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SENATE

SELECT COMMITTEE ON FUEL AND ENERGY

Reference: Issues relating to the Fuel and Energy Industry

TUESDAY, 7 APRIL 2009

GLADSTONE

BY AUTHORITY OF THE SENATE

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SENATE SELECT COMMITTEE ON

FUEL AND ENERGY

Tuesday, 7 April 2009

Members: Senator Cormann *(Chair)*, Senator Hutchins *(Deputy Chair)*, Senators Bushby, Fielding, Fierravanti-Wells, Joyce and McEwen

Senators in attendance: Senators Cormann, Furner and Ian Macdonald

Participating members: Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Carol Brown, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Crossin, Eggleston, Farrell, Feeney, Ferguson, Fielding, Fisher, Forshaw, Furner, Heffernan, Humphries, Hurley, Johnston, Kroger, Lundy, Ian Macdonald, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Stephens, Sterle, Troeth, Trood, Williams, Wortley and Xenophon

Terms of reference for the inquiry:

To inquire into and report on:

a. the impact of higher petroleum, diesel and gas prices on:
   - i. families,
   - ii. small business,
   - iii. rural and regional Australia,
   - iv. grocery prices, and
   - v. key industries, including but not limited to tourism and transport;

b. the role and activities of the Petrol Commissioner, including whether the Petrol Commissioner reduces the price of petroleum;

c. the operation of the domestic petroleum, diesel and gas markets, including the fostering of maximum competition and provision of consumer information;

d. the impact of an emissions trading scheme on the fuel and energy industry, including but not limited to:
   - i. prices,
   - ii. employment in the fuel and energy industries, and any related adverse impacts on regional centres reliant on these industries,
   - iii. domestic energy supply, and
   - iv. future investment in fuel and energy infrastructure;

e. the existing set of state government regulatory powers as they relate to petroleum, diesel and gas products;

f. taxation arrangements on petroleum, diesel and gas products including:
   - i. Commonwealth excise,
   - ii. the goods and services tax, and
   - iii. new state and federal taxes;

g. the role of alternative fuels to petroleum and diesel, including but not limited to: LPG, LNG, CNG, gas to liquids, coal to liquids, electricity and bio-fuels such as, but not limited to, ethanol;

h. the domestic oil/gas exploration and refinement industry, with particular reference to:
   - i. the impact of Commonwealth, state and local government regulations on this industry,
   - ii. increasing domestic oil/gas exploration and refinement activities, with a view to reducing Australia's reliance on imported oil, and
   - iii. other tax incentives; and

i. the impact of higher petroleum, diesel and gas prices on public transport systems, including the adequacy of public transport infrastructure and record of public transport investment by state governments.

WITNESSES

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Committee met at 9.00 am

CHAIR (Senator Cormann)—I declare open this public hearing of the Senate Select Committee on Fuel and Energy. The Senate has referred to the committee matters associated with fuel and energy, including the price of fuel, the impact of an emissions trading scheme, regulation of taxation arrangements and alternative fuels. The committee is due to provide its final report to the Senate on 21 October 2009. However, the committee is planning to table an interim report regarding emissions trading in early May. Today the committee is focusing mainly on the impact of an emissions trading scheme.

I welcome you all here today. This is a public hearing, and a Hansard transcript of the proceedings is being made. Before the committee starts taking evidence, I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. The committee prefers all evidence to be given in public but, under the Senate's resolutions, witnesses have the right to request to be heard in private session. It is important that witnesses give the committee notice if they intend to ask to give evidence in camera. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may of course also be made at any other time.

Finally, on behalf of the committee, I thank all those who have made submissions and sent representatives here today for their cooperation in this inquiry.

[9.01 am]

LAWSON, Mr Matthew, Commercial Manager, Gladstone Plant, Cement Australia

RITCHIE, Mr Stuart, National Sustainability Manager, Cement Australia

CHAIR—Welcome. I invite you to make a brief opening statement and then the committee will ask some questions.

Mr Ritchie—Cement Australia welcomes the opportunity to appear before this committee of inquiry. Cement Australia is appearing in relation to item 1(d) of the committee's terms of reference, which relates to the impact of an emissions trading scheme on the fuel and energy industry. Cement Australia is the leading manufacturer of cementitious products in Australia. The company supplies 47 per cent of the Australian market, from four integrated clinker and cement-manufacturing plants, one dedicated cement-milling operation and a range of terminals and other distribution facilities.

Through early actions, Cement Australia has maintained its total carbon dioxide emissions at less than 1990 levels, while achieving sales increases of nearly 50 per cent over that same period. This improvement in greenhouse emissions intensity has been delivered by significant investment in new technology processes, cementitious-material substitution advances and market-demand education. Over 90 per cent of our clinker production comes from best practice kiln technology. Gladstone is home to ours and Australia's most greenhouse efficient cement manufacturing facility, a situation that has arisen only through bold investment in state-of-the-art technology. It is important to identify that the reason for undertaking this investment was to remain competitive against the imports with which we compete. This investment enables us to control our energy costs, beneficially reducing emissions. Energy intensity, in and of itself, provides a substantial driver for reducing our greenhouse emissions.

Cement is a strategically important commodity. The security of supply of cement is critical for social and economic infrastructure, which is a major commitment of the government in coming decades. Cement is also a low-value dense commodity product. Where Australia provides the advantages of low energy costs, it also takes with respect to distance to market, costs of capital and other input costs. Supplying cement to the Australian market is based on a small number of integrated clinker and cement plants that are always located at the intersection of a limestone supply, a thermal energy source and access to a viable market supply chain. For example, the cement supply to Brisbane is based on clinker manufactured here in Gladstone as well as in South Australia, shipped to Brisbane and then milled to cement for market. While the current supply system for Brisbane has been set up to receive clinker, it is possible to directly import cement with only limited infrastructure facilities, and this has occurred. At the end of the day, the origin of a shipload of clinker or cement to port is of little concern to the downstream market, as long as the price is right.

We can see no sense, from a greenhouse gas perspective, in our introducing a policy that promotes even longer supply chains, while Australia's construction industry is left to the whim of offshore supply variability and price and there is a loss of regional jobs and knowledge.

Cement Australia, independently and in tandem with the Cement Industry Federation, has engaged constructively with the government since before the release of the green paper. Over this period we have seen a welcome range of improvements in relation to the definition and treatment of emissions-intensive trade-exposed industries, such as ourselves, which we ascribe to an improved understanding of the industry; however, we remain concerned in relation to the two following issues, which are of critical importance to Cement Australia.

The first is the proposal to assess emissions-intensive trade-exposed, or EITE, status on an activity basis only. We believe that this defeats the effectiveness of the EITE assistance program. Given that EITE assistance is provided to maintain the competitiveness of EITE industries—in our case, against imports—this proposal simply renders the EITE assistance program ineffective, potentially doubling the effective cost of the scheme. Cement Australia fundamentally believes that it is the cement product that is trade exposed, as opposed to the specific cement manufacturing activities.

The government proposes to assess cement according to individual activities, such as limestone extraction, clinker manufacture and cement milling. The current draft 'activity' definition proposes that limestone extraction for cement manufacture and the milling of clinker to cement should not be considered as EITE activities. In relation to limestone extraction, owing to the significant mass reduction that occurs during calcination, it is critical for both energy and cost efficiency purposes that limestone extraction operations exist in proximity to the rest of the manufacturing process. There is no integrated clinker manufacturing operation that exists without a nearby limestone extraction operation and, globally, there is no existing trade in the limestone clay blend used as a raw material by our industry. But, more importantly, should clinker manufacturing become uncompetitive under the scheme, Australia will also lose these associated limestone extraction operations and the jobs that go with them. In relation to cement milling operations, the exclusion of this activity will simply result in an increasing trend towards cement imports over clinker imports—again, with a commensurate loss in the abatement opportunities afforded by supplementary cementitious-material substitution, such as by fly ash and slag, and a resultant worsening of global greenhouse gas emissions.

The other area of concern that I would like to mention at this point is the treatment of new investment under the CPRS. With imports of clinker and cement into Australia currently approaching 20 per cent, Cement Australia believes that the time is right for investment in new, integrated manufacturing capacity in Australia. However, any new investment of this magnitude is difficult for a number of reasons, and it is made all the more difficult without an allocation program that rewards investment in lower emissions technologies. Our green paper submission highlighted that total global greenhouse gas emissions would be worse if investment in Australia were forced offshore by the scheme. An investment analysis undertaken for Cement Australia highlights that future Australian clinker investment would not be viable under the CPRS.

To assist in promoting the early uptake of improved greenhouse efficient technologies and, importantly, keeping employment in Australia, it is our position that new world's best practice greenhouse-efficient investment should be exempted from the scheme, either by direct exemption or through full allocation for a period of time. Thank you again for the opportunity to appear here.

CHAIR—Thank you very much. Before we get into questions, I note that you have been reading from a prepared statement. Is there any chance that you might be able to table a copy of that statement for us?

Mr Ritchie—Yes, I can do that.

CHAIR—Thank you. How many people does Cement Australia employ directly in this region?

Mr Lawson—I can answer that. The Gladstone plant has approximately 150 people, about 40 of whom are at the East End mine with the limestone extraction.

CHAIR—How many jobs would relate indirectly to that? Do you have a figure for that?

Mr Lawson—What do you mean; I am sorry?

CHAIR—Such as contractors. What is the impact in terms of indirect jobs?

Mr Lawson—Recently, this month, we have gone through a shutdown. We had over 200 contractors on site. That is an 18-month cycle. On a normal basis, our level of contractors can be anything from 10 to 50.

CHAIR—Mr Ritchie, you have raised the prospect of having to rely on an offshore supply instead of being able to use our own domestic production. Are you suggesting that the ETS, as it is currently designed, would put the viability of your operation at risk?

Mr Ritchie—Yes, it would.

CHAIR—If that were the case, would all of the jobs in your local operation be at risk?

Mr Ritchie—Yes, that is correct. But it is important to caveat that: we will see the lower greenhouse efficiency plants at risk before the improved greenhouse efficiency plants. As I have mentioned, obviously Gladstone is our flagship plant. So we would see the impact of the CPRS occur at Gladstone well down the track, certainly not as we would see it perhaps at our older technology plants.

CHAIR—In the ETS, as currently designed, is there recognition of improvements that have already been made for environmental efficiency? We have had evidence that perhaps people who still have a bit of fat in the system, in terms of being able to reduce emissions moving forward, are being advantaged compared with those that have already made significant gains. What would be your comment on that?

Mr Ritchie—I mentioned before the figures relating to our current emissions still being at 1990 levels, even though our production has increased by 50 per cent. The reason for that is that we have invested already in the new technologies that make us more greenhouse efficient. Cement Australia has one plant at Rockhampton, which has the capacity of only about 150,000 tonnes of cement; that is an old-technology plant. That is virtually inconsequential in terms of

the three million tonnes of cement that we make as a whole company. I am trying to say that we have very little place to move to get more gains in greenhouse efficiency.

