

Chapter 2

Process issues raised with the committee

2.1 A number of issues with the processes undertaken leading up to the announcement of the restructure were raised with the committee. These include: the 'deep-dive' process; how staffing numbers to be cut were decided; a lack of consultation with staff and key partners; and the use of private emails by CSIRO executives as part of the process.

Background

2.2 On 4 February 2016, the Chief Executive of CSIRO, Dr Larry Marshall, sent an email to staff announcing a change of strategic direction. The change involves an organisational restructure which will affect programs across the organisation, including climate research. The media reported that the restructure would affect up to 350 jobs with the climate science areas the hardest hit.¹ Staff were told about plans to cut approximately 100 full time researchers from the Oceans and Atmosphere Division with the Earth Assessment and Oceans and Climate Dynamics units most affected.²

2.3 On 11 February 2016, at estimates hearings, Dr Marshall provided additional context for the strategic shift:

The committee will no doubt be aware of the strategic shift for the CSIRO announced in our strategy last year and, with more details, in the media just over a week ago. As there has been some misreporting in relation to this matter, I would like to put on record the facts as they currently stand. In our CSIRO Strategy 2020: Australia's Innovation Catalyst, we recognise that the Australian economy is in transition. We must respond. What carried us in the past cannot carry us into the future. The future will be defined by science-led innovation, which will reinvent existing industries and create new ones to maintain Australia's prosperity. CSIRO does research for a purpose. We are a big, mission-directed organisation created to deliver science and solutions to solve the biggest challenges facing Australia. On Thursday last week, I announced the outcomes of the latest review of our science investments in order to respond to our new innovation catalyst strategy. But it is more than just CSIRO's own strategy. It is responding to the nine national science and research priorities, which include a priority to build Australia's capacity to respond to environmental change and emigrate research outcomes from biological, physical, social and economic systems.³

1 Jessica Gardner, 'CSIRO puts 350 staff on notice in Netflix-style culture revamp', *The Sydney Morning Herald*, 4 February 2015.

2 Peter Hannam, 'Australia to be 'isolated' from global research after CSIRO climate cuts: WMO', *Sydney Morning Herald*, 9 February 2016.

3 *Estimates Hansard*, 11 February 2016, p. 54.

2.4 Dr Marshall also provided further detail on how this change would affect staff:

This change is a refresh and a redirection of capability and of CSIRO, not cuts to staffing levels. After this process over two financial years, the number of team members should be the same or slightly higher. The worst case is that up to 350 team members could be affected, and, if they cannot be redeployed or reskilled, they will leave. We are trying to be a more open organisation; that is why we crowdsourced our strategy. We communicated to our team as soon as we confirmed people's jobs could be affected. Because this affects people's lives, I respectfully ask you to be patient with us while we work through the detail to be fair to those affected. I must stress that this announcement marked the start of this journey. Moving from setting the high-level strategic science priorities as a first phase, to working out the detail of how to execute this with our staff and stakeholders in its second phase, and then executing the changes. We are currently in the second phase of this process, consulting with our staff and our stakeholders in order to resolve the details, a process which we are committed to undertaking. Until this is complete and the precise information is known, speculating on potential outcomes is not fair to our staff.⁴

2.5 The 4 February 2016 announcement follows significant government funding cuts to CSIRO since the 2014-15 Budget which cut \$27 million in 2014-15 and \$114.8 million over the forward estimates.⁵ On 13 May 2014, Dr Megan Clark, former Chief Executive of CSIRO, outlined the impacts of government funding cuts on CSIRO staffing numbers:

Based on the new Budget position, and taking into account the economic environment for our industry and external partners, we will need to reduce the number of staff in CSIRO by up to 420 FTE by the end of June 2015. A further potential decrease of an estimated 80 FTE is forecast to occur through to June 2018 dependent on external revenue. These reductions are in addition to the previously announced loss of up to 300 FTE arising from our reform program. The changes are reflected in our Average Staffing Levels in the PBS which reduce from 5,523 for 2013-14 to 5,034 for 2014-15. This will be painful for our teams and our people who have dedicated themselves to the future of Australia and their families.⁶

4 *Estimates Hansard*, 11 February 2016, p. 54.

5 Dr Megan Clark, *Message from the Chief Executive: 2014 Federal Budget* <https://www.csiroalumni.org.au/news/172901/Message-from-the-Chief-Executive-2014-Federal-Budget.htm> (accessed 15 March 2016); see also Noel Towell, 'CSIRO job cuts mean painful days for government scientists', *The Canberra Times*, 14 May 2014

6 Dr Megan Clark, *Message from the Chief Executive: 2014 Federal Budget* <https://www.csiroalumni.org.au/news/172901/Message-from-the-Chief-Executive-2014-Federal-Budget.htm> (accessed 15 March 2016) .

Concerns with the 'deep-dive' process

2.6 The committee was interested to understand the process CSIRO used to decide the areas which would be subject to job losses. Dr Alex Wonhas, Executive Director, Environment, Energy and Resources at CSIRO outlined:

...the whole process started with CSIRO, under its new chief executive, developing its new Strategy 2020.⁷ That really outlined the areas that CSIRO wants to invest in into the future and, frankly, the role that CSIRO wants to play in Australia's innovation system. If I could maybe summarise it, it is really for CSIRO to become Australia's innovation catalyst.⁸

2.7 Dr Wonhas then went on to describe what was termed the 'deep dive' process which commenced in September 2015 requiring each business unit to show how their work aligned with the strategy:

As a result of the overall strategy outline, all of the business units have been asked, basically, to present their forward plan in alignment with that strategy. That is a process that played out over the second half of last year: firstly, a meeting where all of the business units presented their plans and then there were individual discussions between the leadership of those groups and the executive.

In those discussions, each of the business units outlined their plans. For example, the Oceans and Atmosphere team outlined growth options in alignment with the new strategy of 35 staff. That is where the 35 number came from. They also outlined a corresponding reduction in other staff areas.⁹

2.8 Ms Hazel Bennett, Chief Finance Officer, CSIRO, informed the committee that the decisions around job losses were made in relation to six criteria:

...impact value; customer need; market attractiveness; competitiveness; performance, and that is more along the lines of the broader science performance; financial attractiveness, in terms of financial return; and financial investment required in any new growth area.¹⁰

2.9 The business units were advised of these criteria and put forward their plans which the executive used to consider the growth opportunities and opportunities for reprioritisation.¹¹

2.10 Between November and December 2015, the Chief Executive, Dr Larry Marshall, the CFO, Ms Hazel Bennett, the Deputy Chief Executive, Mr Craig Roy and other executives spent half a day with the leadership team of every business unit to

7 Strategy 2020 was launched in July 2015.

8 *Proof Committee Hansard*, 8 March 2016, p. 39; Mr Craig Roy, *Estimates Hansard*, 11 February 2016, p. 60.

