

Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Innovation, Science, Research and Tertiary Education Portfolio
Additional Estimates Hearing 2012-13
13 February 2013

AGENCY/DEPARTMENT: AUSTRALIAN NUCLEAR SCIENCE AND TECHNOLOGY ORGANISATION (ANSTO)

TOPIC: PETNET

REFERENCE: Question on Notice (Hansard, 13 February 2013, pages 6-7)

QUESTION No.: AI-1

Senator BUSHBY: Still on PETNET, in May 2011 estimates you indicated PETNET would be profitable in two years. In October 2011 estimates the story became that it will be cash positive in two years. In May 2011 the return investment was 10 years. In October 2011 it became 15 years. In February last year you were less confident about PETNET's prospects, citing the situation as very dynamic at the moment and you were seeking additional information. Now that we are a year further down the track, are you able to indicate when you consider PETNET will reach break-even and when it is expected to reach profitability?

Dr Paterson: I think my current evaluation of the situation would be that there continues to be a two-tier approach to nuclear medicine provision using cyclotrons: there are publicly funded cyclotrons, which are established by state and other health authorities; and there are privately funded cyclotrons, which are intended to make a return for the people who make those investments—and that includes the PETNET facility. I would imagine that, with the situation we face with our facility in New South Wales, there will be continuing pressures for us and for any other privately funded or fully commercial cyclotron to make adequate returns. I do not think this is unique to ANSTO, but it is the structure of the market. We thought—and our board agreed with us, and I felt, when I joined ANSTO, that that was valid—that this was a market that would naturally become a fully commercial market. That has proven not to be the case. That is a fundamental change in the structure of the market, and we continue to engage with all the stakeholders to make sure that there will be an adequate return, but it is not possible to absolutely quantify that. We do tend to take a conservative view of what will happen, but I believe it would be prudent to say that the earlier projections that I made—which assumed that it was a truly commercial market that was emerging—have not been validated by the actual actions of public sector investors.

Senator BUSHBY: Which explains the change in the dates and now your inability to actually put a date on there.

Dr Paterson: That is the dominant reason for it. I must say, though, that there are many patients every week in Canberra, New South Wales, South Australia and other parts of Australia that are benefiting from the PETNET FDG, which is the only one that meets all of the requirements of the TGA—both as a pharmaceutical and in relation to full compliance with good manufacturing practice. We still regard ourselves as the best established and the most accredited F-18 FDG-providing facility in Australia, and we think that is a standard that everyone should meet.

Senator BUSHBY: I presume that the internal rate of return of 5.3 per cent at 10 years, and 9.2 per cent at 15 years, is probably not quite so firm now?

Dr Paterson: We have not run the models on our new set of assumptions. We will do that in the work up of our books for the end of this year, and I will be happy to brief the Senate on the further elaboration on the model at that time.

Senator BUSHBY: I understand that the New South Wales tender FDG will conclude in May 2014.

Dr Paterson: Correct.

Senator BUSHBY: Do your revenue projections at this stage assume that you will maintain your current market share once that tender is re-let?

Dr Paterson: If the market position and that tender is let on the basis of the proper Good Manufacturing Practice Status and the certification by the TGA, I believe that we will retain it.

Senator BUSHBY: On a number of occasions, when asked about PETNET financials, ANSTO has not disclosed some of the information, citing commercial sensitivity, which is fair enough to some extent. However, given that your competitor in New South Wales is a publicly listed company and it is, as a result, required to disclose all of its accounts, doesn't claiming commercial confidentiality in a setting like this mean that you are not providing the same level of transparency as your competitors are?

Dr Paterson: I would like to take that on notice because I have not compared our accounts directly on the levels disclosure, but I think we would make that comparison and bring it back to this committee.

ANSWER

PETNET Australia Pty Ltd is an Australian Proprietary Limited Company and is a wholly owned subsidiary of ANSTO.

PETNET's competitor in NSW is Cyclopet Pty Ltd, an Australian Proprietary Limited Company and a wholly owned subsidiary of Cyclopharm Limited, an Australian Public Company.

As proprietary limited companies, neither PETNET nor Cyclopet are required to publicly disclose their accounts.

Under the *Corporations Act 2011* and Australian Accounting Standards, publicly listed companies, such as Cyclopharm, must disclose information on investment in subsidiaries, including name, place of incorporation and percentage owned. An operational overview and commentary including revenue is also expected to be disclosed.

Under the Finance Minister's Orders from the *Commonwealth Authorities and Companies Act 1997*, ANSTO must disclose very similar information about its subsidiaries, including name, place of incorporation and percentage owned. ANSTO discloses all required information as well as additional information, including information on investment dollars.