CHAIR—How many free permits do you get on those transitional arrangements?

Mr Ritchie—The government has said that cement would receive a 90 per cent allocation but, with the way they assess that, that 90 per cent is, in fact, a nominal 90 per cent. The principal concern that we have is that that assessment is based on breaking your manufacturing operation up into specific activities and then assessing each of those in terms of their trade exposure. We think that has some quite perverse incentives. But, in terms of answering your question, from a real allocation perspective, that means that 90 per cent drops to somewhere about 83 per cent to 84 per cent.

CHAIR—Of course, the theory behind it is that that is where you have to make your efficiencies in order to be able to meet the reduced target. But, if you are already at best practice and there is nowhere further to go, essentially it becomes just an additional cost that you are not able to offset in any way, doesn't it?

Mr Ritchie—That is right.

CHAIR—Would you consider that your Gladstone plant is world's best practice from an environmental point of view?

Mr Ritchie—Yes. We have looked at the feasibility of a new plant at Gladstone and, I guess, comparing that, we think we could achieve a couple of percentage point gains in terms of efficiency, and that is really because Gladstone is now 10 years old. But, in terms of the capital stock around the world, the Gladstone plant would still be considered to be a state-of-the-art cement manufacturing operation.

CHAIR—Have you assessed the cost impact on your local operation of the ETS, as it is currently proposed? Presumably, you would have done some forecasts in terms of what that would mean.

Mr Ritchie—Yes, we have.

CHAIR—Can you perhaps share that with us?

Mr Ritchie—Specifically for Gladstone or for Cement Australia as a whole?

CHAIR—Perhaps you could give us both.

Mr Ritchie—Again, there are a number of options. The modelling we have done has looked at both of Treasury's estimates: $23 a tonne of carbon or $40 a tonne of carbon. I will give you the number for $23 a tonne. For the company as a whole, the net cost ranges from a $6 million cost per annum at start of the scheme to about $13 million, again depending upon which activities are included in that definition. For the Gladstone plant, we are looking at a range from $3 million to $5 million.

CHAIR—So that is a range of $3 million to $5 million in additional cost. Does that exclude what you may be able to offset? Is this after offsets, such as free permits? Is this a net additional cost?

Mr Ritchie—That is right. That is after an assumed allocation of between 83 to 90 per cent.

CHAIR—How does an additional $3 million to $5 million added to your cost base impact on your viability?

Mr Ritchie—I do not think it is correct to look at the comparison in terms of our revenues. The issue here really is that, if you are an importer of clinker or cement, you do not face those additional costs. The reason that we have invested in that new technology is to remain competitive against those imports, and now we suddenly have an artificial cost impost that they simply will not bear. That is what we think is the correct comparison to make.

CHAIR—What sort of percentage increase in your cost base is $3 million to $5 million?

Mr Ritchie—Do you know what that is for Gladstone?

Mr Lawson—No, but I can certainly get.

CHAIR—Perhaps you would be able to provide that to us on notice.

Mr Lawson—Certainly.

CHAIR—How have difficult global conditions resulting from the global economic downturn impacted on your business in Australia—and, more specifically, here?

Mr Ritchie—We have certainly seen a significant decrease in demand across our business as a whole. Currently, one kiln in our New South Wales plant at Kandos has been closed, and we estimate that it will be closed for 12 months. That is something that I have not seen in my 13 years in the industry; so we are certainly seeing an impact. My understanding is that the sales downturn at the moment is of the order of 15 to 20 per cent.

Mr Lawson—Yes, that is correct.

Mr Ritchie—Do you have a closer figure for Gladstone?

Mr Lawson—No, I do not, but 15 to 20 per cent is the number. Compared to last year, we are well down as well.

CHAIR—Is it fair to say that current economic conditions would make it even harder to cope with the additional impact of the cost of an emissions trading scheme, if it were introduced now in the form in which it is currently proposed?

Mr Ritchie—Yes.

CHAIR—So, in terms of transition, it will put additional pressure on the jobs in your operation.

Mr Ritchie—Yes.

Mr Lawson—Yes.

CHAIR—In your submission, you say that you are supportive of the concept of an emissions trading scheme; presumably, it is the currently proposed design that you are not supportive of. Is that right?

Mr Ritchie—That is right and we have said that all along. However, we believe strongly that we have to get the design right. In particular, we have to retain the competitiveness of our industries in Australia. For us, that is critical. Cement Australia has advocated in its green paper submission, which I think you have seen, that we believe a simpler approach to address this would be a border adjustment mechanism of some sort. As soon as you do that, you have a completely level playing field, and we think there are benefits for extending the reach of the scheme. But the real concern that we have is simply about maintaining our competitiveness as an Australian manufacturer of what is a strategically important commodity.

Senator FURNER—Thank you, gentlemen. I have a series of questions. Firstly, in respect of your emissions levels, what were the 1990 levels and what are they currently?

Mr Ritchie—Currently, in total, they still sit at about three million tonnes. In that calculation, I am including our calcination emissions. We are unique to many industries, in that our manufacturing process releases carbon dioxide from the heating of limestone, and that is about 50 per cent of our emissions. We also include our thermal energy use; in all of our plants, we use coal as well as a range of alternative fuels. We have included in that calculation also our electricity use as an indirect emission.

Senator FURNER—You use some by-product materials for reducing your emissions as well. Can you explain what those by-products are?

Mr Ritchie—There is an area within our company that is referred to as ‘alternative fuels and raw materials’. That covers a spectrum from alternative fuels. In this instance, we are replacing the calorific value of coal with a range of industrial by-products—such as spent paint residue, spent solvents, greases and various materials—that are blended into a fuel and used at both our Gladstone plant and our Railton plant. That may have some impact on our greenhouse emissions, depending upon the specific fuel type. Another example is that we use spent cell liners from the aluminium industry; there we would probably see a slight negative impact on our greenhouse emissions.

But, more importantly, at the other end of that alternative fuels and raw materials spectrum is what we refer to as ‘supplementary cementitious material’, such as fly ash and slag. These materials are quite unique because effectively they have a symbiotic relationship with cement: in the presence of the products of the hydration of cement, they behave like cement themselves. However, these materials come to us with no emission of carbon dioxide. If we can use more slag and fly ash in our blends in the downstream market, we can achieve the greatest gains in

terms of CO2 emissions. We have been very active, in that we have a significant business in fly ash and slag. We have been very active in sourcing that material and extending its reach into the market—and not just because it has a greenhouse benefit but also, obviously, it is a valuable marketplace for us.

Senator FURNER—What are the chances of expanding in that area of by-products?

Mr Ritchie—We are looking at all opportunities that we have. Currently, throughout Australia, we are at a substitution rate of just under 30 per cent, which level we have been at for a couple of years. We see, I guess, a range of market—not impediments—issues that have to be dealt with that relate to cement standards, market acceptability and sourcing of good materials. So, again, we are actively working in those areas to increase that, but there are limits to what we can do.

Senator FURNER—Have you raised these matters with the government during your numerous discussions with them over the CPRS?

Mr Ritchie—Not so much in relation to the CPRS, but we were very active with the governments through 2005-06 with a cement industry action agenda that raised those issues, and there are still actions that are fallout from that process.

Senator FURNER—You have indicated that you are seeking an exemption for a period of time. If that were at all possible, how much would that period of time be?

Mr Ritchie—We think about 10 years would be an appropriate period. That takes into account that this is a significant investment in long-lasting capital. We have cement plants that typically would have a life of 50 years. I think the Gladstone plant is a good example there: even though it is now just over 10 years old, it is still considered to be a benchmark plant in terms of greenhouse efficiency. We are probably just getting to the point where there are some opportunities to look at finding improvements throughout our plant.

Senator FURNER—What sort of message do you think that would send out to other businesses that are in the same situation of exposure that you are, in terms of seeking an exemption for 10 years?

Mr Ritchie—But we are conditioning that by saying that that needs to be new investment and it needs to be at world's best practice standards. The purpose is to actually provide an incentive to move to those new technologies because—

CHAIR—If the rest of the world joined in, the problem would be solved anyway, wouldn't it?

Mr Ritchie—Absolutely. We completely understand that this is a transition mechanism and we fully support that. If we had a global agreement, we would be the first to say that there should be no allocation.

Senator FURNER—You indicate that there is little available technology that will allow Cement Australia to significantly reduce emissions. What available technology do you have?

Mr Ritchie—In terms of process technology, there is none. So we are stuck with 50 per cent of our emissions that we can do very, very little about—that is the calcination component. In terms of thermal efficiencies, our processes at Gladstone are at world's best levels. There are perhaps some opportunities in the electricity area and we are about to embark on an R&D project, out of our Bulwer Island plant, to look at a new grinding technology that we think will provide a significant saving in grinding efficiency. But our dilemma is that we are really only playing with the 10 to 15 per cent indirect component of our energy use and there really is not any new process technology on the shelf that we can adopt.

Senator FURNER—Offshore supply has been happening for some time, hasn't it?

Mr Ritchie—Yes.

Senator FURNER—Is it fair to say that it has been happening as a result of product demand: Australia cannot keep up with that demand; therefore, there is the need to import additional cement products?

Mr Ritchie—Yes, that is correct. It is important to recognise that Australia is a very small market on the world stage. Our ability to maintain capacity to meet demand is limited. When that happens, you will see probably a 1.5 to two million tonne increase in Australia's capacity, and the market already has to have that demand to enable that to work. So we do rely on imports for the period of time at which the market grows to the point that that new investment can take place.

Senator FURNER—I take it that that would shrink as a result of the current global financial crisis as well.

Mr Ritchie—Yes.

Senator FURNER—Have you changed any plans for expansion of your business at all as a result of the proposed CPRS?

Mr Ritchie—We have a team working on a feasibility assessment for a new kiln in Gladstone. That is currently on hold, pending the outcome of the CPRS, because that really is a critical cost element for that project.

Senator FURNER—When you say that is currently on hold, is that a recent decision?

Mr Ritchie—I think that team has been running with some other projects for about the last month or two.

Senator IAN MACDONALD—My apologies for being late, gentlemen, but I have had the privilege of looking through your plant fairly recently; a very good operation it is too. Just on that last point that Senator Furner raised, your feasibility study was into a new clinker plant?

Mr Ritchie—Yes.

Senator IAN MACDONALD—Had you done any forward analysis on what the investment might have been, had that gone ahead?

Mr Ritchie—In terms of the price?

Senator IAN MACDONALD—In dollar terms.

Mr Ritchie—It is of the order of about $750 million.

Senator IAN MACDONALD—How many would have been employed in its construction and, had it gone ahead, how many would have been employed permanently?

Mr Ritchie—Permanently, I understand that the figure was about 50.

Mr Lawson—That is correct.

Mr Ritchie—For construction—

Mr Lawson—It would be enormous; it would be hundreds.