9 *Proof Committee Hansard*, 8 March 2016, p. 39.

10 *Proof Committee Hansard*, 8 March 2016, p. 40.

11 *Proof Committee Hansard*, 8 March 2016, p. 39.

discuss issues. The issues discussed included: the strategy of the individual business units, markets, strength of business units capability and partnerships. They were also asked to describe options for growth, new markets as well as options of areas to divest in order to fund growth.¹²

2.11 Ms Bennett confirmed that, across all criteria the Oceans and Atmosphere area performed relatively poorly and as a result was subject to staffing cuts.¹³

2.12 The committee questioned the ability of management to measure performance against these criteria, particularly impact value and the customer need for climate science.¹⁴ In relation to customer need, Dr Wonhas responded:

If we are taking, as I said before, demand for these services as a function of government investment as a proxy, it is fair to say that there has been a reduction in that, and that has been an indicator that there may be less demand from our numbers of customers for that.¹⁵

2.13 However, the committee questioned witnesses regarding the decision-making process, in particular the financial performance metrics used and the need for external earnings and found conflicting evidence. In reference to projected external revenue in Oceans and Atmosphere research programs for 2016 and beyond, Dr Peter Craig, Director, Collaboration for Australian Weather and Climate Research, CSIRO, reported on a case where the probability of an important contract happening was set at zero per cent by the business development team:

That is what happened. I know that is what happened, and the people involved in the NES project, who I worked very closely with, are incredulous that that happened. Clearly what they [O&A Management] did was make it look as though the prospective earnings in climate science were a lot less than they really were—like zero versus \$23 million.¹⁶

2.14 When asked by the committee for reasons for this action by O&A Management, Dr Craig replied:

That one really does put me on the spot. I have to say that, at senior level in the O&A management, I think there is—at best—indifference¹⁷ and, at worst, hostility towards climate science.

2.15 Witnesses also questioned the value of the deep dive process stating that it only included the executive of CSIRO. Professor Anthony Haymet argued:

I think the flaws in this process have to be acknowledged. There has to be some understanding inside the organisation that the next time a 'deep dive'

12 Mr Roy, *Estimates Hansard*, 11 February 2016, p. 60.

13 *Proof Committee Hansard*, 8 March 2016, p. 40.

14 *Proof Committee Hansard*, 8 March 2016, p. 40.

15 *Proof Committee Hansard*, 8 March 2016, p. 40.

16 *Proof Committee Hansard*, 11 March 2016, p. 48.

17 *Proof Committee Hansard*, 11 March 2016, p. 48.

goes on it will truly be deep and the real experts in the field will actually be consulted.¹⁸

2.16 Dr Craig also stressed this point:

Let us be clear about this deep dive. The level and depth was one level below Dr Ken Lee, the director of the Oceans and Atmosphere Flagship. The flagship has 420 staff. It must have a budget of around about \$100 million, and they went down to one level below the director. That does not seem very deep to me.¹⁹

2.17 Dr Craig stated that, from information available to him, the assessment undertaken against the criteria did not go far enough to include the people who really understood the science.²⁰

2.18 In a public statement, Dr Marshall explained:

We asked business unit leaders to focus their operational plans on growth, and growth within finite resources will always initially lead to making choices about what to exit.²¹

2.19 In addition to poor performance across the criteria, Ms Bennett, mentioned that a reduction in co-funding for the Oceans and Atmosphere area was another clear factor in staffing reductions as:

[The reduction of co-funding] goes not only to the viability of the science but also to whether the CSIRO can stand in and almost be the funder of last resort.²²

2.20 When asked at the hearing on 27 April 2016 whether achieving cost savings was a key reason for the restructure, Ms Bennett commented:

We set out to re-prioritise our investment. As I indicated from the start, there is no external reduction on CSIRO. Back in September-October [2015] it was our initiative, which became the deep-dive processes, to support the growth into the new strategic areas. So it has been very fluid all the way through from the deep dives to consultation and adjustments from them and now essentially back into Finance; we are now finalising the business unit budgets.²³

2.21 When pressed by the committee whether CSIRO had attempted to value the decades of climate research and intellectual property Ms Bennett conceded:

18 *Proof Committee Hansard*, 11 March 2016, p. 59.

19 *Proof Committee Hansard*, 11 March 2016, p. 45.

20 *Proof Committee Hansard*, 11 March 2016, p. 49.

21 Dr Larry Marshall, 'Correcting the Public Record on Changes at CSIRO', *Media release*, 8 February 2016.

22 *Proof Committee Hansard*, 8 March 2016, p. 43.

23 *Proof Committee Hansard*, 27 April 2016, p. 7.

We walk around the issue, because it is incredibly difficult—just the point at which we even recognise when particular science fed into and what it ultimately led into. We often try and postulate this, particularly around valuation of our IP. But, as you can imagine, it is very difficult to take essentially the very first origin of the science idea through into when we believe it is now in the form where it starts to shape up as a commercial outcome in some shape or form and then ultimately becomes something different.²⁴

Deciding on the staffing cuts

2.22 Ms Bennett informed the committee that as a result of the 'deep-dive' process the Oceans and Atmosphere business, which has approximately 420 staff, will have 100 positions cut. However, 35 new positions would be created.²⁵

2.23 The committee examined how CSIRO arrived at these numbers. The committee was informed that, having gone through the information put forward by the business units, the executive met for two days on 14 and 15 December 2015.²⁶ As a result of this meeting, the executive asked Dr Wonhas to go back to the Director of the Oceans and Atmosphere team, Dr Ken Lee as:

We felt that there was capacity. We provided advice that respective executive directors took back to their business units. In the case you are talking about, you are correct, the executive asked Dr Wonhas to then talk with Dr Lee about the scale of a reduction of 100.²⁷

2.24 Dr Wonhas outlined that as a result of the instructions from the executive:

I called Dr Lee and asked him to consider the option of a total reduction of 100 FTE and I told him what the implications of that option would be in addition to, obviously, the plan that he had put forward. Then there was the Christmas break. Following that, I had a meeting in early January...where I discussed this topic with Dr Lee and we agreed on a small team from his core leadership team to work on that question to draw out the implications. He then commenced work on that with his team, and those details flowed into the meeting of the executive that was held at the end of January.²⁸

2.25 In addition to identifying a reduction of up to 100 FTE, Dr Lee was also asked to identify 35 new positions in growth areas. The 35 new positions would stay in the area with the remaining 65 positions reinvested across the organisation.²⁹

2.26 CSIRO confirmed that Dr Lee was asked to detail the implications of a reduction of this size. Dr Wonhas stated:

24 *Proof Committee Hansard*, 27 April 2016, p. 7.

25 *Proof Committee Hansard*, 8 March 2016, p. 38.

