



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES

SENATE

Official Committee Hansard

ECONOMICS LEGISLATION COMMITTEE

(Consideration of Estimates)

WEDNESDAY, 25 SEPTEMBER 1996

BY AUTHORITY OF THE SENATE
CANBERRA 1996

SENATE

Wednesday, 25 September 1996

ECONOMICS LEGISLATION COMMITTEE

Portfolios: Treasury; Industry, Science and Tourism; Industrial Relations

Members: Senator Chapman (*Chair*), Senator Sherry (*Deputy Chair*), Senators Cook, Minchin*, Murray and Watson

**Senator Minchin appointed to 8 October 1996; Senator Ferguson appointed from 9 October 1996*

Substitute members: Senator Crane to substitute for Senator Watson on matters covered by the Industrial Relations portfolio

Senator Coonan to substitute for Senator Watson for the period 16 to 20 September 1996

Participating members: Senators Abetz, Bishop, Brown, Carr, Jacinta Collins, Conroy, Faulkner, Forshaw, Gibson, Harradine, Kemp, Mackay, Margetts, Neal, O'Brien, Ray, Schacht and West

The committee met at 9.41 a.m.

DEPARTMENT OF INDUSTRIAL RELATIONS

Proposed expenditure, \$127,805,000 (Document A).

Expenditure from the Advance to the Minister for Finance, \$2,879,697 (Document D).

In Attendance

Senator Alston, Minister for Communications and the Arts

Department of Industrial Relations—

Ms Lynne Tacy, Deputy Secretary

Subprogram 1.1—Industrial Relations Policy

Mr Barry Leahy, First Assistant Secretary

Mr Ted Cole, Principal Adviser

Subprogram 1.2—Legal and Standards

Mr James Smythe, First Assistant Secretary

Ms Di Hawgood, Assistant Secretary, Standards Policy

Subprogram 1.3—Affirmative Action Agency

Ms Heather Storey, Deputy Director

Subprogram 1.4—Australian Industrial Relations Commission and Australian Industrial Registry

Mr Mike Kelly, Industrial Registrar

Ms Gayle Brown, General Manager, Commission Services

Ms Pam Garton, General Manager, Corporate Support
Subprogram 1.5—National Occupational Health and Safety Commission
 Ms Helen L'Orange, Acting Chief Executive
 Mr Warwick Pearse, Director, Chemicals Assessment
 Mr Philip Greenwood, Director, National Forum and Information Branch
 Ms Fran Atkin, Manager, Forum and Support, National Forum and Information Branch
Subprogram 1.6—Office of the Employment Advocate
 Mr Rex Hoy, First Assistant Secretary, Industry Strategy and Operations
Subprogram 2.1—Australian Government Employment Group
 Mr Bernie Yates, First Assistant Secretary
Subprogram 2.2—Remuneration Tribunals
 Ms Betty Collins, Secretary
Subprogram 2.3—Comcare Australia and the Safety, Rehabilitation and Compensation Commission
 Ms Meryl Stanton, Chief Executive Officer
 Mr Robert Knapp, Deputy Chief Executive Officer
 Mr Terry Langton, Acting General Manager, Resource Management Division
 Mr Peter Wurfel, Manager, Resource Policy Group
Subprogram 3.1—Industry Strategy and Operations
 Mr Rex Hoy, First Assistant Secretary
 Mr Jim Walker, Assistant Secretary, Operations
 Mr Derren Gillespie, Assistant Secretary, Industry Strategy
Subprogram 3.2—Special Industry Services
 Mr Derren Gillespie, Assistant Secretary, Industry Strategy
Subprogram 4.1—Executive Management
 Ms Lynne Tacy, Deputy Secretary
 Mr John Kovacic, Acting Assistant Secretary, Parliament and Public Affairs
Subprogram 4.2—Corporate Services
 Mr George Kacz, Assistant Secretary, Finance and Information Services
 Mr Mark Jasprizza, Assistant Secretary, Staff Services
Subprogram 4.3—Australian Trade Union Training Authority
 Mr Alan Burrows, Acting Executive Officer
 Mr Rex Hoy, First Assistant Secretary, Industry Strategy and Operations
Department of Finance—
 Mr Neville Jackson
 Mr Glenn Paulus
CHAIR—I declare open this hearing of the Senate Economics Legislation Committee. I note for the record that the estimates of this portfolio amount to \$127,805,000 in Appropriation

Bill (No. 1) 1996-97. There is no appropriation for the Industrial Relations portfolio in Appropriation Bill (No. 2) 1996-97.

The Minister for Communications and the Arts, Senator Alston, who is handling this portfolio, has unfortunately been held up with his aircraft. I have just had discussions with his office and they have suggested that, if senators are willing, we proceed with consideration of the estimates in his absence until he arrives.

[9.42]

Program 1—Workplace relations framework

Subprogram 1.1—Industrial Relations Policy

Senator SHERRY—I just have a couple of preliminary matters. We don't have a problem starting in the absence of the minister; we understand the delay. But, if we progress beyond the program to subprograms 1.2 and 1.3, we may want to come back directly to the minister on issues that we don't get answers to.

CHAIR—I think in the circumstances that is acceptable.

Senator SHERRY—What will be the actual reduction in staff between 30 June 1996 and 30 June 1997?

Mr Leahy—The reduction for subprogram 1.1 will be 10.8 ASL, a reduction of 13.4 per cent. That is shown on page 28 of the *Portfolio Budget Statements*. If you go to table 2.2 you will see staff years down the bottom, showing the reduction from actuals in 1995-96 to the budget estimate. It dropped from 80.3 down to 69.5 a reduction of 10.8.

Senator SHERRY—What is not shown is a breakdown reflecting program staffing and geographical distribution. You may wish to make some general comment about that now and then give us specific details on notice.

Mr Leahy—Staff under subprogram 1.1 are all located in the ACT. The Policy Division is.

Senator SHERRY—Rather than ask the same question, to save time on each program, perhaps you could take that on notice and provide us with the answer to each program.

Ms Tacy—Was that geographical spread?

Senator SHERRY—A geographical and program staffing breakdown. Just on the general issue of geographical distribution, do you have any idea of the approximate numbers in Canberra and in other centres?

Mr Hoy—There was a reduction of approximately 60 staff between 1995-96 and 1996-97 in regional offices.

Senator SHERRY—What about in Canberra?

Mr Hoy—In my subprogram there was an addition of 60, but I would need to work out the aggregate figures for you. In terms of the department, subprogram 3.1 is the only one with a presence in the regions.

Senator SHERRY—I refer to budget measure GO72 on page 21—the 'Industrial relations information and education campaign for young people'. The details of the forward estimates are in the table on page 20. Can you provide an outline of the proposed education campaign.

Mr Hoy—This campaign was an initiative of the previous government, which was announced in their youth policy on 29 January 1996. That was \$200,000 per year for three years for the department to undertake an information series to advise young people of their

rights, obligations and rewards. The campaign itself did not start. It was just an initiative announced by the government. The current government reversed that decision as part of the budget process. No funds were spent on it and we only undertook very preliminary planning for it.

Senator SHERRY—What sort of preliminary planning did you undertake?

Mr Hoy—We worked out how we might do it, but it was very preliminary because we went almost immediately into caretaker mode. We really did not get very far with it.

Senator SHERRY—Is it true that awareness about industrial relations issues amongst young people is not significant compared with other sections of the work force?

Mr Hoy—I think the answer is yes.

Senator SHERRY—Can you outline the rationale for the ceasing of the program?

Mr Hoy—That was a government policy decision.

Senator SHERRY—That is something we will come back to with Senator Alston. In respect to industrial relations issues affecting young people—youth wages, trainee wages, apprenticeships, et cetera—was that an aspect of the campaign you were considering?

Mr Hoy—We never really got that far, Senator.

Senator SHERRY—Okay, I will return to this matter when the minister gets here. That was it for 1.1. I want to come back to a couple of issues, but I will wait for the minister. There will be quite a few questions on 1.1 for the minister, but I assume the public servants are going to remain.

Subprogram 1.2—Legal and standards

Senator SHERRY—What are the implications for the across-the-board running cost reductions and the two per cent running cost reductions for staffing?

Mr Smythe—The implications, Senator, are that there will be a reduction in some of the work undertaken in the international arena and a refocusing of the work of the advocacy unit of the department.

Senator SHERRY—What refocus will occur in respect of advocacy?

Mr Smythe—The advocacy unit, until this year, was located in Melbourne. There will be—I cannot remember the precise figures—a reduction in the number of staff performing the advocacy function. The advocacy function will be located in Canberra. Some of the advocacy function will be undertaken by officers of other subprograms to be trained to perform that function.

Senator SHERRY—So there will be a staff reduction? Do you know the staff reduction numbers?

Mr Smythe—The pre-existing numbers in advocacy were 11; there will now be five staff in the advocacy unit.

Senator SHERRY—What was it before?

Mr Smythe—Eleven.

Senator CONROY—Where does most of the advocacy take place?

Mr Smythe—The advocacy function involves advocating cases before the Industrial Relations Commission and the Defence Force Remuneration Tribunal. All the Defence Force Remuneration Tribunal work is in Canberra, or the vast majority of it. Much of the Industrial

Relations Commission work actually appearing is in Melbourne, but most of the preparation takes place in Canberra within the department or in liaison with the client departments which are, by and large, located in Canberra. That is the rationale for the relocation of the unit to Canberra.

Senator CONROY—And the proportion of the advocacy between the Defence Force Remuneration Tribunal and—

Mr Smythe—I would have to take that question on notice.

Senator SHERRY—Are the staff that will be in this area in Canberra moving up from Melbourne?

Mr Smythe—No, they are not, Senator. The staff from Melbourne, who were to be retained, were all given the option of relocating to Canberra. None of them chose to do so. New advocates have been recruited in Canberra and are in the process of being trained at the moment.

Senator SHERRY—Have those staff who did not want to be relocated to Canberra taken redundancies or been relocated?

Mr Smythe—Some of them have sought redundancies; some of them have been found positions within the department in Melbourne. I think, just checking with the subprogram manager, at least one may be taking relocation in another department; is that correct?

Mr Hoy—Yes, that is correct.

Senator SHERRY—Will there actually be new staff employed in Canberra, or will they come from an existing department?

Mr Smythe—They come from the existing department staff.

Senator SHERRY—With respect to development of policy and standards for workers compensation and occupational health and safety, how has that area been affected by reductions in funding in the legal and standards area?

Ms Hawgood—There has been some reduction in staffing numbers in that area as well—a reduction of two.

Senator SHERRY—Are you aware of the functions they were carrying out?

Ms Hawgood—Yes. They provided advice on national OHS and workers compensation policy, particularly in relation to our nationally consistent standards. They provide advice to the minister's representative on the National Occupational Health and Safety Commission and on the Safety Rehabilitation and Compensation Commission.

Senator SHERRY—Is that two down from what figure?

Ms Hawgood—Seven.

Senator SHERRY—Right. Will the two staff that remain in this area—

Ms Hawgood—That left the area.

Senator SHERRY—Sorry, that left the area. What sort of work will not be carried out given the staff reduction? What sort of policy areas?

Ms Hawgood—There is no specific work that is no longer carried out, but we are unable to provide the level of briefing that we previously did, particularly for the minister's representative on those bodies.

Senator SHERRY—What work is entailed? Presumably, occupational health and safety involves a lot of state liaison. How have they gone about that work to date?

Ms Hawgood—It occasionally involves state liaison. For example, in relation to the Industry Commission report of occupational health and safety, we recently undertook a comprehensive consultation process with all the states and territories—and that involved travel to states and territories. Other than that, it is telephone contact.

Senator SHERRY—So what was the bulk of the work that people were involved in in this area?

Ms Hawgood—It is primarily policy and research work.

Senator SHERRY—Which areas in international activities will be affected by the reduction in staff in that area? What is the staff reduction?

Ms Hawgood—The staff reduction is from 10 to 5.5. Australia is no longer a member of the governing body of the ILO. Membership of the governing body resulted in significant briefing for two out of the three governing body meetings a year. We no longer do that. The Asian industrial relations initiative program has been ceased and with it our Asia desk. We have less administrative arrangements associated with the annual International Labour Conference. We previously sent delegations of 12. We now, in line with ILO constitutional obligations, send a reduced delegation, so there is less administrative work associated with that. We have also cut back on the number of international visits that we facilitate within Australia.

Senator SHERRY—The number of programs you mentioned in respect of the Asia-Pacific region, what reduction in the level of information and coordination will occur as a consequence?

Ms Hawgood—That program was a program of \$300,000. The department coordinated the program and grants were typically given to organisations such as Worksafe Australia, the ACCI and the ACTU.

Senator SHERRY—What sort of work was undertaken?

Ms Hawgood—By the department?

Senator SHERRY—Yes.

Ms Hawgood—Primarily coordination of the program and administration.

Senator SHERRY—Will the reduction in the general area of international activities affect our level of knowledge of international developments in industrial relations?

Ms Hawgood—We are continuing to be a member of the ILO and we are fulfilling our obligations as a member, attending the annual conferences and generally keeping up to date with as much information as we can in the branch. We still have an international relations unit.

Senator SHERRY—Were any consultants employed in the development of the workplace relations bill?

Ms Tacy—Yes, there were. I will give you the details. There were three main consultants brought in as part of the task force to develop the bill and they were Mr Houlihan, Professor Mulvey and Mr Angwin. In addition to that, we have used two legal experts in terms of providing legal advice.

Senator SHERRY—Who were they?

Ms Tacy—Dr Jessup and Mr Lacy.

Senator SHERRY—We would like the details of amounts paid to each of these consultants.

Ms Tacy—I can provide that now, if you would like.

Senator SHERRY—Yes. If you could, please.

Ms Tacy—It has already been provided in parliament in answer to a question, and I have got that response here. Mr Houlihan's remuneration was \$20,329.70, Professor Mulvey's remuneration was \$20,329.70, and Mr Angwin's remuneration was \$1,929.20.

Senator SHERRY—What about the other two people that you mentioned?

Ms Tacy—This is to date: as development of the bill has gone on, more advice has been sought, but as of now the fees are: Jessup \$15,613 and Lacy \$13,500.

Senator SHERRY—Were these persons selected by the department? What role did the department have in recruiting them?

Ms Tacy—The decision on the three consultants that form part of the task force was taken by the minister. The legal people chosen were on advice from the department on the range of legal people available.

Senator SHERRY—So the department provided the list to the minister?

Ms Tacy—It was discussed with the minister who was available, names were recommended and they were Lacy and Jessup.

Senator SHERRY—But they were the two recommended by the department?

Ms Tacy—Yes.

Senator SHERRY—You have mentioned those five people—was there anyone else at all?

Ms Tacy—It is a different sort of category. There was a seminar held that was organised by the three consultants I mentioned, and there was a range of IR commentators and practitioners involved in that seminar.

Senator SHERRY—Was anyone paid for activity in that seminar?

Ms Tacy—Not in the sense of paid to attend, no.

Senator SHERRY—How was that invitation list drawn up?

Ms Tacy—The invitation list was developed by the three consultants.

Senator CONROY—Is that a public document? Is that a list of who attended?

Ms Tacy—We could provide that to you. It is also the subject of another question in parliament, the details of that particular seminar.

Senator SHERRY—I am sure that question was asked in the House of Representatives and not the Senate. We do not necessarily have details of that question.

CHAIR—It would be in the *Hansard*.

Ms Tacy—The second one has not been tabled yet, but we can provide you with those details.

Senator SHERRY—Was Professor Sloan one of the invitees to that seminar?

Ms Tacy—Yes, she was an invitee but she was not able to attend.

Senator SHERRY—What was the interfacing between the department and the three consultants? Did they work within the department? Did they draw on the resources of the department? Did they report to the minister directly?

Ms Tacy—They worked from within the department and we provided them with what they required for their purpose. They did report directly to the minister but they also participated in our discussions and round tables on aspects of the bill.

Senator SHERRY—Has that approach been adopted before, over the last 10 to 15 years?

Ms Tacy—No, not to my knowledge. I have not been involved in legislation development, but I can check on that. There certainly has been consultation with experts outside the department in terms of the development of legislation in the past. It was just a different way of doing it.

Senator SHERRY—While we are on the subject of consultants, and this is in respect of the whole department, we would like a list of any other consultants who have been used by the department.

Ms Tacy—There is a list in one of the appendices of the draft annual report that you have been provided with.

Senator SHERRY—I have not looked at the list but does it contain the detail of the payments?

Ms Tacy—Yes, it does.

Senator SHERRY—And the work that they were involved in?

Ms Tacy—It is just name and amount.

Senator SHERRY—We would like also a list of the work that they were involved in.

Senator CONROY—On the three consultants working out of the department, you indicated amounts were paid to them direct. Does that include the cost of any travel expenses?

Ms Tacy—That was their remuneration. There were additional costs for travel and accommodation and car hire.

Senator SHERRY—Have they been made public yet?

Ms Tacy—I will have to check on that. I can certainly provide them for you.

Senator SHERRY—Yes, please.

Ms Tacy—I have got it all here but it might be easier to consolidate it.

Senator CONROY—Is it possible to get those details for the other consultants that are listed?

Ms Tacy—For the other consultants?

Senator CONROY—You said the ones that are listed in the other departmental consultants.

Ms Tacy—We would have only the purpose and the amount for those. They were not people who came and worked in the department so much as people who were tasked with doing a particular piece of work for us.

Senator CONROY—Were they already within the department? Were they already employees of the department?

Ms Tacy—They were not the consultants on the task force. They were the other ones. There is a range of different activities but some, for example, were research institutes that we gave a contract to to do a particular form of research. In that case the amount was an all-up one and not broken down into travel or whatever.

Senator SHERRY—On page 39, Australian compliance with international labour standards, can you provide details of the report on Australian compliance with international labour standards?

Ms Tacy—Yes.

Senator SHERRY—Can you also provide a copy of Australia's participation in key ILO meetings and regional programs in 1995-1996 compared to 1996-97?

Ms Hawgood—Yes.

Senator SHERRY—Returning to occupational health standards, where are we with moving towards national uniformity?

Ms Hawgood—The process is still continuing. There is still commitment in all jurisdictions to continue with the process. I think that most jurisdictions, other than Tasmania, have implemented a number of the national standards that have been developed through the National Occupational Health and Safety Commission. Tasmania has recently amended its legislation, which had some technical impediments to implementation of the national standards, and advises that it will also look at implementing some of the standards.

Senator SHERRY—Is there a broad agreement on the national standards that the states are going to move to over time?

Ms Hawgood—There was a commitment made by labour ministers, in 1991 or 1992, to move towards national consistency of standards.

Senator SHERRY—What is the anticipated date of completion of this?

Ms Hawgood—It did not have a target date.

Senator SHERRY—We would appreciate a run-down state by state. It does not need to be lengthy, just an overview of where we are at.

Ms Hawgood—On take-up of national standards?

Senator SHERRY—Yes. What role is Worksafe Australia playing in the development of these standards?

Ms Hawgood—Worksafe plays a big role. It has recently been restructured, with its focus back on its core business of developing national standards. So it has a major role.

Senator SHERRY—Given those reductions in Worksafe Australia, what capacity is there for them to continue this role of national coordination and ensuring national standards?

Ms Hawgood—We believe there is a capacity. Worksafe has retained a national standards branch specifically to assist with the development of the national standards.

Senator SHERRY—We have some questions further on on Worksafe Australia.

Senator CONROY—This question has more to do with the transfer of the advocacy from Melbourne to Canberra. The indicator was that there was a staff reduction from 11 to five; what is the rough dollar saving involved?

Mr Smythe—I am sorry, I will have to take that question on notice, Senator.

Senator SHERRY—On the general issue of this transfer of staff to Canberra, have there been other examples of staff being transferred to Canberra with other programs?

Mr Smythe—No.

Senator SHERRY—This is the only one?

Mr Smythe—Yes. As part of the department's redeployment process, there was a small number of movements interstate both ways.

Senator SHERRY—That was going to be my next question. Are there any examples of programs being moved out of Canberra to other regions?

Mr Smythe—Not programs, but, as part of the redeployment process, some staff did move from one area to the other.

Senator CONROY—Were any of the positions transferred?

Mr Smythe No.

Senator CONROY—As opposed to staff?

Mr Smythe—No.

Senator CONROY—You indicated that the majority of the advocacy that takes place before the commission takes place in Melbourne. Has an estimate been done on the amount of travel that the five may have to undertake to Melbourne? Presumably, if you have halved the staff—let us assume that there is not a doubling of the individual five's workload—I would have thought that the five would have to travel to Melbourne a fair bit.

Mr Smythe—That is a correct assumption; it has not been estimated yet.

Ms Tacy—But, as Mr Smythe made the point before, the people located in Melbourne were travelling to Canberra for the contact and prebriefing with the relevant departments.

Senator CONROY—I think I had asked before what the breakdown was relating to the Defence Force Remuneration Tribunal. Was it 20 per cent advocacy in Canberra and 80 per cent advocacy in Melbourne?

Mr Smythe—I will take that

Senator CONROY—You took that on notice.

Mr Smythe—Ms Tacy is making the point that quite a significant amount of travel from Melbourne was taking place for the non-defence force who were to come to Canberra to undertake preparation by talking to the client departments about what the case might be about. Although there might be, say, two days hearing of a matter in Melbourne, it could involve three or four trips to Canberra for preparation with departments. So we anticipate the travel costs will balance out.

Senator CONROY—Can you take it on notice and provide those estimates in terms of your saving to the committee? I am just trying to get to whether the figure you will provide will be a net savings figure.

Mr Smythe—It will only be an estimate, Senator, but we could undertake that exercise for you.

Senator SHERRY—What is happening in regard to development of the Commonwealth's position on the industry report on occupational health and safety, other than what you have outlined so far?

Ms Hawgood—I mentioned the consultation process that we had done with the states and territories. That also involved discussions with employer and employee representatives. That consultation process will conclude at the next Labour Ministers Council meeting later this year. After that, the government will consider a response to the Industry Commission report.

Senator SHERRY—What about the Heads of Workers Authorities Compensation report?

Ms Hawgood—That is an interim report only. You are probably aware that submissions are called for by the Heads of Workers Compensation Authorities by 31 October. There will be a preliminary discussion of the report at the next Labour Ministers Council meeting and a final report will come from the Heads of Workers Authorities Compensation group to labour ministers in May next year.

Senator SHERRY—Has the ILO queried any of our activities in regard to meeting international standards?

Ms Hawgood—The reduction or generally?

Senator SHERRY—Generally.

Ms Hawgood—I am not aware of any, but I can check.

Senator SHERRY—There have been a plethora. There is a very major—I would argue radical—revision to industrial relations legislation. Have there been any ILO queries about that?

Ms Hawgood—Not that I am aware of.

Senator SHERRY—You might take it on notice.

CHAIR—Any further questions on 1.2?

Senator SHERRY—We did say as a proviso the minister will come back to that.

Subprogram 1.3—Affirmative Action Agency

CHAIR—Are there any questions?

Senator CONROY—What activities will the agency cease undertaking?

Ms Storey—Senator, we will have a very stringent revision of our expenditure on running costs. We also intend to review our annual reporting requirement and, where we can, achieve staff savings through natural attrition. In addition, we will look where we can gain some recompense and charge a fee for service for some of our education and training activities.

Senator CONROY—How can salary and running costs be reduced 23 per cent while ASL falls by only 7.5 per cent? How are you going match that?

