

Senate Standing Committee on Economics
ANSWERS TO QUESTIONS ON NOTICE
Innovation, Industry, Science and Research Portfolio
Budget Estimates Hearing 2011-12
30 May 2011

AGENCY/DEPARTMENT: AUSTRALIAN NUCLEAR SCIENCE AND TECHNOLOGY ORGANISATION

TOPIC: Petnet

REFERENCE: Question on Notice (Hansard, 30 May 2011, E17)

QUESTION No.: BI-7

Senator HEFFERNAN: Does PETNET generate commercially acceptable profits?

Dr Paterson: At present it is not a profitable company. But the trajectory of the company is within the envelope we expect to achieve profitability.

Senator HEFFERNAN: When you are expecting to make a profit?

Dr Paterson: It will not be in the next financial year, but potentially in the year after that.

Senator HEFFERNAN: If you are not making a profit, selling product at a return that does not give you a profit, you could understand the difficulty your competitors have in trying to compete with you. Does PETNET adhere to its competition policy? If so, please give details of how it accomplishes acceptable profits, which you say you have not got, and does not abuse its position in the market, which is the point I am trying to make. How do we know that you are not just slicing the market?

Dr Paterson: I think we are subject to audit. The auditors ask questions of how the business is constructed and how we are operating according to those plans; and they have that power of review. It is also considered annually by the ANSTO board when we consolidate our accounts. The board applies its mind to that as well.

Senator HEFFERNAN: Could you provide to the committee the details of the proof of what you have just said in those reports?

Dr Paterson: I do not believe it is appropriate to supply commercial-in-confidence information within a market that is highly competitive. I think it would be a market distortion in itself.

Senator HEFFERNAN: Could you provide the tests for the ticks rather than the information? What are the questions they ask you? Obviously you have to answer that.

Senator Carr: We will take that on notice.

ANSWER

PETNET is audited by the Australian National Audit Office on an annual basis, and as part of that process the issue of competitive neutrality is addressed. The objectives of the Australian Government's policy of competitive neutrality are:

- that significant Australian Government business activities do not enjoy net competitive advantages over their private sector competitors (or potential competitors) simply by virtue of their public sector ownership;
- to eliminate potential resource allocation distortions arising from the public ownership of significant business activities operating in contestable environments; and
- to encourage fair and effective competition in the supply of goods and services.

The price which PETNET charges for product is in accordance with this policy, and is consistent with market expectations. PETNET is in no way a loss leader in the market.