26 Ms Bennett, *Proof Committee Hansard*, 8 March 2016, p. 41.

27 Ms Bennett, *Proof Committee Hansard*, 8 March 2016, p. 42.

28 *Proof Committee Hansard*, 8 March 2016, p. 48.

29 Dr Wonhas, *Estimates Hansard*, 11 February 2016, p. 55.

[Dr Lee was asked] to articulate what might be the most impacted areas, the staffing consequences, the consequences for our external relationships et cetera if the executive were to choose that option. He provided that information back to the executive. He also attended the executive team meeting in January to provide further input for the discussion.³⁰

2.27 In response to questions on notice, CSIRO informed the committee that Dr Lee did not provide any written papers to the executive team meeting in January, but produced a presentation and participated in an extensive discussion. In his presentation, Dr Lee informed the executive of the implications of the proposed cuts to Oceans and Atmosphere area and emphasised that:

...This level of upheaval is very significant and will be a major distraction to not just the directly impacted staff but also management and indirectly impacted staff. Business as Usual productivity levels will be significantly impacted for 12 – 18 months.

There has been no provision made for "disrupted external revenue" during the transition phase of reducing staff by 110 and then recruiting 45 into growth areas.

Some long standing government clients will be impacted by this realignment. This will require some management given that we are electing to make these changes rather than forced by government funding changes.

O&A [Oceans and Atmosphere] is embarking on international growth which is traditionally expensive and has a long incubation period. The out year budgets require much deeper analysis than was possible in a week.

This is a significant cultural change. Whilst clearly flagged in the 2020 Strategy, it will take time to transition staff and implement modified pricing strategies.³¹

2.28 Dr Wonhas reported in March 2016 that work to determine the exact allocation of staff cuts across the Oceans and Atmosphere area had not been finalised:

Dr Lee and his leadership team are currently applying the criteria that Ms Bennett has referred to across the whole of his business unit. They are trying to identify the specific areas that will be impacted on.³²

Role of the Board

2.29 The committee questioned the role of the Board in the deep dive process and subsequent decision on the reduction of staff. CSIRO advised:

The Chief Executive is responsible to the Board for the overall development of strategy, management and performance of CSIRO. The Chief Executive manages the Organisation in accordance with the strategy,

30 *Proof Committee Hansard*, 8 March 2016, p. 48.

31 CSIRO, answer to question on notice from 8 March Hobart hearing number 7, received 17 March 2016.

32 *Proof Committee Hansard*, 8 March 2016, p. 40.

plans and policies approved by the Board to achieve the Organisation's objectives.

Under the Board Directions to the Chief Executive, the Chief Executive is required to consult with the Board on certain matters, including the structure of business units and submit more detailed strategies and investment proposals, preferably at the concept stage, to support delivery of the Corporate Plan. The method of consultation is not specified. The Chief Executive works through the Chairman to determine the method of communication and an appropriate time to respond. The normal timeframe is three working days or less in the case of an urgent matter. In this instance, preliminary investment directions were shared with the Board at their formal Board meeting on 8 December 2015; and the Board were provided with further information by email on 2 February 2016 seeking support to announce the investment directions to staff. Board support was provided before the staff communication was made on 4 February 2016.³³

2.30 Ms Bennett advised that consultation was in accordance with the Board's charter as the proposed cuts were a matter of 'major change.'³⁴

2.31 Ms Bennett confirmed that the Board were asked to comment and provide feedback.³⁵ In an answer to a question on notice the CSIRO indicated:

On 2nd February [2016] the Board consisted of seven part-time members plus the Chief Executive and of the seven part-time members explicit confirmation of support was received from five.³⁶

2.32 The Board Directions to the Chief Executive indicates that all matters which would have a material impact on the organisation should be submitted to the Board, preferably at the concept stage, for advice, endorsement or approval as appropriate.³⁷ CSIRO provided a list of actions that the Chief Executive undertook to comply with the directions.³⁸

2.33 In answer to a question on notice, CSIRO clarified that the Chief Executive's correspondence with the Board was to obtain support to communicate with staff about the preliminary outcomes of the 'deep dive' process:

Had the message been seeking approval for the changes, a circular resolution process including three day time for response would have been applicable. However the message of 2 February was not seeking consideration or approval of any resolution and therefore did not require the

33 CSIRO, answer to question 2 on notice, 8 March 2016 (received 17 March 2016).

34 *Proof Committee Hansard*, 8 March 2016, p. 44.

35 *Proof Committee Hansard*, 8 March 2016, p. 47.

36 CSIRO, answer to question on notice number 4 from 8 March 2016 Hobart hearing, received 17 March 2016.

37 See <http://www.csiro.au/en/About/Leadership-governance/Minister-and-Board/Directions-to-CEO> (accessed 11 April 2016).

38 CSIRO, answer to question 10 on notice, 7 April 2016 (received 16 April 2016).

circular resolution procedure to be invoked. In any case, responses from Board members were received on 3 February 2016.³⁹

2.34 A draft of the all-staff email was attached to Dr Marshall's correspondence of 2 February 2016 to the Board. CSIRO confirmed that only one draft was provided to the Board.⁴⁰ In his email Dr Marshall recognised that informing the Board of changes by email was unusual:

Ordinarily I would have worked these changes through the Board at our next Board meeting – but given the leak risk we felt time was critical and so have focused on working just with our Chairman who has in turn had me work with our Minister.⁴¹

2.35 CSIRO informed the committee that the Board supported the changes:

They have considered and supported the [Executive Team] endorsed strategic investment decisions.⁴²

2.36 The Board indicated support publicly for the changes. In response to an open letter from the international climate community to the Australian Government and the CSIRO Board expressing concern about the proposed cuts, Mr David Thodey, CSIRO Chairman, responded on behalf of the Board in a media release indicating the Board's support.⁴³

2.37 However, it is clear that the Board did not approve the extent of the job cuts. In fact, CSIRO management in written question on notice number two of 7 April 2016, stated that they did not seek Board approval. The Board merely supported the CEO circulating an email to alert staff to a process underway, in light of an expectation this information was soon to appear in the media. The draft email sent to the Board on 2 February was in keeping with this objective, focusing on the identified priorities and avoiding provocative language and details of potential cuts. The email subsequently distributed to staff on 4 February was of a very different tone, and it is questionable whether such an email would have been approved by the Board, given evidence that even the 2 February version received a lukewarm response.

2.38 It is clear from the evidence the Committee has received that the Board has still not approved the extent of the changes proposed, including job cuts and the redistribution of resources across the CSIRO, with the exception of the establishment of the Climate Centre.

39 CSIRO, answer to written question on notice 2, 7 April 2016 (received on 15 April 2016).

40 CSIRO, answer to written question on notice 5, 7 April 2016 (received on 18 April 2016).

41 Email from Dr Larry Marshall, provided by CSIRO, answer to written question on notice 4, 7 April 2016 (received on 15 April 2016).