Ms Storey—Unless we achieve some natural attrition reductions by the end of this quarter—the 30th of this month—we are going to look at restructuring where we can to achieve economies and, if we can reduce the reporting requirements, that should result in some savings. We have put a preliminary proposal to the unions just this week. I am hoping that we can meet that through those strategies.

Senator CONROY—Can the department explain the significance of the additional cuts to running costs in the budget measure G260 on page 43 and on what basis was this decision made?

Ms Storey—Details of our running cost reductions are that we had an information technology project which was one-off funding so that has reduced by \$500,000. The termination of the government business enterprises projects saved us \$172,000; reduction for stage 2 of the effectiveness review, \$24,000; across-the-board running costs reductions, two per cent and portfolio reductions of three per cent—\$41,000 and \$68,000 respectively; and a reversal of our 1995-96 additional estimates, \$173,000.

Senator CONROY—What is the background significance of the termination of the GBE project?

Ms Storey—It was legislation that was in the pipeline, Senator, before the change of government. The current government is looking at reviewing all such legislation at an appropriate opportunity.

Senator SHERRY—Going back to that previous question about the various reductions you outlined, on what basis was the decision made to make those reductions?

Ms Storey—The information technology project is finished, Senator. It is in place and it is operating for this reporting cycle. The GBEs project? Until the review takes place we obviously will not have that funding. We will not require it.

Stage 2 effectiveness review—one of the recommendations of the effectiveness review was that we get the information technology system in place which would result in savings commensurate to the level which I have quoted you. The others are the standard reductions that this portfolio is taking and the additional estimates were not needed this financial year.

Senator CONROY—Which services of the agency will operate on a cost recovery basis which did not do so in the past?

Ms Storey—Education and training and sale of publications will be those which will operate where possible on a cost recovery basis.

Senator SHERRY—What do you mean by ‘where possible’?

Ms Storey—In some instances if there is a very small business which does require our services to help them comply with the act, particularly if they are in Sydney, we would look at doing that within our running costs. Obviously, if it is a big business with high turnover and high profit margins, we would try to look at recouping our costs. Where we can, we are selling our publications at a fairly minimal cost to help people to pick up on our programs. If there was genuine hardship, obviously we would not be charging.

Senator SHERRY—What sort of revenue do you raise on that basis at the moment?

Ms Storey—In this financial year, we have raised \$10,000 with the sale of a video and a booklet on best practice for affirmative action. That is from 1 July until the current date.

With the figures that we have for section 35 savings, we have some rental which comes in from the subleasing arrangements. I am not able to pick up the figure at the moment, Senator, that we have raised from last financial year.

Senator SHERRY—We can put that on notice.

Ms Storey—Okay, I have got it. \$162,198.

CHAIR—I would just like to interrupt to welcome the minister. He has arrived.

Senator Alston—I am sorry. Ansett are not able to be called before the estimates committee.

CHAIR—Minister, we are on program 1.3. We have completed 1.1 and 1.2 but senators have indicated that there were several questions from those subprograms they wanted to ask after you arrived. We will perhaps conclude 1.3 and then go back to those.

Senator SHERRY—What sort of revenue do you think you can raise given the charging scenario that you have outlined?

Ms Storey—I am hoping around \$98,000 this year for speaking engagements, sale of publications, et cetera. It may be optimistic. It is a little hard to predict the call on the agency’s services.

Senator SHERRY—Do you anticipate a reduction in demand because of the proposal to increase charging? Do you believe it will affect demand?

Ms Storey—No, I do not think it will affect demand. There seems a keenness from business in general to integrate affirmative action as part of general good business practices and as part of human resource management *per se*, so we are finding that we do have that demand for our services. There is no indication at this stage of the financial year that that would lessen. The sale of the best practice video and booklet that I mentioned is a good indication that our services in that line are sought after.

Senator CONROY—Which educational material, promotional material or services will now be charged for which were previously free?

Ms Storey—We have a number of publications, most of which relate to best practice—getting your affirmative action program right. The video looked at the awards that were recently announced by the minister of the six best affirmative action employers and what strategies they put in place to achieve good practice in affirmative action. It is very practical advice about setting your affirmative action program in place and at a more sophisticated level what the best programs seem to be for various industry sectors.

Senator CONROY—What will happen to the capacity of the agency to respond to telephone calls seeking advice and assistance from your agency?

Ms Storey—With the proposed restructure that I mentioned, we are placing an increasing emphasis on providing that service. It is very well utilised and it seems to provide very good outcomes in terms of the pick-up of the advice given, both from the publications and copies of reports to help people get started, many of which are offered over the telephone advisory service. People also come in to sit down with our telephone advisory service people and have them work through, on a one-to-one basis, their own programs to set them in place. We anticipate that that is a priority for this agency and we will refocus our attention to keep that service up wherever possible.

Senator CONROY—Will the agency be able to continue its program of consultations for individual employers? If this program has been reduced what will be the implications of this?

Ms Storey—What we are aiming to do to make the best use of our resources is to target employer associations and organisations where there is a clustering effect. You can call all the human resource practitioners or the managers responsible for affirmative action together and cover the subject in a group situation. We find that to be effective and there are other benefits in that there is the sharing and the spin-off of joint experiences in that sort of a forum.

Senator CONROY—Will the agency be able to continue the development and distribution of new publications?

Ms Storey—I believe we will be able to. We use the running cost resources and any down time on the telephone advisory services to have those officers, who are after all right in touch with the demands and requirements of our client group, to develop those publications wherever possible.

Senator CONROY—Will the initiative to identify and acknowledge those employers implementing high quality affirmative action programs be able to continue?

Ms Storey—Yes.

Senator CONROY—Is it the government's intention to continue with the recommendation to move government business enterprises to the coverage of the affirmative action act?

Ms Storey—That is a decision for the government, Senator.

Senator SHERRY—What is Senator Alston's response?

Senator Alston—I will take that on notice. I am not sure of the detail of the policy in terms of effect.

Senator CONROY—How do the strategies outlined on page 46 compare to the present strategies and what are the implications of any change?

Ms Storey—Let me address them one by one. In terms of reducing reporting requirements where possible, what we would like to do is focus on the best practice approach and, in fact, the announcement of the best affirmative action employers provides an incentive for many others to follow. We are finding, in fact, that the quality of affirmative action reports is improving. From that there is a reduced reporting requirement inherent in that higher achievement of greater levels of Affirmative Action Agency ratings. We feel we can cope with that fairly easily by focusing on the positive.

The information technology system, as I mentioned before, is really streamlining our process of giving, documenting and sharing information and it is helping us provide our clients with much more accurate and useful statistical information. That is helping us with our efficiencies. That has already been felt just a month or so into the first operation of that system.

What we also want to do is use that data analysis to focus on those that will most benefit from our services in the telephone advisory system and through our publications. If we find there is an area that we can target that obviously needs more assistance than others in a particular industry sector, for example, textiles and clothing, metal trades, mining, minerals and energy, then that is what we will do. All of those strategies I think will enable us to provide a better focused service.

Senator SHERRY—Minister, the Minister for Industrial Relations, Mr Reith, in a letter to *The Economist* said:

You suggest that the number of industrial disputes in Australia will rise. In the short term this may be the case, as many governments that have introduced labour-market reforms, both in Australia (Victoria) and abroad (New Zealand and Britain), have experienced.

Do you agree with Mr Reith's assessment?

Senator Alston—Yes, Mr Reith is speaking on behalf of government. He did go on and say that shirking genuine labour market reform would simply perpetuate the state of affairs to the detriment of both individual workers and the economy as a whole. I think he was making the broader point that he will always get a differential response from the union movement. Some will be more aggressive than others. Some will be more defensive than others. He also said this morning that in the lead up to the implementation of the reform some unions are going to continue to object, but I do not think action is justified. What we are doing is perfectly reasonable.

Senator SHERRY—Just picking up those words you used that some unions will be more aggressive than others, you expect some unions or groups of workers, as some may not be in unions, to be more aggressive than others as a consequence of the changes.

Senator Alston—All he was saying is that, on the basis of history, it would not be unreasonable to anticipate that some people will be more inclined to industrial action than others, but that does not mean they are justified in adopting that approach. What we would expect is that all stakeholders would take the view that we had a mandate to implement these changes, that they are carefully thought out after a considerable degree of consultation and they are designed to provide ultimate benefits for the workers as well as for the beneficiaries.

Senator SHERRY—But here we are dealing with the flow-on consequences of the amendments and you have suggested that some unions will be more aggressive than others. What do you see as the problems associated with unions being more aggressive than others as a consequence of this?

Senator Alston—I think we are simply talking about the way in which some people respond to change. They do not always act in the same manner. Some people have different agendas to others. We would like to think that everyone would sit down and analyse the changes on an objective basis, but history suggests that that is not likely to be the case.

Senator CONROY—The building workers were recently affected by a taxation change to their travelling allowance and embarked on an industrial campaign to make that up from the employer, which I understand has now been pretty much settled. You do not see that being a consequence?

Senator Alston—Presumably that is unrelated to what is contained in the bill, if it is action preceding its passage through the parliament.

Senator CONROY—There is an indication of the response that you were talking about.

Senator Alston—No. That's presumably a response to a particular situation and dealing with an issue that's not a direct result of the bill itself. I don't think Mr Reith was trying to give you an accurate prediction of where people might take action or what issues were likely to be more contentious than others. He was simply saying that history suggests that there is always a transition period and that it is quite possible, in the short term, that you might see increased industrial disputation. That doesn't mean that that is warranted. It is simply saying that that is the nature of the politics of industrial relations.

Senator SHERRY—But you are anticipating an increase in industrial relations disputes as a consequence of this legislation?

Senator Alston—No. What he said was that this may be the case and then he referred to past history. He is not saying that it is inevitable or it is desirable or that it has to happen; he is simply saying that it could be—

Senator SHERRY—But he is anticipating.

Senator Alston—If by anticipating you mean he is predicting it, he is not doing that. He is saying that it may be the case, not that it will be the case.

Senator SHERRY—He has referred specifically to three examples—Victoria, New Zealand and Britain.

Senator Alston—Yes. He said that this may be the case as many governments that have introduced labour market reforms have experienced. History suggests that it is likely.

Senator SHERRY—Does the department have any material data available on the extent of industrial disputes in any three of those cases quoted—Victoria, New Zealand and Britain—at the time of significant industrial relations changes in those countries?

Mr Leahy—We have longer term trend information on the extent of industrial action in New Zealand and the UK. Since the introduction of the relevant legislative changes, particularly in New Zealand, the trend has been downwards. I can't give you an indication of whether there was a blip at the time the legislation was introduced. I don't have that information.

Senator SHERRY—The minister says that there was in New Zealand, Britain and Victoria.

Senator Alston—I can remember being in Wellington when the employment contracts legislation was introduced. I think there were about 5,000 mostly public sector employees

demonstrating at the beehive. We can all remember in Victoria there were supposed to have been 100,000 people assembled outside the parliament. Some might say there were even more. I always discount them, depending upon the source of the estimate. There's no doubt there was a considerable number of people who came out on the streets on that occasion.

I think the point Mr Reith is making is that in both those instances things settled down fairly quickly because there was an understanding in the wider community that these changes were likely to be beneficial. You blokes know more about this than I do, but presumably the reason that the union movement didn't persist with trying to beat up those sorts of demonstrations was that they understood there would be a community backlash.

Senator SHERRY—We are not talking here about the political campaign against the bill but—I certainly take it that this is what Mr Reith is referring to as well—the increase in industrial disputation that may occur as a consequence of the so-called freeing up of the labour market once the bill is passed. You are talking about less rigidity, less restrictions, removing the shackles—all that sort of jargon. Do you accept that there may be an increase in industrial disputes separate from the passing of the bill?

Senator Alston—In relation to other issues?

Senator SHERRY—Yes, in relation to industrial issues—distinct from the political issue of the bill itself.

Senator Alston—There may well be. I suppose there is always something people have got to campaign about. It would not be unreasonable to anticipate that there will be industrial issues which will result in industrial action over time. You would be defying history to suggest otherwise. But that does not mean that action is warranted in any particular case or that there is likely to be a greater level of activity than there has been in the past.

Senator SHERRY—But surely, under your proposed approach to industrial relations, the level of activity is up to the parties—the employers and the unions—involved in the industrial issue that they are arguing about. Some workers who take industrial action may not be in unions. Surely, under your model, that is their decision.

Senator Alston—That is right, but that is not to say that you will not find unions wanting to take what they regard as supportive action or pre-emptive action.

Senator SHERRY—But that is up to their members.

Senator Alston—Of course it is. They may not necessarily be directly involved in a workplace dispute, but we cannot stop the union movement as a whole from taking action which they think might be warranted. All Mr Reith was doing was saying that history suggests that you are likely to see a short-term increase in industrial action ahead of the bedding down of the legislation. I think he said there will be an initial flurry before things settle down. That is not telling you any more than the experience of other countries which have gone down this path. But we would say that, in each of those instances, those reforms have been overwhelmingly beneficial.

Senator SHERRY—In the last 10 years—I do not have the data with me—there has been a long-term trending down of industrial disputes in this country. Are you confident that that will continue?

Senator Alston—I do not think it is a matter for a government to pontificate on those things. If the reforms operate in a way that enable employers and employees to enter into free negotiations and agreements without the unnecessary intervention of outsiders, they presumably will be doing it on a basis which means that there is no need for industrial action.

Senator SHERRY—But if parties take industrial action—and you have talked about interference from outsiders—is it not their right to engage in such action within the parameters of the law if those parties want to take part in it?

Senator Alston—The right of the unions to act in solidarity?

Senator SHERRY—And employers. Employers have rights as well. Is it not their right to take—

Senator Alston—By definition, if someone has a right, they have a right, unless there is a ban order in place or a law that restricts industrial activity in certain circumstances, whether it is essential services or otherwise. If it is a right, then sure, they have a right. That does not mean that the action is justified on the merits of the argument. That is a very different issue. If people want to go out and demonstrate, then in general terms the law allows that to happen, whether or not they have any conceivably justified reason for doing so.

Senator CONROY—You do not think they are justified if they are promised that they will be no worse off and then they lose their leave loading three months later?

Senator Alston—I am not passing judgment on the merits of any action that might be taken. I am simply saying that, when you ask me to predict whether there will be an increase in the level of industrial activity, even if there is, it does not follow that that action is justified or should therefore stand as a criticism of the legislation. It may simply reflect a change in perceived power structures.

Senator SHERRY—Do you think it important that the level of industrial disputes continue down?

Senator Alston—I think it more important that this legislation go through. In other words, you should not be dissuaded from introducing long overdue reforms, which most commentators and certainly this government believes will be beneficial to the workers and the economy, by the threat of increased short-term industrial disputation.

Senator SHERRY—That was not the question. We can argue about this bill's merits or lack of in the chamber. But do you think it is a generally good thing that industrial disputation should continue downwards?

Senator Alston—Yes, ideally. But that does not mean that if people choose to take action for political or other reasons somehow that is a failure of the entire system or, even more, constitutes a reason why long overdue reforms should not proceed. It does not take you anywhere to say, 'In a perfect world we would like to have no industrial disputation.' I suppose you can achieve that on the part of employers by conceding every ambit claim. So it should not be an end in itself.

The object of the exercise is to achieve a balanced outcome which is in the interests of all parties. There will be occasions when both sides in a dispute will get to the point where they say, 'Well, I've made sufficient concessions; I can't make any more.' If the other side does not accept that and you end up with a dispute, I do not think you then stand back and say, 'Well, the system has failed.'

Senator SHERRY—As a consequence of your reforms, to what extent will the Industrial Relations Commission have the capacity to attempt to reconcile the parties where they cannot agree on claims?

Senator Alston—I think the precise role of the Industrial Relations Commission will be clear when the legislation is finally put.

Senator SHERRY—But under your proposal it would have a lesser role?

Senator Alston—You have heard what Mr Reith has had to say about that. Where the parties themselves are able to agree, it should not follow as a matter of course that it should be within the power of a third party to overturn that agreement.

Senator SHERRY—But where there is no agreement—and inevitably there will be some disagreement—on outcomes, on wages and conditions, what should the role of the commission be in those circumstances?

Senator Alston—As I have said, I think the precise role of the commission will ultimately be determined when the legislation goes through the parliament.

Senator SHERRY—You are really saying that you do not have an answer to that sort of problem.

Senator Alston—There will be mechanisms there to ensure that disputes can be resolved. We would much prefer that they be resolved bilaterally.

Senator SHERRY—But it is true under this proposed bill that there will not be mechanisms, unless the parties slog it out as part of the bargaining process. How do you resolve it where both parties are intractable and determined to engage in industrial activity against each other?

Senator Alston—Time frames vary, but there has never been a dispute yet that has not been settled one way or another.

Senator SHERRY—Do you think that the length of disputes may increase as a consequence of that approach?

Senator Alston—We are not in the business of crystal ball gazing. It will depend to a significant extent on whether people accept the mandate that we had in the first instance and the efficacy of the reforms. As Mr Reith has said, history suggests that there may well be an initial flurry of increased industrial action, but it will settle down as people come to terms with the mechanics of the legislation.

As you would know, having earned a living in this arena, there will always be a lot of process arguments which may take time to settle down. There may be genuine misunderstandings about procedures. People want to test the limits of the jurisdiction. All of those things take a bit of time. But in the scheme of things that is a small price to pay to ultimately get the legislation working properly.

Senator SHERRY—But with any major reform that a government carries out—and in this case, the industrial relations reform is a major reform; we can argue about the breadth of it, but it is a major reform and you have put considerable importance on it—do you not think it would be wise of a government to attempt to evaluate what the outcome may be?

CHAIR—This is a very interesting discussion on industrial relations policy and philosophy, but I think we are drifting far and wide from the administrative responsibilities of the department and the budget estimates that have been provided for that purpose.

Senator SHERRY—It is industrial relations policy.

Senator Alston—To the extent that it is prudent for people to construct various scenarios, it does not follow from that that I ought to be debating them with you in public.

Senator SHERRY—But at least the minister has attempted to try to evaluate the scenario in this case.

Senator Alston—Over the last 10 minutes I have done my best not to add to what he had to say. So, if you want to analyse it further, you can do so.

Senator SHERRY—Has the government or the department attempted any evaluation of the likely industrial relations scenarios as a consequence of its bill?

Senator Alston—I am not aware of that. But, again, Mr Reith was not trying to make a scientific prediction because there are innumerable variables in all this—as you would know. You suddenly have got an Arthur Scargill or a John Halfpenny or anyone else who might make the world of difference.

Senator SHERRY—He is retired.

Senator Alston—He has. I supposed he has retired to his three-storey terrace in Fitzroy with his wife.

Senator SHERRY—But you are making predictions about this bill and unemployment, aren't you?

Senator Alston—No. I keep saying that Mr Reith was not predicting that there will inevitably be any increased level of disputation, let alone attempting to quantify it. He was simply saying history suggests there may well be.

Senator SHERRY—But my question was: your government is making a prediction about this bill and its consequences for unemployment, isn't it?

Senator Alston—If you want to direct me to a specific comment I will respond to it. I do not quite know what you have got in mind.

Senator SHERRY—The Prime Minister and Mr Reith—

Senator Alston—Right. What are we talking about then?

Senator SHERRY—Do you believe there is a linkage between this bill and unemployment?

Senator Alston—What is it that you are saying they have said and that you want to take issue with?

Senator SHERRY—I am asking you a question.

Senator Alston—I am happy to rely on what I have just said.

Senator SHERRY—Do you accept that there is a linkage between this bill and unemployment? I am asking you.

Senator Alston—You are not asking me in a personal capacity; you are asking the government—

Senator SHERRY—On behalf of the government.

Senator Alston—You are asking the government what it understands to be one of the rationales for these reforms. Clearly, if you can achieve a more flexible labour market where people can negotiate directly and do not have their hands held or arms twisted, then you are likely to achieve a more productive working environment. As a result, firms will prosper and they will have a greater capacity to create more employment. The economy will tick along and we will be in government forever.

Senator SHERRY—You are very optimistic. Do you know what productivity is?

Senator Alston—What do you mean?

Senator SHERRY—Do you know what productivity is?

Senator Alston—Do you mean how do I define it—

Senator SHERRY—Yes.

Senator ALSTON—Or do I know what the current level is?

Senator SHERRY—It is used very often in this context. Do you know what it is?

Senator Alston—If you are asking me to define it, it is usually a measure of return for a given level of input.

Senator SHERRY—And you would argue that workers will benefit as a consequence of these alleged improvements in productivity?

Senator Alston—It will be a function of workplace by workplace negotiation, but there is obviously a greater capacity—not just for bargaining but for achieving a share in improved profitability—if you have greater levels of productivity gain. By definition, if the company is going south and its profits are falling, then it just is not in a position to share benefits; it has not got them.

Senator SHERRY—Do you accept there are other factors that affect productivity?

Senator Alston—I suppose there are a whole range of things that affect productivity, yes.

Senator SHERRY—On the issue of unemployment and industrial relations, have you done any analysis to support the assertion that unemployment will decline as a result of this legislation or is it a ‘may’ as well?

Senator Alston—I know you are obsessed with targets and all these solemn promises about no child living in poverty or whatever variation on the theme there might be, but we do not have that sort of fixation. We take the view that if you can have a regime that is more conducive to better performance on the part of employers and employees then the chances are that people will stand to benefit.

Senator SHERRY—So it is a may? The chances are—

Senator Alston—Of course. There may be a world war tomorrow. Who knows?

Senator SHERRY—Let us assume there is no world war tomorrow.

Senator Alston—You cannot make—

Senator CONROY—Has parliament received any information suggesting that the unemployment rate in this bill may be—

Senator Alston—Again, I think it is just a hazardous and ultimately non-productive exercise to try to attach specific targets to outcomes when there are so many uncontrolled and unpredictable variables. There are all sorts of things that could happen. Rabies could overtake the country and every worker might be off work for six months.

Senator SHERRY—Let us put aside some of these wilder scenarios—

Senator Alston—They may be at one end of the spectrum, but there are a myriad factors which can affect levels of performance.

Senator SHERRY—So you are not confident that unemployment will be reduced as a consequence of this bill? That is what you are saying.

Senator Alston—I did not say that. You were asking me whether we had done any figuring on it and whether we could give you predictions. I am saying that those sorts of exercises are usually a great way of employing public servants.

Senator SHERRY—Where is the evidence to back up your assertion that unemployment will decline as a consequence of this bill? Where is the evidence? Where are the studies?

Senator Alston—If you can create a climate in which there is less confrontation, where people are able to freely negotiate, be more productive and share in the benefits, it stands to reason that GDP will increase and therefore we are all better off.

Senator SHERRY—But you do not have any micro-economic study or analysis from this department?

Senator Alston—I will see what we might have in the quasi-scientific business that could be of use to you, but at the end of the day no-one can make strict quantitative predictions about these sorts of things. All you can do is make the best judgments that are available.

Ms Tacy—Could I add that there was some research that we referred to in the department's submission to the SERC inquiry on the bill from the OECD, the Industry Commission, the Small Business Council, the Bureau of Industry Economics and some academics, Filmer and Dao, about modelling in relation to productivity in particular sectors, and some of it touched on the issue of unemployment.

Senator SHERRY—Can that work be available to the committee for detailed modelling?

Ms Tacy—It is in our submission.

Senator SHERRY—In reference to an earlier question, do you think the role of the AIRC as an independent umpire is an important role?

Senator Alston—I do not think that is a debate that needs to be held here. The role of the AIRC will be spelt out in due course and the parameters of it will be plain then. You can make your own judgments about how important all that might be.

