senator CARR—What was the registration actually for?

Mr Noonan—It was an international study group. It was bringing together people from a number of countries to study the subject of innovation and knowledge based industries in a number of economies.

Senator CARR—How many others went on the trip?

Mr Noonan—I do not know the number that was involved in the group.

Senator Minchin—I have had my staff refresh my memory of this episode, which was some three years ago. I say in passing that I think your press release stoops to a new low in sleazy releases.

Senator CARR—A new low?

Senator Minchin—A new low for you, Senator Carr.

Senator CARR—A new low since last week?

Senator Minchin—A very new low. I particularly think it is unfortunate to try and slander Mary Wooldridge on the basis that she happens to be the sister of Dr Michael Wooldridge—but nevertheless. I was reminded that Bob Herbert, then chief executive of the Australian Industry Group, was putting together a group to go to Europe to study innovation and knowledge based economies, together with the Warren Centre at the University of New South Wales, which is a centre of innovation. They put together a group of 10 to 12 senior business and industry figures focused on innovation. You will recall this was not long after our very successful National Innovation Summit, which Mary was heavily involved in as my senior industry adviser at the time, and the release of Backing Australia's Ability mark 1—which again she was very heavily involved in. They approached her on the basis that they wanted a senior government staffer to be part of the trip. They invited her to be part of what was in effect a delegation.

I remind you that she was an extremely highly qualified adviser—probably the most highly qualified adviser I have ever had. That is why I take some offence at describing her just as 'Michael Wooldridge's sister'. She is a Harvard MBA and a former McKinsey and Co. consultant. As I say, she is extremely qualified and highly regarded by industry for her role in all that we did on innovation during the period I was industry minister. They invited her to be part of this group. My chief of staff at the time, Kieran Schneemann—who is now with the pharmaceutical industry—

Senator CARR—He is currently with Medicines Australia.

Senator Minchin—That is right. He spoke to the department at the time about this invitation that Mary had received and negotiated with the department the means by which she was able to participate in that trip. I understand that Bob Herbert, as the then chief executive, prepared on behalf of the group a detailed report based on his discussions with the participants, including Mary. We are seeking to find out if that report is available. I do not have it but we are certainly seeing if that is available, and if it is we will pass it on to you.

Senator CARR—Do you recall signing off on the trip now, Minister?

Senator Minchin—I do not recall that I signed off on it personally. Obviously, I was happy for her to go on the trip and I was happy to have her not be in my office—

Senator CARR—It would be a bit hard not to know if she has gone.

Senator Minchin—Exactly. I saw it as of considerable value to her and to policy development for her to have that opportunity. It was flattering for her to be invited to be part of that group, so obviously I approved her absence and I was pleased that she was able to be invited. My recollection is that it was a matter for the department as to whether they believed it was appropriate to provide the means by which she could participate.

Senator CARR—This note that has been provided to us has on the bottom of it in fine print ‘the draft itinerary for the PMO document’. I take it that this PMO reference is to the Prime Minister’s office? Would that be right?

Senator Minchin—Presumably.

Senator CARR—That would be right, would it, Mr Noonan?

Mr Noonan—Yes.

Senator CARR—So the Prime Minister’s office signed off on this trip, did they?

Senator Minchin—They certainly would have been aware of it and in terms of Mary being a ministerial staffer and requesting leave and participating on a trip I imagine they would have to have been consulted and involved.

Senator CARR—Mr Noonan, was the Prime Minister’s office made aware of the financial implications of this?

Mr Noonan—I was not a party to any conversation with the Prime Minister’s office, so I cannot answer that question.

Senator CARR—So presumably this itinerary which you have given us went to the Prime Minister’s office. Obviously this document was generated within the Prime Minister’s office, as it has got their signature on the bottom of it. Would that be a fair conclusion to draw?

Senator Minchin—It would not be surprising if my chief of staff advised the Prime Minister’s office of the itinerary. It would not surprise me at all.

Senator CARR—But it is more than that, isn’t it? This document, if you have a look at it, implies that it was generated in their system at some point.

Senator Minchin—I do not think it would have been generated. It is my recollection—or I am advised tonight—that she joined the group in Europe—it was a European tour. She went via the US and had her own program in the US. Then she joined the tour in Europe. It was their itinerary. She was part of a delegation and followed their itinerary. She did not put it together, apart from the US component.

Senator CARR—I see. So the \$1,500 in fees was just for the London to Helsinki to Glasgow to Edinburgh leg, was it?

Mr Noonan—It was the European component, yes.

Senator CARR—The trip to Washington: were there additional costs involved with that?

Mr Noonan—No. That was covered by the airfares that the department paid.

Senator CARR—So there were no accommodation costs associated with this trip?

Mr Noonan—The \$8,700 figure that I gave you earlier covered airfares and travel allowance.

Senator CARR—It says ‘options for meetings’ in this document. Did these meetings actually occur?

Mr Noonan—This was an itinerary at the time of the approval, so it is not necessarily what ultimately occurred. That depends on the availability of the parties that Ms Wooldridge was seeking to meet.

Senator CARR—And when this report is located we can identify, I suppose, whether or not these meetings occurred?

Senator Minchin—What you are referring to there is the US component, which was a program she put together on her way to Europe. But with the focus on innovation and knowledge based economies—

Senator CARR—So there will be no report on that, will there?

Senator Minchin—No. It would be on the official part of the tour, which was Europe. The AIG and the warrant centre put it together.

Senator CARR—You do not know how many people were on the trip?

Senator Minchin—I am told 10 to 12. I do not know whether the names of those people are in that report. If we can get the names, we are happy to get them.

Senator CARR—Ms Wooldridge is no longer with the government, is she?

Senator Minchin—No.

Senator CARR—When did she leave?

Senator Minchin—It was some time in 2001. She got headhunted by a group in Melbourne. I cannot remember exactly when in 2001. It was after she came back from this trip and it was closer to the election. She was approached by a group in Melbourne—a youth services group, but I cannot remember their name—and they made her an offer that she felt she could not refuse.

Senator CARR—I suppose you can never tell these things but an investment in learning of \$19,000 did not stay very long with the government, did it?

Senator Minchin—She had been with me for three or four years.

Senator CARR—But this is not for services rendered.

Senator Minchin—No, it is not for services rendered. But, as I said, she was a highly qualified staffer. I was very lucky to have her and I knew she was always being approached with job offers.

Senator CARR—So it is not a reward.

Senator Minchin—It does so happen that she was made an offer that she was very attracted by later in 2001.

Senator CARR—You do not recall how long after this trip?

Senator Minchin—No, I do not.

Senator CARR—Can the department provide me on notice the point at which Ms Wooldridge left the minister's office?

Mr P. Noonan—Yes, we should be able to provide that.

Senator CARR—Senator Minchin, have you had any other requests like this in your time in government?

Senator Minchin—It is unusual to have, firstly, a staffer with the qualifications and experience that Mary Wooldridge had, with the central involvement in such a significant national event as the Innovation Summit and the preparation and release of the Backing Australia's Ability package, which you know is the biggest science and innovation package ever prepared in this country. Secondly, I am not aware of any staffer—in my experience with my staff—being formally invited by a leading business group to participate in a business study tour of this kind. So they were unusual circumstances.

Senator CARR—Extraordinary circumstances, I would say.

Senator Minchin—It was unusual for her to be invited and it was quite an honour for her to be invited.

Senator CARR—And then for her to leave within a very short period of time?

Senator Minchin—I am delighted she had the opportunity to participate in this study. I think that was of great value. Given the value I placed on her as a staffer, I was sorry that she was made an offer she felt she could not refuse subsequent to that trip. My recollection is there had certainly been no discussions about a job offer prior to her going. She was committed to it. Naturally I wanted her to remain with me through to the election, and I recall that was her intention until she received this very attractive offer. My recollection is that that was after she got back from the trip.

Senator CARR—And the offer was with a children's charity, did you say?

Senator Minchin—I will get you the name of the group she went to work for. I am not sure if she is still with them.

Senator CARR—I have been advised of it too. I cannot recall the precise detail but it was not in the innovation area, was it?

Senator Minchin—No, it was not.

Senator CARR—Do you think this was money well spent?

Senator Minchin—I do, because I think she had developed substantial expertise in the very important policy area—one that you keep telling the government is extremely important—of innovation research and development.

Senator CARR—We will certainly implement it, unlike you.

Senator Minchin—I certainly believe, as I think you do, that it is very important for Australian policy makers and advisers to be well aware of what is happening in policy in this

area. Therefore, when the proposition was raised with me, I thought that it would be extremely valuable to have someone like Mary able to participate in a trip of this kind.

Senator CARR—I can see the logic of your argument, although I am not certain I would agree with it. I cannot understand why DOFA would not have funded it, because they normally fund travel of this type. Why did you feel that you could not get support from the normal sources for a project that you say was of such merit?

