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SENATE

ENVIRONMENT AND COMMUNICATIONS
LEGISLATION COMMITTEE

Estimates

MONDAY, 17 OCTOBER 2011

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SENATE
ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE

Monday, 17 October 2011

Senators in attendance: Senators Abetz, Bilyk, Birmingham, Bishop, Boswell, Cameron, Fisher, Joyce, Ludlam, Macdonald, McKenzie, Payne, Singh, Siewert, Waters and Williams

CLIMATE CHANGE AND ENERGY EFFICIENCY PORTFOLIO**In Attendance**

Senator Wong, Minister for Finance and Deregulation
Senator Conroy, Minister for Broadband, Communications and the Digital Economy
Senator Farrell, Parliamentary Secretary for Sustainability and Urban Water

Department of Climate Change and Energy Efficiency**Executive**

Mr Blair Comley, Secretary
Dr Subho Banerjee, Deputy Secretary
Mr Martin Bowles, Deputy Secretary
Dr Steven Kennedy, Deputy Secretary

Outcome 1

Mr Andrew Bailey, First Assistant Secretary, Energy Efficiency Division
Mr Brad Archer, Assistant Secretary, Energy Markets and Renewables Branch
Mr Damien Carmichael, Assistant Secretary, Investigations Branch
Mr Matt Cahill, First Assistant Secretary, Energy and Safety Programs Division
Mr Ross Carter, First Assistant Secretary, Regulatory Division
Mr Kieran Gleeson, First Assistant Secretary, Corporate Support Division
Ms Louise Hand, First Assistant Secretary, International Division
Ms Kerrie-Anne Luscombe, General Counsel, Legal Services Branch
Ms Jo Mulder, Assistant Secretary, Policy Coordination and Governance Branch
Mr Nico Padovan, First Assistant Secretary, Regulatory Division
Mr Trevor Power, Assistant Secretary, Analysis and Projections Branch
Ms Beth Riordan, Assistant Secretary, National Energy Savings Initiative Branch
Mr Tas Sakellaris, Acting Assistant Secretary, Carbon Price Legislation Branch
Ms Harinder Sidhu, First Assistant Secretary, Adaptation, Science and Communications Division
Ms Shayleen Thompson, First Assistant Secretary, Land Division
Mr Robert Twomey, Chief Financial Officer
Ms Clare Walsh, Chief Adviser, International Division
Mr James White, Assistant Secretary, Strategy and Market Linkages Branch
Mr Gregory Andrews, Assistant Secretary, International Finance, Markets and Forests Branch
Ms Anthea Harris, Chief Adviser, Climate Strategy and Markets Division
Professor Will Steffen

Office of the Renewable Energy Regulator

Mr Christopher Branson, Acting Renewable Energy Regulator
Mr Amarjot Singh Rathore, Deputy Regulator

Committee met at 9:03

CHAIR (Senator Cameron): I declare open this public hearing of the Senate Environment and Communications Legislation Committee. These are supplementary budget estimates proceedings and agencies heard during these estimates are only those which have been nominated by various senators. The Senate has referred to the committee the particulars of proposed expenditure for 2011-12 for the portfolios of broadband, communications and the digital economy; climate change and energy efficiency; and sustainability, environment,

water, population and communities and other related documents. The committee has set Friday 2 December 2011 as the date by which answers to questions on notice are to be returned. Under standing order 26 the committee must take all evidence in public session. This includes answers to questions on notice.

Offices and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has copies of the rules. I particularly draw the attention of witnesses to an extract of an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised and which I now incorporate in *Hansard*.

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

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

The committee will begin proceedings with the examination of the Climate Change and Energy Efficiency portfolio, commencing with general questions of the department. We will then follow the order as set out in the circulated program. I note that while Low Carbon Australia Ltd has not been asked to attend, notice has been given that written questions will be put to that agency.

I welcome Senator the Hon. Penny Wong, Minister for Finance and Deregulation representing the Minister for Climate Change and Energy Efficiency, and portfolio officers. Minister, do you wish to make an opening statement?

Senator Wong: No thank you, Chair.

CHAIR: Mr Comley?

Mr Comley: No thank you, Chair.

CHAIR: I now invite general questions of the department.

Senator BIRMINGHAM: Firstly, because credit is always appropriate where it is due, I think the department has returned answers to all the questions on notice. Oftentimes this stage of estimates is spent doing the opposite of giving praise. While I will not say all the answers are entirely to the satisfaction of those seeking answers, I thank the department for getting that information back. Question on notice 82 related to the employment levels and budget of the Communications and Public Affairs Branch of the department. Is there any difference for the 2011-12 financial year compared to the breakdown provided on 30 June 2011?

Ms Sidhu: No, there has been no variation in those numbers.

[09:08]

CHAIR: If there are no further general questions, we will move to program 1.1.

Senator BIRMINGHAM: What work is the department undertaking at present, and in particular what steps in relation to staff facilities, office space et cetera are being taken to facilitate the introduction of the clean energy future package?

Mr Comley: I will ask Mr Bowles to comment in detail. At the moment we essentially operate out of 2 Constitution Avenue and we operate out of the building at 5 Farrell Place, and we have SAP House which is where many of the people involved in the Regulatory Division are. Essentially we are progressively looking at our lease space to have enough accommodation. In the longer run the department has signed a lease for a building in the Nishi precinct. That almost certainly will not have enough staff to accommodate the regulator so there will have to be separate accommodation for the regulator at that point in time.

Mr Bowles: We expect to move into the Nishi building towards the end of next year, 2012. At that stage we expect to fit, effectively, the department into that space. We are looking at 5 Farrell Place, where we currently have some of our regulatory people, part of our energy efficiency division and some of our safety and energy programs areas, to be where the regulator will be housed once we move into Nishi.

Senator BIRMINGHAM: So the department will move into the new facility?

Mr Bowles: That is correct.

Senator BIRMINGHAM: And the regulator—in this instance, just so we are clear, that is the Clean Energy Regulator?

Mr Bowles: That is correct.

Senator BIRMINGHAM: Where will the Climate Change Authority be housed?

Mr Comley: The government has not made a decision on the location of the Climate Change Authority. We have not secured accommodation and will not until they make that decision.

Senator BIRMINGHAM: The Clean Energy Finance Corporation?

Mr Comley: Again, the government has not made a decision on the location of the Clean Energy Finance Corporation, so there is as yet no requirement to seek space. The other point to make is that the Clean Energy Finance Corporation falls under the Treasury portfolio, so it would be a responsibility of Treasury to seek the appropriation accommodation.

Senator BIRMINGHAM: And the Australian Renewable Energy Agency?

Mr Comley: Again, whilst that is part of the clean energy future package, it falls within the portfolio responsibilities of the Department of Resources, Energy and Tourism. So it would be up to them to decide how to accommodate that body.

Senator BIRMINGHAM: Are there estimates of the staff numbers required for each of the new authorities or regulatory bodies outlined in the clean energy future package?

Mr Comley: Yes, there are.

Senator BIRMINGHAM: Would you like to take us through those, Mr Comley?

Mr Comley: Yes. Let me start with the Climate Change Authority, which is in our portfolio—its funding was based on an ASL of, roughly, between 35 and 45. The core staff component is of the order of 35 and then there are a number of commissioners, who take it up to 45. For the regulator, the additional number of positions associated with the regulatory functions being created by the Clean Energy Regulator Bill is of the order of 200. There are also a number of staff who will, effectively, be transferred from the department to the regulator—these are staff who undertake existing functions. That includes, primarily, the Greenhouse and Energy Data Office, which administers the NGER Act; those members of the department who currently work on the Carbon Farming Initiative; and a number of people who are within the portfolio but not the department—the members of the Office of the Renewable Energy Regulator. When you put those together with the net increase of around 200, the staffing complement of the Clean Energy Regulator is over 300.

Senator BIRMINGHAM: Do you have anything more precise than 'over 300'? Is it just marginally over 300?

Mr Comley: I think it is of the order of around 350. I know it is in one of the briefs I have with me, so if someone can have a quick look, we can update that number for you. But it is of that order.

Senator BIRMINGHAM: In regard to the 350 or thereabouts for the Clean Energy Regulator and the 35 to 45 for the Climate Change Authority—do they need to be fully operational or close to fully operational by 1 July?

Mr Comley: Before you move on, the numbers have now been passed to me. The total number is closer to 330 for the Clean Energy Regulator. Sitting within the current NGERs function are around 60. Sitting within the current ORER function are around 50. Sitting within the Carbon Farming Initiative are around 20. Around 200, as I said, is the net increase associated with additional functions of the Clean Energy Regulator.

Senator BIRMINGHAM: Noting the departmental responsibilities you indicated, do you, as the lead agency for the clean energy future package, have estimates of the requirements for the CEFC and ARENA?

Mr Bowles: No, I think those questions should be directed to the portfolio agencies.

Senator BIRMINGHAM: Going back to the question I was asking: In terms of the requirements you have for the start-up, how quickly do you need to be operational?

Mr Comley: I will start with the question of the Climate Change Authority. The Climate Change Authority does not come into existence until 1 July 2012. That is the time frame in which it would need to be operational. And then progressively the Climate Change Authority undertakes a number of review functions. The first review it is tasked to do is the renewable energy target, and so it would need to be in a position to commence work on that soon after its establishment on 1 July 2012. I think it is fair to say that in terms of a logistical start-up task, the Climate Change Authority is not a particularly demanding start-up task. Essentially, you are thinking of 35 to 40 policy-type functions. You need office accommodation and desktop service et cetera, but it is not a particularly complex start-up operation.

The Clean Energy Regulator is a more complex task. That is why we have been planning on the implementation of that through the year. We have been mindful of staging that implementation so that we stage the implementation of that according to some extent to the level of certainty that the Clean Energy Regulator is going ahead. So certainly we have ramped up significantly since the clean energy future package, and we continue to ramp up staff in that.

As to the precise date at which that needs to be operational, there is some leeway there. Obviously, the first year in which the carbon price applies is 1 July 2012, and so you would certainly need functionality by then. Perhaps it is also worth noting that, whilst the first date at which the carbon price applies is 1 July 2012, the first date at which liable parties are required to pay money on the carbon price is not until the fourth quarter of the financial year 2012-13 and then a reconciliation occurs in February 2014.

Senator BIRMINGHAM: In terms of when you expect the regulator to be fully operational or at least properly operational, how quickly do you imagine this getting off the ground?

Mr Comley: The legislation—and if we want to get into the details, I can go to Mr Sakellaris—states that the date the regulator comes into effect is by proclamation. So,

essentially, the minister can decide. The government has not made a formal announcement as to what date the regulator will come into formal existence. I think the other thing to note is that you can in principle have the regulator start quite late because of the fact that the compliance year starts on 1 July 2012. There would clearly still be an interest on a range of people to be asked questions of the regulator. In many instances, though, questions of the regulator can actually be put to the department in the interim if the regulator has not been established. For example, the role of the Greenhouse and Energy Data Office still continues and people can seek advice on how the NGER Act operates, which underpins the measurement under the carbon price, and of course the Office of Renewable Energy Regulator, which looks after the RET scheme, is already fully operational. So for them it is only a question of transition formally into the regulator.

Senator BIRMINGHAM: Perhaps slightly as an aside: is the department already providing advice on the application of the carbon price? Do you already have companies coming to you?

Mr Comley: Certainly we have companies who have for some time come to us to look at the application of the NGER Act. We also have companies that come to us in the normal course of consultation to seek clarity as to how a carbon price would operate; that is certainly already occurring.

Senator BIRMINGHAM: Obviously, the regulator will ultimately be the responsible body. Has the department commenced any recruitment processes or put any planning in place for how the recruitment processes around the regulator will take place?

Mr Comley: Yes, we have. If you want to go into that detail, I think it would be best to ask either Mr Carter or Mr Padovan to come to the table. We have started a recruitment program to be up to speed in time.

Senator BIRMINGHAM: Perhaps if we could get an indication of the time line, particularly for the key positions. What key positions are envisaged, how will they be filled and the time line, notwithstanding the uncertainty of proclamation.

Mr Comley: What was that last comment, Senator?

Senator BIRMINGHAM: The time line for appointments, notwithstanding the uncertainty of when proclamation will occur.

Mr Comley: I think that issue really is a matter for the government. I am not sure that we can go much further in saying precisely when appointments were made. There are two issues here. One is the question of, if you like, appointing the operational staff, the public servants who are going to be the staff who run the authority. That is a matter that is within the purview of the department to plan, obviously keeping the minister advised of what the sensible timetable is. The question of the appointments of the actual members of the regulator, the commissioners, is a matter for government and I do not think we would be in a position to speculate precisely when the government would intend to do that.

Mr Padovan: In terms of the recruitment process, the work in the main is very much around the high-level planning and governance arrangements associated with the implementation of a carbon price. In terms of staffing up the regulator, at the moment the staff that we have on board are around that planning function. As to the staff required for the operation of the regulator, whilst we are preparing a workforce strategy for what staff we will

require at what point, that is clearly contingent on the passage of legislation. So we would not begin the formal recruitment of those numbers and those staff until after the passage of legislation.

Senator BIRMINGHAM: Do you have a breakdown yet as to the staff profile you expect the regulator to take, in particular the levels of staff that will be appointed by the regulator?

Mr Padovan: At this stage, it is too early. As Mr Comley said, we are inheriting a number of staff from existing regulatory functions and they will form the core of the regulator, but in terms of the remaining workforce profile, we are still working through the process.

Senator BIRMINGHAM: I want to go to the key appointments for the regulator, and obviously there are the appointments of the chair of the regulator and the other members in that regard. Underlying that, do you have a profile for what the structure of the regulator will look like and what the key bureaucratic appointments might be that will sit under that?

Mr Padovan: I would confirm that the chair is also the CEO of the regulator, so that chief executive position is already taken care of through the appointments process. In terms of the residual structure, we are working through that, with a view to settling it within the next few weeks. So we are still working through the senior executive structure and then the structure sitting underneath that.

Senator BIRMINGHAM: Is there a current estimate of the number of SES appointments likely to be made?

Mr Padovan: At the end state as at June 2013 we are looking at having a regulator mix of around 15 senior executive officers, of which around half are already in place with existing regulatory functions.

Senator BIRMINGHAM: Is there a process envisaged for how identification of the chair and chief executive will occur?

Mr Comley: The process is already underway. We have already engaged an executive search firm to look at potential options. We will then go through a process that is standard for the heads of agencies, which is that there will be a selection panel which will comprise me, the Public Service Commissioner and one other panel member, and then we would make a recommendation to the minister.

Senator BIRMINGHAM: Who has been appointed for that process?

Mr Comley: Watermark.

Senator BIRMINGHAM: Have they been appointed purely for this process, or are they assisting in appointing the other members of the regulator?

Mr Comley: I understand that they are purely for this process with respect to the regulator. They are a member of a pre-existing panel of firms that we have for this sort of activity.

Senator BIRMINGHAM: Are they undertaking any other work in relation to filling the new regulatory and statutory bodies being created?

Mr Comley: Not to my knowledge, but you would have to address that question to the other portfolio agencies.

Dr Kennedy: If I could just speak to the authority for a moment so that it is clear how these processes work together, the government has announced its intention to appoint Mr Bernie Fraser as the Chair of the Climate Change Authority. It has not as yet taken any decisions around engaging firms or through what process it will appoint the other members of the authority.

Senator BIRMINGHAM: Just to be clear about Mr Fraser's role there with the authority, is that also a chair-chief executive composite? Just remind me.

Dr Kennedy: No. The legislation allows for that to be the case. In the case of the authority it allows for there to be a CEO. Mr Comley mentioned the 35 staff. So there is a CEO of the 35 staff of the authority in addition to the nine members—the chair plus eight members.

Senator BIRMINGHAM: But no step has been taken as yet to appoint a CEO under Mr Fraser?

Dr Kennedy: No.

Mr Comley: Can I just add something to my answer. It is not inconsistent with it, but just so there is no confusion: Watermark was also used to help the department find candidates for the DOIC, the Domestic Offsets Integrity Committee.

Senator BIRMINGHAM: I spent enough time on the CFI legislation debate to be familiar with the DOIC.

Mr Comley: That is a statutory body separate from the regulator. It is not technically covered by my answer, but in the spirit of what you are asking around these areas Watermark was involved with that.

Senator BIRMINGHAM: In terms of capacity within the departmental office capacity that you have or will have when the new building comes online, is it possible that either the Climate Change Authority or the Clean Energy Regulator could be facilitated within your anticipated building space?

Mr Comley: Mr Bowles might want to comment further. Certainly not the Clean Energy Regulator, because of the size of staff. The number of places that we have in the Nishi building is in the order of 750, so 330 would mean that there would not be sufficient space for the department. In terms of the Climate Change Authority, on our current projections of activity it would also probably be excess to our needs. Obviously, when you are talking about 35 to 45 people it is a slightly different proposition to 330. But it is not the planning at this stage to have the Climate Change Authority within the department.

Senator BIRMINGHAM: Of the 330 going into the regulator, presumably the 20 currently working in the CFI are based with the department at present?

Mr Comley: That is correct.

Senator BIRMINGHAM: They are in your current offices at—

Mr Bowles: They are at 2 Constitution Avenue.

Senator BIRMINGHAM: ORER are in a separate location?

Mr Bowles: Yes. I think they have now moved to 1 Farrell Place, haven't they? No. I am told they are still in Allara Street. We are planning to try and reduce our footprint, so we are moving people into Farrell Place. They will move, over the next little while, as we rationalise

that accommodation. Our plan, though, for the regulator, as I said earlier, was to get them all in that one location at 5 Farrell. Its capacity is around 400, I believe, so it is a nice fit for what we are talking about with the regulator. Over the next months we will start to rationalise into 5 Farrell in preparation for a move late next year into the Nishi building for the rest of the department.

Senator BIRMINGHAM: Do you envisage that the Clean Energy Regulator could go into that 5 Farrell location?

Mr Bowles: Yes.

Senator BIRMINGHAM: Is that locked away or is that a decision still to be finally made?

Mr Bowles: That is in our planning. That is the planning scenario at the moment. The department will move from its current locations into Nishi, with around about that 750, and the regulator will move into 5 Farrell. So, regarding our footprint by the end of about November-ish next year, we are planning on having Nishi and 5 Farrell.

Senator BIRMINGHAM: What does Nishi stand for again?

Mr Bowles: I am sorry, Senator, I do not know.

Mr Comley: It is Japanese for west, I believe. It is on the west side of Civic in Canberra. I believe that is the genesis of the name.

Senator BIRMINGHAM: Thank you, Mr Comley. Obviously that is one of those things that just stuck, is it? Please tell me a consultant did not come up with the name, at great expense.

Mr Comley: We do not own the building. The developers decided that. We take a lease with the developers. It just happens that, for my sins, I was previously the chair of the steering committee for the Nishi building, when my extensive expertise in carpet selection and upholstery came into play.

Senator BIRMINGHAM: I am sure that was very helpful, Mr Comley. It is amazing the skills we all develop in strange ways. With regard to the Clean Energy Regulator, just to be clear, do you have a time line that you anticipate commencing hiring of those staff? Is there a time line that it would be problematic to not commence hiring those staff by?

Mr Comley: Mr Padovan can expand further, but it is not—and I am sure you did not mean to imply this by the question—that you have a day and suddenly you hire 200 staff. There will have to be a progressive ramp up over time. So we are already doing some recruitment of staff in the high-level planning phase. This will be a progressive build. You cannot just absorb 200 additional people overnight.

Senator BIRMINGHAM: You are already doing some recruitment of staff?

Mr Comley: As Mr Padovan said, at the high-level stage, and we are trying to look at staff who can do high-level planning but are also the sort of staff that may be useful in a future capacity. Some of those high-level planning staff are not ongoing because their planning skills are not necessarily the same skills that are required for implementing the regulator.

Senator BIRMINGHAM: I did not quite pick before that there were staff already being engaged. Can we just be clear here. I got the impression of an outline of the number of staff

and a planning process for the recruitment of staff and the number of SES appointments. In regards to the actual recruitment of staff, has that commenced in any way?

Senator Wong: Are you talking about the staff already engaged in other entities which would then be folded into the regulator?

Senator BIRMINGHAM: I understand there are already existing staff, Minister, but are there additional staff out of the 200?

Mr Padovan: Out of the 200, we have approximately 50 at the moment. So we have ramped up to around 50. Those staff are principally doing the planning, high-level governance and risk assessment work that is necessary at this stage to ensure that, following the passage of the legislation, we can move fairly quickly to ramp up the regulator.

Senator BIRMINGHAM: So 50 of the 200 have already been engaged and recruitment is continuing for the remaining 150?

Mr Padovan: The work at the moment is very much focused on the plan and from that the workforce strategy. That will detail the levels and the skill sets that we require.

Senator BIRMINGHAM: But are you still hiring at present?

Mr Padovan: At the moment there is no need in the next couple of weeks. Certainly, once the legislation is through, we will want to move fairly quickly to start recruitment.

Senator BIRMINGHAM: Is there a recruitment agency engaged to assist in the bulk of those 150 still to be hired?

Mr Padovan: We use a range of mechanisms. We are leveraging recruitment panels, both within the department and those available more broadly across government.

Senator BIRMINGHAM: Are you able to give a breakdown of the 50 that have already been hired in terms of their positions?

Mr Padovan: I do not have that at hand. I can certainly take that on notice.

Senator BIRMINGHAM: Thank you. What is the current staffing number in the department?

Mr Comley: If you wait a second, we can give you the precise number. Currently—that is, at 30 September 2011—that Department of Climate Change and Energy Efficiency head count is 1,013 staff. That comprises 862 ongoing staff and 151 non-ongoing staff.

Senator BIRMINGHAM: Is that a high level of non-ongoing compared with the department's normal operations?

Mr Comley: It is a relatively high level for department of state. It is largely explained by the Home Insulation Program. Because the Home Insulation Program had always been a time limited program—we essentially took carriage of the wind-down of the Home Insulation Program—there is a significantly higher proportion of non-ongoing. For example, in our Energy and Safety Programs division, which covers those functions, there are 224 staff—again, this is at 30 September. Of those, 71 were non-ongoing and 153 were ongoing staff. So that is the most significant explanation for the non-ongoing. If you look at a typical, say, policy division, you would typically only find five, or no more than 10 per cent, staff as non-ongoing because there is a sense that there is a continual function there.

Senator BIRMINGHAM: The PBS indicates that the average staffing level in 2010-11 was 905 and in 2011-12 it is estimated to drop to 856. You are currently running at 1,013, which is significantly above the budgeted 856. Can you provide an explanation for that as well as the cost implications for that variance?

Mr Bowles: Yes. In overall terms, the figures we are talking about now are who is there at a point in time; it is not a full-time equivalent averaged over a year which the PBS indicates. That is one explanation. The other is that the PBS was before the new functions around the regulator as well. We have actually started to put people on into those spaces, so that also starts to deal with some of the differences. I could not give you the specific breakup. But when you look at point in time and averages over a year all that makes a big difference.

Senator BIRMINGHAM: Sure, but you are running 15 per cent or so above the 856. Unless you find yourself running for a period of time—

Mr Bowles: It is apples and oranges in the numbers of there, so we have to be careful. It is a point in time and how many people we have on seats, and that number will vary from month to month or fortnight to fortnight, whatever it happens to be. We cannot really do a direct comparison back to the PBS averaged numbers over a full financial year.

Senator BIRMINGHAM: Unless that number drops to 700 at some stage, it is not going to average out against 1,013.

Mr Comley: Mr Bowles is saying that there are two issues. Firstly, that number I gave you is the headcount not FTE. The numbers in the PBS are FTE—full-time equivalent. If, for example, we had half of our staff at half time then we would only have 75 per cent of the headcount number recorded as FTE. We do have a reasonable number of part-time staff and a number of these functions. Secondly, these are the numbers collected by the portfolio budget statement, but the clean energy future package did include some departmental funding for the department that comes, obviously, with associated FTE. So we would not be hitting precisely that FTE number average in the PBS because effectively additional funds were allocated to the department in that time.

Senator BIRMINGHAM: Is there a revision to that FTE average in the PBS?

Mr Comley: We would have to take that on notice.

Senator BIRMINGHAM: Can you take us through the additional funds allocated to the department under the clean energy package and to what purpose the department will be using those funds? What are the staff implications for the department?

Mr Comley: The department will receive funding under the clean energy future funding of \$1,681 million over 2011-12 to 2014-15. This includes departmental operating funding of \$299.2 million—\$50.5 million in 2011-12, primarily relating to the Clean Energy Regulator, totalling \$160.2 million and the Climate Change Authority. There is also capital funding of \$48.3 million—\$24.7 million in 2011-12, relating to the establishment of the information and communications technology systems for the Clean Energy Regulator. Are you interested in administered funding or just departmental at this stage?

Senator BIRMINGHAM: Let us focus on departmental; administered obviously would be for things like communities—

Mr Comley: It principally has two components: firstly, the Low Carbon Communities; secondly, the funding that is allocated to the department to administer around \$1 billion of payments to the electricity generators that is associated with electricity Energy Security Fund. Because it is not done through legislation it gets appropriated to the department, whereas the other regulator money is appropriate to the portfolio of the Department of Resources, Energy and Tourism. So the total average staffing level is predicted to increase by 118 in 2011-12 and up to 306 in 2014-15. That is principally due to the establishment of the Clean Energy Regulator and the Climate Change Authority, which are the numbers we have already discussed.

Senator BIRMINGHAM: So those average staffing levels are inclusive of the two new agencies?

Mr Comley: That is right. It is one of these difficult things. At the moment, we are thinking about the department as a whole. Once these authorities are established, you really have to think about the portfolio to get a sense of the total staffing profile.

Senator BIRMINGHAM: The increase of 118 in 2011-12—that is 118 headcount or FTE?

Mr Bowles: It is the average staffing level.

Senator BIRMINGHAM: So that is equivalent to the PPS figure?

Mr Bowles: Which is an FTE averaged over a period of time. So we could end the year with, say, 150, but over the year it might be 118.

Mr Comley: It is an FTE concept rather than headcount.

Senator BIRMINGHAM: Is this 118 extra at the end of the year or 118 averaged over 2011-12?

Mr Bowles: It is averaged over the year.

Senator BIRMINGHAM: So it will be significantly more given that many of them—well, you have 50 already—will not be recruited until the second half?

Mr Bowles: That is correct.

Mr Comley: It is not quite as simple as that for the department as a whole. You are quite right in terms of the regulator bill, which contributes to that 118 ASL. But the Home Insulation Program, in particular, is phasing down at the same time. When we look at the staffing of the portfolio as a whole, those two factors are feeding in. That is why, when we think about that 'around 1,000' headcount at the moment and a regulator which will ultimately have 330, we do not think of 1,300 or 1,200, necessarily, as the total portfolio number in steady state.

Senator BIRMINGHAM: Does the department itself anticipate having increased staff once the authority, the regulator and the other departmental agencies—the agency and the corporation—have been established? It is handy that they all have different final word in their names—an agency, a corporation, an authority and a regulator. It makes it easier.

Mr Comley: No, we do not anticipate being larger than we currently are now.

Senator BIRMINGHAM: 'Currently are now' being as estimated under the clean energy future package—with additional staff in the department?

Mr Comley: The reason we do not anticipate being larger is the phase-down of the Home Insulation Program. If you look at the functions of the department which existed pre the CEF, the CEF package increases some departmental staffing. Much of that ultimately ends up in some of these other authorities. If you are looking at the department as a whole, some things are transferred to other authorities and that reduces the numbers. The wind-down of the Home Insulation Program reduces the numbers in the department as well. That is why we feel we can fit within a building footprint of 750—that is, the Nishi building, which we intend to occupy at the end of next year.

CHAIR: Mr Comley, are you aware of the statement made by the shadow Treasurer, Joe Hockey, on 3 August 2011, in which he spoke about disbanding the whole of the department of climate change?

Mr Comley: I am aware of that statement.

CHAIR: I thought you might have been. What are the implications of disbanding the department of climate change?

Mr Comley: We are playing a bit of a hypothetical game which we would be reluctant to go into too much. Perhaps the way I would answer that question would be to comment on how, when staff have raised that question with me, I have responded to it. The first point I have made to the staff is that the department, like other departments, is comprised of public servants and we have an obligation to serve the government of the day. If the government of the day chose to reallocate the way that certain functions were undertaken, that would be a matter for the government and we would do our best to implement any arrangements put in place were that to occur.

If it were to occur, it would really depend on the precise nature of what was to occur. So, essentially, my presumption is that many of the functions of the department would continue in some way but would just continue in other places and, therefore, we would go through the standard machinery of government of processes that happen. In the same way that occurred when the Department of Climate Change was established at the end of 2007 and the Department of Climate Change and Energy Efficiency was established early last year, we would go through the same process of the machinery of government where we would try to allocate the functions to wherever they were going and assign staff accordingly.

CHAIR: But, Mr Comley, it was not about reallocating; the comment was made on 'disbanding'. There is a difference between reallocation and disbanding.

Mr Comley: Maybe I was incorrect, and obviously I have not had a conversation with the shadow Treasurer about the matter. My presumption was that some climate change functions that existed before the department of climate change were likely to exist in the future. For example, I would assume that we would continue to participate in the international negotiations, in which case that part of the department would need to be accommodated somewhere within the bureaucracy. There are really two separate questions. One relates to what would happen if the functions were reallocated, and that would be a standard machinery of government process. The second is that, if there were significant reductions in the level of activity, that would go to the standard processes within the Public Service when there is a reduction in funding for any particular function.

CHAIR: This was on *Lateline* on 3 August. I will quote what was said. Tony Jones, the presenter, said:

Well, would you be disbanding this department if it's a department that puts out false figures for political reasons? I mean, you are talking about getting rid of 12,000 civil servants.

So it is in the context of the broader reduction that Tony Abbott is arguing for 12,000 public servants to be sacked.

JOE HOCKEY: Yeah. Well the Department of Climate Change will be pretty high up the list for very close scrutiny.

TONY JONES: You mean, you'll be thinking of disbanding it.

JOE HOCKEY: Yep.

That is a pretty clear threat to the department. It is a bit more than reallocation. It is disbanding.

Mr Comley: I did actually watch that interview and took note of it. Again, I have stressed both directly to staff and directly to my senior executive that we are a department of state with a particular function, but we have an overriding objective to fulfil requirements of the government of the day. If the government of the day decided to make that decision, we would to the best of our ability have to assist in the implementation of that decision. That is the first and foremost point that we have.

The second point I would make is that it is true that the uncertainty about the role of the department does have implications for the department, particularly in recruitment. It is true that, as it is reported to me, a very high number of prospective candidates to the department ask the question about what the implications are should there be a change of government. But, in the same way as I am replying to you, we look at the functions we are fulfilling and look at the funding that has been allocated and make the point that we need to be in a position to serve the government of the day. The one final comment I would make on this issue is that there are really two parts to that statement. The implication or the statement that the department in any way has ever fabricated numbers is one that I would certainly refute.

CHAIR: So all the evidence you have given in relation to the problems that direct action has in meeting a five per cent target you stand by?

Mr Comley: Yes.

CHAIR: I want to come to that in some detail so, in terms of numbers, I am happy, Senator Birmingham, if you want to continue. I want to come back to some of the general questions of the department.

Senator BIRMINGHAM: Chair, I thought we had moved on from the general questions of the department.

CHAIR: Not general questions but questions in relation to policy.

Senator Wong: Through you, Chair, if I could: I am sure there is a lot of uncertainty about the coalition's policy on this. If Senator Birmingham would like to use the opportunity to enlighten us as to whether the disband threat on *Lateline* was reallocation or sacking 1,200 people, I am sure people would be very keen to know what the policy actually is.

Senator BIRMINGHAM: Minister, if ever I am sitting on that side of the table, it will be your chance to ask me questions.

Senator Wong: So you do not actually want to tell people what your policy is.

Senator BIRMINGHAM: Minister, we will make all of our policies very clear before the election, but this is not your opportunity to ask the opposition questions. This is the parliament's opportunity to hold the government to account.

Senator Wong: Very happy to ask questions but not happy to—

Senator ABETZ: Ask Ms Gillard to call an election.

CHAIR: Senator Abetz, this meeting was going pretty well—

Senator BIRMINGHAM: Until the minister decided to start asking the questions.

CHAIR: I thought you were handling it fine, Senator Birmingham, and that you did not need any assistance from Senator Abetz. I am sure we would have moved on.

Senator BIRMINGHAM: I do not need any assistance from you either, thank you, Chair.

Senator ABETZ: Call the minister into line.

CHAIR: Order! Maybe we can just move on. Have you got other questions?

Senator BIRMINGHAM: I certainly do. I will just finish with a couple extra on the staffing front. Mr Comley, you or the officials indicated that the current headcount is 1,013. What is the variation in that from the 30 June figure?

Mr Comley: I do not have that number in front of me. My recollection from receiving monthly staffing reports at the executive board is that that is pretty similar to where we would have been at 30 June.

Mr Bowles: It might have been just marginally less than 1,000, but that is taking into account some of the new recruits in the planning phase of the regulator. It is not that dissimilar I think from memory.

Senator BIRMINGHAM: Is that because the downward-upward shift is already underway?

Mr Comley: It is because, as I talked about, essentially the real staff reductions in the department are coming out of the HIP and also the Green Loans Program. I think from recollection the Green Loans Program shut around that date.

Mr Bowles: It formally shut down on 30 June. We have some residual functions that we moved to another area in the department around the financial assistance and training assistance schemes, but they will also wind down over the next six to eight months. By the end of the 2011-12 financial year, we are planning on the Home Insulation Program being finished and the assistance packages and the like out of Green Loans to also be finished. So we will see those wind down. We will see some additional activity in some of the program functions that came out of the Clean Energy Plan and obviously the regulator that we have talked about. We will see that net increase towards the end of the 2011-12 financial year.

Senator BIRMINGHAM: Within this program area, program 1.1, do you have an estimate for the growth of the headcount either since 30 June or during the course of this calendar year, whatever measures are going to be easiest for you to give us an indication?

Mr Comley: I would have to take it on notice. I am just eyeballing the divisions. I have only got the numbers for 30 September. I think that, with the exception of the regulatory area,

it has been pretty stable over the period we are talking about—over those three months. So it would I think essentially be attributed to what has been built in the regulator since 30 June.

Senator BIRMINGHAM: The regulator as in ORE?

Mr Comley: Sorry, the regulator to be—the regulatory division, which will then become the regulator.

Senator BIRMINGHAM: Within 1.1 there is now a regulatory division. When was that established?

Mr Comley: We have had a regulatory division which has mainly had NGRS and a couple of other things in it. Then there has been a heightened focus on clean energy implementation. Probably the best example of that is that the regulatory division is run by Mr Ross Carter, who is the first assistant secretary, and Mr Padovan came in a month or so ago to add an additional band 2 resource with a focus on the implementation. So we essentially have a business-as-usual function and we have a build-up function that is involved. But there is a little crossover between the two in practice because you expect the people within the business-as-usual function to transfer to the regulator.

Senator BIRMINGHAM: What is the current headcount within the regulatory decision?

Mr Comley: The headcount as at 30 June is 104.

Senator BIRMINGHAM: Is that where all of the 50 extra who have been recruited for the actual regulator have gone?

Mr Comley: Yes. We said before that, roughly speaking, the number of people doing the old NGRS function, which was principally what the regulatory division did, was around 60 and the number of people we have doing planning the build appeal is in the order of 50. That roughly accounts for the difference between the 60 and the 104.

Senator BIRMINGHAM: And another 150 to go at some stage?

Mr Comley: Yes, that is correct.

CHAIR: On the issue of staffing, there is a proposal for direct action from the coalition. Has the department looked at the staffing implications of direct action?

Mr Comley: We have not formally done an estimate of how many staff would be required to undertake direct action. We obviously provided briefing on direct action before the last election in the context of incoming government, but my recollection is that it did not include a headcount. That would be quite difficult to do until you had more precise parameters around the direct action program.

CHAIR: When you say that you would need more precise parameters, is there some vagueness about the implications of direct action?

Mr Comley: One needs to be a bit cautious because when an announcement is made in an election context or before an election—and this applies to all sides of politics; I am not making any particular partisan point—the level of detail that is provided in an election announcement is rarely one that turns into direct implementation on the ground. For example, you would need to know a lot more about how broad the program is intended to be, whether the budget cap was fully binding or whether there was a target for emissions. You would have to know about which sectors were prepared to be contemplated. You would also have to questions like: is there quite a brutal triage? By that I mean that you can imagine someone

from the pragmatic point of view saying, 'I'm not considering a direct action measure unless it yields half a megaton'—for example—and then in the policy development process someone might come forward and say, 'It is a bit unfair that just because I do not have half a megaton I cannot access the program.' Often whilst it might not be as cost effective, you suddenly have a much larger administrative cost if you allow anyone to come through the door. They are the sorts of questions you have to ask and they would have an enormous bearing on the staff complement that would be required.

CHAIR: There will be a requirement under the direct action for public servants and for the department to oversee the operation of this emissions reduction fund—is that right?

Mr Comley: Yes. For an equivalent level of emissions reduction target, there is no doubt you would require a significantly larger number of staff than would sit within the Clean Energy Regulator because of the nature of what you are doing. The reason for that is that if I look at the Carbon Farming Initiative, which is an offset schemes and requires estimating what otherwise would have occurred as well as what occurs, that is clearly more resource intensive than a straight carbon liability. I do not think that anyone would dispute that who has looked at the question of how you implement these things. How much more it is really would depend a lot on the design of the scheme.

CHAIR: But you stand by the view that Direct Action would be more resource intensive?

Mr Comley: For an equivalent level of emissions reduction I think it would clearly be more resource intensive.

CHAIR: How do we level up this disbanding of the department approach by the shadow Treasurer?

Mr Comley: I think we are getting into a little bit of difficult territory for me to interpret what the shadow Treasurer had in mind. When you first posed the question and I commented how I was responding to staff who were concerned about this, I commented that whether a department of climate change exists there will be functions that will probably need to be performed. Where they sit within the bureaucracy is a matter for government, and we would certainly assist any government with any implementation arrangements but there is a consequence of ongoing climate change functions existing. You are making the comment about an election commitment. I was making a comment about a function within the climate change area that has existed for a very long time, which is the international negotiating function. I presume it would have to sit somewhere within the bureaucracy, unless the government intended to leave the Australia flag empty at international meetings, which I would think is highly unlikely.

CHAIR: It is more than an election commitment; it is the coalition's climate policy.

Mr Comley: The question of how you would administratively organise the execution of that is a matter for the government. In fact, to the extent it is anyone's portfolio responsibility within the bureaucracy, it is actually the Department of the Prime Minister and Cabinet, not an individual department.

CHAIR: I might come back to some of the issues of Direct Action. Senator Abetz.

Senator ABETZ: I have just got a few questions. I am not sure if they are general or 1.1. Do I ask about climate change foundation grants here?

Mr Comley: This is the advertising program?

Senator ABETZ: Yes.

Mr Comley: I think that is directed under program 1.3, Senator.

Senator ABETZ: So people who may have been funded under that should be asked about it at 1.3?

Mr Comley: Yes.

Senator BIRMINGHAM: Certainly the PBS has the climate change foundation campaign listed in 1.1.

Mr Comley: I think we can probably take it in either. We have the relevant people here anyway.

Senator ABETZ: I will ask it now and they can take it on notice. The specific question is whether or not GetUp has applied for funding and, if so, whether or not it has been successful. And if you are able to provide to us on notice all those organisations that have been successful.

Senator WONG: This is under the grant program?

Senator ABETZ: Yes, foundation grants.

Mr Comley: I am just checking the brief now. I believe the answer to the question 'Have they received funding?' is no. The question on whether they applied is what we are just trying to check.

Senator ABETZ: It might be that they have been successful but as yet not received funding. You can take that on notice.

Mr Comley: We will take it on notice.

Senator WONG: I would prefer to take it on notice. I am happy for the officers, if they have the information, to tell you who has received funding—and, in fact, that is made public through the normal orders, as you would know, Senator, through the Senate. But in terms of pending decisions, I think it would be something that we would want to take on notice.

Senator ABETZ: That is fine. You took a question on notice last time, EC 4.

Mr Comley: Is that the fuel tax concession?

Senator ABETZ: No. This is about the citizens assembly.

Mr Comley: Yes. I am just trying to find it in my folder.

Senator ABETZ: It is EC 4. Sorry, it is question No. 1 from EC 4 *Hansard*.

Mr Comley: Yes.

Senator ABETZ: Sorry; I gave you the wrong number. I was told it was 'not possible to separately cost this work'. Well, so be it. But further in the answer I was told that the first meeting of the Multi-Party Climate Change Committee 'concluded that the citizens assembly should not be implemented in its proposed form'. To me that begs the question: was there a suggestion that it should be proceeded with in any other form?

Mr Comley: Not to my knowledge.

Senator ABETZ: Not to your knowledge?

Mr Comley: I am prepared to provide that direct answer noting that we are a bit cautious about what is and is not discussed in the MPCCC. The proposal ceased at that point in time.

Dr Kennedy: I suspect the wording is referring to the notion that the activities of the MPCCC overtook events around the citizens assembly. There was not a new form of citizens assembly being developed but—

Senator ABETZ: So the Multi-Party Climate Change Committee is now the citizens assembly?

Dr Kennedy: No. We are not implying that.

Senator ABETZ: All right. We were told:

The Department ceased work on the proposed Citizens' Assembly following this announcement.

Who made the announcement that the Multi-Party Climate Change Committee had come to this conclusion?

Mr Comley: My recollection is that it would have been in the MPCCC minutes, which come out after the meeting, making that clear. Of course, from a formal point of view the department does not respond to the Multi-Party Climate Change Committee; it responds to the government.

Senator ABETZ: Mr Comley, you have got to exactly where I was going to go with a question. So why didn't you say that in the prepared answer, which said that the department ceased work following this announcement? I would have thought it would have ceased work following a directive from a minister.

Mr Comley: I think that is right. I think that wording is not as good as it could be in terms of the line of accountability.

Senator ABETZ: All right. In 1.1 can I pursue the issue of carbon credits for killing camels.

Mr Comley: Or reducing the number of emissions from camels. Ms Thompson would be able to answer that.

Senator ABETZ: Right. We have this wonderful 63-page dossier prepared by the department as to how we go about reducing camel flatulence and thus save the global, which is a wonderful initiative. I am just wondering who thought of it.

CHAIR: I thought it was a Barnaby initiative. No?

Senator Wong: That's the sort of thing direct action might involve, except that you get taxpayers to fund it.

Senator ABETZ: Well, you see, it is very interesting, isn't it, because—talking about taxpayers funding this—just dealing with camel flatulence is going to cost the Australian taxpayer a mere \$800,000. With the way this government spends money, I am sure that is just in the petty cash tin.

Senator Wong: I am just making the point that this is the sort of—

Senator ABETZ: But can I ask—

Senator Wong: Senator, as is your wont, you started with a whole range of rhetoric before you got to the question, so I might have to respond to it. If you want to have a go about these sorts of initiatives, I would just make this point: what is direct action, your policy? It is

taxpayers purchasing abatement domestically because you have, for some bizarre reason, decided that you do not want to participate in international markets, even if that is cheaper for Australian business. So these are the sorts of things that, under your policy, you would be envisaging purchasing directly, after the non-existent climate change department has not had an opportunity to assess whether it is good value for money. It is a very responsible policy, isn't it?

Senator ABETZ: All your prattle will not overcome the fact that you were re-elected on a policy of no carbon tax. But let's get to this document that was prepared—

Senator Wong: I try not to prattle. I am not sure that is a verb that is ascribed to me that often.

Senator ABETZ: *Carbon farming initiative: management of large feral herbivores (camels) in the Australian rangelands draft methodology.* Who came up with this idea? Was this an initiative from a citizens assembly? Did somebody sit there in the department thinking it would be a good idea to target camels?

Mr Comley: Ms Thompson can answer in detail but, believe it or not, there have been a number of stakeholders for some time interested in the question of feral camel methodologies and they have been in discussion with the department. My understanding is that it is not department initiated but once someone comes forward with a proposal we try to help them through the issue.

CHAIR: Ms Thompson, we are looking forward to your response as the camel flatulence expert.

Ms Thompson: As Mr Comley says, this idea of being able to generate carbon credits from reducing emissions from feral animals, including camels, has actually been around for a while. The particular methodology that you have before you was prepared and produced by a private sector proponent and was assessed by the Domestic Offsets Integrity Committee, which is the government's committee for assessing methodologies, and was put out for public consultation. The technical underpinning of the methodology is that camels, like cattle, do in fact produce methane as part of their digestive processes. The idea is that one can take action to reduce camel populations off a set baseline and hence create carbon credits as a result of that activity, which does benefit the atmosphere. It might be worth recalling that methane is actually a greenhouse gas that is 21 times more potent than carbon dioxide, so it does offer the opportunity for some quite exciting abatement, including in areas like the Northern Territory, where people are very interested in finding opportunities to reduce emissions and create new revenue streams using the mechanism of the Carbon Farming Initiative, which is the government's legislative offsets scheme.

Senator ABETZ: I will read that. I am sure it will all be perfectly clear. In this document it is a draft methodology. Has it since been converted into a full methodology to be actioned?

Ms Thompson: No. Where that methodology is up to is that the Domestic Offsets Integrity Committee provided the proponent with some feedback. The proponent is looking at the feedback and will, we presume, be in touch with a revised methodology.

Senator ABETZ: How long has this been going on for—dealing with camels with this particular methodology?

Ms Thompson: Let me just check to see whether I have those details. I would have to cast my mind back. I believe that we received the draft methodology through the Domestic Offsets Integrity Committee earlier in the year. As a result of the processes that are set in legislation for carbon farming, there is a period of six weeks whereby the methodology goes out into the public domain to seek feedback from public and other stakeholders on whether the approach is robust. Of course, given that the DOIC has to have the opportunity to assess the methodology and there is this public consultation process, it is something that takes a few months to work through.

Senator Wong: To be fair, this is a demonstration of the point Mr Comley was making, which is that in any scheme which requires public servants to assess abatement, such as the coalition's direct action plan, a considerable amount of expertise and staff resources are required. This is the sort of process that would need to be gone through in relation to the direct action policy—the assessment of propositions around domestic abatement and, if the coalition wanted to ensure it worked, an assessment of whether or not the abatement actually was additional and was worth the money that taxpayers were going to purchase it for.

Senator ABETZ: Minister, your continual interventions do not overcome the fact that you promised 'no carbon tax'. If I can ask the officials: so the camels have now got in another breeding season, one assumes, whilst all this consultation has been taking place?

Ms Thompson: I am not sure at what time of the year camels breed. I would have to take that on notice.

Senator ABETZ: Fair enough.

Dr Kennedy: We think the value is in the official taking you through the process for how offsets are approved and—

Senator ABETZ: No. What I want to know is: when do we think we might come to a conclusion on this?

Ms Thompson: As I indicated, the feedback from the DOIC is with the proponent, so in fact it is with them as to what they choose to do next.

Senator ABETZ: Can I move on to a media story of 6 July 2011. I do not know whether the department has been involved in this or not. It may be more appropriate to put this to Treasury. We were told that 'Labor MPs were told yesterday'—given this is a story of 6 July, so it was on 5 July they were told—'in a special caucus briefing they would each be given a special database showing the households in their electorates which would be affected by the tax'. Has this department done any work in that regard or is it, as I suspect, something I should be asking Treasury?

Mr Comley: We have not done any work. To the extent it falls within the Public Service it would be Treasury if it is distribution analysis.

Senator ABETZ: I just wanted to check whether or not.

Senator Wong: If I could assist, obviously this may be something you can ask of Treasury but if the reference is to the public, which includes all MPs having access to cameos and data about what household types and income groups would actually receive under the assistance in the clean energy package, that is all publicly available. That is on the website and people can

go in and say, 'I'm a single parent on this income. What will I receive under the clean energy package?'

Senator ABETZ: Let us see if that is what was actually referred to. I trust you were not the one nervous Labor MP, minister, that was quoted as saying that 'at least we will know which streets we won't be able to walk down anymore'. I will ask Treasury about that.

Senator Wong: Well, you ask me a question and I will respond.

Senator ABETZ: Were you the nervous MP that was quoted?

Senator Wong: I am not at all nervous about the government doing the right thing by the nation.

Senator ABETZ: So why did you promise no carbon tax?

Senator Wong: I am not at all nervous about the fact that we will, through this parliament, actually do what John Howard promised and that you and others in this place have tried to stop. I am not at all nervous about actually being part of a parliament that has the maturity to act for future generations of Australians.

Senator ABETZ: So it was very mature to promise no carbon tax?

Senator Wong: Senator, I think you are the last person in this place who should be lecturing people about maturity, to be frank.

Senator ABETZ: You just told us how mature it was for that to occur.

CHAIR: Senator Abetz, do you have a question?

Senator ABETZ: I am wanting to know why 12 months ago it was bad policy for this nation.

Mr Comley: Senator Abetz, I have just been advised GetUp! did not apply for a grant.

Senator ABETZ: Thank you.

CHAIR: Mr Comley, let me come back to this issue of staffing. The coalition claim that they will reduce CO₂ emissions by five per cent by 2020 based on 1990 levels. Is that your understanding of the coalition's policy?

Mr Comley: Yes. My understanding is that the target range is bipartisan.

CHAIR: They also indicate that the emissions reduction fund that they will establish will purchase 85 million tonnes per annum of CO₂ abatement through soil carbons by 2020. Are you aware of that claim?

Mr Comley: Yes, I am.

CHAIR: Have you done any analysis of whether that is a target that is achievable?

Mr Comley: We have. That analysis is on the public record. In fact, the full document, which someone behind me might have, was, I think, tabled in this committee. My recollection is that we have provided that in the past. It is a document of around 40 pages. We do not think that that would be attainable. The key distinction here, which we have to be very careful about, is that there is a technical potential; that is, what you could technically put into the soil. Then there is a question of whether that is economically viable. Perhaps the best example of that, which I think I have provided to this committee before, is that you can store quite a lot of carbon in so-called extensive grazing land but when you look at the economics of it it is very

unlikely to occur. So where you have grazing and then if you effectively stop grazing you can store, from memory, about a third of a tonne of carbon per hectare per year if you do that. However, if you look at the question of what a farmer makes in profits from running cattle on that land the New South Wales Department of Primary Industries estimated, I think, that the gross profitability of that was around \$85 per hectare. To put it another way, you would have to set aside three hectares of land. Unless the farmer were paid somewhere in the order of \$250 or \$270 per hectare, it is not in their interests to stop grazing. They would rather take the profitability from grazing. The same issue applies across a whole range of soil carbon issues.

The second issue relates to the technical aspects—some of the methodological issues associated with measuring the soil carbon still need to be refined and improved. It is precisely for those reasons that the international community has typically been slower to pick up soil carbon and other non-forest carbon storage in the landscape as a source of abatement which counts towards international commitments.

CHAIR: There is a report in the *Financial Review* this morning which outlines the coalition plan. It indicates that they want to purchase 140 million tonnes of abatement per annum by 2020. Would that 140 million tonnes of abatement reach the five per cent?

Mr Comley: No. On our current projections, around 160 megatonnes of abatement are required by 2020—that is taking into account all climate change policies currently in existence other than those associated with the clean energy future package.

CHAIR: So the coalition policy—just its target—is 20 million tonnes shy of reaching five per cent?

Mr Comley: If you could purchase 140 million tonnes, that would be 20 million tonnes short of the abatement target of 160 megatonnes.

CHAIR: And 85 million tonnes of that is through soil carbon, which you are very uncertain can be achieved?

Mr Comley: Yes, there is that issue, but there is also the broader issue of how much you would have to pay for each of these tonnes to get them in the first place. My recollection of the point we made at our briefing on this issue is that there was a technical and economic viability issue with soil carbon. But probably more to the point is that we would not necessarily expect that you could buy soil carbon cheaper than a lot of other forms of abatement. What we really did is we asked, 'Okay, how much do we think you would probably have to pay for a tonne of carbon?' We then considered the question: do you think you could buy soil carbon demonstrably cheaper than that? We said, 'No, we do not think that is likely in practice,' and therefore we used a common estimate of a potential cost to assess the likely abatement from a direct action policy.