Senator SHERRY—We are in opposition; we are asking you to answer the question about the role of the AIRC as an independent umpire.

Senator Alston—I am just saying that you need to wait until you see the legislation.

Senator SHERRY—Do you believe that it is an important role, that there should be an independent umpire in the event of a dispute?

Senator Alston—I think at the end of the day you need to resolve disputes in the most sensible manner possible. That can obviously involve the Industrial Relations Commission as well as others.

Senator SHERRY—Who would the others be?

Senator Alston—The parties themselves or those that they consult.

Senator SHERRY—If the parties have reached the stage where they cannot resolve a dispute, who else besides the AIRC is going to assist in the outcome?

Senator Alston—As I said to you, there has never been a dispute yet that has not been settled. So it does not follow that you simply need to have one particular body there to achieve that. That is not to say that the AIRC will not have an important role to play.

Senator SHERRY—Do you accept that it has a lesser role under the new legislation?

Senator Alston—I do not want to get into qualitative judgments about these things. You can make your judgment. We are simply saying that, as a matter of policy, it is important that wherever possible workers are able to negotiate directly with employers in the workplace. We would hope that, if there is a spirit of cooperation, the number of disputes will be reduced.

Senator SHERRY—Do you accept that the Industrial Relations Commission has played an important role in the settling of disputes in the past?

Senator Alston—I am not going to go into historical debates with you about those sorts of issues.

Senator SHERRY—Yes or no?

Senator Alston—It is not yes or no; I am not going to have that debate.

Senator SHERRY—Why not?

Senator Alston—Because I do not think it is relevant. If you want to ask about the estimates and what moneys are being appropriated, that is fine, but if you want me to have an interesting discussion on value judgments as to the role of the Industrial Relations Commission you ought to attend the next meeting of the H.R. Nicholls Society.

Senator SHERRY—Let us deal with a particular issue at workplace level. Do you accept broadly that younger people are not as knowledgeable of industrial relations matters as people who have been in the work force for a longer period?

Senator Alston—If by that you mean that they are simply incapable of having good faith discussions with employers, then I do not.

Senator SHERRY—No, I did not suggest that.

Senator Alston—They may not be up with all the arcane minutiae of the club—that may be true.

Senator SHERRY—What about their rights and obligations to bargain with an employer and their general level of knowledge in bargaining with an employer?

Senator Alston—Most young people are able to understand the terms and conditions under which they are employed. They can ask questions.

Senator SHERRY—Do you have any children?

Senator Alston—Yes.

Senator SHERRY—Do you know if they have ever been involved in workplace bargaining in Victoria?

Senator Alston—I do not know how you want to define these things, but my daughter started working at a hot bread shop at the age of about 13. She has been through all those reforms. I have another child who is working in a hotel. I would rather he did more studies, personally!

Senator SHERRY—I have the same view about my son—he is off surfing.

Senator Alston—You do not get paid for surfing.

Senator SHERRY—That is right. So you do not accept that younger people generally do not have the same knowledge of their rights and obligations in respect of industrial negotiations in the workplace?

Senator Alston—I think it is pointless to generalise. You may have people who have been in the workplace for 20 years who have no idea of how a particular system works. It applies in all walks of life. You may have some very bright young kids who understand precisely where they are going, what they want to do and whose bodies they want to climb over to get to the top. All we are really talking about is ensuring that people understand their rights.

They can get information from a variety of sources. They can certainly ask their parents, in the first instance. You should not assume that the employer is going to somehow be wanting to withhold as much information as possible, or mislead them. There is no shortage of information through government departments. In my experience, limited as it is, most people do not lie awake at night worrying about what the provisions of the Industrial Relations Act are and how they can best ensure that they get the last possible dollar out of the employer.

Senator SHERRY—We are not talking about the act. We are talking about the face-to-face negotiations that they are required to enter into at the workplace level with a manager.

Senator Alston—This just sounds like the old macro scenario.

Senator SHERRY—We are talking about the micro scenario here—the workplace level.

Senator Alston—They would not even use that terminology.

Senator SHERRY—Of course they would not. They would use the terminology at their place of work.

Senator Alston—They may well make a comment to an employer and say, ‘Business seems to be booming, so isn’t it about time we got a rise?’ Employers could well—

Senator SHERRY—You believe that, do you?

Senator Alston—Employers volunteer that sort of thing quite frequently.

Senator SHERRY—Do you believe that young people are going to go to an employer and ask for a wage rise on the basis of their analysis of the economic performance of the particular employer they work for?

Senator Alston—You are asking me to generalise from my own experience, and all I am saying to you is that I know of situations where employers have volunteered pay increases on the basis that business is booming. I know of situations where—

Senator SHERRY—What are they?

Senator Alston—I am telling you. Hot bread shops. These places have business coming out of their ears. The firm that my daughter worked for, and I think it is a franchise operation, has probably opened up about 15 new shops in the last 10 years.

Senator SHERRY—Do you accept there is any role in the industrial relations arena for government to have education campaigns for workers in general as to their rights and obligations in this nirvana that is going to be created as a consequence of the bill?

Senator Alston—I think there is always a potential role for government, but you can overstate all this. Under the guise of trying to ensure that the last one or two per cent are fully informed about every last right, you can spend very significant sums of money which, for most workers, for most potential audiences, are unnecessary. So it has to be targeted and not simply the basis for a large-scale advertising campaign.

Senator SHERRY—I notice in that context that in 1.1 you are not funding an educative campaign for young people. Why is that so?

Senator Alston—As part of the department’s ongoing information activities, young people will be targeted through the awards management branch. The Office of the Employment Advocate will also have responsibility for assisting employees, with a particular focus on selected groups, which includes young people. So again it is more of a targeted approach than a generalised one.

Senator SHERRY—You just said earlier in answers to questions that—and I am not going to put words into your mouth—broadly there is no need for these educative campaigns for young people.

Senator Alston—I did not say that. I started off by saying that you cannot generalise about any of these things and it really is ultimately quite a futile discussion to pretend that somehow everyone has the same level of understanding or that, because they happen to be at a particular age or stage, they are all equal in terms of knowledge. They are not.

Senator SHERRY—What about young people who are minors?

Senator ALSTON—As I understand it, there is a provision in the act to ensure that adults have to acknowledge on behalf of a minor an awareness of their terms and conditions.

Senator SHERRY—Do you think there are some specific educative programs that have to be addressed to the area of minors?

Senator Alston—There may well be. I do not know. Again, we are talking in very general terms. If there is a particular issue that the government judges can only be dealt with through an education campaign, I am sure we would not rule it out.

Senator SHERRY—You have ruled it out in this case. There was a specifically funded program for young people.

Senator Alston—I have just said to you that that was on a much broader approach and we have a more focused approach through the awards management branch and the Office of the Employment Advocate.

Senator SHERRY—We will get on to that funding later on. I have got some questions on that. So you do not believe that younger people, particularly minors—15, 16 and 17 year olds—are at a greater disadvantage than other workers in the work force?

Senator Alston—If you are asking me across the board whether very young people are less likely to have an understanding of the world at large, and of industrial relations in particular, then I suppose the answer is yes. But it does not follow from that that you need to have large-scale information campaigns directed to a wide group. There may well be areas of somewhat particular educational disadvantage or regional areas where they do not have the same access to information and they would justify a targeted campaign.

Senator CONROY—Did your daughter come to you with her terms and conditions when she signed up as a 13 or 14 year-old at the bread shop?

Senator Alston—No, she was perfectly happy to get the job and quite happy with what she was being paid.

Senator SHERRY—I am sure she was happy to get the job.

Senator Alston—It is better than hanging out for what the employer will not pay and not getting a job at all.

Senator SHERRY—So you believe that there is negotiation occurring at the workplace between young people and their employer, with the employer having access to lawyers, accountants, et cetera, and you believe there is equity in that bargaining arrangement?

Senator Alston—You keep using terminology that I think is alien to most workers. They do not talk in terms of negotiation and bargaining. If they respond to an advertisement in the paper, they make a free judgment about whether they will even go for the job in the first place. They know what is on offer. They know whether they want the job on those terms.

Senator SHERRY—They are not likely to know what is on offer in the paper. They will know what is on offer when they go to meet the employer, won't they?

Senator CONROY—I didn't know people advertised contracts in the papers nowadays.

Senator Alston—That is what I am saying.

Senator SHERRY—They do in Victoria because there are remarkably few conditions in them.

Senator Alston—They get their sources of information. They will decide whether they want the job. They will decide whether they want to stay there, and if they do not want to stay there or if they think they can do better they will go elsewhere. The way you put it, every worker in the workplace—

Senator SHERRY—I'm not suggesting every worker.

Senator Alston—You are saying even young kids are constantly wanting to assert their rights and work out how they can screw an even better deal on a daily basis.

Senator SHERRY—I am not asserting that. I am suggesting that broadly they won't.

Senator Alston—Or that they should be.

Senator SHERRY—I think they should.

Senator Alston—I know you do and that is a very different mind-set.

Senator CONROY—They should be informed so they can make a decision on that, though.

Senator Alston—The fundamental decision is whether you are happy with the terms and conditions on which you are currently employed.

Senator SHERRY—How are we going to know, if the contracts are secret?

Senator Alston—How are you going to know? Who is 'we'—big brother?

Senator SHERRY—People outside the workplace—

Senator Alston—The worker is happy. The worker does not have to take a vow of secrecy not to go and—

Senator CONROY—In Victoria you have got to sign a secrecy clause.

Senator Alston—No-one can stop you getting advice.

Senator SHERRY—Do you as a general principle believe that the workplace agreements should be kept secret?

CHAIR—Is there any provision or legislation requiring them to be kept secret?

Ms Tacy—I assume we are talking about Australian workplace agreements under the bill here.

Senator SHERRY—Yes.

Mr Leahy—There is a provision which precludes the Office of the Employment Advocate from divulging details—

CHAIR—Is there any provision in the legislation requiring an employee to keep them secret?

Ms Tacy—No.

Senator SHERRY—We will get onto the secrecy provisions a bit later anyway. I have got some formal questions on that.

Senator Alston—I take it you concede the point.

Senator SHERRY—I accept that the employees can go and talk about their agreements—

Senator Alston—So they are not secret.

Senator SHERRY—They are not published. They are not freely available to other people who want to evaluate them, are they?

Senator Alston—The critical issue is whether the employee is satisfied with the terms and conditions on which he or she is employed.

Senator SHERRY—How do you find that out?

Senator Alston—You ask the employee.

Senator CONROY—Do you think it should be mandatory for a copy of an agreement to be in possession of the employee?

Senator Alston—If you are asking me whether the bill requires it, I do not know.

Senator CONROY—I asked you whether you thought it should be mandatory for a contract to be in possession of—

Senator Alston—I would have thought that if you sign a contract you are normally entitled to a copy of it. I would be surprised if there is anything that says you cannot.

Senator CONROY—Do you think it should be mandatory?

Senator Alston—In general terms, I would expect that to be the case. There may be some provision somewhere that says you cannot, but I would be very surprised. The normal principle would be that if you sign an agreement you are entitled to a copy of it. In fact, you normally exchange parts. You each sign one copy and hand them over. That is the formal way of entering into a contract.

Senator SHERRY—Has there been any research conducted by the government through the department or through other consultancies about workplace bargaining outcomes?

Ms Tacy—The department has undertaken research in the past. Under the current legislation there is a requirement for an annual report on enterprise bargaining.

Senator SHERRY—What about the new legislation?

Ms Tacy—The provision changes there to a three-yearly report.

Senator SHERRY—And how do we assess the broad outcomes at enterprise level, the detailed outcomes?

Ms Tacy—From that sort of research?

Senator SHERRY—Yes.

Ms Tacy—I can answer broadly and then Mr Leahy can follow up with more detail. In previous reports a range of questions and data have been provided on the average size of increase, the sort of conditions, the sort of provisions in agreements and the views of both employers and employees.

Senator SHERRY—Will that continue?

Ms Tacy—As I said, it will be on a three-yearly basis.

Senator SHERRY—Why a three-yearly basis?

Mr Leahy—There are a range of reasons why the government decided to change it from the current 12-monthly provision to three-yearly. Firstly, there was a cost factor. The 1994 report cost \$800,000 and the report this year, which is with the minister, cost \$550,000, but there were additional costs that were funded from elsewhere in the department that are added to that cost of \$550,000. In addition to that, most certified agreements are of a duration longer than 12 months. Most of them average 18 months to two years. So it is the government's view that to get a sensible view of the content impact of agreements you do not need to do a review every 12 months.

In addition, through the various survey processes that we have gone through to undertake the enterprise bargaining report, we have got information from the parties that we surveyed

that they are surveyed out, and on that basis the government made a decision that it should go to a three-year survey.

Ms Tacy—As well as the report, in the interim period and on a regular basis, the OEA will be required to provide aggregate statistical information. Also, from the department's point of view, our database on workplace agreements would be continuing and we would on a regular basis be providing information about the number of agreements, the spread, coverage and the size of increase.

Senator SHERRY—Across income levels?

Mr Leahy—No, we do not do it at that level. Basically, the workplace agreements database covers agreements and size of increase. They are the two critical things.

Senator SHERRY—Average size of increase?

Mr Leahy—Yes, it is average size of increase—annualised average increase per employee and breakdown—

Senator SHERRY—What about breakdown in industry sectors and in income levels?

Mr Leahy—We can do industry, yes, but not by income level. We do not do that.

Senator SHERRY—To your knowledge, is anyone able to provide that sort of data on income level breakdown, wage negotiation outcomes?

Mr Leahy—There may well be some data published in one of the Bureau of Statistics publications. I do not know that it actually differentiates between enterprise agreements and other pay increase sources. But we certainly do not do it, and the database that we have is probably the best and most comprehensive database for federal jurisdiction agreements.

Senator SHERRY—Given that we are not sure yet of the final shape of the bill, do you think it is important that we know the outcomes by income level?

Mr Leahy—I do not think it is critical information. I think it is information that is useful to have. You can to some extent derive the information from the coverage of the agreement, the nature of the industry and from Bureau of Statistics publications; you can work out whether or not the industry covered is a low paying industry or a high paying industry. So you can derive that information to some extent, but we certainly would not be in a position to obtain and analyse information on an income distribution basis.

Senator SHERRY—And you mentioned the three-yearly report. When the bill goes through this year, we have got to wait three years for the statistics, now that the government has decided it should be a three-yearly report and not a one-yearly report.

Mr Leahy—That is correct, yes.

Senator SHERRY—Minister, what is your view about that? We have got to wait three years for the—

Senator Alston—I do not have a view on it. If the government has expressed its view, I support it.

Senator SHERRY—I put it to you, Minister, that you are attempting to hide the outcomes for three years. Why not give it on an annual basis?

Senator Alston—It may well be an argument that you need it to be in place for a sufficient period of time to make judgments. It may be very expensive to collect these volumes of information on an annual basis. It is a trade-off you have got to make. If it is simply to provide further ammunition for a debate, that is not a sufficient reason unless you can identify why

it would be of critical importance. Unless there is some basis for suggesting that you need that information—

Senator SHERRY—Your Prime Minister has given an absolute guarantee—I think they were the words he used—that not one worker will be worse off. Do you accept that?

Senator Alston—Whatever he said, I support.

Senator SHERRY—Do you believe it will happen?

Senator Alston—Whatever he said, I support.

Senator SHERRY—So do you support the gathering of statistical data to ensure that the Prime Minister's word is upheld?

Senator Alston—Look, you have this obsession that everything ought to be judged by targets and performance levels—

Senator SHERRY—No, I am talking about outcomes, getting some data on the outcomes.

Senator Alston—We would much prefer to have a contented work force which makes their own judgments that they are making progress rather than somehow coming up with some cold, analytical data which might be able to demonstrate that there are a few dissatisfied citizens out there.

Senator SHERRY—We are talking about no-one being satisfied; that is the Prime Minister's absolute guarantee.

Senator Alston—Presumably they will put their hands up at any time if they are dissatisfied.

Senator SHERRY—But you do not, as a government, intend to gather data.

Senator Alston—You establish a hotline file, and I suppose they will ring you up and you will be able to commission your own survey.

Senator SHERRY—But you, as a government—

Senator Alston—And it would be free of cost to taxpayers; that would be a very valuable community service.

Senator SHERRY—But the government has a responsibility to gather independent data through its various organisations—putting aside the issue of hotlines.

Senator Alston—Not irrespective of the merits of data collection. You have got to make a judgment about whether that is going to add sufficiently to the sum total of human knowledge before you do it.

Senator SHERRY—Will you give an undertaking that no-one will be worse off as a consequence?

Senator Alston—I am happy to support whatever the Prime Minister has said.

Senator SHERRY—Why will you not support—

Senator Alston—Because I would prefer, as a lawyer, to look at precisely what was said and ensure that I am not diverging from that script. You might want to put words to me that are slightly different. You may or may not do it in good faith.

Senator SHERRY—But we are specifically dealing with this issue of the gathering of data. We are moving into a new era—they are not my words—but we will see to what extent that change in this new era occurs after the bill. We are not going to get the information for three years as to the outcome.

Senator Alston—I have said to you that the ultimate test is whether—

Senator CONROY—Wouldn't you like to be able to prove critics of the legislation wrong?

Ms Tacy—I would just like to add a point in regard to the three years. In changing the cycle, the next one would be for the period ending 31 December 1997. That will be done after consultation to ensure that there is a fulsome report on the early period and the transition period between the current legislation and the new bill.

Senator SHERRY—But that data will not include a specific analysis of outcomes by income group?

Ms Tacy—As Mr Leahy said, you can derive some indication of that from other data sources and also from—

Senator SHERRY—Which other data sources?

Mr Leahy—The Australian Bureau of Statistics produces publications on the distribution of incomes by industry and we will be able to derive that.

Senator SHERRY—What about the distribution by income levels—\$5,000, \$10,000, et cetera?

Mr Leahy—If you have got the information on the distribution by industry and you impute that into the industry distribution that we will have for certified agreements on our workplace agreements database, then there is probably a way that we can come up with a distribution of increases by income level from our database. It will not be entirely accurate, but it will give a pretty good indication of what the increases are.

Senator CONROY—Can I just clarify the data that you indicated for the end of the three-year cycle?

Ms Tacy—It is in schedule 12, section 358A, of the bill. Under these provisions, the report would be for the year ending 31 December 1997.

Senator CONROY—So that would be, given the legislation is probably not going to get through until, say, December this year, 12 months maximum?

Ms Tacy—Yes.

Mr Leahy—As Ms Tacy mentioned before, we do have a workplace agreements database which we update continuously, and we publish results from the database on a three-monthly basis. So there will be a flow of information at least on federal jurisdiction certified agreements emerging from the department.

Senator SHERRY—What about people who come under state agreements where they override federal awards?

Mr Leahy—We have some information that we acquire from our state counterparts on the nature, size and coverage of state agreements. At this stage I would say that we could not get down to the detail of identifying state agreements that override federal awards.

Senator SHERRY—Wouldn't you have to? I think 152 of the bill allows state agreements to override a federal award for the first time. That is a new principle that is being put into the bill. Wouldn't you have to have some knowledge about state agreements where the state agreements override the federal legislation?

Mr Leahy—There is no particular reason why the department would collect information other than the information we collect at the moment. If the government asked us to collect information on the incidence of state agreements that override federal awards through our state counterparts, we could attempt to do that. We do not have any capacity to do that at this stage.

Senator SHERRY—Surely, in the federal jurisdiction, you would have to know whether the federal award has coverage or not. Therefore, the federal department would have to know or have some sort of record of where a state agreement overrides a federal award.

Mr Leahy—The database that we have got is a database that collects information on certified agreements in the federal jurisdiction. The information that we collect from the states is information about state agreements. There is no capacity at this stage, and we have not looked at developing any capacity, to collect information on state agreements specifically that override federal awards.

Senator SHERRY—Why not? It is a new area of this bill; it is a very important aspect of this legislation.

Mr Leahy—Well, it is an issue that we can take on notice but, at this stage, it is not an issue that has come to our attention as being necessary.

Senator SHERRY—In terms of the state agreements that override federal awards, do the state jurisdictions keep data on the outcomes?

Mr Leahy—State jurisdictions provide us with information on state agreements. I would have to get back to each of the states to talk to them about whether or not they could provide information on state agreements that override federal awards. I very much doubt that they would have that detail.

Senator SHERRY—Obviously, you could take this on notice. In your inquiries, could you determine, in the current state agreements, the breadth of information that is available and also what will be provided in the event that that provision is in the bill.

Mr Leahy—Yes.

Senator SHERRY—On subprogram 1.1, what are the implications for the scaling back of resources in the work and family unit?

Mr Leahy—The reduction resource is about 1.3 people plus \$125,000 in program funds. We have actually made some very significant progress in that area over the last 5 or 6 years and we have got a range of products that is coming through from products that we funded last year. The principal change in terms of program funds is that we will not be able to fund grants to the extent that we have in the past and contract external researchers to provide publications, but we have been able to retain some resource that will enable us to undertake in-house research and come up with in-house publications.

Senator SHERRY—Can you give some examples of specific research that you will not be able to continue in this area?

Mr Leahy—Well, for example the minister just released a guide for work and family in the small business area. We will not have funds to get external researchers to develop that for us in the future, but we will have internal resources that will enable us to undertake priority work areas such as that. There is a range of grants that we have made and we will simply be reducing the number of grants that we make in the future.

Ms Tacy—But this wind down had been a planned one for some years.

Mr Leahy—That is right. The work and family funds were allocated by the former government until the end of this financial year.

Senator SHERRY—There are some questions we will put on notice in respect of that. In respect of Commonwealth submissions to cases before the Industrial Relations Commission,

what has changed as a result of the new government with respect to submissions before the AIRC?

Mr Leahy—Other than an anticipation that we will have a large number of test cases emerging from the legislation, nothing.

Senator Alston—More work for lawyers maybe.

Senator SHERRY—I wish we could keep lawyers out of this jurisdiction. That is one thing you and I might agree on. So there are no submissions at all in the pipeline being prepared for the AIRC?

Mr Leahy—There are a number of cases that are going on, including the ACTU's living wage claim. The government has already made submissions. That is an ongoing case. We have got two days of hearings next week. We will be progressing the development and presentation of submissions in the normal manner.

Senator SHERRY—It is the safety net case, is it not?

Mr Leahy—Yes.

Senator SHERRY—What amount did the Commonwealth advocate in that case?

Mr Leahy—The Commonwealth has not indicated any amount at this stage. We have indicated that the government will support a wage increase focused at the low paid, but we have not gone any further than that.

Senator SHERRY—So there is no definition of what 'low paid' constitutes?

Mr Leahy—No. There is a range of issues that will need to be considered by the AIRC in determining an outcome in that case. The president of the commission has actually written to all of the parties seeking advice on the issues that the commission should address. We provided her with a list of those issues, as did all the other parties, last week. I am sure the hearings on 1 and 2 October will be principally addressed to those issues.

Senator SHERRY—Does this submission go to the issue of trainees?

Mr Leahy—No.

Senator SHERRY—Is there any submission being prepared on this issue?

Mr Leahy—Not at this stage. There has been a case before the commission initiated by the ACTU on exit rates of the national training wage, but there has been no case as yet based on the new legislation.

Senator SHERRY—Has the government prepared its submission on that case yet?

Mr Leahy—We made our submission on the exit rate for the national trainee wage and the decision has been handed down.