Senator Minchin—Speaking on the basis of trying to recall this after 3½ years, as the current Minister for Finance and Administration I am not aware of any discreet capacity for staffers to be funded under a general program. Ministerial staffers can accompany a minister on a tour and on an overseas trip—I take one staffer normally, and the Prime Minister has to approve that. If a staffer is travelling with a minister, that is paid for by DOFA as part of the normal reimbursement of ministerial travel costs of the travelling parties. But this was outside that normal position where a ministerial staffer travels with a minister. So there was no capacity for DOFA to fund it under those sorts of arrangements. Mr Schneider discussed it with the department at the time, and they felt that it was appropriate in terms of their normal funding of training and development. You will appreciate that officials do quite a bit of travel under such arrangements, and the departmental officials at the time felt that it was appropriate for a ministerial staffer who had been invited to be part of a tour of this kind to be reimbursed by the department.

Senator CARR—I am surprised that you did not send a parliamentary secretary or a minister if the trip was of such importance rather than a senior adviser.

Senator Minchin—We knew nothing of the trip. As I recall, AIG approached Mary. They did not approach a minister or a parliamentary secretary. They had worked closely with her in the Innovation Summit—the lead-up to it, the conduct of the summit and the intense policy work that followed the summit which led to BAA. It was Mary whom they invited. They were organising it. It was their trip. It was for them to decide who would participate.

Senator CARR—But it was up to you to agree to the funding. As the minister at the time, you take the responsibility.

Senator Minchin—It was not up to me to agree to the funding.

Senator CARR—Yes, but you are the minister of the department. The department makes a recommendation. Presumably you would have had to agree.

Senator Minchin—She was the government's senior policy adviser within the ministerial ranks on innovation policy and she had played the leading role in the Innovation Summit and the BAA. If a ministerial adviser was to participate in a tour billed as building knowledge based economies, of course she was the obvious person.

Senator CARR—It is just unfortunate that she left pretty soon afterwards.

Senator Minchin—I was certainly very disappointed. But I think it would be quite unfair and slanderous to suggest that she knew she was leaving the job before she took the trip. That would be quite wrong and quite unfair. It so happened that after she returned she was approached for this position.

Senator CARR—I am not making that allegation. I am waiting to see when she left before I draw any conclusions on the amount of time between the two events.

Senator Minchin—I am certainly happy to say I was very disappointed to lose her, because she was a very good adviser.

Senator CARR—Do you see that there might be a gap in the training of ministerial advisers, as I think Mr Noonan suggested before?

Senator Minchin—It is a delicate area. Given the nature of your press release, it means that people like you and the media will always leap upon these things and seek to exploit them. It does make it difficult for advisers to have these sorts of opportunities. It is quite important for good policy development.

Senator CARR—I look forward to your period of opposition to see your restraint.

Senator Minchin—You are right. As you well know, anyone whose salaries and conditions are ultimately paid by the taxpayer seems to be fair game if they step foot outside this country. I think that is a pity.

Senator CARR—You would have to agree that these are extraordinary circumstances. You have put the case in terms of the invitation as you saw it. You said earlier this evening that you did not recall the trip.

Senator Minchin—No, I do not. It was 3½ years ago and I have done a lot since then. I do not recall everything that all my former staff do, I am sorry.

Senator CARR—We did not raise the name of the officer, the adviser; it was raised elsewhere. Now we discover that it was not, in fact, just \$8,710 but there was an additional \$10,500 on top of that, which I suspect should have been included in the answer to give us the full cost of the trip. I say to you that there are extraordinary circumstances here. The normal process for funding of travel is through DOFA, as the answer suggests to us, and it was not done. We are entitled to ask questions about that.

Senator Minchin—Of course you are entitled to ask questions.

Senator CARR—And draw our own conclusions about the merits of it.

Senator Minchin—But you are not entitled to cast slurs upon Mary Wooldridge.

Senator CARR—You say it is a slur; I do not know.

Senator Minchin—It is—‘Wooldridge’s sister’.

Senator CARR—Is that a slur?

Senator Minchin—I think that is a pretty disgraceful comment.

Senator CARR—That is a slur?

Senator Minchin—Of course it is meant to—

CHAIR—Senator Carr, you have made the point and the minister has stoutly defended Ms Wooldridge. Now just move on, please.

Senator CARR—No. I am just responding to the allegation that it is a slur to be the sister of Mr Wooldridge.

CHAIR—No. You are the one making the allegation.

Senator Minchin—Of course you are trying to put her down.

CHAIR—Senator Carr, you are the one making the allegation! The minister has defended the individual whom you have slurred. Now move on.

Senator CARR—This is not an allegation, it is a statement of fact. I asked a question.

CHAIR—Senator Carr, move on.

Senator Minchin—Do not be smart, Senator Carr.

CHAIR—Move on to your next point.

Senator Minchin—We all know what you were trying to infer.

Senator CARR—You are the one making a fuss. You are doing me an enormous service.

CHAIR—I have given you a lot of latitude but this is going nowhere. Just move on.

Senator GEORGE CAMPBELL—I have a couple of areas to cover on BAA. I will do these and then leave you. I will finish these, then get out of your road and you can have the rest of the evening.

Senator CARR—That is fine with me. We have some more scurrilous work to do.

Senator Minchin—No doubt.

Senator GEORGE CAMPBELL—I thought you were being very constrained.

Senator Minchin—That is constrained, is it?

Senator GEORGE CAMPBELL—For Senator Carr.

Senator Minchin—You are probably right—so I hear from Senator Conroy.

Senator GEORGE CAMPBELL—Mr Peel, at the last estimates I asked how many COMET grants had been made to companies that were found to be insolvent. I think you said there were 14. Is that total still correct?

Mr Peel—I do not have an update on that figure here. I could take it on notice, if you wish.

Senator GEORGE CAMPBELL—Please do. Of those 14 companies, how much money did they receive?

Mr Peel—I am sorry, I do not have that information with me.

Senator GEORGE CAMPBELL—Can you take that on notice and provide us with those figures?

Mr Peel—Yes, I will.

Senator GEORGE CAMPBELL—Can you break them down into the amount received by each company?

Mr Peel—Yes.

Senator GEORGE CAMPBELL—Can you also provide us with the length of time between when the companies received the funding, or the funding was approved, and when they declared insolvency?

Mr Peel—Certainly.

Senator GEORGE CAMPBELL—Can you explain to us why you believe the additional eligibility criteria now in place will be successful in ensuring that the COMET grants are not given to ventures with a high risk of insolvency?

Mr Peel—Where are you getting that from?

Senator GEORGE CAMPBELL—That was in your response to the question. One of the changes which you identified was the inclusion of an additional eligibility criterion to ensure that the applicants are solvent and able to demonstrate the ability to fund this year 20 per cent of the cost of a tech plan or MSD course. That is in your questions on notice answer.

Mr Peel—Essentially, as is said there, there is an additional requirement for companies to show us that they are solvent before they get a grant and for us to look more closely at their financial position.

Senator GEORGE CAMPBELL—What is it you require them to do?

Ms Zielke—We require them to provide us with their financial statements, and we consider those in assessing the company.

Senator GEORGE CAMPBELL—Does the department make the assessment?

Ms Zielke—The assessment is initially undertaken by the business adviser. As you are aware, we have outsourced business advisers. We also have two outsourced national managers for the program who then review those applications and provide recommendations to the IR&D Board delegate in relation to those, and then the delegate takes the final decision.

Senator GEORGE CAMPBELL—Who is the delegate?

Ms Zielke—The delegate is an AusIndustry officer.

Senator GEORGE CAMPBELL—So the business managers do the assessment and provide you with a report, and you then take it to the board for a decision?

Ms Zielke—Yes.

Senator GEORGE CAMPBELL—Have many of them been knocked back?

Ms Zielke—Yes. I will check that figure.

Mr Peel—The success rate for COMET over the life of the program is 72 per cent. We have received 1,219 applications and 877 have been approved.

Senator GEORGE CAMPBELL—What I am trying to understand—and you may be telling me exactly this—is: are you saying that, even after the business managers have made the recommendation that the company be given the grant, there is still a percentage of them being knocked back by the IR&D Board?

Mr Peel—The IR&D Board does not actually make the decision. As Ms Zielke mentioned, that is made within the department.

Senator GEORGE CAMPBELL—I thought she said the delegate takes it to the IR&D Board.

Ms Zielke—The delegate of the IR&D Board takes the decision.

Mr Peel—As an officer of the department.

Senator GEORGE CAMPBELL—She did not say that. She said the delegate takes it to the IR&D Board.

Ms Zielke—I am sorry, Senator. I am having trouble hearing you.

Senator GEORGE CAMPBELL—I am having trouble hearing you, too. I thought you said the delegate takes it to the IR&D Board.

Ms Zielke—The delegate is the delegate of the IR&D Board, and that delegate takes the final decision.

Senator GEORGE CAMPBELL—So that individual approves it?

Ms Zielke—Yes.

Senator GEORGE CAMPBELL—Who is the delegate normally, or does it vary?

Ms Zielke—The delegate is me or the program manager.

Senator GEORGE CAMPBELL—So it is Mr Peel?

Ms Zielke—No, it is me or the product manager, who is an EL2 within my branch.

Senator GEORGE CAMPBELL—So you effectively make a decision as to whether they get the funding?

Ms Zielke—Yes.

Senator GEORGE CAMPBELL—Is that based on the business manager's report?

Ms Zielke—Yes.

Mr Peel—The business adviser provides a report to a panel composed of the national managers of COMET—there are two—and, I think, a departmental officer. The panel makes the recommendations after reviewing the business adviser's report on the application, and some of those will be recommended and some will not be recommended.