CHAIR: I think direct action factored in between \$8 and \$10 a tonne, did it not?

Mr Comley: It depends. That is about right for land based issues. One of the key issues that would have to be addressed is that in the direct action policy the indication was given that you could do that at \$8 to \$10 a tonne and that you could effectively price discriminate between different types of abatement. So you would not be required to pay the same price.

CHAIR: The report this morning also goes on to say that this fund would provide incentives to older coal-fired power stations to reduce their emissions through converting to

gas. Is there any estimate of the cost of these older power stations reducing their emissions through gas conversion?

Mr Comley: We have done estimates in the past. You would need to talk about the specifics of what you are trying to do. I am reluctant to comment on that at the moment. The reason for that is that one element of the clean energy future package—which is different in kind in the sense that it is occurring in the context of a carbon price—involves some direct negotiations with coal-fired power stations. That is a current negotiation occurring between the department, represented by the Department of Resources, Energy and Tourism, and a small number of coal-fired power station owners. I have to be very cautious to avoid prejudicing those discussions. I think it would be fair to say, without prejudicing those discussions, that views of how much you would have to pay to achieve certain outcomes may differ quite widely.

Senator BIRMINGHAM: It almost sounds like there is a form of direct action taking place.

CHAIR: It might be direct action that works along with a carbon price. Direct action on its own, from what I can see here, will not deliver, will it?

Mr Comley: I want come to this question of the nature of the generator process at the moment compared with a situation of doing it without a carbon price. I think this is in-kind quite demonstrably different because, if you think about it, what would a generator do in a world where a carbon price did not exist? It would quite rightly demand to be paid what it thinks its full income stream is for the asset over a long period of time as if a carbon price did not exist. If you are a generator that has a high emissions intensity and you are thinking, 'What am I prepared to accept in order to cease producing?' That is a very different proposition if the alternative you are faced with is operating in a carbon price that has a significant impact on your business. That is a very important distinction.

Probably the other important distinction that is relevant is that the government is prepared to negotiate with what in practice turns out to be four power stations. A threshold was put in place and, unless your emissions intensity was above a particular threshold, you could not participate in the process. One of the reasons that was done is that the administrative task of negotiating with the very large number of players on what they were prepared to accept to cease operation was quite substantial. So there was a need to try to limit the number of parties involved. It comes back to an earlier answer I gave to one of your questions, which was: 'How many staff would you need?' If you did not put restraints of that type on it, which consciously narrowed down the pool you were having direct discussions with, the implications for administration would be very substantial.

To put it into context, and if you want further clarification you should direct this to the Resources, Energy and Tourism Portfolio, my recollection is that in the clean energy future package the Department of Resources, Energy and Tourism received around \$7 million to administer the generator close-down alone, so they were the resources thought necessary to undertake that negotiation. I am not implying that you would take four proponents, divide that into seven and say that that is the average cost of a particular negotiation, because these are particularly high-value and commercially sensitive negotiations, but it does give you a sense of the complexity of the task.

CHAIR: So it is a complex task that needs competent public servants to administer.

Mr Comley: And the Department of Resources, Energy and Tourism have the competent officials to administer that task.

CHAIR: So that I can get my head around this again, the emissions reduction fund under direct action is 20 million tonnes under the target that is required to get a five per cent reduction by 2020?

Mr Comley: No. I think we have to unpack two things. You are quoting from a newspaper article, which I confess I have not read, which says that it will achieve 140 megatonnes. If you accept that number, then the abatement gap would be 20 megatonnes. The analysis done by the department indicated that we thought an estimate that was more prospective of the abatement that could be purchased was in the order of 40 megatonnes, and so, on the analysis that we did, we thought that the gap from 160 would be more like 120 megatonnes. The question of what you would do to meet the target then determines what the type of the fiscal gap is. So if you were then prepared to buy international permits to cover the gap of 120 megatonnes, you would simply take the international carbon price and multiply it.

We are in slightly unusual territory, and I think it is important to note that we did that analysis quite early last year based on the policy as it was announced at the time. There have been a number of other announcements made by the opposition, which you would have to ask, 'What was the actual policy being proposed?' If we were going into an incoming government process we would have to be open to what the other statements had been.

CHAIR: Sure, and do any of those other statements give you any more confidence that direct action would meet a five per cent reduction by 2020?

Mr Comley: Let me come at this in a different way. You asked me earlier whether we stood by the estimates. Our estimates at the time, from memory, were that we thought that, if you were purchasing around 40 megatonnes, you would probably have to pay around \$50 a tonne. I should stress that I would view that as an optimistic estimate. The reason I stress that is, when that analysis was done, I stressed to all the staff involved that we needed to make sure that we were being as conservative as possible—that is, not talking down the capacity for abatement. But at that time we thought an average abatement cost of around \$50 a tonne was reasonable. The direct action policy, from my recollection, quoted a total budget over 10 years. It did not precisely indicate the spend over each year, but we assumed a ramp-up that ended up with \$2 billion a year in the last year, 2020. We simply took that \$50 abatement cost estimate, divided by the \$2 billion and ended up with 40 megatonnes of abatement, which would leave a gap of around 120 megatonnes.

CHAIR: If you do not use the purchase of overseas abatement, is that where the figure of \$1,300 per household in terms of the cost to the community of this direct action policy comes in?

Mr Comley: I am just trying to recall where that number comes from. There are two ways you can do it. You can do it domestically, spend the \$2 billion and then purchase international abatement. If you choose not to do that, the Treasury modelling indicates that the cost of doing it domestically is typically about double that of doing it internationally, which would increase the overall cost.

CHAIR: Is that why, under the government's scheme, the clean energy legislation allows the regulator to conduct advance auctions of future vintage carbon units?

Mr Comley: Not really. What the advance auction of future vintage permits is really about is trying to provide future price information. If you talk to everyone in business, they are asking for the greatest degree of certainty about what the likely carbon obligation is for them. That is both on the side of businesses that have a very strong need to abate and on the side of businesses that have strong abatement options or renewable energy, for example, because they want to get a sense of what they can put in their business plans. What the forward auction of permits is trying to do is have a traded market so people can observe a future price so that when they are doing an investment plan that runs beyond the current year, they have got some better information as to what the price is likely to be.

CHAIR: Does that also promote business certainty?

Mr Comley: It does. But I would explain the answer a little bit. It does help business certainty. With carbon markets and all markets, some people will ask for absolute certainty. That is never going to exist in the same way that you never have absolute certainty about the exchange rate, labour costs or a whole range of other things. Forward auctioning of permits gives you more information than you otherwise would have about a potentially key cost of business. So the longer you have that forward price curve, the greater your degree of certainty. The important point here is that, for some people, it just gives them an estimate of the future price and that may be sufficient. For others, it gives them the capacity to hedge. It gives them the capacity to say, 'It might go up; it might go down. I just want to lock that in and I can buy a forward permit at that point in time.' For them the carbon price uncertainty does not exist at that point in time. From a business decision-making perspective, they then are exposed to the risk that they paid a high price and it turns out to be lower, but if their preference is to eliminate the carbon price risk for their planning, it gives them an option that is not available if you do not have forward auctioning in the same way.

CHAIR: So a key aspect of the government's program is to help provide business certainty through the purchase of overseas credits. Is that correct?

Mr Comley: Purchase of overseas permits in a sense gives you another hedging option. It does two things. First, it is likely to constrain and reduce the total price of permits because we anticipate international permits would be less expensive over time. Second, it gives you another hedging option. At the moment, you could hedge when we have a forward auction of those or you could hedge with an eligible international unit. Potentially, that would deliver a benefit to consumers of products because the greater the level of risk that a business faces, the more they are going to have to price in a risk premium in their business decisions and ultimately that would lead to a higher cost structure and a higher cost to the consumers of those products. International permits and forward auctioning are both ways of giving hedging opportunities, which ultimately reduce prices.

CHAIR: Let me summarise this again. In regarding to the report in the press today about the coalition's direct action purchasing 140 million tonnes of abatement, the department's view is that it would be more like 60 million tonnes—is that right?

Mr Comley: No. My recollection is that within the budget envelope that was announced some while back now, our estimate was that around 40 million tonnes would be the purchased abatement. That will mean that the gap between that and 160 would be 120 million tonnes.

CHAIR: If you do not use overseas abatement that will increase the cost of reducing the carbon footprint in Australia—is that right?

Mr Comley: That is true whichever way you do it.

CHAIR: Does the department believe that the 85 million tonnes that have been factored in on the soil carbons can be done for the price that the coalition are arguing within their policy position?

Mr Comley: That is correct. That was in our document that was made public.

CHAIR: With no overseas abatement and a price on soil carbon which is just an achievable, and an overall abatement which is way below what they are claiming, this policy just will not deliver, will it?

Mr Comley: We do not think that, on the parameters that we are aware of at the point, you would achieve the 160 megaton abatement. That was in the analysis that was published last year and we have not changed our view of that analysis.

Senator Wong: We had a long discussion about camels previously. I thought it would be of interest to note that in fact Ms Mirabella has called for a camel cull and criticised me previously for not engaging in one, and is on the public record as saying, 'If Labor were serious about the environment and reducing carbon, surely a cull would be a sensible proposal.'

CHAIR: Maybe Senator Abetz should be advised of that.

Senator Wong: Senator Abetz might want to be aware that his frontbench is supporting a camel cull.

CHAIR: Senator Birmingham, do you have any comments on that?

Senator BIRMINGHAM: I thought you were going to Senator Boswell for some questions. I am eager not to waste time, unlike you, Chair.

CHAIR: Senator Boswell, do you have any comments on that? I am sure Senator Boswell has plenty of ideas about camel culls.

Senator BOSWELL: I am not talking about camel culls today. I put a question on notice and I received an answer from the department. It talks about the Vivid Economics report.

Senator Wong: Can you give us the reference?

Senator BOSWELL: It is a question I asked Dr Kennedy about the Vivid Economics report. The department replied to the question on 19 October. I refer to the question on notice that I received from the department relating to a question of when the department advised the minister on the veracity of a Vivid Economics report on different carbon prices in different countries. The answer on 19 October states that the minister was advised that the carbon price reported should be taken as indicative as different ways and approaches would give rise to different carbon prices. I refer you to a transcript of an interview on ABC radio with Minister Combet on 15 November in which the minister said—

Senator Wong: Can we just stop for a moment. We are unaware of which document Senator Boswell is reading from. I am not trying to be difficult, but I think the officers are entitled to know what you are referring to. Are you referring to a question on notice? Are you referring to *Hansard* from a hearing? If so, could you tell us which hearing?

Senator BOSWELL: I am referring to a question on notice.

Senator Wong: It does not read like a question on notice. It reads like *Hansard*.

Senator BOSWELL: It is a response to a question on notice from 16 September 2011.

Senator Wong: Can we first have the question on notice reference? Can you give us the number of the question on notice?

Senator BOSWELL: I am sorry but I have not got the number. I can read out the answer to the question.

Senator Wong: Officials are entitled to have in front of them the documents to which you are referring them. Do you not have the reference to the question on notice?

Senator BOSWELL: I have the answer to the question on notice.

Senator Wong: There should be a reference number on the top right hand side.

Senator BOSWELL: I have not got it, but I think Dr Kennedy is aware of the question.

Dr Kennedy: Is this a question from the Senate Select Committee on the Scrutiny of New Taxes?

Senator BOSWELL: Yes.

Senator Wong: So it is question from another committee hearing. Could you give us the date of the *Hansard*?

Senator BOSWELL: The question is from the 16 September 2011.

Mr Comley: I think in this case we are aware of the issue and I think we are aware of what you are heading towards.

Senator Wong: Why don't you ask the question. But if we are going to go into details of what was said when, I am going to ask that officials be given the opportunity to have in front of them what was said when. It is not fair to ask people to do it from memory if there is a proposition you want to put to them.

Senator BOSWELL: In the answer to the question, you said that—

Senator Wong: Who is 'you'?

Senator BOSWELL: Dr Kennedy, I presume, or the department. I do not know who answered the question.

Senator Wong: You are asking the questions. Can you tell us who 'you' is?

Senator BOSWELL: I am referring to the department. You said:

Following these discussions, the Department advised the Minister on 19 October 2010 that the methodology for comparing different policies is still developing and the carbon prices reported should be taken as indicative ...

'Indicative' is the operative word. That is a direct quote.

Dr Kennedy: Senator, is that the full response? Do you mind reading out the rest?

Senator BOSWELL: It goes on:

... as different methodological approaches would give rise to different carbon prices. Notwithstanding this, the Department further advised that the broad conclusion that other countries are taking actions that give rise to implied carbon prices that are at least equivalent to, if not greater than, that currently applying to Australia's electricity sector, is valid.

That is the answer to the question.

Dr Kennedy: Thank you.

Senator BOSWELL: That is what you said. On 15 November Combet said this:

... showed for example that the carbon price in a number of those countries were certainly more significant than in our own economy ...

The question is that the words 'certainly more significant' do not seem to be consistent with 'indicative'.

Mr Comley: First of all, the comment that shadow carbon prices in other countries are certainly higher than in Australia is clearly correct. It depends which countries you are looking at as to how definitive you can be about that. If you look, for example, at the Productivity Commission report, there is no question that there are higher shadow carbon prices in a range of countries. The issue on 'indicative' is perhaps partly a matter of translation. There are many things inside and outside of climate change policy that people estimate. Dr Kennedy is better placed than I to talk about this, but if you think about a whole range of things that we take as straightforward, like GDP estimation or productivity growth, there are actually a range of methodologies about how you do that. People who are experts in this spend a lot of time trying to refine those methodologies and there is a lot of debate about them. The same is true with shadow carbon pricing. That often means that no-one can put their hand on their heart and say, 'The shadow carbon price is \$7.63 or \$5.24.' But even people who are quibbling about the methodology can agree that it is in the order of \$5, \$10 or \$50. I think that is the advice provided to the minister and what the minister was responding to was that, yes, there are different ways of doing this but the overall conclusion that carbon prices are higher in other countries is sound and robust.

Dr Kennedy: That is what the last part of the quote says that I think you read out.

Senator BOSWELL: Okay, we will get to the last part of the quote in a minute.

CHAIR: Senator Boswell, we are on tea break time in about five seconds.

Senator BOSWELL: If you give me five minutes we can finish with it.

CHAIR: No, you can come back after.

Senator BIRMINGHAM: If Senator Boswell can finish in a couple of minutes then that is easier to finish with it. We can always go a couple of minutes over.

CHAIR: You can come back after.

Senator BOSWELL: So what are you ruling out of order?

CHAIR: I am not ruling anything. What I am asking is: can you finish in a couple of minutes or do you want to come back after?

Senator BOSWELL: Let us try and do it in a couple of minutes.

CHAIR: Okay.

Senator BOSWELL: I would certainly question 'certainly more significantly' as opposed to 'indicative'. Let us leave that. Does the department as a matter of course check the minister's speeches before they are delivered?

Mr Comley: We are often asked to provide a fact-check of speeches. I would not necessarily say universal. I think I can recall instances when the minister has given a speech where it would not necessarily have been given to the department for fact-checking. But I should note that obviously we pay attention to any speech that the minister gives. I cannot recall an instance where, after a speech has been given, we have had to go to the minister to say that that was not factually accurate.

Senator BOSWELL: On 16 February, the minister states in a speech:

Vivid Economics estimate that key economies such as the United States, the United Kingdom and China have effective carbon prices well in excess of Australia's.

Why didn't you put a qualifier in that speech?

Dr Kennedy: Senator, the exchange that you are referring to is in the preparation of that report and the exchange between the department and Vivid Economics. If I understand the timing correctly, the minister is then speaking subsequently to the report being released after all those exchanges have taken place.

Senator BOSWELL: So you would stand by the fact that America and China have a more effective carbon price than Australia?

Mr Comley: Again, it is hard without a document in front of me. What you have just read out said that Vivid Economics estimates that that is the case.

Senator BOSWELL: That is right.

Mr Comley: And that is clearly the case. That is what Vivid Economics said.

Senator BOSWELL: But did you check with Vivid Economics? Surely you do not let your minister go out unprepared.

Mr Comley: We certainly would advise a minister if they are quoting from a source that we think does not have veracity. We have not come to the conclusion that the Vivid Economics report is not a well-founded report. There are some differences of view that you can have on the methodology. That is not surprising in an area like this. As I said, if you have the misfortune to dig deep enough into many of the things that get published in ABS publications, they are certainly doing the best they can but there are some complex methodological issues on a whole range of things. A classic example is the measurement of public service productivity. That does not mean that you cannot make statements, even though there is not 100 per cent consensus on a precise methodology.

Senator BOSWELL: The question I am asking is: did you check that speech? And did you qualify it?

Mr Comley: I would have to take on notice whether that particular speech was passed to the department for comments.

Dr Kennedy: It is also worth noting that probably the best estimates in Australia for these issues at the moment are contained in the PC's review of over 1,000 policies. The PC did talk to Vivid Economics and build on the methods developed in the Vivid Economics report. So I think that is a fair reflection on the veracity.

Senator BOSWELL: I am asking you: do you agree that you should have allowed the minister to go out and say words like 'Vivid Economics estimate that key economies such as the United States—let us leave out the United Kingdom—and China have an effective carbon price well in excess of Australia'? Do you think that is accurate?

Mr Comley: I think it was certainly accurate.

Senator BOSWELL: So you stand by—

Senator WONG: He said that that was what Vivid Economics—

Senator BOSWELL: No, that is not the question. I am asking you: were you aware of the minister making this statement that China and the United States have a higher carbon price than Australia's?

Mr Comley: I think the issue here is this. What does the department do when it fact-checks a speech? I think this is an important point.

Senator BOSWELL: Did you advise him?

CHAIR: Senator Boswell, we are really rapidly running out of time, so let Mr Comley finish.

Mr Comley: Where a minister is relying on third party comment we would certainly always ensure that is an accurate reflection of the third party comment. Where we thought that that third party comment had significant issues with it in terms of its factual veracity, we would typically bring that to the attention of the minister or the minister's office. In the case of that quote, it is clear that Vivid Economics did say that. We had been involved with Vivid Economics enough to know it was a well-conducted piece of research. That is not to say there are not different views about how you go about these things, but I would have been quite comfortable if I personally vetted that speech to look at that.

Proceedings suspended from 10:51 to 11:05

CHAIR: We will now resume.

Senator BOSWELL: We were talking about the Vivid Economics estimates and the minister quoting from them. I was asking you whether you gave the minister any advice that the figures by Vivid Economics could be questionable.

Mr Comley: No, I do not think we have ever provided any advice that they were questionable.

Senator BOSWELL: Or that they could be wrong? What advice did you give the minister on that speech?

Senator Wong: You read it out, Senator.

Senator BOSWELL: I beg your pardon?

Senator Wong: You read it out. Your question included the reading out of the advice the department gave the minister.

Senator BOSWELL: Yes, well, thanks for that.

Mr Comley: The advice provided on the estimates was that there are potentially different ways of estimating these matters but that the overall conclusion that Vivid provided was valid.

Senator BOSWELL: Why did you not put a qualifier in the speech? Did you advise to put a qualifier?

Mr Comley: I have taken on notice whether we provided particular comment on that speech but, given the sentence that you read out, I would not think there would be any need for a qualifier, in the same way that I would not expect in another portfolio the Treasurer to comment on GDP and have a long discussion of the methodological issues underlying the GDP estimates.

Senator BOSWELL: Okay. Have you put any qualifiers in any draft speeches before?

Mr Comley: You will have to ask a more specific question than that.

Senator BOSWELL: Have you ever advised the minister that he should qualify an answer in any speech that he has given that you have checked?

Senator Wong: Senator, I am going to intervene here because that is a very non-specific question. I can give you an indication generally. Certainly for me as minister, and I assume it is similar to how most ministers' speeches go, generally you would have a speech fact-checked, and I think Mr Comley has indicated that speeches are fact-checked. Obviously, if when fact-checked you may have advice about how something should be phrased or that a fact is incorrect, that is changed. I think the point you are trying to make, though, is—well, the advice the department gave on this issue is as you read out at the commencement of this set of questions.

Senator BOSWELL: In reply to my question the word 'indicative' was used. 'Indicative' means there is some qualification or doubt in that. We will not dwell on that; I will move to another question. Did the department provide any subsequent advice to the minister after 19 October 2010 in relation to the Vivid Economics report on carbon pricing?

Mr Comley: My recollection is that we had provided some information on the Vivid Economics report in that time frame but I do not have it in front of me.

Dr Kennedy: We would have to take the question on notice.

Senator BOSWELL: The head of the department says that you have.

Dr Kennedy: To answer the specifics, I mean. You are asking if we have provided a minute or particular advice—I presume that is your question. That is something I will have to check but, as the secretary said, we provide advice on a range of matters all the time.

Senator BOSWELL: No, he did not say that. He said he had provided advice on this Vivid Economics report—or he thought he had.

Dr Kennedy: What I said was that I would check if there was a specific minute prepared in that advice. But the secretary is right: advice would have been prepared on this type of matter on an ongoing basis.

Senator BOSWELL: Could I ask that advice to be made public.

Mr Comley: We will take that on notice.

Senator BOSWELL: Can it be made public?

Senator Wong: We have taken it on notice.

Senator BOSWELL: No, you have taken whether you—

Senator Wong: We have taken on notice what was provided and we are taking on notice whether, if there was something provided, that could be provided to the committee. Both of those things have been taken on notice.

Senator BOSWELL: In answer to a question on notice to the Senate Select Committee on the Scrutiny of New Taxes, question No. 10 of 16 September, you said the department received advice on 21 September 2011 on the effect of section 51(xxxi.) of the Constitution, relating to the acquisition of property on just terms or the repeal of legislation. Did that advice say that compensation would be required in the event of the repeal of the clean energy legislation?

Mr Comley: The Commonwealth does not typically disclose the nature of the legal advice it receives.

Senator BOSWELL: Are you refusing to table that advice?

Mr Comley: I do not think it is a matter for me, as a departmental official, to make a judgment about the release of legal advice. There are two issues here. One is within the bureaucracy, where the release of constitutional advice is a matter that would need to be consulted on with the Attorney-General's Department. The second matter is a general principle that the government does not release such legal advice, and I would certainly want to take advice from my minister.

CHAIR: This government or any government?

Mr Comley: It has been a longstanding practice that provision of legal advice, and in particular constitutional advice, is—

Senator BOSWELL: You will take that on notice and see?

Mr Comley: I would be happy to take it on notice.

CHAIR: Mr Comley, you were trying to say that this is not just the Labor government's view?

Mr Comley: Certainly—

Senator Wong: I am happy to say that I have been on that side of the table and ministers sitting here have made clear that legal advice would not be provided.

Senator BIRMINGHAM: Except when it suits governments of course. Can I go back to the Climate Change Foundation Campaign please. What was the final expenditure, under the foundation campaign, for 2010-11, and what is the current expenditure and budgeted expenditure for 2011-12?

Ms Sidhu: The final expenditure for 2010-11 that I have is \$4,891,683.

Senator BIRMINGHAM: Thank you. And year-to-date or updated budget—whatever figure is going to work best for you, or preferably both?

Ms Sidhu: It is in the order of \$19.4 million.

Senator BIRMINGHAM: Sorry, Ms Sidhu, someone coughed, which meant I missed part of that.

CHAIR: A strategic cough.

Senator BIRMINGHAM: I think I heard \$90 million but—

Ms Sidhu: No, \$19 million.

Senator BIRMINGHAM: There we go; that is why it is helpful to clarify.

Mr Comley: Could I just make clear: your initial question was about the Climate Change Foundation Campaign?

Senator BIRMINGHAM: Yes.

Mr Comley: I think the question you have just asked and the answer relates not to the Climate Change Foundation Campaign but to the climate change campaign related to the clean energy future package. I think Ms Sidhu interpreted it as: what was the expenditure on advertising et cetera? She was being helpful but it is probably worth drawing that distinction because the climate change foundation campaign ran April to June 2010, so there is no year-to-date expenditure for that program in 2011-12.

Senator BIRMINGHAM: Okay, if we can unpack it a little. We have, at the time of the budget as outlined in the PBS, a budget for the foundation campaign of \$5.5 million in 2010-11 and a budget of \$8.2 million in 2011-12. You are saying that the \$5.5 million came in at \$4.9 million. Was the \$0.6 million carried over?

Ms Sidhu: No.

Senator BIRMINGHAM: None of the \$8.2 million for 2011-12 has been expended as yet?

Ms Sidhu: No, some of that has been expended. I will have to confirm this, but I have something in order of \$280,000 for invoices received to date. There are obviously commitments that have been made, for example, under grants that have not yet reached milestones and therefore invoices.

Senator BIRMINGHAM: Does \$8.2 million remain as the budget for 2011-12 for the foundation campaign?

Ms Sidhu: For the foundation campaign, yes.

Senator BIRMINGHAM: Okay. What is the total budget and total expenditure on the clean energy future advertising?

Ms Sidhu: \$19.8 million.

Senator BIRMINGHAM: Is that the expenditure to date?

Ms Sidhu: On the campaign, yes. Sorry, \$19.4 million.

Senator BIRMINGHAM: Okay. Back in July, Minister Combet announced that the government would spend \$12 million on a campaign as part of a \$25 million information package. Is it still a \$25 million information package and is \$19.4 million within that envelope?

Ms Sidhu: Just to be clear, the announcement of the \$12 million advertising campaign was made by the minister on 16 June in a media release. In that media release the minister made it very clear that this was additional to the \$8.2 million that had been allocated under the foundation campaign. Subsequently, on 27 July the minister announced that additional activity would be taken to produce and distribute a household mail-out. So that was an additional cost. I am not sure where the \$25 million number comes from. I presume it is the sum of the \$5.5 million last financial year, \$8.2 million in the current financial year and the

additional \$12 million that has been announced. As far as I am aware, we have never put out a \$25 million figure.

Senator BIRMINGHAM: Okay. Let's deal with the reality of what it is. The \$12 million was the 8 June advertising figure and the expanded campaign of 27 July, included the booklet to all households. What did that take the total budget to?

Ms Sidhu: Another \$4 million.

Senator BIRMINGHAM: That gets us to \$16 million. You have spent \$19.4 million.

Ms Sidhu: Essentially, \$16.2 million constituted the media buy and around \$4 million to develop the campaign. Most of those campaign development costs were carried out previously. As the government has already indicated there had been some campaign development under the foundation campaign. The government made that clear in about March this year.

Senator BIRMINGHAM: Okay. Is the \$16.2 million media buy inclusive of the delivery of the brochure?

Ms Sidhu: No. The delivery of the brochure is the additional \$4 million.

Senator BIRMINGHAM: So you said there was \$16.2 million in media buy and \$3.9 million in campaign development?

Ms Sidhu: Yes. The \$3.9 million was largely funded out of previous funds, out of the foundation campaign funds, because obviously campaign development had to precede a decision whether or not to proceed with the campaign. When the decision was made to proceed with the campaign, \$12 million was initially allocated and therefore announced on 16 June. That \$12 million would constitute the media buy.

Senator BIRMINGHAM: So the \$4 million for the household brochure is additional to the \$16.2 million and the \$3.9 million?

Ms Sidhu: Correct.

Senator BIRMINGHAM: Thank you. So that gets us up around the \$24 million to \$25 million range. Is that the full budget expenditure? Are there that any additional funds budgeted for communications activities?

Ms Sidhu: The government has not made any decision on future communications activities. So at the moment we have the advertising campaign, which has concluded; we have the household mail-out, which has been distributed; and there are funds still allocated under the Climate Change Foundation campaign for a series of public engagement activities, not all of which have been expended or committed at this stage.

Senator BIRMINGHAM: I will come back to the foundation activities. But all funds for advertising per se have been expended?

Ms Sidhu: All funds that the government have approved to date have been expended, yes.

Senator BIRMINGHAM: Is the department undertaking any work on further advertising campaigns related to the clean energy package?

Ms Sidhu: The department is considering options obviously for what might happen down the track, but no formal work has been commissioned as yet.

Senator BIRMINGHAM: In the consideration of options have you engaged any consultants to look at the type of communications strategy that might be necessary between now and 1 July next year?

Ms Sidhu: When we started off considering the full communications campaign we had put a communications strategy in place right at the start. We were required to by government requirements. That communications strategy spans across the span of the government's activity and legislation and has a number of options in it. There is some thinking that has been done about what might happen down the track, but, as I said, the government has made no decisions about it at all.

Senator BIRMINGHAM: Have you provided any recommendations to government about what may happen in that communications space?

Ms Sidhu: Only in very broad terms, in a very general sense, and that essentially goes to options that are available to government on advertising or on community engagement activities. They broadly fall into those categories.

Senator BIRMINGHAM: Does the advice that the department has received as a part of your communications strategy suggest that advertising needs to be part of a communications component ahead of the 1 July start date?

Mr Comley: I think that goes to the question of what we are actually advising government. I think the questions so far, and I have been listening carefully, have been around the question: have we provided advice? Typically in these committees that is seen as appropriate. But what we are advising the government is, I think, in a different category.

Senator BIRMINGHAM: Mr Comley, the question actually went to the external consultants that the department has engaged. The department has engaged external consultants who are providing advice to the department and it is whether they have provided advice that advertising should form part of a future communications strategy around the clean energy package.

Senator Wong: That is one of the things that the department would be considering when providing the advice to government and, as Ms Sidhu has said, there has been no decision as yet.

Senator BIRMINGHAM: Yes, minister, I am sure that the department may choose to reject the advice that the department gets from its external consultants but that does not mean that that information is not a valid area of questioning. If you have engaged consultants who provide you with market research advice or who provide you with communications advice, it is not unreasonable to find out what they have told the department.

Mr Comley: We are in a slight grey area, but in this case it is true that the advice that has generally been provided is that advertising has a positive impact on people's understanding of an issue. The reason I am hesitant is that that is not a surprising piece of advice. How you weight that piece of information along with a range of other considerations that may be in the government's mind, not least of which is whether it is worth the budgetary costs associated over other priorities of government, is where the more holistic advice that comes from the department, taking account of whole-of-government priorities, has to be made. Is there some efficacy in advertising? Yes. That is the advice.

Senator BIRMINGHAM: Earlier you took us through the additional appropriations that are due to come to the department as a result of the clean energy package. Is there a communications element in that?

Mr Comley: No, there is no communications element in the clean energy future announcements.

Senator BIRMINGHAM: So if there were to be any further advertising or mass communications undertaken, that would require additional appropriations beyond those contained in the clean energy package, either those appropriations contained for the department or those contained for the regulator et cetera?

Mr Comley: The appropriations envisaged for the clean energy future package do not include a communications or advertising element.

Senator BIRMINGHAM: For the department or for those other new agencies.

Mr Comley: That is right. Just so we are clear: I am using the term communications advertising in the way that people think about campaigns. Obviously a regulator is going to have to do a range of activities in terms of outreach with potential liable parties et cetera. I am not including that in the description.

Senator BIRMINGHAM: Mass advertising as such would not exactly be an effective way of reaching the so-called 500 companies, would it?

Mr Comley: For completeness I am drawing that distinction. Clearly there will be outreach and communication activities going on in the normal course of business, but I assumed your question was related to mass advertising.

Senator BIRMINGHAM: Yes. Just to be clear: in terms of communication with the 500 companies, mass advertising would not be a terribly effective means of communicating with them, would it?

Mr Comley: I am not a communications expert. It would not necessarily be the best way of communicating with them. There is an issue though that we come across in the department: it is surprising how many companies think they might be in the 500. So the issue of who the 500 actually might be in broad terms is something that does cause some angst in companies that are clearly, under any measure, not going to be part of the 500.

Senator BIRMINGHAM: That issue would be more easily resolved by presenting a list of who the 500 are, wouldn't it?

Mr Comley: If there were not provision in the NGER Act that went to questions of confidentiality, that would be an option that would be available to the government. I think, as we have canvassed in this committee before, the legislation in the NGER Act is quite specific about what is considered greenhouse reporting information and who that may be disclosed to.

Senator Wong: Senator, as you would know, the clean energy package encompasses more than simply the price paid by the largest polluters. It comprises a very significant amount of tax reform—

Senator BIRMINGHAM: Which people will automatically get. They will not have to apply for it.

Senator Wong: It is interesting. People automatically paid the GST and you still spent \$119 million on that—

Senator BIRMINGHAM: And you criticised it, Minister.

Senator Wong: and over \$100 million on Work Choices.

Senator BIRMINGHAM: You criticised that too, Minister.

Senator Wong: Yes, I do criticise that. It is substantially more than the figures we have talked about today. The point I am making is that you are looking at a significant increase in the pension, the disability support pension and allowances and the effective tripling of the tax-free threshold. These are significant changes to the tax and transfer systems that are being put in place by the government.

Senator BIRMINGHAM: It sounds like you are making a pitch for further advertising of these reforms.

Senator Wong: I understand that you wish to dismantle those and ensure lower pensions for Australian pensioners, but that is a matter for you to argue. No decision has been made. I think Ms Sidhu has made that clear. I am simply refuting the proposition that the package is only about a select group of companies. Obviously that is where the price is levied but it is a much broader package across the community than that.

Senator BIRMINGHAM: So you think it is reasonable to spend taxpayers' money to tell taxpayers that they might be receiving automatically some change to their payments?

Senator Wong: I wonder whether you asked that question of Senator Abetz when he authorised the amount of money spent on Work Choices or whether you were one of the people talking about how much money was spent on the GST. By that logic, where everyone was going to pay the GST regardless, there would seem to even less need for information than a change to people's payments.

Senator BIRMINGHAM: Except for the fact that of course every business in Australia was actually going to be impacted.

Senator Wong: I am making the point that people paid it. So if your proposition is that people do not need to know, because they will get it anyway, that clearly was not the standard at which you acted when in government.

Senator BIRMINGHAM: I think there is a vast difference between dealing with 500 companies and dealing with every business in Australia.

Senator Wong: Every taxpayer in the country earning up to \$80,000 will get a tax cut. Every age pensioner will get an increase in their age pension—

Senator BIRMINGHAM: Automatically.

Senator Wong: every person on the DSP will get an increase in their pension and everyone receiving family tax benefits will receive some assistance. Senator, I know your policy is to ensure none of those increases are passed on, and no doubt you will have to argue that. We have very clear policy on that front.

Senator BIRMINGHAM: And indeed I am sure that will be the argument in part for the next election.

Senator Wong: I am glad you have confirmed that you are going to the next election to advocate for lower age pensions.

Senator BIRMINGHAM: We will outline our policy in detail, as we always have. Can I just deal with one thing in relation to the household mail-out. Did the department or the minister otherwise receive return to senders from the household mail-out?

Ms Sidhu: We received a few, yes.

Senator BIRMINGHAM: Do you have an estimation as to how many?

Ms Sidhu: Around 500.

Senator BIRMINGHAM: I suspect we will question post about aspects of that tomorrow.

Senator Wong: You could always question the department of employment about how many million Work Choices brochures ended up in a warehouse in Queensland for years. When I was on that side of the table we used to ask how many they got rid of. I think they started off with 4 million, or something like that. I might be wrong.

Senator BIRMINGHAM: Ms Sidhu, can I go to some of the grants that have been made under the foundation campaign to date. In fact, could you tell me whether grants have been made to the Australian Conservation Foundation?

Ms Sidhu: Yes, there has been a grant to the Australian Conservation Foundation.

Senator BIRMINGHAM: How much is that?

Ms Sidhu: It is \$398,000.

Senator BIRMINGHAM: What is that to undertake?

Ms Sidhu: That is to undertake a broad based public education campaign drawing on the Climate Reality Project. It is to undertake around 2,000 activities by presenters across Australia on climate change and the nature of climate change.

Senator BIRMINGHAM: The ACF partly funded an advertising campaign earlier this year, didn't it, that the government said it had no part in funding?

Ms Sidhu: That is correct. The government had no part in funding that.

Senator BIRMINGHAM: Conveniently, the ACF are now getting \$400,000 to subsidise their other activities. So the ACF are going to run a series of workshops around the country, are they?

Ms Sidhu: It is essentially a series of presenter activities. These are presenters who have been trained by Al Gore and who are able to explain in their own words to their own communities the science of climate change and the effects of climate change. It is a part of the government's public information and public education campaign, and that is, as you know, the purpose of the climate change foundation campaign.

CHAIR: I do not think Senator Boswell will be attending any of them.

Senator IAN MACDONALD: Can you give us the names of all those presenters, on notice?

Ms Sidhu: I will take that on notice, yes.

Senator BIRMINGHAM: How many such presentations will be funded out of the \$400,000?

Ms Sidhu: About 2,000.

Senator BIRMINGHAM: Two thousand actual presentation activities?

Ms Sidhu: That is my understanding.

Senator BIRMINGHAM: How many participants is it estimated will attend?

Ms Sidhu: It is difficult to estimate. It would depend on each community and on each activity. I do not have an estimate in front of me, but they could be from very small groups to quite large groups, depending on the community and the event.

Senator BIRMINGHAM: How would they be promoted?

Ms Sidhu: That would be done through the Climate Reality Project itself.

Senator BIRMINGHAM: What is the Climate Reality Project?

Ms Sidhu: It is the name of this project involving these presenter activities.

Senator BIRMINGHAM: Does that mean that it is basically going to be speaking, shall I say, to the converted?

Ms Sidhu: No, not necessarily. We vetted each of these proposals very carefully and as part of that vetting it was very clear that these presenters often were not people who had a strong background in climate change themselves; they had an interest in the issue. And generally they are selected as part of this process because of their connection to the community rather than because of their level of attachment to climate change as an issue.

Senator IAN MACDONALD: Selected by ACF?

Ms Sidhu: Yes, but I am not certain how the ACF operates. My understanding is that there is a recruitment process in place that is particular to this activity.

Senator BIRMINGHAM: Is ACF the only organisation undertaking the Climate Reality Project?

Ms Sidhu: Yes, it is.

Senator BIRMINGHAM: In that case, let's turn to some of the other grants under the Climate Change Foundation.

Senator Wong: Senator, I am sure the ACF would favourably consider an invitation from the coalition party room to have a discussion about climate change. Perhaps Mr Turnbull could make the invitation.

Senator BIRMINGHAM: Out of interest, have any of the presentations been undertaken yet?

Ms Sidhu: I will have to take that on notice. I understand the launch of the project occurred in about June this year.

Senator BIRMINGHAM: In about June?

Mr Comley: My understanding is that this is leveraging off a pre-existing program. As Ms Sidhu said, it links to the Al Gore project globally where people are provided training in explaining the climate science. Essentially, this allows the reach of that to be extended further. As an example, I understand Mr Windsor has attended one of these that was conducted in his local community and found it quite an interesting way of getting at the science. It follows the basic model. My understanding of the story as it was relayed to me was that the presentation was given by a local agronomist—someone who had standing in the community, was able to absorb the science and could, in an appropriate way, communicate the science.

Senator IAN MACDONALD: But he was paid \$200 by ACF to do that.

Mr Comley: There is some coverage of costs for the presenters; that is right.

Senator IAN MACDONALD: Four hundred thousand divided by 2,000 is \$200 each, on average, so that is what they are all getting, apparently.

Mr Comley: Which is pretty modest, if you think about it, for facilitating a discussion.

Senator Wong: I thought that there was not a disagreement—well perhaps there is—certainly with at least some of the coalition party room on the facts of the science, and this is a program, as I understand from the evidence to date, which is about enabling more Australians to understand the science of climate change.

Senator BIRMINGHAM: Did we ascertain how many presenters the ACF has?

Ms Sidhu: I think they have over 300.

Senator BIRMINGHAM: Around 300. Under the Climate Change Foundation Campaign has funding been provided to the Australian Youth Climate Coalition?

Ms Sidhu: That is correct, yes.

Senator BIRMINGHAM: How much?

Ms Sidhu: Two hundred and seventy one thousand dollars.

Senator BIRMINGHAM: For what activities is that \$271,000?

Ms Sidhu: It is aimed at engaging young people through the AYCC Power Shift summits.

Senator BIRMINGHAM: How many summits are being held?

Ms Sidhu: There were two.

Senator BIRMINGHAM: Two summits for \$271,000. Where are they?

Ms Sidhu: One in Perth and one in Brisbane.

Senator BIRMINGHAM: Brisbane was this weekend, if my memory is correct.

Ms Sidhu: That is right.

Senator IAN MACDONALD: Where you need most of your votes.

Senator BIRMINGHAM: If it was \$271,000 for two summits, how many people were engaged in the summits? Has Perth been held as well?

Ms Sidhu: Yes, Perth was held from 30 September to 2 October.

Senator BIRMINGHAM: Perth, 30 September to 2 October, and Brisbane, 15 and 16 October.

Ms Sidhu: Yes.

Senator BIRMINGHAM: How many participants?

Ms Sidhu: We think about 1,500.

Senator BIRMINGHAM: It was 1,500 across both, combined?

Ms Sidhu: I think so, yes.

Senator BIRMINGHAM: Okay. That 1,500 figure was based on AYCC's application?

Ms Sidhu: That is right, yes. We do not have the final figures of how many attended. As you can appreciate, it just occurred.

Senator BIRMINGHAM: All right. What was the Perth figure?

Ms Sidhu: I do not have that before me, I am afraid.

Senator BIRMINGHAM: The \$271,000 goes a lot further than just hiring a venue. So what was that funding for?

Ms Sidhu: It also goes to organising. It would be venue hire, and that obviously does cost quite a bit, but also organising speakers and providing some grassroots outreach prior to the summits—just connecting up and some marketing of it ahead of time.

Senator BIRMINGHAM: Funding of any of the travel costs of the participants?

Ms Sidhu: As far as I know, in front of me there is no payment for travel costs. But I could check that.

Senator BIRMINGHAM: In terms of paying of speakers, do you know how much of the \$271,000 was spent on speaker payments?

Ms Sidhu: No, I do not.

Senator BIRMINGHAM: Was there any type of breakdown in the grant application of what the \$271,000 was to fund?

Ms Sidhu: I am sure there was. I just do not have that in front of me, I am afraid, Senator.

Senator IAN MACDONALD: On notice, can you let us have a copy of the application and a copy of the audit done afterwards?

Ms Sidhu: I will take that on notice. Can I just be clear: the evaluation will not take place for some time because obviously we will wait for the data and the invoices etcetera to come in before we do the evaluations. So I may not be able to get back to you in a timely way.

Senator IAN MACDONALD: Well, just send us the application first off, and the other one when it comes in, please.

Ms Sidhu: Certainly.

Senator BIRMINGHAM: Have any other volunteer or community environmental organisations received grants under the climate change foundation, Ms Sidhu?

Ms Sidhu: Yes, there have been some other grants.

Senator BIRMINGHAM: How many grants have been approved under the foundation so far?

Ms Sidhu: Just to be clear, there are two sets of grant programs that are operating under the foundation campaign. One is an ad hoc, what we would call a discretionary grants program. Those are provided for very particular information activities that are being conducted by groups across community. Second is a \$3 million climate change grants program, which was announced in June this year and for which applications closed at the end of July. Those applications have now been assessed. Those are small grants programs of up to \$250,000 per grant. No announcements have been made on that second set of grants yet. So, when we talk about grants made under the foundation campaign, I will only be relating to the first set of discretionary grants.

Senator BIRMINGHAM: Okay, so—

Senator SINGH: Excuse me. Just on that, I presume those particular grants, of the first set that you are talking about, are on the department's website?

Ms Sidhu: Yes.

Senator SINGH: They only go up to 30 August. Are there others since 30 August that will be included in that first round?

Ms Sidhu: No. In fact, I think that the funds we had allocated for those grants have now been disbursed or committed, so it is very unlikely that we will have any other grants under that first set.

Senator BIRMINGHAM: So what is the total budget then of the discretionary grants program?

Ms Sidhu: About \$2 million.

Senator BIRMINGHAM: And how many recipients were/are there of the \$2 million?

Ms Sidhu: I believe it was eight altogether.

Senator BIRMINGHAM: Eight is not too many. We know that AYCC and ACF are two of them. Can you just take us quickly through the other six, please?

Ms Sidhu: There is a grant of \$15,000 to shmeco.com for Sustainable House Day 2011.

Senator IAN MACDONALD: Who is shmeco?

Senator BIRMINGHAM: Let us get through the six, Senator Macdonald, if we can.

Ms Sidhu: You have already mentioned the Youth Climate Coalition and the Climate Reality Project for the Australian Conservation Foundation. We have a grant of \$55,000 towards the Carbon Expo 2011 event; a grant of \$250,000 to the Climate Institute—

Senator Wong: Chair, we have a number of comments, interjections and guffaws from Senator Macdonald. If he has a partisan comment he wishes to address to me, I am happy to respond, but this officer does not have to deal with his demonstrably political interventions. If he wants to have the discussion about the politics, I am very happy to, but it is not for Ms Sidhu to have to deal with it.

CHAIR: Senator Macdonald, I ask that you let the officer reply in silence.

Senator IAN MACDONALD: Certainly.

Ms Sidhu: We have a grant of \$500,000 to the CSIRO to undertake public engagement activity; \$100,000 for a summer study on energy efficiency and carbon mitigation by the Australian Alliance to Save Energy. We are in negotiations about a funding agreement with ClimateWorks Australia for a grant around \$460,000. That has not yet been finalised.

Senator BIRMINGHAM: Let's go back to the \$250,000 to the Climate Institute. What was that program?

Ms Sidhu: That is being paid to the Climate Institute, essentially to work with ACOSS and Choice to look at comparisons of carbon price impacts for consumers compared to other government reforms. So it is a way of making the carbon price impacts to consumers accessible and understandable.

Senator BIRMINGHAM: So it is a research study?

Ms Sidhu: Yes. Well, it is in two parts. There is a research study and then there is some funding to provide materials and information materials out to the public.

Senator BIRMINGHAM: Information materials to do what?

Ms Sidhu: To communicate what the carbon price impacts are on household prices and consumer prices; how they affect consumers and how they might translate.

Senator BIRMINGHAM: Why is the Climate Institute the best body to communicate to consumers what the price impacts of the carbon tax will be?

Ms Sidhu: Just to be clear, the Climate Institute is the coordinating body for this project. So, because it is in two parts, it is working with Choice, the consumer association, as part of developing these communication tools. So it is conducting the study but also working with a consumer association to identify those areas of concern to consumers and to ensure that information is presented in a way that consumers can understand.

Senator BIRMINGHAM: Sustainable House Day? When is or was it?

Ms Sidhu: It was on 11 September 2011.

Senator BIRMINGHAM: Who chose the date?

Ms Sidhu: The organisers. Essentially, it was a contribution towards the costs of that day. It was not the entire cost.

Senator BIRMINGHAM: Did anybody think that the 10th anniversary of the September 11 terrorist attacks was perhaps not the best day to have Sustainable House Day and to get maximum community involvement, impact, attention or notice?

Senator Wong: Senator, we did not choose the date.

Senator BIRMINGHAM: You chose to fund it.

Senator Wong: We did not choose the date. The organisers chose the date.

Senator BIRMINGHAM: You chose to give it \$15,000.

Senator Wong: We did not choose the date. I hope you are not trying to make light of the date.

Senator BIRMINGHAM: I am certainly not trying to make light of the date. I am surprised that the government would have thought that it was wise to invest \$15,000 of taxpayers' money, given that public attention was likely, given the significance of that date, to be elsewhere.

Senator Wong: Have you finished? What was the question?

Senator BIRMINGHAM: In deciding to fund it, did the government consider that perhaps that was a less-than-ideal date for the event?

Ms Sidhu: I am not sure that we were aware of the date at the time we funded it. Certainly the funding assessment was about the merits of the proposal, and that is what we paid attention to in deciding whether to contribute towards the day itself.

CHAIR: Did the department continue working on September 11?

Ms Sidhu: Yes, we did.

Senator Wong: Was that a work day?

Mr Comley: I am just trying to recall whether that was a weekend. The answer would probably be the same.

CHAIR: Industry did not stop on September 11?

Mr Comley: No.

Senator BIRMINGHAM: Let us try not to make light of the date, to quote somebody else.

Senator Wong: I have a press release, I think a Liberal press release, supporting Sustainable House Day, from 2009, which might have been before you decided you did not believe in climate change. I suspect from the date of it that you are probably looking at something around the second weekend in September, because it was on 13 September in 2009. I am only surmising that from the press release from the Liberal Party supporting it.

Senator BIRMINGHAM: Has the government funded Sustainable House Day previously?

Ms Sidhu: I would have to take that on notice; I do not know.

CHAIR: Senator Birmingham, just before you go on I would indicate that there are other senators who are seeking the call, and from your own side as well, so I will be asking you to wrap up in a few minutes.

Senator BIRMINGHAM: Yes, certainly. Let us jump down to Climate Works Australia, where \$460,000 is currently under negotiation. What is that to support?

Ms Sidhu: It is to raise community awareness of how to reduce carbon emissions in the most cost-effective way possible, using regional or local low-carbon growth plans as a guide.

Senator BIRMINGHAM: Overall, you have described this as a 'discretionary grants program'. It certainly does seem to be not so discrete, perhaps, in terms of the range of different activities it has funded. Were there funding criteria that had to be met?

Ms Sidhu: Yes there were.

Senator BIRMINGHAM: In a nutshell, Ms Sidhu, what were the criteria?

Ms Sidhu: The programs had to align with the objectives of a clean energy future communications, and so essentially the grant program applications had to meet certain criteria, including increasing public awareness of a clean energy future, raising awareness of the opportunities created by the move to a clean energy future and increasing the level of the Australian public's understanding and positive engagement with action already underway across Australia to reduce carbon pollution by government, business or industry or through community organisations. So it is essentially activities that help to raise the Australian public's awareness about a clean energy future or activities that equip Australians to transition into a clean energy future.

Senator BIRMINGHAM: It largely seems like a bunch of projects that were approved to provide funds, in many instances, to people who have simply been champions of the government policy to date.

Senator Wong: I am sure you will put that in your press release, Senator, but that is not a question for the officer. That is a political proposition.

Senator BIRMINGHAM: Ms Sidhu, is the remaining \$6 million all to go on the Climate Change Grant Program?

Ms Sidhu: No, that will not be going on grants. I said earlier that the discretionary grants came to about \$2 million in total and that the government had announced separately a \$3 million grant program, and that is the entire amount of allocation for grants projects. Many of the discretionary grants under the \$2 million were paid out of last financial year's allocation as well as from this financial year, so they straddle both financial years.

Senator BIRMINGHAM: So where would the remaining funds for this year's Climate Change Foundation Campaign come from?

Ms Sidhu: They would come out of the \$8.2 million.

Senator BIRMINGHAM: Yes. We have \$3 million going on the Climate Change Grant Program, for grants up to \$250,000. You were saying that most of the \$2 million is funded out of last year, so where is the remaining \$5 million or thereabouts going to be spent?

Ms Sidhu: There are a number of activities that are under way under the foundation campaign as well. We have a series of funds that are directed towards the website and website development and content for the website

Senator BIRMINGHAM: Who's website?

Ms Sidhu: The clean energy future website. Some funds are obviously also going to related activities such as funding call centre services which have been associated with the clean energy future package.

Senator BIRMINGHAM: That all tallied up to about \$5 million—the call centre and the website?

Ms Sidhu: No, not entirely, but it is for the entirety of this financial year, so obviously there is scope to make additional decisions on additional community engagement activities for which final decisions have not been made.

Senator BIRMINGHAM: What are the small grants for?

Ms Sidhu: The criteria for the small grants program are up on the climatechange.gov.au website. The program itself was announced on 16 June, we opened for applications and we closed those applications on 28 July. We received over 350 applications from across Australia. That program will provide grants to organisations that are undertaking activities to build a clean energy future; it will fund projects of up to \$250,000 per project, and the projects have to meet one or more of the following objectives: firstly, that they create innovative and positive ways of reaching disengaged audiences with messages on the elements of the clean energy future and what that might mean for Australia; secondly, it might raise awareness of activity that is reducing carbon pollution, and that includes areas such as energy efficiency, renewable energy, carbon pricing and in the land and agriculture sectors; thirdly, that the projects might demonstrate activity helping to build a clean energy future; and, fourthly, projects that profile opportunities created by a clean energy future.