42 Mr Roy, *Proof Committee Hansard*, 27 April 2016, p. 12.

43 Mr David Thodey, CSIRO Chairman, 'An international response to the proposed CSIRO cuts to climate research', Media release, 19 February 2016.

Role of the minister's office

2.39 CSIRO told the committee that the Minister's office was provided formal briefs on the proposed changes on 1 and 9 February, with a further update provided on 24 February 2016.⁴⁴ On notice, CSIRO confirmed that:

No subsequent briefs on this matter have been requested by any Minister. CSIRO has worked with the Department of Industry Innovation and Science to update the relevant Question Time Brief a number of times so that it could be provided to Minister Pyne's Office.⁴⁵

2.40 In response to questions on notice Ms Bennett outlined that she has had regular discussions with the Minister's office including a meeting with the minister and departmental representatives on 31 March 2015:

Discussions are not always planned to occur at specific times or diarised, rather Ms Bennett and the Minister's office have open lines of communication and regularly discuss the CSIRO changes and other CSIRO matters.⁴⁶

2.41 Dr Marshall has not had any formal meetings with Ministers since the announcement, however he has:

...communicated by phone with Minister Pyne on 12 and 23 February 2016 and with either the Chief of Staff or Minister on March 30.

Dr Marshall also met with Assistant Minister [Karen] Andrews on 9 February 2016 and 23 February 2016 and with Assistant Minister [Wyatt] Roy on 23 February 2016.⁴⁷

2.42 In answers to questions on notice CSIRO reported:

CSIRO confirms that it has met the requirements of the statement of expectations from the Minister.⁴⁸

Lack of consultation

2.43 Lack of consultation was a key issue raised during the inquiry and includes a lack of consultation with CSIRO staff and key external partners.

Staff

2.44 Staff told the committee that they felt that they were in an 'information vacuum'⁴⁹ as CSIRO had provided very limited information following the email on

44 Ms Bennett, *Proof Committee Hansard*, 7 April 2016, p. 20.

45 CSIRO, answer to written question on notice 11, 7 April 2016 (received on 16 April 2016).

46 CSIRO, answer to question on notice 12, 7 April 2016 (received on 18 April 2016).

47 CSIRO, answer to written question on notice 12, 7 April 2016 (received on 16 April 2016).

48 CSIRO, answer to question on notice 16, 7 April 2016 (received on 20 April 2016).

49 Dr Richard Matear, *Proof Committee Hansard*, 8 March 2016, p. 32.

4 February 2016. This has led to a 'toxic' environment whereby staff felt demoralised and were questioning their value and future with CSIRO.⁵⁰

2.45 Dr Richard Matear, a current CSIRO scientist, told the committee that the public has, in some ways, as much information as CSIRO employees about the cuts and it has led to a very stressful environment for staff:

We have been presented with this big cut. We are now being told, 'We're still trying to work our way through what that actually means,' and we are already a month and a bit into that process, and I still feel like we do not know any more than we knew, for example, on the day it was announced, other than that they are reassessing how they are going to implement it—one month into it....⁵¹

....We have this separation of our key science program leaders from the rest of the staff. There is almost no interaction going on. People are extremely tense. People are looking around for new jobs and wondering what is going to happen to them. It has been going on for over a month now. It is a really stressful environment...⁵²

2.46 Dr Graeme Pearman, private consultant and Adjunct Senior Research Fellow, Monash University, expressed his views:

I think it has been emphasised that communication is fundamental in this area. I do not know that any of the chiefs...would have succeeded in communicating so little about what was going to happen. It is not fair to the people employed in the organisation to have this sort of thing dumped on them. There needs to be proper consultation. I stress that I do not think CSIRO today should be the same as CSIRO yesterday.⁵³

2.47 Professor Haymet offered an example of consultation undertaken during a previous process involving change:

CSIRO has gone through change processes quite frequently over the last decade. In my time, Dr Greg Ayers and I merged the divisions of atmospheric research and marine research. I think Dr Ayers and Dr Craig explained why they did that for certain efficiencies and to prepare ourselves for a joint effort with the Bureau of Meteorology. But that was done with open consultation with our scientists. We went to our scientists and said, 'How should we organise this joint division?' I can say that no secret email accounts were used. Greg and I did have some protected files that we emailed back and forth, but this is an open, aboveboard procedure. I think it showed a lot of humility that we were not saying that we were the best prognosticators in the two divisions. We recognised that our greatest assets

50 Dr Matear, Dr John Church, Mr Mark Green, Ms Jessica Munday, *Proof Committee Hansard*, 8 March 2016, p. 30, 71, 73, Dr Paul Fraser, Dr Craig *Proof Committee Hansard*, 11 March 2016, p. 36, 47.

51 *Proof Committee Hansard*, 8 March 2016, p. 32.

52 *Proof Committee Hansard*, 8 March 2016, p. 33.

53 *Proof Committee Hansard*, 11 March 2016, p. 57

were the brilliant minds that we had around us. I think CSIRO often used that. I certainly copied it in my year outside of the CSIRO. We used the best asset we had, and the best asset CSIRO has is its people.⁵⁴

2.48 Dr Craig summarised the sentiments of staff regarding this process:

I am shocked at the lack of collaboration internally, and that really has not come out very much yet. The hallmark of this whole exercise is lack of communication: lack of communication with stakeholders, lack of communication with the board and lack of communication with the experts within the organisation. For example, the experts in climate science and modelling were not consulted. I was not consulted.⁵⁵

2.49 Ms Jessica Munday and Mr Mark Green from the CPSU informed the committee that the 'announcement came out of the blue,' particularly the magnitude and the scale of the proposed cuts:

...we were just a[s] surprised as the international community that there was a very specific proposal put out in a very long email from the CEO—and sort of buried down the end—that was going to be 350 jobs cut. We were not involved at that level of the organisation, or at levels of the organisation, in consultation before that announcement was made. In fact, that is a large part of our criticism—that we were not involved. Outside of the enterprise agreement, it just seems incomprehensible that you would not engage the people doing this work in such a significant conversation around a restructure.⁵⁶

2.50 The CPSU informed the committee that they sought the assistance of the Fair Work Commission in an attempt to be consulted and provide input. As a result of this action there have been three meetings with CSIRO:

That is, in fact, how we found out that, for example, Oceans and Atmosphere was going to have 100 of those job cuts. That is how that information came out—the overall CEO email was just a broad statement, though quite clearly they must have had some thinking around this to have come up with some very specific numbers—and then things have started to filter through in those business units through communications.⁵⁷

2.51 The CPSU expressed the view that this decision should have involved a whole-of-CSIRO discussion:

...not just staff who might lose their jobs but people who are left behind and what they are going to do. That consultation also allows employees a genuine opportunity to influence the decision. This has not been put forward, and our members are not telling us they are getting the impression

54 *Proof Committee Hansard*, 11 March 2016, p. 61.