Senator IAN MACDONALD—Until you are certain where the CPRS is going, you are not proceeding with that.

Mr Ritchie—That is correct.

Mr Lawson—That is correct.

Senator IAN MACDONALD—If the CPRS stays as per the suggestions in the white paper, there is little prospect of it going ahead; would that be right?

Mr Ritchie—That is correct.

Mr Lawson—Yes.

Senator IAN MACDONALD—That is a very significant investment and obviously it would have been state-of-the-art, as you have said, I think. You are one of the big three or four producers in Australia, aren't you?

Mr Ritchie—Yes. I believe that we carry about 47 per cent of the market share in Australia.

Senator IAN MACDONALD—Who is your biggest competitor?

Mr Ritchie—In Australia it varies, depending upon the region. The other two players are Adelaide Brighton Cement and Blue Circle Southern Cement.

Senator IAN MACDONALD—I understand that Australian cement has a competitor also in Indonesian imported cement; is that correct?

Mr Ritchie—We would see cement imports as a competitor. Certainly they drive the price structure in Australia. Again, it is an interesting relationship because we both not only rely on imports but also need to compete with them. We obviously import to fill the shortage of capacity, but we are also competing with independent importers.

Senator IAN MACDONALD—There are independent wholesalers and retailers in the market that sell only Indonesian cement, in direct competition to Cement Australia; is that right?

Mr Ritchie—Yes, that is correct.

Senator IAN MACDONALD—Of course, if any of these questions are commercial in confidence, you should decline to answer them. If I go in and buy 10 tonne of cement, what would I pay if I got it from you and what would I pay if I got it from the Indonesian retailer—or would you rather not answer that question?

Mr Ritchie—Perhaps we can provide you with a written response to that.

CHAIR—Yes, we will take it on a commercial-in-confidence basis.

Mr Ritchie—Yes, okay.

Senator IAN MACDONALD—If the CPRS goes ahead as suggested in the white paper, in raw terms, what will it mean to the cost of producing a tonne of cement at your plants compared with what it costs now?

Mr Ritchie—Across the board for us—again, with some assumptions about how cement clinker is defined—we are looking at about a four to five dollar per tonne increase in cost.

Senator IAN MACDONALD—You said that earlier in answer to the Chair and that was at $23 a tonne. I think you said that you had also done some figures on $40.

Mr Ritchie—That is right.

Senator IAN MACDONALD—On $40, would they be just about double your $23?

Mr Ritchie—At $40 a tonne, it comes to about six to seven dollars.

Senator IAN MACDONALD—I am sorry; what was it at $23?

Mr Ritchie—Four to five dollars.

Senator IAN MACDONALD—Four to five dollars a tonne. Clearly, Indonesian cement will not have a four to five dollar increase; so, as a buyer in the retail market, I would expect to pay at least four to five dollars a tonne less for Indonesian cement than for your cement.

Mr Ritchie—That is correct.

Senator IAN MACDONALD—In these tough economic times, I would perhaps want to save four to five dollars a tonne. Do you have a competitive advantage in transport in Australia compared with imports from Indonesia? I am using Indonesia, as it is the closest and, I understand, one of the biggest competitors. Would it be cheaper to transport your product around the capital cities than to transport an Indonesian one, or is it much the same? I guess, once you get on a boat, you get on a boat.

Mr Ritchie—That is right. Again it varies by the markets and how we supply those markets. But, with the example I gave of Brisbane, the material is all shipped in there in any case. There may be some difference in terms of the length of the route, but usually the costs are in ship infrastructure and port access costs.

Senator IAN MACDONALD—I am not trying to ruin your business by these questions, but over a period of time, if you have at least a four to five dollar tonne disadvantage against a major competitor, it stands to reason that customers will buy the cheaper product. That means there will be less production here in Gladstone, which will mean fewer jobs here in Gladstone, which then will have flow-on effects for a city like Gladstone, in the multiplier. Have you done any figures on that sort of thing, or are you just blocking your minds and hoping that it never happens?

Mr Ritchie—I do not think I have any figures that we have tried to calculate around that. I guess, historically, the downstream market where we get into the construction industry and the housing industry has always been very price dependent. A dollar a tonne for cement, when that reflects through to pre-mix concrete in a house, is a big difference for the building industry.

Senator IAN MACDONALD—Just for the sake of my ignorance, what do you pay for a tonne of cement—just a rough industry average across Australia?

Mr Lawson—I can tell you about cost because I work at the plant, of course, but I am afraid that I cannot quote you selling prices.

Mr Ritchie—In rough terms, I think we are looking at something in the order of $120.

Mr Lawson—Yes.

Senator IAN MACDONALD—Obviously you are part of the peak body group. Have they been doing most of the negotiations with government for you, or have you been directly involved in government activity?

Mr Ritchie—Both. We are involved very strongly with the Cement Industry Federation, but we have been talking to government as well.

Senator IAN MACDONALD—Again, I do not want you to publicly talk about any confidential discussions you may have had with the government, but is the government aware of the job cost that could happen? We are expecting huge increases in unemployment; we are seeing them already and they are going to get worse. They were forecast in the last budget, even before the global financial crisis hit us. Is the government aware of the cost in jobs—I will not

say 'in the cement industry'—in Cement Australia's plants, if this scheme should go ahead as anticipated in the CPRS?

Mr Ritchie—We have certainly provided information to the government in relation to our employment and the risks that we see associated with that.

CHAIR—What is the emissions intensity of the cement industry in Indonesia?

Mr Ritchie—I can provide you with probably—

CHAIR—Give us a sense and then provide us with the detail.

Mr Ritchie—I do have a chart there. To be fair, rather than picking on individual countries, we have looked at an East Asian average. Typically, it is 20 per cent higher than Australia's.

CHAIR—So it is fair to say that the emissions intensity of a cement industry in Indonesia is higher than the emissions intensity—

Mr Ritchie—Yes.

CHAIR—At various times, government officials have told us that we are dealing in hypotheticals when we say that jobs in industries, like the cement industry, could go overseas and be more polluting over there, which is referred to as 'carbon leakage'. Do you think that carbon leakage is a theoretical threat; or do you think it is quite conceivable that, if companies like yours are no longer viable and competitive, those same jobs will be exported overseas where they will have a worse impact on global emissions?

Mr Ritchie—I believe that it is a real threat. I believe that there is evidence of that occurring already. One of our customers currently is constructing a grinding plant in Brisbane and will import clinker into Australia through that plant. When you look at the business decision that they would have made, the capital costs involved in that would be of the order of $100 million. They then will have a milling plant and will bring clinker into the country with no carbon impost. However, if we are looking at clinker manufacturing capacity in Australia, the business decision then is, 'Do I spend $750 million and wear a carbon impost?' It makes it very difficult to put that investment into Australia, so we are already starting to see investment turn towards import based infrastructure.

CHAIR—And into areas where it is environmentally less friendly.

Mr Ritchie—Yes.

Senator IAN MACDONALD—That is why you are talking about 'border adjustment'—I think that was your term—so that the CPRS carbon tax would apply on the same basis to all product coming in and all product locally manufactured. That is the basis of your submission to government.

Mr Ritchie—That is right. We believe, certainly for our sector, that it is a relatively easy mechanism to bring into place because we have quite a uniform commodity product, so we are

talking about either clinker or cement. The carbon intensity of that supply can be determined relatively easily. We believe that, if those imports were required to acquit permits, just as we were, that would be the most equitable approach.

Senator IAN MACDONALD—Again, I do not expect you to be experts on Indonesian practices but, quite clearly, your wage structure here in Australia would be infinitely higher than that of your competitors in Indonesia. Do you know enough about it to agree with that?

Mr Ritchie—I would agree with that, from my understanding, yes.

Senator IAN MACDONALD—The chair has raised the interesting point that the whole purpose of putting these taxes on your company is to save the world. Have you or your association done any assessment on what contribution the cement industry makes to the changing climate of the world? I will put it another way. What percentage of the world's total greenhouse gas emissions is caused by the Australian cement industry and perhaps by your own operations—or don't you have a decimal point that goes that low?

Mr Ritchie—Global greenhouse emissions are often said to contribute about five per cent of global greenhouse emissions. The Australian market would be about 10 million tonnes in an amount of the order of three billion tonnes. Does anyone have a calculator?

Senator IAN MACDONALD—Ten million over three billion multiplied by five per cent is the equation.

Mr Ritchie—That is right.

Senator IAN MACDONALD—Five per cent is the world's cement contribution to greenhouse gas.

Mr Ritchie—Yes.

Senator IAN MACDONALD—You are aware, of course, that Australia's total contribution is less than 1.4 per cent.

Mr Ritchie—If you want to look at it that way, the Australian cement contribution is about 1.5 per cent of Australia's total contribution.

Senator IAN MACDONALD—It is 1.5 per cent of Australia's—

Mr Ritchie—It is 1.5 per cent of one per cent.

Senator IAN MACDONALD—So, if we shut down every cement plant in Australia, it will not make one iota of difference to the changing climate of the world, quite clearly.

CHAIR—It might make it worse, if it goes overseas to areas where it is more polluting.

Mr Ritchie—That is right.

Senator IAN MACDONALD—Thank you very much for that evidence. In concluding, perhaps I can say, as a Queenslander and a North Queenslander, I sincerely hope that there is some relief on the sideline because yours is a very significant industry, particularly in this part of town, and you do a great job. Thank you very much.

Mr Lawson—Thank you very much.

CHAIR—Thank you for your contribution to the committee.

[9.45 am]

DONOVAN, Mr Rocky, Vice President, Gladstone Chamber of Commerce and Industry

ROBERTSON, Mr James William George, President, Gladstone Chamber of Commerce and Industry

CHAIR—Welcome. I invite you to make a brief opening statement, after which the committee will ask some questions.

Mr Robertson—Good morning and welcome to Gladstone. We are here to talk about the price of fuel. The price of fuel has an immediate impact on small business, both as a direct cost and in the increased cost of freight. Pretty much everything is freighted to Gladstone and consumers pay GST on that freight charge. The freight charge is usually in addition to the prices paid for goods in the capital cities. Gladstone fuel prices are usually around 10c a litre higher than in Brisbane. Businesses in our region often service all of Central Queensland. For example, you travel 373 kilometres to get to Emerald; it is not practical to drive a small car and a large car provides more comfort, which is important if you go straight into a meeting after a four-hour drive; a large car also provides better safety. It is interesting to note that, for a business like mine, with a $10,000 a monthly fuel bill, even a 20 per cent increase in the cost of fuel, which would be $2,000, is the wage of an apprentice or trainee. So, if government's priority is to grow business, the cost of fuel must always be looked at as something that puts the brakes on. It seems to us that there is very great potential for a carbon trading scheme to increase the cost of fuel, even though there is no detail on how much that price increase will be. I cannot imagine that it would be anything less than 20 per cent.