Senator BIRMINGHAM: Are these what you paraphrased in our last gathering here for an estimates hearing as the kitchen table discussions?

Ms Sidhu: No, that would be the activity that is now funded under the discretionary grants program to the CSIRO, which is the \$500,000 grant we have provided them under the discretionary grants program there.

Senator BIRMINGHAM: Is CSIRO going to send its scientists out to the kitchen tables of the country?

Senator Wong: There was a time when I thought you actually agreed with the science of climate change, Senator.

Senator BIRMINGHAM: I am examining expenditure of public funds, Minister.

Senator Wong: You dislike scientists in Australia speaking to the Australian people about science. There was a time where you were one of the few people on that side that thought that the science of climate change actually deserved public attention. He is now complaining about the CSIRO speaking to the Australian people. What sort of proposition is that?

Senator IAN MACDONALD: Ms Sidhu, do you have to identify on these grants—

Senator Wong: He is now complaining about the CSIRO speaking to the Australian people. What sort of proposition is that?

Senator IAN MACDONALD: Chair, the minister is wasting time and that is clearly her intention.

Senator BIRMINGHAM: The government is spending millions of dollars of public funds under this campaign. Can you say what that spending—

Senator Wong: This is extraordinary. What sort of Liberal position is this—we do not want the scientists to talk to people? That is not a Liberal position.

Senator BIRMINGHAM: Scientists should be absolutely free to talk to the country. Can we get to the bottom of what CSIRO, out of the \$500,000, will be doing under the kitchen table discussion.

Ms Sidhu: The CSIRO project is essentially targeted at low-income householders. It is drawing on CSIRO's very successful energy grant program, and it is a program that has been running for some years. It has been helping people to understand how to use energy in their households and equipping them with the information and the knowledge that they need to maximise the efficiency of their energy use and to minimise their energy costs in their household.

Senator Wong: Do you want to make a snide comment now, Senator Macdonald? Senator Birmingham?

Senator BIRMINGHAM: I would like Ms Sidhu to complete her—

Senator Wong: This entire session has been full of snide comments from that corner. Why don't you make one now about—

Senator IAN MACDONALD: I have a question for Ms Sidhu.

CHAIR: Senator Macdonald, Senator Birmingham still has the call. This will be his last question.

Senator BIRMINGHAM: I would just like Ms Sidhu to be able to finish her statement.

Senator Wong: That is not the way in which you have conducted these questions so far.

Senator BIRMINGHAM: Minister, I think that I have actually let every official finish their statement.

Senator Wong: No, you have been quite happy to make a whole range of political statements.

Senator IAN MACDONALD: Chair, do we have to have another lecture from this minister every five minutes?

Senator BIRMINGHAM: You are giving sanctimonious lectures, Minister. You are the one who—

Senator Wong: You two cannot decide which one of you is going to shout at me, can you?

Senator IAN MACDONALD: Minister, you are just wasting the time of the committee, as you are prone to do, continually—

Senator Wong: You could have a baton and you could swap between you.

CHAIR: Senator Macdonald, we are just about to move to you. Senator Birmingham, are you finished?

Senator BIRMINGHAM: I am finished probably when Ms Sidhu is finished.

Ms Sidhu: I was just going to wrap up by saying that it is essentially taking the energy mark program and adapting it to do two things. The first is to roll it out at scale, to have a large number of kitchen table discussions across Australia, and the second is to adapt it to the specific needs of low-income and financially constrained households. That is essentially it.

Senator BIRMINGHAM: And how are those discussions actually enabled? What does the CSIRO do to enable them?

Ms Sidhu: Generally speaking, what CSIRO does is advertise through local community newspapers or media. They tap into community leaders in various communities and organise large roundtable discussions—deliberative forums, they are called—with about a hundred people in them, talk them through the issues through the day and then seek volunteers to go back into their communities and essentially have chats with family and friends literally around the kitchen table. That is facilitated and supported by a CSIRO expert. It allows people to explore issues that are very particular to them in a relaxed way with people they trust and also with the kind of support that CSIRO can provide through its expertise.

Senator IAN MACDONALD: Who actually selected the grant recipients?

Ms Sidhu: For which program?

Senator IAN MACDONALD: For the ad hoc one, particularly—but for all of them. What is the process?

Ms Sidhu: Both sets of grants are operating in line with the federal government's grants guidelines. We have actually ensured that we have got individual grant guidelines that fit those grant programs.

Senator IAN MACDONALD: Who selects them?

Ms Sidhu: It is essentially selected through a formal selection committee process along the lines that a department would assess tenders, for example, through an internal tender

process. We have established a committee to assess these grant applications. They are assessed against the criteria, they are assessed against—

Senator IAN MACDONALD: Sorry, I just asked who makes the decision. You are saying the department selects them and recommends to the minister. Is that right?

Senator Wong: The officer is entitled to answer the question. If she feels that to explain the answer properly she needs to go through the process, then she is entitled to do so.

CHAIR: Senator Macdonald, the witness is allowed to answer the question.

Senator IAN MACDONALD: I was not asking her how she did it; I was asking who. She said, 'Advise the department and the department makes a recommendation to the minister'. Is that correct?

Senator Wong: Senator, if we could allow Ms Sidhu to finish her answer, if you wish to ask further questions I am sure you know you are quite able to.

Ms Sidhu: As I was saying, along the lines of any major expenditure for the department, we have to assure ourselves that we are meeting probity requirements. We create a committee within the department. It is assessed against all the criteria.

Senator IAN MACDONALD: That is not what I asked.

Senator Wong: Just let her finish.

Ms Sidhu: Then the department makes a set of recommendations to—

Senator IAN MACDONALD: Thank you. The department makes the recommendations—

Senator Wong: Let her finish. Senator, what is so hard about letting this person finish?

Senator IAN MACDONALD: to the minister. Is that correct?

Ms Sidhu: That is the appropriate process under financial accountability arrangements.

Senator IAN MACDONALD: I am not challenging you, Ms Sidhu. I simply asked who made the decision—

Senator Wong: If you would let her answer the question without interrupting—

Senator IAN MACDONALD: Were there any recommendations that you made to the minister which were not accepted?

Mr Comley: Senator, I think that goes to the nature of the advice we provide.

Senator IAN MACDONALD: No, it doesn't. I am not asking you what advice you provided. I am asking you: were your recommendations accepted by the minister? I am not asking you what you recommended.

Mr Comley: As a general proposition, given that it is known who has been successful in the process, the question of whether all recommendations were accepted—

Senator IAN MACDONALD: Sorry, we have had eight nominated, Mr Comley.

Senator Wong: He hadn't finished his answer.

CHAIR: Senator Macdonald, you will have to let the witnesses finish their responses.

Senator IAN MACDONALD: We have just had eight that have been nominated and Mr Comley tells me no-one has got them.

CHAIR: Order! Senator Macdonald, we have gone all morning and we have not run into a problem like this until this moment. I would ask you just to be patient, allow the witnesses to answer the question. You will get plenty of time to ask follow-up questions if you do not believe that the answer goes to what you asked. Ms Sidhu.

Senator IAN MACDONALD: No, it was Mr Comley telling me there have not been any granted. Keep going, Mr Comley.

Mr Comley: That is not what I said. I pointed out that there has been a list that have been granted.

Senator IAN MACDONALD: That is not what you said.

Mr Comley: You have asked a question about whether all the recommendations of the department were accepted. I said that I do not think it is appropriate to answer that question, because that goes to the nature of the advice that is provided to government.

Senator IAN MACDONALD: I am not asking you about the advice given, Mr Comley. I am asking: were all of the recommendations—I do not care what they were; I am not asking you to tell me—accepted?

Mr Comley: I think by implication, if we talk about a recommendation that led to an organisation having a grant—

Senator IAN MACDONALD: This has—

Senator Wong: Why do you find it so hard to allow people to finish their answers, Senator?

Senator IAN MACDONALD: Mr Comley, from day one, people have been answering these questions. I do not know what is wrong with your department that you refuse to do this.

Senator Wong: I do not know what is wrong with you that you cannot wait until people finish.

CHAIR: Minister—

Senator BILYK: That is what bullies do, Senator Wong.

CHAIR: Senator Macdonald.

Mr Comley: I would like to respond to that quickly. I have participated in estimates committees for quite a number of years—

Senator IAN MACDONALD: Not as long as I have.

Mr Comley: It is not a competition. I am just saying that I have participated in estimates committees both in this department and in another department and the approach that I am taking is entirely consistent with the approach that would have been taken in my former department.

Senator IAN MACDONALD: I entirely disagree with that. If you have something to hide, Mr Comley—

CHAIR: Senator Macdonald, if you have got a question, go to the question.

Senator IAN MACDONALD: Mr Comley, I take it then, from the refusal, that there were applications that you recommended that were not accepted by the minister.

Mr Comley: No, Senator, that is precisely why I declined to answer the first question: because when the chain of questions starts with, 'Were all of your recommendations accepted in totality?' that clearly means, in this case, 'Did other people apply? Therefore you advised against those.' That is precisely the chain of logic that I was trying to avoid and I think it is entirely consistent with the approach taken in estimates committees that I have participated in.

Senator IAN MACDONALD: Mr Comley, why is it that the Australian public, who are funding all of this, are not able to understand the process and whether the minister has accepted the recommendations as to who gets them? Perhaps if I ask the next question.

CHAIR: Senator Macdonald, I do not think Mr Comley can respond as to how the Australian public think on an issue.

Senator IAN MACDONALD: I didn't ask him to.

CHAIR: Yes, you did.

Senator IAN MACDONALD: No, I didn't.

CHAIR: Yes, you did. If you want to rephrase the question that is fine. But I do not think you can ask Mr Comley to comment on what the Australian public thinks.

Senator Wong: If I could just make a point about transparency: my recollection is that all of the details of discretionary grants were published. In fact, the questions asked today could have been ascertained from memory by looking at the government's websites. I am very happy to be of assistance, obviously, but they were all made public. The grants guidelines process to which Ms Sidhu referred—in fact, I think Finance is responsible for the broad guidelines and then guidelines are ticked off through a ministerial/cabinet process if required. So there is a great deal of transparency and proper process associated with the grants programs.

Senator IAN MACDONALD: Ms Sidhu, when people got a grant were they required, as part of receiving it, to put a note on everything they do, saying, 'This kitchen table, or this conference, or this publication, is funded by the Commonwealth government?' Was that part of the requirements?

Ms Sidhu: I do not believe that is a formal requirement in every case. Some organisations, for example, on carbon expo would choose to advertise the fact that they have support from the Australian government.

Senator IAN MACDONALD: They might choose to, but they are not required to?

Ms Sidhu: I am not aware that that is the case. I can certainly check. My understanding is that it is not a requirement.

Senator IAN MACDONALD: In your process of selecting the applicants, were you required to look into whether any of the applicants were either unions or union supported, or whether they had been part of the political process or had funded advertisements of a political nature?

Ms Sidhu: The standard process that the government uses in assessing the merits of a grant actually go to the merits of the application, the likely effectiveness of the use of taxpayers' money in that case, and the potential grant's alignment with the objectives of the program. Those were the criteria we used.

Senator IAN MACDONALD: Okay. Could we have copies of the applications that were made on notice? Are all required to acquit their money to you?

Ms Sidhu: Absolutely. There was a funding agreement covering each grant and that puts in place very clear objectives, milestones, funding requirements and acquittal and evaluation requirements.

Senator IAN MACDONALD: Then your department checks them out and if anything looks suss, you get in auditors or something. Is that the process?

Ms Sidhu: We certainly keep a close eye on expenditure, yes.

Senator IAN MACDONALD: Do you have people here who can tell me what percentage of the atmosphere is composed of carbon dioxide?

Mr Comley: The science program is under program 1.3. If you could wait till then that would be preferable. We have Will Steffen coming to answer all the scientific questions.

Senator IAN MACDONALD: Okay. You answered a question relating to nuclear power.

Mr Comley: Which question is that, just so I can find it in my folder?

Senator IAN MACDONALD: Question No. 26. You helpfully referred me to Treasury modelling. My question was broadly in relation to the Japanese incident and whether you have allowed for any increase in costs if the world goes off nuclear power. You referred me to a response which, as I understand it, said, 'If no new nuclear capacity is installed beyond 2020, modelling shows the global economic costs of achieving the same environmental target will be 18 per cent higher than the medium scenario by 2050.'

Mr Comley: I do not have that in the answer I have for that.

Senator IAN MACDONALD: You referred me to a—

Mr Comley: I referred you to the Treasury website—

Senator IAN MACDONALD: Yes, which I was quoting from at page 52. This modelling related to no new ones. My question relates to whether existing nuclear plants are shut down. Has anyone done any work on the increase of carbon—

Mr Comley: We have not done any work. It is possible Treasury has. So you should direct that question to Treasury.

Senator IAN MACDONALD: I did ask the question about the volcano at a place that I cannot pronounce. Is it Grmsvotn?

Mr Comley: That sounds about right—probably easier than the Icelandic volcano to do but if you would like to have a crack at that I would appreciate it!

Senator IAN MACDONALD: The answer to question No. 27 said a specific figure is not available, which suggests to me that it may become available. Do you know if there has been any update on that? Has there been any information released?

Mr Comley: I am not aware of it. But perhaps before Professor Steffen arrives we might see if he is aware of it so they can update the committee if that information is available.

Senator IAN MACDONALD: Of the other questions I have to ask many of them will be for later. Thank you for your answer to question No. 68 on the cost of running forums in Geelong, Ipswich, Port Macquarie, Mackay, Canberra and Playford. Have there been any other forums held since the answer was given?

Mr Comley: I am in the hands of the chair. This is output 1.3.

CHAIR: You should wait until 1.3, Senator.

Senator IAN MACDONALD: I will indeed, Mr Chairman—and when I look closely I see it does say '1.3'. In relation to 1.1 I have just one more question. The nuclear question was 1.1, which I have already asked. You say you will refer that to the later section. I think that might be all I have at this stage, Mr Chairman.

CHAIR: Thanks, Senator Macdonald.

Senator McKENZIE: In an answer to question on notice No. 7 of the scrutiny of new taxes committee on 16 September the department, in replying to the question on notice, stated that the department was advised by the Office of Best Practice Regulation that a regulation impact statement was not required for the matters set out in the government's announcement on 24 February 2011. When was that advice given to the department and what were the reasons for that decision?

Dr Kennedy: I will have to take on notice the exact date when that was provided to the department and the OBPR would provide you with the answer as to the reasons for the decision. But I can take both questions on notice and obtain that information from the OBPR. There would be a record of the decision.

Senator McKENZIE: Okay. I would just like to refer you to the OBPR handbook which states:

In order to obtain the maximum benefit from the regulatory impact analysis process, the Australian Government has—

rightly—

decided that the RIS or BCC report must be prepared by officials ...

The bit that I want to draw attention to is this:

... but *before* a policy decision is made by the Government or its delegated officials that regulation is necessary ...

So my question goes to this. Was the government's announcement of a carbon tax on 24 February 2011 not a policy decision?

Mr Comley: There is a question as to whether it is a policy decision, because they were saying this is the framework on which policy would be contemplated. In fact, my recollection, without having the precise words in front of me, is that what that was announcing was the intention to have a structure of a carbon tax moving to an emissions trading scheme. Now my recollection is that the requirement for a RIS only occurs when you actually make a policy decision. That was an intention to consult on that basis. As Dr Kennedy says, we can get the OBPR view but the point is in the process we did consult with the OBPR about the need for a regulatory impact statement and the answer was that it was not required. I suspect it is because it was not a policy decision.

Senator McKENZIE: Because it had not gone to cabinet?

Mr Comley: No. That is not the distinction I am drawing. The distinction I am drawing is this. If you look back at the announcement on 24 February, it was that the government, in accordance with the Multi-Party Climate Change Committee, had settled on consulting on the basis that they would be looking at fixed price going to floating, but there were quite a

number of parameters that were left open. So at the time it was that there would be, for example, within the framework—from memory—three to five years. That was open. There was also the question of whether you would transition from a fixed price to a floating price, so that was not a final policy question.

Senator McKENZIE: There did not seem to be any ambiguity in the statement about whether that was an option. I quote from the statement:

The two-stage plan—

I do not know when a plan announced by a government is not a policy—

for a carbon price mechanism will start with a fixed price period for three to five years before transitioning to an emissions trading scheme.

That is the quote. It sounds like a framework and a policy to me, but from your perspective you are saying that is not a policy announcement.

Mr Comley: I think you have to have sufficient detail about how the policy would actually operate to be able to determine the regulatory impact of it. I certainly think that until the announcement was made on 10 July there was not a full policy being announced. That was a framework with which to consult.

CHAIR: Mr Comley, we have heard some questions arising from the Senate Select Committee on the Scrutiny of New Taxes. Dr Parkinson appeared on 24 March 2011. On page 26 of the proof committee *Hansard*, he said:

... we did not believe the direct action program could be scaled. Ultimately those subsidies have to be paid for by someone, which means that either we have to raise taxes or we have to cut expenditure.

There is a figure of \$1,300 per family that has been quoted by government in relation to the cost of direct action. Could you just explain how that \$1,300 came about?

Mr Comley: In round terms I think essentially what you do is take the total cost of the program and then you divide it by the number of households to determine the cost per household. Then that cost would either be borne through additional taxation required to fund those measures or it would be borne by reduced expenditure on programs that ultimately benefit households.

CHAIR: So do you therefore agree with the Secretary of the Treasury when he says that you fix that problem by either raising taxes or cutting expenditure?

Mr Comley: This is actually the Secretary of the Treasury's area. He clearly would never choose to comment on areas in the climate change portfolio! There is obviously a third way you could solve this problem, which is to allow the deficit to increase or reduce the size of the surplus. Assuming you have the same fiscal targets, then you either have to fund that with increased taxes or reduced expenditure. That is right.

CHAIR: A Mr Fabian also appeared before the scrutiny of new taxes committee. Mr Fabian is from the Investor Group on Climate Change. Are you aware of them?

Mr Comley: Yes, I am familiar with the group and Mr Fabian.

CHAIR: They have funds under management of \$600 billion. Mr Fabian said to the committee:

My view is that you cannot meet substantial emissions reductions on governments' balance sheets, especially in this phase of the global economy. So whether or not it is intended to be wrapped up early, we think it is not sustainable.

He responded in that way to a question I raised about Mr Turnbull's analysis that the best thing about direct action was that you could wrap it up quickly. Do you agree with that analysis of Mr Fabian?

Mr Comley: I think it is certainly the case that a program that is based on—

Senator IAN MACDONALD: Chair, a point of order: are you putting the officer in a position where he is asked to give an opinion?

CHAIR: I am asking him a question of fact in relation to direct action not meeting substantial reductions.

Senator IAN MACDONALD: You are asking for his opinion though.

CHAIR: No, I am asking whether that is a factual position.

Mr Comley: As we discussed earlier, some advice that we prepared was released last year, which indicated that, on the basis of the information we had at the time around the coalition's direct action program within the budget envelope that had been specified, around 40 megatonnes of reduction could be achieved and that was 120 megatonnes short of what is required for the five per cent target. That is what we have conducted analysis on and that is what has been put in the public domain in the past.

CHAIR: Mr Fabian went on to say

... if you pay some companies in the economy to reduce emissions, you are not necessarily impacting the emissions of other companies and so it is possible that emissions will grow enormously from sectors that are not touched by the direct action scheme ...

Is that consistent with analysis that the department has done?

Mr Comley: Where you have a scheme which is, by its nature voluntary, you will tend to only get emissions reductions from the areas of the economy that participate directly. Many will choose not to do so. The other issue that analytically you need to worry about is: if you have a scheme that gives payments as a difference between what people otherwise would have emitted and what they actually emit following a payment—which is the way direct action or offsets would work—you do run the risk that people seek to gain that system by artificially increasing their emissions to try and increase future assistance or payments.

CHAIR: Mr Fabian went on to say: that he did not believe

... we do not believe a policy based on governments paying for abatement is a sensible long-term framework.

Is that consistent with the analysis from the department?

Mr Comley: I do in a sense take Senator Macdonald's interjection here. What I can say from a point of not what the ultimate policy conclusion is is that to seek to achieve abatement purely by government purchasing would turn out to be a very costly program. Whether a government decided that that was the appropriate thing to do would depend on whether it was prepared to bear that additional cost on the government books and then take the necessary actions to fund that. So I do not think I can definitively say as a matter of fact that it is unsustainable. It would only be sustainable if a government were prepared to commit very

significant fiscal resources that would increase over time and to do that for a sustained period of time. If a government is prepared to do that then you can certainly purchase a lot of abatement but it becomes very expensive very quickly.

CHAIR: So it comes back to the argument of how you fund it. Do you do it by cutting programs, or do you do it by increasing taxes? They are the two options, aren't they?

Mr Comley: Yes, essentially if you do it on budget. Unless you want to increase the size of the deficit, you must increase taxes or reduce other expenditure.

Dr Kennedy: The other issue that Secretary Comley is going to is the enduring nature of the signal. It is also the governance or regulatory arrangements around which businesses can respond to an enduring signal to change their investments. I think that would be a well accepted, common understanding of how a policy would work to reduce abatement in the longer term. It has to be one that investors can see and respond to in changing their behaviour so as to reduce emissions and be confident that it remains in place.

CHAIR: During the new taxes committee, it was also argued that delays in implementing a carbon price and sending a price signal would mean a more expensive cost to both community and business in the short- to medium-term. Is that a proper analysis?

Mr Comley: That is certainly correct. There are probably two propositions here. There is a general proposition and then there is a specific one. The general proposition is that where you delay and people make investment decisions which are not informed by the future climate regime, including a carbon price, you do run the risk that some of those assets become unviable and you have effectively invested in something that is now not worth as much, and that is a costly thing to do. The specific issue at the moment is that there is uncertainty in the electricity sector, in particular, where people are making investment decisions to try to preserve as many options as possible. Minister Ferguson commissioned an investor group to look at the question in the electricity sector, and that report indicated that people are now tending to invest in open-cycle gas generation. It has lower capital cost but higher operating costs. They would not necessarily make that decision if they had certainty about the climate regime. That leads to higher overall costs in the system, which feeds through to higher costs to consumers while that uncertainty continues.

CHAIR: Can anyone here help me with the 2010 CSIRO report, *Soil carbon sequestration potential: a review for Australian agriculture*? It is an issue for outcome 1.1 and it goes back to the direct action plan that is a proposal from the coalition.

Senator IAN MACDONALD: I thought you just referred me to outcome 1.3 for scientific questions.

CHAIR: This is more about the cost and the capacity to meet this target. I am not asking for a scientific analysis here. The 2010 CSIRO report said:

Accurate monitoring and verification of soil C stock changes, due to the large and heterogeneous background levels are difficult and often prohibitively expensive ...

Is that something the department has considered when it looked at soil carbon?

Ms Thompson: As I think we are hearing this morning, one of the great challenges of soil carbon is these quite different views about how much abatement capacity there might be. I go back to Mr Comley's point earlier this morning, that it is important to bear in mind that there is a difference between the technical potential from soil—which is the abatement that is

physically possible in terms of what the landscape can bear—and what might be possible in terms of people being able to change their farming and other practices. The key point there of course is what economists call the 'opportunity costs', in terms of what they might be giving up on the land to pursue activity to build soil carbon. Particularly in the case of the Carbon Farming Initiative offsets scheme, there is a requirement that the practice will in effect need to continue because of the permanence requirement in the Carbon Farming Initiative that essentially says that sequestration that is built in the soil needs to be maintained for 100 years.

So I think we are at an interesting and potentially challenging point at the moment, because, although there are these different estimates of soil carbon and what it could deliver, we are really looking to the Carbon Farming Initiative itself to show what might be possible on the ground.

There is in fact a methodology that has been put forward to the Domestic Offsets Integrity Committee looking at how you could build carbon in the soil. That is being reviewed by the DOIC at the moment. The other point that I would make is that in order to resolve this question about how much potential there is in the soil and what practices can actually deliver that on the ground, the government has put in place the Carbon Farming Futures program, which is part of the \$1.7 billion contribution for the land sector that was part of the Clean Energy Future package. That program has \$201 million over six years for a range of research practices to help farmers and others—and particularly scientists of course—enter into research to investigate some of these things. The department of climate change has also received some funding to help translate this research into practical methodologies to look at how you can build carbon in the soil.

So at the moment there are a range of different views, and it is a combination of the Carbon Farming Initiative and these land sector measures that will help us answer the question in years to come.

Mr Comley: Ms Thompson is exactly right. The question was about measurement, and that feeds into what methodologies you can use. It probably is worth, if the committee wants to, to come back to Professor Steffen, who could be more precise on the measurement. My understanding of carbon measurement in the soil is that it can be done. Looking at a small plot of land, you can physically measure the carbon; that is not the difficult bit. The difficult bit is: how do you have a cost-effective methodology to estimate that carbon over a significant area of land with reliability?

It is exactly the same issue that we grapple with the National Carbon Accounting System where, in a sense, the underlying photosynthesis equation as to how you store carbon is well known, but then working out whether you have a particular soil type, a particular rainfall, a particular area is the difficult bit, which means that practically it can be quite hard to measure these things in a cost-effective way where you need to audit those things when you are providing a financial benefit.

Senator McKENZIE: Mr Comley, I just need a 'yes' or 'no' from you on this question. When the Prime Minister outlines a government plan to cut pollution, tackle climate change and deliver the economic reform Australia needs to move to a clean energy future and a rough framework about what that looks like—I want to know 'yes' or 'no' from you—is that a policy announcement or not?

Senator Wong: You cannot tell him how to answer the question. If he wants to have more than a 'yes' or 'no' answer he is entitled to it.

Senator McKENZIE: Fair call, thank you, Minister.

Mr Comley: I am not going to provide a yes or no because the context of the question is not just as a policy question, it is a policy question for the purpose of the requirement of the regulatory impact statement. Government can announce policy and that has varying degrees of specificity at different times, whether they give rise to the need for a regulatory impact statement is not the same thing as whether you might describe it as a statement of policy, particularly where there are a number of uncertainties intended to be resolved for a process of consultation.

Senator McKENZIE: So it may be, but not necessarily, under the criteria?

Senator Wong: The Office of Best Practice Regulation is in the finance portfolio, so you may wish to ask questions also of OBPR in the department of finance estimates. I think the example that Mr Comley gave earlier where we did have an outline of a policy announcement about which was the way forward, but there were a great many aspects of detail that would need to be finalised before you could finalise the RIS. For example there was no finalisation on the what is now the Jobs and Competitiveness Program. There was no finalisation on the electricity sector details. Those go directly to how business will be affected which is germane to the RIS. Obviously the RIS being regulatory impact statement. We are not trying to be difficult here. To go through the proper RIS process there would be an amount of detail which would not yet have been settled as at the time of the announcement.

CHAIR: Mr Comley, with the soil carbon in relation to Kyoto, can we count soil carbon under our Kyoto obligations?

Mr Comley: Not at the moment for Australia. The issue is that there is an article in the Kyoto protocol—article 3.4—where you can elect to count soil carbon, however if you elect that you have to elect your whole landscape which poses unacceptable risks for Australia at the moment because of droughts and climate variability. Under the Kyoto rules, under the current election by Australia, soil carbon sequestration would not count towards meeting our international commitments.

Senator BIRMINGHAM: But the department is working in international fora to try to get accreditation for the counting of soil carbon, which of course comes later in the day.

Mr Comley: I assume in output 1.4 we can discuss our progress in force majeure provisions internationally.

Senator BIRMINGHAM: The 500 companies—that of course is companies that the carbon price applies to, site basis and the threshold applies to sites—are you able to tell me how many sites there are?

Dr Kennedy: About 600 facilities is the number associated with the 500 business as an estimate. I will confirm that number for you.

Senator BIRMINGHAM: Okay. Regarding the budget impact of the clean energy future plan, is there a year in which it is expected to be budget positive?

Mr Comley: I think this is partly a question for the minister in the chair, but questions of the overall fiscal impact of the CEF package are better directed to Treasury. The clean energy

future package obviously was coordinated out of this department, but there is a very large number of portfolios involved in its implementation—Resources, Energy and Tourism on energy matters; Innovation on some industry matters; SEWPaC on the biodiversity fund; and Treasury on household income. Questions on budget accounting and reconciliation are appropriately directed to Treasury.

Senator BIRMINGHAM: As the department that coordinated the package, if there is a forward estimate year when it is projected to flip from negative to positive—

Senator Wong: Not in the forward estimates.

Senator BIRMINGHAM: Indeed, it is negative throughout the forward estimates.

Senator Wong: Correct.

Senator BIRMINGHAM: Is there a projected year when it will tip to positive?

Mr Comley: That is a matter for Treasury.

Senator BIRMINGHAM: The Department is not aware—

Senator Wong: That is not what he said, so do not try to put words in his mouth. He said, 'That is a matter for Treasury.'

Senator BIRMINGHAM: I want to be absolutely clear—

Senator Wong: Treasury estimates are on Thursday.

Senator BIRMINGHAM: Minister, as you well know, there is always the prospect that I ask Treasury and get told it is a matter for DCCEE. Does the department have emissions profiles for reductions in domestic emissions or changes in domestic emissions for each of the years through to 2020 and beyond under the clean energy package?

Mr Comley: Again, at the moment, that is a matter for Treasury as to what is within the modelling of the outcome of the package.

Senator Wong: Which was released.

Senator BIRMINGHAM: I know, Minister, but of course it does not go year by year. The modelling provides—

Senator Wong: I would put money on the fact that it is more accurate than anything you will ever produce on climate change policy.

Senator BIRMINGHAM: Are you attempting to take credit yourself for the Treasury modelling?

Senator Wong: No, not at all. I am just making the point that if you want to talk about transparency and get into the detail, you cannot tell the Australians how much your package will cost. We have had to do that. You cannot tell Australians how much more tax you will impose. We have had to do that. You cannot tell Australians what you are going to cut in order to fund this. You come to the table about the detail of year-by-year emissions with very little credibility.

Senator IAN MACDONALD: Do we have to have this lecture from the minister? It is not answering questions.

Senator BIRMINGHAM: It is certainly not answering questions. Does the government have any intention to make public the 600 facilities that comprise the carbon tax liable entities?

Mr Comley: I am not aware of any proposal to amend the underlying act which has the provisions that prevent disclosure. I think the current disclosure level is what is intended. My recollection of the provisions of the jobs and competitiveness package is that there is certainly information about who is receiving that type of assistance. I will hand to Mr Sakellaris to expand on that.

Mr Sakellaris: Under the clean energy legislation, all liable entities will be published on the regulator's website. There will be a liable entities information database that will be available to the public to find out who is liable and a range of other information about liabilities.

Senator BIRMINGHAM: That will only be made public subsequent to the liable entity remitting the funds for the carbon tax, or when?

Mr Sakellaris: No. The regulator is able to list liable entities on the database as soon as it is aware of an entity being liable. It would have information available through the National Greenhouse and Energy Reporting system to make judgments like that.

Senator BIRMINGHAM: How does that reconcile against Mr Comley's statement around NGERs?

Mr Comley: I withdraw my statement. Mr Sakellaris is the expert on this.

Senator BIRMINGHAM: As soon as the laws are passed and proclaimed, you would expect the regulator to start compiling this list and publishing it?

Mr Sakellaris: That is right—as soon as the regulator is stood up and the legislation commences, which will be later than the date of proclamation.

Senator BIRMINGHAM: Okay. Once the regulator is getting on with its job and given the information that is already held by ORER, it should not be a particularly onerous task to identify who those entities are and to do that task fairly quickly?

Mr Sakellaris: The regulator will be able to identify a large number of the liable entities but there would be information that is not at hand to the regulator about all of the liable entities.

Senator BIRMINGHAM: Can I be clear then—because we are out of time—is there a reason why those entities cannot be named now?

Mr Sakellaris: I think that answer has been given previously. The current National Greenhouse and Energy Reporting Act has very particular requirements about the protection of information gathered by the Greenhouse and Energy Data Officer. Those provisions do not allow the publication or disclosure of information like this.

Senator BIRMINGHAM: But this legislation will change those provisions?

Mr Sakellaris: There is a much wider range of information that is made public under the clean energy legislation; yes.

CHAIR: That concludes the questioning of the department.

Office of the Renewable Energy Regulator

[12:46]

Senator BIRMINGHAM: Mr Branson, welcome. Have you commenced undertaking inspections under the additional funding that was provided to the ORER?

Mr Branson: Yes, we have.

Senator BIRMINGHAM: How many inspectors have been appointed, to date?

Mr Branson: Forty-one.

Senator BIRMINGHAM: How many inspections have been undertaken?

Mr Branson: We have had 387 as of 23 September. The number changes day by day.

Senator BIRMINGHAM: Certainly, I appreciate that it would. What have the outcomes of those inspections been?

Mr Branson: To date 79 systems or about 20 per cent have had an overall assessment of substandard, which required some form of rectification work.

Senator BIRMINGHAM: Twenty per cent, did you say?

Mr Branson: Yes. That is 20 per cent, 79 systems and 16 systems or about four per cent have had an overall assessment of being unsafe.

Senator BIRMINGHAM: About four per cent were deemed unsafe, which equated to about 20 of the systems inspected.

Mr Branson: That was 16.

Senator BIRMINGHAM: How many systems have been installed over the last financial year or for whatever period is going to be easiest for you to give us quickly?

Mr Rathore: In 2011, until the end of September over 205,000 systems have been installed. That is the number of our PV systems that have claimed certificates under the scheme.

Senator BIRMINGHAM: So 205,000 systems have claimed certificates under the scheme.

Mr Rathore: Just in 2011.

Senator BIRMINGHAM: In the calendar year 2011?

Mr Rathore: In the calendar year 2011, and for the previous years, from 2001 to 2009 we had about 85,000 systems and in 2010 we had about 195,000 systems.

Senator BIRMINGHAM: Okay. So there were 85,000 systems in the steady years of the scheme and of the industry establishing. Last year there were 195,000 and this year, to date, there have been 205,000. So we have had about 400,000 systems that have been installed out there in less than the last two years. Four per cent of those inspected to date have been identified as being unsafe. What type of rectification work was required for those four per cent—the 16 systems—that have been identified so far?

Mr Branson: The ones that had an overall finding of 'unsafe' would have been subject to a shutdown by the inspector, and that would then have been referred, on that day or the next feasible day, to the state regulator of whichever state it was.

Senator BIRMINGHAM: 'Unsafe' is obviously a pretty serious finding. What are the implications of an unsafe system?

Mr Rathore: I will take that. There are various reasons for a system being unsafe. We actually have a checklist that was given to all the inspectors, and that checklist is based on Australian standards and different state and territory rules. Through that checklist the inspectors are able to determine whether the system is unsafe. There can be various reasons for a system being unsafe, such as having some problems due to water ingress, wires that are exposed or wires that do not have proper insulation on them.

Senator BIRMINGHAM: With 20 per cent being substandard and four per cent unsafe, how is that now directing your inspection regime? Is there a pattern of companies involved?

Mr Branson: There are three or four inspection companies doing the inspections. As far as how it is done—

Senator BIRMINGHAM: No, companies involved in the actual installation of the system.

Mr Branson: Sorry. No, we do not have that analysis yet. Three hundred and eighty-seven is a very small number from which to draw conclusions at this stage, but it would be our intention—certainly that is part of the strategy—that, as the information starts to become available through the analysis of the inspection results, we are able to hone and, in fact, stratify some of the sampling to target areas. But at this stage it is a random sample.

Senator BIRMINGHAM: At present this sample of inspection remains a random sample?

Mr Branson: Yes.

Senator BIRMINGHAM: What sort of sample size is going to be necessary for you to be able to start targeting inspections?

Mr Branson: As you can expect, we do not know exactly the number of systems that are going to be installed each year, so it is a little bit difficult. So what we are trying to do is target a sample which would give us something of the order of 95 per cent confidence in the estimates that we make. But it is a little bit difficult to put a number on that, because we do not actually know the population size until the year end.

Senator BIRMINGHAM: How many inspections are you hoping to have undertaken this year?

Mr Branson: I think we are hoping to have another 1,200 to 1,500 or so done this year.

Senator BIRMINGHAM: What information is being published out of these inspections? Are the details of the companies or the individuals who undertook the unsafe work being made public?

Mr Branson: We do two things. For an unsafe inspection, as I said, there is notification to the relevant state regulator; that is done either on the day or at the next possible time. The notification provides the information about the system, installations et cetera. We are looking to provide some summary statistics that we will hopefully have on our website in the very near future. We have just been going through a process at the moment of working through our data standards and so forth to get that. We are required under the legislation to write to the

homeowner, the agent that created the certificates, the installer that created those certificates and the Clean Energy Council, which we would do very soon.

Senator BIRMINGHAM: When you say 'write to the homeowner', do you mean purely to the homeowner of the identified site?

Mr Branson: Of the system that was inspected.

Senator BIRMINGHAM: Okay—of that system. If or when you have a critical mass and you start to develop systems that allow for targeting, will there be advice provided to homeowners if there are found to be patterns of substandard or unsafe installation?

Mr Branson: I would not have thought so. I think we would probably deal with that in a compliance context.

Senator BIRMINGHAM: Let us quickly jump there, then. From the inspections undertaken to date, what compliance actions have been undertaken?

Mr Branson: I am not sure that we have any compliance actions directly attributable to the inspections at this stage. I think our compliance actions really relate to other activities at the moment.

Senator BIRMINGHAM: Can we get a quick snapshot of compliance in terms of cancelled STCs during the year to date?

Mr Branson: We might have to take on notice the question of the number of cancelled STCs. I can provide some other forms of statistics which would describe our compliance activities. For example, we have engaged in thirteen enforceable undertakings this year to 30 September 2011. We have another series of matters. One matter had been referred to the Federal Police to pursue, another matter is being considered for referral and we are currently developing briefs of evidence that relate to two other matters.

Senator BIRMINGHAM: In relation to the referral or potential referrals to the Federal Police, are they matters of potential fraud under the scheme? What is the issue at hand there?

Mr Branson: I do not think we have that information, Senator. The compliance matters generally relate to some concern we have about invalidly created RECs.

Senator BIRMINGHAM: About the validity of the created RECs?

Mr Branson: About the validity of the certificates that have been created?

Senator BIRMINGHAM: There are a few issues I want to cover, so I will jump around a little bit. What is the current status of the clearing house in terms of numbers of STCs and the oldest that is sitting in the clearing house?

Mr Rathore: At this point in time, there are just over 6.3 million certificates queued in the clearing house. I have some statistics on how many certificates have actually been sold through the clearing house. Generally speaking, the clearing house clears or moves during the quarterly surrenders. The next quarterly surrender is at the end of this month. So far we have seen just over 8,000 certificates which have cleared in the clearing house. That is for quarter 3, which is due on the 28th of this month. For the previous quarters we had: in quarter 1, 117,000 certificates that cleared through the clearing house; in quarter 2, just over 8,000 certificates that cleared in the clearing house.

Senator BIRMINGHAM: In the first quarter there were 117,000; in the second quarter there were 8,000. Is that correct?

Mr Rathore: Yes. There were 117,000 in quarter 1; 8,000 for quarter 2; and 8,000 for quarter 3.

Senator BIRMINGHAM: How old are the oldest certificates lodged with the clearing house?

Mr Rathore: The oldest certificate in the clearing house is from about the middle of February—the certificate that was put in the house in the middle of February 2011.

Senator BIRMINGHAM: At that clearing rate, you would not expect to be seeing too many people cleared through there in a hurry.

Mr Rathore: The spot price of the small-technology certificate in the open market is around \$30. That is the main reason that the liable entities, the retailers, are using the spot market to make their purchases and to comply with the scheme. The spot price has increased recently. We have seen the spot price from third-party sources being around \$20, and now it has moved up to just over \$30.

Senator BIRMINGHAM: So to a business like Caboolture business Solar Panel Xpress, which Mr Roy has brought to my attention and which I think has about \$2.6 million worth of STCs waiting in the clearing house, the message from government is: keep waiting?

Mr Rathore: Senator, there are two ways of selling these certificates. There is a market, in addition to the clearing house, that works on a daily basis. Some businesses choose to put their certificates in the clearing house, and there is a bit of a wait there compared to selling those certificates on the open market.

Senator BIRMINGHAM: Far more certificates are being generated than the government anticipated, though, aren't they? That is part of the reason that the clearing house is not functioning and the price is not functioning where the government anticipated.

Mr Rathore: Senator, in November last year we asked three independent consultants to give us a model on the expected number of certificates that would be created in 2011. That was done in November 2010. At that time the estimate from the consultants was used to set up the small technology percentage. Over time, and due to various reasons—and one of those reasons was the generous rebates from feed-in tariff from various states—the number of certificates has been higher than reports expected. That has produced a difference, with the actual number being larger than the expected number. Any excess from 2011 will be moved into the setting up of the small technology percentage for 2012. Under the legislation we have issued the non-binding estimates for 2012 and 2013 by including the expected surplus over and above the 28 million certificates that we expect will be there at the end of this year.

Senator BIRMINGHAM: I am sure you would be expecting me to ask you a question about the company called Well Being Green, which has gone into liquidation with around \$7 million being owed to small businesses who have created STCs and sold them off to essentially this middle party. When was ORER first notified of concerns about the operation Well Being Green and what action or steps are you taking?

Mr Branson: I cannot tell you off the top of my head when we were first advised of it. We have had several discussions with people as they have contacted us for different reasons

over the last couple of months so I cannot put a particular date on it. I would say, though, that the issue for us is that the primary function of the regulator is to establish whether certificates have been validly or invalidly created. The business arrangements under which certificates are transferred from one party to another is not really a matter for the regulator. In the case of Well Being Green, at this stage we do not have any particular reason to believe there are any invalid certificates. That is really the limit of our involvement with the Well Being Green issue at this stage.

Senator BIRMINGHAM: To Mr Comley or the minister, is the government or the department looking at this issue as a policy issue? The Auditor-General has suggested that to the extent that design features adversely affect the administration of any government program he would expect agencies to monitor performance issues and as appropriate inform government on the effects of possible remedies. Obviously the design features here appear to have seen a number of small businesses \$7 million out of pocket.

Mr Comley: We have given this some attention and part of the attention is where within government is the appropriate place to deal with this. Many of the issues that are raised are either potentially—I use my words carefully—within the misleading and deceptive conduct provisions or the area of trade practices responsibility. That is a matter for the ACCC; it is not a matter for the department. Or they maybe matters to do with Corporations Law, which would be for ASIC. Fundamentally, the issue the department and ultimately in effect the regulator has is whether a certificate is validly created. The issue of the undertakings or representations that anyone in the community makes about those certificates is really a matter for those agencies rather than this portfolio.

Senator BIRMINGHAM: You can understand that those businesses that are out of pocket may feel that sounds a little bit like paper shuffling within government.

Mr Comley: I do not think it is paper shuffling; it is essentially who is the appropriate body to oversee whether someone has behaved in an appropriate way in a corporation, with respect to either competition or corporations law.

Senator BIRMINGHAM: Is the department aware of any of those agencies undertaking investigations?

Dr Kennedy: There are some amendments in the legislation to address some of these issues, and I will ask Mr Sakellaris to talk to them in detail.

CHAIR: It is approaching five past one. How long will this detail take?

Dr Kennedy: A couple of minutes, Chair.

Mr Sakellaris: It will be very short. The Clean Energy (Consequential Amendments) Bill before the parliament also includes an amendment to the RET legislation, which will enable the regulator to either refuse an application for registration, which enables a person to create certificates, or suspend a registered person on grounds relating to whether that person is fit and proper.

Proceedings suspended from 13:05 to 14:05

CHAIR: I now call officers from the department in relation to program 1.2—improving Australia's energy efficiency—and I invite questions.

Senator McKENZIE: I wanted to ask a couple of questions about a contract notice that was amended on 23 September to increase the contract for phase 2 of the Home Insulation Safety Program. The amount increased from \$26 million to \$124 million. Was the contract for the increased value put out to tender?

Mr Bowles: The contract for phase 2 was done earlier in the year, obviously. When we put up the \$26 million figure you are talking about, it was only for the part of the contract that was let. We did not have a full cost or estimate of part B, if you like, of the contract, which was around the complex inspections. When we did get that we updated the AusTender site and to get it moving to the \$124 million figure.

Senator McKENZIE: Thank you. But I am still wondering: why are there confidentiality clauses in the contract?

Mr Bowles: There is a lot of commercially sensitive information to companies in this sort of business. The whole thing was put out to tender, and there was a part A and a part B. The part A was around finalising and just general inspections, if you like, and part B was around the complex inspections for certain homes. The biggest issue was: you sort of don't know what you don't know. The program is open until 30 June 2012, so we want to make sure that we are giving the best cost estimates as we possibly can, and hence we updated the AusTender site.

Senator McKENZIE: So the outputs are confidential within the contract?

Mr Bowles: No, Senator.

Senator McKENZIE: You have tendered for part A.

Mr Bowles: No, we tendered for parts A and B together. We did not know how many we were expecting in the part B of the contract. When we did, we updated the AusTender website. So part A was a much smaller part. Part B is obviously the larger part. Once we actually worked out what the cost for part B was, we updated the website.

Senator McKENZIE: Okay. Is there any information regarding the number of problems identified out of the safety inspections?

Mr Bowles: We released both the Booz and Co. report and the CSIRO report in April this year, which gave quite significant detail on the outcomes of the Home Insulation Program and the way forward from there.

Senator McKENZIE: Thank you. Do you have any idea what the final cost will be of the program?

Mr Bowles: Not at this stage, because, as I said, we go until 30 June 2012.

Senator McKENZIE: So you cannot be confident that the figure will not—

Mr Bowles: It could move around still. If, for instance, we get a flurry of activity on the hotline and people ringing up, we will deal with those issues. So we have got an estimate out there, obviously, that there is about another \$124 million to run on that particular part of the contract, and that is as best we can guess at this stage, based on the information and the rate of inspections that we are seeing at the moment.

Senator McKENZIE: Has the rate of inspections changed over time?

Mr Bowles: We have actually finished the major part of the contract now. So the commitment was to do 150,000 inspections. In fact, we have done around 178,000 inspections, which included 23,000 householder-initiated inspections. We finished that and we are now onto the complex side of the business, and there are about 15,000 of those that we will do between now and 30 June.

Senator BIRMINGHAM: On the changed value of the tender, can you take us through the implications regarding the change in deliverables?

Mr Bowles: In essence there is no change in what I talked about at previous estimates. We went through a tender process, which was a two-part process around finishing the balance of the 150,000 and to do householder-initiated and complex inspections. The only thing is that we did not have the cost estimates when we put the first figure up on Austender. When we actually worked it out—and, again, it is still a cost estimate—we changed the figures on Austender to try to give as much information as we possibly could about where we think the program will go.

Senator BIRMINGHAM: It is a vast increase from \$26 million to \$124 million.

Mr Bowles: Yes. Part A and Part B are two fundamentally different things. One is about doing about 20,000 inspections to round out the 150,000 and the other is about doing complex inspections and householder-initiated inspections until 30 June 2012. Part B is quite a bit bigger than finishing off the 20,000 inspections for part A. To be really clear, it is not a budget change. If you look at the PBS, we had budget estimates in there. This is about being accurate on Austender. It is a practice that happens all the time. If you get more and better estimates of the cost, you put them up.

Senator BIRMINGHAM: You were always aware you were going to have to do part B, were you not?

Mr Bowles: Yes.

Senator BIRMINGHAM: Why was no estimate undertaken at that stage of the cost of the part B of the complex inspections?

Mr Bowles: We are always doing estimates. We were not confident at that stage with the numbers that we were looking at to put an estimate up at that stage. When we did become confident, we put the estimate up.

Senator BIRMINGHAM: In that case, would it not have made more sense to do it is two separate tenders?

Mr Bowles: Not in my view. We needed consistency in approach and this was the phase 2, effectively winding up the 150,000 and then actually dealing with the complex issues. We wanted consistency and it is much easier to deal with one provider, and we went to the market asking for those types of services. If we found that it would have been better to have two separate players in that space, we would have made that decision. However, through the tender process we found that the most appropriate way forward was to let the tender to Transfield for part A and part B.

Senator BIRMINGHAM: When was the \$26 million tender put out?

Mr Bowles: No. Again, the tender was put out for part A and part B. At that stage, we had up on Austender the \$26 million. It was not a separate tender for the \$26 million. One tender

went out for part A and part B. When we got more and better estimates around the cost, we updated the cost. It is not two separate tender issues.

Senator BIRMINGHAM: So you are telling me that all of the work required was contained in the tender details. It was purely that the scope of such work was increased or the volume of such work was increased?

Mr Bowles: We had a better understanding of the volumes we were expecting and the complexity we were expecting. So, yes, Senator. We signed that contract in March this year for both those parts of the tender.

Senator BIRMINGHAM: Why was there essentially a delay in understanding the volume of work expected? You have been doing the inspections for a long time. I would have thought you had a fair estimate of the number of complex inspections to be undertaken.

Mr Bowles: Yes, we do. What we wanted to do was finish phase 1 so that we knew the entirety of what we were actually looking at. Once we had actually done the 150,000 inspections that were in the original statement by the minister, we wanted to finish that phase. We then understood how many complex inspections we needed to do. As I said, there are around 15,000 of those. Once we understood that, we started to look at what might come through the householder initiated. Basically, that is when we made those decisions and that is when we changed the AusTender site.

Senator BIRMINGHAM: Does that change have any budget implications?

Mr Bowles: No. As I said before, we do have the budget. This is all about updating AusTender to make sure that there is a fair representation of what we are in the market for.

Senator BIRMINGHAM: Is that from within the forecast published budget, or is it from within what I understand is the \$100 million in the contingency reserve?

Mr Bowles: No, it has nothing to do with the \$100 million. It is within the estimates of the PBS that we have there.

Senator BIRMINGHAM: Has the department had any cause to touch the \$100 million contingency reserve?

Mr Bowles: No.

Senator BIRMINGHAM: Is there an expectation at present that that will be necessary?

Mr Bowles: No.

Senator BIRMINGHAM: I will just go to some of the other issues related to wrapping up the Home Insulation Program. Response to question on notice No. 35 relates to Mr Horvath's property and his issues around his ceiling. In noting that Mr Horvath's safety inspection did not occur until 29 April this year, it states:

... Mr Horvath contacted the Department call centre on 3 June 2010. Call records are inconclusive and no safety inspection was arranged at that time.

Why are the records inconclusive? What failures took place at that time to ascertain the issues or concerns that Mr Horvath had that meant that it was not until 10 months later that he finally got an inspection?

Mr Bowles: I do not necessarily believe there was anything wrong at that particular time. The notes of that particular phone call were that there was no request for a safety inspection at

that stage. When the further contact was made in April 2011, we did schedule the inspection and it went forward as described in the answer.

Senator BIRMINGHAM: So your belief is that no request for an inspection was made when he contacted the department on 3 June 2010?

Mr Bowles: As best I can tell, the records of the call do not indicate that he requested an inspection; hence, I have just said that they are inconclusive. It did not say he wanted one; it did not say he did not want one. So nothing was arranged at that particular point in time.

Senator BIRMINGHAM: Do they indicate why he called? I would have thought the logical reason why he may have been calling at a time like that was to talk about getting an inspection.

Mr Bowles: Not always, Senator. The hotline receives a lot of phone calls. Not everybody requests an inspection. Once we go through the issues relating to a particular household, a lot of the times in fact people say, 'It is all okay' and they move on.

Senator BIRMINGHAM: The inspection was conducted on the 29 April 2011, and, again to quote from the answer:

... the dwelling was found to be safe from electrical and fire hazards. However, quality issues were noted that suggest a possible link between damage to the property's ceiling and the company responsible for installing his HIP insulation.