55 *Proof Committee Hansard*, 11 March 2016, p. 45.

56 *Proof Committee Hansard*, 8 March 2016, p. 68.

57 *Proof Committee Hansard*, 8 March 2016, p. 68.

that this is just a proposal which they can effect some change of. That is what is problematic for us.⁵⁸

2.52 Dr Marshall explained how the staff cuts will be managed:

Firstly the overall number of people in CSIRO is projected to be unchanged at the end of a two year period, however up to 350 people may lose their positions as we change the focus of our work program. Some people will be redeployed or reskilled and some will be made redundant and those final figures are not yet determined. CSIRO has a well-established and respectful process when changes are made. People are advised early, as was done last Thursday, updated as soon as details are available, as is continuing this week, and consulted on how best to implement decisions.⁵⁹

2.53 At the 7 April 2016 hearing Dr Marshall further explained that the numbers of affected staff are maximum numbers and the CSIRO will be doing its best to minimise the numbers.⁶⁰

2.54 At a later hearing on 27 April 2016, Ms Bennett outlined that the proposed quantum of cuts has now decreased. Ms Bennett recognised that:

In terms of the funding, there will still be a reduction in funding to Oceans and Atmosphere. As my colleagues have indicated, in terms of quantum that has shifted from what was previously...articulated [as] a reduction of 70 staff positions. That will now reduce to a reduction of 40 staff positions.⁶¹

2.55 Dr Marshall stressed to the committee that the original reduction in staffing numbers were :

...never 350 climate scientists; it was 350 across all 10 areas that CSIRO invests in. That number has now been reduced to 275. It is good that we are able to reduce it, but it is still not good that we have to lose anyone. It has a very big impact on all of us, particularly the staff that are impacted by the cuts.⁶²

CSIRO partners

2.56 Several key CSIRO partners spoke to the committee during the hearings expressing frustration at the lack of consultation which has left uncertainty regarding the effects of the proposed changes on in the collaborative science sector. Dr Gregory Ayers, Former Director of Meteorology and CEO of the Bureau of Meteorology, summed up the feeling about the lack of consultation regarding the costs and benefits of the staffing cuts with stakeholders:

58 *Proof Committee Hansard*, 8 March 2016, p. 69.

59 Dr Larry Marshall, 'Correcting the Public record on Changes at CSIRO, *Media Release*, 8 February 2016.

60 Dr Larry Marshall, *Proof Committee Hansard*, 7 April 2016, p. 22.

61 Ms Bennett, *Proof Committee Hansard*, 27 April 2016, p. 6.

62 *Proof Committee Hansard*, 27 April 2016, p. 5.

The only way to get an enterprise of this complexity, with all the players contributing to their strength in order to build the national capability, is to get leverage from each other, and the overall benefit is much greater than individuals working on their own. For the CEO of an agency that had been central to the development of such a coordinated national program to not consult, when the model that we had used to develop that coordinated program is so clearly based on consultation and no surprises, I found remarkably strange. It almost looks to me—this is just a personal opinion—like the way venture capitalists are used if you want to do things at the last moment in order for your competitors not to get a jump on you, but there are no competitors in this. They are actually all friends. Why would you burn your closest allies, your staff, the other agencies within which you have a great deal of investment and goodwill, and the international community?⁶³

Bureau of Meteorology

2.57 The Bureau of Meteorology (BoM) is Australia's national weather, climate and water agency provides one of the most widely used services of government (weather forecasting). Dr Bruce Forgan, former BOM Meteorologist in charge of the Baseline Air Pollution Station at Cape Grim, appearing in a private capacity, explained the arrangements at Cape Grim:

There is no contract as the bureau's contribution to CSIRO is not and has never been a contract or a fee-for-service arrangement. The science program at Cape Grim has, from 1 January 1984, been a joint activity of the bureau and CSIRO based on agreements when the government decided that the bureau was the appropriate agency to operate the Cape Grim station. Subsequently, each organisation makes variously joint agreed contributions that have been explicitly documented in the governance process of the program. The letters of agreement began only in the last four financial years, which I believe Dr Lee and subsequently Dr Wonhas may be interpreting as a contract. They are in fact purely a vehicle to comfort the administrative team of what is now Oceans and Atmospheres. Why am I so sure? I was on the joint team from the bureau and CSIRO that developed the process and the wording of the exchange of letters. Those letters of exchange are part of the Cape Grim science program governance process, jointly chaired by CSIRO and the bureau, that examines budgets from all the subprogram scientists at the start of a financial year and agrees on the level of contribution from each organisation, including ANSTO [Australian Nuclear Science and Technology Organisation] and the University of Wollongong.⁶⁴

2.58 Dr Forgan reported:

63 *Proof Committee Hansard*, 11 March 2016, p. 26.

64 *Proof Committee Hansard*, 11 March 2016, p. 37. Cape Grim is a measurement facility in north-west Tasmania tracking changes in greenhouse gas concentrations. See also Dan Conifer and Alexandra Beech, 'BoM given one day's notice about CSIRO restructure' *ABC News*, 8 February 2016.

Prior to the 4 February statement, there was no indication from the CSIRO member of the management group of a change in any commitment to Cape Grim or their apparent withdrawal from the government process that had been in place since 1984. It was a great pity to find this out in the media.⁶⁵

2.59 Dr Paul Fraser, former CSIRO scientist responsible for setting up the Cape Grim Air Monitoring Station, appearing in a private capacity, stated that in his view the reduced level of support for Cape Grim will mean it will be 'inoperable'.⁶⁶

2.60 Dr Wonhas told the February additional estimates hearing that the Director of the Bureau of Meteorology (BoM), Dr Rob Vertessy was advised of the proposed cuts the day before the public announcement.⁶⁷ At the same estimates round, before another committee, Dr Vertessy confirmed that he was informed by Dr Wonhas of the proposed cuts 24 hours prior to the announcement and indicated that he could not answer whether the capability at Cape Grim was in jeopardy as they were still working out the detail with CSIRO.⁶⁸

2.61 Dr Forgan outlined past consultation processes used between CSIRO and BoM:

History says that the consultation process would have been identical to the process when they decided ozone was no longer scientifically relevant. That process took three years. There was another process within the CSIRO on the transfer of another function, which was a meteorology function related to solar radiation. That process took two years. There was two years of consultation before there was an agreement between agencies.⁶⁹

2.62 However, Dr Forgan also reported that consultations in relation to Cape Grim are now underway:

I am pleased to hear that discussions have now begun at a senior level and across government agencies to find a solution to sustain the key contributions to Cape Grim science and its measurement outputs. However, I am not confident that the CSIRO position of 4 February and subsequent comments were based on knowledge of the Cape Grim science program as some statements suggest a poor understanding of the modus operandi and the nature of the science program.⁷⁰

65 *Proof Committee Hansard*, 11 March 2016, p. 37.