The Gladstone Chamber of Commerce is opposed to a carbon trading scheme; it is too complicated and, ultimately, it will be manipulated. It seems to be too similar to a subprime mortgage financial package. The chamber is concerned that the only real burden from a carbon trading scheme will be imposed on citizens and small business and large industry will be exempt. In essence, paying for the right to create carbon is a tax on carbon. We do not understand why there has to be a trading scheme. It seems that the government is allowing its taxation powers to be transferred to businesses that are willing to buy and sell carbon credits. We believe that a carbon tax would be simpler if controlled by government and, ultimately, administered solely for the benefit of all citizens. That is the end of my statement.

CHAIR—Thank you very much.

Senator IAN MACDONALD—Thank you very much and thank you for coming along, gentlemen. I know that you are busy in your own businesses, so it is good of you to come along and talk to us. Could you tell us little about the Gladstone Chamber of Commerce? You represent small to medium businesses in the city. Is that right?

Mr Robertson—Yes. Our primary focus is the small businesses in the town; we have about 100 members. Large industry do support us with membership, but the active members are mainly small business people.

Senator IAN MACDONALD—It would be true to say that all of your members and all the small businesses that are not your members would be suppliers or contractors to, or here because of, the big manufacturing plants you have around here—Cement Australia, alumina, coal, power, fertiliser, explosives and everything else. Would that be right?

Mr Robertson—Absolutely.

Senator IAN MACDONALD—I appreciate what you have said in your opening statement and you would have heard some of the evidence from Cement Australia—you would have known about much of that before you heard their evidence, of course—but is there some concern in your chamber about what impact a poorly designed CPRS might have on the region and, therefore, on your members' businesses?

Mr Robertson—Yes, absolutely. I think everyone sees it as having a potential. Until the economy collapsed anyway, we thought it would collapse the economy.

Senator IAN MACDONALD—In Mackay yesterday, we had evidence from development organisations. They suggested that a lot of their members had not really focused on the CPRS or the emissions trading scheme: they did not really understand it and, for that reason, were not too worried about it at the moment—ignorance is bliss at times. Can you confirm or deny that your members probably would be a bit more informed about carbon pollution?

Mr Donovan—I would suggest that probably they are not greatly more informed. I think the overriding feeling is that it is just going to be an additional form of taxation, which will just be an impost on the cost of running their businesses, without ever looking at what it aims to do or whether there might be a benefit out of it in the long run. In addition, a large percentage of people are questioning whether carbon emissions and controlling them is going to be the answer to controlling climate change.

Senator IAN MACDONALD—We are not really here to go into that argument; however, you would have heard what I said previously. With less than four per cent for Australia, you could shut Australia down and it will not make one iota of difference. I do not want to put the fear of God into your members, but we have just heard from Cement Australia that—you probably knew this—if this scheme goes through, there could be significant job losses, which would have an ongoing flow-on on your member businesses. Would it be fair to say that?

Mr Donovan—Absolutely.

Mr Robertson—Yes. In the early sixties, before QAL, Gladstone was a sleepy town and its growth since then has been pretty dramatic. In retrospect, for Gladstone to grow, it is much too reliant at the moment on Rio Tinto. But it is certainly getting to a stage where it is immune from boom and bust, which happened through the eighties. The City of Gladstone is approaching a core population of 30,000 and surrounding it are 20,000 people. With that sort of population base, running a business becomes a much better proposition. If we were to go back to that former stage, we would return to being a bit of a sleepy country town.

Senator IAN MACDONALD—I appreciate that the chamber would not have a huge number of resources. Are you associated with QCCI?

Mr Robertson—Not directly; we talk and are members of each other.

Mr Donovan—I am on the regional council of QCCI.

Senator IAN MACDONALD—In that capacity, do you know whether any assessment has been done either by QCCI—which I doubt, knowing of the revenues of local chambers of commerce or perhaps by the council? The council are here to give evidence as well, but—

Mr Donovan—QCCI in Brisbane certainly have done a deal of research into it, but whether they have cold, hard statistics to present I could not tell you.

Senator IAN MACDONALD—But it would not be Gladstone specific.

Mr Donovan—It certainly would not be Gladstone specific.

Senator IAN MACDONALD—Are you aware of whether anyone locally has done an assessment of what the proposed CPRS might do?

Mr Donovan—There is probably a good chance that Rio Tinto has.

Mr Robertson—Yes, unless one of the industry bodies have done it. GAPDL—I think they are talking to you this afternoon—have a secretariat and it is more likely that they would have done some research than we would have.

Senator FURNER—Senator Macdonald questioned you about the exposure of understanding of the CPRS. What have you done about educating your members about the effects of it?

Mr Robertson—It is just something that we talk about in our meetings. A forum was organised late last year by GAPDL; I attended that and reported back to the members on what was discussed there. Really, it is just a topic of conversation, whenever we formally address the members. I will certainly be reporting back to them about today.

Senator FURNER—So you have not conducted any detailed education about what the scheme will mean to them, regarding its effects and the benefits they can receive resulting from it?

Mr Robertson—No, other than with the information sessions that were held here last year, about which they were all notified—and you cannot drag them along to them.

Senator IAN MACDONALD—Who ran that information session?

Mr Robertson—I think it was Senator Wong's office.

Senator IAN MACDONALD—That is interesting.

Senator FURNER—I am sure that, if people had a concern about the effects of the CPRS, they would have turned up in their droves to listen to information about it.

Mr Donovan—I think, though, that there is quite a lack of understanding of how it is going to impact on people. As James said earlier, to them, it looks like a subprime mortgage situation; it was so complex that it was hard to unwind what the actual effects would be on their business. I think that probably keeps people away, as much as anything. So, in other words, there is a complete lack of understanding. I think you said before 'ignorance is bliss' and that is probably where they want to sit.

Senator IAN MACDONALD—We were told in Mackay yesterday that rates in Mackay are likely to go up by 10 per cent just in landfill emissions that will be taxed. Again, as I say, I do not want to be the bearer of doom and gloom to your members, but imagine what a 10 per cent hike in rates will do.

Senator FURNER—There are other committees around dealing with this matter as well. Just recently I was on a committee looking at the carbon pollution reduction scheme; it was about the actual establishment of the bill. It was suggested there that there will be the development of green jobs and one submitter indicated that up to 850,000 jobs would be created as a result of it. Have you done any analysis or had information sessions with your members about how they might move to gaining an advantage from that sort of exposure, such as through an increase in employment in the green industry?

Mr Robertson—No. Again, to be honest, we do not even know where to get that sort of information from. Other than to turn your lights off and operate energy wise, as far as any 'green jobs for Gladstone' program goes, there has been no discussion.

Senator FURNER—It might pay you to get into contact with the department to steer you in that direction and you can see whether there are any opportunities in that area for your members.

Mr Robertson—Yes. I guess the only other thing that everyone is probably hanging on is the development of the liquid natural gas industry. Certainly, that is seen as a positive because it produces less carbon than coal-fired power stations do. So we are also hanging our hat on that at the moment.

Senator FURNER—I imagine that some of your members, no doubt, will be assisted with opportunities there.

CHAIR—Is there a proposal for an LNG industry in Gladstone?

Mr Robertson—Yes, there is a very significant proposal.

Mr Donovan—There are three proposals.

CHAIR—Are you aware of how the proposed emissions trading scheme is impacting on the development of an LNG plant.

Mr Donovan—Not at all.

CHAIR—We have had evidence from APIA, the peak industry body, that the scheme, as currently proposed, will make it nigh impossible for new projects to get off the ground, because

of the additional cost that is imposed on the LNG industry. Cement Australia told us earlier that they are getting 90 per cent of free permits which, in effect, means about 83 or 84 per cent. The LNG industry will get only 60 per cent of permits, which means significantly less—and that, of course, will expose them to significant additional costs that their competitors are not exposed to. Going back to some of the questions raised earlier, in any of the briefings or information sessions from the government, have you come across any information about how the proposed emissions trading scheme will impact on regional areas, such as this one?

Mr Donovan—No. I have heard figures bandied around similar to those that Senator Macdonald suggested a moment ago, where the rates will rise 10 per cent and so on. But it has always been presented in such a way that it is more of an opinion than a concrete fact.

CHAIR—Department of Treasury officials appeared before this committee last week in Canberra. They did some modelling of the impact of the proposed CPRS on the economy and jobs, but no modelling was done in terms of the impact on regional communities and regional economies. Is that something that concerns you?

Mr Donovan—Very much so.

Mr Robertson—Yes. I referred initially to the fact that the impacts in a capital city multiply the further you get away just through the cost of fuel, because everything is freighted.

CHAIR—The New South Wales government have commissioned some economic modelling, which they have since refused to release publicly, by an organisation called Frontier Economics and that modelling bears out what you have just said: regional areas will be hit the hardest, with contractions of their economies of between 20 to 25 per cent. How many jobs are there in industries across Gladstone at present? What would be your total job number across Gladstone? You have mentioned 30,000 people living in Gladstone and 20,000 in greater Gladstone, but how many jobs are there locally? Do you have that statistic?

Mr Robertson—I would imagine there would be 10,000 or 15,000.

Mr Donovan—It would have to be.

Mr Robertson—But I do not know. Perhaps the council would have those figures.

CHAIR—But you do not have a good assessment of how many of those jobs might be at risk as a result of—

Mr Robertson—No.

CHAIR—But it would be interesting to know that, if you want to assess how many green jobs you would need to make up for the jobs that will be lost, wouldn't it?

Mr Robertson—Yes. But it is frustrating because all the information that comes out says, 'Well, they haven't decided on the level of the taxation,' or whatever. Even the modelling that they do, they say, is dependent on what they set the levels at, basically. From our point of view, you are stonewalled because the government will not announce what the tax will be.

CHAIR—Has any other committee from the Senate or the House of Representatives come to Gladstone to ask for your views on the emissions trading scheme?

Mr Robertson—No.

CHAIR—Has the government come to Gladstone and asked you about your views on the emissions trading scheme?

Mr Robertson—They presented it as a fait accompli. It was going to happen, and it did not matter what we thought.

CHAIR—If you had to sum up what it all means in your understanding, what do you think the government is trying to achieve and what do you think the impact will be?

Mr Robertson—I think the government is just getting on an international bandwagon, like the finance industry did, and it is going to end in tears. The motivation, of course, is to decrease carbon production and decrease pollution, and everyone is sympathetic towards that. But, personally, I take heart when I hear stories about the scheme: when it is introduced, it will be ineffective, because they will set the levels of the 'taxation'—I use that word because I do not know what other one to use—so low that it will not affect anything. That is probably the best outcome.

CHAIR—Presumably, the government is trying to reduce global greenhouse gas emissions. But, if we export jobs from areas like Gladstone to areas in Indonesia, China or Brazil and there is increased pollution in those jurisdictions compared to what would have happened in Gladstone, that is a bit counterproductive, is it not?