Senator SHERRY—Has the department produced a report on the implications for industrial relations of the recent case for Victoria versus the Commonwealth?

Mr Leahy—Which case was that?

Senator SHERRY—That is a good question.

Mr Leahy—I would be pleased to answer that when I get more detail.

Senator SHERRY—I will give it to you on notice. I do not have the case number. Is the 1995 enterprise bargaining annual report completed yet?

Mr Leahy—That is with the minister. The minister has fifteen sitting days after it is provided to him to table it, so it should be tabled in the near future.

Senator SHERRY—Within fifteen days of his having received it?

Mr Leahy—Yes, that is right.

Senator SHERRY—Are there any specific proposals for the promotion of the public awareness of industrial relations affecting women?

Mr Leahy—We have a unit within the policy division that looks at issues such as equal pay. Whether or not there is a broader campaign addressing those issues I am not sure.

Ms Tacy—Again, as part of the work of the Office of the Employment Advocate, the minister has said there would be a key focus on a key range of selected groups and women would be in that category. There is also the work of the working women's centres, which is funded through the department.

Senator SHERRY—There are a number of questions on notice on that issue. What about migrant workers? Some of them do not even speak English, let alone read English.

Ms Tacy—Again, in that category it mentions women, young people and people from non-English speaking backgrounds. They are the three main target areas as part of that information.

Senator SHERRY—What about the funding in the non-English speaking background category? What specific moneys are allocated for that area?

Ms Tacy—The budget of the Office of Employment Advocate and the breakup of that will be subject to final passage of the bill and the actual functions, but there would be, notionally anyway, an element of that to information activities included for these select groups. Again, the working women's centres have a particular emphasis on women of non-English speaking background.

Senator SHERRY—Minister, do you accept that as a broad group in society, people from non-English speaking background do need to be well informed about their rights and obligations in the workplace bargaining process?

Senator Alston—I think all workers are entitled to be aware of the basis on which employment positions are offered to them and the terms that govern their employment. There may well be people from non-English speaking backgrounds who fall into that category. Similarly, there may well not be.

Senator SHERRY—Without doubt, there is a range of people of non-English speaking background who either cannot read English—

Senator Alston—To the extent that their English is not too good or their level of education is not very high or they cannot read, clearly they have a need to inform themselves by a variety of means.

Senator SHERRY—But do you think it is legitimate for the government to be focusing on that group of people as one that should be informed through an educative campaign?

Senator Alston—I do not know that you should just make a blanket assumption that there is a need to have taxpayer funded education programs for a particular group. It may be that they are the last people who will become aware of it. I think it is more important to try and identify the extent to which people are deficient in their information sources and then try and address them. It may well be that you do that at the workplace. You may do it at community centres. There may be a whole range of ways in which it is done, not necessarily directly by government. But I do not think we have a blanket presumption that because you happen not to be born in Australia you are potentially in need of an education program from government.

Senator SHERRY—Not in the context of the changes proposed in the Workplace Relations Bill?

Senator Alston—There are probably people who are fifth generation Australians who may have not the vaguest idea of what goes on now in a whole range of areas. A lot of them do not read the front pages of newspapers; maybe a lot of them do not read newspapers at all. You then have to look at the extent to which they need that information. They may be perfectly content with what they have got. They may have an employer who answers all their questions. On that basis, you do not need to target.

Senator SHERRY—Has the department found from its experience that there are sectors of the workforce—such as women, non-English speaking background, young people—

Senator Alston—They could not have found across the board that because you happen to be a woman you are necessarily going to be ignorant of workplace changes. I mean, it is just far too broad. The same applies to most of those other categories. If you are very specific about—

Senator SHERRY—There were two other categories I mentioned. Which do you say most?

Senator Alston—I was thinking blind people, almost by definition, have difficulty in being aware of a lot of literature and material. But I would not make assumptions about people from non-English speaking backgrounds. You need to do your homework to find out as much as possible about individuals, rather than simply groups. Newly arrived refugees may be a high risk category in that sense and you may well have a program that ensures that they are aware as a matter of course. But, in general terms, I think it is undesirable to try to cover the field without knowing the extent of the problem.

Senator SHERRY—Are you aware of any studies in these sectors of the work force that would indicate that they have a particular knowledge problem on industrial matters?

Senator Alston—If you want to know what the government's end position on this is, it is not terribly helpful to you to know whether the Minister representing the Minister for Industrial Relations had read the latest literature.

Senator SHERRY—I am talking about the government broadly.

Senator Alston—I can find that out for you, if you want to know what studies have been done.

Senator CONROY—Has the government done any recent studies?

Senator Alston—Has the government commissioned studies? We can find that out.

Senator SHERRY—And also the department?

Mr Leahy—We did undertake some studies on the impact of enterprise bargaining for various groups and they are reported in the *Enterprise bargaining report 1995*.

Senator CONROY—And that is on the minister's desk at the moment?

Mr Leahy—Yes.

CHAIR—Questioning on subprograms 1.1 to 1.3 has now concluded.

Short adjournment

Subprogram 1.4—Australian Industrial Relations Commission and Australian Industrial Registry

Senator SHERRY—On page 52 of the *Portfolio budget statement* it mentions the unfair dismissal conciliators. Have any of their services had to be terminated?

Mr Kelly—Page 52 is in relation to our strategies. I think I understand the question you are asking me. Are you referring to unlawful termination conciliators?

Senator SHERRY—Yes.

Mr Kelly—Perhaps to explain the situation: when the workload was fairly significant in the early days of the legislation, we looked at trying to have appropriate turnaround times for conciliation of the unlawful termination applications as referred from the Industrial Relations Court. We arranged for former members of industrial commissions, both the Australian commission and a number of state commissions, to provide, on a part-time basis, conciliation services. That continued from about September 1994 through to May 1996. The answer to your question is: at that time, we did cease the services of the former members who were assisting with the conciliation process.

Senator SHERRY—How many?

Mr Kelly—There were 13 in all and we ceased the services of all 13.

Senator SHERRY—Were there any particular cases that they concentrated on or were they generally allocated cases in the same way other conciliators would have been?

Mr Kelly—The commission's work was being organised by the deputy president of the commission and the work was allocated to the former members basically aligned to the states in which they were resident and also based upon the workload of each of those states. So they were doing conciliations of unlawful termination references from the court.

Senator SHERRY—What are the implications for employers and workers in regional and remote areas with the ending of the part-time conciliators?

Mr Kelly—In terms of our ability to provide conciliations in regional centres, particularly outside Melbourne and Sydney, we still provide a country circuit to key regional centres for conciliations. For the surrounding areas and towns, we then centralised through the circuit at the various centres those cases that arise outside of the three-hour driving limit of Melbourne and Sydney. That was what the limit was until fairly recently. That is currently being reviewed and we are, hopefully, going to be able to go back to a complete circuit of handling them in regional centres as we did earlier.

Senator SHERRY—What do you mean by 'hopefully go back to regional'? How will you do that?

Mr Kelly—We did not have a three-hour drive limit so that meant that, if you could get to Melbourne or Sydney by driving for three hours, then you were heard in Sydney or Melbourne. We made that decision on the basis of looking at the way we resourced this particular function. Before that all regional areas outside Melbourne and Sydney were serviced from regional centres not from Melbourne or Sydney. We are, hopefully, going back to that arrangement. I say 'hopefully'—it is currently under consideration by the commission.

Senator SHERRY—What will that mean in terms of travel or other costs?

Mr Kelly—For my own budget?

Senator SHERRY—Yes.

Mr Kelly—For the country circuit—and I do not have today the figures broken down specifically for the cost of that—there will probably be a marginal increase in the amount of travel, but we are anticipating that, if we organise the hearings by groupings, we can minimise the impact on the budget.

Senator SHERRY—Will there be any delay in hearings as a consequence of that organisation?

Mr Kelly—Our expectation is that there would not be. We have a general turn around time on conciliations that now runs somewhere between five and six weeks. We would expect it to be able to maintain that.

Senator SHERRY—Could you take on notice the details of those travelling as well as other costs?

Mr Kelly—So that is the travel costs related to running the country circuit.

Senator SHERRY—Yes.

Mr Kelly—For the last financial year?

Senator SHERRY—Yes. We have some other questions, but we will put them on notice in this section.

CHAIR—That completes subprogram 1.4.

Subprogram 1.5—National Occupational Health and Safety Commission

Senator SHERRY—What is the location of the staff positions that will be terminated as a result of the reduction on the budget of the National Occupational Health and Safety Commission?

Ms L'Orange—The decisions on the positions to go were made by the commission on 26 June. They were finalised at that time. The standards branch has maintained most of its staff. It has 29 staff. That is down from 32, which is a loss of three. The main loss was in discontinuing with the industry strategies work, outsourcing the IT and publishing functions within Corporate Services, and the cessation of an international focal point—although we still do international work. So, we are down—

Senator SHERRY—What was that first area you mentioned?

Ms L'Orange—Industry strategies work. Those three branches were collapsed into one branch, so we went from 99 staff to 38.

Senator SHERRY—What did industry strategies involve?

Ms L'Orange—If you go to page 58 of the annual report, it involved providing support to industry parties who sought assistance in the development of their strategic framework. So, for example, that program with a range of industries—such as the TCF industry, the hospitality industry and the mining industry—was to support national strategies. That work has been handed over to those industry parties to continue, because the only role we ever had was of a community development model nature, which was to get them started. We did offer them, on a cost recovery basis, the continuation of a secretariat function for a small amount, but they have all made their own arrangements. So that work is continuing out in the industries. As well, the states have picked it up.

Senator SHERRY—Do you have the details—and you can take that on notice, because that would probably be a fair amount of information—of how they have been picked up? You have said that the industry parties and the states have picked it up. Could you let us know how they have done that.

Ms L'Orange—I will undertake that.

Senator SHERRY—Could you let us know the costings involved and the location.

Ms L'Orange—The costings and—

Senator SHERRY—The areas of the programs you were working in.

Ms L'Orange—Yes.

Senator SHERRY—And how it has been picked up in those areas.

Ms L'Orange—We will take that on notice. I will just continue through the areas of downsizing. The statistics and epidemiology functions were combined. The staffing went from 16 down to 12, so there was a loss of four. Research was moved to a multi-disciplinary model and away from separate units. The staffing went from 47 down to 20, with a loss of 27. The other decision made there was to move to a predominantly extramural model for funding of research, so the retention of a small intramural core was balanced by more money going to extramural funding. Lastly, the executive area was cut from five down to two, with a loss of three staff in the executive area. So that is a loss, in total, of 98 positions.

Senator SHERRY—How many of these positions were located in Canberra?

Ms L'Orange—None. All were in Sydney.

Senator SHERRY—Has there been any movement of staff from other centres to Canberra or from Sydney, specifically, to Canberra?

Ms L'Orange—One of our officers transferred to Canberra. Another three have been placed in other agencies but, in general, they stayed in Sydney or took VR.

Senator SHERRY—What rationale has been provided for the cuts in this area?

Ms L'Orange—The criticisms of the national commission by the Industry Commission report were part of the basis. Also, there was the general test of what the commission is uniquely placed to do, but these were policy decisions of the national commission.

Senator SHERRY—But as a consequence of the significant reduction in the budget.

Ms L'Orange—Yes.

Senator SHERRY—If there had not been that reduction, you obviously would not have taken these decisions.

Ms L'Orange—The commission had embarked on quite a major strategic planning exercise in association with the Industry Commission inquiry process, so it was looking at realignment of functions in quite a significant way. In a sense they had done a lot of the ground work. So the commission generally feels that it is very well positioned to continue to lead OHS efforts in the country.

Senator SHERRY—So you are confident that you can continue to carry out the responsibilities of the commission?

Ms L'Orange—Yes.

Senator SHERRY—We will put the rest of the questions on notice.

CHAIR—That concludes subprogram 1.5.

Subprogram 1.6—Office of the Employment Advocate

Senator SHERRY—Is it proposed that the advocate will advise both employees and employers on matters concerning individual contracts?

Ms Tacy—On matters concerning Australian workplace agreements?

Senator SHERRY—Yes.

Ms Tacy—Yes.

Senator SHERRY—Do you believe there is any conflict of interest in that role? What happens if an employer comes to the advocate and that employer's employees come to the advocate with concerns or queries?

Ms Tacy—In terms of providing advice about the provisions and how they operate and the minimum conditions to apply, I do not see that there should be a conflict of interest. The awards management area in the department currently provides that sort of advisory function in relation to awards, for example, to both employers and employees.

Senator SHERRY—How will staff of the agency know the terms of the Australian workplace agreement upon which they are providing advice?

Ms Tacy—Sorry. Could you clarify that? When you say 'staff of the agency', do you mean staff of the—

Senator SHERRY—Staff of the Employment Advocate.

Ms Tacy—Of the Employment Advocate, no.

Senator SHERRY—Will they know the terms and conditions of the Australian workplace agreements?

Ms Tacy—In the development, there would be advice at a number of stages. There would be advice before an agreement is even developed in terms of providing advice about the provisions applying in relation to Australian workplace agreements. The agreement itself would be filed with the Office of the Employment Advocate.

Senator SHERRY—So the staff will have ready access to the agreement?

Ms Tacy—There are provisions about how the information of agreements is dealt with by the Employment Advocate.

Senator CONROY—Assuming that is for one that has already been registered—so, they have come in and there is a dispute about what is in it—how would you see that working if they are arguing about what is going to be in it? How would you see a dispute between the employer and the employee over what the agreement is going to contain? Suppose I am a new employee and I walk in. How will the advocate be able to gain access to document how this is being negotiated or argued about? How do you provide advice in that sense?

Ms Tacy—The advocate, as I had said, would be providing advice to either the employer or the employee or both. The employees, or both, are quite free to provide details of the agreement that they are working on, and afterwards as well when it has been filed.

Senator SHERRY—With a casual employee—the legal definition is each period of engagement stands alone; I think that is the normal accepted definition of a casual—are they an employee for the purpose of being able to speak to the Employment Advocate about the workplace agreement that applies at the workplace that they have been working at?

Ms Tacy—They would be, yes.

Senator SHERRY—At what period is there a cut off point for a casual employee who is not engaged, or when they cease to be an employee, to access their particular workplace agreement and the agencies if they have a query about it?

Ms Tacy—What point is the cut off?

Senator SHERRY—I mean, when a casual ceases to be employed. They are no longer employed when they walk off the workplace. That is it. What access will they have to the Employment Advocate in respect to the workplace agreement that applies to that workplace they have worked at, and anticipate working at again as a casual employee?

Ms Tacy—If you are saying that they are not an employee at the moment but they are being offered an Australian workplace agreement, then they can seek the advice of the Employment Advocate about that.

Senator SHERRY—Will they have access to the workplace agreement?

Ms Tacy—If they are being offered the employment, they will be given the agreement.

Senator CONROY—No, that is an assumption you are making.

Ms Tacy—They have to sign it for it to be an Australian workplace agreement.

Senator SHERRY—Say they sign it and they work for a period at that particular workplace and they are not re-engaged for a period. It might be a week, a month or whatever. At what point do they cease to be able to get access to that document?

Mr Smythe—There is a requirement in the bill that a copy of each Australian workplace agreement be made available to employees who are covered by it. If you were a casual and you were covered by an Australian workplace agreement, you would have a copy of it.

Senator CONROY—What if you were walking in cold? Would you have a copy? What if I walked in new off the street?

Mr Smythe—You would not be covered by an Australian workplace agreement until you have signed it. Once you have signed it you would be a party to it, and, once it was filed, there is a requirement, with a penalty attached to it, that the employer provide you with a copy of the agreement.

Senator SHERRY—With the workplace agreement, the new employee would not have taken part in the negotiations for that agreement, would they?

Mr Smythe—A person cannot be party to an Australian workplace agreement unless they have signed it.

Senator SHERRY—I am not asking that; they sign it but some new employees would not have been involved in the negotiations at the workplace level for that agreement, would they?

Ms Tacy—It depends whether it is a collective AWA, which are individually signed, or an individual one, and it would depend on the nature of the agreement.

Senator SHERRY—If a deal has been signed, sealed and delivered, a new employee at a workplace obviously—

Ms Tacy—They have to sign it.

Senator SHERRY—They have to sign it and acknowledge it, but they would not have been involved in the negotiation of it, would they?

Ms Tacy—It is similar, in a way, to new employees coming on to a collective certified agreement at the moment.

Senator SHERRY—Yes, that is right.

CHAIR—Or even an award.

Ms Tacy—Yes.

Senator SHERRY—I do not know of any award that provides for lesser conditions for new employees—

Ms Tacy—AWAs do not, either.

Senator SHERRY—So, a casual employee who has been employed can have access to that workplace agreement and they can have access to the Employment Advocate.

Senator Alston—No, the answer is that they will already have a copy of it.

Senator SHERRY—What if they do not have a copy; what if they were not given a copy, or they had lost it or whatever?

Senator CONROY—Could you just clarify that? Did you indicate that it is compulsory for it to be handed to each individual employee—

Mr Smythe—Yes. 170WH of the bill on page 136 requires the employer to give a copy to the employee and there is also a penalty attached for breach of that section.

CHAIR—I do not want to be unduly restrictive in regard to questions, but the legislation was examined in detail by this committee as a references committee fairly recently and I am not sure that there is a lot to be gained by trawling over—

Senator Alston—Over a period of three months, I think, Chairman.

CHAIR—I would say exhaustively and exhaustingly and I am not sure that there is a lot to be gained—

Senator CONROY—I was not on the references committee.

CHAIR—It was the decision of the opposition party within the Senate to actually refer that bill to the references committee rather than this committee, so if certain members were not members of that committee, that is—

Senator CONROY—I am working my way through your work.

Senator SHERRY—This is an estimates committee hearing, it is not a—

CHAIR—That is right. What I am drawing attention to is that really the questions ought to relate to the estimates rather than the details of legislation, particularly when that legislation—

Senator CONROY—I was clarifying a response from the departmental official.

Senator SHERRY—Who will provide advice to employees and employers on certified agreements and awards if interested parties want to seek information on the certified agreements and awards?

Ms Tacy—That would continue to be a function of the awards management area.

Senator SHERRY—Will the Employment Advocate's office be able to provide such advice?

Ms Tacy—On what?

Senator SHERRY—On providing information to interested parties.

Ms Tacy—On awards?

Senator Alston—You mean if the union wants to know the details of what is being negotiated between an employer and an employee.

Senator SHERRY—On certified agreements and awards.

Ms Tacy—In relation to awards, there would have to be an element of that in the Office of the Employment Advocate's advisory function because of the minimum conditions applying and the relationship between awards and AWAs.

Senator SHERRY—So in regard to that, if an employee wants to check the award provision—if there was a proposal to move away from the award—they could still check that with the Employment Advocate?

Ms Tacy—Yes. The final structure and functions of the OEA are subject to passage of the bill and there will obviously be, in the development of how it actually works in practice, linkages between the awards management branch area and the OEA in terms of awards database and advisory function on awards.

Senator SHERRY—Has there been any decision made about the physical location of the Employment Advocate's office?

Mr Hoy—No, the only public statements have been on government policy, which said that the advocate would have offices around Australia.

Senator SHERRY—On what basis was the number of 50 staff determined?

Mr Hoy—The government made a provision of \$12 million. There has been no detailed planning on how the advocate might work because that is pending the passage of legislation. However, based on our experience in the awards management area and what the current bill provides for the advocate, we have made some estimates that a full year effect would be in the order of 100 staff. We have assumed, depending on the passage of legislation, it would be a half year effect, and that is how 50 was derived.

Senator SHERRY—Do you have any proposals as to the location of the office?

Mr Hoy—As I said, other than the statement by the government, there has been no detailed decision made on physical location.

Senator CONROY—Based on the awards management section, is there any sort of proportion that you could roughly draw?

Mr Hoy—At this stage, no, because it really does depend on the final role and functions of the advocate.

Senator SHERRY—How is it proposed that the head of the Office of the Employment Advocate be selected?

Mr Hoy—That is a statutory office holder. The normal approach would be that the government would appoint that person.

Senator SHERRY—So the minister would, subject to cabinet approval?

Mr Hoy—Yes.

Senator SHERRY—What about the other staff in the office?

Mr Hoy—The advocate will be able to engage those staff under the Public Service Act.

Senator SHERRY—So the Employment Advocate is the only position that would be selected effectively by the minister?

Mr Hoy—Yes.

Senator SHERRY—What about outsourcing of some of the functions of the Employment Advocate? Is that proposed?

Mr Hoy—That is really dependent on the final shape of the advocate and how the services might be delivered. There has been no detailed planning done on the advocate.

Senator SHERRY—There is no proposed employment chart available yet?

Mr Hoy—No.

Senator SHERRY—When do you anticipate that that will be available?

Mr Hoy—As I said, it is dependent on the final shape of the advocate.

Senator SHERRY—Of the act?

Mr Hoy—Yes.

Senator SHERRY—I refer to the breakdown of the budgeting for the Office of the Employment Advocate. Has any preliminary work been done on this allocation?

Mr Hoy—We did some preliminary work on the break-up of the \$12 million, but that was purely based on experience in awards management and how that might apply to the advocate, but they are very preliminary.

Senator SHERRY—Will there be money for education purposes in the office?

Mr Hoy—Yes. In trying to derive the \$12 million, there was some provision made for that. It also will need to include start up costs, but that is dependent on decisions as to physical location and linkages with the other service areas of the department.

Senator SHERRY—Has there been no decision made on locating the offices of the Employment Advocate in existing Industrial Relations buildings? Will they be free-standing?

Mr Hoy—There have been no decisions made on that.

Senator SHERRY—Do you believe that the monetary allocation for the staff of Employment Advocates will be sufficient to fulfil their role?

Mr Hoy—Based on the experience we have had with awards management and having regard to the current roles, powers, et cetera outlined in the bill, yes.

Senator SHERRY—Do you believe that the budget allocation for awards management is sufficient?

Mr Hoy—Yes.

Senator SHERRY—So you believe that departmental inspectors, for example, who are stationed throughout Australia can satisfactorily service the number of workers under federal awards of employers?

Mr Hoy—Yes.

Senator SHERRY—Given the, to use a general term, increased focus on decentralising bargaining to the workplace, which is a theme of this legislation, are you sure that staffing will be adequate?

Mr Hoy—Are you now talking about the advocate?

Senator SHERRY—Yes.

Mr Hoy—Based on the current provisions, yes.

Senator SHERRY—So you will not be back here for supplementary estimates for the next three or four years?

Mr Hoy—I cannot answer that question; I am not the advocate, Senator.

Senator SHERRY—We know. I understand it is a difficult position for you. I do understand that.

Senator CONROY—The departmental officer indicated while you were out that the government has not made any decisions on the locations yet. Do you believe it is important for each state capital and major regional centre to have an Employment Advocate?

Senator Alston—I presume that to the extent the government takes that view, it will be reflected in a decision to be made.

CHAIR—If there are no further questions on subprogram 1.6, we will move to program 2.

[12:23 p.m.]

Program 2—Public sector workplace relations

Subprogram 2.1—Australian government employment

Senator SHERRY—In respect to Australian government employment, does the government consider that there are unique aspects of public sector employment which justify different employment arrangements from those which apply to private sector employees?

Mr Yates—The government is currently giving consideration to its approach to the reform of the public service and will soon be issuing a discussion paper outlining its broad approach to the reform of the APS. An important element of that consideration will be the employment framework within which the public service operates. So at this stage that will be the main statement, if you like, of the government's view about the interface between the APS and the community labour market and private sector more generally.