You then go on and look at the rest of the response. The department's case management team contacted Mr Horvath and explained the outcome, and what assistance was available to help him? Did that include assistance as to how to secure his property and secure his ceiling?

Mr Bowles: That is more than I can specifically say what happened. But what normally would happen in these sorts of cases is that the case management team would be talking to the householder about what are the next steps, and in this case it was about talking to the installer's insurance company. Normal practice would be that we would assist in that particular process. As I understand this one, the issue was resolved through an insurance claim and Mr Horvath was happy about the outcome.

Senator BIRMINGHAM: Next, let us go to some of the compliance issues surrounding the Home Insulation Program. Answer to question on notice No. 32 indicates that, as at 30 September 2011, around 2,000 letters of demand had been issued to installer businesses registered under the Home Insulation Program. Is that still an accurate figure? We are not that long since then. Are you still issuing any letters of demand and can you give us a lowdown on the value of such demands and how much money has been recouped?

Mr Bowles: We are still around that 2,000 letters. As you said, this was only two weeks ago now.

Senator BIRMINGHAM: And does that mean 2,000 installers—2,000 separate companies?

Mr Bowles: My recollection is it is 1,850 to 1,900 installers or something around that. Some will get two separate invoices, both depending on what the compliance issues were and how we have actually treated a particular installer company. But it is still around that 2,000 and that will also be around things like industry assistance and the like. We are also dealing with some of those things. I have also put in the response there some of the invoices we have written off and a range of them that we have actually been able to resolve with the installer.

What we are actually finding when we write to people about compliance, when they get in touch with us, a large percentage of the time we can actually resolve the issue with the installer. That gets sorted out, and if we have not paid them we pay them. Generally speaking, that is not the case though. We just resolve the issues like with those 232 invoices totalling \$1 million being cancelled. That is the normal accounting practice for that.

Senator BIRMINGHAM: So around 2,000 invoices have been issued?

Mr Bowles: Yes.

Senator BIRMINGHAM: Around 232 have been cancelled?

Mr Bowles: Yes.

Senator BIRMINGHAM: Total value of invoices issued remains around \$17 million for the Home Insulation Program?

Mr Bowles: Yes, Senator.

Senator BIRMINGHAM: And if we take those that have been cancelled, that means the total value outstanding remains about \$16 million?

Mr Bowles: It would be a little less than that. We have also had money paid in of around \$700,000-odd from memory. So it would be around that \$15 million.

Senator BIRMINGHAM: When did the invoices start going out?

Mr Bowles: In late March or early April.

Senator BIRMINGHAM: When did the bulk of them go out?

Mr Bowles: Late March, early April—pretty much the majority of them.

Senator BIRMINGHAM: So the vast majority of the 2,000 went out late March, early April.

Mr Bowles: Yes.

Senator BIRMINGHAM: There are invoices for \$17 million of funds that you have compliance concerns about with the Home Insulation Program. In that time, since late March-early April, you have cancelled \$1 million worth of them and received about \$700,000 worth of them, but there is still more than \$15 million worth outstanding. That is hardly prompt payment. What are the issues there, Mr Bowles, in managing to recover those taxpayer funds that were paid for home insulation on which you have identified compliance issues?

Mr Bowles: In some cases we will be dealing with installers to try and sort out their issues. Some of them might provide more detail. In some cases people will not be responding and in some cases, I presume, companies have closed and moved on. There will be a range of different issues in those particular numbers.

Senator BIRMINGHAM: Have reminder notices been sent as yet?

Mr Bowles: We are in the process, but I am not sure if we have actually sent them out yet. We are in the process of doing a whole range of things in that particular space including looking at what we refer on for further action and how we actually deal with them.

Senator BIRMINGHAM: By 'refer on for further action' you are meaning 'to the AFP'?

Mr Bowles: We have an investigations branch within the department. First of all we put it to them, they do further work and some will go to the AFP. Some we will deal with through

local state and territory police depending on the issue. Generally, if they are at the high end, we will deal with the AFP.

Senator BIRMINGHAM: Of the around 1,850 to 1,900 companies, do you have an estimate for how many still have outstanding debts? One million dollars has been cancelled and \$700,000 has been paid. Do we know how many companies there are with outstanding debts to the Commonwealth?

Mr Bowles: There will obviously be the balance around that \$15 million mark that we just talked about. For the number of companies, we are around 1,800-odd companies and there are probably still around 1,500 companies that we would be dealing with.

Senator BIRMINGHAM: Between 1,500 and 1,800 companies are still owing \$15 million.

Mr Bowles: To put some context around that, those 1,800 deal with about 12,000 noncompliant claims out of the 1.2 million. We are not talking a significant number in the overall context but, at the end of the day, a lot of these companies did very small numbers. They are not all companies and I should not classify them all that way. Some of them are sole practitioners who get out there and do this sort of stuff.

Senator BIRMINGHAM: Do you expect to receive most of the \$15 million?

Mr Bowles: I think it is a bit early to tell but I would have to say we probably will not receive all of it. As you can see we have already dealt with a range of players who have been able to provide sufficient information to enable us to cancel. I would imagine we would get a bit more of that. I do not imagine we will get to all of those.

Senator BIRMINGHAM: You have written off some as well?

Mr Bowles: Yes, only a small number at this stage, three.

Senator BIRMINGHAM: On what basis have they been written off?

Mr Bowles: I would have to take that on notice; I cannot remember off the top of my head.

Senator BIRMINGHAM: Are there grounds for writing off a debt. Obviously I understand you would have cancellation to resolve the issues, and you are basically saying there is no debt and it was an innocent mistake or whatever.

Mr Bowles: In the cases of writing off we would have made an assessment that it was not worth pursuing for one reason or another. I cannot really speculate on what those reasons might be but I am happy to take that on notice. It is a normal process that we go through.

Senator BIRMINGHAM: At present there is a determination, is it fair to say, within the department to pursue the 1,500-plus companies and the \$15 million of outstanding funds?

Mr Bowles: There is a determination in the department to basically do our job around pursuing anything that we believe is noncompliant. We either then refer through to the AFP or relevant safety bodies, if that is what we need to do or, in fact, do debt recovery. That does not mean we will be successful on all occasions. That is just the nature of debt recovery activities. I do not think anywhere would get everyone to pay things back in those sorts of programs. But we will pursue it until we think we have met our obligations under the FMA.

Senator BIRMINGHAM: Just remind me, because I know we have covered this ground on both the Green Loans Program and the Home Insulation Program, whether there have been referrals of installers to the police as yet.

Mr Bowles: To the AFP, yes.

Senator BIRMINGHAM: Or to any other prosecutorial authorities?

Mr Bowles: There are some that are with state and territory police. If you recall, earlier in the year the AFP executed 35 warrants. We are still pursuing a range of those. Some of those we will just be dealing with in a compliance sense. There are a number of those that we are doing continuing investigations on, including one with the Commonwealth Director of Public Prosecutions.

Senator BIRMINGHAM: Have any further warrants been executed by the AFP since those 35?

Mr Bowles: Not at this stage.

Senator BIRMINGHAM: Has the department, since that process was undertaken, made any further referrals to the AFP?

Mr Bowles: I am pretty sure we have, but I am prepared to take that on notice.

Senator BIRMINGHAM: You are pretty sure you have. Presumably it is not a significant number or else you would remember for sure.

Mr Bowles: It is not a significant number. We want to make sure that, if we are referring something to the AFP, it is of significant value or significant badness, if you like. We want to make sure that we get value for money and obviously the AFP do not want to chase someone for nothing because it is a very expensive exercise to do that. As I said, we have a number of installers that we have referred to the AFP. We have a number of others that are being investigated by our investigations branch as well.

Senator BIRMINGHAM: You indicated that some were being looked at by state authorities.

Mr Bowles: Yes. It has just escaped me what they were. We also are dealing with the ATO and the Australian Crime Commission. We deal with a range of bodies on this issue.

Senator BIRMINGHAM: Are you able to give us any further details?

Mr Bowles: I do not want to go into too much detail on what is going on in a lot of those operations because it might jeopardise our ongoing investigations, but it is needless to say that we have pretty close contacts, particularly with places like the ATO and the Australian Crime Commission and we provide information. The ATO engage in their normal data matching and all that sort of stuff that they do—reminding people about their GST, the fact that they have got to pay their tax and the things that the tax office would normally undertake. I cannot say any more than that.

Senator BIRMINGHAM: That is a macro level of assistance with the ATO in a sense. It is a lot of data matching and that type of thing; it is not a specific referral by the department saying, 'We have qualms about this person not having—'

Mr Bowles: No. If we have concerns about individuals we generally deal with the AFP. We will not refer those to the tax office at this stage. If there are others that are in a bucket of

people who are not at that high end but we have concerns about them, we would refer those. We have a close relationship with the ATO on those sorts of issues.

Senator BIRMINGHAM: The Australian Crime Commission: is that because they have suspicions that there may have been some systematic rotting or some of the individuals involved may have coordinated fraudulent or criminal activities?

Mr Bowles: Between the AFP and the Australian Crime Commission, yes, they would be looking and that has not necessarily proven anything. They would look at it as to: are there any systematic links? Generally speaking, it is relationships between sole installers and things like that that they would find.

Senator BIRMINGHAM: And the reference to state authorities?

Mr Bowles: I would have to take on notice what they are. I do not have it in front of me and I just cannot think of what we have done there. We have close contact with state and territory police when and if required. A lot of our issues, as you would imagine, are with the AFP and the broader Commonwealth agencies.

Senator BIRMINGHAM: I will turn to some other issues canvassed in question on notice No. 36 and in attachment A, in the relevant bits. Mr Bowles, can you confirm the total approved travel costs for inspections undertaken under the Home Insulation Program or the Home Insulation Safety Program—you might be able to confirm which of the safety programs this is—were just in excess of \$840,000?

Mr Bowles: Yes.

Senator BIRMINGHAM: We have gone through the nature of some of those costs, with nearly \$85,000 being for flights. Do you have and does the department keep a record of all of those occasions when there were flights involved?

Mr Bowles: We would have some detail. I could not tell you exactly the detail we have on each of those flights. But I do have something that tells me how many installs were done on those particular flights. While someone is trying to find it for me, I note there is a large number of inspections that are done when people go out. They do not fly to do one job necessarily unless it is something very unique. They will fly, they will book an area, they will do that area and then they will fly back. That is the general way we do things. If someone can find it for me I will bring it back to you. I now have it: 68 occasions resulting in 3,690 inspections. It is actually in that response.

Senator BIRMINGHAM: I wish to unpack that a bit because I am at least slightly unclear here. So there are 68 occasions on which travel was approved for safety inspectors, which resulted in 3,690 inspections, and the total cost for those 68 occasions is \$840,250. So those two figures relate to each other?

Mr Bowles: I believe so.

Senator BIRMINGHAM: So of the \$84,915 in costs for flights—

Mr Bowles: I think, unless someone comes from behind to correct me, the 68 relates to the \$84,000 and travel costs are just a normal part of the contract, so people will travel in cars and the like—that is the general travel—and so that will be those. On specific occasions where the travel has been by flight they have gone and done those 3,690.

Senator BIRMINGHAM: You can see the uncertainty in looking at this. What are then described there are categories of travel costs. There are those that are in area, those that are the super the region and those that are regional or remote. Firstly, taking the 68 occasions, do you know whether they relate to 'super region's or regional/remote? Do any of them relate to in area?

Mr Bowles: I would not imagine they would be in area. They would be generally done in a car travelling around. They would be more in the super region or the regional/remote. I can take that on notice if you want a bit of a breakdown on where they sit.

Senator BIRMINGHAM: Yes, if you could provide that breakdown, that would be helpful. In fact, it will probably be best if I pose a series of questions to you on notice because I suspect that, in terms of getting a breakdown of the figures and what they relate to, it is going to be hard.

Mr Bowles: I just do not have the broader detail. I only have it at this level.

Senator BIRMINGHAM: Let's go to the combination of announcements. There was one on 27 September and then something else yesterday relating to the Low Carbon Communities and improved energy efficiency program. Is this a program that is going to be handled under program 1.2?

Mr Bowles: Yes.

Senator BIRMINGHAM: Yesterday's announcement, as I understand it, was for a \$30 million program?

Mr Bowles: You are referring to the household energy and financial sustainability scheme. That will be administered by the Department of Families, Housing, Community Services and Indigenous Affairs. So those questions would be best put to that department.

Senator BIRMINGHAM: Okay. How does that relate to the energy efficiency component of Low Carbon Communities? Is that part of that program that has just been outsourced to another department?

Mr Bowles: Low-carbon communities is made up of four components. There is a \$200 million Community Energy Efficiency Program providing grants to local councils and community organisations to support energy efficiency upgrades to councils and community-use buildings, facilities and lighting. We are doing work on consultation around that at the moment. There is a \$100 million Low Income Energy Efficiency Program that will support a consortia of local councils, community organisations and energy service companies to trial energy efficiency approaches in low-income houses. Both of those will be administered by this department. Then there is that \$30 million householder energy and financial sustainability scheme to support low-income households to improve the energy and financial sustainability, and that is administered by the Department of Families, Housing, Community Services and Indigenous Affairs. There is a fourth stream: the Charities Maritime and Aviation Support Program which will offer a rebate for the carbon price impact on essential maritime and aviation fuels used by organisations such as air and sea rescue services.

Senator BIRMINGHAM: And the total budget for the last one?

Mr Bowles: Approximately \$29 million.

Senator BIRMINGHAM: And those figures you gave for each of the four programs are over the forward estimates?

Mr Bowles: No, that is the entirety of the program; some will go past the forward estimates.

Senator BIRMINGHAM: In relation to the low-income energy efficiency program, how does that relate to the household energy and financial sustainability scheme for low-income households?

Mr Bowles: They are two separate programs. As I said, one is by FaHCSIA and one by us. There is obviously a significant amount of work between the two agencies, making sure they are complementary programs. But, as I said, one is actually looking for consortia around energy efficiency pilots and trials to see what are good approaches in low-income households. The other one, the one run by FaHCSIA, is about supporting low-income householders to improve energy and financial sustainability. They are linked in an overall policy sense, but totally separate programs run by two separate agencies. We have a range of different mechanisms in place across the two departments; we have regular sessions about where it is going and how does it impact on us and things like that.

Senator BIRMINGHAM: In regard to the Household Energy and Financial Sustainability Scheme, it provides loans, is that correct?

Mr Bowles: You will have to refer those questions to Department of Families, Housing, Community Services and Indigenous Affairs.

Senator BIRMINGHAM: Has the department of families consulted your department on the structure of that scheme?

Mr Bowles: Yes, we have been in discussions with them about how they would work. But I do not know the intricacies of their particular program. We do have officer level discussions on our programs. The detail of how it is to operate would be best placed asking FaHCSIA.

Senator BIRMINGHAM: Have you provided advice about the experience of your department on other energy efficiency programs?

Mr Bowles: We are always providing advice to government agencies and departments on the experiences, as do other agencies to us.

Senator BIRMINGHAM: I want to say that the Household Energy and Financial Sustainability Scheme sounds remarkably like the Green Loans Scheme revisited.

Mr Bowles: Again, Senator, you should refer those questions to FaHCSIA. They will be able to give you a more detailed response. They have been doing similar type programs for quite a while, and this one is specifically around financial hardship issues and energy and how the two relate. It would be best if you asked them more of the detailed work they have been doing on it.

Senator BIRMINGHAM: The Low Income Energy Efficiency Program, that works through consortia, so you are not looking specifically for individual low-income households but instead for what proposals community organisations, welfare groups, councils or others can to put together?

Mr Bowles: Yes, that is correct. In the non-government sector, for instance, there will be players out there who are dealing with these households regularly. What we are looking at

here is to see if we can find trials and pilot type approaches around energy efficiency and how they impact on low income households, what data we can get from that and what is the best way to progress this over the longer term.

Senator BIRMINGHAM: When will you be going out to seek participants in that program?

Mr Bowles: We are currently in the process of developing all the guidelines and going through consultation phases, but we would expect early in the new year to be going out looking for those pilot trials.

Senator BIRMINGHAM: Wouldn't it make a degree of sense for the Low Income Energy Efficiency Program, which is going to look for the best practice ways to reduce household costs and achieve energy efficiency, to be a feeder that then provided the examples of how the Household Energy and Financial Sustainability Scheme works?

Mr Bowles: As I said, we do have mechanisms to keep in touch with how each of those programs is working. We will learn lessons from each other, I am sure. We will make sure there is not any duplication of effort. In fact, the cooperation between us and FaHCSIA on these issues has been quite significant in the build-up to where we are at the moment, but at the end of the day they are two separate and distinct programs. The one in the FaHCSIA space deals with slightly different issues. We are looking at trialling quite specific programs to see how they impact on low-income families. We do recognise that there are issues that we need to learn from the FaHCSIA model, and we will build that into our program if and when required.

Senator BIRMINGHAM: How many projects do you expect to fund with the Low Income Energy Efficiency Program?

Mr Bowles: It is probably a little early to tell, but it could be 10, 15 or it could be as little as five. We will judge once we go to the market on those sorts of issues.

Senator BIRMINGHAM: But they are going to be multi-million-dollar undertakings?

Mr Bowles: The maximum, I think, is \$10 million per grant. It could be as low as 10.

Senator BIRMINGHAM: It could be as high as 10, I think.

Mr Bowles: If everyone got \$10 million, yes.

Senator BIRMINGHAM: Do you have an estimated number of households who are likely to participate in the five, 10 or 15 trials?

Mr Bowles: We are thinking at the moment it will be about 25,000.

Senator BIRMINGHAM: Is that overall or per project?

Mr Bowles: Overall.

Senator BIRMINGHAM: What are the expected deliverables to those 25,000?

Mr Bowles: Again, it will depend on the trial and the pilot that we undertake, but obviously it will be in delivering energy efficiency approaches. Would you like some examples of some of the things?

Senator BIRMINGHAM: A couple, sure.

Mr Bowles: A lot of the stuff is in the public domain. We have released consultation documents, so you can track that down if you wish.

Mr Comley: We could even provide it to you.

Senator BIRMINGHAM: Thank you.

Mr Bowles: It has been out there for a little while now; three weeks.

Senator BIRMINGHAM: You were going to give us a couple of examples.

Mr Bowles: Innovative approaches around service delivery models or just the engagement side; energy efficiency retrofit kits like weather ceilings, power boards, efficient lighting, showerheads and that sort of thing. Some of these programs have been done by the states and territories; replacing old, inefficient technologies and things like that; those sorts of things.

Mr Comley: If it is helpful the genesis of that program was largely a number of people who approached the government and said that there is one model. A number mentioned the Kildonan model in Victoria was seen as quite a successful model where you had a charitable institution doing direct engagement with low-income households. The experience of that model was that you needed involvement of the electricity retailers, you needed energy efficiency expertise, and you also needed financial expertise on the ground so that you can have quite a high level of intervention with low-income households to improve their energy efficiency. That was the starting motivation, and then the idea was that there may be refinements and improvements on that model that could do even better. That is why you wanted to open up to a broader set of people who could come forward and say, 'I've got a better model to do it.'

The reason you are talking about 25,000 households rather than a much larger number is that all the advice from stakeholders was that it was much better to go slowly in terms of the rollout and really road test the model before you contemplated a larger scaling up of the process. The second program, which is as Mr Bowles has said in the FaHCSIA portfolio, the household energy and financial sustainability, was more directed to how you help households manage their finances with respect to lumpy electricity bills rather than being a case of on-the-ground energy efficiency measures and that was the two motivations of the scheme.

Mr Bowles: FaHCSIA already do some work in that space and this would expand in that area.

Senator BIRMINGHAM: With regard to the Community Energy Efficiency Program—this is for both local councils and community organisations—is there an anticipated breakdown of how that will be shared?

Mr Bowles: I think it will depend on what we get back. This will be grants from \$50,000 to \$5 million. It is a \$200 million program overall. We have not determined necessarily the split between local councils and communities and then we also want to factor in things like regional, remote, urban and all those sorts of issues. There will be range of evaluation criteria that will actually look at some of those issues.

Senator BIRMINGHAM: Between \$2,000 and \$5 million?

Mr Bowles: It is \$50,000 and \$5,000.

Senator BIRMINGHAM: Okay, that is still quite a broad range but not quite as broad as I thought I heard.

Mr Bowles: And it will be funding a project up to 50 per cent of the total value, so it is one for one.

Senator BIRMINGHAM: So any of these organisations will have to tip in at least matching dollars themselves.

Mr Bowles: That is correct.

Senator BIRMINGHAM: At present, do you have any targets for the numbers of organisations that you would hope to assist?

Mr Bowles: Not at this stage. We do not necessarily want to pre-empt that until we get out and see what comes back. But, as I said, we do want to make sure that we pick up the rural and remote small stuff as well as the urban and get a good mix of those, and so we will work on that over the next little while.

Senator BIRMINGHAM: What is your time line for delivery of this program?

Mr Bowles: It is roughly the same as for the low-income households, so we should be out in the new year.

Senator BIRMINGHAM: Out as in actually out in the application process or out as in the draft?

Mr Bowles: No, out and seeking grants, I believe.

Mr Cahill: We expect to issue the grants guidelines in the new year, with a view to calling for applications not long after.

Senator BIRMINGHAM: In the case of either of these programs are the grant guidelines being put out for any comment, or are they simply being developed and finalised internally?

Mr Bowles: No, they are out at the moment.

Mr Cahill: The consultation paper at the moment embeds a lot of the elements of the grants guidelines and then, based on feedback, we will refine them and then issue them accordingly.

Senator BIRMINGHAM: So they will be finalised early in the new year and you will commence receipt of grants then. How and by whom will the applications be discussed? Will they be considered, assessed?

Mr Bowles: Yes, they will be considered by the department.

Senator BIRMINGHAM: Is there a process within the department?

Mr Bowles: It would be the normal grants process that we use, where we assess against the relevant criteria and make recommendations to the minister.

Mr Cahill: We also will be seeking technical and other expertise as part of that assessment process.

Senator BIRMINGHAM: In regard to the Charities and Maritime Aviation Support Program, this was a later add-on to the programs under consideration. How was the \$29 million figure developed? What work has gone into whether that is an appropriate figure to meet the costs of this program?

Mr Comley: The estimate of that is done basically by taking an estimate of the expected fuel use of these organisations. We and the government more broadly have had consultation with the likely affected charities to form an estimate of their fuel use, and once we have an estimate of their fuel use it is relatively straightforward to calculate what the expected liability

would be. That was also done in consultation with Treasury, which has Customs data for a range of these things.

Senator BIRMINGHAM: Which charities have you been in contact with, or how many?

Mr Comley: Certainly there has been contact with the Royal Flying Doctor Service. I cannot think of other charities off the top of my head but there has been quite a process of trying to establish who is likely to be in this pool.

Senator BIRMINGHAM: Do services such as helicopter rescue qualify where they may be partly run by state governments

Mr Bowles: If they are within the deductible gift recipients category they will be eligible, and there is a list of those groups. A range of those are eligible, though.

Senator BIRMINGHAM: Will it be purely the organisation that is listed in that category who is eligible?

Mr Bowles: Yes. They have to be in that deductible gift recipients grouping. If they are not in there, they are not eligible for the program.

Senator BIRMINGHAM: What about a program such as Angel Flight? Are you aware of that program, Mr Bowles?

Mr Bowles: I am. My understanding is they are one of those groups. I cannot speak definitively, but it is one that has been mentioned to me, so I would imagine it must fit within that and, if it does, it will receive a rebate.

Senator BIRMINGHAM: In that instance, as I understand its operations, individuals donate their own aircraft and fly patients of their own volition. Essentially Angel Flight, as far as I am aware, acts as a coordinating and linking service but does not actually pay for the fuel themselves. It is donated by the individuals whose planes are being used. How would that operate?

Mr Comley: This is not uncommon in some areas of tax. Perhaps Treasury would be better placed to answer this question because of the interaction with the DGR. Often in circumstances of this type more broadly people may actually look at the way they commercially arrange the events to deal with that. It may be the case—I do not want to provide advice to Angel Flight—that they may in fact want to be the people in the fuel purchase arrangement and then have some other form of reimbursement to ensure there is access to that. It will be a matter for those parties to work out the potential ways they can access that funding.

Senator BIRMINGHAM: Only those on the list can claim it, so individuals who may give of their time, planes and fuel, would not be able to do so unless they found a means through an organisation to do so.

Mr Comley: That is true. It is also true that in the normal course of events charitable donations are tax deductible because it is in fact a deductible gift recipient. For the person who made that choice to donate, including the purchase of fuel—again this is a matter for Treasury—you would expect that is a matter that could be deducted under income tax, partly offsetting the increase in carbon costs. I stress that that is outside our portfolio responsibilities. We have been quite clear on that today in terms of delineation. I do not want to get in trouble with Dr Parkinson.

Senator BIRMINGHAM: Your portfolio is operating a Charities Maritime and Aviation Support Program.

Mr Comley: That is true, but the dividing line of who is a DGR is a Treasury matter. That is the point I am making. Any other benefits that people involved in that gain by virtue of having DGR status is a matter for Treasury to comment on.

Senator BIRMINGHAM: Do you have an estimate as to how many organisations may actually be applicants within the Charities Maritime and Aviation Support Program? Most of those who meet the DGR qualification do not run planes or ships.

Mr Bowles: Not at this stage. We are still in the early phases of developing this.

Mr Comley: As you said, it is not a large number, without trying to say what a large number is because of exactly the point that you make.

Senator BIRMINGHAM: In terms of coming to the \$29 million figure, surely you looked at that list and drew off the number of eligible entities.

Mr Comley: There was, but we would have to take on notice the precise number of eligible entities. It is not necessarily the way you construct that sort of estimate. You can do it in different ways. One way you can do it—and I think we did do this as a check—is look at the total amount of aviation and maritime fuel and you work in the opposite direction by eliminating the fuel that you know is used for, for example, commercial airlines and other things that are clearly not eligible as a crosscheck of what the total pool may be. One way of estimating is to list all the agencies you think of; the other way is to work out what the total potential carbon pool is and what is clearly not going to be eligible for this.

Senator BIRMINGHAM: How will eligible parties be able to seek the funds here? Will they be reimbursed or will they be able to seek them in advance?

Mr Bowles: It is a rebate, so it is a reimbursement type scheme.

Senator BIRMINGHAM: How frequently will they be able to seek reimbursement?

Mr Bowles: Again, it is probably best to ask that at the next estimates once we have gone through the development of the guidelines and the like. It does not come into force until the middle of 2012.

Senator BIRMINGHAM: Are you engaged actively in consultation with groups for the development of this?

Mr Bowles: Not at this stage. We are just in the process of starting to develop a range of these things. As I said, it does not come in until the middle of next year, so we will do that work over the coming months.

Senator BIRMINGHAM: Obviously these organisations, charities in particular, are often pressed when it comes to cashflow matters and so annual rebates would not work terribly well for them, I imagine.

Mr Bowles: We will consult with the relevant players when we get to that point of developing the program guidelines and how it is going to operate. We will try and work out what suits the recipients but also how we can best administer the program.

[15.05]

Senator BIRMINGHAM: Unless anybody else wants to ask questions, let us roll onto the National Solar Schools Program.

Senator SINGH: I have some questions. I will start, Simon, and give you a break for a minute.

Senator BIRMINGHAM: Go for it.

Senator SINGH: I want to ask some questions in relation to the NSSP, particularly the fact that it is a program which does have a finite life. I presume not all schools in the country will end up applying for it or receiving a grant under it. Firstly, what is the current number of schools that have received a grant and therefore have been successful under the program? Secondly, have you done any calculations on how many will not end up applying by the end of this program?

Mr Bowles: Since the program commenced, which was in July 2008, 3,500 schools have been awarded a grant, totalling more than \$165 million in funding. Ninety per cent of those projects included solar power type systems that could also do water tanks and things like that. That is how many we have done to date. Let me just check what we are doing at the moment.

Mr Cahill: We have just received around 1,900 applications. The trend is that we expect 50 per cent of schools will ultimately receive some sort of funding under the program.

Senator SINGH: By the end of its life?

Mr Bowles: By the end of it, yes.

Senator SINGH: How many more rounds are there?

Mr Cahill: There is one more round after the round that has just closed.

Senator SINGH: I am interested in the schools that may face difficulty in applying, whether they may be a small school or a regional remote school and whether the department does account for this and does any kind of targeting of such schools. In some cases these schools may be more deserving than other schools that have their 'ducks in a row' and have applied. Does the department take into account some of the issues of schools that face those challenges?

Mr Bowles: The answer is yes. With schools that are in areas of disadvantage, we are looking at the guidelines and how we can make sure that that is a factor in the criteria by which we measure and that they have a chance of actually getting up. You do not want to skew it any other way.

Senator SINGH: Is that happening with the 1,900 that I think you just referred to that applied in the last round?

Mr Bowles: It will apply in the evaluation of those 1,900.

Senator SINGH: It does apply for those? Some of them may not have been quite come up to speed with their applications.

Mr Bowles: That is correct.

Senator SINGH: Overall, what do you think this program has achieved? Obviously, it has achieved the provision of energy efficiency in schools. Is there any other evaluation you have done in relation to the program so far to evaluate its benefits?

Mr Bowles: I will start off and then I will flick to Mr Cahill. Overall, given that these things are happening in schools, there is a good education value and demonstration value of what can be achieved in this space. To roll this out to 3,800 schools already—so we have 3,800 schools out there who have a working, living, breathing type project that actually demonstrates how solar and some of other measures that are used actually work. From that perspective, I think it is very good for the kids of those particular schools.

Mr Cahill: I can add that, with that educational benefit, we have let a tender calling for an interim evaluation so we can not only ascertain that educational community impact but also gather some base data in terms of some of the energy savings and other resource usage as part of that program.

Senator SINGH: Like looking at school resource packages, their current budget packages, to see what they currently spend in energy costs compared to after the program of installing the various savings?

Mr Cahill: At some level, and recognising there will be some limitations in that.

Senator SINGH: That is all I wanted to ask in relation to the National Solar Schools Program. I do want to ask some questions in relation to residential building disclosure but I think Senator Birmingham wants to ask more questions on the NSSP.

Senator BIRMINGHAM: I refer to the response to question on notice No. 40 and, in particular the answer to part F, initially, which says:

It is anticipated at the end of the NSSP that approximately 4,200 schools will not have received funding under the NSSP, including many which did not apply.

Just to be clear, how many schools does that mean you anticipate will have received funding?

Mr Bowles: We have done 3,800 already. I think there are very close to 10,000 schools in the country so, if we do not do 4,200, there must be roughly the high 5000s that will.

Senator BIRMINGHAM: Okay. I apologise, Senator Singh, if I am crossing over. Senator Cameron and I got caught in conversation there. Have payments been made to states and territories?

Mr Bowles: Yes. We have got a round out at the moment but already we have, as I said, 3,800 schools and \$165 million since 2008. We have a round that I think has closed only recently, and we would be looking at doing the evaluation now with, I would imagine, announcements towards the end of the year, maybe in late November or early December.

Senator BIRMINGHAM: But for the 2010-11 funding round, payments have been concluded to the states and territories?

Mr Bowles: I think we are in the process of paying, but I am not sure they are all concluded at this stage.

Mr Cahill: Under this current round, once an agreement has been signed with the states and territories, we will make a payment. At this stage, if I recall correctly, we have made a couple of payments, with four jurisdictions actually signing their agreements. We expect the remainder to do that in coming weeks.

Senator BIRMINGHAM: Is this for the 2010-11 funding round?

Mr Cahill: Yes.

Mr Bowles: Yes. They have to sign a national partnership agreement. Once they sign that, the funds flow.

Mr Cahill: We have communicated to the affected schools the timing of that payment, that it is once the actual national partnership agreement has been signed.

Senator BIRMINGHAM: Which states and territories have signed the national partnership agreement and which are outstanding?

Mr Bowles: The ACT and Queensland I believe, and I would have to take the rest on notice. I saw a couple in the last week that I just cannot remember. I think four have paid but I just cannot remember who they are.

Mr Cahill: Four have signed and I think that there are one or two, and I can take it on notice—it depends on the timing of the payment after there has been a signature. So we could take that on notice and give you the details later.

Senator BIRMINGHAM: So Four have signed and four are outstanding?

Mr Cahill: Four have signed, we think, and some of them have been paid, with the others coming shortly.

Mr Bowles: I have got them here now. They are ACT, Queensland, New South Wales and Tasmania, and the associated payments have been made. We are expecting the others to sign shortly.

Senator BIRMINGHAM: Is there a reason for the delay in the others? Is there a variance between the terms of the national partnership agreement with each of the states?

Mr Bowles: No, not particularly, but each state is their own kingdom, if you like, and they will want to have a look at the NPAs in the context of their state. They are just in various stages but they are roughly the same. They just deal with the specific circumstances of a state.

Senator BIRMINGHAM: But, until concluded, schools have to wait for the money to flow from the Commonwealth to the state government and then from the state government to the schools.

Mr Bowles: That is correct.

Senator BIRMINGHAM: And under the agreement you have a process by which the Commonwealth is notified that the funds have made their way to the school?

Mr Bowles: Do you mean the schools individually?

Senator BIRMINGHAM: Yes.

Mr Bowles: In the government schools the money goes to the state and territory education authority, and then they deal with their schools. With the private sector schools, we get a signed agreement with those schools and the funding is released to the individual school. And they do report who the money goes to—once we give the money to the state, obviously.

Senator BIRMINGHAM: And report that the money has gone to them.

Mr Bowles: That is correct. We do our normal checks and balances on any grants that are given out.

Senator BIRMINGHAM: How long are schools likely to have been waiting for the money?

Mr Bowles: They would have applied in the 2010-11 round, so it would be a while now, I suppose, but again it is based on a national partnership agreement which we have given the states. As I said, agreements have been signed by the ACT, Queensland, New South Wales and Tasmania.

Senator BIRMINGHAM: Just to try to get a clear answer there in terms of the length of time for schools: installations of the solar facilities would have been taking place since when, for schools that are still waiting for money?

Mr Bowles: Some may have chosen to go ahead on the expectation. I cannot answer that. But some may have to wait until they actually receive the funding, and until their state or territory signs the NPA they will not get the funding.

Senator BIRMINGHAM: We will take it a different way then. When were these schools notified that they were successful?

Mr Bowles: From memory, it was late last year, I think—roughly the same time we will be announcing the next one. So it was probably late November-December last year.

Senator BIRMINGHAM: So it is likely to be a full 12 months from application approval to these schools actually seeing the funds?

Mr Bowles: In some cases that could be right.

Senator BIRMINGHAM: Are the funds tied to a system of a particular size? Given the changes in price, if a school has not actually put the system in, are they able to use the funds they have got to put in a bigger system if they are able to negotiate that?

Mr Bowles: I would have to take that on notice. I cannot recall the specifics of that. They put in a proposal around what they want to do, and it is not always solar. In 90 per cent of the cases it is solar, because there are things like water tanks in some of the schools as well. I can take it on notice.

Senator BIRMINGHAM: If you could take that on notice. Given the lag time between approval and funding, if they are waiting for the funding to undertake the work, then the pricing could have varied quite significantly in that time.

Mr Bowles: In some cases, with the technology in that space, it could also come down and they might be able to do more.

Senator BIRMINGHAM: That is what I mean. I would fully expect that they would be able to do more, given the impact of the dollar, the change of the technology, solar PV is a lot cheaper now than it was this time last year.

Mr Bowles: Absolutely. We will take that on notice.

Senator SINGH: I understand that the Commercial Building Disclosure program has been in place for some time and has had a number of benefits through the use of the NABERS rating system but that there has now been a shift to the residential sector. I understand the department has recently consulted on the proposal to have a residential disclosure program?

Mr Bowles: Yes, that is correct. I will handover to Mr Bailey to give a run through on where we are up to with residential disclosure.

Mr Bailey: You mentioned both commercial building and residential building disclosure. Would you like me to start on commercial building disclosure and then move to residential?

Senator SINGH: Briefly on commercial; I do not have that much direct questioning on commercial. I understand that has been going for some time. The residential disclosure is the new space. Could you give us some background.

Mr Bailey: The residential building disclosure is a COAG initiative. The objective is to get more uniform information to purchasers and renters about residential building energy efficiency performance. A consultation document was produced in April this year. It canvassed quite a broad range of possible models for residential disclosure, ranging from quite a sophisticated model of assessing residential building energy efficiencies such as has been in place in the ACT for quite a number of years through to much simpler methods of disclosing energy efficiency, such as is the case in Queensland where a checklist, effectively, is provided by the building owner.

Senator SINGH: Is that part of the vendor disclosure component?

Mr Bailey: Yes. The consultation is proceeding on those matters. Obviously, one of the key issues is the cost impact of those different requirements and it ranges from the simplest sort of disclosure requirement, which may be \$50 to \$100, through to the most sophisticated, which would be perhaps \$500 to \$800. This is work in progress and no decisions have been made.

Senator SINGH: Is that because there are different software packages as to how the assessments are made?

Mr Bailey: The disclosure requirement used in the ACT relies on a software tool NatHERS and accredited building assessors come out and do the assessment of the house. In respect of a checklist, it can be just a vendor checklist that they will complete themselves without the need for a service provider to do that work.

Senator SINGH: There is no decision as to which way the department is looking at going?

Mr Bailey: That is correct. The inputs and stakeholder comments on the document are still being assessed.

Senator SINGH: Is this part of a RIS?

Mr Bailey: Yes. The consultation RIS was released in April. Various workshops and discussions were held in July-August and planning that a decision RIS may be available next year.

Senator SINGH: Okay. If the result was a software disclosure method as opposed to the Queensland vendor disclosure, do-it-yourself method, certain software packages can give up different results. Some are better than others, I suppose. That is probably the process that the Commonwealth has gone through with commercial disclosure, which has found that the NABERS tool has been one of the best tools to look at energy efficiency. I suppose in this sense it is about looking at what will be the best software in a residential sense, because there are different software packages out there, I understand, that give different kinds of energy efficiency results. There needs to be consistency, would you not think, if software was going to be used?

Mr Bailey: I think there are probably a number of considerations applying here. One of them is the cost of the information. All these costs of disclosure are reasonably small in the

case of the purchase of a house, but in the case of leases and rental of properties they can be quite significant relative to weekly rents. One of the issues that has been looked at is to make sure that the information has been provided at cost that is not onerous for the vendor.

A second question then is that, where there is a standard that is struck, it has to be one where the same results arise from the analysis, whatever that analysis is. In the case of NABERS, which is the commercial building rating tool, that has been quite an important development of how people think about commercial building energy efficiency. As you mentioned, there has been a gravitation of the market towards using the NABERS rating tool and there had been some examination of the consistency of its results in different types of buildings. That in part has been just the evolution of that tool over about a decade in which that has been available. The question of consistency of the rating of houses will be one of the important factors that is taken into account in the disclosure scheme that is recommended, but it is not the only issue that is at play.

Senator SINGH: Obviously cost is an important issue as well. Just on the commercial disclosure program, I understand that from 1 November a full assessment will be required for eligible commercial buildings, including lighting.

Mr Bailey: That is right.

Senator SINGH: Are there sufficient assessors currently to undertake that kind of lighting assessment?

Mr Bailey: Senator, we believe there are. The lighting assessment is part of the full implementation of the Building Energy Efficiency Disclosure Act, which came into force on 1 November 2010. For the first year, as a transitional measure, the only requirement was that the building owner have a valid NABERS rating. From 1 November this year, to get a Building Energy Efficiency Certificate you will need both a NABERS rating and a lighting assessment.

The need for the lighting assessment has been the subject of quite substantial communications by the department to the property sector during this year. We have trained, I think, just over 250 assessors in how to do a lighting assessment. Of those 250, I think the most recent count was that 120 have actually got accredited as lighting tool assessors.

There is a bit of an unknown as to how many vendors will need a current BEEC when the legislation comes into implementation in full on 1 November. That depends a little bit on the conditions in the property market. But we have seen in, say, the last 12 months to September a substantial increase in the number of NABERS certificates being issued. For this 12 months, it is around 75 per cent higher than the equivalent period in the year to September 2010. We are now seeing—

Senator SINGH: What is the reasoning for that?

Mr Bailey: Firstly, the government communicated that when this act came into force a current NABERS certificate would be needed for buildings that are being leased or sold. That awareness has driven an increased number of certificates for buildings that are being rated as their owners seek to either lease or sell. Now that the requirement is being expanded to include a lighting assessment we are seeing a rise in the number of lighting assessments being done. As of about the end of last week, about 60 lighting assessments had been done, resulting in the issuance of about 30 Building Energy Efficiency Certificates. We do think

that there is going to be a rush for further certificates before 1 November, but with the number of assessors that have been trained we believe that there is an adequate supply.

Senator SINGH: Is the Building Energy Efficiency Certificate the lighting assessment plus the NABERS rating combined? Do those things equal the building energy certificate?

Mr Bailey: That is right.

Senator SINGH: What if a property is already on the market? It is not 1 November, so at the moment they would not require that lighting assessment; they would only require the NABERS rating. What I am getting at is that not every property owner is going to go out and have a lighting assessment on 1 November. It is probably only going to come around when they want to sell. What happens to those properties that are already on the market on 1 November if they have not done the lighting assessment? Will people still be able to have their property on the market without that or should they do something about it now?

Mr Bailey: I believe that the requirement is as of when you first market your property. So those who have already put their property on the market will not need to then withdraw it and replace it with a BEEC.

CHAIR: Mr Comley, I notice in some of the literature that places like Spain have moved to a number of programs like this, but a lot of them are being driven by the private sector, particularly the power industry, in moving to a more diversified approach. Are you aware of that?

Mr Comley: Senator, when you say 'programs like this'—

CHAIR: Programs like solar homes and community plans are being driven by the private sector in Spain as part of their overall energy efficiency program—driven, I suppose, by the carbon price and other initiatives in Spain.

Mr Comley: Certainly Spain has had quite generous renewable energy subsidies for some time, and so a range of people in the private sector would have taken the opportunity to intermediate to try and access those programs.

CHAIR: In terms of the objective that we are trying to achieve here, which is energy efficiency performance, it seems to me that some of these European countries are taking a slightly different approach because they have a carbon price in place and the big power companies are actually investing in some of these initiatives. Is that your understanding?

Mr Comley: Some of them are. To be honest, I think the broader point is that the private sector both in Australia and internationally look for signals about the level of commitment that a government has to undertaking reductions in greenhouse gas emissions. If they see that there is a level of commitment—and a carbon price is our very clear way of demonstrating that commitment—then they tend to start factoring that into their investment decisions and their business strategies so that they can be well positioned not just for whatever the current regime is but for what will happen in the future.

CHAIR: As it says here, they are integrated to other initiatives. I think it comes back to one of the issues we spoke about earlier: the cost to the overall economy and to, say, the power sector if there are ongoing delays in implementation. What is the cost to the economy and, say, to individual power companies, the big power companies, if we do not move quickly?

Mr Comley: Well, maybe I will go back a step because we had a little discussion over it and maybe I was not clear enough. Perhaps we should start right at the start. Fundamentally, power companies like other companies in the economy are basically trying to get the highest return they can for a given level of risk. Risk in this case is future uncertainty about government policy, future uncertainty about what may be done on carbon emissions reductions, carbon prices, et cetera. Fundamentally, if there is more risk the private sector will require higher rates of return. What do higher rates of return mean? They have to charge higher prices to be able to cover those additional costs associated with risk. That is the underlying principle. Every time there is more risk you need to have a higher rate of return which ultimately means you need higher prices to provide that firm with a higher rate of return. Anything that increases risk will typically mean that consumers are going to end up paying higher prices for power or anything else with respect to that risk.

CHAIR: If you say to private companies, 'If you engage in the international market and trade in permits, that is going to be taking away from you', is that a risk?

Mr Comley: Yes, you are taking away one instrument in which you can manage risk. If there is a carbon price and you can buy an international permit, then you have effectively locked in what your carbon price is. Because you have locked in that carbon price, you can calculate your prices and you do not have to build in an additional risk premium to cover what your carbon liability might be.

CHAIR: The implications of that in terms of what we are dealing with now, is that efficiency programs would suffer and also the cost to consumers would be greater.

Mr Comley: The cost to consumers would be greater. Whether efficiency programs would suffer, would be whether the firms believe that long term the government was committed to driving further energy efficiency in the system.

CHAIR: I suppose the ultimate energy efficiency from all that I have heard, over about six inquiries now, is that the most efficient way to deal with it is to put a price on carbon.

Mr Comley: I think we have been record for a long time as a department. I cannot speak on behalf of all economists, but economists have argued for a long time that if you want to reduce emissions significantly, then a price on carbon is the most efficient way to do it, fundamentally because you are having the business decision makers, who understand their business better than public servants or the government will ever understand, having an incentive to find the lowest cost way of reducing emissions.

CHAIR: If they are faced with risk, and that risk being that they cannot invest internationally in carbon credits and the trading scheme, is there any estimate of how much that would reflect in terms of higher electricity prices?

Mr Comley: I do not have an estimate of the pure risk component, but it is likely to be significant. There was a report commissioned by Senator Ferguson with private sector participation that talked about that risk and made it clear that the companies are now doing what you do in risk when it is risky. That is, you adopt a wait and see approach. Wait and see typically means that you invest less in capital and you prepare to tolerate higher operating costs, because putting the capital in if the regime is going to change turns out to be very risky for you. That is what they said is happening in the electricity sector. People are investing in open cycle gas generation because it is relatively cheap for capital, expensive on operating

costs. That will turn out potentially to be a more costly option for supplying electricity than if you knew precisely what the regime was for a longer period of time. That translates into potentially higher electricity prices.

CHAIR: So, there are two ways you can fix. One, the consumer of the electricity picks the price up or government has to subsidise.

Mr Comley: That is correct.

CHAIR: Higher power prices would be the result of uncertainty?

Mr Comley: The higher the level of uncertainty, the greater return the private sector capital owners will require. That will feed through into higher prices.

CHAIR: Other than Minister Ferguson's approach on this there are no figures as to what a consumer could expect?

Mr Comley: I do not have a quantitative estimate of that because part of the issue is to calculate how much uncertainty there is, and that is quite a difficult thing to do. All you can say is that when you do speak to businesses in this sector and other sectors they are very, very clear that the greater certainty they have the better for their business to make decisions. Some of those businesses that I have had consultations with in recent times have said words to the effect of, 'We just want to know what the rules of the game are and then we will make decisions accordingly.' That has been very much their attitude.

Senator McKENZIE: I want to ask a couple of questions about the Solar Cities program, particularly around the Bendigo and Ballarat community solar parks. I am wondering if you could outline how much the total is for those parks?

Mr Cahill: We will have to take that on notice.

Senator McKENZIE: Thank you. I am wondering how we measure the outcomes or how successful those programs were. They have been contributing back into the grid, I think, since 2009. I wonder what sort of criteria you have set up around measuring how successful those programs are.

Mr Cahill: We have a data collection strategy for the Solar Cities program. We use a range of methods—surveys, energy audits and trials, and even energy usage data from smart meters. That is feeding into a Solar Cities database. Over the coming 18 months or so we will be producing a range of papers reporting the outcomes of the individual Solar Cities and the program as a whole.

Senator McKENZIE: As part of that ongoing monitoring I am assuming it is culminating in the reports over the next 18 months. Have we seen any change in local behaviour in terms of an increased number of solar units being set up in those communities or other sorts of indicators that suggest that the local communities have seen a real benefit from those parks?

Mr Cahill: I understand anecdotally but I do not have the evidence with me.

Senator McKENZIE: Are we collecting the evidence?

Mr Bowles: We are collecting quite a bit of evidence from each of the cities. I do not have it to hand but we could provide that. One that I was aware of was Magnetic Island or somewhere up that way. They have done some work, because they had to put a lot of money into their infrastructure, and they have been able to defer the need for that upgrade because of

the reduction in energy within the Solar Cities program up there. There are things like that that have happened that have demonstrated quite significantly.

Yes, the Magnetic Island one has reduced by 33 per cent from the business-as-usual levels. It means that a \$17 million investment in an additional power transmission cable can be put off for at least eight years. Overall energy consumption during that year was three per cent less than the previous year. There has been a 27 per cent reduction since the start of the project compared to business as usual. So it is things like that that this program will deliver quite significant benefits to the broader thinking in the policy space of energy efficiency over time.

Senator McKENZIE: I look forward to those answers. I was just wondering how much money the Community Power Conference in November 2011 was going to cost. How much money had been allocated to that?

Mr Cahill: We will take that on notice.

Senator McKENZIE: Thank you.

Senator IAN MACDONALD: I heard you talking about Spain and renewable energy. Is that a continuing program in Spain or have their current financial difficulties caused some hesitation or roll back in that? Are you aware?

Mr Comley: I will have to take that on notice. I was asked in general terms about Spain and I provided a general comment in terms of the general policy settings.

Senator IAN MACDONALD: If you could get me any information on that, it would be appreciated. I have two questions broadly and they are vaguely fishing. Does anyone know if the Commonwealth had any involvement in the Doomadgee solar panel electricity project in the north-west of Queensland? Doomadgee is an Aboriginal community just south of Burketown which is just south of the Gulf. The other one is whether anyone can tell me, generally, does the department have a view on the CopperString project, which was taking copper line from Townsville to Mount Isa to connect it to the grid? It depended on Xstrata support and Xstrata has withdrawn its support and gone with the gas fired. The impact of that is that what was planned to be a rather large solar panel and wind estate along the way is now looking as if it were in some danger, according to the proponents of the CopperString.

Mr Comley: We can take the latter one first. I think it is really appropriate to defer that one to the Department of Resources, Energy and Tourism. Whilst we clearly take an interest in renewable energy, the question of the appropriate transmission infrastructure for electricity is one for the Department of Resources, Energy and Tourism. In terms of the former—

Senator IAN MACDONALD: Sorry; could I interrupt you there. It was dependent upon quite large proposed solar panel estates—you would almost call them that—in the Charters Towers region, as I understand it, plus some wind-farming proposals, and it is really those two elements rather than the CopperString where I was wondering if the department had been involved in subsidies, in supporting or in investigating.

Mr Comley: Certainly we were involved in a couple of ways. One way is generally that those facilities would have access to the Renewable Energy Target. So to the extent that they were significant in scale it would have an impact on whether you met the Renewable Energy Target. The second element is that you may be familiar with the fact that there was a program announced, I believe, in the last election campaign, the Connecting Renewables program,

which is administered by the Department of Resources, Energy and Tourism, and we were involved in discussions before the announcement of that program as to the merits on a policy basis of that program. It is now the responsibility of the Department of Resources, Energy and Tourism. But we do not go around as much looking at specific areas or projects; we look at trying to set the policy settings for renewable assistance and then saying it is up to private practitioners in the context of the National Electricity Market and other market rules to determine where the best location is, which as you know is often a combination of the renewable resource, solar, wind et cetera, also combined with the cost of the transmission infrastructure to get it to the consumers. So we will tend to operate at what the rules of the game should be and then allow the proponents of particular projects to try to make commercial decisions in the context of those rules of the game.

Mr Bowles: In relation to the first, I am not aware of anything specifically up there, but we did do a fair bit of work in Indigenous communities, so we could take that on notice as far as Doomadgee goes.

Senator IAN MACDONALD: It does not even ring a bell with anyone?

Mr Bowles: Not with me, but it is one of the Indigenous programs that have been running for quite a while, so it goes back a while, so I can check.

Senator IAN MACDONALD: My information is that it is Ergon Energy in Queensland doing something with the Queensland government, but I was just wondering if there was a federal element and whether they were accessing any subsidies or programs.

Mr Comley: It is possible it could have been the RPPG, the renewable remote power generation subsidy, if it is in the past. But we can certainly check whether Doomadgee was an applicant for or a recipient of that; they would also be—

Senator IAN MACDONALD: Is that your department?

Mr Comley: That is our department.

Senator IAN MACDONALD: Is that program still going?

Mr Bowles: No, it ceased last financial year. We can check on that, but nothing has come to my attention in the last 18 months around Doomadgee, so if it is then it would be from the older program, I would suggest.