Mr Robertson—Yes, absolutely. Also, then you have the cost of freighting it back. I think the world needs to get its head around the fact that free trade does not mean transporting goods from one end of the world to the other; you have to have viable industries in each location, so countries are self-sufficient to some extent.

CHAIR—What you said before is something that we have been told quite a lot. Everybody wants to do the right thing by the environment, obviously; I think that is a given. But, if you have to pay a price or make a sacrifice, you want to be reassured that you are actually going to make a difference and it will have an impact. Is that a fair statement?

Mr Robertson—Absolutely.

Mr Donovan—Perhaps I could just butt in. One of the things that always seems to appear at the forefront of most people's minds is: why don't we take some of the easy wins? We are looking at this complicated carbon trading scheme, but we have done nothing about banning the production or importation of ordinary light globes. We have done very little about doing away with conventional hot water systems, when we have a climate that lends itself to solar hot water. There are some very easy wins that we could get out there, which are not going to be a massive ongoing cost burden that will send jobs offshore, and nobody wants to take those. Is that because they are not politically grandiose enough? That is an underlying feeling with most people on the street.

Mr Robertson—Just from my industry, the motor industry, perhaps I can say that people often underestimate advances in technology, say, for fuel consumption in a standard car. Lots of advances can be made just with the things that we are using already. You can get a large SUV now that uses less than 10 litres per 100 kilometres of fuel; for the purposes of comparison, that is what a Commodore uses. You can get a Yaris, which is a very small four-cylinder car that, significantly, uses only slightly more fuel than a petrol-electric car. So there is capacity to get better or lower carbon emissions out of equipment that we are using now, and that seems to be the much smarter way to go. With the Euro IV emissions standards, it is just the systems that they are using now that have produced those results. It does not have to be a radical change in the way we live our lives; it is just a matter of our taking one step at a time with what we are doing anyway to reduce carbon.

CHAIR—Thank you very much for your contribution to the committee.

Proceedings suspended from 10.07 am to 10.22 am

[10.22 am]

CHIFFOLEAU, Ms Gaetane, Sustainability and Environment Officer, Gladstone Regional Council

CREED, Mr George Albert, Mayor, Gladstone Regional Council

DOHERTY, Mr Ronald John, Director, Environment and Regulation, Gladstone Regional Council

CHAIR—I welcome Councillor Creed and Mr Doherty from Gladstone Regional Council. Would you like to make a brief opening statement and then the committee will ask you some questions?

Councillor Creed—Yes, this will be fairly short. You would be aware that my council made a submission to the Department of Climate Change in September. We believe that circumstances have changed considerably since then. The world economic crisis has set in, which is certainly having an impact in this region. The major employers in this region that keep the place ticking along are also the ones that are most likely to be affected by any carbon tax or carbon trading agreement.

Bearing that in mind and also that these people are shedding jobs at this stage because they are in survival mode, my council believes that it would be appropriate not to hasten with any carbon trading schemes at this stage, given that Australia produces only 1½ per cent of the world's carbon emissions. If everybody went ahead with the scheme over the next five years, probably only 0.03 per cent of the world's carbon would be reduced. Surely it would be appropriate at this point to shelve this for a bit. We do understand that something has to be done in the future, but bear in mind that the greatest competitors of our heavy industries here also come from countries such as China, Russia, Brazil and India, which are not taking steps at this stage. I will hand over any technical questions to Mr Doherty.

CHAIR—Regional areas such as yours are likely to be the hardest hit. Are you surprised that the federal government has not done any modelling of the impact on regional areas of the proposed emissions trading scheme?

Councillor Creed—No. I really have not given that consideration. As a council we do not like to go out there promoting negativity, but the crisis is on. I think there were another 45 jobs lost yesterday up at the Rio Tinto expansion. At this stage there are certainly hundreds and probably thousands of people who have lost their jobs. There is a lot of concern out there in the community, and the remarks that I have made with respect to delaying the implementation of this scheme for a while are well supported in the community.

CHAIR—Let me rephrase the question a bit. Do you think that if the government were to go down this path, and when we go down this path, we should do that with our eyes wide open, that is, we should know very clearly what it is that we are trying to achieve as well as the cost we have to pay and the cost that communities like yours will have to pay?

Councillor Creed—Most certainly; I agree with that.

CHAIR—Specifically in relation to the Gladstone Regional Council—we had some evidence in Mackay yesterday about the additional costs on their regional council as a result of land fill emissions—is that something that as a council you have looked at?

Councillor Creed—We do not know what the end result will be. Mr Doherty may be able to comment further on that question.

Mr Doherty—Most certainly. As to one of the points in your question, we do not see a lot of community information in relation to the scheme at this stage. The average resident out there is probably aware that this is going on but not really up to speed with what the implications might be in the long term. I talk about the community as such, or an individual of the community, but these are the people working in the industries and the people, who at the end of the day, will have to take part in reducing the requirements that are there.

From our local government perspective, certainly our sewerage operations will be impacted, but we are not fully up to speed with what the total cost of that might be. From the legislation we understand that our landfill is about the tonnage rate. We are just underneath it, but of course the area is growing. We are at about 45,000 tonnes at the moment and I think 50,000 tonnes of landfill is the trigger for that operation. That would be a cost that would have to be passed on in the landfill charges. We have a community that is very committed environmentally to doing the right thing. At the moment with our waste recycling service with the yellow-top bin, just to get that to markets in Brisbane is $150 a tonne, so we are quite disadvantaged in that regard. We are trying to get a MRF set up in Central Queensland, but we are doing that as a group of local governments in the area. It is certainly a consideration of the total cost of trying to be environmentally on top in our region here. Otherwise, no, I do not have any more to offer with respect to impacts in relation to council.

Senator IAN MACDONALD—What landfills do you have, both current and non-operational?

Mr Doherty—Several of the landfills closed some years ago. The one here in Gladstone closed. There was one in the Calliope Shire at the time prior to amalgamation. They opened up the Benaraby landfill. We have just kept on going closing all of the landfills right throughout our region here. A Central Queensland Local Government Association waste management group has been set up. Regionally we are looking at these problems and trying to work to a common cause. Rockhampton still has landfills, but that is the closest landfill to this area. One facility is now handling all of our waste from Agnes Water, Seventeen Seventy, Rosedale, right through to Mount Larcom, Bracewell and Raglan in the north and out to the Biloela Range.

Senator IAN MACDONALD—The chairman mentioned that the Mackay council had done a bit of back-of-the-envelope sort of stuff and worked out that on one landfill alone it would be up for about $750,000. They have 33—17 non-operational and 18 operational—as a result of the amalgamation of shires, and you would be in somewhat the same position. They also said that their initial assessments of the additional cost of power, energy and petrol would be running close to $1 million. Have you done that sort of analysis?

Mr Doherty—We have not done the full modelling at this stage. Certainly, we are part of the Cities for Climate Protection or ICLEI scheme and our environment officers are doing some work in that area, but we really do not have a dollar figure on that for you today.

Senator IAN MACDONALD—Not wanting to put the fear of God into you, but when they raised it with the government, the government said to them, 'There's a solution for the cost that you're involved in; you can get it from your ratepayers.' Just not directly on point but related to additional rates, you would still have substantial costs from the amalgamation of the shires. Is that a big issue for you financially?

Councillor Creed—We have just completed a very definite estimation of the cost of amalgamation. We had a council meeting on today and it was just discussed at the council meeting. Those figures were put together according to a model that was supplied by the Queensland Treasury Corporation. I think the cost of our amalgamation is $10.6 million, with over $880,000 per year in ongoing costs for the next few years.

Senator IAN MACDONALD—Where are you going to get that money from?

Councillor Creed—We are still hoping the state will listen to us. We are putting in a submission.

Senator IAN MACDONALD—Good luck. As I say, it is not really germane to this inquiry, except that if the CPRS comes in as the white paper suggests it might, it could be an additional impost on to your councils, which regrettably in a political sense you will bear and not the people who are imposing it. Again, I appreciate you are a relatively new council and still getting these things together no doubt, but are you the best source for statistics on people employed in the town businesses that rely on other businesses and so on? Is that the sort of data that you would have or is that perhaps Mr Churchill's area?

Councillor Creed—Maybe not, but we are certainly in a position to be able to do the research and find that information.

Mr Doherty—It is probably in Mr Churchill's area, to some degree. He may have more of a finger on that particular point.

Senator IAN MACDONALD—Are you getting a lot of information through either LGAQ or ALGA about how carbon trading might impact upon the operations of your council? Are you sufficiently well informed?

Councillor Creed—At this stage, certainly from my point of view, there are a lot of questions unanswered. A lot of it is not really clear. It is the same out in the community. There is a lot of concern in the community, particularly when people are losing jobs and so on. A lot of people are asking questions, because they do not know.

Senator IAN MACDONALD—We have heard some statistics from Cement Australia, who were here earlier. Their proposed investment in a new plant here has been shelved until they can work out what the CPRS means to them. There are any number of jobs that would have been available in your city that are no longer available. That is just one area. Has QAL or any of those

big manufacturing plants in the city had any discussions with you about the impact of carbon pollution taxes on their operations and therefore their longevity here?

Councillor Creed—The council speaks to the management of all of the major industries in the region on a regular basis. We have a good working relationship with all of them. They are all concerned and they are all shedding jobs.

Senator IAN MACDONALD—That is due to the global financial downturn.

Councillor Creed—That is right, at this stage.

Senator IAN MACDONALD—I am just curious whether they have raised the CPRS, or the emissions trading scheme, as a concern for the future?

Councillor Creed—Yes, they all have.

Senator IAN MACDONALD—Are you big users of power as a council?

Councillor Creed—I would not think so. I suppose council is responsible for all the lighting and so on. I do not know the amount of power we use. Mr Doherty, are you aware of the figure?

Mr Doherty—I do not have the figures here. Our environment officer, who could probably help, is in the room. Could I ask her to come forward?

CHAIR—Yes.

Senator IAN MACDONALD—Is the Gladstone Regional Council a big user of power and energy?

Ms Chiffoleau—Compared with the industries it would be a small user. However, we are responsible for sewerage treatment plants, lighting, major buildings and facilities in the region as well. I do not have the figures on total consumption.

CHAIR—Is that something you could take on notice?

Ms Chiffoleau—Yes, definitely.

Senator IAN MACDONALD—Has your area of the council had a look at what impact a carbon emissions scheme might have on the costs of council? There are estimates of electricity prices going up by 20 per cent. That is yet to be confirmed, of course, but there are lots of figures floating around there.

Ms Chiffoleau—At this stage we are just completing our re-inventory of our energy and greenhouse emissions through the CCP program. On those assumptions that there may be a 20 per cent increase in cost, we could easily calculate that. We have not done so as yet.

Senator IAN MACDONALD—The committee is very interested in a cross-section of costs of various industries and councils if the CPRS goes ahead in the way the white paper said. I think we are supposed to be debating this in the federal parliament very shortly, but no-one has seen any legislation yet. What it will turn out like nobody really knows, but using the white paper one would think it would give you a bit of an indication of the way the government is thinking. It would be useful if you could provide that.