Senator SHERRY—Do you have an approximate date of when that report is likely to be available?

Mr Yates—I think it is anticipated to be released in October.

Senator SHERRY—Is the department providing advice to the minister or the government agencies concerned of the implications of the workplace relations bill on the public sector?

Mr Yates—We have been having seminars and workshops with agencies. As part of the preparations of this discussion paper a relevant element will be the way in which the workplace relations legislation, as currently proposed, may impact on the service and its operations.

Senator SHERRY—When will that material be available?

Mr Yates—The discussion paper itself has as an important component the consideration of the industrial relations arrangements that should apply consistent with the government's proposed workplace relations legislation. That is an integral component of the discussion paper's focus. In light of government decisions and extensive consultations on those matters, it will take its policy decisions subsequently. We will then be advising APS agencies of what the government's framework will be.

Senator SHERRY—Just to make it clear, is the discussion paper on the workplace relations bill as it relates to the public sector the same discussion paper that we were talking about earlier?

Mr Yates—Yes.

Senator SHERRY—There is only proposed to be the one discussion paper?

Mr Yates—Yes, one discussion paper. I think the minister advised in his media release in June that it would comprehend the review of the Public Service Act as the primary legislative

framework for the establishment and operations of the service, but also it would look at the implications of the workplace relations legislation for the way in which workplace relations is conducted in the APS. That obviously includes bargaining in agreement making arrangements. Finally, the third component would look at issues of leadership and management reform.

Senator SHERRY—Does that research draw on international and state level developments and public sector reform?

Mr Yates—The government's discussion paper has been developed having regard to the evolution of reform in the public sectors both within Australia and in other countries.

Senator SHERRY—Presumably there will be detail of that in the paper when it is released.

Mr Yates—I guess the government's consideration of that backdrop will be reflected in the proposed directions and approach. Quite clearly, the exercise that the government is committed to is an extensive consultation exercise aimed at drawing advice, input and views from a wide cross-section of the community.

Senator SHERRY—The use of external sources as a basis for adjusting overseas living allowance—does that refer to the proposal floated and rejected by the previous government?

Mr Yates—No, I do not believe so, Senator. This proposal has been one that we have been seeking to implement for some little time. In fact, it was some years ago that we went to tender in terms of a provider of statistical information that would enable those adjustments to be done more efficiently and effectively, rather than having it conducted in house. So, to that extent, that decision has been taken in the recent budget year.

Senator SHERRY—Will that mean a reduction in the overseas living allowance for government employees?

Mr Yates—No. The essential change is that, rather than having staff of subprogram 2.1 conduct surveys and collect data in conjunction with staff from overseas posts as a source of information gathering to enable the adjustment of the overseas living allowance, the great bulk of that information is to be provided by an external body on a much cheaper basis than it has been able to be done up until now.

Senator SHERRY—Will the Department of Industrial Relations still be able to assist in the promotion of fair pay and conditions of employment and the encouragement of best practice in statutory authorities?

Mr Yates—We will continue to have an ongoing role, a role that is, over time, receding with the continuing trend towards greater autonomy by public sector agencies. To that extent, the department's role, in close involvement with those organisations, will necessarily decline, as it has done for some years now.

Senator SHERRY—In which statutory authorities is there still a close, on-going role?

Mr Yates—I guess it tends to reflect, in part, size. The bigger organisations have established a greater capacity to run their own race pretty broadly. We have promoted and supported closer networking between those organisations and more ready information sources to enable them to develop greater independence in their operations. I suppose, on balance, it tends to be the smaller or newer authorities where the reliance on the department's support is somewhat greater.

Senator SHERRY—Does the promotion of strong enterprise focus in Australian government employment depend upon Australian workplace agreements?

Mr Yates—No, not necessarily, Senator. An enterprise focus can be given effect through the application of a certified agreement, but it may include components which draw on Australian workplace agreements as a vehicle for regulating terms and conditions.

Senator SHERRY—Will AWAs be secret and unreviewable, as is proposed for the private sector?

Mr Yates—The same provisions governing Australian workplace agreements that apply to the community at large would apply in the Australian Public Service context. It will be a matter for government to decide whether or not any different arrangements might operate in terms of the usage by agencies of Australian workplace agreements.

Senator SHERRY—Is the department carrying out strategic research and policy development on the reform of the federal public sector, in addition to the previous review of the Public Service Act we were talking about earlier?

Mr Yates—The Department of Industrial Relations shares an involvement in that area with the Public Service and Merit Protection Commission which is the body which has primary portfolio responsibility under the Prime Minister for the Public Service Act. So in terms of the legislative framework in that area that falls primarily to the PSMPC. But in terms of our ongoing role and consistent with our objectives we do undertake a degree of research and review necessarily as part of the winding back of resources that has occurred, and some of the scope and intensity of that research has had to be reduced.

Senator SHERRY—In which areas has that been reduced?

Mr Yates—On page 70, Senator, in the second dot point at the top of the page, there is a broad summary of some of the areas where that has occurred.

Senator SHERRY—Who will carry out that work now?

Mr Yates—Quite clearly what we will seek to do is to identify our state government counterparts or seek where we can to get the benefits of whatever research might be occurring, either through those channels or through academic institutions, to assist us in our policy development work.

Senator SHERRY—But do we have any specific undertakings, on the particular areas outlined on page 70, that state counterparts or other private research institutions are carrying out work in these areas?

Mr Yates—Undertakings from them?

Senator SHERRY—Yes.

Mr Yates—We would not have any undertakings from them. It would simply be that we would be more reliant on sources outside of the department than we have been in the past in terms of that sort of work.

Senator SHERRY—What I meant by ‘undertakings’ is that in the areas you have listed on page 70 you cannot be sure the work will be carried out adequately.

Mr Yates—It is a matter of degree, obviously. Clearly, you make assessments and judgments on the best available basis consistent with the resources that you have available. It is very hard to make judgments about whether outcomes would have been better, different or worse if you had had a better, a wider, range of sources to draw on.

Senator SHERRY—On job numbers, job security and conditions for current Australian government employees affected by outsourcing and the sale of assets, have you any general policy framework in those areas?

Mr Yates—The primary responsibility for the outsourcing framework as it impacts on employees is managed by the Public Service and Merit Protection Commission. It has recently reviewed the framework for outsourcing and I understand we will be releasing that in the near future.

Senator SHERRY—On page 74 you make some reference to supporting improved productivity and better pay and conditions in APS workplaces. Is there evidence available of increased productivity as a result of workplace bargaining and innovative working arrangements?

Mr Yates—The underpinnings of the more decentralised system we have operated with since 1992 has seen something like 70-odd agencies finalise agency agreements. They cover about 85 to 90 per cent of the APS work force. For non-APS authorities and government business enterprises I think the great bulk of those, certainly covering close to 100 per cent, have settled enterprise agreements and, indeed, have done second or third agreements over the course of the last three to five years.

In terms of the productivity gains associated with those, we have done some limited work in examining the changes which agencies have introduced. We have developed some resource guide material to promote and encourage other agencies to explore particular initiatives as a way of potentially improving their organisations. The financial rules that have governed agency bargaining, established by the previous government, really required agencies to find the financial funding to support any pay rises or improved conditions that they agreed to provide through their agency agreements.

In that sense, there was no source of revenue or funding which would come to the rescue in the event that the anticipated agency productivity gains were not realised. Quite simply, agencies had to deliver on them because there was no call on any other bank to support it. On that basis, agencies have, by one means or another, secured the wherewithal to fund their agency agreements.

Senator SHERRY—Are there difficulties in measuring productivity outcomes?

Mr Yates—Obviously, some initiatives lead to more definable, realisable and identifiable improvements in performance than other changes where it is much more a case of qualitative assessments. This is perhaps no different from quite a few sectors of the economy, and certainly aspects of the service sector. To that extent, managers have to make judgments about what the anticipated impacts will be over time and settle their reforms on that basis.

Senator SHERRY—Do you have any liaison with organisations in the private sector that measure productivity?

Mr Yates—As part and parcel of the promotion, encouragement and support of enterprise bargaining in our environment, we have drawn on the insights and contributions of other organisations, had them come and speak to APS managers, and so forth. Moreover, more generally, the department has developed materials as part of its work in the past on performance indicators and various best practice activities which all can assist managers in developing better measurements, if you like, and greater confidence in the impacts of the decisions that they are making. Benchmarking and all those sorts of things are becoming increasingly a feature of the way in which APS organisations get a better quantitative handle on the impact of change.

Senator SHERRY—The Commission of Audit, in referring to public sector superannuation—and I am not quoting the recommendation; I do not have the exact reference in front

of me—did refer to government employees being able to vary the mix of their wage and condition remuneration vis-a-vis superannuation. Has that issue been referred to you at all?

Mr Yates—The issue of Commonwealth superannuation is a portfolio responsibility of the Department of Finance and the Minister for Finance. Obviously, we talk with them about issues which impact on employment arrangements, and superannuation is one of them. But we are not directly involved with the issues that were raised by the National Commission of Audit, and where the government is going in terms of the recommendations specifically.

Senator SHERRY—Have you been involved in any work or policy development in the application of the new 15 per cent tax to government superannuation funds?

Mr Yates—No.

Senator SHERRY—I have no further questions on that.

CHAIR—That completes subprogram 2.1. We move to subprogram 2.2: Remuneration tribunals—Defence Force Remuneration Tribunal. Are there any questions?

Senator SHERRY—No, we have no questions.

CHAIR—Right. We will move to the Remuneration Tribunal which is also listed as subprogram 2.2.

Subprogram 2.2—Remuneration tribunals—Remuneration Tribunal

Senator SHERRY—What criteria have been developed to take into account the public interest factors involved in people discharging functions subject to review by the tribunal?

Ms Collins—Are you asking what criteria the tribunal uses when it is fixing remuneration?

Senator SHERRY—Yes, but has there been ongoing work about those criteria? We will start off with the criteria.

Ms Collins—When the tribunal fixes remuneration for the particular office that is within its jurisdiction, it refers to a number of criteria that go to the size of the job, the value of the job, the national importance, the budget, and the complexity and, certainly, the public interest is part of that process.

Senator SHERRY—I assume that this area includes the politicians' remuneration tribunal?

Ms Collins—Yes.

Senator SHERRY—So looking at the factors involved in the remuneration tribunal, is there any ongoing review at the present time?

Ms Collins—In the work of the tribunal?

Senator SHERRY—Yes.

Ms Collins—The tribunal is required to review every office within its jurisdiction at intervals of no fewer than once per year. Additionally, it is required to review an office at any time that there is a significant change to work value of the job. In that sense, it is required to do it at least once a year and, for practical purposes, over the last three years, the tribunal has divided those reviews up into different parts of the year. So, rather than reviewing all the offices in its jurisdiction at the same time, it carries out the review in groups. It does judicial remuneration, members of parliament entitlements and allowances, full-time public office holders and secretaries, and part-time public office holders as separate reviews. The current review is of part-time public office holders and members of parliament.

Senator SHERRY—I do not have any other questions but you might have a look at the workload on estimates committees.

CHAIR—That concludes the program 2.2.

Subprogram 2.3—Comcare Australia and the Safety, Rehabilitation and Compensation Commission

Senator CONROY—What is the explanation for the large increase in outlays as indicated on page 88?

Ms Stanton—This is to do with the volatility in our premium pool from year to year and the extent to which our expenditure is a proportion of that premium pool. There is a delay in expenditure catching up with the premium pool. That is the simple answer. Mr Langton can give you the detailed answer.

Mr Langton—An even more simple answer. The difference relates to the way the program expenditure is actually paid out, versus when premiums come in. As you appreciate, program expenditure relates to claims that have happened in the past and where we are paying out that money. Whereas, premium income or revenue relates to the fact that the premiums received now are for this year and subsequent years, so they will actually run off over a period of time.

Senator CONROY—What are the implications for location and what are the functions of those involved in the reduction of the ASL office from 456 to 430?

Ms Stanton—In terms of the order of those questions: the implications are that we are looking at the way that we need to do our business. The location of the reductions has been across the board. They have been generally by natural attrition. To this stage, we have offered very few voluntary redundancies in this financial year—only four so far—although there will be others coming. So they have been across the board, with the exception of our Tasmanian office. We have had a downsizing in the Tasmanian office from nine staff to three. Basically, what we have done there is—

Senator SHERRY—Why did you pick on Tasmania?

Ms Stanton—I am well aware of that. I knew you would be interested.

Senator SHERRY—You want to be careful when you talk to Senator Harradine using comments like that.

Ms Stanton—Let me make very clear that we did not pick on Tasmania. We were in a situation where, basically, the number of claims in Tasmania had reduced significantly. We simply moved the claims function to our Victorian office. The Victorian office had already been doing some of the review function and we got to the stage where the Tasmanian office simply was not viable, in terms of the number of claims it was receiving.

Senator SHERRY—What sort of functions did you move?

Ms Stanton—We moved the claims processing function, the workers compensation claims processing function and the corporate support for that function. What we have left in Tasmania is—

Senator SHERRY—Not much.

Ms Stanton—There is a shopfront of three people that are still there for liaison, consultation with both claimants and premium paying agencies, and our occupational health and safety functions.

Senator SHERRY—In this review, do you ever consider moving anything to Tasmania in the process of centralising particular functions? I am not having a go at you, particularly, although I have been critical on this occasion. It just seems to me that all through this program,

this portfolio and every other portfolio we have been through in estimates, they are always moving functions to Sydney, Melbourne and Canberra.

Ms Stanton—In this particular case, it got to the stage where we were getting about one workers compensation claim a day in Tasmania. It was clear that the sensible thing to do for reasons of economies of scale was to move that claims processing to Sydney.

Senator SHERRY—I understand that. But why not move Comcare to Tasmania? Why Sydney or Melbourne?

Ms Stanton—Comcare is not—

Senator SHERRY—Those functions that you have moved to Melbourne—

Ms Stanton—I can only say that where you have large offices already existing and a small office where business is clearly declining, the administratively efficient thing to do on this occasion was not to close down some function in Victoria and move it to Tasmania, but to have a situation where we would move the rest of a function to the larger office. We did look at it and that was the efficient thing to do.

Senator SHERRY—It is an approach that concerns me. I will not press the issue any further because you have just sparked my interest and it is fair to say that I have interests across all portfolio areas.

Senator CONROY—So you can move things to Victoria. Is the proposed decrease in premiums of \$1.169 million based on information provided by other agencies on assessment of likely outcomes?

Ms Stanton—I take it you are talking about the premiums that we have gathered this year. That decrease is distributed on the basis of wages and salaries given to us in April and, at this stage, we have not had any reason to believe that there will be a significant change to that.

Senator SHERRY—What is the reason for this supplementation for superannuation on page 89?

Ms Stanton—My understanding is that that is no different to anywhere else this year in the Australian Public Service, although it may have happened in other agencies last year.

Mr Langton—That is the employer contribution to superannuation. That has been submitted to us from the Department of Finance.

Senator CONROY—Was the basis for a reduction in terms of reduced staff inherent in that reduction I was asking about before and other agency assessments and information?

Ms Stanton—Senator, I have not quite got the gist of your question. Comcare's reduction in staff does have a slight effect on premium because part of the premium calculation is Comcare's administrative costs. The extent to which Comcare's administrative costs go down because their staff have been reduced will have some effect on premium. The main impact on the ability to reduce premium this year was a reduction in claims; we are simply getting fewer claims.

Senator SHERRY—Do you have a figure on that yet?

Ms Stanton—In terms of the number of claims: fewer.

Senator SHERRY—No, the reduced premium.

Ms Stanton—The premium rate will go down from 1.7c in the wage and salary dollar for last financial year to 1.6c in the wage and salary dollar for this financial year.

Senator SHERRY—Do you have any comparative data on how that compares with state public sectors and the public sectors of other countries?

Ms Stanton—No, it is very difficult to get public sector data. Other countries are not a good measure because they tend to work on a social insurance system rather than our system. We can compare it with other states of Australia but that is not only a public sector measure. Certainly, that 1.6c is the lowest premium rate in Australia.

Senator CONROY—With regard to the review of function structures and locations, what are the details of the proposed changes? Which functions will be affected and how much?

Ms Stanton—The changes will occur across our functions. We are in the process of conducting a very major project looking at the way we conduct our business, basically reorganising our business substantially to make sure that we can operate more efficiently but not disadvantage our claimants or our premium paying agencies in that process.

We will not know until late this calendar year, but I anticipate that our reductions will occur across the board, including in our corporate centre and claims management staff, corporate staff and policy staff. We are looking for ways that we can operate smarter across the spectrum of our activities. We are also hoping to effect at least a good proportion of the reduction that we need through natural attrition.

Senator CONROY—With regard to the last dot point on page 90, is it proposed that Comcare should compete with the private sector for provision of insurance services to privatised Commonwealth government business enterprises?

Ms Stanton—There is a provision in our legislation that allows us to seek business from the private sector where that private sector company is in competition with a privatised GBE. At this stage we have not pursued that.

Senator SHERRY—With these premiums, wouldn't they pursue you?

Ms Stanton—Not necessarily, Senator. I can give you some insight into that. For example, when GBEs are privatised, they have a choice as to whether they remain with Comcare or go out into whatever state arrangements apply where they do their business. We have found, for example with Qantas and the Commonwealth Bank, that they have chosen not to remain with Comcare but to go to the state schemes. Despite our very low average premium rate, they can probably be attracted by short-term lower premiums in the state systems.

The states can effect this in a number of ways: first of all by some, perhaps, initial cross-subsidisation in their own schemes to be able to pick up new business, which we do not have the opportunity to do. Secondly, currently through changes to many of the state schemes, they have much lower benefit rates than our Commonwealth scheme has. There is also some cost shifting to the Commonwealth by having schemes that move people from workers compensation benefits to the social security system after two or four years. It varies from state to state. We are finding that we are not retaining privatised GBEs at this stage, let alone private sector companies.

Senator CONROY—Will there be a continuation of demonstration projects aimed at preventing work-related stress and manual handling injuries?

Ms Stanton—Certainly, Senator. We are finalising some projects that are mentioned here in the portfolio budget statement. We will then go into evaluation stage on those. Those have been to do with manual handling and occupational stress. The aim was to deal with four different agencies of different sizes and complexity and then get some demonstration out of

that so that we could pass on to other agencies what had been found in those projects. This year we will continue and evaluate those and get that material out to other agencies.

We are also going to be looking at how workers compensation, and occupational health and safety in particular, can be better mainstreamed into agencies, human resource planning and management. That is something that the Safety, Rehabilitation and Compensation Commission has made a particular priority this year. We hope to be giving agencies better tools to operate with to ensure that workers compensation claims are reduced through prevention.

Senator CONROY—Given that 106 audits were conducted of occupational health and safety in 1995-96, how many do you envisage for 1996-97?

Ms Stanton—It will be 100.

Senator CONROY—Given the dramatic reduction in work related stress claims through the operation of the stress claims management centre, what is the rationale for the new policy envisaged by the minister?

Ms Stanton—I think that is a policy question.

Senator Alston—We will take that on notice and get back to you after lunch.

CHAIR—As there is nothing further on subprogram 2.3, we will adjourn for lunch.

Sitting suspended from 1.02 p.m. to 2.03 p.m.

Program 3—Workplace development and services

Subprogram 3.1—Industry strategy and operations

CHAIR—The minister will be here in a few minutes, but he has given permission to resume proceedings in his absence.

Senator SHERRY—On page 95 ‘Workplace Development and Services’, it says: To contribute to the development of workplace relations arrangements that improve Australia’s economic and industrial performance.

Given that there is a new act with significant change—and you can disagree about the degree of change—what role do you see for the federal government in continuing the development of workplace arrangements in respect of Australia’s economic performance?

Mr Hoy—That is the overall objective of the program. The government’s objective is to leave workplace relations very much to people at the workforce, and it sees less of a role for government intervention.

Senator SHERRY—I gather that is the reason why there is a very significant reduction in the allocation for this program.

Mr Hoy—Yes.

Senator SHERRY—In respect of evaluating demonstration programs for 1995-96—this is over at page 99, the various programs that are outlined there—are any new programs proposed to replace those that are currently eliminated here?

Mr Hoy—No.

Senator SHERRY—What is the rationale for the wind-up of programs like the workplace bargaining and best practice programs, as outlined on page 99?

Mr Hoy—Page 25 of the policy document *Meeting our Commitments* outlines the coalition’s policy on that. Would you like me to read you the words?

Senator SHERRY—No, you do not have to read me the words. Are you aware whether that is a core or a non-core promise?

Mr Hoy—I cannot answer that.

Senator SHERRY—All right. It would be an unfair question to you, I guess.

Mr Hoy—The point that is worth making about the programs is that, under the previous government, they would have concluded in 1996-97 anyway. The current government's decision was to bring forward the termination by a year.

Senator SHERRY—In that wind-up process of the programs was any evaluation carried out, within the department or independently, as to their use, their performance?

Mr Hoy—There were a series of evaluations done on both the best practice program and the workplace bargaining program. They were interim evaluations. They are available. But because of the termination of the programs, there were and will be no final evaluations.

Senator SHERRY—Is it normal to wind up a program before its final evaluation is completed?

Mr Hoy—These were the only programs with which the department was associated. Their normal approach would be to allow them to continue. But the decision of the government was to bring forward the termination by a year.

Senator SHERRY—This section of the department with this subprogram has a very significant reduction in running costs. With respect to the industry development function, which is outlined on page 100, what did this program do?

Mr Hoy—Provided industry assessment of the advice and analysis.

Senator SHERRY—What sort of achievements were accomplished with this analysis?

Mr Hoy—Its main function was to provide advice and assistance to the minister.

Senator SHERRY—Who benefited from these programs?

Mr Hoy—Sorry, which program are you talking about here?

Senator SHERRY—The industry development function.

Mr Hoy—It was essentially a function of providing advice to the minister and government. Some of the other programs were targeted at external clients, like the workplace bargaining and best practice program you are talking about.

Senator SHERRY—We hear a lot about best practice across the Australian economy, but that is probably a question that best goes to the minister. With reference to the projects involving small and medium companies which have been finalised, do you have comments from those companies about their attitude to the projects?

Mr Hoy—Yes. The overwhelming response was that those projects were successful.

Senator SHERRY—You might provide us with a list.

Mr Hoy—There is a list in the annual report, which you have.

Senator SHERRY—Are any of their testimonies available publicly?

Mr Hoy—From memory, I think we put together a booklet of case studies of firms in the best practice program. That can be made available.

Senator SHERRY—Have there been any concerns expressed by these companies about winding up the programs a year early?

Mr Hoy—Not generally. There were some letters from beneficiaries complaining about it, but there were not very many. All the best practice program projects, though, were completed.

Senator SHERRY—Will the provision of small business resource material on industrial relations continue?

Mr Hoy—Yes.

Senator SHERRY—In what form?

Mr Hoy—There will be information and advice through the department, and also the Office of the Employment Advocate will have a role providing advice to small business.

Senator SHERRY—Do you know what the precise funding for that area will be? I could not identify it here.

Mr Hoy—There is never an allocated amount. It is just part of our ongoing operations. The awards management area provides extensive advice to small business but there is no notional money amount.

Senator SHERRY—At page 101 you refer to submissions in regard to tourist accommodation and training, the Agri-Food Council and the small business task force. Are they available publicly?

Mr Hoy—I am not sure, Senator.

Senator SHERRY—We would like a copy of those, if you would take that on notice. I have asked about the information available to small business. What about other practitioners or other sectors providing information as to the direction and development of industrial relations?