Senator IAN MACDONALD: Thank you.

Mr Bowles: Mr Bailey needs to correct the record on something he said a little earlier.

Mr Bailey: The question I was asked was whether a property that is on the market before 1 November this year with a NABERS certificate needs to be withdrawn and then a BEEC that includes a lighting assessment also included. I said no, but the answer is yes. So for buildings that are on the market now, if they get to November and have not been sold or leased, the owners do need to then get a valid building energy efficiency certificate at that time.

CHAIR: We will now adjourn for the afternoon tea break.

Proceedings suspended from 15:49 to 16:05

CHAIR: We will resume on program 1.3, adapting to climate change.

Senator IAN MACDONALD: Regarding a question from last estimates on the volcano at Grimsvotn, it was suggested there was no specific figure at the time. Is an estimate now available?

Ms Sidhu: Is this in relation to the Icelandic volcano?

Senator IAN MACDONALD: It was question No. 27 and it noted a specific figure was not available. I am wondering if a figure is now available?

Prof. Steffen: I do not think we have the specific estimate available at the moment. But if you add up underwater and land volcanoes, they are less than one-hundredth of the CO₂ emissions from human activities. So whatever that number is—

Senator IAN MACDONALD: Sorry, could you repeat that?

Prof. Steffen: If you add up the emissions of CO₂ from volcanoes on land—all of them, not just the Icelandic one—and under the sea, it is less than one-hundredth of the amount of CO₂ emissions from human activities. Whatever that number is, it is trivial compared to what is going into atmosphere from human activity.

Senator IAN MACDONALD: Can you tell me what Australia's emissions are as a fraction of total world emissions?

Prof. Steffen: We are about 1.5 per cent.

Senator IAN MACDONALD: One one-hundredth—the same as the volcanoes?

Prof. Steffen: No, it is about double the volcanoes. We are more than one one-hundredth; they are less than one one-hundredth.

Senator IAN MACDONALD: Would it be fair to equate Australia's emissions as double that coming out of volcanoes?

Prof. Steffen: Roughly.

Senator IAN MACDONALD: Does someone actually monitor what comes out of volcanoes? How is it done, simply?

Prof. Steffen: They are sampling what comes out in terms of the gases, and they are mainly the sulphur gases. They are more important gases than CO₂. They monitor gases and particles that come out. There are a few institutes of volcanology around the world that do this.

Senator IAN MACDONALD: What do you mean when you say they are more important than CO₂?

Prof. Steffen: They affect the climate. As you may recall, in 1992 there was a very big eruption in the Philippines at Mount Pinatubo. That emitted an enormous amount of sulphate particles, aerosols, into the stratosphere. They act to cool the climate and they are far more important in terms of affecting the climate than the CO₂ associated with Pinatubo.

Senator IAN MACDONALD: I think you mentioned something about that here. What you are saying is that the sulphur that comes out puts particles in the air that actually cool the climate.

Prof. Steffen: They scatter the incoming sunlight; that is correct. That is the mechanism by which they cool the climate.

Senator IAN MACDONALD: Does sulphur have any bad impacts on the climate apart from the particles within the sulphur?

Prof. Steffen: It does when it eventually rains out because it is the same thing that caused the acid rain problem in northern Europe and North America. It forms sulphuric acid when it gets absorbed into droplets of rainwater. Fortunately, with big volcanoes like that the ash stays up in the stratosphere, which is the upper atmosphere, in the order of two years and it comes out very slowly. So we do not see an effect similar to that of the industrial emissions of SO₂. That is a natural part of the climate system. We can see it in the record of the past when you get dips in global temperature after a very big volcanic eruption. The Icelandic volcanoes are nowhere near big enough to put that amount sulphate up in the stratosphere.

Senator IAN MACDONALD: What about this volcano in South America that has been grounding Australian aircraft and, I hear today, South American aircraft?

Prof. Steffen: Again, that is not as big as Pinatubo, so I would not expect to see any appreciable effect on climate although, as you mentioned, it is disrupting air traffic. That is a different effect. That is the fouling of jet engines with some of the ash particles that come out of volcanoes.

Senator IAN MACDONALD: So what you are saying is that volcanoes are bad in the carbon they emit but good in the sulphur they emit.

Prof. Steffen: It depends on how you look at it. If you are looking at something to cool the climate, yes they act to counteract the greenhouse gases. But I would say they are irrelevant in terms of the carbon they emit in the contemporary era because it is so small compared to the amount we are emitting.

Senator IAN MACDONALD: Well, double Australia's emissions—sorry, Australia is double those emissions.

Prof. Steffen: But the climate does not respond to Australia's emissions only. It responds to the total amount of CO₂ in the atmosphere. So I think it is an artificial calculation to say, 'What is Australia's effect on the climate?' That does not make any sense scientifically. It is relevant when you are talking about policy instruments, international obligations and so on to talk about what Australia's proportion is. It makes no sense whatsoever scientifically because the climate does not respond to one country's emissions; it responds to the total amount of additional greenhouse gasses in the atmosphere.

Senator IAN MACDONALD: And for the same reason you would say that volcanoes are irrelevant as such. They are just part of the general mix of—

Prof. Steffen: They are part of the background variability in the climate, which is being overwhelmed now by the anthropogenic influence since about 1950.

Senator IAN MACDONALD: Is there anything else that emits carbon besides man and volcanoes?

Prof. Steffen: Carbon is exchanged naturally between the land, the ocean and the atmosphere, but without human perturbation they are in balance. So the net emissions are very, very close to zero. You can see that in the ice core record. If you go back to the last 10,000 years, since the beginning of the warm period, CO₂ naturally in the atmosphere has varied only by a very small amount, by at most plus or minus 10 parts per million, whereas

now we are 100 parts per million higher than that. So it is often mistakenly said that the land systems emit something like 60 or 80 gigatonnes of carbon. In fact they absorb about the same amount, so it is the net that really matters.

Senator IAN MACDONALD: I think it was you I asked last time and I thought it was taken on notice but I cannot see an answer where someone referred me to a CSIRO graph on tidal influences and they showed that 140,000 years ago tidal activity or levels were about where they are today. Then it showed that between 140,000 years ago and 20,000 years ago tidal levels fell very dramatically. Then, in the last 20,000 years, it has risen back up to where it was 140,000 years ago. The tidal levels are now approximately what they were 140,000 years ago. Are you familiar with this graph?

Prof. Steffen: Yes. This is the cycling between an ice age and a warm period.

Senator IAN MACDONALD: So it wasn't anthropogenic carbon that caused the tides to rise from way down there to way up there in the last 20,000 years.

Prof. Steffen: The Earth was coming out of the last ice age. The ice ages are triggered by the orbit of the Earth around the Sun. The Earth's orbit is elliptical, which means at some point it is closer to the Sun—which are the warm periods—and at the other parts most of the time it is further away from the Sun—the ice ages. But what really drives the changes in temperature and sea level are two things. One is CO₂ and other greenhouse gases, which vary by about 100 parts per million, at an ice age, to down around 180 parts per million. At a warm period it is up around 280 to 300. Also there are the ice sheets at the poles, which wax and wane between a warm period and an ice age. So those are the two things that drive it. I think the pertinent point that we should draw from this is that about 135,000 to 140,000 years ago was the last time the Earth was in a warm period. It was about a degree warmer than the present, the Holocene, and sea levels were actually about five to seven metres higher with the one degree warmer temperature. This should give us pause for concern because we are approaching one degree warmer now from the Holocene level. Sea levels are on the rise. They respond very slowly to these fast temperature rises. But at equilibrium the Earth is telling us we are going to see, even without any further greenhouse gas emissions, four or five metres of sea level rise.

Senator IAN MACDONALD: But my question really was that what happened last time was not the cause of man; it was the cause of natural causes that took it up to about where it was.

Prof. Steffen: That is right. But as to what we are seeing now, I just want to make a point about the present warm period which is unusually long. It is called the Holocene. Without the human modification of climate we should expect a stable temperature and a stable sea level for another 20,000 years or so. We are in an unusually circular orbit around the Sun at the present time. So, basically, because the Earth has changed like that in the past does not mean that what we are seeing now is natural. Scientists can actually tease that out quite quickly and easily. So what we are seeing now in terms of the observed sea level rise and the observed temperature rise is not part of that natural cycle to which you refer. I just want to make that clear scientifically.

Senator IAN MACDONALD: Yes, I hear you making that clear. But thank you for confirming that sea level rises in the past have not been occasioned by man.

Prof. Steffen: That is true.

Senator IAN MACDONALD: They have been occasioned by natural phenomena. Thank you very much for that. I hear what you say that what Australia emits is not relevant; it is what the world emits. But are you able to tell me what percentage of the atmosphere is actually composed of CO₂? I guess that is 101 in your business. Is it?

Prof. Steffen: It is not because 99 per cent of the atmosphere is nitrogen and oxygen, and they are irrelevant for climate so we throw those out right away. So the fact that CO₂ is less than one per cent is irrelevant for climate—

Senator IAN MACDONALD: What is the percentage? Can you just tell me that?

Prof. Steffen: It is less than one per cent.

Senator IAN MACDONALD: So less than one.

Prof. Steffen: But, as I said, that is irrelevant. That is not a meaningful question for climate science.

Senator IAN MACDONALD: Well, it is meaningful to me because it was a question I asked and I wanted an answer—and thank you for that. You wouldn't be more specific than 'less than one per cent'?

Prof. Steffen: No, because what we are worried about in the climate system is not a per cent. We are worried about the amount. We are worried about the amount of extra CO₂ that is up there. I can tell you now that there is a trillion tonnes—I am not talking about kilograms; I am not talking about millions; I am talking about a trillion tonnes—of CO₂ that is due to human origin. That is a big hit in terms of the amount of CO₂ in the atmosphere. That is what matters for the climate. It is irrelevant about the oxygen and nitrogen which figure in the percentage.

Senator IAN MACDONALD: So what percentage of total CO₂ has science determined is human related?

Prof. Steffen: That trillion tonnes that I have mentioned of CO₂ is human related. That is approaching 30 per cent of the CO₂ in the atmosphere.

Senator IAN MACDONALD: Thirty per cent?

Prof. Steffen: Yes. That is big. That is a very big change. Put it this way and here is a more relevant number: the concentration of CO₂ in the atmosphere before the Industrial Revolution was averaging around 280 parts per million, and it varied up to 290. It is now at 390. That is the relevant number. You can do the calculation then yourself as to what percentage increase that is.

Mr Comley: It is probably worth mentioning that, on some of the unmitigated climate change scenarios, those numbers head towards 1,000 parts per million in a century. In other words, you would be having the human component of that worth around three quarters of the CO₂ that is in the atmosphere.

Prof. Steffen: That is right. It would dominate the CO₂ in the atmosphere.

Senator IAN MACDONALD: What I am trying to work out in my own simple mind is the percentage of carbon in the atmosphere, which you have told me is less than one, and I

was then after what percentage of the total carbon dioxide is human related. You are saying it is 30 per cent.

Prof. Steffen: It is approaching 30 per cent. It changes, of course, as we emit more.

Senator IAN MACDONALD: I thought I read somewhere that it is around three per cent, but I must not have seen the zero at the end of the three. Where does the other 70 per cent come from?

Prof. Steffen: That has been up there for a long time. It varies between about 180 and 280, between ice ages and warm periods. The reason it varies is that the exchange between oceans and land in the atmosphere varies as the earth's climate swings between an ice age and a warm period. The way to look at it is that the natural amount of CO₂ in the atmosphere before the industrial revolution is a result of an exchange between the land and the atmosphere and the ocean and the atmosphere. We are disturbing one of those—that is, the land and the atmosphere—through deforestation and agriculture. That accounts for about 20 per cent of the extra CO₂ we have put up there. The other 80 per cent comes from burning fossil fuels.

Senator IAN MACDONALD: Thank you. That is interesting information. My question was: if 30 per cent of the carbon dioxide in the atmosphere is caused by human beings, what is the reason for the other 70 per cent?

Prof. Steffen: It is constantly being exchanged between the land, the atmosphere and the ocean. That is where it comes from.

Senator IAN MACDONALD: So you are saying that 70 per cent is always there, naturally.

Prof. Steffen: That is right—well, 280 parts per million. To a scientist, those percentages do not make sense. We do not work in that way. We work in actual amounts, not percentages. So 280 parts per million is there naturally in a warm period.

Senator IAN MACDONALD: If you give me the amounts, then I can do the calculation. I can convert it to a percentage, which makes it much easier for the general public to understand.

Prof. Steffen: No, that actually misinforms the general public.

Senator IAN MACDONALD: Does it?

Prof. Steffen: Absolutely. Percentages do not drive the climate system. It makes no sense to a scientist.

Senator IAN MACDONALD: Again, for my simple understanding, a figure which, if I needed a calculation—

Prof. Steffen: Two hundred and eighty parts per million.

Senator IAN MACDONALD: Twice as much as comes from man is there from some other reason.

Prof. Steffen: Yes. There has always been CO₂ in the atmosphere—for a long time, for hundreds of millions and probably a couple of billion years. The amount varies.

Senator IAN MACDONALD: Professor, you say that looking at Australia by itself is a nonsense.

Mr Comley: Sorry, Senator, Professor Steffen said, from a scientific point of view, you have to look at the cumulative emissions. He also indicated there are policy questions about why you may care about absolute amounts from a country. I know we have two sessions here: one is the science and then we move to the international. But I think it is important to draw the distinction between what Professor Steffen is saying and the broader debate about emissions from one country.

Senator IAN MACDONALD: I do not want to put words into your mouth, Professor. We are involved in a policy debate, which is particularly relevant if the world is moving. There are allegations or understandings or a belief that the world is not moving. This is what I am trying to assess: you are saying that what Australia does by itself is of no consequence. Again, I do not want to put the words into your mouth, but that is what I have understood you to indicate in relation to my first question.

Prof. Steffen: I will just make a couple of comments from a scientific point of view. In terms of who is doing what, you will have to defer to someone else who understands international action better than I do. In terms of the science, it is true to say that even the biggest emitters on their own cannot solve the problem. China is something like 19 per cent and the US is not far behind, but they are the biggest ones. Out of the 200 countries in the world, we are in the top 20, so we are considered to be a big emitter, even though it does not look like a big number. The point for the climate system is that this is a common global problem that will require a global solution, particularly of the top 20 countries that emit. If you do the sums, if the top 20 of us got our act together, we could solve the problem.

Senator IAN MACDONALD: You include us in the top 20. I guess you are statistically correct. I saw a figure the other day in a report tabled in parliament in which a few years ago it was estimated that China's emissions were going to be 16 billion tonnes by 2020. An update of that report some three years later suggests China is going to be emitting 22 billion tonnes. Forgive me: the actual figures are not right but the differences are correct. In that category, where China has 20-odd billion tonnes of emissions, where is Australia?

Prof. Steffen: Our emissions are about 1.5 per cent of global, so I tend to think it would put us in terms of carbon—

Mr Comley: 550 mega tonnes.

Senator IAN MACDONALD: That is half a billion tonnes compared to China's. Mr Comley, you would know that figure off the top of your head. In 2020 China is estimated to be—

Mr Comley: Sorry, I do not know that off the top of my head. What I do know is that emission per capita in China is about 5.9.

Senator IAN MACDONALD: Yes, per capita; you are statistically correct.

Mr Comley: And we are about 27.3.

Senator IAN MACDONALD: But when you look at the world and what is happening to climate, I am sure that the climate does not look at per capita; it looks at what is coming out, regardless of where it comes from. Sure, we are one of the 20 biggest emitters but we are half a billion tonnes; China is 40 times that amount. I do not want to ask you hypothetical questions and I do not want to argue with you or anyone else about what other countries are

doing. Do you have a figure on what Australia's output will be in 2020 if we achieve our five per cent target?

Prof. Steffen: Again, the calculation is simple. I do not have it off the top of my head. You have to go back to 2000 levels—that is the baseline—and take five per cent off that. That is what the emissions would be.

Senator IAN MACDONALD: Professor, you are an officer of the department, aren't you? You are not a consultant?

Prof. Steffen: No. I resigned my position to join the Independent Climate Commission, so I am no longer a science adviser to the department. I am a climate commissioner. And to make sure that I did not have a conflict of interest, I resigned from that other position.

Senator IAN MACDONALD: Perhaps we should have started there. What are you doing here, Professor Steffen? What is your role?

Prof. Steffen: We as a climate commission were asked to make ourselves available to Senate estimates. In playing that role, I think it is fair that we also be held accountable, as anyone else in this sort of role is.

Senator IAN MACDONALD: That is very good.

Mr Comley: That is true; but, given that science questions come up, we thought that when dealing with science questions at the same time as climate questions it was actually helpful to have a scientist here.

Senator IAN MACDONALD: I very much appreciate that. Professor, why I ask that is that you would be aware that, even on the government's modelling projections, Australia's carbon dioxide emissions are going to increase by 2020. You would confirm that?

Prof. Steffen: I have seen that graph.

Mr Comley: I think there is a question here which, again, comes to the question of capacity. Overall, Australia's national emissions will fall by 2020 if the CEF package is introduced. I think what you are referring to is what is called domestic emissions. There is a distinction between national and domestic emissions. Under domestic emissions, there is a high level of emissions because the gap is made up with international purchase of abatement.

Senator IAN MACDONALD: I am not talking about purchase of abatement. I just want to know what comes out of Australia. So what comes out of Australia, regardless of any abatement—by which I assume you mean buying other people's good works overseas and bringing them into Australia?

Mr Comley: It is purchasing abatement overseas as a more cost-effective way.

Senator IAN MACDONALD: That wasn't the nature of my question. My question was: what is Australia emitting, not what we happen to be able to buy in.

Mr Comley: I think the reason the distinction is important is the question is: what is Australia accountable for; what is it actually contributing? When it purchases abatement offshore, it is a net contribution to the atmosphere.

Senator IAN MACDONALD: Mr Comley, that may be important if I am having an argument with you or a debate with you about something but I am not; I am simply asking some questions.

Mr Comley: While we have been having this interchange, I flicked to the table that is relevant, which is contained in the Treasury modelling report on page 86. It depends on which scenario you are in, whether you are in the medium global action, the core policy scenario or the ambitious global action scenario. Domestic emissions in 2020 in the core policy scenario were 621 megatonnes.

Senator IAN MACDONALD: What is that compared to pre the package?

Mr Comley: For completeness, the national emissions at that point in time are not 621—I am looking for the figure—it is around 520, and the 2010 emissions are domestically 578 megatonnes and we do not purchase any international abatement at the moment.

Senator IAN MACDONALD: And they will go to 621, you are saying, by 2020.

Mr Comley: They would go to 621, and there would be in this table 94 megatonnes of international abatement purchased to bring to the net figure, which—I did the maths quickly—would get you to up to 530.

Senator IAN MACDONALD: Thank you, Mr Comley. What I am simply asking is not abatement; I just want to know what Australia is recorded as emitting, not what we have been able to abate by other people's good work overseas. Anyhow, I think you have given me the figure: 578 now and 621 by 2020. I do not think I will take that a great deal further—thank you for that.

I just have a couple of other quick questions. Professor, I did again in the wrong place this morning ask about what might be if, as is suspected, the world goes off nuclear power following the Japanese incident. Has the international climate science taken into account where the reduced nuclear power will come from and in assessments as to where the world is going?

Prof. Steffen: The science community gets its scenarios from experts in the energy business who project the amount of energy that is going to be consumed and what are the fuel types. To the best of my knowledge—and I have not seen a revised scenario after the Fukushima accident and what that might mean—I can say that globally nuclear is a very small percentage of energy production. It is a good question. The real answer to that question is: it depends on what is replacing the nuclear if it is taken out. The only country I know something about is Sweden because I lived and worked there for quite a while. They have taken one nuclear reactor out and they are planning to possibly take more out. It is under debate. They are replacing it with renewables with mainly wood based symptoms and hydro, so in that regard there is no change to the CO₂ question. Other countries may be different. You would have to look at it on a case-by-case basis.

Senator IAN MACDONALD: Again, as I mentioned earlier in an answer to this question before, I had been advised that if there is no new nuclear capacity beyond 2020, the economic cost of achieving the same environment target is 18 per cent higher and that gave me a good idea if there is no new nuclear. What I was really seeking in that same scenario if they started doing what you say Sweden is doing and shutting down with that 18 per cent figure increasing the costs of achieving.

Prof. Steffen: I do not know about the cost. You would have to ask an economist about what those costs would involve.

Senator IAN MACDONALD: It just says that for the same environmental target the economic cost is 18 per cent higher. I am quoting from page 52 of the document that was given to me. But, again, I think you have indicated that you are not aware of any research being done on the situation if people start shutting down, and you rightly say that it depends on whether they churn a few more coal fired power stations or go to some renewables.

Prof. Steffen: That is right.

Senator IAN MACDONALD: At the last estimates I asked: if Australia stopped emitting—this is question No. 66—by what would the climate fall in degrees of coolness or warmth? The answer was that it is not peer reviewed. Professor, are you aware of any work that has been done that might indicate what Australia's contribution is likely to be to global warming?

Prof. Steffen: Consistent with my previous answer, we do not do those calculations because it is a global biophysical system that we are dealing with. We only deal with the aggregate amounts of CO₂ and other greenhouse gases and how the climate system will respond to that. National things are very important political issues but scientifically we do not deal with those because it does not make any sense for the physical climate system. It is one system—

Senator IAN MACDONALD: I could not agree with you more, Professor Steffen. On that, we are totally in agreement. What the contribution Australia makes will depend on the contribution everybody else makes. I think you would agree—and I am not suggesting this happening—that if nobody else does anything then what Australia does it not going to make one iota of difference. You would agree with that?

Prof. Steffen: It would make a very small difference.

Senator IAN MACDONALD: That is all I have for you, Professor Steffen, but I would like to go to the question of forums. I asked this morning but in the wrong place. We had some forums. Have there been any since we were told about them at the last estimates? These are the Professor Flannery forums—if I can call them that.

Mr Comley: The Professor Flannery forums are in a sense also the Professor Steffen forums.

Senator IAN MACDONALD: Oh, are they? Okay.

Mr Comley: So the other capacity, apart from asking science questions, to speak on behalf of the Climate Commissioner—

Senator IAN MACDONALD: You have not bought a property near the water, have you, Professor Steffen, I hope?

Prof. Steffen: I live in a very modest apartment high up in Canberra. I am not worried about sea level rise personally.

Senator IAN MACDONALD: Is your colleague, the chairman of your commission, taking a bit of a risk buying a waterside property on the Hawkesbury?

Prof. Steffen: I think Tim would have to answer that one.

Mr Comley: Before we move on, I think there is a serious matter. I know this is not your intent, but the issue of raising Professor Flannery's property—which has occurred in the media—and publishing photos of that property and, in fact, there being some sort of untoward

correspondence to Professor Flannery, is I think a matter of public importance. I know you were not going there, but I think the issue—

Senator IAN MACDONALD: Well, I have been there in the past, so I plead guilty. I was not going to go there today.

Mr Comley: I think the personal threats that have been provided not just to Professor Flannery but also to other members of the scientific community have been unfortunate.

Senator IAN MACDONALD: Well, people in public life get threats all the time. I do not countenance them, but—

Mr Comley: But it does not make it right.

Senator IAN MACDONALD: No, it certainly does not make it right.

CHAIR: And it is not true, either.

Senator IAN MACDONALD: You have been threatened, I am sure.

CHAIR: I have.

Senator IAN MACDONALD: I have; we all have. When you are in public life, I am sorry, that happens.

Senator Wong: I have not intervened until now, but I think your dismissal there of the issue is perhaps a little easily made. We as public figures, as politicians, make a decision to go into the public eye. I think what Mr Comley was referencing was the way in which scientists have been drawn by politicians into this public debate and the sort of negative response at times which has been generated. I think political leaders and politicians ought to engage in this debate responsibly. We should not be engaging in the debate in a way that incites irresponsible behaviour towards members of the scientific community or to the community more generally.

Senator IAN MACDONALD: Thank you, Minister. I wondered how long it would be before we got a lecture on morals or our behaviour—

CHAIR: Senator Macdonald, do you have any more questions?

Senator IAN MACDONALD: Yes, I do. Mr Comley raises an issue that I was not raising but I guess that is his prerogative. Getting back to the forums which Professor Steffen and the other gentleman are involved in, have there been any since the Geelong, Ipswich, Port Macquarie, Mackay, Canberra and Playford forums?

Prof. Steffen: There was Tamworth on 30 June, Wollongong on 26 July, Bunbury in Western Australia on 16 August, Perth on 17 August and Latrobe Valley on 21 September. There was a series of meetings around international issues—in other words, who is doing what internationally on climate change—in Melbourne and Sydney on 9, 12 and 13 September.

Senator IAN MACDONALD: I guess I can get on notice how many attended those forums but generally speaking what is the audience?

Prof. Steffen: They vary from 150 up to 350 to 400. I think Geelong was the biggest at around 500.

Senator IAN MACDONALD: Do you find you are preaching to the converted, or are they genuinely seeking information?

Prof. Steffen: That is a good question, and we have tried to make some good estimates of what the profile of our audience is. The best way I can put it is that there is a segment of the deep Green, the converted, that is there, that is for sure. We almost always have a segment of sceptics and very vociferous anti-climate change people, if I can call them that. But I would say that the majority in almost all cases have been people who are genuinely interested in the issue, may be a bit sceptical, may be sitting on the fence and so on. We have been pleased with the cross-section of communities that we have seen there.

Senator IAN MACDONALD: Mr Comley, would you be able to give us the additional costs of those additional ones. It was 292 for the first six.

Ms Sidhu: Not all the invoices are in. As an indication, each of these forums cost in total about \$40,000 to stage. Those costs have been factored into the Climate Commission costs that the department was funded for in the budget, so they come out of that budget.

Senator IAN MACDONALD: We heard earlier today of these grants going to lots of groups to propagate the message, and this forum propagates the message. Politically—I am not going there today—we have been through the issue of advertising on TV and everywhere else. Apart from the advertising on TV, radio and in the newspaper, this forum and all of those grants we have talked about, are there other ways that the government is propagating its message?

Ms Sidhu: To make a point of clarification, the establishment of the Climate Commission was an effort to establish an independent body that did not go out and propagate the government's message, as you have put it. The terms of reference for the Climate Commission very clearly state that it is meant to be independent. It is not meant to be directed by the minister or the government, and it does not advise on policy in any way. I am sure Professor Steffen will confirm that the commission is a genuine effort to provide the Australian people, the Australian community, with a separate and independent line of information, which is different from the public engagement activities that the department undertakes. They are two very distinct sets of activities.

Senator IAN MACDONALD: That is a fair point except—and I really hesitate to open this up—as we have mentioned before, the commission was picked for people who have a view. I do not want to argue with anyone about the right or wrong view but there are scientists, although they are denigrated by some, with professional and international reputations who do not have the same view. We have established before that they were not invited to join the Climate Commission. As for independent advice, it seems that it is only advice that the government wants.

Senator Wong: On the basis of merit. It is interesting—when I made my comment before about the responsible way in which politicians might want to engage about scientists it was not intended as a lecture; it was an expression of what I regard as appropriate ethics of dealing with this. Remember that concept, Senator? There is something called ethics about how you handle things. I do not think it is fair to suggest, as you are, that people like Professor Steffen were selected because they had particular views. They were selected on the basis of merit.

Prof. Steffen: Let me make a couple of comments in response, if I may.

Senator IAN MACDONALD: Thank you. I am doing my best not to respond to the minister's provocation.

CHAIR: You have done very well. Congratulations.

Prof. Steffen: May I make a comment or two on this issue, since it directly involves scientists? I think all of us have a real responsibility to represent the science as fairly, as accurately and with as little bias as we can. The fact that the peer reviewed scientific literature is very clear on several aspects of climate change means that that is the information that we need to be giving. Otherwise we would be unfaithful to the science that is out there. I have always done that in my career, and I would point out that I became science adviser to the department of climate change in 2004 and served under two ministers in the Howard government, Minister Ian Campbell and Minister Malcolm Turnbull. I gave exactly the same scientific advice as I have done with this government because the science is the science, and that is the way we approach it.

Senator IAN MACDONALD: Professor, not for a moment am I challenging your commitment, your honour, your authenticity, your beliefs or your learning.

Prof. Steffen: It is not my beliefs; it is my ability to understand the evidence. Let's leave belief systems out of it.

Senator IAN MACDONALD: It is your what?

Prof. Steffen: It is my ability to understand the evidence and the way systems work. It is not a belief system.

Senator IAN MACDONALD: No, whatever. There are equally sincere and learned scientists that I have spoken to who are totally committed to their point of view, whose ethics are 1,000 per cent, as yours are, but who do not share your view. They are obviously wrong, you will tell me.

Prof. Steffen: No. What I am saying is that they do not reflect what the peer reviewed scientific literature is saying. That is the point.

Senator Wong: Peer review is important.

Senator IAN MACDONALD: They tell me different. I have one final thing on the answer to question on notice No. 69 from last time, about research grants. Is it correct that in the last two financial years only \$100,000 and \$50,000, in each respective year, went to the ARC for research into climate science programs? I understood the Australian Research Council paid out a lot more than \$150,000 in grants to scientists who were conducting a certain form of climate change science research.

Mr Comley: It may be the case that many ARC grants touch on the question of climate, because much of that is in fact basic physics and chemistry that contributes to climatic understanding. But this is the expenditure under the climate science program that this department administered, which is a separate funding pool to the ARC, so that is the amount that we inject into the ARC, which itself is a competitive grants program. The other element is the amount that we fund directly as part of, effectively, a competitive grants program.

Senator IAN MACDONALD: Okay, that explains it.

Senator SINGH: What are the most pressing threats to Australia from climate change impacts at this point in time?

Prof. Steffen: I would say extreme events are the things that I would worry about most, extreme events being things like heatwaves, bushfires and things we call high-sea-level

events—which are not quite the same thing as sea level rise, which is a contributor to it—as well as, obviously, very heavy precipitation events such as storms and so on. Those are the things that give you hits quickly and cause economic and social damage and so on, as we saw in Queensland. The interesting question there is the relationship of those to climate change, because we have had extreme events all along. For temperature related ones like heatwaves and bushfires, there is very good evidence that those are becoming more severe and more frequent, and you would expect that as the underlying temperature goes up. Precipitation is more difficult to get a handle on, and there are genuine debates in the community about whether the Queensland floods, for example, had a climate change signal or not; there is no consensus on that one. The physics says that as the climate warms you expect to see more of those. In fact, in the Northern Hemisphere they have a lot more statistics and more data and they do see a trend. So I would say that those are the most immediate ones.

The more insidious ones, of course, are shifts in precipitation patterns that may be hard to see because they are masked by variability. I think the slow rise of sea level is an insidious one if we do not take care in an orderly planning of our infrastructure or renew our infrastructure and take that into account. Obviously there are the impacts on what we might call our green infrastructure and our biological infrastructure—the Great Barrier Reef and some of the iconic ecosystems which are already feeling the effects. But some of these systems have resilience to a point, so people say, 'Well, they look all right,' whereas people who understand them say there are signs that climate change is having an impact. So I separate them into those immediate ones that have big economic and social hits and the sort of insidious long-term ones—you might call it a slow-fuse, long-fuse, big-bang sort of issue like the Great Barrier Reef.

Senator SINGH: Are there any studies that you are aware of in relation to those, I guess, big-bang hits—the heatwaves and the bushfires and so on—that actually quantify the cost of climate change of those immediate threats or those impacts on our Australian economy?

Prof. Steffen: We can certainly quantify the effects of those events, and people do; you can see price tags put onto bushfires, and certainly onto the Queensland floods. In fact I think the Queensland floods, if I am not mistaken—and Mr Comley may correct me—did have an appreciable impact nationally on the economy. The difficulty on the climate change attribution is how much of such an event is due to climate change. Again, that is not a very scientific question, because, as I said, we have always had those events before. I think the scientific question is: are they becoming more frequent and are they becoming more severe? The answer is: in temperature related events, yes.

Senator SINGH: When you do your forums or your discussions with various communities, are some of these the issues that are raised? Are people in the community understanding the connection between climate change impacts and some of these immediate events that have occurred?

Prof. Steffen: Yes. What we have been doing recently on our forums is to prepare a supplement to the main report we put out in May, called *The critical decade*. These supplements are four pages and are easy to read, and they are tuned to the region—so, if you are in north-western New South Wales, what are the biggest risks of climate change that you face to agriculture, ecosystems, and communities? These actually vary as they should as we

go around Australia. We found these very valuable tools to start engaging people in the regions about issues that are important to them. So, yes, we do that.

Senator SINGH: Earlier, in your response to Senator Macdonald, you were talking about peer review and how you have always used that notion of peer review. Can you explain that process, or whether there is a process of peer review, and why it is important in climate science.

Prof. Steffen: It is important in any science. It is a quality control mechanism the same as is used in physics, chemistry, medical science and biological science. In fact, climate science, as Mr Comley said, is drawn from a number of fundamental sciences, such as physics, geology, chemistry and so on. What peer review means is that any time you observe something, discover something or come up with a new insight about how a system works, you publish it in the appropriate journal. We all try to get into the highest quality journals, such as *Science* and *Nature*, quite naturally. But once you submit your work, it has to go through a peer review process where it is sent out to three or four expert reviewers. Increasingly, we are using double blind methods—they take the author's name off. I get papers sent to me on some aspect of climate science by journals and I do not know who wrote them and the authors do not know who reviewed them. So we can be as harsh as we want. There is an ethic in the community that you be as tough as you can. That is expected. When I get reviews back on my papers, you expect to have some pretty hard criticisms. You have to jump through those hoops to get your paper published. As with any human system, you occasionally see a case where it has broken down. But that is by far the exception. In the human systems I know, that is a pretty good one for being reliable.

Senator SINGH: It would be right to say that, if research, especially in this space where we are talking about climate change and global warming, has not been peer reviewed, it should not be relied upon.

Prof. Steffen: Absolutely. There have been a lot of arguments against mainstream climate science made by so-called sceptics, some of whom, as Senator Macdonald said, do have credentials—almost always in other areas of science, not in climate related science. These have been going on for five or so years and over that time they have not published significant papers, because they have not been able to get them through. The science is not good. It is not right. It cannot stand up to peer review. That is why it is important in science to say—as I do when I go out and talk as a commissioner or as I did when I acted as science adviser to the Howard government and as I do now as adviser to the present government—'It is not what I believe; it is what I can read and understand and interpret as peer reviewed solid science which has gone through a quality control mechanism.' That is absolutely critical.

Senator SINGH: The climate sceptic scientists would not have had any of their work published in any of these journals which have that integrity or standard that you are referring to?

Prof. Steffen: Very rarely. There are a few which have gotten in. Almost all of them have been refuted within months by counterarguments.

Senator IAN MACDONALD: How can you be peer reviewed if you cannot get published?

Prof. Steffen: That is why you cannot get published—you do submit a paper, it goes through peer review and it is rejected.

Senator IAN MACDONALD: Oh, before it is published.

Prof. Steffen: Yes, because it has to be—

Senator IAN MACDONALD: I thought you said that once you published people then assessed.

Prof. Steffen: No. It has to be assessed before you publish. If the assessors judge that it is not of appropriate quality, if the methodology is weak, if the results of the paper do not correspond to the data in the paper, if the data has been misinterpreted—those are all reasons we throw papers out. All of those things you commonly see in the blogosphere from the so-called sceptic community. That is why they cannot publish it. You can get away with it on a blog but you cannot get away with it in a peer reviewed journal.

Senator SINGH: Is that the channel the climate sceptic scientists use—the blogs?

Prof. Steffen: I see most of it when people send me something saying, 'Hey, you know, you are wrong—have you looked at this?' I say, 'Where is the peer reviewed paper?' and it does not come. You get a whole long excerpt from a blog somewhere with all sorts of graphs—many of which have been doctored—but there is no reference to the peer reviewed literature.

Senator SINGH: Is this something that you could talk about with the community at large when they raise some of these issues with you—that such-and-such a scientist says otherwise? Can you talk about the credibility of those scientists compared with those who have been peer reviewed and about that whole peer review process? Do you do that so that people actually understand the integrity of the process—and therefore understand that there is evidence behind the work and how much research goes into the work done by those scientists who are putting peer reviewed work out there?

Prof. Steffen: We do, but we do it at a very general level with the general public—we do not try to go into much detail. We talk about quality control rather than peer review. Peer review is already a bit of jargon. We talk about quality control and the fact that when you go to a medical doctor or physician with a serious problem you want the best person you can get—someone who has gone through a good medical school and that has kept up with standards. There is a quality control mechanism for physicians. It is the same thing for aircraft engineers—you do not want a dodgy bloke working on your Qantas aircraft; you want someone who has gone through the quality control. We say the same thing is true in science—we need strict quality control mechanisms that evaluate the science as it is being produced so we can produce a body of research that is reliable.

Mr Bowles: Chair, I have some clarifications for answers given earlier. Senator Birmingham asked about the three write-offs. Two were in relation to bankruptcies and in one the debtor actually died. He also asked about reminder notices. We sent reminder notices in September and October following up on some of those issues.

Senator BIRMINGHAM: Does that mean reminder notices have gone to all parties once or all parties twice?

Mr Bowles: All parties once—there are two different categories. In relation to Angel Flight, I am advised that they pay for the fuel and everything else is donated. The fuel is not donated so they would be eligible for the rebate scheme. With the National Solar Schools Program, you asked whether schools can change their quotes. The answer is yes they can change their quotes. There is a different process in most states but the state education authorities manage that process. But they can change.

[17:02]

CHAIR: We will now move to 1.4, helping to shape a global climate change solution.

Senator BIRMINGHAM: Durban is coming up relatively soon, 20 November to 9 December. Has Australia made a submission to the processes in Durban, or leading up to Durban?

Ms Hand: Yes.

Senator BIRMINGHAM: This submission indicates that we would like processes in Durban to clarify mitigation actions and targets put forward and set a framework for further work. Can you tell me what Australia's expectation is of what that might actually entail?

Ms Hand: That submission—the vernacular is the Australia-Norway submission—builds on the agreement that came out of Cancun last year. You will remember, as I am sure we have talked about it, the six parts of the agreement that came out of Cancun. One of them related to mitigation—what all countries were doing—and a very important part of the mitigation is called MRV. It relates to transparency—how do we know that countries are doing what they said they would do? In a world like this you really need to believe in the authenticity of government actions—or everybody's. We will be looking at ways that we can take forward those particular undertakings in the Cancun agreement as they related to mitigation and transparency. That work with Norway sets out to tease out what might be—and there is no guarantee—the basis for a middle ground solution. It is very unlikely that this year there will be a global legal agreement involving all major emitters of the kind we want. In the meantime, most developed countries and countries with like-minded attitudes are looking at what might be the building blocks for an ultimate agreement, as yet shape unknown. A very important part of that agreement, whatever it is, will be what countries have pledged to do and how we know they are doing what they said they would do. And there is a review process that we will agree to equally in Durbin. That particular paper, the Australian-Norwegian submission, has as its centrepiece the review and it teases out a series of actions. So countries will lock in the pledges that they have already made and changes that have been made to any of those pledges would be locked in. It is already in the INF doc; it is already listed under the Cancun agreements. Then they might clarify what they need to see to change those pledges and what would need to happen. Already, you have an unconditional set of pledges and then you have pledges that are dependent on other countries actions or on various policies taking place. It would attempt to clarify for everybody's benefit exactly where countries stand and how they are going—it is not meant to be punitive; it is meant to be exploratory—and how we all get there in the end.

It has been picked up in New York with a certain amount of interest. We have talked to other delegations about it. Middle-ground delegations are reasonably comfortable with it. At

either end, you have very different voices across the range of negotiation. It is one of the classic Australian attempts to find a solution in the middle.

Senator BIRMINGHAM: When you talk about the voices at the extremes, who are those parties, generally speaking?

Ms Hand: They are the famous ones. It is the US that has stood outside Kyoto, as has China and there are the major emitters—China, the US, India, South Africa and Brazil—that have very equivocal relationships as to how we go forward. We are always looking at how the likes of us, the UK, the EU and the Cartagena Dialogue, and these other countries, can try and find something in the middle to which everybody can potentially agree.

Mr Comley: Ms Hand has given a precisely correct interpretation of how the UNFCCC negotiations play out. Perhaps the US and China are the best examples of that—that for different reasons they both jealously guard their sovereignty in the context of international agreements. That is not necessarily the same thing as what the US or the Chinese will do on the ground in terms of their mitigation actions. Indeed, there is a very clear trend in the US and China to be prepared to do more than they are prepared to commit to internationally, which is why Ms Hand made comment of monitoring, reporting and verification—MRV. A large part of the Cancun agreements was putting in a regime that made more transparent what parties like China and the United States are doing. Probably the best example in the US is fuel standards for vehicles, which they would almost certainly not sign up to internationally but they have actually done domestically this year in legislation.

Senator BIRMINGHAM: If time permits, we might come back to the domestic actions of individual countries. I am keen to understand the status of the international negotiations.

Mr Comley: I think they are interrelated because the status of the international negotiations for a period of time may be more in the sense of pledging domestic action and then being reviewed while, in parallel, there is greater movement towards a legally binding architecture. The two are not divorced from each other. The elements of the package that Ms Hand is talking about in terms of transparency on the ground is an important part of the interim architecture that was established at Cancun and what is likely to be further embedded in Durbin. If you asked for a summary response to your first question about what is hoped for at Durbin, it is really incremental progress in that multilateral regime towards a more competitive global agreement.

Senator BIRMINGHAM: Okay. Ms Hand, you spoke about the large emitters on one side of the equation that have hesitation in one sense and the small countries and the island states et cetera on the other side of the equation that have hesitations in the other sense—is that correct?

Ms Hand: There is a vast range of opinion. As the secretary said, ultimately what happens is based on the sum of domestic action—getting domestic action the best way that you can and enriching global action the best way that you can. There is a lot of interplay between those two. Different countries want different things, not surprisingly. So trying to find a path through that that augments, enhances and promotes domestic action to deal with climate change—exactly in the terms that Professor Steffen outlined—is a really important part of all of this.

Senator BIRMINGHAM: In response to my question before, you said that the Australian-Norway paper was broadly welcomed by the middle group of countries—

Ms Hand: Yes, that is right.

Senator BIRMINGHAM: or whatever the phrase you used was, and there are the perspectives on either side of that. You teased out to some extent one of the perspectives being the US, China et cetera. Will you tease out the other group of perspectives?

Ms Hand: I cited the big ones because obviously they are immensely influential in how we get to the end. So far, the middle ground does include some of our regional partners. We will be talking to Indonesia about that paper. The Pacific Island countries are not quite there yet in terms of what their policy thinking is on some of these things. It really is how you draw in the major emitters into something like that that is quite important. I suppose when I talk about the two sides I am thinking of developed and developing country major emitters, rather than the smaller ones.

Senator BIRMINGHAM: Perhaps if we could then take those two groups, what hesitations is Australia encountering in an acceptance of a middle-road pathway forward, such as the Australia-Norway agreement, and its adoption by those countries?

Ms Hand: I think the Secretary wants to have a crack at that. He loves this.

Mr Comley: Yes. The ambassador is talking about the two ends of the spectrum. What she is really talking about is almost those who hold out a top-down legally binding architecture as the only solution which must be delivered immediately. If you are thinking of a description of who is in that camp, it is clearly people like AOSIS—the Association of Small Island States. Many members of the G77—the developing countries—are in the camp that sees a successor to Kyoto legally binding architecture as absolutely critical to go forward. The other end of the camp are those saying, 'We are not looking for legally binding architecture at the moment and, in fact, seeking legally binding architecture now may actually reduce the level of ambition globally because we may try to internationally commit to lowest common denominator policies even if we are prepared to do more domestically.' That is the fundamental tension within the negotiations at the moment. While everyone in the negotiation accepts the science of climate change, accepts that something needs to be done, there is a difference in the views as to exactly how you do that in legal form and then how the allocation of responsibilities is divided between the countries.

Senator BIRMINGHAM: It is probably a good synopsis for broad differentiations and issues that exist. In terms of the positions that countries appear to be taking in the lead-up to Durban and, in particular, the positions they have taken in response to the Australian-Norway paper, what are the reactions from both the major developed emitters and the major developing emitters?

Ms Hand: The paper has been out for only a little while so we need to talk these things through with different countries. As I said, it fits naturally for some countries as a possible part of the solution in one part of the package. It is only one part—one sliver—of what could potentially be an agreement in Durban. Other countries need to see what each other is doing. The US has made it quite clear that it needs to have ultimately an agreement which includes China in, if not an entirely symmetrical, but a very comparable way. They will all be looking at what each other is able to do and what we can pull forward out of that. It is too early to tell

right now. Some of these things fall into place as part of a solution at the end. The most important thing now at this stage is to have some good ideas in play.

Senator BIRMINGHAM: Australia and this mitigation, the MRV scenario or area, is as you said just one part of the negotiations. Is Australia presenting other policy papers or position papers ahead of Durban.

Ms Hand: We have had a long history over the last few years of putting forward ideas on all sorts of things. That is the one that has attracted attention at the moment. We have interesting ideas out there on legal form, on mitigation and on REDD. We can provide you with a list of Australian submissions over time, if that would be helpful, which I think have been pretty much covered in earlier estimates discussions. That is the most recent one and it is the one that falls into this financial year, but we would be very happy to give you a set of our submissions.

Senator BIRMINGHAM: The submission does state that least developed countries are not expected to take on any legally binding obligations. What is the Australian definition, or the definition taken into gatherings like Durban, of those least developed countries?

Ms Hand: It is the standard UN definition but it goes to the heart of capacity, in a sense. As Professor Steffen said, the overwhelming part of the issue is countries like the United States, China, India, Brazil, Japan, Germany and Russia, and then there is a whole group—in which Australia is included, along with the UK, Canada, Mexico, France and Italy—all of whom fall in about the 1.2 to 1.7 or 1.9 range: they are the countries that are sufficiently developed to really want to have and be able to put together domestic policies that reduce emissions. It is not reasonable to expect countries like Tuvalu and Malawi and Pohnpei to perform in the same way as you would expect the EU, for example. And so the kind of work involved in participating in a potentially legally-binding regime, or any kind of global agreement, at this level of sophistication—there is a very different set of international expectations on what should come from those major developed and developing country emitters vis-a-vis the very tiny, very poor countries that have almost no emissions and almost no capacity to deal with them.

Senator BIRMINGHAM: I appreciate that. I am just seeking to ensure that the least developed framework is indeed the least developed in a fairly narrow sense.

Ms Hand: These places have almost unimaginable poverty in most cases. In fact they are the countries on which the focus is about how you help them with adaptation, mitigation, fast-start financing. There is a universal expectation that these countries are going to be on the receiving end of the effects of dangerous climate change—it has already happened—and they are on the receiving end of help, one would hope.

Mr Comley: Just in case it is ambiguous, certainly the Chinas, the Indias and the Indonesias—those sorts of countries—are not what anyone means by 'least developed' in the standard UN classification.

Senator BIRMINGHAM: Thanks, Mr Comley. Who will be leading Australia's delegation to Durban?

Mr Comley: That is an interesting technical question. At one level the answer is: the Ambassador for Climate Change.

Ms Hand: But I concede to the minister in this—

Mr Comley: Before the minister arrives, it will be Ambassador Hand.

Senator BIRMINGHAM: So Minister Combet is attending?

Mr Comley: Yes, that is the intention.

Senator BIRMINGHAM: For at least part of it?

Mr Comley: At least part of it. Traditionally—and people who have longer traditions can tell me—the conference runs for two weeks; the ministerial segment is in the second week, so typically a minister arrives in the middle fortnight.

Senator BIRMINGHAM: I do not think you want to make Minister Wong relive some of that. What is the size of Australia's delegation this year?

Ms Hand: The size of Australia's delegation will be, we think, around 40 people. It will be more comparable to Cancun, obviously, than Copenhagen; it will be around 40. Of that group something between 20 and 23 are likely to come from the department; the rest will come from other departments that have a related investment in this particular outcome. I can give you comparisons to other country's delegations if you are interested. That is on the modest end of delegation size. We will find it for you.

Mr Comley: In Cancun Canada had 89, China 104, European Union 92, Indonesia 68, Japan 105, New Zealand 22 and the United Kingdom 45.

Senator BIRMINGHAM: What is the estimated cost of Australia's delegation this year?

Ms Hand: We can give you close to an exact cost on the accommodation but not yet on the flights and the issues relating to the flights because that will be determined once we have the final delegation list. The accommodation is likely to cost around \$245,000. It could be a little bit less. That was a figure quoted early on when we thought the delegation might be larger. We paid a 50 per cent deposit, so that is already out there—\$123,642.55 has been paid to the broker that is doing the accommodation for Durban. The costs—which we cannot give you yet, but we will give them to you once we have them—will be related to airfares. There may be some security costs, transport costs and that kind of thing.

Senator BIRMINGHAM: Thank you. Next year represents the end of the first commitment period for the Kyoto protocol. That is correct. Does the department have access to material that provides an assessment of how both Australia and other countries have tracked against the commitments?

Mr Comley: Yes. Others can expand. As part of the UN convention, not just the Kyoto protocol, there is a national communication provided to each of the parties. There has been an annual or biannual update.

Ms Hand: And there is a true-up at the end.

Ms Thompson: The actual communication is done about once every three years. The inventory, however, is put forward to the UN every year, and the most recent version of Australia's submitted inventory shows us tracking at around 105 per cent of the 108 target.

Mr Comley: Just to be clear, that is for Australia. For other countries who are members you have an inventory process on a national basis. There is a verification process of that inventory to see where people are tracking. The common practice is that every second year you get an in situ review team visiting you to crawl over your inventory, and every other year it is a desktop audit to see that the inventory is accurate. So all the parties can see how each

country is tracking towards their commitments. One thing you cannot see—and this is what Ambassador Hand was alluding to—is that those who intend to meet their commitments by the purchases of international permits may not have made that decision yet, and that would be reconciled in the true-up period—those who are over their commitment.

Senator BIRMINGHAM: Let's go through a few countries and see whether you can help.

Mr Comley: I am happy to do that, but there may be a quicker way to do this. We could say which country has announced they will not comply, because, broadly speaking, everyone else has said they will comply. Is that where you were going?

Senator BIRMINGHAM: I was not necessarily going there, Mr Comley, but you can go there if you like, briefly.

Mr Comley: Canada has indicated that it does not intend to meet its Kyoto target, but, to the best of my knowledge, all other members of Kyoto intend to meet the commitments they made under the Kyoto protocol.

Senator BIRMINGHAM: Canada is a fair way from its target, isn't it?

Mr Comley: That is correct.

Senator BIRMINGHAM: And they have just indicated they will not be buying international permits to offset what is a 20-odd per cent increase, or thereabouts, in emissions.

Mr Comley: They have indicated they will not buy permits to meet their target—that is right.

Senator IAN MACDONALD: Which European countries have actually met their Kyoto targets? I know that, for example, Switzerland is nowhere near it.

Mr Comley: First of all, in terms of Kyoto, the commitment is European-wide. It is a bubble, so to speak. It includes all the countries. Some are above, some are below. I think you will find that Germany is significantly below; a number of the Eastern European countries are quite below. I do not think there is anyone who really questions that Europe as a whole will comply with their target. Whilst the European Union target overall is at minus six per cent below 2000 levels, the Kyoto target is, I think, minus six, and they will meet that in aggregate. What the European Union did is carve up that target among parties, reflecting the level of development, emissions et cetera.

Senator IAN MACDONALD: On notice, could you give me a list of the European countries and where they are in relation to their targets? For example, I know that Switzerland has a target and with all best intentions have subscribed to that target, but they are nowhere near it because of road transport—

Mr Comley: I will have to check on Switzerland, but Switzerland would not be part of the European Union target because they are not a member of the European Union.

Senator IAN MACDONALD: Yes—of course. Could you give me that on notice or refer me to where I would see that?

Mr Comley: Yes.