Ms Chiffoleau—We can certainly do that.

Senator FURNER—Firstly, other committees that I have been involved in have heard of opportunities for jobs in the green industries where there is a loss in emission intensive industries. What do you think is the likelihood of Gladstone region developing those green industry jobs?

Councillor Creed—I would not have thought there was much opportunity at all, not for huge numbers of people and nothing like the numbers of people losing their jobs out there.

Mr Doherty—One of the things that we said in our original submission is that there are some very bright people that work in the industries and had plants in our area here. A lot of skills are going to be needed to reduce emissions from some of the industries in the area, and possibly trying to pull the community together. We see this as not just a tax on industry that is going to fix this problem. We see it as more of a community-type approach, getting people involved who are in these industries, and sharing experiences and resources to come up with some answers. We do not see someone giving us the answers from Canberra.

Senator FURNER—Are you encouraging that in the region?

Mr Doherty—We certainly do. Council has a structure for environmental consultation within the community. We will hold a couple of conferences over the 12-month period where we call on the experts in our area together to try to look at initiatives, changes and things that are happening. We are doing that very much in isolation just within our region here.

Senator FURNER—You did indicate there were a lot of questions unanswered. I was wondering what you were doing about finding the answers to those questions.

Mr Doherty—A local government of our size is rather limited. Ms Chiffoleau and I are pretty much in that area alone—for 55,000 people. It is about resourcing it and spending the time looking at those issues, as you said. We are probably behind the door a bit at the moment.

Senator FURNER—Should climate change go unaddressed what would you consider are the key risks for the Gladstone region?

Councillor Creed—If it should go unaddressed?

Senator FURNER—Yes. What would be the risks for Gladstone region?

Councillor Creed—I cannot see any immediate risk given the small amount of pollution we put out compared with the rest of the world. There is certainly not anything in the immediate

future. I think Ron is indicating that I might be saying the wrong thing. We have no problem with climate change issues being addressed. In the long run we know it has to happen, but given the circumstances that we are in at the moment, with the risk of job losses as we keep talking about—and it is happening—let us not try to lead the world when we only put out such a small amount of pollution on the world scene.

Senator FURNER—Other committees have heard scientific evidence about rising sea levels and temperatures. Concentrating on that, what do you think the impacts would be for Gladstone residents of sea level increases and temperature rises?

Councillor Creed—If that were proven to be so, we have a lot of low lying coastal areas that could and would eventually be affected by sea rises. I am also aware that there are eminent scientists out there saying that is certainly not the case and they do not believe the globe is warming. My mind is still open on that.

Senator FURNER—There has certainly been evidence provided scientifically on the subject of increases in sea levels and temperatures.

Mr Doherty—No-one can argue about the storm frequency increasing since the 1950s. You can look at the insurance claims chart. We are seeing a bigger frequency in events. As a council, we will have to look at securing or protecting our infrastructure better than we have in the past, so there will be asset costs associated with more cyclones and more storms.

Senator FURNER—You had a category 4 cyclone just off the coast only a month or so ago.

Mr Doherty—Yes.

Senator FURNER—I cannot remember the last time there was a cyclone that close to Gladstone.

Councillor Creed—My family has been around since 1869 and in that time there has only ever been one devastating cyclone hit this region, and that was in 1949. It did a tremendous amount of damage to both Rockhampton and Gladstone. We have had lots of near misses, but one of these days we know it will happen again.

Senator FURNER—As a council do you incorporate climate change considerations into your planning and development approval processes?

Mr Doherty—We are just pulling together the corporate plan at this stage. Out there amongst the communities at the various areas that we have—as I said before, from Agnes Water through—we have been talking to them, and high on the corporate plan are the environment and the impacts of climate change. We are actively talking at this stage and will be doing more.

Senator FURNER—Are you in a position to explain what that is in terms of forward planning?

Mr Doherty—At this stage from an internal perspective it is really getting our own internal systems up and running and right first. Also, as I said, it is working with our regional community

in a networking process. We are encouraging our community to come back through email networks and so on to let us know what they think about issues that are impacting the environment or things that are happening within our area.

Senator FURNER—Are you finding residents are responding to concerns about the environment?

Mr Doherty—Very much so. As I said, with a lot of our own community empowered to help in this way I think we can make advances that we would not make otherwise.

Senator FURNER—Thank you.

CHAIR—Do you think that the emissions trading scheme as it is currently proposed is going to stop sea levels rising?

Councillor Creed—No.

CHAIR—Are there any further questions?

Senator IAN MACDONALD—No, that is all that I had.

CHAIR—Thank you very much for your contribution to this committee.

Councillor Creed—Thank you for the opportunity.

CHAIR—We will take a short break.

Proceedings suspended from 10.45 am to 10.51 am

[10.51 am]

CHURCHILL, Mr Glenn Gordon, Chief Executive Officer, Gladstone Area Promotion and Development Limited

CHAIR—Welcome.

Mr Churchill—I would like to give you a very quick background. GAPDL is our acronym. We live in a world of acronyms. Our role is to represent our members and the community to promote and advance the Gladstone region and also the Banana Shire and the hinterland in the best interests of tourism, development and industry.

CHAIR—I invite you to make a brief opening statement and then the committee will ask you some questions.

Mr Churchill—Thank you, Mr Chairman and the Senate inquiry, for giving me this opportunity. We have submitted a public statement as a result of a forum that we held in this room on 21 August 2008. Today, as the chief executive officer, I effectively deliver the collective statement and the collective views of those people who were here at that forum.

I will not overwhelm you with all the details that were in that submission, because you would already have received a copy of that and we believe it is self-explanatory. However, in saying that, I thank you for bringing this inquiry to Gladstone and the Gladstone region. In essence it is an area not only within Queensland but, as you would know, within Australia that has been built upon the basis of the industrial giants and the coal industry, which history will show.

With your permission, I will highlight a couple of key points in this particular statement. Again, today I am the messenger. One of the key points was that we had identified from the green paper prior to August 2008 that it would be most appropriate to be proactive to bring together those who perhaps are community, industry, business and government leaders into one particular forum, which I co-chaired with Everald Compton, Chairman, Australian Transport and Energy Corridor, with an opportunity to try to get a consensus or a collective view of those people at that particular time, and also to bring together their wisdom and knowledge—there are far greater minds out there than mine—to bring this together in one statement. Coincidentally we had the good fortune to have representatives of Senator Wong, the Minister for Climate Change and Water, here on that same day in this building. They held an awareness forum afterwards. They were also invited to participate.

We recognise the prosperity in the region and the investment in our future development. We also recognise the importance of protecting and sustaining jobs, and enhancing our industrial investment—our mining—in the Gladstone region and in the Banana shire. Today we are very fortunate that we have the mayor of Banana shire, Mr Hooper, and the mayor of Gladstone region, Mr Creed. We express pride in the contribution that this region makes to the Queensland and the Australian economy, and we want to ensure that there is continued future strong investment by that growth. We have many opportunities for the future.

As a result of that forum six key points were delivered as an outcome in a public statement. I will very quickly itemise each of one of the six points. Firstly, the importance of the task of combating climate change and global warning. We applaud the commitment of the federal government to take some constructive steps. I highlight that particular point—'constructive'. The second point was for Australia to take some sort of lead role in building support for a comprehensive global response to the emissions reductions. We would also like to recognise that part of that is the rapid industrialisation of nations such as China, India and Brazil. Thirdly, seeking an Australian climate change policy framework that will be understood and also communicated appropriately. With all due respect, I have had the opportunity to read the green paper, but I do not claim to be a walking encyclopaedia on that document.

The other point was a simple and equitable emissions trading scheme, ETS, which would promote the abatement of greenhouse gas emissions at the least cost possible. This information has been provided through you, Mr Chairman. The next point is the recognition that Gladstone and the Surat Basin regions have a unique mix of primary and support industries, rural and mining sectors, mineral and chemical processing as an economic base. We put this in a presentation to the Prime Minister and Senator Wong. Perhaps we could do some economic modelling or further research through the Central Queensland University, right here in Gladstone in our backyard, with its research institute for industries and sustainable development. We put that up as an opportunity and also at the same time an offer.

The emissions trading scheme should be implemented without haste at a moderate level of cost, with the intention of progressively increasing the scheme over a much longer period, in a manner that will show leadership to the world but will restrain its impact on inflation and not cause investment to be diverted to resource industries overseas. This is a key point. We had provided an opportunity as a balanced community information program. As you would know—and you probably get this in question time—there is a lot of speculation out there and a lot of diatribe. We need to deal in facts and reality. GAPDL, in our capacity, would be pleased on behalf of the Australian government to deliver some type of community information program. The direct impact has to be about individuals, businesses, families and the community, and also ways in which we can reduce our own carbon footprint.

Finally, there should be consideration given to financial incentives for greater investment in infrastructure to support the creation of adequate water resources, alternative and cleaner power sources, and obviously making sure that we enhance the aspects of the environment in Gladstone and the Surat Basin regions. I also highlight that because of the importance of the carbon pollution reduction scheme to all Australians, particularly people in our region and in the hinterland, there should be bipartisan agreement by the government and the opposition to implement legislation in the federal parliament so there is total support unanimously across the tiers of government. That is a statement I commend to you for support and action.

CHAIR—In terms of your comment that we have to deal in facts, which of course we all agree with you on, do you think that your members are aware of all the facts in relation to the emissions trading scheme as it is currently proposed?

Mr Churchill—It is difficult for me to say that on behalf of all of the members. I would hope that at that particular forum they brought their wisdom from their own organisations to the table, but in my personal opinion I do not believe so.

CHAIR—Do you feel that you are aware of all of the facts?

Mr Churchill—Definitely not.

CHAIR—Did Senator Wong's representatives advise the Gladstone region as to the impacts from the proposed emissions trading scheme?

Mr Churchill—They contributed to the discussion effectively, but in a smaller way, in leading up to their awareness forum that they had afterwards.

CHAIR—Did they give you any information or any facts about the impact of the proposed emissions trading scheme on the Gladstone local economy and jobs?

Mr Churchill—Not particularly.

CHAIR—In terms of your being supportive of constructive steps, I suspect what you mean is that you are supportive of steps that will make an actual difference in reducing global greenhouse gas emissions?

Mr Churchill—That is correct.

CHAIR—Do you believe that the emissions trading scheme, as it is currently proposed, will reduce global greenhouse gas emissions?

Mr Churchill—In its current form the best endeavours by scientific research indicate that there will be a reduction in carbon pollution. Again, I am not a scientist so I cannot determine that. I can only go on the advice that is given.

CHAIR—Let me rephrase the question. Your expectation would be for you to be supportive of the sacrifices that might have to be made by communities like yours you would want to see some tangible evidence that it will actually reduce global greenhouse gas emissions?