66 *Proof Committee Hansard*, 11 March 2016, p. 34.

67 Dr Wonhas, Senate Economics Legislation Committee, *Estimates Hansard*, 11 February 2016, p. 58.

68 Dr Vertessy, Senate Environment and Communications Legislation Committee, *Estimates Hansard*, 8 February 2016, pp 22,24.

69 *Proof Committee Hansard*, 11 March 2016, p. 41.

70 *Proof Committee Hansard*, 11 March 2016, p. 37.

2.63 Dr Wonhas indicated that in relation to Cape Grim measurement activities, he was 'cautiously optimistic that we are progressing with a solution that stakeholders believe will provide adequate measurements'.⁷¹

2.64 In response to questions on notice, CSIRO confirmed that they intend to fund 'the same direct contribution to Cape Grim in 2016-17 as in 2015-16'.⁷² However, the committee heard at the Melbourne hearing that this funding is at a significantly reduced level than in past years.⁷³

2.65 CSIRO acknowledged that while discussions with the BoM regarding Cape Grim remain ongoing:

...no new source of funding has been identified to support this science either within BoM or CSIRO.⁷⁴

Australian Antarctic Division

2.66 Dr Gwen Fenton, Chief Scientist, Australian Antarctic Division (AAD), from the Department of the Environment, outlined to the committee that twenty-six of AAD's 99 projects involve collaboration with CSIRO.

2.67 Dr Fenton indicated that while there may have been some consultation with the Department of the Environment in Canberra she was not aware of any direct consultation between the CSIRO and AAD on the impacts of the cuts:⁷⁵

The Australian Antarctic science program relies on collaborations to maximise the resources and expertise that can be brought to the table to answer the key science questions within the Australian Antarctic Science Strategic Plan. The program currently includes around 400 scientists drawn from about 176 institutions across 28 countries. It is a highly collaborative program and we rely intensely on that and having these good relationships.⁷⁶

...

CSIRO is a major collaborator within the Australian Antarctic science program. At this point, CSIRO has spoken to the department broadly, but not particularly to us individually as the Australian Antarctic Division, so it is very hard for us to say exactly what impact the proposed cuts we are hearing about in the media are going to have on the Australian Antarctic science program.⁷⁷

71 *Proof Committee Hansard*, 8 March 2016, p. 43.

72 CSIRO, answer to written question on notice 20, 7 April 2016 (received on 18 April 2016).

73 Dr Fraser, *Proof Committee Hansard*, 11 March 2016, p. 34.

74 CSIRO, answer to written question on notice 22, 7 April 2016 (received on 16 April 2016).

75 *Proof Committee Hansard*, 8 March 2016, p. 10.

76 *Proof Committee Hansard*, 8 March 2016, p. 39.

77 *Proof Committee Hansard*, 8 March 2016, p. 10.

2.68 Dr Fenton reported that AAD would like to undertake direct and detailed consultation with the CSIRO prior to any final decisions in order to understand the impact of any changes.⁷⁸

Integrated Marine Observing System

2.69 The Integrated Marine Observing System (IMOS) deploys equipment and delivers data streams for use by the entire Australian marine and climate science community and its international collaborators. IMOS confirmed that CSIRO is a major partner. During its 10 years of operation, approximately 37 per cent of all IMOS resources⁷⁹ have gone into parts of the system, operated by CSIRO:

The expertise of all our partners is vital to the program and from CSIRO, being a large partner, it is very significant. I think it is important for the committee to understand that the relationship has two dimensions. CSIRO operate a number of our facilities so they take the observations and provide the data; importantly, they also use that data to undertake science and research. So the relationship has two dimensions. And that is true for all of our partners. Some people who use the data do not actually take any of the observations themselves; they benefit from observations and data that CSIRO collect. But all of the operational partners do undertake the research. So it is significant in both of those contexts.⁸⁰

2.70 Mr Tim Moltmann, Director of the IMOS, University of Tasmania, informed the committee that no formal or written notifications about the CSIRO changes were provided to IMOS.⁸¹

CSIRO response

2.71 Evidence to the committee showed that consultation with partners on the effects of the proposed changes did not begin until after the announcement:

We gave a few select, very close partners a relatively short notice heads-up before the announcement, but I think, as you would appreciate, now is the time for us to engage much more broadly.⁸²

2.72 At the estimates hearing in February Dr Wonhas indicated that it was his intention to complete the process of consultation with partners by the end of March in order to provide clarity for staff.⁸³

2.73 Dr Wonhas acknowledged that pre-announcement there was limited consultation but work is now underway:

78 *Proof Committee Hansard*, 8 March 2016, p. 12.

79 *Proof Committee Hansard*, 8 March 2016, p. 2.

80 *Proof Committee Hansard*, 8 March 2016, p. 2.

81 *Proof Committee Hansard*, 8 March 2016, p. 3.

82 Dr Wonhas, *Estimates Hansard*, 11 February 2016, p. 59.

83 *Estimates Hansard*, 11 February 2016, p. 58.

Just to clarify, we need to distinguish between pre- and post-announcements. Pre-announcement, there was very limited consultation; there were some in-depth consultations with senior officers in the Department of the Environment and there were high-level discussions with the Bureau of Meteorology, but I do not think there were any other consultations on this specific matter. Obviously, post-announcement, there have been some consultations and I acknowledge some of our stakeholders feel they have not been consulted enough. Frankly, I am sorry about that, and we hope we can at least rectify this.⁸⁴

2.74 Dr Wonhas stressed that the CSIRO is now working with interested parties:

...we are actually going through a formal process to answer all of these questions. That said, I think there have been a number of discussions since the announcement. We had very deep interactions, in particular, with the Bureau of Meteorology. They are, obviously, a key partner of ours in the climate-modelling space. We had all sorts of discussions with a range of different stakeholders. I had discussions with the ARC [Australian Research Council] Centre of Excellence for Climate System Science. There were also discussions with the AAD and the [Antarctic Climate & Ecosystems Cooperative Research Centre], and I think that is probably contrary to the record that was given this morning.⁸⁵

Contracts

2.75 Several key CSIRO partners provided evidence to the committee that their contracts were nearing expiration and that there was uncertainty about their ongoing collaborative engagement with CSIRO.⁸⁶

2.76 Dr Wonhas in an email on 6 Feb 2016 to Dr Marshall commented that:

Key concerns [from staff] were

- Who will carry forward the measuring work if CSIRO doesn't do it? [there will be a reduction to the minimum contractual requirements. No one has the money]⁸⁷

2.77 In an answer to a question on notice CSIRO confirmed that it will be honouring its contractual obligations such as those between CSIRO and the Antarctic Climate and Ecosystems Cooperative Research Centre (ACE CRC) as well as others:

CSIRO is committed to meeting its contractual obligations. Whilst CSIRO will fully deliver the obligations under the contract, it will pull back from conducting discretionary, additional work above and beyond that specified

84 *Proof Committee Hansard*, 8 March 2016, p. 53.