Senator BIRMINGHAM: The target is for next year. You are talking about meeting the target by one form or another be it domestic abatement or use of international permits. Have

most countries been purchasing international permits to offset their failure to meet the target through domestic abatement?

Mr Comley: I will step back a bit. The Kyoto protocol actually has a commitment over a five-year period so it is not the case that you look at the point at the end of the period and say that is the target. There is a calculated amount of emissions you can have over a five-year period and then you have to be able to acquit for having that number of units. To date there are three issues, firstly, who is on track to meet their target without international permits, secondly, who has purchased international units at the moment in order to meet targets and then the third question is who intends to purchase units to be able to meet their target afterwards. There are a lot of countries on track to meet without purchasing, Australia is one and the EU as a unit is another. The actual purchases of permits that have been made so far has been relatively modest but Mr White can provide further detail on that. There are other countries that have indicated an intention to purchase permits. Probably the country that stands out in my mind that has indicated an intention to purchase a significant number of permits is Japan. Mr White, do you want to expand any further on that?

Mr White: I do not have the exact figures in front of me but my understanding is that a major purchase of international units to date has actually been by entities within the European Union emissions trading scheme and purchases by Japanese companies in terms of meeting their own targets.

Senator BIRMINGHAM: So a fairly large range of permits are required to be purchased over the period for countries to meet their obligations?

Mr Comley: That is not an aggregate. My understanding is that the total purchase requirements in aggregate are not that large. It depends what you mean by large. I do not know whether we have a figure here. The difficulty here is that, as Ambassador Hand said, there is a true-up period so you get to the end of 2012 and you then have to do the national inventory checking after that. You have essentially an audit and reconciliation process, so the final purchases of permits required to meet the commitments may not happen until 2015. So there is quite some period for people to work their way through getting permits in the international market.

Senator BIRMINGHAM: Do you have an estimation of the likely scale of that required purchase as part of the true-up period?

Mr Comley: No, I do not have an estimate to hand. Could I just make one other comment to try and explain? When we are talking about national compliance with the Kyoto protocol there are in essence two main types of permits that are relevant here. One is the CDM market which are offsets based out of developing countries but the second is trade in so-called AAUs that are generated by the people who are parties to the Kyoto protocol themselves. They are not linked necessarily to any domestic trading scheme, they are units allocated through the UN. That is what is expected to be traded along with CDMs at the time of the reconciliation. That permit market, if you like, currently exists, all the units are registered but there is no market development that is required to bring AAUs into existence.

Senator BIRMINGHAM: There is not likely to be a spike in the price of permits as all of these countries need to meet their targets in the period leading up to 2014?

Mr Comley: I have not seen anyone forecasting a large spike in the price. There has been very little trade in AAUs to date. It is possible that there could be an increase in CDM prices. Certainly the CDM prices at the moment are below the sort of prices that the Treasury modelling would be anticipating around 2015.

Senator BIRMINGHAM: This is for Ms Hand or anybody else at the table. Have you seen the report by the Netherlands Environmental Assessment Agency about the long-term trend in global CO₂ emissions?

Ms Hand: I have not done an analysis of it. I know that it exists. I have read an executive summary, yes.

Senator BIRMINGHAM: In summary, it argues that there is significant growth in developing countries' emissions, that the emissions from those countries that are not annex 1 countries under Kyoto will soon significantly outstrip the emissions of those who are annex 1 countries under Kyoto. From your reading of the summary, Ms Hand, does that reflect it?

Ms Hand: We know that China is now slightly ahead of the US on some of these things. As I said as to India, Brazil, South Africa and China, these are very important countries coming along. Historically they have had very low emissions. They have also got variously in place a series of their own kinds of emissions reduction targets but they also have very pressing issues of poverty and development. One of the reasons why Australia has been so very keen on trying to work towards an architecture that would include everybody is that we see the value of a global regime going forward as one that finds a way to bring in all comers, as it were, and finds a solution that works for China, that works for the US and that works for Brazil. This is really probably one of the most important challenges when we are talking about an international regime. I guess our thinking, based on what we see, is that it has to be an amalgamation of positive domestic policies. And there are markets, of course. Markets have got to be in this mix over time. None of these countries are backwards in coming forwards on the issues of markets—except Canada.

Senator BIRMINGHAM: I think Canada have obviously made their position extremely clear for the time being. In terms of those major developing countries—with obviously China being the stand-out in that regard but with the other BRIC countries as well—has their growth in emissions in recent years, given the predictions of their continued growth, changed dramatically the global outlook and has that changed, where you and others involved in international negotiations have seen this, what pledges are necessary to achieve a reasonable stabilisation target?

Mr Comley: Going back to your original comment about the Netherlands study, the idea that developing countries will make up the majority of emissions is uncontroversial over time, and that has been uncontroversial for quite some time. So that would be the dynamic in the world. I do not think that the growth path of China or of the developing economies as a whole has particularly changed the negotiating landscape. That has always been part of the landscape for quite some time. The question that is always at the heart of the negotiations is about the pace at which those growth trajectories change, because the other thing that has been uncontroversial in the negotiations on the part of all parties, developed and developing, is that absolute emissions in these developing countries will continue to rise for some time. The question is: at what point is it realistic to expect them to peak and then start to decline? That is where the uncontroversial part declines. So it has been pretty uncontroversial among

all parties that developed country emissions will have to fall in absolute terms and developing countries' will have to slow the rate of growth and at some time peak and then come down and that the phasing of that will depend on how developed the country is. That has been pretty uncontroversial.

Senator BIRMINGHAM: But have the rate of growth and the projected rate of growth of those developing country emissions shifted forward to a steeper rate of growth?

Mr Comley: I do not think it has changed the overall story significantly in recent years. There has been a little bit of rebalancing over the last few years with the interaction of the global financial crisis suppressing developed country emissions and the developing countries not bearing the same brunt. So as a proportion of world emissions it is growing slightly faster than before. But in terms of that overall story it has not materially changed the nature of the negotiations or the end point.

Senator BIRMINGHAM: Under your analysis what do the existing pledges under the Copenhagen and Cancun discussions achieve in terms of stabilisation targets?

Mr Comley: We have done some preliminary thinking, and not just us; many other people have done such analysis too. The difficulty is, because stabilisation is a much longer-term concept than just 2020, you have to make presumptions of what happens after 2020. I think what most people would say is that the Copenhagen and Cancun pledges have a high and low end for many countries. The high-end ambition could be consistent with 450 parts per million if you took quite aggressive action beyond 2020, and in some cases you would need more aggressive action before 2020 than the high-end pledges. You will find the Treasury modelling had, in the more ambitious scenario, some more aggressive action being taken from about the middle of the decade ahead of where the Cancun pledges were. The low-end pledges, depending what happens after 2020, could be consistent with a 550 style parts per million scenario of stabilisation, but you would need quite aggressive action after 2020. It is probably the case that the low-end pledges are not on a 550 parts per million scenario.

Senator BIRMINGHAM: In terms of the state of aggressive action needed beyond 2020, is it correct that the Treasury modelling assumes that essentially the world adopts an 80 per cent reduction against business as usual consistent with what Australia has stated in the Clean Energy Future package?

Mr Comley: Again, Treasury can answer in more detail—and that is probably the best place. Fundamentally, the high-end scenario has stabilisation that goes to 450 and the low-end scenario heads towards 550 parts per million. Again, you have got developed and developing countries. A typical stabilisation path means that to get to 450 you have to have the world cutting emissions by about 50 per cent by 2050.

Senator BIRMINGHAM: Fifty per cent against—

Mr Comley: The 2000 levels I think, or it might be 2000-1990. But it is at that order of magnitude. This is the distinction that Professor Steffen has drawn. You can talk about what the world needs to do to get to stabilisation; the carve-up within the world becomes an equity question as well as a straight science question. Often people will talk about equitable shares of that, meaning developed countries collectively have to be in the order of 80 per cent by 2050 in order to allow the growth in developed country emissions. Part of that depends which equity you are ruling over. Professor Garnaut said that the right equity rule in the long run

was that we should have equal emissions per capita across the world, at least in terms of emissions entitlements.

Senator BIRMINGHAM: There are probably some other areas other than specifically Durban that I can go to.

Senator Wong: We are quite happy to leave early if you are finished.

CHAIR: With the Cancun agreement, I did see some arguments that there was an underestimation of the benefits that that agreement laid in place. There was a lot of disappointment due to the more binding legal agreement coming in. Can you explain some of the positive aspects?

Ms Hand: I am happy to. This idea that every year we should be held up to this benchmark of a perfect legally binding agreement is completely daft. It has never been known to happen in the course of multilateral negotiations—forever. If you can get incremental progress and make it stick and you can accommodate a large number of countries' national interests, you are doing very well. In Cancun we managed to get what we call the balanced package, which really met some very primary objectives for both developed and developing countries' interests, which tend to be different, and also a very good outcome on deforestation. We got agreement that all major emitters would in some respect or another put down their mitigation pledges. That is everybody—China, US, India and that lot, and everybody else. We got agreement that all of those major emitters—China, India, the US et cetera—would agree to a better form of transparency; they would all say what they were doing and explain what their governments were doing and make that available to international scrutiny, which is extremely important in building trust and reliability, and being more inviting to markets. We got agreement that there would be assistance to developing countries, particularly the most vulnerable ones—and this matters to us in our region—for adaptation to help them deal with the effects of climate change; and there would be some help with technology for these countries to leapfrog and get themselves where they need to be for lower emissions development planning. We got this very good outcome on deforestation. As Professor Steffen said, part of emissions come from global deforestation and anything you can do to slow, halt or arrest that is a very successful strategy in reducing emissions globally. So Cancun got something for everybody, as it were, and it is very important to us that we do not lose that or go backwards. It is important that we build on those things and consider them as crucial—the skeleton, the DNA of whatever we are able to get going forward. It is perfectly true that that was underreported. There is much more relish in disappointment.

Mr Comley: Ms Hand talked about the annual cycle of expectation and disappointment. If you look at what has happened in reality in the multilateral negotiations over the last, say, five years is trend incremental progress. What has happened, though, is that the expectations of what is likely to occur at the next meeting have not just been cranking along in a trend away. So the very high expectations before Copenhagen made it look like a failure. In many cases, very low expectations before Cancun made it look like a great success in some quarters. In practice, there is a line of incremental improvement through Bali, Copenhagen, Cancun and, hopefully, Durban. That is more the reality of what is happening multilaterally.

Ms Hand: One of the quite significant things, which is a bit esoteric, is that under the Kyoto protocol there is an absolute firewall between developed and developing countries as they were defined in the 1990s. That world has changed and the outcome in Copenhagen and

Cancun went some way to blurring those divisions and drawing a more modern participation into a potential global regime on the part of developing country major emitters. I do understand this cycle of expectation. There is an urgency to some of this; we cannot sit around twiddling our thumbs forever. There is a huge civil society community out there that feels this quite passionately, so you get these cycles of anxiety thrown at you as well.

CHAIR: Have there been any international discussions about the importance of trading carbon credits in relation to the deforestation issue?

Ms Hand: The economic imperative of markets in dealing with climate change is well understood, and that takes many forms with different domestic governments. That can be prices on carbon of various kinds, the carbon that is stored in forests—all of these things occur as ways of reducing domestic emissions and promoting markets. We have done a lot of work with Indonesia and many countries have worked with Brazil and Guiana, the forest rich countries, in working out ways to make the carbon stored in those forests a viable offset. There is a lot of interest in getting this right. We have worked quite closely with Norway and Indonesia, the Indonesian government. But other governments are doing it with other developing countries as well. It is one to watch.

CHAIR: How much emphasis is the Indonesian government placing on deforestation and carbon credits?

Ms Hand: It is a very interesting prospect for Indonesia. I was recently at a conference in Jakarta where President Yudhoyono came out strongly in support of ways for Indonesia to retain its forest heritage and get it a proper value. The projects that the Norwegians and Australia and others are working on for these are really quite cutting edge. If we are able to get these sorts of issue right—they relate to the sorts of challenges that all developing countries have: governance, land ownership, huge issues around who owns what land, getting the mapping right and getting the forestry techniques right—this will have very profound implications for other developing countries as well. So it is worth putting in the effort, not being squeamish about it and getting it right. For Indonesia, a very large proportion of their emissions come from deforestation, so it helps them domestically and it helps us all collectively.

CHAIR: I remember a few years ago we were having these forest burnings taking place and the pollution coming down into Australia. Is that the type of approach that could be dealt with?

Ms Hand: I have not looked at that Malaysian forest burning.

CHAIR: That was Malaysia, was it?

Mr Comley: Yes, it was Malaysia. It is certainly identified by Indonesia as an issue of contention between Indonesia and Malaysia. That is sort of counterintuitive in terms of emissions anyway. It is worth having a closer look at. I know one of Australia's projects in Malaysia is rehydration of peat in Kalimantan. I think it is peat burning in Malaysia that sets off that particular set of emissions.

CHAIR: The International Energy Agency projects significant growth in fossil fuels over a period of time. They are factoring in at least a 10 per cent, and some argue up to a 20 per cent, reduction in CO₂ from fossil fuels if carbon capture and storage technology can be locked in. What is the latest progress internationally on carbon capture and storage?

Mr Comley: In terms of mitigation, from speaking to the new head of the Global Carbon Capture and Storage Institute I think there are two pilot projects that are about to be rolled out on carbon capture and storage. I think they have 20 projects in the pipeline with varying completion dates. It is possible that, by the time you get to around 2020, you could have that number of projects. I think that what we are finding in Australia with the projects that were being considered here is that some of the transition from the very small scale to the commercial scale has turned out to be more expensive than first thought. That is sometimes more to do with storage sites than anything else. With carbon capture and storage, you have got to capture it, compress it and then store it. Some of the storage sites that were thought to be very good prospects in Queensland do not look as good now. I think it is a work in progress. In many respects, what is holding it back, as we discussed before, is that until market participants get a clear and consistent signal about something like carbon pricing or a longer term commitment, it means the economics do not stack up without very significant government assistance.

Senator BIRMINGHAM: We touched on some grant spending earlier today. In 2010-11 the department provided \$70,000 for a grant to the Climate Institute for the effective price of carbon in major economies research project. Was that funded out of this section of the department?

Mr Comley: No, that was in 1.1.

Senator BIRMINGHAM: I will pursue questions on that on notice. I will just return to some of the issues on countries' targets. There have been suggestions surrounding India and Russia in particular that the commitments made under the Copenhagen-Cancun process are potentially less than what business as usual may be for those countries. Have you seen those reports of suggestions?

Mr Comley: Interestingly enough, I do not have Russia in front of me. For India, on page 4 of the fact sheet that we as a department put out, our projection was that the low-end and high-end pledges were above business as usual.

Senator BIRMINGHAM: That is obviously not something that you dispute, Mr Comley?

Mr Comley: No. In fact—if you have not seen the fact sheet, we are happy to pass it on—India is the only one on our list of Australia, South Africa, Indonesia, Japan, Canada, China and EU that is in that category. Everyone else, including China, is low-end pledge, somewhere between a 10 per cent and 15 per cent reduction. A high-end pledge is around 20 per cent below business as usual, so the Chinese high-end pledge is not too far away from the Australian five per cent unconditional pledge. That is in the fact sheet on India. This partly also gets back to the comments made earlier that countries are often prepared to do more than they commit to internationally. India as a much poorer developing country than China has always been very reluctant to commit. They also point out that their per capita emissions are under two tonnes per capita. That is in contrast to Australia at 27.3 and China at around six. That is the context for India, but we do not dispute the fact that the Indian pledge is above a business-as-usual scenario.

Senator BIRMINGHAM: I remember the fact sheet being released a couple of months or so ago, but you will have to remind me today whether it included an assessment of Russia.

Mr Comley: It is not on the chart I have here. I am certainly happy to take it on notice.

Senator BIRMINGHAM: If you could, that would be appreciated.

CHAIR: I thank the officers from the department and the minister for their contribution.

Proceedings suspended from 17:51 to 19:01

**SUSTAINABILITY, ENVIRONMENT, WATER, POPULATION AND
COMMUNITIES PORTFOLIO****In Attendance**

Senator Conroy, Minister for Broadband, Communications and the Digital Economy

Senator Farrell, Parliamentary Secretary for Sustainability and Urban Water

Department of Sustainability, Environment, Water, Population and Communities

Executive

Dr Paul Grimes, Secretary

Ms Kimberley Dripps, Deputy Secretary

Mr David Parker, Deputy Secretary

Mr Mark Tucker, Deputy Secretary

Mr Malcolm Thompson, Deputy Secretary

Environment Assessment and Compliance Division

Ms Mary Colreavy, Acting First Assistant Secretary

Ms Carolyn Cameron, Assistant Secretary, Strategic Approaches Branches

Ms Barbara Jones, Assistant Secretary, Environment Assessment Branch 1

Mr James Barker, Acting Assistant Secretary, Environment Assessment Branch 2

Mr Richard McAllister, Assistant Secretary, Environment Assessment Branch 3

Dr Kathryn Collins, Assistant Secretary, Business Systems and Governance Branch

Mr Michael Smith, Acting Director, Compliance and Enforcement Branch

Land and Coasts Division

Ms Claire Howlett, Acting First Assistant Secretary, Land and Coasts Division

Mr Mark Flanigan, First Assistant Secretary, Land Sector Taskforce

Mr James Shevlin, First Assistant Secretary, Tasmanian Forest Taskforce

Dr Charlie Zammit, Assistant Secretary, Biodiversity and Conservation Branch

Mr Bruce Edwards, Assistant Secretary, Indigenous Policy and Coordination Branch

Dr Matty McConchie, Acting Assistant Secretary, Policy and People Branch

Dr Jane Campbell, Acting Assistant Secretary, Finance and Aquatics Branch

Ms Peta Lane, Acting Assistant Secretary, Land Sector Taskforce

Corporate Strategies Division

Ms Michelle Wicks, Acting Chief Operating Officer

Ms Lily Viertmann, Chief Financial Officer, Financial Services Branch

Environment Quality Division

Dr Diana Wright, First Assistant Secretary

Heritage and Wildlife Division

Mr Peter Burnett, First Assistant Secretary

Ms Vicki Middleton, Assistant Secretary, Regulatory Reform Branch

Ms Deb Callister, Acting Assistant Secretary, Wildlife Branch

Mr Paul Murphy, Assistant Secretary, Heritage North Branch

Mr Theo Hooy, Assistant Secretary, Heritage South Branch

Housing, Population and Communities Division

Ms Catherine Skippington, First Assistant Secretary

Ms Mary Wiley-Smith, Assistant Secretary, Communities and Housing Affordability Branch

Mr James Tregurtha, Assistant Secretary, Policy, Housing Supply and Rental Affordability Branch

Mr Sean Lane, Director, National Rental Affordability Scheme, Policy, Housing Supply and Rental Affordability Branch

Information Management Division

Mr Geoff Richardson, Acting First Assistant Secretary

Mr Al Blake, Chief Information Officer

Ms Michelle Semmler, Acting Chief Information Officer

Marine Division

Mr Stephen Oxley, First Assistant Secretary

Ms Christine Schweizer, Acting Chief Advisor International Biodiversity and Sustainability and Australia's Commissioner to the IWC

Ms Lara Musgrave, Assistant Secretary, Tropical Marine Conservation Branch

Mr Charlton Clark, Assistant Secretary, Temperate Marine Conservation Branch

Mr Peter Komidar, Acting Assistant Secretary, Marine Initiatives Branch

Parks Australia Division

Mr Peter Cochrane, Director of National Parks

Policy and Communications Division

Mr Sean Sullivan, First Assistant Secretary

Ms Rachel Parry, Assistant Secretary, Communications and Ministerial Services Branch

Mr Andrew McNee, Assistant Secretary, Strategic Advice Branch

Supervising Scientist Division

Mr Alan Hughes, Supervising Scientist

Mr Keith Tayler, Acting Assistant Secretary, Office of the Supervising Scientist

Water Efficiency Division

Ms Mary Harwood, First Assistant Secretary

Mr Colin Mues, Assistant Secretary, Water Recovery Branch

Mr Richard McLoughlin, Assistant Secretary, Irrigation Efficiency Northern Branch
Ms Suzy Nethercott-Watson, Assistant Secretary, Irrigation Efficiency Southern Branch
Ms Lucy Vincent, Acting Assistant Secretary, Basin Communities and On-Farm Branch

Water Governance Division

Mr Ian Robinson, First Assistant Secretary
Mr Steve Costello, Assistant Secretary, Environmental Water Branch
Mr Craig Bradley, Acting Assistant Secretary, Urban Water Security Branch
Mr Robert Gehrig, Acting Assistant Secretary, Project Management and Governance Branch

Water Reform Division

Mr Tony Slatyer, First Assistant Secretary
Mr Tim Fisher, Acting Assistant Secretary, Water Resources Branch
Mr Derek White, Acting Assistant Secretary, Aquatic Systems Health Branch
Dr Tony Bigwood, Acting Assistant Secretary, Water Policy Branch
Mr Aidan Dalgliesh, Assistant Secretary, National Water Market Systems Branch

Agencies

Bureau of Meteorology

Dr Rob Vertessy, Acting Director of Meteorology
Dr Neville Smith, Acting Deputy Director, Corporate
Dr Dasarath Jayasuriya, Acting Deputy Director, Climate and Water
Dr Ray Canterford, Deputy Director, Services
Mr Trevor Plowman, Assistant Director, Finance and Budgets
Mr Alasdair Hainsworth, Assistant Director, Weather Services
Dr Sue Barrell, Acting Deputy Director, Research and Systems

Great Barrier Reef Marine Park Authority

Dr Russell Reichelt, Chairman
Mr Peter McGinnity, General Manager, Environment and Sustainability
Ms Margaret Johnson, General Manager, Communication and Policy Coordination
Mr Bruce Elliot, General Manager, Corporate Services
Mr Andrew Skeat, General Manager, Marine Park Management

Murray Darling Basin Authority

Ms Rhondda Dickson, Chief Executive
Dr Fraser MacLeod, Executive Director, Basin Plan Division
Mr Frank Nicholas, Executive Director, Corporate Services
Ms Jody Swirepik, Executive Director, Natural Resource Management
Mr David Dreverman, Executive Director, River Murray
Mr Russell James, Acting Executive Director, Basin Plan Policy Development

National Water Commission

Mr James Cameron, Acting Chief Executive Officer

Ms Kerry Olsson, Acting Deputy Chief Executive Officer

CHAIR (Senator Cameron): Just before we go to the sustainability, environment, water, population and communities portfolio, I would like to thank the minister and officers from climate change and energy efficiency for their attendance and remind senators that written questions on notice should be provided to the secretariat by close of business Monday of next week, 24 October for climate change.

I declare open this public hearing of the Senate Environment and Communications Legislation Committee. These are supplementary budget estimates proceedings and agencies heard during these estimates are only those which have been nominated by various senators. The Senate has referred to the committee the particulars of proposed expenditure for 2011-12 for the portfolios of broadband, communications and the digital economy; climate change and energy efficiency; and sustainability, environment, water, population and communities and other related documents.

The committee will now begin its examination of the sustainability, environment, water, population and communities portfolio. Under standing order 26 the committee must take all evidence in public session. This includes answers to questions on notice.

Offices and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has copies of the rules. I particularly draw the attention of witnesses to an extract of an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised and which I now incorporate in *Hansard*.

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

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

I welcome Senator the Hon. Don Farrell, representing the Minister for Sustainability, Environment, Water, Population and Communities and portfolio officers. Minister, would you like to make an opening statement?

Senator Farrell: Thank you. I would just like to make one observation: Dr Greg Ayres, who would normally be here representing the bureau is currently on sick leave, but he is being ably represented by the acting director, Dr Rob Vertessy.

CHAIR: Thank you. Dr Grimes?

Dr Grimes: I do not have an opening statement to make.

CHAIR: Thank you. Agencies will be called in accordance with the circulated program. Before commencing with outcome 1, the conservation protection of Australia's terrestrial and marine biodiversity and ecosystems, I note that representatives for outcome 3, Antarctica, have not been asked to attend today. However, notice has been given that written questions will be put to that group. General questions of the department will also be placed on notice.

Bureau of Meteorology

[19:05]

CHAIR: I welcome officers from the Bureau of Meteorology. Dr Vertessy, would you like to make an opening statement?

Dr Vertessy: No.

CHAIR: I invite questions.

Senator McKENZIE: Is the bureau aware that there is no-one available outside of the emergency services to monitor the gauge located at Dergholm on the Glenelg River in western Victoria, even though the bureau is listed on the BOM website as the operating agency?

Dr Vertessy: I will pass to Dr Jayasuriya, who is the responsible officer in the bureau for that matter.

Dr Jayasuriya: In the past, the Dergholm gauge was actually read manually by a voluntary reader—a family who read it for the last 60 years but have retired now. We now have to look at an alternative way of getting the data from that particular station. There is a water-quality monitoring station a few kilometres downstream of the Dergholm gauge. That particular gauge is currently being upgraded by the Department of Sustainability and Environment, the local council and catchment management authority. It is currently going through the calibration processes and in the next month or so we will be able to get real-time data from that particular station and be ingested to the bureau system. We will be able to provide forecasts for the Glenelg Hopkins catchment from about the end of the month.

Senator McKENZIE: Given the severity of the flooding that occurred in January 2011, can you detail what steps are being taken to automate the existing gauges in Victoria and in Queensland?

Dr Jayasuriya: The responsibility for automating the river gauges primarily rests with the authorities who are responsible for the stream-flow gauging stations. The Bureau of Meteorology is responsible for monitoring rainfall and we work in partnership with agencies in Queensland and in Victoria who have the responsibility for monitoring river gauges. I think they are in a much better position to answer that question on the river gauges. We work in partnership with them, but I am unable to tell you how many stations are currently being upgraded.

Senator McKENZIE: Can you provide information on the process to upgrade them, not necessarily the number? I thought the first answer about how it was in the process of becoming automated was quite detailed.

Dr Jayasuriya: In Queensland there are about 300 gauges that are read manually by the bureau and there are other gauges that are also monitored by the department—and also in Victoria. We work with them, but it is really their responsibility to upgrade their stations. I am unable to provide a great level of detail about where the stations are currently being upgraded.

Senator McKENZIE: Since the floods in January in Victoria and Queensland, the Bureau of Meteorology does not know how many manual gauges have been automated?

Dr Jayasuriya: Victoria the government has announced a grant to upgrade the river networks. Our original hydrology managers in Victoria, in partnership with the department, are working out the priorities for not only converting manually read gauges into automatic gauges but also refurbishing the ones that need new technology. There is a work program within the department of sustainability and environment. I am unable at this stage to tell you how many gauging stations are being currently upgraded.

Senator McKENZIE: Do you know how many new monitoring gauges have been installed?

Dr Jayasuriya: No, I do not know how many new gauges have been installed. The priorities for setting new gauges are worked through the Victorian Flood Warning Consultative Committee, of which we are a member. As I understand it the Victorian government's allocation was announced a little while ago and the department of sustainability and environment is going through the process of working out the priorities of where the gauges have to be upgraded.

Senator McKENZIE: The bureau's status is the operating agency. You spoke about being in partnership with state bodies that are managing the rivers et cetera. What rivers are you the operating agency for?

Dr Jayasuriya: Right across Australia there are around 300 locations for which we provide flood forecasts. There are around 126 basins where we look at forecasting floods. Our role is to provide the river level forecast. We ingest the data, the rainfall and the stream flow, which are provided by third parties, and we do all the modelling work that is required. We work hand in glove with our partners so that we get a good insight as to what the weather is looking like. We then go through the modelling process and put out warnings, flood watches, minor, moderate and major flood warnings, and those are provided to the state emergency services as well as published on our website. The role of the bureau is very much forecasting river levels. That is the role of the bureau.

Senator SINGH: Mr Jayasuriya, can the bureau give a report on its most recent seasonal outlook and also on any update on the return of La Nina?

Dr Jayasuriya: I will consult the director.

Dr Vertessy: I will answer that one. The bureau will be issuing its next seasonal outlook in two weeks' time on 25 October. We can share with you some preliminary results that we have. The data is showing a trend back to La Nina conditions. The drivers are not as strong as they were at this time last year. The tropical Pacific Ocean is significantly warmer than it was last year and the ocean conditions are not as favourable as they were last year to extreme rainfall. Nonetheless our statistical model is showing high odds of 70, 75 to 80 per cent of above average rainfall for southern Queensland, much of New South Wales and a fair bit of the Northern Territory at this stage.

Senator SINGH: When you say there is the trend going back, how progressive is that trend? Over what timeframe are you referring when you say that?

Dr Vertessy: We constantly monitor the ocean conditions and the atmospheric conditions. Every month we update the forecast for the three months ahead. On a more frequent basis we look at indicators like the southern oscillation index and we provide fortnightly updates on that. We are constantly tracking the trend in the evolution of the ocean temperatures and the atmosphere. We are progressively forming a judgment of how things are shaping up for the season ahead. It is a constant process.

Senator WATERS: Thank you very much gentlemen. I have a couple of short questions. I note that, under the national environmental information plan, the bureau is now going to become the Australian government authority for environmental information, building on your existing roles. That is good news. Obviously there will probably be a fair bit of work to do to get ready for that new responsibility. Can you talk to me about the expertise you have either

brought on already or are planning to bring on in terms of staffing to cope with that new responsibility?

Dr Vertessy: Yes, I can; I would be delighted to. First of all we have recruited a leader of the initiative, Dr Warwick McDonald, to run that program within the bureau. He is now the responsible executive, reporting to me. We have recruited a variety of specialists with skills in information system design, data standards, terrestrial ecology and environmental accounting, and we are currently in the process of recruiting a specialist in coastal information systems. So we still have a little bit of recruiting to do, but the team is largely formed and well under way now.

Senator WATERS: Are there any biologists or pest specialists in invasive species?

Dr Vertessy: No. The closest thing we would have I suppose is a terrestrial ecologist.

Senator WATERS: Thanks for that. That sounds like the team is taking shape so that is good news. The plan itself, though, seems to focus on the coordination or standardisation of data. That is obviously important as well, but obviously we have huge gaps in our information. Is there a plan? What are your priorities, and have you been resourced to collect new environmental data so that we can get some good decisions based on good data?

Dr Vertessy: The first point I would make is that the national plan is something to be developed. What we are running at the moment is a program laying the foundations towards a comprehensive national plan. One of the most vital things we are doing at the present time is actually understanding the priorities of the various Australian government portfolio departments and agencies with respect to their environmental information needs. We are very close to the end now of assessing what those priorities are, and then they will provide a lens for us to define where the data gaps are. What will follow is a targeted data review to make an assessment of the availability of the data for those needs that have been expressed by the various agencies and departments at Australian government level.

Senator WATERS: Are you getting a sense already of what proportion the gaps are? Do you have a sense of that yet? Is it going to be a big job or just a little, close, patch-up job?

Dr Vertessy: There is an extensive list of interests that have been expressed, across the Australian government. I could not put a number on the size of the gaps. I think the key point to make is that there is a lot of information out there being collected already, and one of the issues is that there is not great coordination in putting it together. We are very confident in fact that much progress can be made just by having better coordination arrangements and bringing better collaboration to bear across agencies.

Senator WATERS: That sounds good. What is the time frame involved in that?

Dr Vertessy: It is an ongoing program. Initially in the budget it is a four-year program and we have set a work plan for the first four years of it.

Senator WATERS: Forgive my ignorance, but how far into the four-year program are you?

Dr Vertessy: We are about a year and a half into it now—a bit over a year and a half.

Senator WATERS: So you have quite a bit to get done.

Dr Vertessy: Yes.

Senator WATERS: I will not hold you up any further from that task. Thank you.

CHAIR: Are there any further questions?

Senator IAN MACDONALD: I do not really have any for the bureau.

Senator BOSWELL: I have a couple of quick questions. What have the sea levels risen over the 20th Century—yes, over the last 100 years?

Dr Vertessy: I will pass to Dr Smith for that one.

Dr Smith: As I understand your question it is: how much has the sea level risen over the last 100 years in the Australian region?

Senator BOSWELL: Yes.

Dr Smith: Its rate of rise is about 1.2 millimetres per year, so if you multiply that by 100 it is about 120 millimetres.

CHAIR: Even off the shore of Brisbane?

Senator BOSWELL: I have got a waterfront property, so I have got a bit of a personal interest in this. But I do not think I will sell.

Senator IAN MACDONALD: You and Professor Flannery both.

Senator BOSWELL: Who was responsible for the *Climate change risks to coastal buildings and infrastructure report*? Two reports came out. One was *Climate change risks to coastal buildings and infrastructure*. Who was responsible for putting that one out? The other one was *The critical decade*. There are two reports.

Dr Smith: Neither are documents that the bureau published. The second document, *The critical decade*, I know, was part of the Climate Commission's work.

Senator BOSWELL: Is that the one that says that tides are going to rise by 1.5 metres to two metres?

Dr Smith: The official line on the rise in the sea level in Australia, as I think we discussed last time, is that, over about 90 years, it is about 1.2 millimetres per year. On the 15 high-level, high-quality gauges we have in Australia, that has been running at about 4.7 millimetres per year for the last 20 years. It is about 4.7 to 4.9 millimetres.

Senator BOSWELL: But it has gone up 1.2 over the last 100 years?

Dr Smith: Over the last 100 years. Over the last 20 years, it is about 4.7. I would note that that 4.7 does contain interannual variability. As we have these warm events or La Ninas, you tend to get higher sea level in the north of Australia. So there is a measure of interannual variability tucked into that 4.7 as well.

Senator BOSWELL: I asked the National Tidal Centre of the Bureau of Meteorology and they told me the average trend calculated from 39 tide stations was a rise of about 0.9 millimetres a year for the last century and that the more realistic figure was 1.4 millimetres a year. Does that square with—

CHAIR: Senator Boswell, these are similar questions to the ones you asked at last estimates.

Senator BOSWELL: Actually they are not.

CHAIR: It sounds like it to me.

Senator BOSWELL: You were going to offer me an apology if I proved you were not right.

CHAIR: I do not need to. You were wrong.

Senator BOSWELL: I was right.

CHAIR: You were not. You were so wrong it is just unbelievable.

Senator BOSWELL: I was right, and this is what I am trying to prove.

CHAIR: Well, you have just been told again.

Senator BOSWELL: No. I was told—

CHAIR: Right. Sorry I interrupted. Let's go and prove you wrong again.

Senator BOSWELL: I will not pursue this because I do have some questions for Dr Reichelt.

CHAIR: You have given up?

Senator BOSWELL: No, I have not given up, but we go round in circles. You will not apologise and I will not admit I am wrong.

Senator BILYK: That is definitely going round in circles!

CHAIR: And the world goes on. Is that it for your questions for BOM?

Senator BOSWELL: Yes.

CHAIR: Mr Vertessy, first of all I hope the chief executive's health is good and that he improves. Can I ask you about the exchange that the bureau had with Senator Macdonald in relation to Cardinal Pell. Did Cardinal Pell ever take the offer up to visit BOM and get a briefing on the climate change issues?

Dr Vertessy: No. I am not aware of any further progress on that issue. I do not believe that a meeting has been set up or requested at all.

CHAIR: So it is a bit like Senator Boswell and me—peace has broken out. There has been a truce declared, has there?

Dr Vertessy: Hopefully so, yes.

CHAIR: As there are no further questions, we thank you very much. While we are doing the changeover to the next witnesses, Dr Grimes, can I thank you for the mud map that you did to try and identify the various areas. I think we all found that very helpful. Thanks very much for that.

Dr Grimes: Thank you. I hope it does assist the committee.

Great Barrier Reef Marine Park Authority

[19:24]

CHAIR: Dr Reichelt, would you like to make an opening statement?

Dr Reichelt: No, thank you.

CHAIR: Then I invite questions.

Senator BOSWELL: I have some questions for Dr Reichelt, and they refer to Gladstone, which is very close to the Great Barrier Reef. Firstly, are you concerned about this dredging that is going on?

Dr Reichelt : I am quite concerned about the reports coming out from Gladstone over the last few months, beginning with the effects of the floods and now the potential effects of dredging, but specifically on dredging, the details of that would be a question for the department as it is not in my jurisdiction.

Senator BOSWELL: With respect, you are responsible for the reef and the park, and I think it is right in your court.

Dr Reichelt : The waters of the state marine park are contiguous with the Great Barrier Reef Marine Park, so yes: it is definitely something that we are watching closely. The monitoring that is going on and the reports of potential fish diseases and other things that are coming from there we are watching very closely, and yes we are concerned at the impacts that all of these things are having at the moment.

Senator BOSWELL: Have you been to Gladstone to inspect the dredging?

Dr Reichelt : Not since the dredging began, a few months ago; I was there probably in July.

Senator BOSWELL: Well, I suggest you go and have a look at it; I have never seen so much activity in the harbour. I think I counted 15 dredges and probably another 20 boats running to and fro. The government has increased the spoil from one million cubic metres to, I understand, 10 million cubic metres; the state government has given permission. Does that concern you?

Dr Reichelt : I might just ask my colleague on the terms of the specifics of the amount of dredging. I am being reminded that the specific management of the dredging process is a matter for the department. The issue of the impacts of dredging are subject to a controlled action under the EPBC—it involves the state and the Gladstone port—and those reports come back through the department.

Senator BOSWELL: I understand where the jurisdiction was, but I am asking you about the Barrier Reef. I am asking: are you concerned about the one million to 10 million cubic metres that has permission to be shifted?

Dr Reichelt : Right at the moment the permissions for dredging, my understanding is, do not extend into the marine park at present. There is the potential in the future for them to extend that way—

Senator BOSWELL: I am well aware the dredging does not, but where is the spoil dump? How far out is it? How close to the marine park is the spoil dumped?

Dr Reichelt : It is quite close, but it is inside the port limit. There is a port excision of the marine park. It does not extend into the jurisdiction.

Senator BOSWELL: I am well aware of that; I know that it is not in the marine park. I am asking you how close it is to the marine park.

Dr Reichelt : It is very close—within 400 metres of the edge of the marine park.

Senator BOSWELL: So we are going to dump up to 10 million cubic metres within 400 metres of the marine park. Spoil does not just stay there; it floats in and out with the tide. What is your response to dumping 10 million cubic metres within 400 yards of the marine park?

Dr Reichelt : We would be watching very closely to see any movement of that spoil. It is within the current permission, as I understand it. There is a longer-term issue of future dredging, and that may well come under our jurisdiction, according to the port plans.

Senator BOSWELL: I am not worried about the future. I am worried about now, when there are 60 or 70 fishermen who virtually cannot make a living. The harbour is open but God help you if you put a diseased fish on the market; you are going to cop it. The port has been open. No-one can identify what the disease is. You are a biologist, aren't you?

Dr Reichelt: Yes.

Senator BOSWELL: Do you know what the disease is in the fish?

Dr Reichelt: I have seen the reports coming from the monitoring. At the moment there is the red spot disease and the parasites—

Senator BOSWELL: They have said now that it is not red spot.

CHAIR: Senator Boswell, could you to allow Dr Reichelt to finish his answer. You are just continually interrupting him. I would like to hear the answer. You are perfectly entitled to follow up on the answer but please let Dr Reichelt answer the question.

Dr Reichelt: My hesitancy in being too specific is that there is monitoring happening now and I am yet to see the reports of it. I have read the media reports and I have spoken directly to the fishermen operating out of the harbour. I understand their concerns. The responsibility for doing that work is not in my jurisdiction but I am vitally interested in it because of the connectivity with the marine park, as you said. I understand there are a number of fish diseases that have been detected and I understand there has been impact on markets.

Senator BOSWELL: The nearby Balaclava development is going to be capped; they are going to put a cap on the spoil. I presume they put a cap on it by dropping sand on it. Is that correct?

Dr Reichelt: I am sorry, Senator—

Senator BOSWELL: The Balaclava development.

Dr Reichelt: Yes, I know where it is. It is within the port boundary to the north and it is outside the marine park also. I think that would again be a question for the department, unless I am mistaken, in terms of their disposal areas.

Senator BOSWELL: I well recognise that they are not dumping—

Dr Reichelt: In the marine park.

Senator BOSWELL: In the marine park. But dumping 400 yards away is very close to the marine park. Are you confident that the plume modelling will not impact on the Great Barrier Reef or the surrounding marine parks? Are you confident that the plume will not just move out?

Dr Reichelt: I am surprised that the modelling does not show significant overflow into the marine park. In all likelihood there would be some amount of overflow and, yes, that would be a concern for us. As that program develops we will be taking a close interest in it and will be advising the department on any changes or outcomes that we think are going to spill over into the marine park.

Senator BOSWELL: If you are concerned, what muscle have you got to enforce your concerns?

Dr Reichelt: I defer to my colleague Mr McGinnity, who is more knowledgeable on the jurisdictional aspects.

Mr McGinnity: The monitoring programs and the management plans that are in place have mechanisms where if the sediment or turbidity reaches a certain level it triggers an action. As I understand it, it is really a matter for the department but there have been two occasions already where the sediment monitoring has identified that it has exceeded the triggers and there have been short-term stops of dredging in the harbour. The issue did not come from monitoring in the Great Barrier Reef Marine Park; it was within the harbour itself. But those mechanisms are in place.

Senator BOSWELL: Are there scallop grounds in the marine park?

Mr McGinnity: There are scallop grounds in the marine park. I also understand there are some over the 'border' between the marine park and the outside of the marine park.

Senator BOSWELL: Is the spoil drifting out onto the scallop banks in the marine park?

Mr McGinnity: I do not have any information about it moving out onto the scallop grounds.

Senator BOSWELL: Would you be concerned if it were?

Mr McGinnity: It would depend on what levels it was going at.

Senator BOSWELL: What about to the level that it is killing the scallops?

Mr McGinnity: Clearly we would be concerned if it were at that level, but hopefully the monitoring programs will pick it up before that level of sediment—

Senator BOSWELL: I am told by the fishermen that all that area where they netted scallops is becoming a wasteland. It is all being inundated with spoil. Mr Reichelt, sometimes I have been critical of you, because I believe the Marine Park has been overzealous, particularly when 300 people were charged with a criminal offence for fishing. I do not think you were there at the time.

Dr Reichelt: I do not think I was there.

Senator BOSWELL: I do not think you were there. I am sure it would not have happened under your watch. But I do say—

Senator IAN MACDONALD: I am not sure about that!

Senator BOSWELL: They do say that when you enforce the law that hard, you need some sort of response to this, because 60 to 70 fishermen are losing their livelihood; they are losing their living. The spoil is going out onto the scallop banks. It is affecting the bug catchers and the prawn catchers. With due respect, Sir, I know you are concerned, but what are you doing about it? Why aren't you out there having a look at the scallop banks? They are in your marine park.

Dr Reichelt: The dredging action at the moment is inside the—

Senator BOSWELL: But the ball is 400 yards from your marine park.

Dr Reichelt: The spoil grounds are close enough that we are taking a close interest. At the moment, I have not received any reports of spillover but—

Senator BOSWELL: If you talked to the fishermen they must have told you about their concerns. They tell me about their concerns.

Dr Reichelt: At the time I was there, the concern was more about water quality in the harbour and the live trout trade.

Senator BOSWELL: Have you received the results of the water testing in the Gladstone Harbour?

Dr Reichelt: Because of the way that the reporting is set up with the department in Brisbane, DERM, through to the department here in Canberra, we are notified when something is triggered or when there is an exceedence or a stopping of dredging. We have heard of several stoppages of dredging, as we heard from Mr McGinnity, but we have not had indications that the water quality is showing anything other than—

Senator BOSWELL: The question I asked was: have you received the reports of the testing in the harbour? I know the harbour is not your responsibility but what is 400 yards out is your responsibility, so I would have thought you would be monitoring those reports.

Dr Reichelt: As I said, we are getting the summaries of the status of those reports. We could access the actual data sets. I do not think they are secret. But at the moment we get the reports via the people charged with complying with the conditions of the dredging, and they are accountable to the department.

Senator BOSWELL: Are you aware that the prognosis for the fish in the Gladstone Harbour—this is on DERM's website—is not red spot. No-one knows what it is, but it is not red spot.

Dr Reichelt: I have discussed it with Michael Gardner of QSIA, who thought it was a streptococcus. But I have not seen the health department reports, and I cannot speak for my colleagues in the department.

Senator BOSWELL: I have a couple more questions.

Senator IAN MACDONALD: Perhaps I could ask a question of the secretary. Is the sustainable management of natural resources at 8.30 the area that Dr Reichelt is suggesting that questions be raised on this issue?

Dr Grimes: No, Senator. The right place to any questions about this matter is tomorrow morning. Let me check the program.

Senator BOSWELL: I am capable of looking up the program and I know where to ask the questions. The questions do refer to the Great Barrier Reef Marine Park. They do refer to the Barrier Reef and the park, and you are in charge of the park. You are responsible for the maintenance and good order of the park and, therefore, I think I have every right to ask you a question on this. It seems to me that you are relying very much on the state government to give you the information. I think you should seek the information yourself.

Dr Reichelt: Could I give you my understanding of the picture from the marine park's point of view briefly. Since the extreme weather of April and May, there has been a dramatic effect in the marine park on seagrasses. Gladstone Harbour seagrass went from its high level of the year before to two per cent. That is why there have been starving turtles and dugongs. In and around and near Gladstone Harbour has been a hotspot, but so has the Townsville area. In the midst of that the dredging program has begun and there have been illnesses detected in

fish. What you have said is on the public record through reports from fishermen. At the time I spoke to them, they were more concerned about acid run-off or some other effect because the live fish were dying in their tanks. The dredging is a specific action, as I have said before. From our point of view, we have been very active in talking to fishermen about altering netting practices and things that will take the pressure off the turtles and dugongs. Yes, we are relying on reports at present from the harbour to do with approved actions by the government, both Queensland and the minister of this department. It is something we are watching very closely. As to the issue of impact outside the park, if that becomes a greater risk than our present understanding and the present reports are showing, yes we will take a very strong interest and pursue it strongly.

Senator BOSWELL: Let's get back to the capping of the spoil. I know it has been done up at the Balaclava project and it is not in your area. Seeing as 10 million cubic metres of spoil is going within 400 yards of the marine park, would you be happier if it was capped? Would that relieve some of the pressure on you?

Dr Reichelt: I am not familiar with the capping proposal because we have not seen that. Where there is maintenance dredging ongoing, the largest one is inside the Cairns port area and in Townsville, where soft sediment has spread and the seagrass has recolonised. Spreading soft sediment in those areas does not have a long-term impact. Things regrow very quickly, seasonally almost. I am not familiar with the capping proposal so I cannot comment right now.

Senator BOSWELL: Do you know what is in the spoil? What is the actual content? Surely you must know that.

Dr Reichelt: As we are not the assessors of the Balaclava project we would be—

Senator BOSWELL: I am talking about the dredge spoil. What is in it? Is it toxic?

Dr Reichelt: Are you talking about Gladstone now?

Senator BOSWELL: Yes.

Dr Reichelt: I will ask Peter McGinnity to comment.

Mr McGinnity: The assessment of the spoil that is disposed of at the spoil disposal site has to conform with the national guidelines. So there are a series of tests that have to be done in order to decide whether or not it can be disposed of at that site. Again, I cannot talk to the detail of that because that is a matter that has been fully assessed by our colleagues in the department, but we have verified that they are following that process and we were satisfied that, if they followed that process, there would not be toxic materials being disposed of.

Senator BOSWELL: With all due respect, people have only got to go across a line into a green zone and they are in all sorts of trouble. It seems that you are being pretty relaxed and relying on the state government, who have got \$86 billion in infrastructure going in there. Of course they want it to go ahead. Even the fishermen recognise it has got to go ahead. But surely you do not depend on some other government department to give you information. Shouldn't you be assessing what is in the spoil and where the spoil is going yourself?

Dr Reichelt: When the project is outside the park but near to our interests, we have closely consulted with the department. We do get access to the same information. We do take a strong interest. In the case of the Hay Point dredging two years ago, we posted officers on

the dredge and in the port because that was in the marine park. We set conditions to minimise large rocks and things that would affect that recovery period. There are designated spoil grounds along the coast of the barrier reef. The one you are talking about in Gladstone is currently using a designated spoil ground. As I said, into the future that changes. It will be subject to an intense—

Senator BOSWELL: No, I am asking you what the content of the spoil is and you are saying, 'Don't worry about a thing because we are getting information from the—

CHAIR: Senator Boswell, I do not think that Dr Reichelt said, 'Don't worry about a thing.'

Senator BOSWELL: No, he probably did not. I accept your admonishment for verballing him. But it seems to me—

Dr Reichelt: I think that is appropriate for the team in the morning, I think, who are managing the process closely and do advise us of any exceedances of the national guidelines.

Senator BOSWELL: I will just finish off by saying that maybe you should be taking a bit more of an interest in this—because it is very close to what you are responsible for. I know there will be pressure on you and I know the industry has to go ahead with its \$86 billion infrastructure project, but please watch it.

Senator WATERS: I will kick off with the Gladstone related questions as well, although Senator Boswell has raised some of these issues already. Bearing in mind the huge number of turtle, dugong and now fish deaths all along the Queensland coast but particularly in Gladstone Harbour, has GBRMPA formed a view as to the cause of those marine deaths?

Dr Reichelt: I will ask Peter McGinnity to summarise our understanding for you.

Mr McGinnity: The primary cause of the deaths is the loss of the seagrass, which is the result of not only one but a couple of wet seasons with very high rainfall—the turbidity has had an effect on the seagrass. There have been some other reasons—some of the dugong and turtle deaths were caused by them being caught in nets. But by far the primary reason is the decline in the condition of the animals as a result of the loss of the seagrasses.

Senator WATERS: That is interesting because I visited there just recently and I spoke with a number of local vets who were performing the necropsies on many of the dead animals—many of them had full stomachs. So the view of the vets was that in fact it was not a seagrass issue, it was boat strikes arising from the huge increase in shipping traffic in the harbour to build the LNG facilities. A second reason, they thought, was that the deaths were due to the smothering of what little seagrass there was left by the dredge spoil—the turbidity in the harbour. Some two million cubic metres has already been dug up from the harbour in the last few months. Noting the recent Queensland government studies which found huge turbidity in September at a number of sites in the harbour, I am interested in what GBRMPA is doing about that, if anything. I am conscious that it is within the World Heritage area but not within the marine park boundaries. I have a few other questions which will touch on those jurisdictional issues.

Mr McGinnity: The information I just gave was for the whole of the coast—which was your original question. In terms of the harbour, there has been some increase in boat strike this year. I do not know the exact numbers related to that. In terms of the full stomach of the animals, I am not sure what you are referring to. For example, with the turtles the Queensland government looked at when they were looking at the Boyne Island turtle deaths—if they had

full stomachs, they were full of mangroves rather than seagrass, which is their preferred diet. I would be happy to look into what you have and provide further information, but I am not aware of the material you are citing.

Senator WATERS: That would be helpful. It does seem to be an incredibly complex issue and I am sure there are a number of factors causing a very sad and very large number of wildlife deaths. Senator Boswell referred to 10 million—in fact it is 11 million—cubic metres of offshore dredge spoil dumping 400 metres, as you said, from the marine park. It is actually sandwiched in between two borders of the marine park. I have a very handy little map here, and you can see it is right outside the marine park boundaries and it is squarely within the World Heritage boundaries. I am interested in what advice you gave the minister on the impact of dumping that vast amount of spoil right on the borders of the marine park and within the World Heritage area.

Dr Reichelt: The advice has probably gone through the department on that proposal. I am not sure if it was part of the deposition made to the Senate or not, and possibly it would be for the department or the minister to release that information. Our typical advice would be to specify the conditions for the guidelines and what to have regard for in setting any conditions on that proposal. I am not sure I can go a lot further on the specific advice directed to the department. Perhaps they can confirm tomorrow morning whether or not that has been released.

Senator WATERS: I would be interested to know what conditions you did recommend and if they were adopted, if you have that information to hand.

Dr Reichelt: I do not have it here and I think it would be more appropriate if I had time to take it on notice and discuss with the department whether that has already been published or not. It is possible it is on the public record already.