Senator GEORGE CAMPBELL—Does the business adviser's report come with a recommendation?

Mr Peel—Yes.

Senator GEORGE CAMPBELL—How many of those are rejected? What is the success rate there?

Ms Zielke—Seventy-two per cent of those are accepted, so the rejection rate is 28 per cent.

Senator GEORGE CAMPBELL—You reject 28 per cent of the business adviser's recommendations?

Ms Zielke—Yes.

Senator GEORGE CAMPBELL—Why, given the experience in this area, is it necessary to reject them? How do they get by the business advisers? Are these people not experienced enough now to be able to make an effective assessment?

Mr Peel—They are, but there is not always enough money to go around either. There are not necessarily sufficient funds in each round to support all of the applications, so there has to be an order of merit.

Senator GEORGE CAMPBELL—So the fact that there is only a 72 per cent success rate is not necessarily because the companies—

Mr Peel—It could be for a number of reasons. It could be that the panel disagrees with the business adviser, or it could be that there were not sufficient funds at the particular time to fund all the applications and they had to derive an order of merit.

Senator GEORGE CAMPBELL—I noticed somewhere that 65 companies have had to resubmit their applications due to insufficient information being provided. Why would they have got past the business advisers?

Mr Peel—As I understand it, applications are originally screened by AusIndustry staff before they are passed to the business advisers, so it is likely that the AusIndustry staff were seeking more information before the applications were sent to the business advisers.

Senator GEORGE CAMPBELL—So these 65 may not necessarily have gone to the business advisers?

Mr Peel—That is correct. They could have been asked for further information before they got to that stage.

Senator GEORGE CAMPBELL—Does AusIndustry have any postgrant support services in place for successful applicants?

Mr Peel—The business advisers can work with the applicants after the grant period has expired, but that would be a private arrangement between them. We do not have any particular postgrant support arrangements available.

Senator GEORGE CAMPBELL—Once you make the decision to fund them, that is the end of the issue as far as you are concerned?

Mr Peel—Once they are funded they are assisted by the business advisers to achieve the objectives of the funding, but once that is completed any relationship between the company and the business adviser would be a private arrangement.

Senator GEORGE CAMPBELL—Do the business advisers have a set of criteria on which they assess applications?

Ms Zielke—Yes, they do.

Senator GEORGE CAMPBELL—Can the committee have a copy of the criteria?

Ms Zielke—Certainly. Can we take that on notice and provide it that way?

Senator GEORGE CAMPBELL—Yes. Are the business advisers required to complete a risk management appraisal of the applicants as part of their activities?

Ms Zielke—They are required to undertake an assessment of the application against the merit criteria of the program.

Senator GEORGE CAMPBELL—Does that include an assessment of the financial basis of these companies?

Ms Zielke—It does include an assessment of their financial ability to meet their share.

Senator GEORGE CAMPBELL—What qualifications do these business advisers have to be able to make that financial analysis?

Mr Peel—I am not sure that we have the qualifications of each individual business adviser here, but they are selected through a competitive process. We look for people who are experienced in the business sphere, who may have been involved in the start up of companies in the past and who can provide real value to these emerging companies.

Senator GEORGE CAMPBELL—They may be experienced in the business field but not necessarily in the financial side of business.

Mr Peel—I could stand corrected, but I think most of them would have financial skills as well.

Senator GEORGE CAMPBELL—How many of them are there?

Mr Peel—There are currently 11 business advisers.

Senator GEORGE CAMPBELL—Are they geographically spread?

Mr Peel—Yes, they are.

Senator GEORGE CAMPBELL—Where are they?

Ms Zielke—There are two in New South Wales, one in South Australia, one in Western Australia, one in the ACT, two in Victoria, three in Queensland and one in Tasmania.

Senator GEORGE CAMPBELL—Can you make available to the committee the identities of the business advisers and their qualifications?

Ms Zielke—Certainly.

Senator GEORGE CAMPBELL—Does the committee that makes the final decision rely solely on the advice of the business adviser in making its decision?

Mr Peel—The committee would receive the application plus the business adviser's report, so the only advice the committee is getting is from the business adviser and from what committee members can glean from the application.

Senator GEORGE CAMPBELL—So essentially the business adviser's report has a substantial influence on the outcome.

Mr Peel—Indeed.

Senator GEORGE CAMPBELL—In the PBS the actual figure for 2003-04 for this program is \$8.71 million. The budget estimate was \$7.65 million. Does that represent an overspend?

Mr Peel—I should say that we are expecting to spend to budget this year for the COMET program, so we are not anticipating an overspend. We are expecting to spend the money that is available; we are not expecting to overspend, as you suggested.

Senator GEORGE CAMPBELL—I do not have the PBS with the forward estimates.

Mr Peel—The figure that I have for COMET this year is \$8.67 million, and we are intending to spend \$8.67 million this year.

Senator GEORGE CAMPBELL—That is the actual expenditure but the budget estimate for 2003-04 in last year's PBS was \$7.65 million. Are you saying that that does not represent an overspend?

Mr Peel—I think I explained at the last estimates that there was a transfer of \$1 million from the Biotechnology Innovation Fund to COMET this year, which increased the amount from the \$7.6 million that you would have seen to the \$8.6 million. That will be repaid to the Biotechnology Innovation Fund next year.

Senator GEORGE CAMPBELL—I think you are right: at the last estimates you said that there had been a \$1 million transfer. Can you tell us how much was spent on the COMET program during the life of Backing Australia's Ability 1?

Mr Peel—Yes, I think we can. I only have the budget figures here. In 2001-02 it was \$12.15 million, in 2002-03 it was \$11.63 million, in 2003-04 it was \$8.67 million, and in 2004-05 it is \$8.55 million. We have not underspent COMET; we have spent to budget in each year. I think that should correspond fairly closely to the spend but I will check it and provide you with some advice on notice if I can.

Senator GEORGE CAMPBELL—It was about \$41 million.

Mr Peel—That is about right.

Senator GEORGE CAMPBELL—It was \$40 million, wasn't it?

Mr Peel—That's right.

Senator GEORGE CAMPBELL—So in fact there could be an overspend there, is that right?

Ms Zielke—No.

Mr Peel—If there is a \$1 million difference, it will be that \$1 million that came from the Biotechnology Innovation Fund.

Senator GEORGE CAMPBELL—Page 57 of the PBS states that the government will provide funding of \$100 million over seven years to continue and expand the program. Is that all new money?

Mr Peel—Yes.

Senator GEORGE CAMPBELL—It is not the rephasing money we were talking about earlier on?

Mr Peel—No. The \$100 million for COMET is all new money.

Ms Zielke—Are you referring to the reprioritisation money we were talking about earlier in relation to moneys from IAP and Start?

Senator GEORGE CAMPBELL—Yes. Is this \$100 million in addition to the reprioritisation or is the reprioritisation part of the \$100 million that is referred to in the PBS?

Ms Zielke—As to the funds provided in 2004-05 and 2005-06 for COMET, COMET funds Commercial Ready, and the funds for the National Biotechnology Strategy come from the reprioritisation from Start and from IAP. In addition to that, though, the government provided an additional \$22 million to cover off on those initiatives. So there is some money from the

reprioritisation that is going towards funding COMET in 2004-05 and 2005-06, which relates to the discussion we had earlier.

Senator GEORGE CAMPBELL—Is that part of the 100 million?

Ms Zielke—The \$22 million is counted towards the \$100 million, yes.

Senator GEORGE CAMPBELL—So the actual new money is \$78 million?

Ms Zielke—No, it is \$100 million for COMET. The first two years for COMET are \$3.8 million and \$13.3 million, which gives you \$17.1 million. The reprioritisation money was \$27.3 million. In addition to that, government added an additional \$22 million, which gives you \$49.3 million. Part of that funding is going towards COMET over those two years.

Senator GEORGE CAMPBELL—Yes. As I asked, is that part of the \$100 million?

Ms Zielke—It is not a simple question to ask, ‘Which part of the \$100 million is coming from the reprioritised monies?’

Senator GEORGE CAMPBELL—It is not a simple question to ask or not a simple question to answer?

Ms Zielke—To answer.

Senator GEORGE CAMPBELL—There is a proportion of it in there somewhere. Is that what you are saying?

Ms Zielke—Yes, but I cannot clearly identify what proportion of that is within the COMET monies.

Senator GEORGE CAMPBELL—Are you confident that the moneys allocated in BAA 2 will meet the demand for COMET, or will there be winners and losers?

Mr Peel—The more money you have, the more you can spend. We are confident that it will more than meet the demand that we have had to date. There is more money available in the future than the past.

Senator GEORGE CAMPBELL—Is that based on your experience?

Mr Peel—Yes.

Senator GEORGE CAMPBELL—I have some questions about Syntroleum. Mr Hartwell, can you update us on the current situation with Syntroleum?

Mr Hartwell—Since the last estimates hearing, there has been a series of discussions with Syntroleum. If I can summarise it, the government has accepted a Syntroleum offer that provides for the return of the moneys that were held in escrow—that is, the principal interest in the accounts; a payment of \$2 million representing a return of the interest drawn by Syntroleum since the project was terminated; and the Commonwealth has also been reimbursed for some legal fees.