85 *Proof Committee Hansard*, 8 March 2016, p. 39.

86 Mr Moltmann, IMOS, *Proof Committee Hansard*, 8 March 2016, p. 5, Dr Fenton, AAD, *Proof Committee Hansard*, 8 March 2016, p. 12, Professor Bindoff, IMAS, *Proof Committee Hansard*, 8 March 2016, p. 23.

87 Science and Technology—CSIRO Oceans and Atmosphere Division—Restructure—Orders for Production of Documents, 16 March 2016, p. 102.

in the contract. No contracts will be "broken", however given this change on context CSIRO will discuss these matters with the other parties and if, consequentially, there is a need for a contract variation for any component of CSIRO's work (whether from the perspective of the other contracting party or from CSIRO) then CSIRO will work with the parties to identify a mutually agreeable variation to the contract.⁸⁸

Use of Private emails

2.78 At the Hobart hearing Dr Wonhas informed the committee that private email addresses had been used to plan and discuss the proposed job cuts:

Yes, private emails have been used as part of this planning process. We wanted to ensure that, frankly, this information stays within a small group of people to not cause distress and concern among staff.⁸⁹

2.79 The use of private email was discussed by several witnesses. Professor David Karoly, atmospheric scientist, appearing in a private capacity's' response to the use of private email by management was incredulous:

...my understanding is that CSIRO policy is that all communication on CSIRO business needs to be done on email addresses through CSIRO, and yet, as far as I am aware, answers to some of your committee's questions led to apparent information that the CSIRO chief executive has not followed CSIRO policy on communication.⁹⁰

2.80 Dr Pearman, a former member of the CSIRO Executive Committee, commented that he could not envisage a situation where using private emails would have been considered by the former executive.⁹¹

2.81 Ms Bennett told the committee that there is a policy in place about the use of CSIRO systems and network⁹² and conceded that it was not common for executives to use private email.⁹³

2.82 When asked whether the use of private email would affect the information requested as part of a Senate order for the production of documents, Dr Wonhas stressed that the relevant documents have been transferred to the corporate systems:

What we have subsequently done is that any relevant emails and documentation have been transferred to the official records of the organisation so that they are not lost.⁹⁴

88 CSIRO, answer to written question on notice 18, 7 April 2016 (received on 18 April 2016).

89 *Proof Committee Hansard*, 8 March 2016, p. 48.

90 *Proof Committee Hansard*, 11 March 2016, p. 21.

91 *Proof Committee Hansard*, 11 March 2016, p. 57.

92 In an answer to question on notice 6 from the 8 March 2016 Hobart hearing, received 17 March 2016, the CSIRO provided the policy on the 'Use and Management of Email Procedure'.

93 *Proof Committee Hansard*, 8 March 2016, p. 49.

94 *Proof Committee Hansard*, 8 March 2016, p. 48.

...

I have provided all of the private emails in relation to this matter into our corporate systems, so I can assure you that information has not disappeared—it is available.⁹⁵

2.83 The CSIRO email policy includes the following information:

Emails must be treated as official CSIRO records when they establish evidence of a decision or outcome for which CSIRO may be held accountable.⁹⁶

2.84 In relation to whether there was a directive issued to use private emails, Dr Wonhas responded:

I am trying to remember it. I think someone had suggested to use private emails to increase the security of the communication and keep it in a small circle. I think most of the discussion was actually on documents exchanged on the CSIRO system because, frankly, that was a more convenient way...⁹⁷

2.85 At the Melbourne hearing, Dr Craig informed the committee that, he was aware of staff at the level of research director using personal emails.⁹⁸

2.86 In answer to a question on notice, Dr Craig clarified that:

The request to Research Directors in Oceans and Atmosphere to use private email was made verbally at a meeting on 28 November by Dr Andreas Schiller (Deputy Director) and Dr Ken Lee (Director).⁹⁹

2.87 However, in an answer to a question on notice, CSIRO informed the committee that:

No directive was ever issued to use private emails. Dr Marshall did not use his private email.¹⁰⁰

2.88 This answer was subsequently updated by the CSIRO on 6 April 2016 to clarify the issue of whether there was a directive. It was noted:

In preparation for the "deep dive" discussions, the Ocean & Atmosphere business unit management team discussed how the information concerning any impacts to staff flowing from their strategic realignment proposal could be kept confidential. It was known that a number of these officers had granted a limited number of other CSIRO staff members access to their CSIRO email system, in order to conduct their normal work

95 *Proof Committee Hansard*, 8 March 2016, p. 49.

96 CSIRO, answer to question 6 on notice, 11 March 2016 (received 17 March 2016).

97 *Proof Committee Hansard*, 8 March 2016, p. 49.

98 *Proof Committee Hansard*, 11 March 2016, p. 45.

99 Dr Peter Craig, answer to question on notice from 11 March 2016 hearing, received 16 March 2016.

100 CSIRO, answer to question on notice number 9, 11 March 2016, received 17 March 2016.

responsibilities. This situation creates the risk that confidential information could be accessed.

CSIRO now understands that a team planning meeting was held on 28 November 2015 which was conducted with some in-person attendance and via video link. Whilst no specific instruction to use private email was issued, in order to maintain confidentiality the team discussed the options of receiving papers by hard copy, USB stick, private email or, where the team member had not granted access to other staff members, the use of their CSIRO email system. Individual team members chose their preference to receive papers accordingly.

This approach was for the purpose of ensuring confidentiality and avoiding undue stress to other staff not involved in the preparatory work, given that the options being prepared were preliminary, had not been discussed by CSIRO senior management and no decisions had been made. However, the potential to cause significant concern to staff members was present.

CSIRO was not aware of the above facts at the time of submitting its original response to this Question on Notice on 17 March 2016.¹⁰¹

2.89 CSIRO also provided information that following further investigation, 17 officers were identified as using private emails. Written statements were obtained from all but one¹⁰² about the comprehensiveness of the documents provided back into the official CSIRO record keeping system.¹⁰³

2.90 CSIRO admitted to the committee that the use of private email is contrary to CSIRO policy but not illegal.¹⁰⁴ The investigation by CSIRO into the use of private emails also looked at the security risks posed by the use.¹⁰⁵

2.91 The committee sought advice from the Clerk of the Senate on the options available to further investigate this matter. The Clerk noted the advice from Dr Wonhas regarding the subsequent capture of records and stated that '[a]lthough this subsequent capture may not be contrary to the requirements of the Archives Act (or national security), it looks like dubious administration and may be a breach of the organisation's Code of Conduct by senior staff.' The Clerk also observed that the use of private email accounts may create difficulties for the Senate or its committees when seeking information.¹⁰⁶