Mr Hoy—Are you talking about in the past or in the future?

Senator SHERRY—In the future.

Mr Hoy—In the future, our role in industry sectors will be very much strategically targeted in a few key areas such as the waterfront, maritime, meat processing, building and construction, and coalmining.

Senator SHERRY—Will the employment and terminations issues handbook continue and be revised?

Mr Hoy—We will update that booklet to reflect the amendments in the legislation.

Senator SHERRY—What about its distribution?

Mr Hoy—I think we will use a similar mechanism. We distributed it by means which included via a seminar series and we are planning to do a similar thing.

Senator SHERRY—What about the handbook *Bosses, Workers & Awards—how the system works?*

Mr Hoy—We will probably do a similar thing.

Senator SHERRY—You say ‘probably’.

Mr Hoy—I am not sure at the moment. It depends on the final shape of the legislation and what the needs there might be.

Senator SHERRY—Will the awards management computerised information system continue to be developed?

Mr Hoy—Yes.

Senator SHERRY—What sources do you propose for that over coming years? Has any specific money been allocated?

Mr Hoy—No. It is just part of our normal running costs and it is now part of our operations.

Senator SHERRY—Has there been a timetable laid down for its continued development?

Mr Hoy—There was a timetable laid down, but its development is almost complete.

Senator SHERRY—When will that be complete, do you know?

Mr Hoy—I will get Mr Walker to answer that.

Mr Walker—That system has been developed over a number of years. It came into full operation on 1 July.

Senator SHERRY—So the development work is completed?

Mr Walker—Yes.

Senator SHERRY—Will there be any ongoing evaluation of it?

Mr Walker—It is our basic information system that tracks all our major core business in terms of inquiries we get from people, in terms of complaints about award and agreement breaches, and we are evaluating it all the time.

Senator SHERRY—Is there data available about its use?

Mr Walker—In the annual report there are a number of appendices—I cannot recall what they are off the top of my head—that give you the annual workload statistics that that system will provide.

Senator SHERRY—At page 103 you refer to improving workload performance and maximising community understanding of employment rights, responsibilities, opportunities, et cetera. How many staff are involved in awards management?

Mr Hoy—There are 160.

Senator SHERRY—Has there been any reduction?

Mr Hoy—There has been a reduction of about six between 1995-96 and 1996-97.

Senator SHERRY—Are there to be any further reductions?

Mr Hoy—Other than application of the normal efficiency dividend, no.

Senator SHERRY—So obviously the efficiency dividend will apply.

Mr Hoy—Yes.

Senator SHERRY—Would that mean a further reduction?

Mr Hoy—The efficiency dividend on the department's running costs are about five to seven staff overall, but you are talking about staffing levels of over 500 so it may not translate immediately to staffing levels.

Senator SHERRY—We did touch on this earlier: are you confident that they have the time and resources to be proactive?

Mr Hoy—Yes.

Senator SHERRY—Do you receive many complaints, or have you received any complaints, about the ability of the awards management staff to be proactive?

Mr Hoy—We have received some complaints from some localised areas, particularly country areas, about services but by and large there are not many service complaints.

Senator SHERRY—Do you intend to allocate any priority industries or sectors for the awards management staff to concentrate on?

Mr Walker—We are in the planning phases of looking at what sort of targeted work we might do. One of the areas we are looking at is disadvantaged groups, for example outworkers. We are looking to develop a targeted campaign where we do some audit compliance work in that particular field.

Senator SHERRY—Can you give some examples of strategic alliances with departments, agencies and private sector organisations on sectoral reform?

Mr Hoy—Yes: the Department of Transport in relation to the waterfront, the Department of Primary Industries and Energy in relation to coalmining, and some of the industry bodies.

Senator SHERRY—And the funding of these strategic alliances?

Mr Hoy—There is no specific funding for that. It is rather us working in conjunction with those other agencies to help to contribute to what we are trying to achieve. The Productivity Commission is another area we work closely with.

Senator SHERRY—Is that work continuing?

Mr Hoy—Yes.

Senator SHERRY—Is it anticipated that there will be any reduction in that work?

Mr Hoy—Not any reduction, no.

Senator SHERRY—Again at page 103, there is reference to ‘a more cooperative system at the service delivery level’. What are the details of that?

Mr Hoy—We will need to develop, over the coming year, better arrangements for providing services to clients in the state and federal systems. That is trying to move to closer cooperation at the service delivery level so that a person coming to get advice, whether it is on a state or federal arrangement, might talk to only one person.

Senator SHERRY—I am not sure what you mean by that.

Mr Hoy—We are attempting to develop more cooperative arrangements at service delivery level to service both the federal and state systems. We have in the past moved to co-locate our officers wherever possible. For example, we are co-located in all the regional offices in Victoria, New South Wales and Queensland. We are in the same building and we are at the same counter.

Senator SHERRY—Why is that necessary?

Mr Hoy—It is necessary because when people come in they are unsure as to whether they are covered by a state or federal agreement or an award.

Senator SHERRY—According to Senator Alston there was a great fount of knowledge out there about these sorts of issues. But a lot of workers do not know what jurisdiction they are in, apparently.

Mr Hoy—Federal award coverage is only about 40 per cent Australia-wide. In some states it is predominantly state coverage. We have achieved better service delivery arrangements for the benefit of the clients.

Ms Tacy—Many employers have people covered by both state and federal awards in the one workplace.

Senator SHERRY—I think co-location is a good thing. There is always a lot of confusion in this area, unfortunately. Do you envisage a greater level of confusion given the new section 152 of the proposed act that allows state agreements to override federal awards?

Mr Hoy—No, I do not think so.

Senator SHERRY—Let me put a scenario to you. Take the hotel industry. There is a federal award. There may be a state agreement at a new hotel that has opened up in Victoria. The state agreement is registered in the Victorian jurisdiction. Obviously, the federal award cannot apply in those circumstances. You are going to have groups of workers in the same industry, a traditional industry covered by a federal award, being covered in a state jurisdiction as well.

Mr Hoy—Yes, but we will still be able to establish the basis on which people are being employed. That actually happens today in that when you get a complaint you need to establish whether a federal or state award is applying.

Senator SHERRY—It is certainly true that it happens today but it is more likely to occur under the provisions of the new act.

Mr Hoy—I am not sure about that.

Senator SHERRY—Are you saying there will be no state agreements overriding federal awards?

Mr Hoy—No, I am not saying that, I am just saying that I do not think it will be a big problem for our people in the service delivery area.

Senator SHERRY—So you do not have any projections at all about any shifts?

Mr Hoy—No, because it still depends on the ultimate shape of the bill. We have not done any assessments of that and we will wait until we know what the operating system will be.

Senator CONROY—You must have done some assessments when the bill was being drafted and put together on the generous assumption that it was going to be passed.

Senator SHERRY—You have done that with funding for budgeting purposes.

Ms Tacy—We have spoken about the funding and the basis for it for the OEA and there will be some movement. We will have both the use of certified agreements and AWAs. We have talked about the derivation of the OEA funding.

Senator SHERRY—You have anticipated a movement there.

Ms Tacy—Yes.

Senator SHERRY—Why can you then not anticipate a movement into state agreements overriding federal awards?

Ms Tacy—There may be some movement but we cannot be precise about the extent of that. At the same time the provisions also allow for people under state awards to enter into the federal system and to access certified agreements and AWAs. It will be a balancing move both ways.

Senator SHERRY—I accept you cannot quantify in any precise way but you have attempted it at least with AWAs. Do you accept there will be any people covered under state agreements overriding federal awards?

Ms Tacy—As Mr Hoy has said, it depends on the final provisions of the bill, when it becomes an act. Under the current provisions you would expect some movement. As I said, the expectation is that there will be movement the other way as well following the state act. I am saying from a budgetary point of view we expect it would be at least balanced out.

Senator SHERRY—I suppose that remains to be seen. In relation to state agreements overriding federal awards, what degree of coordination will you have between, let us take, the Victorian system and their state department and whatever the area is that is responsible for registering those agreements and the federal jurisdiction?

Mr Hoy—As I said earlier, we are co-located with the Victorian operations area and all our regional offices in Melbourne, so there is close cooperation.

Senator CONROY—What percentage of workers in Victoria are left under state awards?

Mr Hoy—How many workers are left?

Ms Tacy—I do not have those figures.

Mr Hoy—I think it is in the order of 600,000 in the Victorian system.

Ms Tacy—That is covering people who used to be under awards and the traditional non-award area, because the Victorian system covers both.

Senator SHERRY—You mentioned this issue of people moving both ways. Will you be able to provide comprehensive data on those movements?

Ms Tacy—As Mr Leahy explained earlier, we have a workplace agreements database for all federal agreements, and we have an arrangement with our colleagues in the state governments who provide the data that we use on state agreements. They vary to some degree to the extent of information. I think we are providing further information to you on that. But it is a combination of those two sources of data.

Senator SHERRY—But you are confident we can get those?

Ms Tacy—I am certainly confident at the federal level. We do rely on the states for the data on the state agreements.

Senator SHERRY—Was a plan developed and approved by the Office of Government Information and Advertising concerning communication and information activities on the workplace relations bill?

Mr Kovacic—At this stage, we are still developing the publicity campaign related to the bill. We have not had any discussions with the Office of Government Information and Advertising at this stage.

Senator SHERRY—So there is no budget prepared yet?

Mr Kovacic—No.

Senator SHERRY—When will you be undertaking this task?

Mr Kovacic—To some extent, it is dependent on the passage of the legislation through the parliament and the final shape of the act. But we are doing some preliminary work, and our objective is to be in a position to move fairly quickly with an information campaign once the legislation is passed and proclaimed.

Senator SHERRY—Have you selected an advertising agency yet?

Mr Kovacic—Not at this stage.

Senator SHERRY—What about research agencies? Have any other contracts been entered into?

Mr Kovacic—Not at this stage. We are at a very preliminary stage.

CHAIR—That completes subprogram 3.1. Are there any questions on subprogram 3.2?

Senator SHERRY—There are no questions on that section.

CHAIR—That completes program 3.

[2.27 p.m.]

Program 4—Executive and corporate services

Subprogram 4.1—Executive management

Senator CONROY—Does the drastic reduction in staff numbers, the 42.7 per cent reduction in staff years, include reductions in the Trade Union Training Authority?

Ms Tacy—Yes, it does, Senator.

Senator CONROY—What are the other locations and functions affected by these cuts?

Mr Hoy—Other than TUTA, it was all in the central office of the department.

Senator CONROY—Does the reference to corporately held funding to meet the costs of voluntary redundancies imply that there will continue to be no supplementation for voluntary redundancies?

Mr Hoy—Yes, there will not be any.

Senator CONROY—How many of the overall redundancies have been generated by the requirement to fund redundancy packages?

Mr Hoy—One hundred and forty-four redundancies to 30 June and another 63 until the end of the calendar year, making a total of 207.

Senator CONROY—With regard to the reference to potentially excess staff, what are other current expectations with regard to excess staff and what will happen if some staff are deemed excess after the conclusion of the voluntary redundancy round?

Mr Jasprizza—We have a very small number of staff now who are displaced and we will be making decisions about those shortly, but our staffing levels are pretty much stabilised.

Senator SHERRY—What were the targeted public communication activities of the department regarding the workplace relations bill?

Mr Kovacic—There are a number of elements to the information we have provided on the bill thus far. We have included copies of the legislation and the associated documentation on the department's home page on the Internet. We have had, I think, in the order of 100,000 inquiries through the Internet seeking information.

Similarly, we prepared a number of fact sheets and questions and answers relating to particular aspects of the bill not only for inclusion on the home page on the Internet but also for circulation to particular groups. Those fact sheets dealt with the implications of the bill for particular sectors of the community—be it women, young people and so on.

In addition, we have taken out an advertorial in a document prepared by the Department of Employment, Education, Training and Youth Affairs targeted at young people. We also prepared for the minister a media kit which was used to brief the media shortly after the introduction of the bill into the parliament.

Senator SHERRY—What is the total cost of this work to date?

Mr Kovacic—It has all been done in-house, so it is essentially staff costs and photocopying. I do not have those figures available with me. We have not engaged any external professional assistance, for want of a better description, in terms of printing, layout, et cetera. It has all been done in-house.

Senator SHERRY—I would appreciate a breakdown of that cost to date; you can take it on notice. In terms of these communication activities, has there been any activity carried out in raising the awareness in the parliament itself?

Mr Kovacic—In what sense?

Senator SHERRY—Presumably people engaged in this activity would have been, for example, advising the minister but involved in projects working with the minister. Has that occurred at all?

Mr Kovacic—Not to my knowledge. Certainly we have also provided assistance to the minister in terms of preparing speeches, et cetera. The minister has sort of undertaken a fairly extensive round of speaking engagements to promote the bill. There is that sort of material. The extent to which some of the material that has been prepared and which I have already mentioned may have been used or circulated to members of the parliament, I am not sure. I am not aware of any specific instances.

Senator SHERRY—In regard to strategies for 1996-97, who is responsible for determining the application of the workplace relations bill to the Commonwealth public sector?

Ms Tacy—Primary responsibility would be our Australian Government Employment group, which is in subprogram 2.1.

Senator SHERRY—What is the plan and timetable for the harmonisation of state and federal industrial relations systems?

Mr Hoy—There is not a specific timetable. We need to develop on a bilateral basis opportunities in particular states.

Senator SHERRY—Is there any overall goal to do that?

Mr Hoy—There is a goal to achieve a more cooperative delivery of services.

Senator SHERRY—Do you think we are ever going to see the day?

Mr Hoy—See what day?

Senator SHERRY—When we have overall harmonisation between jurisdictions.

Ms Tacy—There are a number of different levels. We are talking about harmonisation in terms of legislation, which I think was your comment. We have been talking to date about the harmonisation of service delivery in terms of co-location, dual authorisation and dual appointments in the commission.

Senator SHERRY—Let us take the issue of legislation.

Ms Tacy—The minister has been working with his state colleagues, through a special meeting of the Labour Ministers Council, to achieve complementary legislative changes in the states.

Senator SHERRY—That does not necessarily mean harmonisation though, does it?

Ms Tacy—No, but it moves in that direction. The intention is for that to continue to achieve the maximum degree of harmonisation or at least consistent arrangements.

Senator SHERRY—Does the intention include Victoria handing over its industrial relations powers to the Commonwealth?

Ms Tacy—That certainly has been, as has been announced in the Victorian parliament, an issue that has been pursued, but it is really up to respective ministers to make further announcements on that issue.

Senator SHERRY—Has there been any assessment of staffing numbers, responsibilities, activities, et cetera that would be required if that occurred?

Ms Tacy—That would be subject to the details of the arrangement.

Subprogram 4.2—Corporate services

Senator SHERRY—What is the total cost of the redundancy process in the Department of Industrial Relations?

Ms Tacy—As Mr Hoy mentioned, for 1995-96 we had 144 people on VRs as part of the downsizing exercise. The cost of that was \$7,034,900. We are working on the basis of a further 63 Vrs by the end of December this year. The additional ones will cost in the order of \$3.2 million. So it brings us up to a round total of \$10.2 million.

Senator SHERRY—Do those costs include superannuation payments as well?

Mr Hoy—No.

Senator SHERRY—What is the—you might not have it now—cost of superannuation payments for both people who took a lump sum and people who elected to take a pension?

Mr Jasprizza—We do not have those specific figures. Those figures that Ms Tacy indicated are simply the severance benefits and accumulated entitlements—in other words, recreation leave and long service leave.

Senator SHERRY—Can you obtain those figures for the committee?

Mr Jasprizza—Yes, we will see what we can do.

Senator SHERRY—Could you make available the profile of the age range, the level of—

Mr Hoy—We have got with us the level and sex, but we do not have age.

Senator SHERRY—I would be interested in the age range. Just a word of warning, if you are over 55, watch out for those deeming provisions on superannuation.

Mr Hoy—I think from memory there were not a lot over 55.

Senator SHERRY—Anyone coming up to 55 should be aware of that. We have had a lot of calls about that. Is it department policy not to re-employ anyone as a consultant?

Mr Hoy—For one year, yes.

Senator SHERRY—But after that, it could happen?

Mr Hoy—Yes.

Senator SHERRY—At what level of the service have the redundancies occurred? Have they been at one particular level?

Mr Hoy—No, it has been right across levels, from the ASO levels to the SES level.

Senator SHERRY—Do you anticipate recruiting any staff?

Mr Hoy—Yes. There are some areas where we currently have vacancies in more specialised areas such as information technology; but the recruitment is limited at the moment. They are specialised areas.

Senator SHERRY—None of those people who were made redundant would have been suitable because of it?

Mr Hoy—No, we have placed and we will continue to place as many people as we can, but in some specialised areas there were no redeployees capable of being put into those jobs.

Senator SHERRY—To what extent will the accommodation needs of the department be affected by the staffing changes?

Mr Hoy—The accommodation requirements are reduced substantially.

Senator SHERRY—Has the reduction in the size of the accommodation been put into effect?

Mr Hoy—We are moving to consolidate the central office of the department in one building. Until recently we were in three buildings in Canberra city. We have vacated one lease and we are in the process of vacating another lease so that in a month or so all the central office component will be in one building in Canberra city.

Senator SHERRY—Has that involved any early termination penalties on those leases?

Mr Hoy—One lease we were on a month to month basis. One other lease has some years to run and we will need to seek to assign it or sublease it or something.

Senator SHERRY—What if you cannot sublease it? You might have a legal problem in the current environment.

Mr Hoy—Yes, we might have a problem.

Senator SHERRY—So will that space remain vacant?

Mr Hoy—Unless there can be another Commonwealth user. We will be seeking the assistance of the Department of Administrative Services. But whichever way it went we would have vacant space either in our current building in the Jolimont Centre or somewhere else. It was more efficient to put everybody together in the one building.

Senator SHERRY—Could you provide us with the details of the cost of the lease for that vacant building?

Mr Hoy—The one that will be vacant?

Senator SHERRY—The one that will be vacant.

Mr Hoy—Yes. In round terms it is \$800,000 per annum. Is that right?

Mr Kazs—The Tasman House lease, which is roughly 2,000 square metres, is \$486,000 per annum.

Senator SHERRY—So it could be vacant for a year if you cannot—

Mr Kazs—The lease is due to expire at 30 June 1999.

Senator SHERRY—About nine months.

Mr Hoy—We have training facilities in one of the floors which we will continue to use but we will need to seek another tenant for three floors.

Senator SHERRY—Will there be any additional costs associated with the fit-out?

Mr Hoy—Only minor costs. The building itself has been fitted out and we are moving people in with minor changes.

Senator SHERRY—Why the closure or contraction of the library and store?

Mr Kazs—We went through a rationalisation process in the department which flowed from the restructuring. Part of that process involved consideration of the whole range of corporate services covering property accounts, finance, library and stores. With the library and the store we concluded that the just in time provisions of stores management were more efficient than running a central store for the department and we did some minor rationalisation of the library.

Senator SHERRY—Where will the department get its stores from now?

Mr Kazs—From a private contractor.

Senator SHERRY—Do you have any savings estimates?

Mr Kazs—Yes, but I do not have those with me at the moment.

Senator SHERRY—Could you provide them to us?

Mr Kazs—Sure.

Senator SHERRY—What are the minor changes to the library?

Mr Kazs—We have negotiated a contract arrangement with the Department of Employment, Education, Training and Youth Affairs to provide professional library advice to supplement the administrative support that our two library staff currently provide to the rest of the department.

Senator SHERRY—Were there any reductions in staffing in the library?

Mr Kazs—There was a reduction of one.

Senator SHERRY—Is the library centrally located in the building?

Mr Kazs—Yes.

Senator SHERRY—What is the background to the termination of central contracts for discretionary services such as front office reception?

Mr Kazs—Again, as part of the corporate rationalisation we had an arrangement in place whereby a contract had been let to provide a reception service on the ground floor of the building. Our assessment was that, as part of the rationalisation, that service was no longer required. It involved roughly \$40,000 per annum.

Senator SHERRY—Of one staff person?

Mr Kazs—It was a contract.

Mr Hoy—It was with a private security firm.

Senator SHERRY—Why was it more efficient to terminate that contract?

Mr Kazs—It was decided that the effectiveness of the security service did not justify the expenditure of that amount of money.

Senator SHERRY—So, effectively, the level of security is less now?

Mr Kazs—From the public perception point of view as you walk into the building, yes. But from the overall security of staff in the building, no because anybody was allowed to walk in anyway. It was not a security service that required checking, for example, as you do here in Parliament House.

Subprogram 4.3—Australian Trade Union Training Authority

Senator CONROY—With regard to the decision to cease funding to the Australian Trade Union Training Authority, was there any assessment of TUTA's effectiveness?

Mr Hoy—No.

Ms Tacy—The decision on TUTA was part of the government's *Meeting our Commitments* pre-election document.

Senator SHERRY—It was one of those core commitments.

Senator Alston—We had done the careful evaluation before.

Senator SHERRY—Will you make the evaluation public?

Senator Alston—I do not think we need to do that, for reasons that are self-evident.

Senator CONROY—What arrangements have been made for the sale of Clyde Cameron College?

Mr Hoy—We are in the process of seeking to sell Clyde Cameron College through public tender.

Senator CONROY—Is there any indication of the interested purchasers or the likely use of this important regional asset?

Mr Hoy—There is interest but at the moment we do not have a purchaser.

Senator SHERRY—Following on from that exchange we had then, Minister, on the reasons being self-evident, do you believe that it is important to have, in the wider economic context, officials of unions who have adequate education and training in the industrial relations arena?

Senator Alston—That is a matter for those who engage them, whose interests they represent. There is no objection to the union movement paying for those upgraded skills. It is really an issue of whether the taxpayer ought to be funding them any more than funding employer groups to ensure that they provide adequate representation.

Senator SHERRY—But do you believe it is important that the education and training skills be upgraded?

Senator Alston—It is important for the membership that they be represented by the best quality and best informed representative.

Senator SHERRY—You would apply the same argument to employers?

Senator Alston—Yes.

Senator JACINTA COLLINS—On that issue, are there other areas under which the department targets funding to employer organisations?

Mr Hoy—No.

Senator JACINTA COLLINS—So the only involvement that the department has with respect to the training of employers is the fee for service training which was conducted by TUTA; is that the case?

Mr Hoy—In 1995-96, under the programs the department had which have now been wound up, we did make funding available to employers and unions which could have involved that sort of training activity. But that activity ceased at 30 June.

Senator JACINTA COLLINS—So have all training activities for employers, employer organisations and trade unions been wound up?

Mr Hoy—Yes.

Senator SHERRY—That is an appropriate term to finish on.

CHAIR—That completes subprogram 4.3 and the consideration of the estimates for the Department of Industrial Relations. Thank you to all the officers who have been involved, and thank you to the minister. We will have an adjournment until 3 p.m., and we will resume with the Department of Industry, Science and Tourism.

Sitting suspended from 2.49 p.m. to 3.03 p.m.

DEPARTMENT OF INDUSTRY, SCIENCE AND TOURISM

Proposed expenditure \$1,672,692,000 (Document A).

Proposed expenditure \$87,246,000 (Document B).

Expenditure from the Advance to the Minister for Finance, \$9,461,194 (Document D).