Senator GEORGE CAMPBELL—So they have agreed to return all the moneys. Does that include the technology licensing fee?

Mr Hartwell—There were two elements to the technology licence fee. As you will recall from the original offer to Syntroleum, it was for an amount of \$30 million. Of that, \$15

million was paid over and \$1.5 million was returned to the tax office in the form of a withholding tax, so Syntroleum received \$13.5 million. That amount of money remains with Syntroleum, but in return for that money the Commonwealth has obtained a right to use the technology that is encompassed in that licence. Formerly, the situation had been that we did not have that right until the full amount of \$30 million had been paid over.

Senator GEORGE CAMPBELL—Perhaps you can clear up a problem for me. In the questions on notice it talks about an amount of \$20 million, while in the *Hansard* in a discussion about escrow we talked about an amount of \$31.5 million.

Mr Hartwell—There were two parts of the escrow account. One part was for the loan part of the moneys, which was the first tranche of the loan moneys—that was \$20 million of the \$40 million. The other part was the part I just referred to, which was this second part of the technology licence fee. All the moneys held in escrow under the arrangements we have Syntroleum will be returned to the Commonwealth.

Senator GEORGE CAMPBELL—The Syntroleum press release says that the \$2 million you talked about is related to interest and expenses ‘since suspension’. Does that mean that they drew interest payments prior to suspension?

Mr Hartwell—Basically, yes. All interest payments since September 2002, which was the date of suspension, and an amount to allow for most of the Commonwealth’s legal fees have been repaid. That really constitutes the \$2 million. The interest payments prior to suspension will not be returned. Syntroleum would argue that they spent some of that money in terms of trying to build up the project within Australia.

Senator GEORGE CAMPBELL—How much were those interest payments worth?

Mr Hartwell—The interest was around \$A2.3 million.

Senator GEORGE CAMPBELL—They received about \$2.3 million?

Mr Hartwell—Yes.

Senator GEORGE CAMPBELL—That was over a period from when?

Mr Hartwell—The announcement of the assistance to Syntroleum was around February 2000. I think the interest dated from July 2002.

Senator GEORGE CAMPBELL—From July 2002 until when?

Mr Hartwell—I will have to check when that interest dated back to. It was all the interest which was accrued from the period before September 2002. We are trying to check that date for you.

Senator GEORGE CAMPBELL—Regarding the figures that appeared in the budget variations at the February hearing, there is a figure in the budget of \$2 million under the heading ‘Syntroleum’ and an actual expense of \$1.33 million. What does that relate to?

Mr Hartwell—I think I understand. That relates to the depreciation on the Syntroleum technology licence fee—the moneys that were paid over for the Syntroleum loan. There is a figure in there required to be provided in the budgets in relation to depreciation. It is somewhat separate from the financial arrangements that I have been talking about.

Senator GEORGE CAMPBELL—So you treat that as an asset?

Mr Hartwell—Yes.

Senator GEORGE CAMPBELL—In February, Mr Lloyd, I think you assumed that the department holds the Syntroleum technology licence on behalf of the Commonwealth. Is that the case?

Mr Hartwell—There are two accounts. I might just say to you that the loan account is held in the name of the Commonwealth and the licence account is held in the name of Syntroleum.

Senator GEORGE CAMPBELL—But who actually holds the technology licence on behalf of the Commonwealth?

Mr Hartwell—The licence at this point is held by Syntroleum. We believe that licence is in the hands of the Commonwealth under the arrangements that have been put in place.

Senator GEORGE CAMPBELL—But who actually holds it on behalf of the Commonwealth—the department or Attorney-General's?

Mr Hartwell—In a strict legal sense, given that we are the signatories on the documents, we would hold the licence.

Senator GEORGE CAMPBELL—Can you explain to me what value the Commonwealth has had from the technology licence to date?

Mr Hartwell—At this point in time, because we do not have a project related to the Syntroleum technology, that is still being worked up. There is no value at this point in time in that sense, although—as you have correctly pointed out—it is still recorded as an asset on Commonwealth books.

Senator GEORGE CAMPBELL—Do you have a view about what value you expect to get from it in the future?

Mr Hartwell—That is not something I could say at this point in time.

Senator GEORGE CAMPBELL—I think you said, Mr Lloyd, that the value of the licence was what we paid for it—\$30 million.

Mr Hartwell—That was the original price that was attached to the licence. As I have mentioned, only half of that amount was paid over.

Senator GEORGE CAMPBELL—Are we depreciating that amount again—the \$30 million?

Mr Hartwell—We did depreciate against the \$30 million.

Senator GEORGE CAMPBELL—So we have an asset that we have valued at \$30 million—is that correct?

Mr Hartwell—That is right.

Senator GEORGE CAMPBELL—Mr Lloyd, I think you and Mr Jones told us in February that there is a possibility that the technology can be on-sold subject to the rights within the licensing agreement. Can you confirm whether or not it can be on-sold, or does Syntroleum still have a lien over it?

Mr Hartwell—As part of our ongoing discussions with Syntroleum that is an issue that will be worked through. The arrangements have now changed, obviously, because of the agreement that we came to two or three months ago, and the final aspects of that agreement are still being bedded down. If I can summarise it, it does involve all the return of moneys in escrow, it involves a return of the \$2 million accrued in interest and fees since September 2002 and it gives us a greater use of the licence.

Senator GEORGE CAMPBELL—Can you explain to me what you mean by ‘gives us a greater use of the licence’?

Mr Hartwell—As we understand it, it would mean that the licence would be available to be used in an alternative project or it might be able to be on-sold, to use your term.

Senator GEORGE CAMPBELL—Sorry, I am not making it very clear. Does Syntroleum have a lien over what we do with the licence?

Mr Hartwell—That would have to be negotiated if a project became available that the licence would be relevant to.

Senator GEORGE CAMPBELL—What are the current provisions in the agreement with Syntroleum in respect of the licence?

Mr Hartwell—As I said to you, I do not have the specifics of that in front of me at this time but it did involve agreement on both sides in terms of the use of the licence.

Senator GEORGE CAMPBELL—I am sure it did. I am interested in what the agreement is, not whether or not both sides agreed to it. Chair, I have difficulty in pursuing these other questions without knowing what that precise answer is. Can I suggest that Mr Hartwell get the agreement and we might continue this discussion in the morning?

CHAIR—Does that suit you, Mr Hartwell?

Mr Hartwell—Yes; that is fine.

CHAIR—Let us take that course.

Senator GEORGE CAMPBELL—Are you happy with that, Mr Paterson? I can pursue all these other questions but unless this issue is clarified I am not going to get any answers.

CHAIR—It might be more efficient to do it the way you suggest. Are you happy to postpone your questions until the morning?

Senator GEORGE CAMPBELL—Until Mr Hartwell is able to answer them.

Proceedings suspended from 9.36 p.m. to 9.53 p.m.

CHAIR—Proceedings will now resume. I will pass the call to Senator Carr.

Senator CARR—Given the hour, we do not want to keep people here unnecessarily. I have questions for officers in the automotive section, IP Australia and Geoscience Australia. I will have to put on notice the remainder of my questions. No doubt I will get complaints about the number of questions, but it is either that or we bring the department back for three hours tomorrow.

CHAIR—Are saying that those officers you have indicated you do not require this evening you will not require tomorrow either?

Senator CARR—I will not require them personally, but I cannot speak for other senators, so I do not know. I understand Senator Lundy has indicated she has questions for Geoscience—IT issues, I expect. No other requests have been put to me.

CHAIR—Will you be in attendance tomorrow?

Senator CARR—Yes. There has been a problem with another committee. I have to go to another committee, and that is the reason I want to truncate these proceedings. It is not because of any loss of desire to spend time with you, Mr Paterson.

CHAIR—I am told by the secretariat that Senator Campbell still has a cross-portfolio question, that Senator Lundy will be asking questions about AGAL, and that Senator Harradine has indicated that he will be asking questions about biotechnology. That is as much as we have been advised, so that is as helpful as we are able to be at the moment. The officers not involved in the areas indicated by Senator Carr are excused for the evening.

Senator CARR—I want to ask a question about Mitsubishi. What is the total number of jobs that will be lost from both the manufacturing plant and the engine plant as a result of the statements made by Mitsubishi on 21 May?

Mr Pettifer—Mitsubishi has indicated that it will close the engine plant in October 2005, and there are 670 jobs involved there. As far as the car assembly plant goes, I think Mitsubishi is still working through the exact number of jobs that would be involved.

Senator CARR—How many jobs do you anticipate will go from the production line?

Mr Pettifer—I think that is something that Mitsubishi itself is still working through.

Senator Minchin—My understanding is that there will be some redundancies at Tonsley Park, but the managing director advised me that they would be voluntary redundancies and they would be somewhat less than the numbers at Lonsdale.

Senator CARR—I understand that in April there were 2,000 people on the line.

Senator Minchin—More than that. There are at least 2½ thousand.

Senator CARR—How many will be on the line in December?

Senator Minchin—I do not think the company has actually said. It is my understanding that the company has not put out a number, but they have said there will be some voluntary redundancies—

Senator CARR—I understand that the nature of the departures is voluntary.

Senator Minchin—and that they will certainly be less than the numbers going at Lonsdale.

Senator CARR—So no more than 670?