Senator WATERS: You alluded to the fact that there might be possible dredging within the marine park in future. Have you received any applications to date or are you aware of any proposals that will result in an application for the dumping of dredge spoil within the marine park boundaries?

Mr McGinnity: In relation to Gladstone?

Senator WATERS: In relation to anywhere but particularly Gladstone.

Mr McGinnity: There are sites in the marine park for approved dumping but I would have to refer to one of my colleagues to get the details for where dumping already exists. We have not received an application to dispose of spoil at Gladstone for any future dredging, though we have heard that that is being discussed.

Senator WATERS: I have quite a few questions that I am keen to put on notice, namely the cumulative figures for dredging within the World Heritage area—there is 46 million tonnes in Gladstone Harbour, there is five million for Dudgeon Point coal port and there is any number of other coal ports up and down the Queensland coast, all of which entail dredging. I am keen to hear from you, as the relevant authority, are you tracking those cumulative figures, what has been approved, what is just at the proposal stage and how are you managing this vast influx of dredging and dumping proposals and the impact of those proposals on the World Heritage values of this beautiful marine park? I want to go to UNESCO's concerns about the

Curtis Island and Gladstone LNG facilities. I am sure you are aware of the June statement of the World Heritage Committee—

CHAIR: Senator Waters, you may have to put this on notice. Other senators have questions they want to ask, and we have dealt with only one issue. There are other issues as well. You might want to raise the question and we can take the response on notice.

Senator WATERS: Okay. I am just interested in the department's reaction to the 'extreme concern' of the relevant World Heritage body as to the threats to the outstanding universal value of the reef from these LNG port proposals and what actions you are taking to ameliorate that concern. I also have extensive questions on Diuron and the fact that it has recently been discovered in toxic levels at eight different sites, along with atrazine and metachlor, and what actions the authority is taking in relation to that. There are a number of other questions which I will also unfortunately have to put on notice.

Senator IAN MACDONALD: Have you been contacted by anyone who alleges bullying at GBRMPA? This is an incident that goes back to 2008 and the particular person—who obviously I do not want to name—has complained about inappropriate behaviour and that complaint was investigated and found to be justified. Do you have any people on your staff who are still being paid but not working because they are on extended leave?

Mr Elliot: As of this moment we have three staff members who are on personal leave for illness reasons relating to a variety of different things, including the one you are talking about.

Senator IAN MACDONALD: You do not get a lot of complaints about bullying?

Mr Elliot: No, we do not. In terms of unscheduled absences—that is, sick leave—we are about half the APS average in terms of days taken per year.

Senator IAN MACDONALD: Is the Merit Protection Commission part of your organisation or is it a general public service body?

Mr Elliot: The Merit Protection Commission is part of the Australian Public Service Commission and so they are an independent body—independent of the other agencies—who do secondary review.

Senator IAN MACDONALD: I might have to pursue that at another time. I do want to get onto the Guthalungra Prawn Farm project which I indicated I would be raising. Are you aware of the situation that for almost 10 years now the people who run Pacific Reef Fisheries, who run the aquaculture corn farm in Ayr, have been trying to get permission to open a new farm south of Ayr at Guthalungra? They want to spend a lot of money—from memory it is \$10m—and they want to employ 60 full-time staff and 180 part-time staff. They have spent a lot of money on this project. They have approvals from the Queensland government, from all the environment agencies in Queensland, but they seem to be stuck with discharge of nutrients into Abbot Bay and Upstart Bay. Can you explain to me where that is at, so far as the authority is concerned?

Dr Reichelt: Pacific Reef Fisheries is the company, the proponent. They submitted a proposal for assessment under the EPBC Act in 2001 and that proposal is still under assessment.

Senator IAN MACDONALD: After 10 years?

Dr Reichelt: Yes. We have yet to receive an application from the proponent. In very recent times, as recently as two weeks ago, the managers of that company met with my staff to discuss the details of their proposal and the authority's interest in seeing clean water in the Great Barrier Reef. I would like to add that the first advice we gave to a number of the representatives of that company in 2001 was that they should talk to the marine park authority. In 2003 the chair wrote to the managing director, inviting an application. We have yet to receive one. I would like to put on the record that I understand the conversations as recently as two weeks ago were productive and cordial. Would you like more information on that?

Senator IAN MACDONALD: I am told that applying for a GBRMPA permit would cost \$130,000. That cannot be correct?

Dr Reichelt: It could be, depending on the scale of the proposal. There are permit application fees that apply. I could give you the scales of those. It depends on the size and the amount of—

Senator IAN MACDONALD: Perhaps you could do that on notice as time is limited tonight. I understand they have all the necessary approvals from the Queensland government, the EPA, DERM and all of those people. I understand they are waiting approval under the EPBC Act. Where does the GBRMPA permit come into that?

Dr Reichelt: The EPBC matters are a matter for the department, as you know. The need for a discharge into the marine park triggers a requirement for a permit under the marine park act, so from the marine park authority. Both approvals are needed. This is the last of the proposals that are outstanding since before 2009 when amendments were made to make an application under one act trigger an application under the other. So this is a legacy application that is the last one requiring two processes to run, hence the need for the act proponents to apply to the marine park authority. It would not happen if the application was being made initially today.

Senator IAN MACDONALD: Today, one agency does both state and federal, are you saying?

Dr Reichelt: No, from the point of view of the proponent, one application will enable both the department and the marine park authority to work together to either issue or otherwise a permit at the same time with the same resources.

Senator IAN MACDONALD: But they could spend \$130,000 getting your permit and then be knocked back by the EPBC Act requirements. Is that a possibility?

Dr Reichelt: I will have to be cautious. Because they have not applied for a permit yet, I do not want to say anything looks like the outcome is prejudged, which is where that question might take me. The fact is, they have already applied for an EPBC permit and are having exchanges with—

Senator IAN MACDONALD: But you can understand why they would not want to spend \$130,000 if the EPBC is going to say, 'No, you can't go there anyhow.' They might get your permit and get knocked out by the EPBC people. You can understand that \$130,000 is not much if you are a government but it is a lot to individual companies.

Dr Reichelt: I cannot speculate on the outcome of that permit process.

Senator IAN MACDONALD: Do you offer advice to the EPBC Act people—if I can use that description—insofar as their issues are concerned?

Dr Reichelt: Our advice is routinely sought for EPBC projects which have a potential to impact in the Great Barrier Reef Marine Park. Yes, we do offer advice usually at each stage of the referral, to the specifics and any conditions.

Senator IAN MACDONALD: They were told by the Queensland authorities that they could offset the 29 tonnes of nitrogen by making an arrangement for a land based property to reduce their nutrients by that amount. They entered into this arrangement and then have been told by someone, perhaps not you, that the discharge into Upstart Bay is different to the discharge into Abbott Bay.

Dr Reichelt: I think that would be correct. I am not sure of the specifics of that relationship. That would be something on which there is ongoing discussion between the minister, technically, advised by the department, on offsets. From the marine park authority's point of view, I should also add that the two bays are quite different water bodies. But without going into that assessment, because it is not one that we are making, what I can say is that the marine park authority has a view that the water quality of the inshore Barrier Reef is under pressure from human uses. A lot of good effort has been made by agriculture and other users to remedy those catchments. Our advice would be about making sure any discharges did not cause further decline, including via offsets. But that is subject to our yet-to-be-received application. The specifics of the offset arrangement with the company would have to come to the department tomorrow.

Senator IAN MACDONALD: I am told that in discussions with an officer from your organisation they were told that they would 'never ever ever' get a permit, which makes them obviously a bit reluctant to spend \$130,000 to apply to that particular officer for a permit.

Dr Reichelt: That would be news to me. Mr Skeat was at the meeting last week with the company, if you would like his comment on how the meeting went.

Senator IAN MACDONALD: Yes. I would. My information is a few weeks old so maybe it has been superseded by a meeting you have recently had, Mr Skeat—if I can ask the indulgence of the committee to hear that.

Mr Skeat: The meeting, which was a couple of weeks ago, was with the proponents, and they were seeking to discuss the issue of the process of the Great Barrier Reef Marine Park Authority permit and our views on offset arrangements. It is no secret that our advice around this issue has been in relation to the water quality of Abbot Bay in particular. We have a particular concern that the water quality in Abbot Bay is not good at the moment and that it exceeds a number of guidelines. In relation to any outcome in relation to the aquaculture venture or other activities in the bay, our advice would always be that we need to be in a position that the bay does not get worse. So one option would obviously be to ensure that the water quality, which is coming from the aquaculture venture was the same quality as the bay, or, if it was of worse quality, that some offset was in place which would bring us back to status quo. So we do not have an issue in relation to either of those situations. Our discussion was very useful because it allowed the company to understand that it is not an issue of offsets in the Great Barrier Reef as a whole; it is an issue of an offset which would deal with the quality of Abbot Bay so I think it was very productive.

Senator IAN MACDONALD: But the offsets under the reef rescue—this is a quite significant operation: 10 years, \$130,000 to apply for a permit, \$10 million odd to be invested, 240 jobs to be created and an environment to protect. Can you tell me what the cause of problems in Abbot Bay is? There is hardly any activity on the shores of Abbot Bay.

Mr Skeat: The issue is that currently the bay is at, or exceeding, a number of guidelines, including the GBRMPA guidelines and ANZECC guidelines, as well as Queensland water quality trigger. There is some speculation as to why the bay is in that condition. Potentially, it is because of current output from places like the Don River and catchments to the south, because water generally moves to the north as it exits the major rivers along the Queensland coast. Abbot Bay has particularly poor circulation, based on the information we have to date. The thinking is that it is likely that nutrients are essentially trapped in the bay. That is why there is a particular concern about Abbot Bay as opposed to the area in general.

Senator IAN MACDONALD: Trapped from the Don River? I would not think the Don River came into Abbot Bay.

Mr Skeat: The modelling shows that in fact the output of the Don River does end up in Abbot Bay in part.

Senator IAN MACDONALD: But it is south of Abbot Point. You say it moves north?

Mr Skeat: That is right.

Senator IAN MACDONALD: Are you saying the offsets either have to come from the Don River or—there are very few places in Queensland that have less agricultural activity. There is a lot of industrial activity at Abbot Point of course. But the offsets would have to come from there?

Mr Skeat: We would need to look at it again, but that is the current suggestion. If there were to be offsets, Guthalungra Creek is obviously a major input into the area. The Don River is likely to be a major contributor. Offsets in the Burdekin catchment we do not believe would be appropriate in this case, even though they would be excellent in terms of contributing to the water quality of the reef as a whole, they would not deal with the issues in Abbot Bay.

Senator IAN MACDONALD: As you know, they were told by the state government that that would do. Following your conversations the other day, did you get the impression that you are going to get an application for a permit?

Mr Skeat: We cannot be clear about that, but the proponents took our advice and indicated that they would get back to us shortly. I hasten to add it was a very positive meeting regarding the exchange of information.

Senator IAN MACDONALD: On notice, could you give me a short description of the differences in the causes of the water quality in Upstart Bay as opposed to Abbot Bay—Upstart Bay being the outlet for all the Ayr, Home Hill and upriver cane farming operations, which are very substantial. In the Upstart Bay area there is hardly any agricultural activity to speak of. I would be interested to learn more about the two areas. Also, on notice, could you indicate how it would be possible to offset nutrient output in the Abbot Bay catchment?

Mr Skeat: Yes.

CHAIR: We had a discussion at the last estimates in relation to the effect of climate change on the bleaching of the coral reef and the acidification. What is the latest update on the effect of climate change on the Great Barrier Reef?

Dr Reichelt: There is no new information in relation to bleaching since the last exchange. Up until April this year, we have all been focused on the hot summer and the last six months we have been dealing intensively with the extreme weather, which again has implications stemming from global warming. I cannot add any new technical information, but we remain externally concerned about the long-term prognosis, recognising interyear variability. There is no evidence that the general warming trend has ceased. Global action is required and local action for building resilience, which is why the discussions we have been having about water quality, dredging and other things is so important locally, and more importantly because of the need to build the resilience of the reef system.

CHAIR: You are saying that there is no evidence that the warming of the reef is diminishing?

Dr Reichelt: This is something that is measured over years to decades and it has only been six months or less since we met last. There has been nothing new technically that would alter the predictions in our *Outlook report 2009* and the critical decade report.

CHAIR: Global warming and climate change are a threat to the reef?

Dr Reichelt: It remains the No. 1 issue regarding risk assessment for the reef.

CHAIR: The No. 1 issue?

Dr Reichelt: Yes.

CHAIR: You indicated the further complication of climate change is now extreme weather, which is creating the problems that you are dealing with now—is that correct?

Dr Reichelt: It is a matter of scientific debate about when the weather becomes the climate. I have heard other colleagues here debating that with other senators. I am not an expert in that, but I do know that frequency and intensity of storms and associated flood events is an issue related to the problem of climate change.

CHAIR: Thank you for your evidence here today.

Senator IAN MACDONALD: Did I ask you to put on notice your schedule of charges and to explain them.

Dr Reichelt: I took it that you had, but thanks for clarifying that.

Senator IAN MACDONALD: If I have not, could I please?

Dr Reichelt: Yes.

[20:15]

CHAIR: We will now move to Parts Australia Division.

Senator WATERS: I have a few questions about Kakadu National Park. Could you tell me the number, the type and the specific location of each tourism activity or development in Kakadu National Park since the introduction of the tourism master plan in 2010, including those areas that were within the former wilderness zone?

Mr Cochrane: Off the top of my head, there has been no new infrastructure development in the park since the tourism master plan was released. There are a number of proposals that

traditional owners are exploring. I cannot think of whether any new businesses have been established since then. There are some new businesses that were establishing at about the same time as we finalised the tourism master plan, but I would be pretty confident there are no infrastructure developments that have followed since then. I would like to take that on notice so that I could be sure of my answer.

Senator WATERS: I would be very happy with that. Any tourism activity or development—so broader than just infrastructure. Since the removal of the zoning scheme in 2007 and those more flexible tourism precincts under that master plan, have you noticed any growth in park visitor numbers? How is that growth compatible with the protection of the natural values of the area?

Mr Cochrane: No, there has not been a growth in visitor numbers, although there are other factors that have resulted in that, we believe. The park is still managed very consistently with how it was previously zoned. The major change from the former management plan to the current one was the removal of a zone which was called a wilderness zone, which was largely over sickness country.

Senator WATERS: Over which country?

Mr Cochrane: Over sickness country in the south of the park. The park encompasses the upper reaches of the South Alligator River. That site has had a number of uranium mines in the 1950s and 1960s. That change in designation was at the request of the traditional owners. There are a number of important art sites in there but a number of traditional owners are keen to pursue tourism ventures in that part of the park. None of those are currently up and running but they are exploring a number of possibilities there.

Senator WATERS: Is it the case that tourism activities or developments can now be proposed virtually anywhere in the park?

Mr Cochrane: No. The park contains a very large number of sacred sites that are registered under Northern Territory legislation. Many of those, and other sites, are sites that traditional owners would not entertain developments or tourism activities near. It would be incorrect to say that tourism activities could take place virtually anywhere in the park. There are considerable areas of the park which are not open to public access for a variety of reasons. Cultural reasons are one of them. Another reason is that there are a number of traditional owners who live in the park and for their privacy those areas are not open to public access as well.

Senator WATERS: I have got to run to another committee, so I think I might leave it there. Thank you very much.

Senator BIRMINGHAM: Possibly time prevented us from getting to some issues under the PBS that I would have raised during budget estimates, but the income from your own revenue generation drops substantially from 2010-11 into the forward estimate years. The only explanation or statement in here is sale of goods and services will also reduce in 2011-12 by \$6.6 million, which is primarily a result of terminating agreements. Are you able to explain to us what those terminating agreements are and why you lose that income stream?

Mr Cochrane: Yes, but to give you an accurate answer let me just chase that. They are not actually a reduction. One of them is related to the Gunlom rehabilitation project, which is the rehabilitation project that we had to remedy the impact of those old uranium mines in the

upper South Alligator River region. You may recall, we received \$7 million over four years to undertake that project. That project was completed and that money then terminated. That was a significant part of that drop. Again, I may need to take that on notice, because I must confess I came prepared for all of those questions at budget estimates but I do not have it in front of me. Can I take that one on notice, please?

Senator BIRMINGHAM: Yes, if you could, and just provide an outline, because even the one you highlighted strikes me as an unusual one to have been included in your own source revenue category, that would normally be from your own sales of goods and services, rather than necessarily grants for a particular environmental project of the type you identified.

Mr Cochrane: And in fact you are correct. Let me take this on notice to make sure you get the accurate answer on that.

Senator BIRMINGHAM: More generally, how much of your revenue stream is generated by tourist activities, specifically?

Mr Cochrane: The majority is generated from entry fees to our three key parks, where we charge entry fees. Kakadu, Uluru and Booderee.

Senator BIRMINGHAM: Some industries are citing a number of challenges at present, driven of course very much by the dollar and a range of other factors, including the GFC mark two and so on. Are you feeling those pressures as well or seeing the flow-on effect?

Mr Cochrane: We are certainly feeling the impact of lower numbers. There has been an overall decline across the territory last financial year of something like 19 per cent. We experienced that. As you rightly point out, the industry attributes that to a variety of factors, including the GFC and some fall-off in traditional markets such as the UK and the US. We have also felt the impact in particular in Kakadu from a late end to the wet season last year and an early start, quite an unusual circumstance if you look back over historical times. We actually managed to lose something like eight weeks out of our visitor season as a result of late rains in the wet season and then very early rains, unusually early rains, last year. So that has had an impact on us as well.

Senator BIRMINGHAM: A territory wide decline in visitation of 19 per cent. Is that an accurate reflection of a 19 per cent impact on takings for you in terms of visitor fees though Uluru and Kakadu?

Mr Cochrane: At Kakadu, in particular, that is roughly the fall we felt last financial year, yes. Uluru was not quite so dramatic. Let me quote the figures for Uluru. We had an eight per cent decline in visitation up until August this year compared to the same period last year. There was much more active marketing of Uluru. I am told by the industry that some substantial kick occurred after the Oprah Winfrey visit. The numbers for US visitors to Uluru went up something like 19 per cent.

Senator BIRMINGHAM: That demonstrates some of the impact of these things. In dollar terms, what does the 19 per cent drop in visitation to Kakadu and the eight per cent drop in visitation to Uluru mean for your organisation?

Mr Cochrane: In round numbers, the impact on Uluru was around \$300,000 and the impact on Kakadu was close to \$1 million.

Senator BIRMINGHAM: What does that mean for you operationally?

Mr Cochrane: I have had the capacity, because of cash reserves, to allow both of those parks to currently run at a loss whilst we explore and work with the tourism industry to rebuild visitor numbers. It is a matter of working closely with the tourism industry itself and with Northern Territory Tourism, who are the major marketers and promoters of visitation to the Territory and to those two parks.

Senator BIRMINGHAM: Is there a confidence that the softer impact of the downturn being felt at Uluru will be maintained, or is there a feeling that the Oprah effect was a more short-lived bounce?

Mr Cochrane: In terms of our major market and in particular Europe and the US, I think the economic conditions prevailing there will have a pretty significant impact on that confidence. If things recover and that confidence returns, I would be more confident. If it does not, I would be similarly concerned about the longer term prospects. It is difficult to plan for those things specifically.

Senator BIRMINGHAM: How long could you feasibly run two parks at an operating loss, without then having to make cost cuts to address the loss in revenue?

Mr Cochrane: I would not like to see that run for more than this financial year. I would really be expecting something from the measures that are in play. I should say that the Northern Territory government is spending several million dollars on promoting both parks. A new campaign for Kakadu is already underway. There has been a significant shift in both parks from the number of international visitors—which, as we have discussed, has been declining—to the domestic market. To a degree, some of the drop in international visitors has been picked up by domestic visitation. I am also told by the industry that there has been some beneficial impact at Uluru from the opening up of the air market to Virgin Australia. They have opened up a regular service there in competition with Qantas, who used to be the sole supplier.

CHAIR: Senator Birmingham, can you make this the last question.

Senator BIRMINGHAM: Sure I can, Chair. If you had to cut out of your operating expenses \$1 million from Kakadu and \$300,000 from Uluru, could that be done purely from promotional activities or the like, which of course could have the flow-on effect of exacerbating the income problems, or would you have to cut maintenance, jobs, rangers and the like?

Mr Cochrane: It is a hypothetical question at the moment. Clearly, we keep that under review. As yet, we have not reduced staff numbers at all in the park. It is actually critical for us to maintain staff numbers both to maintain visitor facilities, to maintain access to visitor sites and, of course, to maintain the fire work, feral animal control and weed work that we do. So far, we have not had to deal with that as yet. It is a hypothetical question, which I have not had to come to a landing on yet.

Senator BIRMINGHAM: Thanks.

[20:31]

CHAIR: I now call officers from the department in relation to program 1.1, sustainable management of natural resources the environment.

Senator WILLIAMS: I want to raise the issue of Lake Innes, on the mid-north coast of New South Wales, and the freshwater reversion program. Prior to 1933, Lake Innes was generally believed to be a freshwater lake. I have a map dated 1891 which shows the Cathie Creek actually went out to sea and hence it would have been tidal. Some time it may have become freshwater and later still was joined to the Lake-Cathie estuary system, which flood the lake with saltwater. What was created was one of the premium saltwater aquatic ecosystems on the east coast. It is a very important salt lake for prawns and fish breeding et cetera. A million dollars has been set aside for a study of this lake. Where is that study up to?

Mr Flanigan: We have been having some preliminary scoping discussions with a range of parties and stakeholders who are interested in the activities around that project. Those consultations have involved the New South Wales parks department, the New South Wales fisheries department, the CMA in that region, the local council and a number of others. That is the stage we are at in that process.

Senator WILLIAMS: What about the local fishermen?

Mr Flanigan: The project that has been proposed is to undertake an environmental impact study of the proposals around the long-term management for that water body. During that process that will involve significant consultation with locals—fishermen, recreationalists and the local community. We have not yet entered into the contractual arrangements for the project. It is still in that early scoping stage.

Senator WILLIAMS: Is it the goal to turn it back to a freshwater lake? Is that what people are looking to achieve here?

Mr Flanigan: As I understand the situation, there is a proposal to turn it back into a freshwater lake and that is what the environmental study will look at. It will look at the feasibility of that and the potential social, economic and environmental impacts associated with the project. The funding that we are providing is to undertake the analysis of that proposal, to judge whether it is actually the sensible thing to do environmentally.

Senator WILLIAMS: Are you aware that it is a tremendous breeding ground for fish stocks?

Mr Flanigan: I am aware that the local fishing community, both recreational and commercial fishers, are very interested in what happens long term there. I am aware that others, as I think you pointed out in the preamble to your question, believe that for long periods of time that water body tended to be more freshwater than permanently connected to the sea. But those are the sorts of issues that will be examined during the environmental study.

Senator WILLIAMS: Would you like a copy of this map from 1891 which shows that it would have been saltwater? I am happy to give it to.

Mr Flanigan: I am certainly more than happy to have it and pass it on to my colleagues who are managing this project.

CHAIR: Senator Williams are you seeking to table the map?

Senator WILLIAMS: Yes, I am tabling it. The point I make is if you have some groups wishing to turn the lake back to freshwater—and clearly that map shows in 1891 it was saltwater; it may have changed over that period afterwards—you will lose one of the huge breeding grounds for restocking saltwater fish. It is a great area for that and it is also why the

fishermen I have spoken to up there are extremely concerned. If that was to happen, and you put it back to freshwater, will there be compensation for fishermen? What is in the process down the road if it goes back to freshwater and destroys industries and breeding stocks?

Mr Flanigan: That presumes the final outcome. At this stage, what we are funding is the environmental work and the consultations that go with that. The understanding of those types of systems in the central New South Wales coast is that they go through periods of being blocked from the ocean and therefore become more brackish and more freshwater over time, and then at other times they are open. So your map would certainly be of interest to this work, and I will make sure I pass it on to my colleagues.

Senator WILLIAMS: How long will this study be going on for?

Mr Flanigan: The project is funded to run over a three-year period.

Senator WILLIAMS: Is that \$1 million for three years or \$1 million a year?

Mr Flanigan: It is a little bit less than \$1 million; it is \$970,000.

Senator WILLIAMS: For three years?

Mr Flanigan: It is \$220,000 in 2011-12, \$250,000 in 2012-13 and \$500,000 in 2013-14.

Senator WILLIAMS: So the report should be handed out towards mid-2014, do you think?

Mr Flanigan: As I said, we are still working up the scoping on that, but at this stage our expectation is that the final environmental study document would be submitted to the state in about the beginning of 2013.

Senator WILLIAMS: Can you give me a guarantee that a broad spectrum of the community will be consulted with on this whole survey, and not just the national parks or others? Will it involve those involved in the fishing industry, and those who rely on the economic benefits of this very important breeding ground et cetera. Will they all be consulted?

Mr Flanigan: Yes, as far as it is in my power to make that statement. At this stage we are expecting to contract the Catchment Management Authority to run this study, and the Northern Rivers Catchment Management Authority there has a good track record with engaging its local community. I am advised that the intention is to have very broad consultation as they develop the documentation.

Senator BIRMINGHAM: An additional \$7½ million was promised at the last election for expansion of the Cumberland corridor. Has that funding been appropriated? If it has, what is happening with it?

Mr Cochrane: Yes, we have received those funds. One property acquisition has been approved. That is still working its way through the system. We are currently working up some options for the minister's consideration for the remainder of those funds.

Senator BIRMINGHAM: Is the one property that has been purchased something you are able to talk about?

Mr Cochrane: It is in the process of being purchased, so I cannot. It is something that has not been settled yet and the arrangements for that are commercial in confidence until the purchase has actually been finalised.

Senator BIRMINGHAM: Do you have an expectation as to when it may be finalised?

Mr Cochrane: I would hope within a couple of months, but sometimes these things take quite some time to work their way through the system. It is being purchased with the New South Wales government as the proponent.

Senator BIRMINGHAM: What is the target for use of this \$7½ million in terms of expansion of the corridor?

Mr Cochrane: The election commitment was to help build and protect a conservation corridor. The property that we are working on is one of the more significant properties left in good condition in that part of Sydney. If I said anything more you might be able to identify it.

Senator BIRMINGHAM: It is unlikely that I would, but others may. Is there a target for how much additional land in total you should gain from the \$7½ million?

Mr Cochrane: No there is not because it is so dependent on the actual cost of land per hectare. What we are looking at are quality additions to that corridor within the scope of that \$7.5 million.

Senator BIRMINGHAM: Are they all adjoining additions or are we going to have a corridor of islands?

Mr Cochrane: That is the primary criterion in our assessment of potential properties—that they actually do connect with others.

Senator BIRMINGHAM: It sounds like we will have to ask you some more questions on that at a later date. Before you run away, just in case it is you again instead of anybody else in 1.1, I want to ask about the purchase of Henbury Station.

Mr Cochrane: That is most assuredly me.

Senator BIRMINGHAM: That is you as well. There you go. This is not money that is necessarily appropriated to national parks is it?

Mr Cochrane: No, but the National Reserve System component of Caring for our Country is administered within the division that I work in.

Senator BIRMINGHAM: That helps to explain it. You probably told us that 10 times before and we are just slow learners. What was the total government contribution towards the purchase of Henbury Station?

Mr Cochrane: \$9.1 million.

Senator BIRMINGHAM: That was funded out of Caring for our Country funds?

Mr Cochrane: Correct. In fact, if you would like a precise figure, it was \$9.196 million.

Senator BIRMINGHAM: And the total purchase price of the property?

Mr Cochrane: \$13.5 million.

Senator BIRMINGHAM: Who holds the title to the property after the sale?

Mr Cochrane: R.M. Williams Agricultural Land Management Pty Ltd.

Senator BIRMINGHAM: What role does the Commonwealth have subsequent to the sale?

Mr Cochrane: Subsequent to the sale we have a representative on the steering committee, which maintains oversight of the project. We have a role in needing to approve what are

called the interim management guidelines and the final plan of management for the property. We will be receiving a series of annual reports, progress reports, independently audited reports on the biodiversity condition of the property and annual audited financial statements on the project as well. So we will maintain a close eye on the progress of this project.

Senator BIRMINGHAM: Does the Commonwealth expect to receive any returns out of the activities or enterprises operated there?

Mr Cochrane: Not a financial return. The whole purpose of the Commonwealth's investment in this project was to secure a biodiversity outcome from that property. It is a very significant property in that region for its biodiversity values and landscape values.

Senator BIRMINGHAM: Has the Commonwealth defined anywhere what that biodiversity outcome that we are seeking is?

Mr Cochrane: Our assessment of the property was that it made a very significant addition to the National Reserve System. It includes a sizeable slice of the Finke River, including a number of permanent waterholes and gorges which are very significant refugia for native species in drought, for example. There are a number of endangered species that reside there—five nationally listed and 12 Territory listed endangered species—and it is a stunning property.

Senator BIRMINGHAM: Official statements from the government, I am advised, refer to Henbury Station as a former pastoral property. Has the land tenure or the title of the land changed with the purchase?

Mr Cochrane: It is currently a pastoral lease. In fact, it is still being managed and occupied by its former owner at the moment. But a condition of the grant is that its tenure will need to change to enable it to be managed for conservation purposes.

Senator BIRMINGHAM: Are there native title implications in changing that tenure?

Mr Cochrane: There are.

Senator BIRMINGHAM: Are you able to elaborate on that?

Mr Cochrane: Yes, and I know there is some interest in this from other quarters. There is a specific clause headed 'engagement of local Indigenous community' which states that the proponent must meet with and keep informed the relevant local Indigenous community and its representatives, the Central Land Council and any other relevant Indigenous representative group. It must make all reasonable efforts to promote the active and appropriate engagement of the local Indigenous community, the Central Land Council and any other relevant Indigenous representative group in managing the project and delivering the objects of the project. Also, where required and necessary, it must enter into an Indigenous land use agreement with the native title representative body. Those are specific requirements on the proponent.

Senator BIRMINGHAM: Are those specific requirements placed on the proponent as a consequence of Commonwealth funding?

Mr Cochrane: It is as a consequence of the nature of the management of the property changing from pastoral use to primarily conservation.

Senator BIRMINGHAM: Is that the extent of the possible native title implications?

Mr Cochrane: Most pastoral properties that are purchased around the country and subsequently managed for conservation potentially trigger the Native Title Act, and some of those have resulted in Indigenous land use agreements to deal with those issues.

Senator BIRMINGHAM: So is that a possibility or a probability in this instance?

Mr Cochrane: The risk, if you like, lies with the proponent. If the change in land use would be regarded as a future act under the Native Title Act then it is incumbent on the proponent to work through native title issues or risk paying compensation to native title claimants.

Senator BIRMINGHAM: What surety does the Commonwealth have on an ongoing basis over its investment whilst the property is still a pastoral lease or if there were a successful native title claim or other unforeseen events? What surety is there to the Commonwealth's \$9.196 million investment?

Mr Cochrane: As with every other purchase of property that has been effected with the support of the Commonwealth through this program, there is a funding deed. It is in a sense a contract. There are a series of provisions in all of these contracts which require the new owner to manage to a certain standard, to manage according to a plan of management that needs to be agreed with the Commonwealth and, in such cases as this one, to register a conservation covenant over the property to secure the conservation outcomes in perpetuity. All of those actions provide us with significant elements of surety that those outcomes will be achieved. Essentially it is a contract with a series of specific conditions that the grantee must adhere to.

Senator BIRMINGHAM: Is it envisaged or contemplated that this type of assistance will be made available to other pastoral enterprises, especially to smaller operators in the NT?

Mr Cochrane: Over the 15 years or so of the operation of this program, part of the reason for entering into this sort of supported acquisition of properties for conservation—the Henbury pastoral leases were the first which involved a private sector entity, so it was quite a bold, pioneering project, a very exciting project—was to explore the possibilities that might exist from a private sector entity wanting to secure the biodiversity values of a property like this while also pursuing an economic activity that would generate income that would enable the ongoing management of the property. That is a long answer to your question. The short answer is: yes, it is open to other proponents who can demonstrate similar capacity to manage, who have a property that meets the criteria of the program and who are willing and able to enter into the same sort of agreement that R.M. Williams did.

Senator BIRMINGHAM: How much of the property do you understand to currently be in its natural condition?

Mr Cochrane: Something like 70 per cent of the property is in substantially good condition and about 30 per cent of it has been impacted by stock.

Senator BIRMINGHAM: And this change will see no further pastoral activities, will it? The 30 per cent will be rehabilitated whilst the 70 per cent will continue to flourish?

Mr Cochrane: The proposal that R.M. Williams brought to us was that they would remove the stock from the property and that the removal of the stock, along with other active management of the property, would enable the vegetation to recover to an extent that would generate income to support the ongoing management of the property.

Senator BIRMINGHAM: The Commonwealth has provided around three-quarters of the funding for this property, 70 per cent of which is already pretty much in its natural state. Why is that a good deal? What are the additional conservation benefits that we get from that sort of investment?

Mr Cochrane: First, I should correct your maths. It is two-thirds of the purchase price, which is the standard arrangement for this program. Again, the standard arrangements for this program are that the Commonwealth will contribute up to two-thirds of the purchase price but the proponent is then responsible for the ongoing management. So the proponents have contributed \$4.5 million—the balance of the purchase price—and they have also guaranteed, for the first three years, from their own funds, \$4.9 million towards the ongoing management of the property. So they bring a substantial investment into this property to start with. Coming back to your 70 per cent—clearly, when we assess a property for its values and the worth, if you like, of supporting a purchase of this sort and including it in the National Reserve System, its condition is quite relevant. We would not ordinarily be very interested in properties which had been completely denuded, for example. So the fact that a substantial portion of the property is in good condition is a very relevant factor for us.

Senator BIRMINGHAM: I understand that the ongoing operational funding for this project will be derived through its participation under the Carbon Farming Initiative. Is that correct?

Mr Cochrane: When the proponents first came to us, their business model was based on sale of credits into the voluntary carbon market, the international market. From the outset, they expressed interest in the Carbon Farming Initiative, but that issue is actually theirs. They bear the risk of what scheme they enter into to—they bear the price risks et cetera. Part of the risk mitigation for us was that the parent company, R.M. Williams Agricultural Holdings, is actually a party to the agreement and a guarantor for this. So should the sale of carbon credits not be economic, we feel confident that the future management of the property is secure. Whilst we have taken considerable interest in the carbon elements of this, they are not a deciding factor for us. It is up to the proponent to work out how they fund the ongoing management. We feel we have a range of risk mitigation measures and arrangements in place through the funding agreement, and that provides us with confidence that future management of the property is secure.

Senator BIRMINGHAM: Have they provided to you, in your assessment of the business model, with their assumptions around the carbon aspect of this? Or have you literally kept a hands-off approach there?

Mr Cochrane: They have provided us with sufficient detail to give us confidence that they are very serious about exploring the carbon market. The first year of the project, which is underway right now, is a very detailed carbon assessment of the property, to identify a baseline. You cannot participate in any of these programs, the voluntary market overseas or the emerging Carbon Farming Initiative, without a rigorously derived baseline. That is the work that is underway at the moment.

Senator BIRMINGHAM: Thanks, Mr Cochrane. I will put some others on notice there.

Senator WATERS: I am interested in a particular property called Bimblebox, which is partially protected under Queensland state laws, but also I understand some Commonwealth

funding was provided under the National Reserve System back in 2000 for the acquisition of the property. It is 8,000 hectares near Alpha in Central Western Queensland. Can you confirm for me how much Commonwealth funding was provided in the acquisition, protection or management of Bimblebox?

Mr Cochrane: I do not have that detail in front of me, so I would have to take that specific one on notice.

Senator WATERS: Yes, if you could. Do you understand what the purpose of that protection was? What qualities were recognised as part of that funding?

Mr Cochrane: I do, but I cannot recall specifically. Again, I would need to take that on notice, sorry.

Senator WATERS: Is the department aware of the massive 30 megatonne open cut coal mine proposal by Waratah Coal, which would directly destroy half of the property and turn the other half into a long wall mine?

Mr Cochrane: We are certainly aware of the proposal and that it is subject to an EPBC Act assessment, as I understand it.

Senator WATERS: Do you provide any advice to the EPBC assessment team on the propriety or otherwise of approving that application?

Mr Cochrane: We would provide advice on the values of the property, correct.

Senator WATERS: Has that advice been provided as yet?

Mr Cochrane: Yes, it would have been.

Senator WATERS: Are we able to see a copy of that advice?

Mr Cochrane: That is a good question.

Dr Grimes: I think you are referring to matters that are under consideration through the EPBC assessment process. If you have further questions, it may be appropriate to take it up tomorrow morning when we come to the EPBC matters. We will have to see what we could provide. But I would assume at this stage, if it is a matter under consideration, we would not be in a position to provide you with that information at this stage.

Senator WATERS: Okay, so that is a public interest claim of not appropriate?

Dr Grimes: I think it probably would be better to pick this up tomorrow morning when we have the officers who may be involved the matter.

Senator WATERS: Thanks, I will do.

Mr Cochrane: When we have done the assessment, and you have asked a question about the values of the property, that will probably substantially be our advice.

Senator WATERS: If you would be able to provide that, it would be helpful.

Mr Cochrane: We can identify why the property was purchased.

Senator WATERS: Thank you. Can you identify how a coalmine is consistent with the values of this Commonwealth-purchased property, using taxpayer funds?

Mr Cochrane: Again, it is a proposal that is under assessment.

Senator WATERS: Whatever you can give me would be great and I will wait for the rest when the time comes.

Senator IAN MACDONALD: You were having an internal review of the Caring for Our Country program and received over 170 submissions. Has that internal review been completed? If so, what was the outcome?

Mr Flanigan: That is the review of the Caring for Our Country program. It has not been completed yet. We are still going through the process. At this stage there is no outcome.

Senator IAN MACDONALD: When do you expect the process might be completed?

Mr Flanigan: The Caring for Our Country is an ongoing program that has a set of overarching policy and outcome statements that have guided its direction. Those policy statements are run through the rest of this financial year and the one following. At this stage, though, our expectation is that government will be concluding its review of the current settings under that program in the first half of next year.

Senator IAN MACDONALD: At the May estimates you had received 170 submissions. How many submissions did you end up getting for it?

Mr Flanigan: I think we ended up with nearly 200 formal submissions into the process. We ran an interactive web page. We also had—

Senator IAN MACDONALD: You also had face to face meetings, you were telling me.

Mr Flanigan: We had face to face meetings all the way around the country. We have had quite a significant amount of input. In fact, as the review proceeds and consultants and the like become available, we put them on the web. We still have our interactive site open, so we are still taking input and comment from our stakeholders as we go forward.

Senator IAN MACDONALD: Is there a general theme on the submissions you have received?

Mr Flanigan: Yes, there are a number of themes that have emerged out of the process. We have put on our web a document called *The story so far* which summarises the messages we have been getting from our stakeholders in the process. If you like I can go through some of the high-note things that are coming out of that process.

Senator IAN MACDONALD: No. Could you, on notice, email the committee and me the web site?

Mr Flanigan: The web link for that?

Senator IAN MACDONALD: Yes, the web link.

Mr Flanigan: I certainly can. In fact, I might be able to tell you what it is now.

Senator IAN MACDONALD: It is easier if you email it to us, Mr Flanigan.

Mr Flanigan: Okay, we will email it to you.

Senator IAN MACDONALD: Then we can just click it. You get lazy, do you not? You told me at a previous estimates that northern and remote Australia had received funding from the Caring for Our Country program in 2008-09 and then in 2009-10, which was 13 per cent of the total funding. Would someone be able to tell me if, in the financial year just passed whether northern and remote Australia as a percentage retained the same 13 per cent? Could you also tell me what that represented in cash dollars?

Mr Flanigan: It might be best for me to take that one on notice. I would have it here but I think it might take me a while to dig it out. That is the percentage from the last financial period for northern and remote targets?

Senator IAN MACDONALD: I have them for 2008-09 and 2009-10 and I am interested in the 2010-11.

Mr Flanigan: Okay, Senator.

Senator IAN MACDONALD: I continue to be concerned, as do many of my colleagues, with what seems to me a disinterest of the government in relation to feral weeds and animals. A colleague has asked me to raise some questions about rabbit control and biological control. I am conscious that the invasive animal CRC is not really an issue for this department. Can anyone tell me what programs are currently available to address weeds and feral animals apart from money given to individual NRM bodies who use some of that for what I might call localised pest control?

Mr Flanigan: In its totality, this is a question best directed to my colleague Ian Thompson on the DAFF side. He tends to take carriage of the weed and pests component of Caring for our Country. In general terms, you are right that there are projects of that nature that go through the regional bodies. We have weed and pest funding that gets woven through a lot of Caring for our Country projects—for example, the work in our southern properties down at McDonald Island and the like, with the rabbits.

Senator IAN MACDONALD: I must just stop you because I know that colleagues have questions and I will ask Mr Thompson. Curiously, and I just mention this to the committee, this program comes up in both this committee and the other one. They are both scheduled for exactly the same time, which is why I am asking you—in case I miss out next door.

Mr Flanigan: It is the first time in about 10 years.

Senator Conroy: It is an absolute conspiracy. You are right; you caught us.

Senator IAN MACDONALD: I would not allege a conspiracy, Minister, but it is unusual, would you not say—that both of them happen to be on at the same time?

Senator Conroy: I thought you had to agree to the sequencing?

Senator IAN MACDONALD: Not me.

Senator Conroy: Your party, though.

Senator IAN MACDONALD: They did not understand my conspiracy complex.

Senator Conroy: Your own party would not understand your concerns and complex. That about says it all, really.

Mr Flanigan: Senator Macdonald, I will just add—in real terms to date, we have had some \$71 million worth of projects funded under the Caring for our Country banner which have dealt with weeds and pests. We will take it on notice and give you a bit of a breakdown.

Senator IAN MACDONALD: Yes, if you could get me a list of those projects, I would be delighted to look at it. I think we might have raised this before: the total funding for Caring for our Country in the current year's budget—has it gone up, gone down or stayed the same? I appreciate that it is one year of a rolling program.

Mr Flanigan: In total, the 2011-12 funding under the Caring for our Country banner is \$456.7 million. Going back, that compares with \$423 million in 2010-11, \$408.8 million in 2009-10 and \$431.9 million in 2008-09.

Senator IAN MACDONALD: I will not make the comment that a lot of it—and I am not unhappy about this—goes to the NRM groups edging the barrier reef. That is obvious. I will pursue that somewhere else.

Senator BOSWELL: I refer to the \$1 billion Biodiversity Fund for landholders for carbon storage in the clean energy future package—that property that you invested in was \$9 million. How many more properties do you intend to purchase and have you got any in mind?

Mr Flanigan: The land sector package and in particular the Biodiversity Fund money is designed to help us fund management of existing remnant vegetation where there are high carbon and biodiversity values; to help revegetate parts of the landscape, particularly wildlife corridors; and to manage weeds and pests where that increased connectivity—

Senator BOSWELL: I am sorry. Isn't that \$1 billion Biodiversity Fund for landholders specifically to buy properties?

Mr Flanigan: No. It is to deal with those three things. It does not of itself exclude the acquisitions of property, but at this stage the intention is principally to fund revegetation projects, as it was designed to do.

Senator BOSWELL: I am asking: is it the intention of your department to buy further properties?

Mr Flanigan: The intention is that the acquisition of properties for the National Reserve System and the Indigenous Protected Areas program will continue to be part of the Caring for our Country suite of programs. They are not particularly being targeted in the Biodiversity Fund.

Senator BOSWELL: When you buy a property like this of 500 million acres, 500,000 hectares, are any assessments done on what it will do to the infrastructure—to the abattoirs, to the cartage and to how it will affect other properties in the area?

Mr Flanigan: Senator, I think you are asking a question about the acquisition of properties under the National Reserve System?

Senator BOSWELL: Yes.

Mr Flanigan: I would need to get my colleague Peter Cochrane back to talk about how they assess those factors. I am sorry; he has left the room.

CHAIR: At least there is one smart person here.

Mr Flanigan: He was sitting behind me. I could not tell he had gone. Sorry, Senator.

Senator BOSWELL: So there is no-one here who can tell me—

Senator Conroy: There was.

Senator BOSWELL: There was, but that is decidedly unhelpful.

Mr Flanigan: I am sorry, Senator. I do not manage that part of the program, so I cannot give an answer as to the detail on that particular part of your question.

Dr Grimes: I think part of our problem is that we have something that is going across a couple of areas, with the Director of National Parks having a role here. What might be best is for us to take that on notice and provide you with that information.

Senator BOSWELL: I ask you to take that on notice, and I ask again: has the department got any intention of buying any other properties and what is the impact—

Dr Grimes: Senator, it appears we have located Mr Cochrane.

Senator BOSWELL: Mr Cochrane, my question was: when properties like Henbury were bought did you consider the impact on other areas of infrastructure—for instance, abattoirs? I see here that AAco, which is the biggest cattle producer in Australia, say that they are trying to build abattoirs in Darwin which will have 270 jobs. If stations are stripped of cattle, it is going to have any impact not only on that but on various other towns. There will be an impact on towns, on Indigenous communities and on carters and carriers. There will be a knock-on effect. Do you assess that knock-on effect?

Mr Cochrane: Senator, I am glad you asked that question. In the first instance, the proponent was RM Williams agricultural company. They have been investing in a range of rural enterprises across Australia, including beef—sustainable organic agriculture—and in this particular case they elected to invest in this particular property for its conservation values and for the opportunities that it presented for carbon farming and to explore the potential of carbon farming as an economic activity in rural Australia. There will be, potentially, greater employment outcomes from the business that they are proposing to establish on this property than may have existed under its former ownership.

Their interest and the opportunity that this project offers is to test the viability of new ways of doing business in the range lands. There are a number of scientific articles and economic assessments which suggest that carbon farming does have a bright future in that part of the world and as such, and certainly with the associated activity that goes with it—the monitoring, the management—the property will need to be actively managed. It is going to be—

Senator BOSWELL: How many people will be employed?

Mr Cochrane: You would need to ask the company about that. As I said before in an earlier answer, they are in their establishment phase. There are teams on the property now undertaking the assessments of its various values—its carbon stocks, the biodiversity values of the property at the moment. They will have an active feral animal, weed and fire management focus.

Senator BOSWELL: That would have been there anyhow. You do not have a property and just leave it open to feral animals and—

CHAIR: Senator Boswell, we are just about out of time.

Senator BOSWELL: Can we just cut this explanation short. I just wonder about this proposition: if the government changes and the new government says, 'We're not having a carbon tax'—

CHAIR: Senator Boswell, that is a hypothetical and you know it is a hypothetical.

Senator BOSWELL: It is not too hypothetical when your polls are on 26 per cent. It is very real.

Senator Conroy: It is very hypothetical. Would you like to reword your question or would you like to have a tea-break?

Senator BOSWELL: What happens to this property if there is no carbon tax?

Mr Cochrane: The project is not dependent on the carbon tax.

Proceedings suspended from 21:17 to 21:30

CHAIR: I now call officers from the department in relation to program 1.2, environmental information and research, and invite questions.

Senator SIEWERT: Can we do south-west first, please. We got over 42,000 submissions for the south-west process. We had a discussion about the consultation process last time. Now that it has closed, can we go through how the various submissions are going to be dealt with and treated? Perhaps you can provide us first with a breakdown of the submissions you received.

Mr Oxley: The submissions closed on 8 August for the south-west region. We received a final total of 39,266 submissions, and they are in the process of being considered and assessed by the department.

Senator SIEWERT: Can you give me the breakdown? Did you say 39,266?

Mr Oxley: Yes, that is correct.

Senator SIEWERT: Can you give me the breakdown of those?

Mr Oxley: In broad terms, there were approximately 39,000 campaign based submissions that emanated from a number of different sources. The most significant source of those submissions was several campaigns which were initiated by the environmental non-government organisations, and there was a smaller campaign run at the initiative of the recreational fishing sector.

Senator SIEWERT: How many submissions did you receive that were supportive? When you say 'rec fishing' I presume you are using that as a euphemism for opposing the marine park.

Mr Oxley: I am not using that as a euphemism for any particular position. I think a general and reasonable observation would be that the very significant majority of submissions supported in some form the creation of marine parks.

Senator SIEWERT: How are they now going to be dealt with and treated? Will the 39,266 be treated as individual submissions?

Mr Oxley: You will be delighted to know that staff of the marine division have read every single one of those 39,266 submissions.

Senator SIEWERT: I would expect nothing less.

Mr Oxley: Each of those submissions has been reviewed by the department. A proportion of those submissions—I do not have the numbers in detail; that would need to be taken on notice—a significant number, probably over 50 per cent, are straight up and down the recommended words that were associated with those campaigns. Nonetheless, there are a significant number of campaign derived submissions in which the individuals who made those submissions have made an effort to reflect their own personal views or experiences of the marine environment.

Senator SIEWERT: Do they come from a wide geographic spread or are they mainly from capital cities?

Mr Oxley: They were email based campaigns, so our ability to detect the sort of individual submissions is quite limited in that regard. If you have a gmail.com web address, it could be sourced anywhere globally.

Senator SIEWERT: It sounds like a lot of them did not put their address in.

Mr Oxley: No, but some will have.

Senator SIEWERT: What is the process from here? You have read them all—the 39,266?

Mr Oxley: The department is finalising its assessment of all of those submissions. We are identifying all of the substantive issues that have been raised in response to both the marine reserves proposal and the marine bioregional plan. Delightedly we did receive some submissions on the bioregional plan. That analysis will be summarised into a report to the minister on the key issues raised in the public consultation process, and the department will obviously provide its advice to the minister on how to respond to the issues raised in those submissions. The intention is that at a future point in time yet to be determined the submissions will be published on the department's website where authority to do so has been given by the submitters.

Senator SIEWERT: Thank you. Are you still expecting the time line from now when the minister will be making a decision?

Mr Oxley: I am becoming less bold around forecasting time frames. In broad terms we are looking at an outcome for the south-west region happening towards the end of the first quarter of calendar year 2012.

Senator SIEWERT: Last estimates we had some discussions around the process of some of the consultation you will be doing with groups. I understood you were going to be meeting with rec fishers, for example, and some of the other stakeholder groups. Did those stakeholder group meetings occur?

Mr Oxley: There have been a large number of meetings. When we last met we had only just commenced the public consultation process. The way it unfolded in the south-west is that the department visited all of the major port towns in the south-west region from Kangaroo Island all the way to Geraldton. At each of those places we did several things. We ran an open house, inviting anyone from the public. We notified the occurrence of these things in advance of our arrival. We threw the doors open to the public for several hours and anyone was able to come in off the street and come in and talk to the department about the bioregional plan, the marine reserves proposals, ask questions, provide information and engage in the process. But while there we also held a series of meetings with a number of stakeholders: locally based environment organisations, representatives of the commercial and recreational fishing industry, chambers of commerce, local government authorities and so on.

Senator SIEWERT: Was that in each of the port towns that you went to?

Mr Oxley: Yes, we ran forums in that way.

Senator SIEWERT: Local businesses et cetera? Just so I get it right, you had the public open day plus forums in each of the towns?

Mr Oxley: Yes, plus forums. We made approaches to all the let us call them key stakeholder groups—the representative bodies in those areas—and made ourselves available to talk to them at the sectoral level about the government's proposals. In the case of the commercial fishing industry, those meetings were facilitated through Wildcatch Fisheries South Australia in South Australia and the Western Australian Fishing Industry Council in Western Australia.

Senator SIEWERT: Which rec fishing groups were consulted?

Mr Oxley: The primary group that we dealt through was Recfishwest, but I understand that we have had approaches from other recreationally focused fishing organisations at a subregional level.

Senator SIEWERT: Did you speak to them?

Mr Oxley: Mr Clark may wish to provide further information as to other more regional recreational fishing organisations with which we engaged, if he has that information available.

Mr Clark: At many of the regional towns that Mr Oxley outlined the local fishing clubs or recreational fishing groups in those towns were part of those broader sectoral meetings in each of those towns. There was the Port Esperance Angling Club, for example.