Mr Churchill—I would suggest that we would need to see that in some form of modelling. It is probably best to categorise the understanding that the participants in this particular forum range from individuals themselves right up to small and medium enterprises and through to our industrial giants.

CHAIR—If there are businesses in Gladstone and other regions across Australia that close as a result of no longer being viable or competitive, clearly we would have a reduction in emissions in Australia, but if those businesses then go to places such as Indonesia, Brazil and China, where they are potentially more polluting, we will not have made a difference to the world and the situation will be worse. Is that something that would concern you?

Mr Churchill—It would be a personal concern and I am sure that it would be a concern for the region. At the same time, our statement is quite clear on that. We would not like to see any legislation that would encourage future projects or current projects that are destined for Gladstone region, in this circumstance, to consider other options of going overseas.

CHAIR—Are you aware that the New South Wales government commissioned some economic modelling of the impacts of the proposed carbon pollution reduction scheme?

Mr Churchill—No, I am not. It would be wonderful if that was made public or if there were an opportunity for Queensland to do the same.

CHAIR—This committee has asked the New South Wales Premier to release the information. At this stage it is not public, although it has been reported in the Australian newspapers and I urge you to have a look at the reports. The reports are that regional economies such as Gladstone, the Illawarra, the Hunter Valley, Gippsland, the Kimberly and the Pilbara region would be the hardest hit by the proposed carbon pollution reduction scheme in terms of economic impact, with a contraction of regional economies of between 20 per cent and 25 per cent. What would that mean to your local economy and jobs?

Mr Churchill—It is interesting that you highlight those areas within New South Wales. I am sure that you have greater wisdom. There are synergies and similarities between that area and the Gladstone region. Whilst we try to continue to encourage and promote the liveability aspect of the Gladstone region, history will show that this city has grown on the basis of industrial growth.

CHAIR—How much growth has there been in so-called green jobs in the Gladstone region in recent years?

Mr Churchill—That is an important point, but I do not have the answer for that. Perhaps my predecessor from the Gladstone Regional Council might have had that. However, I will indicate to you from our perspective, which was the intent of holding the original emissions trading scheme forum, that it was to determine what opportunities can be provided in the future. If we are really going to be genuine, is it carbon footprint outlook? Where to for the future? I am careful and cautious in how I say this. Creating new green jobs could be quite exciting, provided it is not to the detriment of a major number of other jobs that currently exist. Is there a transition process that will allow new green jobs to come on board? I just highlight to the Senate inquiry that recently our organisation was successful in receiving some funding—and we thank the Australian government for this—to support the delivery of AusIndustry workshops within the region to help our small and medium enterprises. We wish to certainly put that on the agenda in that, the carbon outlook opportunities that may be created.

CHAIR—When did you hold your forum?

Mr Churchill—It was August 2008.

CHAIR—That was before the global economic downturn really started to get into full swing. Has anything changed in your assessment since you held your emissions trading forum, given the current economic circumstances?

Mr Churchill—I cannot speak on behalf of all of the attendees at that forum in August 2008. None of our members has brought any major issues or concerns to us in our day-to-day talks, other than perhaps what is in their own environment. We have up to 400 members. I think they are dealing with a tightening of the financial belt in the current economic climate.

CHAIR—In your statement you are calling for a simple and equitable ETS, which among other things will minimise the economic shock. Given the economic circumstance now, what might have been bearable seven or eight months ago would be a significant economic shock today, would it not?

Mr Churchill—Are you asking my own opinion?

CHAIR—Yes, I am asking your opinion.

Mr Churchill—Again, do not shoot the messenger here, because I bring this on behalf of those who attended. In my opinion, yes, it would be a bit of a shock. Also, one of those key points was to highlight that the collective wisdom was to say that if there was going to be a simple and equitable way of bringing it in perhaps it could be done at a moderate level over time, rather than simply being thrust. I think the intent of that was to ensure that it was not thrust on the businesses and our industrial giants. With all due respect, the coal industry as well.

CHAIR—Senator Furner.

Senator FURNER—I have a point of clarity. The *Australian* article refers to effects of contracting around central-west Queensland and not necessarily in Gladstone. It would be helpful if we had that report to identify where it is really concentrating on. Until then, we should not speculate whether it has any impact on Gladstone, if at all.

Mr Churchill—Just in relation to that particular point, as I said before, I am not an economist but we would be certainly pleased and encouraged if the Senate inquiry was to determine that there could be some economic modelling from it. I think that is what everybody is looking at. You have heard from the Gladstone Chamber of Commerce and Industry and the Gladstone Regional Council. I think people just want to know how this will affect them financially. Probably the last point in that is that we are very mindful of the individuals; what this means to mum and dad or Mr and Mrs Smith in our communities?

Senator FURNER—I will take you to point 6 of your public statement, which you emphasised in your initial summary, that because of the importance of CPRS to all Australians, particularly people in our region, there should be bipartisan agreement by government and opposition to implement legislation in the federal parliament. Can you elaborate on how that point arose through the forum?

Mr Churchill—Yes, with pleasure. I am pleased that your inquiry will not be as long as our Emissions Trading Scheme Forum that was held here over six or seven hours to try to get an outcome. There was a general feeling by all participants that if we are going to bring about a CPRS and an ETS—and I am careful and cautious how I see this—that we do not want the political bantering that could go backwards and forwards. You obviously have a big responsibility to debate when this white paper appears as legislation and to find what will be the common good. The general feeling was that if there is going to be the legislation put in place it needs to be done on the basis that there is bipartisan support to allow us not only as the Gladstone region but for the nation to go forward in a positive way. That will obviously be brought about by the framework that will be developed underneath that legislation.

Senator FURNER—How important is it for investment that there be strong support across parties for a reform such as the CPRS?

Mr Churchill—It would be vital. That is my opinion.

CHAIR—Are you able to comment on how well or badly designed it is?

Mr Churchill—That is a good question. I cannot say. I cannot see either side of what is being proposed at this stage. I think it would be vital.

CHAIR—Subject to the design being right?

Mr Churchill—Subject to the design of that particular framework. I suppose an addendum to that would be to ensure that it does not place current jobs and future potential jobs, from the Gladstone region perspective, in jeopardy. Currently we have a number of major projects that are being attracted into this area and we applaud the efforts of the Queensland government with the Gladstone State Development Area to bring more jobs into the area. Again, it depends on what that framework would be, but I am sure there is greater wisdom around your own table that would deliver that as an outcome.

Senator FURNER—In your submissions you indicated that the Gladstone and Surat Basin regions have a unique mix of primary and support industries, rural and mining sectors, and mineral and chemical processing as its economic base, and that the Central Queensland University with its research institute for resource industries as sustainable development in Gladstone, together with local skill sets is well positioned to enter into a partnership with federal government to lead research and development of current and additional emissions reduction technologies. Can you elaborate further on the areas of low carbon research and development in this region that is well placed for that?

Mr Churchill—First and foremost, I will touch on one particular point that we had with representatives of the Queensland government. In the development of their proposed carbon outlook projects at a lower level, we need to understand the history of the Gladstone city and the Gladstone region. We have come a long way since 1983. GAPDL celebrates 25 years this year. It was born of the poor image of industrialisation 25 years ago. We have come a long way, and during that time we are very fortunate that the Central Queensland University has set up what is known as the PELM Centre—another acronym. It is predominantly about engineering and light metals in a research capacity. The opportunity for our academics and our research people to be able to contribute on a Gladstone regional perspective was a strong point that was identified at that forum, which was brought about by the Chancellor of CQU.

As you would know, we have Rio Tinto, Queensland Alumina, Boyne Smelter, NRG, and the list goes on. I do not want to neglect any of those. They also have some wonderful scientists and researchers within their own environment that perhaps might be able to add value to that framework. I am sure this inquiry may have or will be meeting with a number of those representatives.

Senator FURNER—I have one last question, which I have asked several witnesses here today. I have heard from other inquiries of the opportunities for the creation of green jobs to

replace those in emissions intensive industries. What do you think the opportunities are in the Gladstone region for employment as a result of those changes in businesses and industries?

Mr Churchill—That is a very valid question. The answer is the difficulty. I reiterate my comment made earlier. This is the way of the future. Our Y-gen will give you that indication, that it is the way of the future. However, as I said before, possibly and most appropriately not to the detriment of current jobs and the potential for jobs especially in the Surat Basin with the future of the coal industry and associated missing link inland rail project. We are very rich in resources under the ground and above the ground. My personal opinion is that there has to be a balance. I would love to be able to take your question, with your permission, back to those 50 participants at that forum to ask them that question now. There is no doubt, as we go forward—and I have heard different comments that have been made here today, and I am sure that you are accumulating a fair amount of wisdom in that particular process—that green jobs will be a way of the future. It depends on what you call 'green' and how 'green' they will be. I believe that some of our small businesses are already creating that in some way in going forward, be it even the replacement of certain light bulbs or hot water systems. What is the way of the future? Again, I do not have a crystal ball, but I wish I did. I would like to emphasise this, and I believe this would be the point: as long as it does not jeopardise current jobs and the skills set, and what we might have for our future.

Senator FURNER—This is not a question but a statement. If we look back about 20 years ago, we never recycled anything and all of a sudden now just about every region and every council has a recycle bin out on the front of their footpaths, collected either weekly or fortnightly. Certainly that has developed into jobs in the recyclable and green industries that we possibly never dreamed of in the past.

Mr Churchill—Certainly. Pyro scrubbing is something that is already occurring in other parts of the world. I work on the philosophy that, if it is wasted, it is just that we have not found another use for it at this stage. In going forward, we also need to make sure that our current economic vibrancy—and we would like to think that we could be an economic safe haven in this area, even when there is a tightening of the financial belt and loss of jobs—will be borne out by projects that we currently have. I stress 'we currently have now'. I applaud the comments at the forum that, if we are going to go forward with CPRS, perhaps we hasten slowly to make sure that we get it right.

Senator IAN MACDONALD—Thank you for coming along, Mr Churchill, and for your contribution. I am very interested in this forum in August last year. You tell us that there were about 50 people there.

Mr Churchill—That is correct.

Senator IAN MACDONALD—Who organised that?

Mr Churchill—It was an idea born out of my office.

Senator IAN MACDONALD—Who did the secretarial work for your office?

Mr Churchill—I am very fortunate to be surrounded by great people.

Senator IAN MACDONALD—That is excellent. Can you tell me a bit more about the Gladstone Area Promotion Development Board? Did you say that you have 400 members?

Mr Churchill—Yes, just short of 400 members. Our organisation was formed 25 years ago as a result of the image that was portrayed by Gladstone at that time, when we saw the development of major industry in our back yard. The organisation itself is served by an unpaid volunteer board made up of the various representatives from around the region. I have a staff of 15. We operate our visitor information centres and we are very actively involved in a number of regional development projects, including the one that I indicated to you in relation to the small business advisory service. We also do migrant services/relocations. There is a very broad ambit of activities. We also have a large base of nearly 70 volunteers.