Senator Minchin—Certainly less than that, I am advised.

Mr Pettifer—Substantially less than that. They are still working through the numbers. They are going through the process of deciding what they need to do.

Senator CARR—Is it 350?

Mr Pettifer—I do not want to put a number on it.

Senator Minchin—I think it is for the company, not for the department or the government.

Senator CARR—It is important. If we are looking at the total, we need to know what the scope of the problem is that we have to deal with. I think that it is a fair enough question to establish exactly how many jobs are likely to go.

Senator Minchin—It is a matter for the company, in discussion with the unions, to say publicly what number they are looking at, and I do not think they have yet determined that. But the assurance they have given me—and, I presume, the department—is that there will be some voluntarily redundancies but they will not be too great.

Senator CARR—You do not regard 350 as too great?

Senator Minchin—They have not said that figure. If that were the figure, that is still going to leave a work force in excess of 2,000 at Tonsley Park. I must say as a South Australian that I regard it as an enormous victory that we have been able to retain over 2,000 people in employment at Tonsley Park, and on the basis that those who accept a voluntarily redundancy will get all their entitlements and will be looked after by the company.

Senator CARR—You would expect nothing less, would you?

Senator Minchin—Certainly not. Others in other companies have got less, so I am very pleased that Mitsubishi has been able to confirm the full entitlements for those at Lonsdale as well as the full entitlements for those who accept voluntary redundancies at Tonsley Park.

Senator CARR—With regard to the multiplier effect, what do you anticipate the numbers to be?

Mr Pettifer—Mitsubishi currently sources about \$1 billion of product a year. About \$50 million of product is sourced into the engine plant and, of course, there will be some knock-on effect from that. But we do not think it will be a major knock-on effect. There will, of course, be some companies that supply that plant who may lose business or who may pick up business in a different way.

Senator CARR—The normal multiplier effect in the automotive industry is 2½ times, isn't it? That is the industry standard, isn't it?

Mr Pettifer—I am not sure there is a normal figure.

Mr P. Clarke—I think the computer model has come up with a figure of something like that, yes.

Senator CARR—About 2½ times?

Mr P. Clarke—It is something, but we are talking about 2½ off the \$50 million.

Senator CARR—So, effectively, if there are over 1,000 jobs to go, we would be looking at another 2½ thousand on top of that?

Mr Pettifer—That does not seem right to me.

Senator Minchin—I would dispute that, because I think the point was just made that this engine plant is much more self-contained than a normal assembly plant; it is far less reliant on inputs from other suppliers than is the assembly plant. As was said, only \$50 million out of \$1 billion was for the engine plant. I did a *7.30 Report* interview with an economist from, I think, Flinders University who has been quite big on the issue of the flow-on effects if Tonsley Park

were to close. He conceded on that show that Lonsdale was a different kettle of fish altogether. So it would be quite wrong for you to apply this notional 2½ figure—which I have not heard of, but let us accept it—to the engine plant, which is quite different from the assembly plant.

Senator CARR—The academics in Adelaide are putting up much higher rates than I am proposing.

Senator Minchin—That economist, whatever his name was, conceded that, if Tonsley Park had closed—

Senator CARR—That might be the case.

Senator Minchin—the knock-on effects of the engine plant closing would be far smaller.

Senator CARR—I concede that as well. I am making the point that if it is 2½ times, which is the industry average—I am not claiming the higher figure that others have claimed—

Senator Minchin—That is not the average for an engine plant, and it is the engine plant that is closing.

Senator CARR—The point is that you do not have any idea at this time of the total number of jobs that will be lost to the industry, do you?

Mr Pettifer—I think it will take time for this to work through. Obviously there will be some immediate knock-on effects. How that translates into actual job losses is something for the future. Quite often the suppliers have many customers—and they probably do in this case—so how that actually affects their business at the end of the day is a matter to unfold in time.

Senator CARR—Sixty-five per cent of the current model come out of Victoria. There are about 40 companies in Victoria. There may only be four or five that have major contracts where the predominance of their work comes from this plant. I understand that. But even in Goodyear at Craigieburn, for instance, the contract for their export tyres, if the tyre demand falls away as a result of the decline in Mitsubishi sales then they will lose work. I have spoken to the company and they say that it could mean as much as 40 days production for them in a year. I presume the department has done those sorts of assessments, haven't you?

Mr Pettifer—If you are talking tyres, you are talking about cars—

Senator CARR—No, I said to you I think there are going to be a substantial number of jobs lost on the line as well. I talked to the suppliers on the line as well as the engine plant. I am just wondering what discussions you have had.

Senator Minchin—Senator Carr, it is not appropriate to seek to engage the department in speculation about numbers that the company itself has not determined or make public. That is simply not appropriate and is impossible for the department to respond to.

Senator CARR—Are you telling me you have not been given a figure? Is that what you are trying to tell this committee, that you personally have not been given a figure?

Senator Minchin—Mr Phillips has indicated to me privately what he thinks might be the voluntary redundancies required. He did so in the presence of the Labor Premier and Treasurer of that state on the basis that that was confidential information that had not yet been

confirmed. I am certainly not at liberty to discuss it with you. It is a matter for the company to make public that information when they determine it. They want—

Senator CARR—I have had conversations—

CHAIR—Senator Carr, let the minister finish.

Senator Minchin—Thank you, Mr Chairman. They obviously want to discuss it with the union, and I think you should at least concede that Mr Phillips has been extraordinary in the way he has gone out of his way to consult with the union movement, with the workers there. He obviously wants to keep that to a minimum. The great news for South Australia is that the company has reaffirmed its commitment to a new model. It will continue with the investment of \$600 million in a new model, which guarantees the jobs of over 2,000 workers at that plant. We welcome that, as we did with the state government at the time. I can assure you that the state Labor government was particularly upset by your quite silly comments at the time when the engine plant announcement was made.

Senator CARR—How do you know that the state government was upset about my comments?

Senator Minchin—They made that quite clear.

Senator CARR—To you?

Senator Minchin—Yes.

Senator CARR—I see. When did they do that?

Senator Minchin—You might recall that we were together on a public occasion at the announcement of the closure of the engine plant and investment in the new model. Your comments were all over the radio and were an appalling statement in the context of that particular day for all South Australians to hear you describing what was going on as a complete and utter disaster. It was a very silly thing to say given that all South Australians, including the state Labor government and ministers in the federal government, were very relieved that the company had decided to maintain production in the assembly plant and continue to ensure that a new model would be produced in 2005.

Senator CARR—As far as I am concerned, if a thousand workers lose their jobs that is a disaster for them. That is what I said and that is what I maintain. If you think that it is not then you are in the wrong game, you have been in the job too long.

CHAIR—Senator Carr, I have allowed a bit of discussion, but let us get back to questions and not statements. That is the way this works.

Senator Minchin—It shows you how out of touch with South Australia you are and the situation that Mitsubishi finds itself in and the real threat that we faced that the whole show would close and the very good work done by Kevin Foley and Ian Macfarlane in ensuring that Mitsubishi remained in production in Australia. That should be welcomed by you, and there was not a word of it. The fact that over 2,000 jobs were saved by the good work between Kevin Foley and Ian Macfarlane rated barely a mention from you.

Senator CARR—You have contradicted yourself there. Can I ask you this: if you maintain that the decisions taken by the company were decisions taken at an international level, how is

it that you maintain that it is to your credit, that the saving of the plant was actually made by you?

Senator Minchin—Mr Kevin Foley, the Labor Treasurer of South Australia, Mr Ian Macfarlane, the industry minister in the federal government, and Mr Tom Phillips went to Japan on the Monday of the week in which the decision was made. It is quite clear from both sides—from the company and both governments—that there was a very real threat of complete closure and that their representations on the part of the respective governments and the Australian company made a very real difference to the decision making in Tokyo. I have no doubt, and as is claimed by Mr Foley, Mr Rann and Mr Macfarlane, they were instrumental in ensuring that the Tonsley Park operation has been maintained.

Senator CARR—I spoke to the company in April, well before any of these matters. I was advised then of the decisions that were being taken, including the redundancies. I spoke to many people. I have not revealed confidential information from the company, but it is wrong for you to say that there was some other magical intervention late in the piece that changed those circumstances.

Senator Minchin—I am sure Mr Foley will be very interested in the fact that you are calling your Labor counterpart a liar. And Mr Rann, no doubt, will be very interested that you, as a Labor colleague, are calling them liars in their public statements that their representations to the company in the week they went to Tokyo with Mr Macfarlane and Mr Phillips meant absolutely nothing and made no difference. No doubt they will be very interested in your comments.

Senator CARR—I have no doubt they will. I would like to know how you reached the figure of \$10 million for the labour market adjustment program. If you have no indication of the number of jobs to be lost, how is it that you have calculated the sum of money for a labour market adjustment program?

Mr Pettifer—I think those are questions that are best put to the Department of Employment and Workplace Relations. They were responsible for providing estimates as part of the development of the overall package.

Senator CARR—So you cannot tell this committee about the program. Who is going to administer the program?

Mr Pettifer—That part will be administered by the Department of Employment and Workplace Relations.

Senator CARR—So you had no input into the calculations for how much money was needed?

Mr Pettifer—We had an input into the overall package, but I am saying that that package is made up of a number of components, and that component was based on analysis and advice provided by another department.