In Attendance

Senator Parer, Minister for Resources and Energy

Program 1.O—Department of Industry, Science and Tourism

Mr G.F. Taylor, Secretary

Dr J. Bell, Deputy Secretary and Chief Science Adviser

Mr J. Ryan, Acting Deputy Secretary

Subprogram 1.1—AusIndustry

Mr A. Evans, Executive General Manager

Mr K. Besgrove, Assistant Secretary, Policy and Program Development Branch

Dr A. Dubs, General Manager, IR&D Programs Branch

Mr D. Taylor, Assistant Secretary, Network Management and Communications Branch

Ms J. Ricketts, General Manager, Enterprise Development Branch

Mr P. Constable, General Manager, R&D Syndication and Monitoring Branch

Mr R. Cicchini, Manager, Finance and Administration

Subprogram 1.2—Industry Liaison

Ms B. Clarke, First Assistant Secretary, Engineering, Construction and Resource Processing Industries Division

Ms P. Kelly, Acting First Assistant Secretary, Information Technology, Communications and Environment Industries Division

Dr D. Williamson, Assistant Secretary, Information Industries Branch

Mr A. Cross, Acting Assistant Secretary, Purchasing, Pharmaceuticals and Environment Industries Branch

Subprogram 1.3—Tourism

Mr K. Maxted, Acting First Assistant Secretary

Ms C. Parsons, Assistant Secretary, Regional and Environmental Tourism Branch

Ms J. Harrison, Assistant Secretary, International Tourism and Industry Development Branch

Mr B. Jones, Acting Assistant Secretary, Industry Analysis Branch (representing the Bureau of Tourism Research)

Subprogram 1.4—Industry Policy

Mr G. Wall, Acting First Assistant Secretary

Ms M. Fanning, Assistant Secretary, Business Environment Branch

Mr G. Cook, Assistant Secretary, Small Business Deregulation Taskforce

Mr J. Law, Acting Assistant Secretary, Office of Small Business

Ms R. Gallagher, Director, Office of Small Business

Ms K. Rooney, Acting Assistant Secretary, Manufacturing Policy Branch

Subprogram 1.5—Consumer Affairs

Mr T. Rodgers, Assistant Secretary, Safety, Legal and Liaison Branch

Mr J. Wunsch, Director, Management and Grants

Mr K. Croker, Assistant Secretary, Resource Processing Industries Branch

Subprogram 1.6—Science and Technology

Mr M. Farrow, First Assistant Secretary, Science and Technology Division and Executive Director, Australian Space Office

Mr E. James, Assistant Secretary, Science and Technology Advisory Branch

Subprogram 1.7—Trade, Investment Facilitation and Co-ordination

Mr D. Hanna, Acting First Assistant Secretary

Dr G. Verney, Assistant Secretary, Ministerial and Co-ordination Branch

Mr D. Steiner, Acting Assistant Secretary, Investment Facilitation and Promotion Branch

Mr M. Roberts, Acting Director, Export Credit Policy

Mr J. Robertson, Director, Portfolio Co-ordination (Liaison)

Mr P. McGuinness, Assistant Director, Portfolio Co-ordination (Liaison)

Subprogram 1.8—Corporate Services

Dr J. Hagan, Acting First Assistant Secretary

Mr D. McEwan, Assistant Secretary, Resource Management Branch

Mr R. Meadowcroft, Director, Legal Services

Mr C. Dainer, Director, Resource Management and Property

Program 2.0—Australian Industrial Property Organisation

Mr A. Bain, Director General

Ms S. Farquhar, Acting Deputy Director General, Business Services

Mr B. Murray, Commissioner of Patents, Registrar of Designs

Mr P. Richards, Registrar of Trade Marks

Mr R. Gould, Deputy Director General, Corporate Strategy

Mr R. Wilson, Deputy Director General, Information Technology Services

Ms S. Keating, Director, Finance

Program 3.0—Australian Tourist Commission

Mr J. Hutchison, Managing Director

Mr J. Hopwood, General Manager, Business Services

Ms M. Hudson, Manager, Corporate Strategy

Ms J. Fisher, Government Relations

Program 4.0—National Standards Commission

Dr G. Harvey, Deputy Director

Program 5.0—Australian Institute of Marine Science

Dr R. Reichelt, Director

Program 6.0—Australian Nuclear Science and Technology Organisation

Professor H. Garnett, Executive Director

Dr A. Jostsons, Acting Executive Director

Mr R. Baker, Director, Corporate Services

Mr P. Bull, Acting Director, Government and Public Affairs
Program 7.0—Commonwealth Scientific and Industrial Research Organisation
Dr M. McIntosh, Chief Executive
Dr C. Adam, Deputy Chief Executive
Dr B. Frater, Deputy Chief Executive
Dr J. Radcliffe, Deputy Chief Executive
Dr O. Mayo, Chief, Division of Animal Production
Mr B. Garrett, General Manager, Corporate Finance
Mr J. Baistow, Principal Resource Adviser, Corporate Executive
Ms M. DeVere, Senior Adviser, Ministerial and Parliamentary Liaison
Dr I. Elsum, Principal Planning Adviser, Corporate Executive
Mr C. Hammond, Finance Officer, Corporate Finance
Dr B. Heyde, Principal Secretary, Government Business and International Scientific Liaison
Ms M. Keir, Manager, Ministerial and Parliamentary Liaison
Mr I. Rout, Assistant Manager (Budget), Corporate Finance
Program 8.0—Anti-Dumping Authority
Mr D. Fraser, Member
Mr J. Salvage, Acting Executive Director
Program 9.0—Australian Customs Service
Mr L. Woodward AO, Chief Executive Officer
Mr J. Drury, Deputy Chief Executive Officer
Mr M. Roche, Deputy Chief Executive Officer
Mr B. Smith, Acting National Manager, Executive Support
Mr T. Van Dam, National Manager, Staffing
Ms S. Pitman-Hobbs, National Manager Budgets
Mr C. Vassarotti, National Director Commercial
Ms M. Grant, National Manager Industry
Mr B. Hurrell, National Manager Dumping
Mr P. O'Connor, Director Dumping
Mr J. Jeffery, National Manager Inland Revenue
Mr P. Kittler, Director Tariff Policy
Mr P. Gulbransen, Director Cargo Policy
Ms R. Kenway, National Manager Legal
Mr P. Burns, National Manager Investigation
Mr L. Jones, National Director Border Management
Mr P. Naylor, National Manager Coastwatch
Ms D. Bates, National Manager Intelligence
Mr G. Bannister, National Director Business Development and Technology

Department of Finance—

Mr Neville Jackson

Mr Glenn Paulus

CHAIR—I call the committee to order. We will now commence the examination of the estimates for the Department of Industry, Science and Tourism. I understand that Senator Parer is on his way; he is just completing work with another estimates committee. I welcome the officers from the Department of Industry, Science and Tourism. I note, for the record, that the estimates of this portfolio amount to \$1,672,692,000 in Appropriation Bill (No. 1) 1996-97 and \$87,246,000 in Appropriation Bill (No. 2) 1996-97.

I also note three errors within the Industry, Science and Tourism *Portfolio Budget Statements*. On page 20 of the statement, the total actual staffing figure for program 1—‘Industry, Science and Tourism’—in table 1.2, under the heading ‘Portfolio Outlays and Staffing by Program and Sub-program’, should be 1,123 not 1,114. The understatement of nine staff occurred because of an administrative error in the transfer of the multi-function policy function between subprograms.

The other two errors are contained in the Australian Tourist Commission section of the *Portfolio Budget Statements*. On page 105, the first sentence of the third paragraph should read ‘total export earnings’ instead of ‘total visitor expenditure’. The amount should be \$13.105 billion, not million. On page 106, the first dot point of objective 2 should be deleted because the Bureau of Tourism Research is no longer using total direct visitor expenditure as a statistical measure.

Before we commence hearing the subprograms within the department, I would like to clarify that we will hear the program subprograms in the sequential order as printed in the *Portfolio Budget Statements*. There will be two exceptions to this concerning program 10.0, ‘Australian Manufacturing Council Secretariat’, and program 11.0, ‘Textiles, Clothing and Footwear Development Authority’, which will be considered as part of the Department of Industry, Science and Tourism.

Both of these agencies are in the process of abolition, with residual functions having been transferred to the department. Accordingly, I am advised that questions concerning the Australian Manufacturing Council Secretariat may be considered within the departmental subprogram 1.4, ‘Industry Policy’, and questions concerning the Textiles, Clothing and Footwear Development Authority may be considered during the departmental subprogram 1.2, ‘Industry Liaison’.

It is suggested that we start with non-controversial questions until the minister arrives and proceed through the subprograms on that basis.

Senator COOK—I am not in a position to start until the minister is here. My questions to begin this portfolio are to the minister.

CHAIR—There may be some other people who have questions for the officials, and we can come back to the minister when he arrives.

Senator COOK—Is it in order that we start estimates without the minister?

CHAIR—Yes, it is.

Senator COOK—What is the precedent for that?

CHAIR—We did that this morning with agreement.

Senator COOK—That has been your government's precedent. It is not a precedent that I am aware of. We require a minister here because the questions are, as you would know, Mr Chairman, to the minister.

CHAIR—I was going to suggest that if any senators have any non-controversial questions that can be answered by officials they can ask those questions and they can be answered. When the minister arrives we can return to the subprograms where there are questions to the minister, and senators will have full rights to return to those subprograms and ask those questions. In the interests of the efficiency of the committee, if there are non-controversial questions that could go to officials, it is appropriate to have those dealt with.

Senator COOK—In the interests of the efficiency of the committee, it would be important that the government be present, wouldn't you say, Mr Chairman? These are departmental estimates and the questions are, as you would know, to the government. If the government chooses to ask the department to answer the questions, it is for the department then to respond. But the questions are, of course, to the minister. In the absence of the minister, it is very difficult to conform with this process.

I appreciate that that delays the proceedings. I lament that more than anyone because I have been on this trail for many hours and many late nights, but the government should be in attendance. It is the responsibility of the government to get the budget through. It should at least do us the honour and dignity of appearing before the committee.

CHAIR—I am sure that the ministers are doing their best. As you are aware, one minister has taken sick and, therefore, the minister who is responsible for this particular portfolio is also trying to deal with another portfolio in her absence. Here is the minister, so we can commence.

Senator Parer—There is another committee going on, which I expect to finish at 4 o'clock. Whether you wish to start is entirely up to you.

CHAIR—I have just suggested that we could deal with non-controversial issues with the departmental officials, but Senator Cook is, for some reason, objecting to that.

Senator COOK—With respect, Mr Chairman, that is not a fair characterisation of what I was saying. My point, Minister, is that this is the government's budget. This is a department for which the government is responsible. Estimates are opportunities to quiz the government. I do not want to stand unduly on dignity or be too difficult about this, but that is the form. Now that you are here, if you are happy for us to ask questions of officers in your absence—

Senator Parer—Yes, I am.

Senator COOK—But the responses will obviously be responses which the government will have to live with without a ministerial presence. In any case, I have to flag that I have a number of first-up questions that are directly for the minister.

Senator Parer—You can postpone them if you wish. I am happy with that if you are happy with that.

CHAIR—Are you suggesting that we postpone the questions to the minister or postpone the whole hearing?

Senator Parer—No. If you have specific questions for me, you can hold them until I come back if you wish. I understood that this meeting was being called today at the convenience of Senator Cook.

Senator CONROY—Senator Alston actually. The minister responsible this morning could not make it at 3 o'clock today so it was moved to the morning.

Senator Parer—I was happy to fit in with whatever requests were made, if we could do it.

Senator CONROY—Senator Alston requested that it be changed from 3 o'clock, which is when we were meant to do IR.

Senator COOK—I recognise that we ought to give a bit and take a bit, so I am happy to defer my questions until you come back.

CHAIR—We will see you at 4 o'clock, Minister. Are there any questions to officials?

Senator COOK—Mr Chairman, before we get into the various programs, can I ask a general question of the officials?

CHAIR—Yes, we will start with general questions that are appropriate for the officials to answer.

Senator COOK—I put a number of questions on notice before the committee convened. I think those questions were given to the department. They were put in order to obviate a lot of tedious detail. Is the department in a position to answer those questions now?

Mr Hanna—We were asked by the committee to have responses to those by 4 October. We are not in a position to provide you with answers just yet, but we expect to hit the 4 October deadline that we were given.

Senator COOK—I accept what you are saying; you were asked for a response by that time and that is the deadline you will meet. The problem for me is that I had hoped to have received the answers earlier so that if there were issues that arose from your answers to my questions I could take them through at an oral level now, but that would have to be in supplementary estimates in October.

I have a number of questions which relate to the office of the minister and questions regarding his staffing. These are not political questions; they are questions of fact. But I flag that so that you are aware of the line of questioning I want to embark on. Is there anyone here who can tell me how many personal staff are employed in the minister's office?

Mr Hanna—Off-hand, I am not sure. I could answer that directly by doing a quick count, but that is more or less what I would have to do. DAS actually employs members of the minister's staff rather than the department. In the normal course of events, we would not have a complete list of that, but I can certainly find out for you in the course of today and get back to you before the hearing is over.

Senator COOK—Do you know whether there are any departmental liaison officers employed in the minister's office?

Mr Hanna—There are two.

Senator COOK—What is the salary band for each of those officers?

Mr Hanna—The two departmental liaison officers in Mr Moore's office are both SOG Bs. I am not exactly sure what the salary band on that is. It is up to about \$60,000.

Senator COOK—Is their home base Canberra, for travelling purposes?

Mr Hanna—Yes, it is the same for all departmental liaison officers.

Senator COOK—They are obviously employed by the department under the department's act?

Mr Hanna—Yes.

Senator COOK—Do you happen to know whether there is anybody working in the minister's office associated with Rehame Australian Services Pty Ltd?

Mr Hanna—Not that I am aware of.

Senator COOK—Are you in a position to be fully aware?

Mr Hanna—I need to know exactly what you mean by 'associated with'.

Senator COOK—That formally work for, is on contract or on lend from that body.

Mr Hanna—I am not in a position to know that.

Senator COOK—I do not think I can take those questions any further, Mr Chairman. I should flag now that I have those questions for the minister. What arrangements has the department inaugurated over the last six months that are different in character from arrangements that may have applied before then for the department to consult with industry, to be aware of business views and to be able to take up issues associated with industry? What is your consultative network now? How has it changed?

Senator SCHACHT—Where is the minister?

CHAIR—He is not here; he will be here at 4. We are doing questions that are appropriate for departmental officials at this stage.

Senator SCHACHT—They have put up a white feather already, have they?

CHAIR—He is involved with two committees that are running concurrently.

Senator SCHACHT—God! This government could not manage a bloody chook raffle at Innamincka!

CHAIR—We are doing a lot better than the previous one.

Senator SCHACHT—We never did this. It is extraordinary. Can we ask policy questions of the officers?

CHAIR—No, you can ask non-controversial questions.

Senator SCHACHT—How about Mr Ryan? He can stand in for the minister. Mr Ryan, you are a policy adviser.

CHAIR—The minister will be here at 4, so we are just dealing with—

Senator SCHACHT—Rafferty's rules apply.

CHAIR—Not while I am chairing the committee, Senator Schacht. My rules apply.

Senator SCHACHT—That goes without saying.

Mr Mazitelli—Mr John Ryan is probably in the best position to answer that question, but I wonder if I could ask the senator whether that question might be repeated. Mr Ryan was not here when you put your question and I apologise for that.

Senator SCHACHT—Is there anybody here?

Senator COOK—I am happy to ask again. The question is: what changes in the consultative arrangements the department has with business have been inaugurated since the election?

Mr Ryan—There have been a number of changes in our consultative arrangements. Certain major bodies have ceased to operate. What particularly comes to mind to me at the moment is the Australian Manufacturing Council, but then there have been new bodies established as

well. I am thinking there of an organisation which has the same acronym. I think it is referred to as the Automotive Manufacturing Council.

Senator COOK—Does that replace any other pre-existing body or is it entirely new?

Mr Ryan—The Automotive Council would be new. I do not think it replaces any other body.

Senator COOK—When I was minister of this department I had a meeting late last year with a body called the Australian Automotive Manufacturing Advisory Committee—or some such—in which all the automotive companies, the component part manufacturers and the relevant unions were involved. Is that the composition of this body?

Mr Ryan—It would be similar, but I would have to ask someone else to actually give me the precise information on that one.

Senator COOK—It sounds like an older body rebadged or maybe even continued on.

Mr Ryan— If I could introduce Bev Clarke, who is the—

Senator SCHACHT—She is actually the minister in disguise.

Mr Ryan—Ms Clarke is the First Assistant Secretary in charge of the division responsible for the auto areas. She might be able to give us more detailed information on that.

Ms Clarke—I probably missed part of the question coming down the corridor, but I think the question was whether there are any new arrangements.

Senator COOK—What are the new consultative arrangements this government has introduced? We had just got up to the Australian Automotive Manufacturing Council and I was asking whether that was similar to the consultative body which applied under the previous government.

Ms Clarke—Yes, it is. The terms of reference are the same. There has been some minor change in membership, but otherwise it is basically dealing with the same issues.

Senator COOK—Are those changes in membership related to personalities on the body? They are not related to industry sectors or unions, are they?

Ms Clarke—No, they are personalities on the—

Senator COOK—That is a natural change is it?

Ms Clarke—Yes.

Senator COOK—Okay. So that is not new? That is a continuation?

Ms Clarke—It is a continuation.

Senator SCHACHT—Following up Senator Cook's question about the consultative arrangements for the department to have discussions with the various elements of the business community and industry, et cetera, has there been any change made to the National Small Business Forum?

Mr Ryan—Yes. The National Small Business Forum will continue and the Small Business Council has been wound up.

Senator SCHACHT—It has been wound up. That is another one that hit the fence. Was there a press statement issued by the minister—that is the disappearing minister—when that was wound up?

Mr Ryan—I do not believe there was.

Senator SCHACHT—Was there any letter sent to the members of the Small Business Council explaining why their services were no longer required?

Mr Ryan—I believe there was.

Senator SCHACHT—Can we have a copy of the letter, please? From memory, Mr Ryan—I presume your department might have produced the letter because I doubt the minister would have the wit to do it—what was the thrust of the letter to the members who served on that council as to why the council was disappearing?

Mr Ryan—I would have to refresh my memory from a copy of the letter to answer that.

Senator SCHACHT—We will come back to that when the minister finally turns up. Can I speculate that budgetary cuts were the reason?

Mr Ryan—I cannot answer the question just yet until I have refreshed myself on the detail.

Senator SCHACHT—Is it mentioned anywhere in the PBS as a saving?

Mr Ryan—I suspect not, because I do not think there would be a large expenditure involved in that.

Senator SCHACHT—I would have to agree with you in terms of some of the other slash and burn efforts of the new government in the department. That was probably a very modest amount, but it would still go somewhere in the department's recommendation to tell Finance how good you are at saving funds for the bottom line of the budget. Take it on notice. We will come back to it. If an officer can draw my attention to it in this document—

Mr Ryan—It is funded out of our running costs. Therefore, it does not appear as a separate program item.

Senator SCHACHT—It is in running costs. I would still like you to take it on notice and get an answer before we finish this hearing of what the staff year saving was. From my recollection, there were proportions of staff years in running the council. They are not big. They always were when you tried to explain to me why these things run. They always had to be put in the budget and some staff years claimed. I presume you claim the credit when you knock it off. Have any of the members of the council responded to the minister's letter expressing any view about them being wound up?

Mr Ryan—I am not aware that we have had any responses.

Senator SCHACHT—So the council has gone. You said that there have been changes made to the National Small Business Forum. What are the changes?

Mr Ryan—There are no changes to the National Small Business Forum. The other change which has taken place in the small business area was the establishment of the micro business consultative groups.

Senator SCHACHT—Let us talk about the forum for a start. Has the forum met since the election?

Mr Ryan—No.

Senator SCHACHT—Is it planned to meet?

Mr Ryan—It is scheduled to meet, I believe, within the month possibly.

Senator SCHACHT—Has an agenda been prepared to the forum yet?

Mr Ryan—Within the department we would have been preparing a draft agenda. Whether it has been to the minister yet, I am not clear.

Senator SCHACHT—Has the membership of the forum been changed since 2 March?

Mr Ryan—To my knowledge, no.

Senator SCHACHT—Have any requests been made by various segments of the small business community for changes to be made? Have people wanted to nominate themselves to serve and other groups suggested that some other people should be taken off the National Small Business Forum, so to speak?

Mr Ryan—I can give you a fuller answer on that. We continuously get requests to join the forum. So that would be in the normal course of events. I am not aware of any correspondence seeking certain parties to withdraw.

Senator SCHACHT—Has there been a meeting of the Small Business Coalition, which is not actually a departmental body? It is, what you might call, a lobby group. It usually meets the night before, but it has a function of its own. It has a look at issues put on the agenda and sorts out issues to be discussed. Has the Small Business Coalition put forward suggestions for the next meeting of the forum?

Mr Ryan—There has certainly been meetings of the coalition. Yes, they have put forward suggestions for what could be discussed at the forums.

Senator SCHACHT—Has the minister attended a meeting yet of the Small Business Coalition?

Mr Ryan—Yes, he has.

Senator SCHACHT—Is there any indication yet that the forum will meet only once a year or will continue to meet twice a year?

Mr Ryan—There has not been any discussion of that yet.

Senator SCHACHT—Just going on to other advisory bodies, seeing as some have been wound up apparently, is the AIPO advisory body still in existence?

Mr Ryan—I have been told yes.

Senator SCHACHT—Have there been any changes to its membership or its terms of reference?

Mr Hanna—It is probably best dealt with when AIPO comes in. I do not think we have got that level of detail about that particular body.

Senator COOK—It may also be that you do not have people able to give you a comprehensive answer to my question about the changes, so maybe you could provide me with, hopefully in the next day, a table showing what advisory body changes there have been. We know the AMC has gone. The Small Business Council has gone. The Automotive Manufacturing Council has been rebadged and will continue. Can we have a list of whatever advisory changes there have been, new and old?

Mr Ryan—Yes, that is what I was going to supply.

Senator COOK—If there has been any change in personnel, if people have resigned since the new government came to office or been invited to step aside or have stepped aside, or if those bodies have expanded in numbers and new people have been appointed, can we have a table of the ins and outs of where the changes have occurred? In the expectation of receiving that, when the government made the decision to abolish the computer bounty did it consult with that sector?

Mr Ryan—That is one I think we would probably want to refer to the minister.

Senator COOK—Did the department consult?

Mr Hanna—I would like to check on that. We can get back to you in the course of this afternoon.

Senator COOK—When the government decided to terminate the shipbuilding bounty, did you consult with that industry?

Mr Hanna—I think it would be the same process.

Mr Ryan—I think we can give an answer on that one. We definitely did on that one.

Senator COOK—When the book bounty was terminated, did you consult with the book publishing industry?

Mr Ryan—No.

Senator COOK—When the machines and robots bounty was terminated, did you consult with that industry sector?

Mr Ryan—No.

Senator COOK—I have lost all the other bounties—there were quite a few others.

Senator SCHACHT—Senator Cook mentioned ship bounties and it reminded me that, when you are drawing up your list of committees and advisory bodies, you should not forget such bodies as the shipping partnership which was part of that industry advisory body. With some of them, their time might have run out anyway; they might have reported. If they have gone out of existence because they have reported, give us the status of what their report is and whether it has been dealt with by the government and is the report available publicly. Those committees often conveniently slip off the table sometimes if ministers want to be forgetful. If they have naturally wound up because they have completed their work and they have made a report, we would like to know the outcome of their report.

Senator COOK—The bed sheeting bounty we found was one the government terminated, was it not?

Mr Ryan—I think not.