101 CSIRO, answer to question on notice number 9, 11 March 2016, received 6 April 2016.

102 However, all officers have responded verbally, see Ms Bennett, *Proof Committee Hansard*, 7 April 2016, p. 4.

103 Ms Bennett, *Proof Committee Hansard*, 7 April 2016, pp 3, 4.

104 Ms Bennett, *Proof Committee Hansard*, 7 April 2016, pp 7-8.

105 Ms Bennett, *Proof Committee Hansard*, 7 April 2016, p. 8.

106 Dr Rosemary Laing, Clerk of the Senate, advice received 15 March 2016.

Committee view

2.92 The committee believes the so called 'deep dive' process undertaken to determine the proposed staffing reductions was shallow and inadequate. The flow on effects do not appear to have been well understood at the time the decisions were taken. Dr Lee appears to have attempted to address a lack of knowledge and information about the areas in the sights of the executive team in his presentation to the executive in January 2016. The outcome makes the committee wonder if the areas to be cut were always a forgone conclusion. It is interesting to note that this decision to reduce staff in the key area of climate measurement and monitoring appears to line up with the current government's approach to climate change.

2.93 The committee was stunned by the inadequate level of briefing provided to the Minister's office in the lead up to the CSIRO's announcement. The initial brief provided to the Minister on 1 February was potentially misleading in indicating that CSIRO's public good research in climate change and areas of Land and Water responsibility could be taken over by the academic sector. It is clear from the evidence provided to this committee that CSIRO had not undertaken any consultation to support this position. Also of strong concern was the one page brief containing scant information provided on 24 February 2016, 20 days after the all-staff announcement. It is troubling that this significant shift in strategic direction for CSIRO was afforded so little consideration or questioning by government.

2.94 The committee does not believe the criteria used by CSIRO as part of the 'deep-dive' process is able to adequately capture the performance of and need for this climate measurement work. In addition, CSIRO appeared unable to clearly articulate the application of the criteria to the cuts in Oceans and Atmosphere area and its role in the decision by the executive to move from the suggested 35 staff cuts to 100.¹⁰⁷ It also appears that further cuts were being considered.¹⁰⁸

2.95 The committee is concerned that the role of the Board in a decision to cut staff in this vital area with all the flow on effects with staff and key stakeholders appears to have been reduced to that of a rubber stamp. Dr Marshall's email to the Board, recognising that he chose to inform the Board of significant changes via email, rather than at a Board meeting (to avoid a risk of information leaking to CSIRO staff) is disturbing. This concession by Dr Marshall highlights the reduced role of the Board in such a significant change of direction. Providing the Board, comprising of new members, including a new chair,¹⁰⁹ with less than two days to consider this significant announcement appears grossly inadequate to the committee. The fact that Dr Marshall

107 Ms Bennett, *Proof Committee Hansard*, 8 March 2016, p. 42.

108 CSIRO, answer to question on notice number 7, 8 March 2016, received 17 March 2016.

109 Several board members were new to the role while the 'deep-dive' process was occurring. Mr Thodey was appointed as Chairman on 15 October 2015, Board Member Professor Edwina Cornish was appointed on 26 November 2015, Board Member Professor Brian Watson was appointed on 14 September 2015 and Board Member Professor Tanya Monro was appointed on 29 February 2016.

subsequently made substantial changes to the email, including additional information without consulting the Board, should be a substantial concern to Board members.

2.96 The committee is concerned that the Board had not been appraised of the scale of job cuts being contemplated until February, when the process was well advanced.

2.97 It is clear to the committee that the Board expects to make a decision at its June meeting on the implementation of the proposed restructure, yet the executive team is proceeding as though approval has already been secured.

2.98 The committee was astounded by the lack of consultation with staff and key stakeholders which meant that the significant effects of the proposed cuts only became clear after the announcement. Wider consultation with staff should have been undertaken as well as much earlier engagement with key stakeholders. The committee understands that feedback about the implementation of the changes is only now being sought from staff with an internal staff email apparently sent on 16 March 2016 seeking feedback by 4 April 2016 which will be considered by the executive team.¹¹⁰ The committee is profoundly disappointed that this engagement with external partners is only now underway in order to find ways to keep key facilities such as Cape Grim operating. The need for collaboration in this area was stressed to the committee. Accordingly, this lack of consultation seems like a very arrogant and slip shod way to conduct business.

2.99 The committee found CSIRO's assurances to continue funding Cape Grim, albeit at significantly reduced levels, manifestly inadequate. The committee remains unconvinced that Cape Grim's reduced funding will be sufficient to ensure its continued operation. CSIRO's admission of its inability to locate an alternate funding source for Cape Grim only reinforces these concerns.

2.100 The committee heard that the scientific community understands that as budgets are constrained, work can't remain static and will be subject to review. It is also not the first time the CSIRO has undertaken organisational change. However, the committee heard that previous changes have involved a greater level of staff consultation and involvement. As consultation did not occur with staff or key stakeholders it seems likely that other more collaborative and less disruptive solutions have been missed. The committee is not clear whether less disruptive options such as voluntary redundancies or natural attrition over time were examined.

2.101 The committee was reassured that CSIRO will be honouring its contractual obligations such as those with the ACE CRC. However, the committee is uncertain what impact CSIRO's 'pull back' from discretionary work above that specified in contracts will have. The committee does not consider the reassurances provided by CSIRO on this point are sufficient.

2.102 The committee finds the use of private emails during the processes leading up to the announcement of staff cuts particularly concerning. First, there appears to be no

110 Peter Hannam@p_hannam 'Larry Marshall calls on #CSIRO staff to put needs of 'our organisation and nation ahead of personal need'#CSIROcuts', 16 March 2016.

agreed position between staff and CSIRO on whether there was a direction to use personal email. Second, the committee was not assuaged by the assertions of Dr Wonhas that relevant emails and documentation have been transferred to the official records of the organisation and are available for scrutiny. In addition, the committee does not accept reassurance from government that no sensitive information was deliberately or inadvertently disclosed to any third parties. We simply do not know.¹¹¹

2.103 In order to satisfy itself that the use of private email and subsequent capture in the official records is appropriate, the committee has decided to recommend that the Auditor-General investigate the matter.

Recommendation 1

2.104 The committee recommends that the Auditor-General investigate the use of private emails by CSIRO, as part of its processes to determine staffing reductions, in order to establish whether the CSIRO Executive has met its record keeping obligations in managing a significant restructure.

Recommendation 2

2.105 The committee recommends that the CSIRO Board delays the implementation of the proposed job cuts and undertakes a thorough review of the deep dive process and outcomes in light of the evidence received by this committee and feedback from staff and stakeholders.

Recommendation 3

2.106 The committee recommends that the government direct the CSIRO to cease implementation of its proposed restructure in light of the upcoming election and evidence that the alternative government would set different priorities for CSIRO through the Statement of Expectations process.

111 *Senate Hansard*, 15 March 2016, p. 28.