Senator CARR—When was the program of assistance put together, then?

Mr Pettifer—There was some early work done on this a couple of weeks ago. But, of course, the final package was finalised last week.

Senator CARR—How many days before the 21st?

Mr Pettifer—It was during that week.

Senator CARR—The announcement was made on Friday, so presumably in the preceding two days?

Mr Pettifer—Things were moving fairly quickly during that week, and the final situation was not clear until late in that week.

Senator CARR—How long will the \$10 million labour market adjustment program run?

Mr Pettifer—Again, that is a question that you should direct to the Department of Employment and Workplace Relations.

Senator CARR—You do not know?

Mr Pettifer—It is not for me to know; I am not running that element of the program. It runs through the Job Network program, I understand. It is just not this department's responsibility.

Senator CARR—Why wasn't that part of the announcement?

Mr Pettifer—I cannot comment on another department's responsibility.

Senator CARR—No, but presumably you are supposed to coordinate the response, aren't you? You must know whether or not this program is a three-year program, a five-year program or a 10-year program. Are you telling me that you do not know?

Mr Pettifer—Obviously the program will be in place long enough to be helpful in finding those who lose their jobs—and there will be people losing jobs through to October 2005—placements in alternative employment or to be retrained. I am not going to put an exact time frame on that. If there is an exact time frame on that then perhaps the Department of Employment and Workplace Relations will be able to provide it.

Senator CARR—So you have not been informed of one?

Mr Pettifer—No. I have not had a discussion about how long that particular part of the package will be available.

Senator CARR—We have a situation where the department has no expectation of the number of jobs lost and we do not know how long the program is going to run. Would that be a fair description of what you have said so far?

Mr Pettifer—What I have said so far is that the questions you are asking me are the responsibility of another department, and I am not going to respond to them. If you want answers to those questions they should be directed to that department.

Senator CARR—Did the department consider any other options in terms of assistance for Mitsubishi?

Mr Pettifer—Any other options?

Senator CARR—Yes.

Mr Pettifer—It was made very clear by MMC that the problems they were facing were global problems. Of course the government had determined previously that it would make \$35

million available to them to facilitate their new investment. That money still stays on the table. We did not consider any other options beyond that. It was not a matter of considering any other options. The company did not request anything else. It made it very clear very early on in the process that the problems related to the global problems which Mitsubishi was facing and were not ones that related to the Tonsley Park operations.

Senator CARR—Have you given any consideration to untying the R&D grant proposal that is on the table at the moment?

Mr Pettifer—I do not know what you mean by ‘untying’. If we run through that, we were negotiating the terms of the deed for that grant with Mitsubishi through the second part of last year. The company asked us to put those negotiations on hold because the circumstances relating to one of the models that they were going to produce at Adelaide were changing, and of course they wanted to reassess the situation. They thought that the situation probably would not be clear until about April this year, and last week they indicated that they would like to resume discussions in the next couple of weeks about the terms and conditions of that particular grant, so we will do that. So it is not a matter of us holding it up; the money was not due to be paid until 2004 and 2005, and we are standing ready to reopen negotiations with them on that grant.

Senator CARR—So there is the possibility of another \$35 million being advanced?

Mr Pettifer—No; the government has indicated that that money is available to them.

Senator CARR—But it is currently given on the basis of an R&D grant. Are you considering changing the terms of the grant?

Mr Pettifer—We will have to look at that, and of course that will be a matter for the government at the end of the day: whether or not they wanted to change the original terms of the grant.

Senator CARR—Have the company made a request to that effect?

Mr Pettifer—No. They have said that they would like to re-establish negotiations on the deed attached to that grant within the next few weeks. They were put on hold because the original plans about the long-wheelbase model, the luxury version, changed. Of course we also had the difficulties that MMC was facing, with the need to go through a revitalisation and replanning process. All of that meant that it just was not possible to finalise that process—and it was at the request of the company that we put that on hold.

Senator CARR—Do you recall a briefing that you gave on 2 April?

Mr P. Clarke—Yes.

Senator CARR—I just want to go through some of the things that were said at the time. You will recall that I initiated the briefing. Would it be a fair description that I sought the meeting?

Mr P. Clarke—Yes.

Senator CARR—Because I was concerned about the situation at Mitsubishi?

Mr P. Clarke—Yes.

Senator CARR—You said that Mitsubishi has been installing new plant and machinery that extended the size of the plant; that they had spent a lot of money on upgrading the plant; that the high wind-up costs would outweigh the money invested in anticipation of the new Magna; that the plant had been profitable for the past two years, which cannot be said for some of their other plants; that Australian employees had gone to Europe to train other Mitsubishi employees, which was a sign of the high regard for the Australian operation; that there was speculation about the viability of the operations coming from DaimlerChrysler; and that you had never had discussions with them about breaking up the business or partial closure. On the document you also gave me you said, ‘Mitsubishi Motor Corporation is fully committed to the Australian market and its Australian operations.’ Is that an accurate reflection of the briefing?

Mr P. Clarke—You went through quite a few things in one go. The briefing—

Senator CARR—Is there anything there that you would say that I have misrepresented?

Mr P. Clarke—Not that I can think of.

Senator CARR—I am just wondering when you had first advised the minister as to the extent of the problems at Mitsubishi?

Mr Pettifer—I think that probably was in the context of providing advice to him on a response to a letter he had received from Tom Phillips asking for the negotiations on the \$35 million grant to be put on hold. I think it was probably in that context and that would have been in January, I would think.

Mr P. Clarke—It was in December last year.

Senator CARR—That is when you first advised the minister it was a problem?

Mr P. Clarke—It may have been earlier.

Mr Pettifer—That would have been probably the first formal advice. Of course, this has been a very significant issue for us and we have been very active in keeping the minister’s office and other relevant departments informed of this as it unfolded.

Senator CARR—You left me with the impression that my concerns were exaggerated—that there was no real worry. It was a, ‘it would cost them more to close it down than it would to keep it open’ sort of approach. Is that the impression you intended?

Mr P. Clarke—I would certainly say that I do not think it was for us to speculate about what the future would hold for it. We certainly conveyed to you what had been conveyed to us as the position that Mitsubishi had. That is certainly reflected in the one page you were given. It is that Mitsubishi is committed and that speculation about its future was just that—speculation. And all of that was accurate.

Senator CARR—And we would all agree that we do not want to encourage speculation. But when I went to Adelaide I was left with a distinctly less optimistic position than you had left me with. What troubles me about that is whether or not the department was actually on top of the issues.

Mr Pettifer—Senator, I believe we were absolutely on top of the issues. We spoke very frequently to MMAL. We have an excellent line of communication there. We were also taking

soundings through the Australian embassy in Tokyo, who had contacts with Mitsubishi Motors Corporation. I think we were as informed as you could possibly be in a situation where I think MMC's own thinking was unfolding on this issue. They were surprised by DaimlerChrysler's decision not to put capital into the restructuring. They then needed to come up with another plan. This was unfolding over the last several months. I think we have been very much on top of that.

Senator CARR—What other steps are you taking to assist South Australia in creating sustainable jobs?

Mr Pettifer—The government has announced a \$50 million package, \$10 million of which, as we were talking about earlier, would be for Labor market adjustment measures. We are working through at the moment how the remaining funding would be spent. Of course, Invest Australia has got certain tasks as part of the restructuring exercise in relation to the Lonsdale plant and promoting investment opportunities in South Australia. We are currently developing arrangements to manage the remaining funding, in consultation with the South Australian government.

Senator CARR—How significant is it for the remaining plant to secure another model?

Mr Pettifer—I think that is really up to the company. It depends a bit on how much they can cut their costs. It depends on how successful the new model will be. Certainly, Tom Phillips has been keen to get other business at the Tonsley Park plant. But I cannot answer that question beyond what I have said.

Senator CARR—So the original reinvestment program was for nearly a billion dollars from the company?

Mr Pettifer—It was about that, yes.

Senator CARR—That has been scaled back now?

Mr Pettifer—It is \$600 million we are talking about for the new model.

Senator CARR—Would the difference be accounted for in the fact that there is not a second model? Would that be a fair interpretation?

Mr P. Clarke—Yes, pretty much.

Senator CARR—Is the viability of the plant dependent on the second model being achieved?

Mr Pettifer—As I said, I cannot add to what I have already said on that. I think how successful the new model is depends on whether or not they can get their costs down, and we will only know that when it hits the marketplace.

Senator CARR—Next year?

Mr Pettifer—Yes. It is due out in October 2005.

Mr Paterson—The company has made the decision that it thinks it is viable, otherwise it would not be investing the additional resources to develop the new model in Australia. They are in the best position to make a commercial judgment as to whether that is going to be a viable car operation or not.

Senator CARR—The reason I ask this is, do you think the \$35 million with regard to the R&D grant will be sufficient to improve the business case, or will additional resources be required?

Mr Pettifer—The business case has been made and the decision has been made to go ahead with that investment and the new model. Mitsubishi has not asked for any further support.

Senator CARR—I know that, but you have raised the question of renegotiating the \$35 million.

Mr Pettifer—No. The matter I was talking about was that the grant was originally given on certain conditions, and we will need to look at those again.

Senator CARR—They have not been met and that has not been paid.