Senator SIEWERT: Was Save Our Fish Stocks from Denmark, Albany/South Coast invited or participated?

Mr Clark: I have not got the details of that group specifically here, but at Margaret River we had representatives from local fishing groups attend the open day. There were a number of them who were not able to make specific times earlier on in the day, so they came in the evenings as individuals but had an interest obviously from that recreational fishing sector.

Senator SIEWERT: The Denmark group were likely to have gone to Albany. Could you take on notice to see if Save Our Fish Stocks were invited?

Mr Clark: Yes.

Senator SIEWERT: Thank you. Thank you, Chair.

Senator BIRMINGHAM: Could I turn to whales, please. No Ms Petrachenko?

Ms Schweizer: I am afraid Ms Petrachenko is on leave.

Senator BIRMINGHAM: That is very disappointing—we have had so many exchanges on this topic over the years. Ms Schweizer and co., welcome. We had an announcement the other day from Japan that it is their intention to undertake another hunt this year, notwithstanding having brought last year's to an early conclusion. What is Australia's understanding of what Japan is likely to do this year?

Ms Schweizer: As you noted, on 4 October the Japanese minister did advise that Japan did intend to continue its so-called scientific whaling in the Southern Ocean this season. They also advised that they would be sending a Japanese patrol vessel to accompany the so-called scientific fleet in order to ensure the safety of the fishers.

Senator BIRMINGHAM: Did they give an indication of their self-set quota at that time?

Ms Schweizer: No, they did not. Their typical practice is to only issue their self-issued permit on or just before the day they depart for the Southern Ocean. In previous years they have typically departed in late November or early December.

Senator BIRMINGHAM: So we have no idea whether it is going to be close to the 180 or thereabouts whales of the last season or back to the more standard 850 level?

Ms Schweizer: That is right. We have no indication at this point in time.

Senator BIRMINGHAM: The indication that they will send a patrol vessel with the whaling fleet, though, is an indication, I guess, that they are serious about deterring problems such as the *Sea Shepherd*?

Ms Schweizer: One could infer that from that, yes.

Senator BIRMINGHAM: Has Australia, aside I guess from the public commentary of the minister when this announcement was made, made any representations to Japan since that announcement and, in particular, about their decision to send the accompanying patrol vessel this year?

Ms Schweizer: I do not believe that any personal representations have been made. You may be aware that Ministers Rudd and Burke did put out a press release on the afternoon of 4 October condemning the Japanese decision to continue with their so-called scientific whaling in the Southern Ocean.

Senator BIRMINGHAM: It is good to see Mr Rudd getting in on the action. Australia has expressed concern previously, not just about the whaling boats but about some of the activities that have accompanied them, in terms of maritime safety issues. Is Australia undertaking any planning as to how we will handle having a patrol vessel in the region and the potential for conflict with the *Sea Shepherd*?

Ms Schweizer: Our view is, of course, that Japan's fleet should not go whaling at all. But, on the question of safety at sea and whether they might send a patrol vessel, we anticipate that we will undertake what we have always undertaken which is to repeatedly call upon the masters of all vessels planning to voyage to the Southern Ocean to exercise restraint and ensure that safety is their No. 1 priority. We reiterate typically before the start of each of the so-called scientific whaling seasons, often in conjunction with other nations, that the masters of any vessels in those waters, for whatever purpose they are there for, have a primary responsibility to ensure that vessels conduct themselves properly and in accordance with international law. We would make that call with respect to any vessel operating down there, regardless of its intended purpose of operation.

Senator BIRMINGHAM: Have the Sea Shepherd Conservation Society or other protest groups announced their intentions for the forthcoming whaling season since the Japanese announcement?

Ms Schweizer: There have been media reports to that effect—yes.

Senator BIRMINGHAM: But nothing confirming their activities that you are aware of? In terms of media reports to that effect, have you seen a statement from them confirming that they expect to be tailing the Japanese fleet and the Japanese patrol boat again?

Ms Schweizer: The Sea Shepherd Conservation Society has applied for permits under the Antarctic Treaty Act, which they are required to do if they want to undertake operations in the Southern Ocean or in the Antarctic waters. So the Sea Shepherd Conservation Society has applied for permits to do so.

Senator BIRMINGHAM: Those permits are issued by Australia in that instance or by whom?

Ms Schweizer: They have applied under Australian legislation, so those permits would be issued by Australia—yes.

Senator BIRMINGHAM: But Japan does not need to do that because they believe that those Antarctic waters are international waters rather than Australian waters? What is the distinction as to why the *Sea Shepherd* needs to apply for such a permit and Japan does not?

Ms Schweizer: In general, under the Antarctic treaty system, vessels that are flagged to countries that are party to the treaty would get permits from their jurisdictions to operate. Last year was the first year that one of the Sea Shepherd Conservation Society vessels was an Australian flagged vessel. This was the vessel originally known as *Godzilla* and now renamed as the *Brigitte Bardot*. That became an Australian flagged vessel and, as such, also applied last season for permission to operate in Antarctic waters.

Senator BIRMINGHAM: Would there be a circumstance at all where Australia would consider not issuing a permit to an aforementioned vessel on the basis of concerns about maritime safety?

Ms Schweizer: The delegation for the issuing of those permits sits with the Antarctic Division, but they are required to follow the provisions under the act which have a set of criteria that are based primarily upon potential environmental impacts. If you would like more detail on that I would have to take it on notice or perhaps you could ask the Antarctic Division.

Senator BIRMINGHAM: Perhaps you could take it on notice. I am not sure whether we indicated we had questions on notice for the Antarctic Division this time but maybe we will sneak them through anyway. I quickly turn to the trip to Jersey. Ms Schweizer, did you attend the Jersey IWC?

Ms Schweizer: I did, Senator.

Senator BIRMINGHAM: Excellent. That makes it easier. Did the minister attend this year?

Ms Schweizer: Yes, the delegation was led by Minister Burke.

Senator BIRMINGHAM: What were the final costs for the delegation to Jersey?

Ms Schweizer: The total cost to the department was \$96,919. That was the cost for this department's officers attending. There would, no doubt, have been separate costs for the officer who attended from the Department of Foreign Affairs and Trade and the officer from the Attorney-General's Department, but I am not able to provide you with their costs.

Senator BIRMINGHAM: And presumably there were also additional costs for the minister, or were they met from within the department?

Ms Schweizer: There are costs for the minister, but they are not dealt with by the department.

Senator Conroy: Last year you complained that he did not go and this year you are complaining that he has cost too much by going.

Senator BIRMINGHAM: Now, now, Minister. I am not sure—

Senator Conroy: Does anyone see hypocrisy here?

Senator BIRMINGHAM: I think the only one I ever queried not going was Mr Holloway, who was paid a fortune to trot the globe on whaling issues—except when the IWC came along, and then the minister would trundle off. From my recollection, the minister has gone most years. Are you making a pitch to be environment minister, Stephen?

Senator Conroy: No.

Senator BIRMINGHAM: In terms of outcomes from the IWC, Ms Schweizer, did you see any further progress at the IWC in actually managing to bring an end to this whaling activity?

Ms Schweizer: A fair degree of progress was made at the IWC meeting. Unfortunately a fair proportion of the meeting was taken up with disputes on procedural matters. But in terms of furthering Australia's agenda we did make some significant advances. We are keen to reform the governance of the IWC to bring it up to speed as a 21st-century organisation. To this end, there were some significant changes, hard-won changes, with respect to some financial management issues, the most significant of which for the IWC was the significant step that members' dues can no longer be paid in cash. This may seem odd in this day and age, but up until now members have been able to pay their dues on the day in cash. We have led to greater transparency and processes with this significant change.

Senator BIRMINGHAM: I assume this remarkable step forward of banning cash payments—perhaps Senator Conroy could suggest some IT related methods for this—

Senator Conroy: I regret to inform you, Senator, that at the ITU we still handle paper ballot paper at the telecommunications congress. You are called up country by country.

Senator BIRMINGHAM: Without wishing to impugn particular nations and bring our diplomatic relations into any difficulty, can I simply surmise that the reason banning cash is helpful is that it potentially stops some countries suddenly appearing at the IWC and there is not necessarily a paper trail as to who has actually paid their dues to be there?

Ms Schweizer: That is one assumption that could be made, yes.

Senator BOSWELL: Mr Oxley, when does the public consultation for the East Marine Region commence and will this include the Coral Sea?

Mr Oxley: The commencement date for the public consultation process for the east is yet to be determined, including the Coral Sea.

Senator BOSWELL: Can you provide information on the proposed zoning for these areas of further assessment and the Coral Sea? Are they going to have the same multiuse zone, special purpose zone, marine national park zone?

Mr Oxley: I cannot provide you with specific details, Senator, because the specific details are yet to be confirmed by the government. As you have already pointed out, there is a zoning scheme which has been proposed or used already in the other regions. That represents the range of zones across IUCN classifications which would be used potentially in the east.

Senator BOSWELL: So the answer is probably. What types of fishing operations are conducted in these areas and how will this proposed zoning impact on these various fishing operations?

Mr Oxley: Senator, I do not understand which areas you are specifically referring to here.

Senator BOSWELL: The Coral Sea—the eastern zone.

Mr Oxley: A large number of fisheries operate in the East Marine Region. The risk assessment work that has been done to date has indicated that in a highly protected area no commercial fishing would be allowed. In a multiple-use area, the starting proposition is that demersal trawl—that is, trawling on the bottom—demersal gillnets and demersal longlines would all be fishing methods excluded from multiple-use areas. I will also give the example that in the south-west region and also in the north region, I believe, some fishing methods that would be excluded from multiple-use areas have been allowed into what are called special-purpose zones in order to reduce the socioeconomic impacts of setting up the marine reserves. I should also then point out that in the South-East Marine Region the special-purpose zones exclude all commercial fishing and only allow oil and gas exploration and development. We very much have been running a fit-for-the-circumstances approach to zoning, region by region.

Senator BOSWELL: I have a map in front of me. What colour are the special zones where you allow trawling?

Mr Oxley: I am not sure which map you are referring to, Senator. If it is one of the department's maps, a special-purpose zone would be marked in the colour dark blue.

Senator BOSWELL: The Arnhem marine reserve is dark blue.

Mr Oxley: The Arnhem marine reserve is a special-purpose zone.

Senator BOSWELL: What can go on there—trawling?

Mr Oxley: In the special-purpose zones in the North Marine Region, the fishing methods that are excluded are bottom trawling, demersal longlining and what are called set mesh nets, which are a form of gillnet, if I understand correctly.

Senator BOSWELL: Are they barred?

Mr Oxley: They are the fishing methods that are proposed to be excluded from special-purpose zones in the north.

Senator BOSWELL: Are there any specific fishing operations that will be excluded in the proposed zoning? If so, what is the rationale behind any potentially excluded fishing types? I note the south-west draft plan trawl gear is excluded from any of the zones. Can you advise why this is the case? Is it the intention to adopt similar zoning approaches in the north and east regions?

Mr Oxley: The decisions on zoning have been informed in significant part by the fishing gear risk assessment work that has been done as part of the Marine Bioregional Planning program. For the south-west region, the north-west region and the north region, the fishing risk assessments have all been published on the department's website. In relation to all of the regions, within multiple-use zones and special-purpose zones, bottom trawling is an excluded method of fishing. You asked about the east. The final zoning for the east is yet to be determined.

Senator BOSWELL: What is going to happen in the Great Barrier Reef Marine Park? Will the same zonings be put in there?

Mr Oxley: Zoning within the Great Barrier Reef Marine Park is a matter for the Great Barrier Reef Marine Park Authority.

Senator BOSWELL: Has your department done any assessment of the individual businesses and real cost of the impact on communities of closing further areas to marine protection and does this assessment include provision of future losses?

Mr Oxley: The assessment work that is being undertaken as part of the Marine Bioregional Planning Program is that the department has commissioned the Australian Bureau of Agricultural and Resource Economics and Sciences to undertake a socioeconomic impact assessment of the marine reserves proposals for each of the regions. That socioeconomic impact assessment has a number of components to it. The first component is to provide an overarching estimate of the amount of fisheries catch that is displaced by reserve and by fishery and to put some estimates on the value of that displaced effort.

Secondly, in the south-west region to date—but the intention is to do similarly in the other regions—there has been a social impact survey undertaken by ABARES. We have gone through the process of identifying potentially impacted fishers or fisheries businesses and ABARES has surveyed them to get some understanding of the implications for individuals, families and regional communities of the marine reserves in terms of their future employment intentions, their future employment prospects as they see them, whether they would intend to stay in the area or move on, implications for social services, social networks and so on. That information will be included in the regulatory impact statement that is prepared for the final marine reserves proposal. There have also been a series of case studies done that look at individual business impacts in the south-west so that we get a better understanding of the potential impact.

CHAIR: We are out of time on this.

Mr Oxley: My last point was that the final component of the socioeconomic assessment work is some regional economic modelling.

CHAIR: Thank you. Senator Boswell, we have to move on now.

Senator BOSWELL: Can I have one more?

CHAIR: No, Senator Boswell, we have 15 minutes for the next session—in fact, we have less than that now. You will have to put any further questions on notice.

[22:03]

CHAIR: We are now moving to program 2.1, management of hazardous wastes, substances and pollutants.

Senator BILYK: I just wanted a quick update on how we are going with the National Waste Policy and the National Television and Computer Recycling Scheme.

Dr Wright: We are currently finalising the regulations which will bring the scheme into force. We have consulted over a four-week period on the detailed regulations for that scheme. The Product Stewardship Act came into force on 8 August, so we have the framework legislation and are consulting on the detail of the regulations. The submissions closed on Friday. As at close of business on Friday we had 21 submissions on the detail of the regulations and we expect to have any final finessing of the amendments ready to go to ExCo and the Governor-General in November. The regulations we would expect to come into force in November.

Senator BILYK: Basically we are on time?

Dr Wright: We are. The government committed to the Television and Computer Recycling Scheme coming into place in 2011, and the regulations should be made before the end of November.

Senator BILYK: I understand the tyre industry are voluntarily going to recycle tyres. Are you able to tell us anything about that?

Dr Wright: Yes, the tyre industry has been working collaboratively over the last 12 months to develop a voluntary product stewardship arrangement. At the last ministerial council meeting ministers agreed in principle to the draft guidelines for a voluntary approach to product stewardship for tyres. The industry is now going to consult with key stakeholders on those guidelines with a view to having a product stewardship scheme ready and put forward for accreditation under the voluntary component of the product stewardship legislation towards the middle of 2012.

Senator BILYK: Are all states and territories participating in that?

Dr Wright: All state and territory environment ministers have agreed in principle to the draft guidelines of the scheme and states and territories have been a party to the working group that has been working with the tyre industry over the last 12 months. It will be up to individual players as to whether they sign up to be part of a voluntary scheme. It will be open to individual local governments, local councils, fleet operators as well as tyre retailers, tyre refitters and vehicle importers. Each entity can agree to become a participant in the scheme when it is fully developed.

Senator BILYK: Great. I look forward to an update next estimates. Thank you.

Senator LUDLAM: I want to follow up on two pieces that went on *Dateline* last month on Australian e-waste—and it is good that we have Minister Farrell at the table for this one—being carted off and burned in Ghana. I presume you are aware of that story?

Dr Wright: Yes.

Senator LUDLAM: Can you confirm for us that no Australian government permits allow the export of e-waste to any country in Africa—we do not license that kind of shipment?

Dr Wright: E-waste has to have an export permit for export to another country that is a signatory to the Basel convention for recycling or disposal in an environmentally sound manner.

Senator LUDLAM: Do we issue permits for the legal recycling—I guess it would not be dumping if it was legal—of e-waste to Africa?

Dr Wright: In Africa? We would issue permits, we do do investigations as to what facilities are available in countries where the proponent who is seeking an export licence has to provide details of where the export is going to, and what the circumstances are under which it will be disassembled and recycled. That has to be in an environmentally sound manner and has to be when there are no equivalent facilities available in Australia—and the country has to be a signatory to the Basel convention.

Senator LUDLAM: Is Ghana a signatory to Basel?

Dr Wright: Ghana is a signatory to the Basel convention.

Senator LUDLAM: Have we issued export permits for e-waste shipments to Ghana?

Dr Wright: Not to my knowledge, no.

Senator LUDLAM: Could you take that on notice and double-check for us?

Dr Wright: Yes.

Senator LUDLAM: Speaking of facilities, the facilities that are being used in Ghana at the moment is an outdoor space next to the biggest food market in Accra, where Australian e-waste is being dumped and burned. *Dateline* alleges 15 shipping containers of e-waste have been stopped from leaving Australian ports. I presume you will refer me to Customs if I asked you about that, but are you aware of any prosecutions resulting from any of those shipments?

Dr Wright: Shipments to Ghana?

Senator LUDLAM: Yes.

Dr Wright: There have been no prosecutions to date of shipments to Ghana. Where there is sufficient intelligence within Australia shipments can be stopped in Australia and indeed they are and the waste is required to be environmentally soundly disposed of in Australian facilities at the cost of the proposed exporter. That does happen.

Senator LUDLAM: Who would be responsible for initiating prosecutions?

Dr Wright: If a number of players are involved in the intelligence gathering, under the hazardous waste act there can be criminal penalties of up to \$1 million for a corporation and five years imprisonment, but if export is prevented then the first important step is to have the e-waste destroyed and that is done at the cost of the person who was seeking to export it, if it was sought to be exported illegally.

Senator LUDLAM: There appears to be a fairly substantial trade. Not all of it is being stopped at the borders, because these containers worth of material are being dumped in Africa and burned near a food market. I do not understand why nobody is being prosecuted. Is there an investigation afoot on that particular instance that was uncovered by *Dateline*?

Dr Wright: There is an investigation that is ongoing. The authorities have been in contact with the Ghanaian authorities. They have also gathered all the intelligence that is available through SBS and those investigations are ongoing.

Senator LUDLAM: That is within your department?

Dr Wright: Yes.

Senator LUDLAM: Without naming names of individuals, can you pinpoint the unit or the division or the whatever that is doing that work? Who does that?

Dr Wright: The department has a compliance unit which undertakes serious compliance activities across a range of pieces of departmental legislation.

Senator LUDLAM: It was alleged in the same *Dateline* piece that this has been going on for years and years. Do you concur with that or is there a recent uptick in shipment of this material overseas?

Dr Wright: Regarding the purported illegally exported e-waste to Ghana, televisions and computers in working order can legally be exported. They are not e-waste, so a distinction has to be drawn. One of the things that investigators have to determine is whether the export was legal or illegal—was it of reusable equipment? A lot of whole TVs do get exported to African countries.

Senator LUDLAM: So that they can be dumped in a pile and burned?

Dr Wright: No—so that they can be sold and reused or the parts can be reused.

Senator LUDLAM: That is not a concern. I am not interested in that stuff. I am interested in the stuff that is dumped in a pile and burned.

Mr Thompson: I think what Dr Wright is saying is that, from the material which SBS aired, it is not clear whether that material was exported and then dumped immediately, whether it was in working order when it was exported or whether it was exported in working order, used for a period and then dumped. As Dr Wright said, it is not illegal to export material which is in working order. That may then subsequently be dumped or done away with and then—

Senator LUDLAM: Are you seriously telling me that you think it is a viable scenario that the material is exported to Africa from Australia, goes into the marketplace, is somehow gathered up again a short while later and torched? Is that what you think might be happening?

Mr Thompson: What I am saying is that it is not apparent to us. What Dr Wright said is that one of the things the people investigating this have to establish is in what form the material was when it was exported.

Senator LUDLAM: When do you expect that investigation to conclude?

Mr Thompson: That investigation is ongoing, as Dr Wright said. It has been through some phases already and it has some way to go.

Senator LUDLAM: Would you expect prosecutions would eventuate if this stuff is just coming off a ship and being burned?

Mr Thompson: You are asking me to speculate. In that case, if we were able to identify the exporter in this instance and identify that the material was in a waste form—that is, not in a usable form—when it was exported then there is potential for prosecution.

Senator LUDLAM: If it is usable or if a fraction of that cargo is usable—has its power cords attached and would still work when it leaves—then there is nothing illegal about shipping the whole lot overseas, as long as some of it is workable when it goes into the pile and is set fire to. Then there is not necessarily a crime being committed here in Australia?

Mr Thompson: It would depend on what was meant by the notion of some of it being workable.

Senator LUDLAM: You tell me. What does your act say? How much of it has to be in working order? If there is a big pile of stuff that has petrol tipped on it to burn—

Mr Thompson: The act is not definitive on that. Really, it is about gathering evidence about the material itself, as it is in many of these compliance cases, and then being able to mount a case.

Senator LUDLAM: Are you a bit concerned—and time is a bit short, so I might pop some of these questions on notice—that if you are in the business of illegally dumping this stuff offshore, you have to make sure that some of it would be in working order before you tip a tin of petrol over it and set fire to it. Then it is not dumping; it is recycling.

Dr Wright: It needs to be in working order for the export and, for signatories to the Basel convention, it is open to any signatory to stop at the border and inspect containers whilst they

are still in customs. Should they consider that those pieces of equipment are not in working order and therefore are more likely to be e-waste, there is a requirement on them to contact the Australian authorities and for the Australian authorities to cooperate and facilitate the return of that equipment to Australia for disposal in Australia.

Senator LUDLAM: Some of it has been burnt in the food market. Parliamentary Secretary, do you think we have a systematic problem here or do you think this is a one-off?

Senator Farrell: Nobody in the Australian government wants to see our computers being burnt in the way that we saw on that TV show. The objective of the government is to have all of these televisions and computers collected in Australia and recycled in Australia so that at the end of the process of the product stewardship legislation we can confidently say that all of the waste that comes from TVs and computers is dealt with in Australia.

I do not know the answer to what has occurred in Ghana, but we intend to find out. We have started the investigation. As Dr Wright indicated, it is not illegal if an African country seeks to use old computers and old TVs. For economic reasons it may very well be that countries in Africa import our old TVs and computers, but the government has a legal obligation to deal with this waste in Australia. That is our objective—the whole purpose of the product stewardship legislation is to deal with this in Australia. That is what we want to do: we want to collect these old TVs and computers, recycle them and reuse them in Australia. That is our objective and that is what we intend to do.

Senator LUDLAM: Something in the system appears to me to be broken. I will leave it there.

CHAIR: I thank the officers of program 2.1

[22:17]

CHAIR: I welcome officers from program 2.2, affordable housing.

Senator JOYCE: I am reading a media release from the Hon. Tony Burke, who tells me that he has \$100 million to support our region:

Supporting our regions to grow sustainably is key to a sustainable Australia. The Gillard Government is unlocking housing supply so that fly-in fly-out is no longer the only option in communities experiencing record levels of growth.

Who is flying in to and flying out of Queanbeyan that we need to support? I see that Queanbeyan gets itself on the eligible regional city list, so I am interested: who is flying in to and flying out of Queanbeyan? While you are at it, you might want to tell me who is—

Senator Conroy: That might be the nearest airport to somewhere.

Senator JOYCE: Who is flying in to and out of Wyong? Surfers?

Mr Thompson: I can only answer that question by pointing to the government's decision around the basis for eligibility in the program, which was that 47 eligible regional cities were determined.

Senator JOYCE: I see that—I have the whole list here. Who is flying in to and out of the Gold Coast? What is going on down there? Do we have a mine there? The Gold Coast is one of your eligible regional cities and the minister tells me this money is to help fly in, fly out workers. Who is flying in to and out of the Gold Coast?

Mr Thompson: I am not sure how to address that question—

Senator Conroy: We will take that on notice—this is the only way possible way to deal with this stream of consciousness.

Senator JOYCE: It says it is to assist fly-in fly-out workers, so I want to know who is flying in and flying out of the Sunshine Coast? How about flying in and flying out to Maitland? Who is flying in and flying out to Geelong? Is it the Cats? Is that who we are supporting?

Senator Conroy: It could be, but I'm not! I am definitely not barracking for the Cats.

Senator JOYCE: Why on earth do you talk about assisting fly-in fly-out workers when you are not assisting fly-in fly-out workers?

Senator Conroy: It is an airport. I do not know whether the concept of flying in and flying out is with you, but it is an airport where people land and then go to places from.

Senator JOYCE: So they are going from Geelong. Is that the answer? You should read your own media release—supporting our regions to grow sustainably, unlocking housing supply so that fly-in fly-out is no longer the only option. I just want to know which actual fly-in fly-out towns you are helping.

Mr Thompson: I note that there are a number of towns—

Senator JOYCE: Give me one.

Mr Thompson: Orange is one.

Senator JOYCE: So flying in and flying out to Orange. What about flying in and flying out to Dalby? Is Dalby on your list? How about flying in and flying out to Mount Isa? There is a pretty handy mining town. Are you going to help Mount Isa? The answer is no. What about Cloncurry? That is another big mining town—are you helping that one? How about we go to Western Australia. What about Karratha? Are you going to assist anybody at Karratha? That would make sense for a fly-in fly-out place. So why on earth would you put this into a media release when you are not actually assisting fly-in fly-out?

Senator Conroy: I appreciate the National Party have spent years socialising losses and privatising profits, but tell me, Senator, why would you subsidise successful fly-in fly-out operations that are already happening?

Senator JOYCE: We are not the government yet; you still are for the next little while and you are the ones who should be answering the questions. Mr Thompson, can you enlarge on what is meant by the statement that the Gillard government is unlocking housing supplies so that fly-in fly-out is no longer the only option, and how does that relate to the cities you have picked?

Mr Thompson: A number of the cities that are in this list which the government has decided to support through this program do relate to and experience some of the impacts on affordable housing through the mining and resources boom—

Senator JOYCE: How many have you got there—47?

CHAIR: Mr Thompson, have you finished your answer?

Mr Thompson: That is amongst the reasons why I presume the minister made that reference in the press release.

Senator JOYCE: I grant you that Kalgoorlie-Boulder is definitely one of those. In WA you have four towns. There is Mandurah—is that a mining town?

Senator LUDLAM: They are flying from there to the mining towns.

Senator JOYCE: That is a very good point. But this is not a flying from package; it is a fly-in fly-out package. We are stopping them from flying in and flying out. We want them to live there, so they are flying from Mandurah to where?

Senator LUDLAM: Port Hedland.

Senator JOYCE: Port Hedland is not on the list. Did you ever consider putting Port Hedland on the list?

Senator Conroy: We can take that on notice and let you know.

Senator JOYCE: This is your second crack at this. You have done this once before, haven't you, during the election. We brought up the issue that the towns you picked to assist for fly-in fly-out were not actually there—you had left out the major mining towns. Why did you leave the major mining towns, the ones we want to target for fly-in fly-out, off your list?

Senator Conroy: We can take that on notice as to the composition of the list. I think the officer indicated there are criteria; perhaps you have not read it and we can get you a copy.

Senator JOYCE: Senator Ludlam was trying to help you with an explanation of why you talk about flying in and flying out. Can you enlarge on that?

Senator Conroy: We will take it on notice and if there is anything further we can do other than give you a copy of the criteria, we will see if it is available.

Senator JOYCE: You are kind of stumped, aren't you? You do not have an answer, basically.

Senator Conroy: Do you have any questions?

Senator JOYCE: I have lots of questions.

CHAIR: This is your last question.

Senator JOYCE: Has the department prepared any advice to the minister about the issue of fly-in fly-out workers, and where is it creating the largest issues?

Senator Conroy: The departments do not ask questions about what they prepare briefs to ministers on—it is a case of the content.

Senator JOYCE: If the Building Better Regional Cities program is about assisting the fly-in fly-out workforces, why does the term fly-in fly-out not get one mention in the program's guidelines?

Mr Thompson: I can only say that you are referring to one reference in the press release. The press release also refers to the overall objective of the program, which says:

The Building Better Regional Cities program is about supporting the supply of affordable housing in our growing regional cities, in turn relieving pressure on our major capital cities.

Senator JOYCE: So the minister got it wrong when he mentioned that, did he?

Mr Thompson: No, I did not say that.

Senator Conroy: He said that, as usual, you are barking up the wrong tree.

Senator JOYCE: Why do you not have one reference to fly-in fly-out in the guidelines? Do you think you should have?

Mr Thompson: The guidelines are in the public domain.

Senator Conroy: It is not for Mr Thompson to comment on what should or should not be in the guidelines.

Senator JOYCE: Do you reckon the minister did not read the guidelines?

Senator Conroy: I think that is a pretty silly question.

Senator JOYCE: In the original criteria for eligible cities, you say not capital cities but cities with populations over 30,000 people have been included. Why have some cities with populations of fewer than 30,000 been included?

Senator Conroy: I think they were selected because they were over 30,000—

Senator JOYCE: And you have included some that are under 30,000. Maybe you want to answer it, Senator Conroy.

Senator Conroy: I am just giving you some information which you are claiming.

Senator JOYCE: Maybe you want to answer it. You chimed in there, so why, Minister, have you included some cities that have fewer than 30,000 people?

Senator Conroy: If there is any further information that comes to hand in the near future I will give it to you.

Senator JOYCE: My advice to you is do not interrupt.

CHAIR: Senator Joyce!

Senator Conroy: You are just so clever! Is that the advice you gave the bloke who helped you yesterday in the press conference? I loved your press conference yesterday with that bloke.

CHAIR: Senator Conroy! Order!

Senator Conroy: He was very helpful, that bloke in your press conference yesterday, Barnaby. You went bright red as he contradicted your gaffe.

CHAIR: Senator Conroy! Order! Who is going to answer the question? One person will answer it and then I am moving on.

Dr Grimes: I may be able to assist you. The government outlined as part of its election commitments the regional centres that would be eligible to apply for funding. As part of those election commitments the government identified three centres with populations of fewer than 30,000 people.

Senator Conroy: Good. So it was an election commitment. Oh my goodness!

Senator JOYCE: Seeing that we are looking at cities of fewer than 30,000 and seeing that we do not have one city west of the Great Dividing Range except Toowoomba, which is sort of perched on the Great Dividing Range, why not look at other towns that are more applicable to really needing assistance? When you go to Roma the place is absolutely packed with fly-in fly-out workers, as are Cloncurry and Dalby, and soon it will be Charleville and Quilpie, as these mining towns open up, and Karratha, Port Hedland in the Kimberly—

CHAIR: Someone can take that on notice, because I am moving to Senator Payne right now.

Senator PAYNE: Thank you very much, Chair.

Senator JOYCE: I had 30 minutes.

CHAIR: You did not have 30 minutes. There is absolutely no way you had 30 minutes.

Senator JOYCE: This section goes for 30 minutes.

Senator Conroy: You do not get it all, though.

Senator BILYK: You do not get it all. Didn't your mother teach you to share?

CHAIR: I was advised you wanted five minutes.

Senator JOYCE: Okay.

Senator PAYNE: I do have one question in relation to the Building Better Regional Cities program and the answer to question on notice No. 54, which was in fact Senator Joyce's question. On the question of whether the program had started taking applications, it indicated at the time that it had not and that consultation with key stakeholders on the draft program guidelines was underway. Can you update the committee on the status of the application process and whether the draft guidelines have been released?

Ms Wiley-Smith: The Building Better Regional Cities program guidelines were released earlier this month and they are currently out for applications. The application period closes on 18 November.

Senator PAYNE: How long will the applications take to process?

Ms Wiley-Smith: At this stage we are expecting announcements to be made in the first half of the next calendar year.

Senator PAYNE: So when will funding commence? I think your answer to that question said that funding will commence in 2011-12. So you expect funding will commence in the first half of next year?

Ms Wiley-Smith: Correct. So we have funding available this financial year.

Senator PAYNE: Do you have any estimate at this stage of the volume of applications being received now that the applications process is open?

Ms Wiley-Smith: Not at this stage. It is a bit too early to tell. But we did have a very good feedback from the 47 councils that are eligible to apply during the consultation process.

Senator PAYNE: Chair, when do answers to questions on notice for this committee close?

CHAIR: Monday, 24 November.

Senator PAYNE: Could you take on notice a question to advise the committee of the number of applications received and the councils from which those applications have been received? How is the value of the applications assessed? Is it by the request of the councils for a dollar value or does the government put a dollar value on it?

Ms Wiley-Smith: Through the application process, we are asking the councils to state how much money they require and to go into quite some detail on the projects that are proposed.

Senator PAYNE: Then the amount of money requested by each council.

Ms Wiley-Smith: Yes.

CHAIR: Senator, the questions are due back on 2 December.

Senator PAYNE: That is perfect. The timing works. I have questions on the National Housing Supply Council, the HAF and the NRAS. On the National Housing Supply Council, can you advise what the time frame is now for the 2011 NHSC report?

Mr Tregurtha: At the current time the expected delivery of the 2011 report will be before the end of the year and in the next couple of months. It is nearing finalisation.

Senator PAYNE: I guessed that when you said 'before the end of the year'. Will that be a full report which deals with the issues that have been dealt with in previous reports? Or, given the report was due in April, will it be a curtailed report?

Mr Tregurtha: The report will update and cover the key issues that were covered in the 2010 report.

Senator PAYNE: All of the positions on the council have been taken up, haven't they?

Mr Tregurtha: That is correct.

Senator PAYNE: What was the delay in time between when briefings were provided to Minister Burke on possible members and the time of appointment?

Mr Thompson: We answered a question that you put on notice at the last budget estimates hearings, which indicated when we provided briefings to the minister.

Senator PAYNE: That is right. You provided briefings in 2010 and early 2011.

Mr Thompson: That is right.

Senator PAYNE: When were the appointments actually made?

Mr Thompson: But we also indicated that we provided further information on possible council members to the minister between January and May and appointments were announced on 12 May.

Senator PAYNE: Around the time of the budget.

Mr Thompson: That is right.

Senator PAYNE: That was for the full appointment of the council at that time.

Mr Thompson: It was.

Senator PAYNE: So they started basically from scratch in relation to the Housing Supply Council report?

Mr Thompson: Some of the members were re-appointed, including the chair.

Senator PAYNE: But they had been in limbo for some time.

Mr Thompson: Yes, they had not been meeting up to that time. That is correct.

Senator PAYNE: So no work had been done preceding those appointments on the National Housing Supply Council?

Mr Thompson: No. As I think I might have said at the last estimates— might not have— some of the preparatory work for the council's annual report had been continuing, because that work is carried out within the department and through contracting.

Senator PAYNE: In relation to the Housing Affordability Fund, you gave me a table, in relation to a question on notice from the last estimates, which detailed the estimated savings per dwelling, amongst other things, from the Housing Affordability Fund. Is it the case that all of the funding for the HAF has been allocated?

Ms Wiley-Smith: Yes, it has.

Senator PAYNE: And have all the contracts under those allocations been executed?

Ms Wiley-Smith: Seventy-five offers have been made under the program and all but six have been executed.

Senator PAYNE: What is the status of the remaining six?

Ms Wiley-Smith: The remaining six are still under negotiation. Some of the councils were flood affected in Queensland last year, so we are still working through the negotiations with them and have provided extensions of time to assist.

Senator PAYNE: But funds are still available for the remaining six?

Ms Wiley-Smith: Correct.

Senator PAYNE: Can you tell the committee what the current status of the Electronic Development Assessment reforms is—which councils have committed their eDA reforms and now have functional systems?

Ms Wiley-Smith: I can.

Senator PAYNE: Is it a large list?

Ms Wiley-Smith: It is not a large list. I can give you a very quick summary. The National e-Planning Roadmap was completed on 30 June 2011. All jurisdictions were required to implement a protocol, known as the Electronic Development Assessment Interoperability Specification, which allows different IT systems to communicate data with each other based on a common technical requirement. Five jurisdictions are already compliant with the protocol and are currently using electronic development applications: Queensland, the Northern Territory, the Australian Capital Territory, South Australia and Victoria. Three jurisdictions that are expected to be conformant by June 2012 are New South Wales, WA and Tasmania.

Senator PAYNE: What reporting systems or requirements are in place for states or local governments in relation to the reform and how it is working?

Ms Wiley-Smith: I will have to take that on notice.

Senator PAYNE: Thank you.

CHAIR: Senator Payne, this will have to be your last question. We will have to move on.

Senator PAYNE: Can I put the rest on notice, Chair?

CHAIR: Sure.

Senator PAYNE: In relation to the table you provided, can you on notice provide further detail outlining which of the projects is in receipt of funding for infrastructure or eDA or another reason, and give a description of what the funding will go to? Can you also advise the committee, given the very large disparity between estimated savings per dwelling amongst the different projects, what the criteria were between competing proposals to provide such a

diverse range of savings—what assessment process the department had in place for doing that?

Ms Wiley-Smith: I am happy to take that on notice.

Senator PAYNE: Thank you very much.

Mr Thompson: I will note that we will provide that information to the best of our ability, noting that the assessment processes were run by the Department of Families, Housing, Community Services and Indigenous Affairs.

Senator PAYNE: Do you need me to place it on notice elsewhere as well?

Mr Thompson: No—it is with us now. I was just saying it was done—

Senator PAYNE: Yes, I do understand that. That is one of our dilemmas. Thank you very much, Chair.

Senator LUDLAM: How many, if any, of the recommendations from the 2008 Senate committee report on housing affordability have been implemented?

Mr Thompson: I will have to take that on notice, I am sorry.

Senator LUDLAM: If you could. Could you let us know which ones?

Mr Thompson: Sure.

Senator LUDLAM: I guess you would not have that at the desk with you. Does this department have responsibility for rental affordability and the 2½ million renters? Who is responsible for rental affordability in Australia?

Mr Thompson: As you know, we operate the National Rental Affordability Scheme, which is part of the government's contribution to improving rental affordability, and we have a general responsibility for housing supply and affordability in housing in the broader sense—rental as well as ownership. But the demarcation that you use is not necessarily the neat one that we use. Rental affordability is a function of a range of factors, including the investment profiles for investment properties, interest rates and a range of other things—things which the Treasury has responsibility for, as well as the interest that our department has. Rental affordability is also affected for some people in the social housing context by issues of relevance to the Department of Families, Housing, Community Services and Indigenous Affairs.

Senator LUDLAM: I have complained about the portfolio split at length so I probably do not need to go into it in too much detail here again, except to say that it was a big mistake to split it up. This is a political question that I will throw to the minister—

Senator Conroy: What have I done to deserve that?

Senator LUDLAM: I have not asked the question yet. Is there any thought going on within government or within the department about re-amalgamating the portfolios back under a single minister, which would be a brilliant idea.

Senator Conroy: Those are matters for the Prime Minister—portfolio constructs are for the Prime Minister.

Senator LUDLAM: She just sits in a room by herself and works it out?

Senator CONROY: I am sure she has not spent much time contemplating a redesign at this point in time. I am sure she may have thought about it when she was allocating portfolios but right now I am sure it is not top of her list of things to do.

Senator LUDLAM: I am just interested to know whether it is anywhere on the list. Can you take that on notice?

Senator CONROY: All except the Prime Minister's decision. The minister cannot answer the question.

Senator LUDLAM: Okay, I will let it go; time is short. Regarding the Housing Supply Council, to what extent is the minister's work determined by what the Housing Supply Council produces? We have got some pretty sharp people on that council who do, I think, amazing work. To what degree does it inform the affordable Housing strategy?

Mr Thompson: As I have said at previous estimates, it makes a very important contribution to the advice that we provide to the minister, and that we reflect upon in how we run our programs and the policy advice that we provide to the minister about housing supply and affordability issues. It is the pre-eminent piece of independent advice about the gap between housing supply and demand in this country.

Senator LUDLAM: NRAS sounded as though it was approaching disaster; somehow it got steered off the rocks and now round 4 is published and it all looks peachy. I am quite a big fan of NRAS. I am interested to know, though, this: it looked as though there was a colossal staffing bottleneck and people were really struggling to keep their heads above water processing the applications. Will staffing or administration be increased or changed to cope with the future rounds?

Mr Thompson: It depends on the nature of those future rounds. I will not go to the assumptions within your question but in terms of staffing for future rounds, that depends on the government's decision about the nature of any future rounds and how that assessment process might be run.

Senator LUDLAM: Future round 5 is still hypothetical at this stage?

Mr Thompson: It is. No government decision has been made about future round 5.

Senator LUDLAM: Do you consider that this program has been a success? How do you mark it internally?

Mr Thompson: I think you asked me a similar question last time about the Housing Affordability Fund—

Senator LUDLAM: I have very different views about the Housing Affordability Fund.

Mr Thompson: In relation to that question, as I said last time, in a different program context, it is not up to us to give an opinion about whether something is a success or not. It really comes back to the objectives the government sets for the program itself. The objectives for that program include to increase the supply of affordable rental properties and to improve leverage by the sector engagement and involvement in provision of rental properties. Some of the indicators would point to the program achieving that.

Senator LUDLAM: You created roughly as many dwellings as the \$51/2 million social housing spend within NRAS. That is not bad.

Mr Thompson: Thank you.

Senator LUDLAM: Which government agency counts student housing need? How do we know the degree of unmet need in the student housing sector?

Mr Thompson: I might kick off, and Mr Tregurtha might add. Student housing is not necessarily a specific policy target that the Commonwealth government is focused on. I think we gave quite a detailed response to a question on notice that you asked in the last estimates about student housing. It is true, of course, that student housing has been supported by the National Rental Affordability Scheme, and that scheme has provided support in round 4 as well. Mr Tregurtha might want to add.

Mr Tregurtha: As of 3 October, including offers made through round 4, over 6,000 incentives have been offered to universities through the National Rental Affordability Scheme, so that scheme is certainly playing a part in providing for student housing.

Senator LUDLAM: Yes, it looks like there has been a reasonable take up. I think the unis would take more if the incentives were there, to be honest. The reason I am poking this one over and over again—and thanks for your answer to my question 718—is that there are a bit over one million total students in Australia right now, but nobody seems to know what the current estimated housing gap is. Senator Singh is reminding me that the universities do their bit on their patch, but nobody seems to know or to want to know what the total picture is. That is the impression I was left with—the response to my question is, 'We don't know, and we're not finding out.' Is that a reasonable summary?

Mr Tregurtha: Responsibility for the tertiary sector, as you know, lies with DEEWR—the Department of Education, Employment and Workplace Relations—and certainly they do make infrastructure funding available to universities, and questions about that can be referred to that department. Our department's support for student housing at this point comes through the delivery of the National Rental Affordability Scheme.

Senator LUDLAM: How about if I ask you about the ageing population: current housing need for older people—those over 65 or so. What is the degree of unmet need there?

Mr Thompson: I do not have those numbers off the top of my head, but that is an issue which the National Housing Supply Council clearly has an eye to in its reports and its thinking. It is also an issue which the Australian Housing and Urban Research Institute does periodic research on as well.

Senator LUDLAM: They do.

Mr Thompson: We take an active interest in that.

CHAIR: Thanks to the officers on that portfolio.

[22:48]

CHAIR: We now move to sustainable communities, program 2.3.

Senator JOYCE: Under sustainable communities, from what I can gather, there is only one outcome—that is, sustainable jobs. Is that correct? Does that sit underneath it?

Mr Thompson: The government's strategy, *Sustainable Australia—sustainable communities*, included a number of initiatives. Under this outcome the Suburban Jobs Program is the main program. There are other activities in the department, but the Suburban Jobs Program—

Senator JOYCE: Okay, it is suburban jobs. I know the draft guidelines are out for comment until 21 October, but when will the guidelines for suburban jobs programs be released?

Ms Wiley-Smith: We expect the guidelines to be released later this year.

Senator JOYCE: We are kind of 'later this year' right now; so how much later than right now?

Ms Wiley-Smith: They are out for consultation at the moment, and then we hope to have a look at what the results of consultation are—how many issues stakeholders may have—and then, taking that into consideration, we will be taking on board some of the comments and getting the guidelines cleared through our normal government processes, so we would hope possibly sometime in November/December.

Senator JOYCE: They are the only two months left.

Ms Wiley-Smith: Yes, Senator.

Mr Thompson: We are factually correct, Senator!

Senator Conroy: Thank God you are better with dates than you are with—

Senator JOYCE: My gosh—go back to sleep! How many people do you have working on this program at the moment?

Ms Wiley-Smith: At the moment we have five full-time staff members.

Senator JOYCE: So that is five jobs; how many other jobs do you expect the Suburban Jobs Program to create?

Mr Thompson: Just to be clear, and Ms Wiley-Smith will probably add to this: it is not a job creation program.

Senator JOYCE: Why do you call it 'suburban jobs' if it is not a job creation program?

Mr Thompson: I will not debate the name with you, but the program objective is to assist the state and local governments to plan and provide for improved employment distribution outside of the major capital city CBDs.

Senator JOYCE: So it is a bit like regional cities that are not actually regional cities.

Senator Conroy: Do you have a question?

Senator JOYCE: Yes, I have a few, not that you are of much use in answering them. On page 10—

Senator Conroy: You have 10 minutes to try to get them out.

Senator JOYCE: Page 10 of the Australia's sustainable communities document states that suburban jobs will provide \$100 million. This is quite a bit of money—it is probably about 10 minutes of your time.

The Australian Government will provide \$100 million over four years to support local and state governments to plan and provide for increased employment opportunities outside capital city CBDs.

It will further:

... support innovative projects to use the NBN to reduce workers' travel times.

Can you give me an example of a project under this program that would use the NBN to reduce workers' travel times? You might be able to answer that, Minister. Do you have an answer?

Senator LUDLAM: He is speechless.

Senator Conroy: Yes, I am speechless that he was almost relevant.

CHAIR: Take your time, Mr Thompson.

Senator JOYCE: You will probably need a lot of time!

Mr Thompson: Ms Wiley-Smith is helping me out.

Ms Wiley-Smith: We have actually undertaken quite a bit of consultation already on the design of this program, both through one-on-one consultations with key stakeholders but also through detailed design workshops. Now we have the draft guidelines out there for consultation and further public comment. Through that process, stakeholders have raised that, in their experience, it would be very good if, as part of a larger integrated project, the government could also look at using the digital economy to enable people to stay close to their place of residence rather than working in the CBD and travelling there. There could be shared meeting spaces, for example.

Senator JOYCE: How many stakeholders have you spoken to?

Ms Wiley-Smith: I have a list of stakeholders that I can take you through. It would probably be about 40 or 50 different stakeholders, but I can take that on notice and confirm the list.

Senator JOYCE: Where do the stakeholders come from? How did you find them?

Ms Wiley-Smith: They range from state government representatives and agencies in the planning area and also in transport and employment, as well as local government agencies, academics, business groups and community organisations.

Senator JOYCE: How many non-government stakeholders did you speak to?

Ms Wiley-Smith: Based on the information I have seen, I would say about 10 to 15 different groups, but I would have take that on notice to confirm.

Senator JOYCE: If the program is about taking advantage of the NBN, why do the draft guidelines only mention the NBN once?

Mr Thompson: To be clear, the program is not just about taking advantage of the NBN. As I said earlier and as I think you read out, the program objective is to assist state and local governments to plan and provide for improved employment distribution. Taking advantage of digital economy opportunities is just one aspect—one mechanism by which that can happen.

Senator JOYCE: Define what you mean by the digital economy and give me a project that you could fund that would fit into that.

Senator Conroy: We have a whole digital economy strategy. You can ask us about it tomorrow when the DBCDE—

Senator JOYCE: Just give me a project that you could fund that would—

CHAIR: Senator Joyce, allow the minister to finish his answer, please.

Senator JOYCE: He does not answer; he just babbles.

CHAIR: Let me make that judgment.

Senator Conroy: How many signatures were on that petition yesterday?

Senator JOYCE: If you cannot answer the question, just say, 'I can't answer the question.'

Senator Conroy: Was it 38,000 or 48,000? I forget.

Senator JOYCE: You obviously do not have an answer, do you?

Senator Conroy: We have an entire program that I am happy to—

Senator JOYCE: You did one project that would fit that definition.

Senator Conroy: It is called Digital Hubs. I think that is one program that we are putting forward.

Senator JOYCE: And that is in this \$100 million, is it?

Senator Conroy: No. We fund it separately.

Senator JOYCE: You have \$100 million put aside. I want to know one project that you could fund that would fit into your definition of assisting with the digital economy.

Mr Thompson: As I think Ms Wiley-Smith said, the opportunities of the digital economy are really intended to be integrated within the wider project that the proponents were asked to come forward with. Examples of that—

Senator JOYCE: Just say you have not got a project at this point in time that you could fit into it.

Mr Thompson: We do not have any projects, because—

Senator Conroy: Because people apply for them, with ideas.

Senator JOYCE: That means you have not got a project at this point in time that you can fit into it. You are establishing a panel to advise on projects that are applying for funding under the program; is that right?

Ms Wiley-Smith: An assessment panel?

Senator JOYCE: Yes.

Ms Wiley-Smith: That is correct.

Senator JOYCE: How will you be selecting—

Senator Conroy: Ideas that people come up with and that they apply with.

Senator JOYCE: Senator, you are an ideas man. You are straight from the pool room with a \$56 billion white elephant.

CHAIR: Senator Joyce, you may have to make this your last question. Other senators want to ask questions.

Senator JOYCE: How will you be selecting the panel?

Ms Wiley-Smith: Through an open procurement process.

Senator JOYCE: From the department?

Ms Wiley-Smith: The department would be involved in the procurement process and the selection of the expertise to assist on the panel.

Senator JOYCE: Has the government engaged external consultants at this stage?

Ms Wiley-Smith: No.

Senator LUDLAM: The liveable cities program—\$20 million to invest in the development of urban renewal projects that improve jobs and housing access and so on—is a little bucket of money but targeted at some fairly promising stuff. Can you give us an update on where that program is up to?

Mr Thompson: It is actually administered by Department of Infrastructure and Transport.

Senator LUDLAM: Damn! You cannot tell me anything about it at all, and I waited up till 11 o'clock at night.

Mr Thompson: I could make something up, but I do not think that would be—

Senator LUDLAM: No, it is best you do not. It is good to end a long day on a laugh. That is actually a little bit perplexing because some of the sustainable communities stuff is administered by you, including the suburban jobs initiative that we have just been talking about. Do you do the measuring sustainability one?

Mr Thompson: We do.

Senator LUDLAM: Do you have the right folk here?

Mr Thompson: Yes.

Senator LUDLAM: In two and a half minutes. It is the sustainability indicators. We had a reasonably lengthy discussion on that last time. Can you give us an update on that one?

Mr Thompson: There have been quite extensive but targeted consultations with a range of stakeholders around the country who are already engaged in different types of sustainability indicator work, which Mr McNee could add to if necessary. We are continuing work on potential indicators to put to government for its consideration before the end of this year.

Mr McNee: We have been dealing with a wide range of stakeholders. In fact I can probably come back to you with a full list—across state and territory governments, social groups, local government, academics, major associations.

Senator LUDLAM: Do you want to provide us with that list on notice?

Mr McNee: Yes.

Senator LUDLAM: That would be good. How far do you think you are through your work plan?

Mr McNee: We are still at the stage of working quite closely with them, doing a lot of background work to generate what the options are in terms of particular headline indicators. I would hope that towards the end of the year we would be in a position to start to come back to government.

Senator LUDLAM: When will you be publishing something that the public could look at?

Mr McNee: That would depend on the response of government to the material that we are bringing forward.

Senator LUDLAM: So it is going to Minister Burke before the end of this calendar year and then something will fall out perhaps next year?

Mr McNee: We have been working towards going back to government towards the end of the year.

Mr Thompson: When something is released, though, would be a matter for the government.

Senator LUDLAM: Yes, I am very familiar with that deflection.

Senator Conroy: That is very unkind.

CHAIR: Senator Ludlam, you have got 15 seconds.

Senator LUDLAM: This is madness. Why have we only got 15 minutes to deal with this?

CHAIR: Because you did not ask for any more.

Senator LUDLAM: That is not true. I asked for quite a bit. I will leave it there. I might put it on notice.

CHAIR: That concludes today's program. The committee will continue its examination of this portfolio at 9.30 tomorrow following SBS at 9 am. I thank the ministers and the officers for their attendance. Thank you to Hansard and Broadcasting. Senators are reminded that written questions on notice should be provided to the secretariat by close of business on Monday, 24 October.

Committee adjourned at 23:00