Senator IAN MACDONALD—Do you get government subsidies or payments? Are you the Queensland government's regional development group here and do you interact with the ACC?

Mr Churchill—Yes, we do. We are a similar model to Townsville Enterprise. We are a regional tourism organisation. We are a REDC, a regional economic development corporation. We also deliver on behalf of the Australian government the Communities for Children program, which is a multimillion-dollar project, and we look forward to their continued support. Effectively if there was one word you asked me to give, I would give it as 'liveability'.

Senator IAN MACDONALD—The participants at the forum would include people from Rio, QAL, Cement Australia and those sorts of people?

Mr Churchill—There was an invitation extended to all of our members to attend that forum. As you can appreciate, people are very busy in certain areas. That was extended to all of our members, but it was also extended further to those who perhaps could add to the debate and the discussion. That was not with the intent of influencing the outcome but to add some knowledge and value to that as well. That included representatives from the Banana shire and the Gladstone Regional Council. It also included state and federal government representatives, including the federal member for Flynn's office staff as well.

Senator IAN MACDONALD—Is this where Minister Wong's representatives spoke and made you aware of some of the details?

Mr Churchill—We invited them and by circumstance they had their forum on in the afternoon. It certainly would have been foolish of us not to ask them to join that discussion.

Senator IAN MACDONALD—So it was not the same forum; there were two different forums?

Mr Churchill—There were two separate forums. There was a forum down here throughout the day and then a late afternoon forum held by Senator Wong's staff upstairs. Some of the representatives went from here upstairs. Maybe in essence—and hindsight is twenty-twenty vision—we probably should have had the Senator Wong forum the day before, which would have created that greater awareness, and then we could have brought some of that information to that forum, but I do not believe that it would have changed the outcome.

Senator IAN MACDONALD—From the evidence that we have heard here, privately and through peak associations, they are all telling us that the end of the world is nigh if the CPRS scheme is implemented in the way the white paper proposed. But that does not seem to come through. I accept that you are the messenger, but it does not seem to come through in the communiqué from the forum. The communiqué is a very statesman-like statement.

Mr Churchill—There were statesman-like people there, I would suggest, but there was no-one at that particular forum standing at the front door with the placard that you have seen in cartoons over the years saying that the world is coming to an end tomorrow. We did not invite them.

Senator IAN MACDONALD—These are a lot of businesses that operate in your area who are very concerned that they will become uncompetitive and that we will not change one iota the climate change in the world because all we will do is push jobs offshore to other countries that are not going to have any form of CPRS. The alumina industry is very distraught, through its peak bodies. I do not identify the people here particularly, but I am just surprised that their concerns have not come through here as they have in the submissions that the peak bodies make to us.

Mr Churchill—Again, this is a public statement that was endorsed by the collective group. Yes, there were certainly some robust comments and discussions, especially from the representatives from the rural sector, be it on methane gas emissions from beef and dairy production. Again, as you would know—and I am sure that you have all been involved in some hefty debates and you have more to come when you get to this legislation—how do you actually collect all of that wisdom and put it down into a two-page readable statement? With all due respect, there were no 'end of the world' advocates around the table. Those who were perhaps wanting to put on the table their fears and their concerns were also astute enough to recognise that if there is going to be some form of legislation and framework on a bipartisan approach they need to make sure that they value all of that information.

Senator IAN MACDONALD—It is very difficult to be bipartisan when there is one person doing it and not consulting the other people. That is a difficulty. I am not sure whether you were here when Cement Australia gave evidence this morning. I think a $750 million investment in Gladstone has been shelved because of the CPRS, and I am not sure whether they gave a figure, but I have heard elsewhere that would have provided 700 to 800 jobs in the workforce in the construction stage and 100 or so permanently.

Mr Churchill—We have had discussions with Cement Australia. They are members of our organisation as well. We are aware of that particular project and mindful that on 21 August 2008 that project was not in the public environment. If this is a changing of the dynamics, then it needs to be taken into consideration, which I am sure you will. Or is it speculation and concern based on rumours, innuendoes or some media? I do not know. I do not have that information before me.

Senator IAN MACDONALD—From evidence given this morning that is actually a corporate decision that has been made until the CPRS is clarified.

Mr Churchill—We are well aware of that particular decision, and obviously that causes a grave concern for us in our area here. I would go back to our comments before—and I reiterate again—there needs to be policy, legislation and a framework that is developed in going forward, provided it is not to the detriment of those jobs that are here now and those jobs that are planned here for the future. With all due respect, it is probably consistent with the dot point in our public statement. Again, I am not privy to the decision of their board, but if they are deciding between Gladstone region and Qatar, India or somewhere else within the world, I would hope at the end of the day that it is not as a result of the legislation that is brought down by the government.

Senator IAN MACDONALD—I am not debating what Cement Australia do, I was simply repeating the evidence that was given here this morning, which indicated that it was because of lack of clarity with the CPRS and where it might be leading. I cited Cement Australia, but that is a common concern we get to this committee and to us as parliamentarians. I am surprised that from a town so dependent upon energy as this one there was not slightly more reference to that in the forum outcome. Again, as I said, I have seen on bodies that when doing a communiqué it is the lowest common denominator.

Mr Churchill—In relation to those comments, we had representatives of the coal industry. Also, at the same time, we have to be very mindful that there appears to be, from our understanding, a general consensus to get on and develop some legislation. That is what you were elected by the people to do. If you are going to develop some legislation, then the doom and gloom does not need to be in there. We need to be dealing with it. I think our dot point No. 4 was the one that we were very keen to emphasise in that there needs to be a balanced community awareness program so that everybody can be aware of what this truly means from the industrial giants right down to Mr and Mrs Smith.

Senator IAN MACDONALD—I have that marked to come on to shortly. It is the role of governments to propose legislation and not of parliaments. Parliaments debate legislation. We are yet to see more than an exposure draft, which makes us all a bit uncertain as to where it is all heading. Hopefully, evidence given at committees like this will help change the government's original stated intentions. That is what this is all about, of course. Just moving on, I wanted briefly to look at paragraphs four and five from your forum. Was that just a suggestion that the government should be doing or was it something that your organisation or the Gladstone community was going to provide?

Mr Churchill—I am not quite certain about dot point No. 5.

Senator IAN MACDONALD—No, No. 4, that a balanced community information program should be developed.

Mr Churchill—Yes, very much so. Obviously, as part of that, to what degree—and that probably fits somewhere within your framework later on as to what that will mean within their own carbon footprint.

Senator IAN MACDONALD—Was it a call for governments to do that? It was not something that you said the Gladstone people were going to do?

Mr Churchill—I believe at the particular time the forum was held we had a responsibility to put together a statement that would find its way through to the halls of decision making in Canberra. As you would know, we sent that to the Prime Minister and all sides of politics to see whether that could be taken note of.

Senator IAN MACDONALD—I see the numbered paragraphs are preceded by, 'We request the federal government to acknowledge and implement the following statement.' So, you are asking for an information program. Are you aware whether anything has been done along that line?

Mr Churchill—From the federal government or a Queensland government perspective?

Senator IAN MACDONALD—Any government.

Mr Churchill—We are hearing a little bit at the moment. Even this morning there was an email about a jobs program. That is coming out of Canberra and the Queensland government as well. We would hope that perhaps as part of a jobs program in the current economic climate—and I go back to Senator Furner's question about green jobs—that if there are going to job programs developed and delivered by the various departments perhaps that needs to be noted now. What are these green jobs that will be created? How do we position ourselves to take advantage of it and make sure it is not to our detriment?

Senator IAN MACDONALD—You were calling for a balanced community information program. Are you are aware whether a balanced community information program has been prepared and disseminated, or are you aware whether anyone is doing anything about that?

Mr Churchill—Other than what came out when Senator Wong's team came around, I am not aware of anything else. I am aware that the Queensland government is working on a carbon footprint outlook project. I am not quite certain whether that is public knowledge at this stage, but obviously the Queensland government is doing their research and work to see what opportunities will be created in the future. I am not aware of any community broad-brush awareness programs that will allow everybody within our community to understand what this carbon pollution reduction scheme will be.

Senator IAN MACDONALD—We have had evidence both here this morning and in Mackay yesterday that people do not really know what it is about so they have not become too concerned about it because they do not know what it involves or how it will affect them. That proposal is a very good one, but I was simply asking you whether you were aware whether anyone had said, 'Yes, we're doing this and it will be out next month' or something?

Mr Churchill—That is the part that creates the fear—false evidence appearing real. The reality is there is a certain fear level out there at the moment because of the element of the unknown. The brains trust of this Australian government needs to get on with the job so that we can have a better understanding. In your determination at the end of the day, do you deliver the community awareness program before you make the legislation? I do not know. You would have a better understanding of that.

Senator IAN MACDONALD—According to the local Mackay paper, at least people in Mackay know that their rates are likely to go up 10 per cent because of the CPRS. It is that sort of information that people need to balance against their natural desire to see a better world. Not that Australia with less than 1.4 per cent of the greenhouse emissions is going to make any difference at all to climate change, but we certainly have to play our part. It is a balance. That proposal No. 4 is a very good one and is one that the committee should certainly include in its recommendations. I briefly turn to paragraph 5, that there should be financial incentives for greater investment in infrastructure to support the creation of adequate water resources or alternative cleaner power sources, with comprehensive enhancement of all aspects of environment in the Gladstone and Surat Basin regions. Can you recall whether the forum had any specifics about that? Were there suggestions on what financial incentives should comprise?

Mr Churchill—I am not sure that you have enough time to allow me to answer that one. If I were to give you a very quick rundown, it includes everything from the Nathan Dam development project in the Surat Basin, which will provide water for the growth and development of that area, right down to an incentive for Mr and Mrs Smith to have their shower head fitted, to have their solar heating put on their roof or to have insulation put in. It ranged from one lower level, depending on which way you view it, to the other level.

Senator IAN MACDONALD—Was there any clear message that came out about subsidies to business to reinvent or was there talk about tax concessions? Was there talk about making free certificates more readily available and, if so, what impact that then had on greenhouse gas emissions? I was really looking in that area. Was there any clear message that came out about what form the financial incentives or encouragement should take?

Mr Churchill—You have raised a couple of the other points that were highlighted. As I said, there was so much between one level and the other level, but one important matter that did come out for the Senate inquiry to take on board in the scheme of this was the actual ETS and to what degree and how trading in air would be understood by those who do not understand. That was quite an interesting discussion. If there are financial incentives, then are there also financial benefits in the ETS? I do not have the answer to that.

Senator IAN MACDONALD—There was not a clear resolution from those attending the forum?

Mr Churchill—No.

Senator IAN MACDONALD—Again, thank you for your contribution and coming along.

CHAIR—Thank you very much for your contribution to the committee.

Committee adjourned at 11.36 am