Mr Pettifer—That is right.

Senator CARR—That is the line of argument.

Mr Pettifer—That is the process we have to go through.

Senator CARR—No-one can argue the toss with that. The question is: is there going to be renegotiation—and, from what I took you to mean, that is a matter that is now under review.

Mr Pettifer—That is a matter for the government. But the government has said the money remains available on the table.

Senator CARR—Minister, is the government's thinking on this to improve the business case to secure the plant?

Senator Minchin—Several things can be reiterated. The company itself has not sought additional support above and beyond the ACIS scheme, which it warmly welcomed and which has obviously been itself critical to the company's decisions. It has not sought funding above and beyond the ACIS. Its decision to invest some \$600 million in the second model is based on what it foresees as the potential market for the replacement Magna and on the basis of the economics of the business as a result of the ACIS scheme. Obviously, ACIS is critical to its future and it strongly supports the ACIS scheme. It has made its plans and its decision to invest \$600 million accordingly. As has been said, it has not sought additional funding. To my knowledge, it has not formally sought to have the \$35 million made available for anything other than R&D, and we do hope that it will be able to proceed with the level of R&D investment which would generate our contribution of the \$35 million.

Senator CARR—I am not certain that answers the question but, given the hour, it will have to do. Thank you very much.

[10.29 p.m.]

IP Australia

Senator CARR—Sorry, Dr Heath: you anticipated there would be questions at the last round and we ran out of time. In regard to the government's response to the report reviewing intellectual property legislation under the competition principles agreement, are you able to give me details of that response?

Dr Heath—Do you have any particular areas in mind? That report is a few years old now.

Senator CARR—What about a copy of the government's response? That will do.

Dr Heath—The government has responded to that report. We have changed our legislation in response to elements of that report already.

Senator CARR—So are there any further proposals for the Patents Act?

Dr Heath—Yes, there are. There are a couple of areas in relation to the government's response that have not yet been put into legislation. We are seeking legislative time to put those through. My understanding at the moment is that we have a B classification for that. That means we have not got priority yet to get it to the parliament.

Senator CARR—Then it will be in the next parliament?

Dr Heath—Probably in the next parliament, yes.

Senator CARR—What is the current procedure in relation to disputes between parties applying for exclusive patent rights?

Dr Heath—The system works in the following way: an individual or a company applies for a patent. My office takes the application and examines that patent. If, as a result of that examination, the office decides that we believe we should accept the application, there is then a three-month period of opposition where we publish to the world that we are going to accept this. The three months go by and in that period anybody can object to that patent being granted. If they do object, one of my senior staff holds a hearing of the parties and makes a determination. If it is to grant the patent, the patent then usually goes through to sealing and is granted, but there are subsequent avenues for the parties to challenge the validity of what has been granted in the courts.

Senator CARR—How many complaints have you had in the last five years about the process as it currently operates?

Dr Heath—I cannot give you a number. I am not even sure that I could retrieve such a number. We have not had a lot of complaints about the opposition process. The competition review that you referred to did look at that as an issue at the time to decide whether there were other ways it could be done. But generally speaking the discussion goes down the path of suggesting that that first level of opposition done through my office provides a reasonably efficient and cheap way of getting your first case heard, if you like. We do get a reasonable amount of feedback about the costs of going to court if that is the way you have to deal with a dispute about a patent. There was a review done on that matter quite recently.

Senator CARR—Has that been made available?

Dr Heath—It was a review done by the Advisory Council on Intellectual Property. It was released by Mr Entsch's office about a month ago. That is my memory.

Senator CARR—So it would be on the web site.

Dr Heath—It should be.

Senator CARR—Is there an appeals process to the current in-house determinations, other than the court system?

Dr Heath—The level of detail I have not got. On certain technical matters there are appeals from that process to the AAT. But it is not an appeal on the substantive dispute about the patent. It could be about some procedural matters that we have dealt with.

Senator CARR—Do you have any plans to further reform or review the Patents Act, specifically in relation to issues about subsequent patents?

Dr Heath—Subsequent patents?

Senator CARR—Yes. That is the process whereby a person is able to actually step outside the ring—as it is put to me here—and have a further patent issued in another forum. Is that possible?

Dr Heath—That language does not make sense to me. You can—

Senator CARR—This is drawn up by a lawyer, so I can understand that.

Dr Heath—The lawyer is using language which we clearly do not use internally, so I am just trying to translate if I can. If you have a patent application on foot it is possible to apply for subsequent patent rights around that application in certain circumstances. It is a well-tried, well-trodden path in most patent systems around the world. I am not aware that it is anything that particular issues are being raised about.

Senator CARR—We might have to put something on notice to give you more precision.

Dr Heath—Sure.

Senator CARR—With regard to the US free trade agreement, what role did IP Australia play in developing the IP chapter of the agreement?

Dr Heath—Throughout the negotiation, members of my staff were involved in the negotiation teams. I think I had a member of staff in every negotiation that occurred.

Senator CARR—Did you provide any formal advice to DFAT?

Dr Heath—Yes, we provided considerable advice.

Senator CARR—Was it formal advice?

Dr Heath—We would have had a lot of discussions with them.

Senator CARR—What about written advice?

Dr Heath—I doubt if it was in writing—we were part of the negotiating team.

Senator CARR—So you cannot provide the committee with any copies of any advice if it was all oral.

Dr Heath—I cannot swear either way to that. I would have to check.

Senator CARR—I note that the trade minister has indicated in the outcome statement about the free trade agreement that ‘Standards of intellectual property protection will be beyond those provided by multilateral agreements such as the WTO TRIPS agreement and WIPO Treaties’. In what areas will Australia have standards beyond those specified in those cited agreements?

Dr Heath—The FTA agreement has a clause in it—I would have to look it up for its particular number—that, in essence, concerns patenting in relation to life forms. There is an

exception, essentially, in the TRIPS agreement. Article 27 of the agreement says that you shall provide patentability across all subject matter, and then it lists some exceptions, one of them being life forms. Under the FTA agreement, we have agreed to maintain our current arrangement in Australia, which is that we issue patents under the standard rules in relation to life forms. So we have agreed under the FTA to an extension, if you like, of the multilateral TRIPS agreement, but it is consistent with current Australian practice.

Senator CARR—What impact will that have in this country?

Dr Heath—In terms of practice, it will have no impact—that is, the clauses in the FTA, essentially, are an agreement to maintain our current positions.

Senator CARR—Do we require any changes to IP laws in this country as a result of the agreement?

Dr Heath—Only in one technical area—one of the clauses in the FTA requires that, in relation to revocation of a patent, the grounds for revocation should be identical with the grounds for grant. Under current Australian law, we have grounds for revocation relating to secret use of a patent and evidence of prior use of the invention before the patent was applied for. Those grounds are not available under Australian law at the moment in relation to grant. So, to implement the FTA, we will have to change the law to bring those two levels into agreement.

Senator CARR—I draw your attention to the ugh boot case. I am sure you know I have an interest in the matter.

Dr Heath—Certainly.

Senator CARR—From your perspective, how has a situation like this developed?

Dr Heath—It is a fairly straightforward matter from our perspective. The original applicant, an Australian, applied back in 1971 to register the term ‘ugh’ in relation to sheepskin boots. At the time, my office examined that application, and one of the tests that had to be met was that the term was distinctive enough to be registered as a trademark to distinguish goods in the marketplace.

In the 30-odd years since that registration, a strong debate has developed, as you are aware, in the marketplace that the term ‘ugh’ is now a generic term. Two conclusions are drawn in the marketplace in relation to that: firstly, that we should not have granted it in the first place—I do not think that follows necessarily from that, but that is what is being asserted; and, secondly, that if it is now generic then something should be done to take it off the register. There are provisions under the legislation for parties who so wish to apply to have it taken off the register if it is indeed generic.

Senator CARR—What does that involve?

Dr Heath—Essentially, they have to apply to the court, which can rule on whether the matter is now generic.

Senator CARR—Which court?

Dr Heath—The Federal Court.

Senator CARR—And any party can do that?

Dr Heath—The trademarks legislation requires that any aggrieved party can do that.

Senator CARR—So one of these small manufacturers, for instance in Wollongong?

Dr Heath—Yes, or a manufacturers association could apply to the courts on those grounds.

Senator CARR—Or a number of aggrieved persons could share the cost of the case?

Dr Heath—Yes, they could do that, as I understand it. Certainly my law allows that; I am less clear on the way a court case can be structured with multiple parties, but my understanding is you can.

Senator CARR—Are you working on any legislation to improve the situation?

Dr Heath—One of the powers which this particular case has raised is whether the registrar of trademarks should have the power of his or her own volition to reopen such a matter. The registrar does not have a power under the legislation at the moment and we are looking to see whether that power should be introduced into the act.

Senator CARR—You have been looking at that for a while now, haven't you?

Dr Heath—It is a reversal. The power was in the act before the 1995 amendment. It was taken out, so, when this issue in particular really started to bite, there was a fairly serious look at it to try and ascertain the policy setting in which it was decided to remove it. As far as we can tell, it was lack of use. A decision was taken that the registrar had never exercised the power and it was therefore redundant.

Senator CARR—So in hindsight perhaps it would have been a better idea to leave it there?

Dr Heath—In hindsight it probably should have stayed there. Then the registrar could have looked at this case and at least said, 'Here's a process.'

Senator CARR—Do you intend to put forward a submission to government on that issue?

Dr Heath—Yes, we do.

Senator CARR—When do you expect that to arrive?

Dr Heath—I do not have a timing for that; I have seen what is basically a policy draft which says, 'This is how the trademarks office is suggesting that it would be implemented.'

Senator CARR—It is just that, if you have other legislation in this area coming through, wouldn't it be better to put it through as a package?

Dr Heath—We would like to tack it on there, yes.

Senator CARR—I draw your attention to another case—the blue cypress oil case. Are you familiar with this?

Dr Heath—No, I am not.

Senator CARR—There was a very significant article in the *Age* on 21 April entitled 'Bitter blue'. It is about blue cypress oil, which was a major discovery heralded 10 years ago. It was making millions, and the persons involved have been left traumatised and in debt. It was part of a marketing campaign during the 2000 Sydney Olympics. Mr Collins, one of the principles involved, had an application for a patent over the process for the extraction of the

oil and was granted a petty patent in 2000 and an Australian patent in 2002. These patents are now a matter of dispute. Obviously you are not familiar with the case.

Dr Heath—There is a dispute about the patents or about the ownership of the patents?

Senator CARR—There is a dispute about the patents and about the decision of the delegate of the Commissioner of Patents. You are not familiar with the article?

Dr Heath—I have not seen any references to that at all.

Senator CARR—All right. I will tell you what: if that is the case, we are not going to get much headway here, so I suggest we put some questions on notice and see if we can follow it through. In my judgment it points to a problem with some of these small providers appearing to be done out of what they see as their legitimate entitlement. But that is a case you will respond to when we put some answers down. Thank you very much.

[10.45 p.m.]

Geoscience Australia

CHAIR—I welcome Geoscience Australia officers to the table.

Senator CARR—I begin with a question that goes to the audit report from 2001 on the Commonwealth estate property sales. Do you have a brief on that?

Mr Robinson—No, I do not have a brief on that. It goes back a way. We did not prepare a brief on that, but we can answer most of the questions you ask, I hope.

Senator CARR—Who currently owns the Australian Geoscience office building?

Mr Robinson—One of the Motor Trades Association of Australia's superannuation companies owns the building at the moment.

Senator CARR—Does your lease provide for a rent review?

Mr Robinson—The lease has an escalation clause annually of three per cent or CPI, whichever is greater, with a review to market every five years.

Senator CARR—Is it a 20-year lease?

Mr Robinson—That is correct.

Senator CARR—How much are you paying per month?

Mr Robinson—I believe we gave you an answer to that when you placed the question on notice.

Senator CARR—Refresh my memory.

Mr Robinson—Monthly rent on the building at the moment is \$1.225 million—approximately \$15 million per annum.

Senator CARR—You sold the property, according to the audit report from 2001. This is a building you had—

Mr Robinson—No, we were never the owners. The department of finance acts as the owner. The department of finance was involved as the owner in selling the building, not us.

Senator CARR—Yes, that is fair enough. I understand the technical element. The building you occupied, which was technically owned by the department of finance, was sold in 2001 for \$152.4 million; that is right, isn't it?

Mr Robinson—Yes, that is approximately my memory of the amount.

Senator CARR—The success fee engaged by the department of finance was, according to the auditor, \$1.3 million more than it should have been; would you agree?

Mr Robinson—I cannot agree or disagree. I do not recall what it says in the audit report on that issue—

Senator CARR—You can have a look at it for me and confirm it for me, can't you?

Mr Robinson—but it is a matter for the department of finance. They are the people that sold the building, not us.

Senator CARR—The Commonwealth accepted a price for the building that you occupied some \$5.6 million less than it should have, according to the audit report. The initial rentals paid exceeded market values by 17 per cent. They are in the audit report concerning this agency, and I think you can confirm whether or not the audit report said these things about your operations.

Mr Robinson—I would not confirm what the audit report might have said unless I had a copy in front of me in that degree of detail.

Senator CARR—You can take it on notice, can't you?

Mr Robinson—Of course.

Senator CARR—Thank you.

Mr Robinson—But you have the report too.

Senator CARR—Yes, I do. What I am interested to know is how it is that you end up with a situation where you are now paying \$1.2 million per month for a building, given that the premises you were formerly occupying was sold for \$152 million. It does not take long to add up how many months it takes to cover that, does it?

Mr Paterson—These are still questions for the department of finance; they are not questions for this agency.

Senator CARR—It did not own the building and it did not sell the building. Is the Australian Research Council nearby?

Dr Williams—Yes, they are a tenant.

Senator CARR—The same building?

Mr Robinson—Yes.

Dr Williams—They rent 1,200 metres in the building.

Senator CARR—Why are they paying \$360,000 per annum for the space they rent and you are paying \$1.2 million per month? Is there a difference in the size of organisations that would account for that discrepancy?

Mr Robinson—They are paying for a very small area.

Senator CARR—It would have to be a matchbox by comparison.

Mr Robinson—It is of the order of 1,200 square metres, as I recall.

Senator CARR—They signed a lease for five years; you signed one for 20.

Mr Robinson—They are subtenants of ours. We are the ones with the lease for 20 years. We had a situation arise in 1999 where we had a division leave our organisation and go to another part of government. We then had a hole, which we sought a tenant to fill. That was the Australian Research Council, in 2000.

Senator CARR—AUSLIG personnel transferred from the Scrivener building to the Geoscience building in September 2003—is that correct?

Mr Robinson—AUSLIG became part of Geoscience Australia when it merged with the old AGSO in 2001. They became part of the Geoscience Australia organisation in 2001. In September last year, they moved from the building they had previously occupied in Bruce and joined us in the Symonston building. So they are part of us and are included in that rental.

Senator CARR—And their rent went from \$102,000 per month to \$817,000.

Mr Robinson—They are not paying rent in the sense that you are implying. They are part of Geoscience Australia and we notionally divide our total rent bill amongst the various parts of Geoscience Australia. For the amount of space that they take up within Geoscience Australia, I am not sure off the top of my head how much is allocated to that division, but it is not new money that they are expending.

Senator CARR—So they are paying out the empty building, are they?

Mr Robinson—No, the corporate area of the organisation has been looking for an appropriate tenant to take—

Senator CARR—If it is looking for one—

Mr Robinson—It has been looking for an appropriate tenant to take over the space.

Senator CARR—So it is empty.

Mr Robinson—It was until a very short time ago. We have been able to agree a memorandum of understanding with the Department of Immigration and Multicultural and Indigenous Affairs.

Senator CARR—When was that MOU signed?

Mr Robinson—That was done in April. I do not recall the exact date. But Immigration are now responsible for the former AUSLIG building at Bruce.

Senator CARR—But it is still not occupied, though?

Mr Robinson—I am not sure whether they have actually moved in yet but they have taken control of the building.

Senator CARR—How much did they pay for the building?

Mr Robinson—They have worked out an arrangement with the owners of the building, which is effectively a back-to-back deal. It would be in the same way as the former AUSLIG and Geoscience Australia were paying for the building. I do not believe it has changed.

Senator CARR—The same rental.

Mr Robinson—I believe so, but I cannot confirm that.

Senator CARR—When will you stop paying rent?

Mr Robinson—We have stopped paying rent.

Senator CARR—So it stopped from April.

Mr Robinson—Yes.

Senator CARR—During the period in which the building was empty, how much rent did you pay?

Mr Robinson—The amount of rent paid on that building amounts to—

Dr Williams—It would be from September 2003 until now.

Mr Robinson—Some \$1.2 million a year was the rent at the Fern Hill Park building. It was empty from September until May, so we paid two-thirds of \$1.2 million—\$800,000. I must say we were very happy with finding a tenant that quickly.

Senator CARR—You were very happy to get out of it.

Mr Robinson—Yes.

Senator CARR—When the department of finance made the arrangements for you, why did you not strike the same deal as the CSIRO did or try an equivalent deal?

Mr Robinson—What deal are you referring to?

Senator CARR—You do not know? It is this business of selling up your assets and then renting back at much higher rates. The CSIRO managed to get out of it. Why didn't you?

Mr Robinson—The CSIRO is not part of central government. It is a statutory body.

Senator CARR—But at the time when these things were occurring they were in the same department. This was a process that continued after the transfer to DEST, and they did not have their premises sold from underneath them and they were not required to meet these exorbitant rental arrangements.

Mr Robinson—There is an important difference. As I say, CSIRO is a statutory body. They were the owners of buildings and property. We are not, and we never were. They were Commonwealth buildings owned notionally by the department of finance.

Senator CARR—Thank you very much.

CHAIR—Thank you very much. That concludes questions to Geoscience Australia. We will resume at 9 a.m. tomorrow with AGAL and Biotechnology Australia. Senator Carr, can you give us any indication of what more general questions to the department Senator George Campbell will be asking?

Senator CARR—I really do not know.

Mr Paterson—I spoke to Senator Campbell prior to his departure, and he indicated he was going to pursue the line of questioning in relation to the Syntroleum project and that was it.

CHAIR—You can indicate to other officers that they will not be required. Thank you, gentlemen.

Committee adjourned at 10.57 p.m.