Ms Kelly—It was not terminated in this budget. The announcement of the termination of the bed sheeting bounty was previous to that. It was terminated on 30 June 1995, although there were payments in this current year because it is paid retrospectively.

CHAIR—So it was terminated by the previous government?

Ms Kelly—On my understanding, it was.

Senator COOK—Could you remind us which of the bounties are terminated? The robotics bounty has gone; the ships bounty has gone; the books bounty has gone. Was there something in the textile area that went?

Ms Kelly—The bounties that went in the textiles area, Senator, were all announced prior to this budget. They were not in this budget. No textiles bounty went in this budget. They were all previously discontinued.

Mr Ryan—The first group you mentioned were the group that I am aware of that were in this budget. They are computer, ships and machine tools bounties.

Senator COOK—Okay. There is a whole list in the portfolio budget statements of programs that have been terminated. I will not go into the detail of these programs—we will come to them in the sequential order that the chairman has advised us about. I am looking at page 21 which spills to page 22 and 23 on programs that are either budget measures that are rescinded,

of which there are 19, or programs that have been abolished, of which there are 10. Let us stick with those two—budget measures rescinded or programs abolished. On the benchmarking studies program which is now rescinded, was there any consultation between the department and industry about the rescission of that program?

Mr Ryan—To the best of my knowledge, no.

Senator COOK—On the business spin-offs from the research sector, was there any consultation with industry about the rescinding of that budget measure?

Mr Ryan—My difficulty here, Senator, is that I am not personally responsible for some of these programs.

Senator COOK—I would not want to ask you if you were not the right person to ask the question. I am just after information.

Mr Hanna—The majority of these programs, Senator, are ones that were announced in the innovation statement but have not actually taken effect. I would be surprised if there was any detailed consultation with industry about a decision not to proceed with these programs.

Senator COOK—Until the minister comes back, I can assume for the sake of the exercise that it is likely and probably the case that no consultations occurred. Just for the sake of this exercise, since these are innovation program measures, can you give us a very quick outline of what consultations went on with industry in the selection and forming of these measures? The department had a very long consultative arrangement, did it not?

Mr Ryan—It did.

Senator COOK—It had a task force and it went about systematic consultations over about 18 months?

Mr Hanna—I do not think it was quite that long but it was certainly an extensive period of time.

Senator COOK—These budget measures arose out of a quite concerted departmental industry contact, in-depth consultations—

Mr Ryan—Also ministerial consultations as well.

Senator COOK—Ministerial consultations as well; that is right. Well do I remember. But, it seems—and this is not an observation I direct to the department—despite extensive contact and consultations with industry about these programs identifying the necessity and priority of them, no consultation occurred between the new government and industry when they were terminated. On the programs that were abolished, are we in the same position? Is anyone able to say, to save my going through each program one by one, whether or not the department conducted consultations before decisions were made to abolish these programs?

Mr Hanna—I think we have already advised, Senator, that, in relation to the bounties, there was not. A number of the others, if not all of the others, were in fact the implementation of election commitments. The abolition of the Manufacturing Council, for example, the support for Asia infrastructure consortia program and so on were, as I recollect it, all in the election commitments. Some of the smaller ones probably were not. The last three on page 23, under the abolition, I do not believe were particularly mentioned in election processes and I do not think there was any particular consultation with those affected groups.

Senator COOK—A couple of those, as you say, were election commitments. The Manufacturing Council was certainly one of those and we will come to that in the program.

But, to your knowledge, did the department engage in any consultations with industry about the manner in which it might be wound up?

Mr Ryan—With the Australian Manufacturing Council?

Senator COOK—Yes.

Mr Ryan—No, to my knowledge.

Senator COOK—I ask that question with some passion because a former and quite distinguished, very conservative member of the Australian business community buttonholed me in the Melbourne airport the other day and said that we should have done more to support the continuance of the Australian Manufacturing Council.

The support of Australian suppliers program is one of the programs that is abolished. I do not recall that being an election undertaking by the government.

Ms Kelly—Yes, Senator, there was a commitment by the government in the Meeting our Commitments statement. The Australian suppliers program was named in that statement but we called it the support for Australian suppliers program. That was the program that was meant.

Senator COOK—So it did not appear in the then shadow minister's, now minister's, election manifesto for industry and commerce; it appeared in the Treasurer's budget savings document only, did it?

Ms Kelly—Yes, Senator.

Senator COOK—Was the abolition of the information technology development program also in Meeting our Commitments?

Mr Ryan—I am advised that they were both in the Meeting our Commitments document.

Senator COOK—But they were not in the formal policy for industry and commerce put out by the minister?

Mr Hanna—I am not sure. We would have regarded all of the statements that the incoming government made during the course of the election campaign as part of the commitments rather than any particular one.

Senator COOK—I appreciate the department's view, but I guess my concern is to try and get a clear idea of what the government would have made known to industry, since industry by and large is the client base for this department, as to the programs in this department. But they would have to have gone through the fine print in the Meeting our Commitments statement to have found that. The abolition of support for the Asia infrastructure consortium was in Meeting our Commitments?

Ms Clarke—It was, yes.

Senator COOK—Right. Was the cessation of the grants in aid to the Australian Fire Protection Association in Meeting our Commitments too?

Ms Clarke—No, it was not.

Mr Ryan—I do not think any of those next three were.

Senator COOK—Taking the next three as a job lot, were there any consultations with the relevant groups affected by those three, the steel industry, the Australian Fire Protection Association and the university, on the abolition of those programs?

Ms Clarke—No, there were not.

Senator COOK—The next section is on savings measures in which existing programs have been cut back in some way. To save my going through each one of them, can you advise me if the government consulted on any particular program there with the industry sector concerned before the budget? What sort of systematic consultations with industry were entered into?

Mr Ryan—Just going down the list, I believe that the first one which received substantial consultation was any changes to the diesel fuel rebate scheme.

Senator COOK—The first one I have is the whole of government telecommunications statement.

Mr Ryan—I was going to say that anything above the diesel fuel rebate scheme, I am not aware of those consultations.

Senator COOK—I see. The diesel fuel rebate was quite notorious. We read a lot about that.

Senator SCHACHT—They were hammering at the door for consultation, weren't they?

Senator COOK—My question, though, is in relation to the consultations or the discussions that may have occurred; I do not know how you would properly characterise them. Who originated them? Did the government make overtures to the industry sector or did the industry sector, to quote Senator Schacht, come hammering at the door?

Mr Ryan—I am not actually sure I can answer the question. If you recall—

Senator SCHACHT—Can I prompt you: there was a judicious leak into the press that the diesel fuel rebate scheme may be under review, and clearly leaked from within some sources of government to start the exact process that occurred. Before that leak occurred, and the speculation, were there any consultations?

Mr Ryan—I would have to look at the records there. The reason is that there was in the Commitment document reference to the diesel fuel rebate scheme. I believe there was reference to the scheme in the Commitment document or in certain speeches given in the election campaign.

Senator SCHACHT—The Prime Minister gave a speech in Perth and a commitment to the industry at a public breakfast to say that the diesel fuel rebate scheme would not be changed.

Mr Ryan—The point that I make is that, given that it had been around, I am not sure that certain groups may not have actually made contact with the government just to clarify what the position was going to be.

Senator SCHACHT—But there was plenty of speculation leaking out of Canberra that this was on the agenda. Then a whole range of ministers were more than happy to speculate that this was before the ERC, namely, Mr Fischer and Mr Anderson, who is a member of the ERC. Though he refused to comment, he did not deny that this issue was before the ERC. Didn't that encourage the mining industry to launch its campaign and the farming industry to launch its campaign to retain the diesel fuel rebate scheme?

Mr Ryan—I do not know what would have prompted them to start their—

Senator SCHACHT—Some might say sheer self-interest. With \$1,300 million going out the window, it is a pretty big interest to try to protect. Let us not beat around the bush about it.

Mr Ryan—The DFRS has been mooted to be on the budget agenda for pretty well every year that I am aware of.

Senator SCHACHT—That is true, but what was unique this time was that before the cabinet made its final decision a number of ministers were willing to speculate that it was

actually in the ERC for discussion. That is really a highly unusual process on the traditions of the ERC and the budget process, is it not? Your minister was not one of them, I believe, but others were.

CHAIR—I really do not think it is appropriate for the officer to comment on that.

Senator SCHACHT—No, that is why we should have the minister here.

CHAIR—That is a question to ask the minister when he is here.

Senator SCHACHT—He will probably be more useless than the other ministers and say nothing. We might be better off without him, I suppose, if we can get these blokes warmed up.

CHAIR—Are there any further questions?

Senator SCHACHT—I am waiting for an answer. Can I put it this way: Mr Buckingham is the chief executive of the Australian Mining Industry Council. He publicly launched a campaign which had bells and whistles and trumpets blowing and material prepared. He even sent it to opposition members. I think he believed we had some influence on the ERC, and that was very kind of him. When he launched that, did he come and see the department, expressing the view about the impact on industry of the possible abolition of the diesel fuel rebate scheme or any possible changes to it?

Mr Ryan—The department had contact with the mining council when they had discussions with us about the impact which possible changes to the DFRS might have on their industry.

Senator SCHACHT—Was it the same with the farmers? Did the NFF come to see the department as well, even though you are not really agriculture? Did the mining council and the associated industries come to see the minister for consultation and argument before the budget about the diesel fuel rebate scheme?

Mr Ryan—I would say that the council would have through members of its executive, if not the council itself.

Senator SCHACHT—When they had those meetings with the minister, was a representative of the department present?

Mr Ryan—I would need to check the records. I would say that for at least some of those meetings, yes.

Senator COOK—We have some questions for the minister about the revamp of the diesel fuel rebate scheme. The next item, transfers of protection—

Senator SCHACHT—Could I interrupt. If we ask questions to you as DIST on the revamp of the diesel fuel rebate scheme, will you say to wait until we get to Customs, and when we get to Customs will they say to go back to DIST? Who is going to handle the questions departmentally?

Mr Ryan—At the moment, I think we will be responding to the questions you have been asking because they are dealing with DIST's involvement in consultations and so forth.

Senator SCHACHT—When you have the line here, where it has a \$60 million diesel fuel reduction in 1996-97, who handles the question about the reduction of \$60 million?

Mr Ryan—That would be best handled by Customs.

Senator SCHACHT—So the \$60 million is their figure and DIST did not have any input into the compilation of that figure as a saving.

Mr Ryan—We would have worked with Customs but they would have estimated the figure.

Senator SCHACHT—Mr Ryan, when Customs come before us I think you should hang around, because I suspect we might have two of you at the table. That is not to say that you generally disagree and fight with each other, but it will save everyone a lot of time if you are answering the questions at the same time. I think the senior officer at the table should take all of this stuff on board and, when it gets into other areas of the portfolio, the policy adviser and officers should be around, because I suspect there is going to be some ebb and flow on these questions.

Senator COOK—We got as far as the diesel fuel rebate. The next item on the list about protection of ministers and office holders is not relevant to my questions. What consultations were engaged by the department with the Australian Tourist Commission prior to the reduction in their budget expenditure?

Mr Mazitelli—There were no consultations.

Senator COOK—In relation to the reduction in grants to Standards Australia and the National Association of Testing Authorities—Senator Schacht has that wide constituency—for the moment I just want to know whether, prior to the reduction in their expenditure, any consultations were conducted with what is an extraordinarily wide but avid sort of constituency for this item.

Mr Ryan—The answer is that to my knowledge no consultations took place.

Senator SCHACHT—Have they been in touch with you since?

Mr Ryan—I would be surprised if they have not.

Senator COOK—Were there any consultations with industry before the reduction in funding for the development and application of technology in industry program?

Mr Evans—In response to that question, Senator, no, that was an announcement in Meeting our Commitments.

Senator COOK—But there were no discussions on how that might be affected?

Mr Evans—We have not because it was a straight reduction. It essentially took the bulk of the program funding.

Senator COOK—In Meeting our Commitments, do they designate how much was to be cut?

Mr Evans—Exactly that amount.

Mr Mazitelli—Mr Chairman, just going back, if I might, to the Australian Tourist Commission; I think you asked whether there was in fact any consultation between the department and the Australian Tourist Commission. I answered that as if you were asking whether there was consultation between the department and the Australian tourism industry, and my answer was no.

Senator COOK—That is on the reduction of funding to the ATC?

Mr Mazitelli—Yes.

Senator CONROY—Was there any consultation with the ATC?

Mr Mazitelli—The ATC, of course, is part of the portfolio of the Department of Industry, Science and Tourism. There would have been discussions in the budget context with the relevant finance officer in the Australian Tourist Commission.

Senator COOK—The next item is AusIndustry, and it looks like \$17 million went by the board.

Mr Evans—There were extensive discussions, Senator, with the AusIndustry board, with the states and with industry associations about that reduction in funding. It was specifically identified in the policy document that there be a reduction in funding for the programs in enterprise development and a couple of others.

Senator COOK—In what policy document was that, Mr Evans?

Mr Evans—The Industry and Commerce Policy document, Senator.

Senator COOK—I have a copy of that here. Do you know exactly where it says that they would reduce funding? The dot point I have in front of me is:

. Retain AusIndustry as the primary agency responsible for the delivery of domestic enterprise programs.

Mr Evans—If you go through the body of the document, Senator, you will find it does say retain AusIndustry but then there are some specific funding reductions.

Senator COOK—Can you point that out to me?

Mr Evans—I might have been mistaken, Senator, but certainly in Meeting our Commitments a specific amount was identified.

Senator SCHACHT—Seventeen million?

Mr Evans—Yes, \$17 million.

Senator SCHACHT—In relation to AusIndustry's reduction in funding—

Senator COOK—Can I finish my questioning first. Who originated those consultations with the states? Was it the department or the states?

Mr Evans—No, the department did after discussing with the minister the way we could address this issue.

Senator COOK—When you say that there were discussions with industry, what was the nature of those discussions?

Mr Evans—They were discussions between officials and senior representatives of the various industry associations.

Senator COOK—Not just ACCI?

Mr Evans—No, not just ACCI.

Senator COOK—Which other associations?

Mr Evans—Australian Business Ltd, Australian Chamber and the master builders association. We did try, I think, to arrange discussions with the MTA, but were unable to connect at the time. There were others, but I cannot—

Senator COOK—What did you talk about? Was the nature of the discussions: AusIndustry will be chopped by \$17 million and how they will live within the cap?

Mr Evans—No, the discussions were to the extent that, in the government's election pronouncements, it had indicated it would reduce funding for this program by \$17 million. We sought their views as to the way they saw that being affected, any options they had for savings, any views they had about the types of programs that were being delivered and whether they saw alternatives. They were quite fruitful discussions.

Senator SCHACHT—Can you provide us with a list of the other consultations that you had prior to the budget? You can take that on notice.

Mr Evans—Yes.

Senator SCHACHT—I would also ask you to provide us with consultations you have had since the budget, discussion or implementation of the \$17 million cut to AusIndustry. AusIndustry has many programs within its name. When I look in the PBS document at AusIndustry, it does not seem—and I may be wrong—to include the breakdown of the individual programs. In the PBS document, can you point out the funding levels for NIES that is under AusIndustry?

Mr Evans—It is not shown in the PBS document.

Senator SCHACHT—I do not know whether we will finish this today or not.

Mr Evans—That fills me with optimism.

Senator SCHACHT—We spent 40 hours on foreign affairs and we did not even try.

Senator COOK—And we love this department and we will try.

CHAIR—I understood that Senator Cook indicated that he was available only today.

Senator SCHACHT—Yes, but we can come back next week.

Senator COOK—No, I did not. I indicated that I was not aware of a rescheduling for Thursday. I asked for as much as possible to be brought on today. But I have made arrangements to be available tomorrow.

CHAIR—There is no rescheduling for Thursday.

Senator SCHACHT—That is alright, it will have to be Friday or next week.

Senator COOK—There may have been some miscommunication about that. I do not want to in anyway point a finger at the secretariat, because I am sure they are doing their job, but I got a note handed to me when I was on the DFAT estimates, on which I wrote a request for these estimates to be brought on today so that we could do as much as we could today.

CHAIR—We should finish them today.

Senator SCHACHT—When we get to page 45 in the PBS, Mr Evans, there is the heading ‘Performance outcomes 1995-96—AusIndustry’ and on the next page is the heading ‘Performance forecast 1996-97—AusIndustry’. It really is just a bit of confetti in the description about detail on budget outcomes and so on. Could you provide us with—and you might like to take this on notice—a properly constructed outlay table of individual programs within AusIndustry. If it is Bizhelp, BizLink, Business Angels or NIES, I would like to know what was spent in 1995-96, what the result of the budget cut of the \$17 million was, how it flowed, what the new figure for the year is, the percentage reduction and the staffing levels that are affected. We appreciate that the department has a very short time to produce the PBS after the budget is published—and that is always a limit.

For example, in 1995-96 the Office of AusIndustry had outlays of \$99 million. The 1996-97 budget shows \$174 million, and then over the page it says \$17 million off. The document is a joke in terms of trying to find out what went where and by whom. Do not feel bad about this because your namesake, Mr Ted Evans, the head of Treasury in a similar estimates hearing last week admitted that these documents in quality terms are not up to standard in providing the information in a quality way. Yesterday in the Foreign Affairs committee meeting the minister representing the foreign affairs minister said he could not understand the information the department of foreign affairs was providing in these sorts of arrangements.

You would have to say that some person who may not have either Senator Cook’s or my passing interest in this portfolio who saw that the office of AusIndustry was up by \$75 million and then turned to this note to see that it is down \$17 million would think it a bit odd.

Mr Evans—It could be perceived that way, but it is readily explainable.

Senator SCHACHT—But it is not in the document.

Mr Evans—We can produce a table for you.

Senator SCHACHT—When I ask you to produce the document for AusIndustry about each individual program, will that document total \$174 million?

Mr Evans—If it does not, I will have a slight problem.

Senator SCHACHT—In that document how will you explain that in 1995-96 the outlays were \$99 million and the table is showing a \$17 million cut, but they then went up by \$175 million?

Mr Evans—Because we got additional funding for additional activities.

Senator SCHACHT—That means that you will break the table out so that it is apples with apples, and the \$75 million increase in this table will be shown as an add-on that came from somewhere else.

Mr Evans—There will be a bright shiny new apple in there.

Senator SCHACHT—It is a pretty big bright shiny apple or collection of apples. I suspect as we go through this document page by page that we will run into the same problem as we did with Foreign Affairs yesterday and with Treasury. If your officers could be warned that we will ask consistently for a break-out of tables per program of running costs, staffing levels, etc—

Mr Evans—I can give you the answer on how this \$17 million reduction was effected.

Senator SCHACHT—Perhaps when we get to AusIndustry. I am giving fair warning to officers that these break-outs are going to be needed if we are going to have any sensible discussion about what went where in the budget process.

Senator COOK—The next relevant program to my line of questioning is the savings within the Australian Customs Service through increased efficiencies and rationalisation. Was there any consultation with the client group of customers about those savings?

Mr Mazitelli—I think you will need to wait for the Customs officials.

Senator COOK—Okay.

Senator SCHACHT—Could you pass on to your friends in Customs, seeing that they are not here, that we will be interested in looking at how those figures equate with the Meeting our Commitments statement about the Conroy report, which was the basis of Meeting the Commitments for Customs.

Senator CONROY—It was a very good report.

Senator SCHACHT—It was a very good report—I do not know whether you were associated with the former General Manager of Westpac Bank.

Senator COOK—For completeness, with regard to the cessation of grants to consumer organisations—is the department in a position to answer that part of the question? It was not in the old department; it is a new change under the new leadership—

Mr Mazitelli—That is correct.

Senator COOK—Were there any consultations with them about that before it happened?

Mr Rodgers—My understanding is that the Minister for Small Business and Consumer Affairs met with the chairs of two key consumer organisations before the budget and discussed budget matters, but I do not know the details of those discussions.

Senator COOK—You do not know if he told them that they were not going to get any funding?

Mr Rodgers—I am not aware that he told them that.

Senator COOK—Do you know whether they sought additional funding or a continuance of their old level of funding?

Mr Rodgers—I am not aware of that, although I assume they did discuss with him their desire for continued budget funding.

Senator COOK—Do you know whether the cessation of those grants has led to staff being laid off in the consumer organisations?

Mr Rodgers—To my knowledge, no staff have been laid off as yet, but I assume that the funding to, in particular, the Consumers Federation of Australia will lead to staffing reductions in that organisation.

Senator COOK—We will come to this when we hit page 80, which will be a bit later tonight. Thanks very much, Mr Rodgers.

CHAIR—Any further questions?

Senator MURRAY—I have one general question before we move on to subprogram 1.1. I think I heard the question but I do not think the answer was there and that is the question of AusIndustry's funding being reduced by \$17 million per year for the next two years. How much of that is running costs and how much is program costs?

Mr Evans—In running costs, it is \$0.26 million per year, and the remainder is the balance for the program.

Senator MURRAY—Which programs will be curtailed?

Mr Evans—In respect of that, the reduction of \$17 million was effected as follows: the costs of operating the AusIndustry hotline were reduced by \$0.3 million, however, we will still maintain the service at quite a high level; access to the export finance advice program was terminated and that was \$2.8 million; and the payments to states and territories for undertaking enterprise development programs were reduced by \$13.635 million.

As a consequence of that reduction to the states, we engaged in discussions and negotiations with state industry departments and the enterprise development programs will still be continued. Some states will provide additional resources from within state budgets to undertake that. Others will reduce their activities to some extent to cope with the reduction in funding.

It would still leave just over \$12 million in payments to the states for the conduct of those programs. The actual expenditure by the states last year was \$17 million for those programs. So the real effect was the reduction of \$5 million and not \$13 million, but the forward estimates had a higher amount.

Senator MURRAY—Thank you for that. Why were these particular programs selected?

Mr Evans—When you looked at the enterprise development programs there was not a great deal of choice, Senator. The bulk of the funding out of the enterprise development programs was in fact for payments to the states. We tried to share the burden equitably in the reduction across programs. The access to export finance was a decision made on the basis that that

program did not have a high level of utilisation and therefore its impact would be less than if we had curtailed other programs.

Senator MURRAY—Is any particular state or industry affected by those reductions?

Mr Evans—Not at this stage, no. Again, the reduction was on a pro rata basis across the states.

CHAIR—Are there any general questions for the minister?

Senator COOK—Minister, in your absence I have asked a number of questions related to what new arrangements the minister or the department have entered into for the purposes of consulting with the business community—this portfolio is, of course, directly related to business interests—since the change of government. At this stage, we know of a number of consultative mechanisms that have been abolished—two at least—but to be fair, I do not expect that is comprehensive and the department is going to come back with a comprehensive chart saying what has happened in this field.

We have as well gone through, on pages 21, 22, 23 and 24, those programs that are listed, which is quite a number, which have either been rescinded or abolished or in which there are substantial savings measures effected. The question that I will put to the department is: what consultations have they entered into with the business community over the abolition, revision or diminution of funding for each of those programs?

Someone can correct me if I am wrong, but the tally comes out, in the case of AusIndustry, that there were discussions between the Commonwealth and the states and the Commonwealth and industry organisations about the reduction of funding to AusIndustry, but that in each other particular case—I think this is an accurate report—there were no consultations about the abolition of those programs.

Each of those programs came into being after quite exhaustive discussions with industry and a long filtering process to see what government should do to assist industry, within the ambit of a budget approach, or within the ambit of the existing programs coming to a conclusion, or within the ambit of the innovation statement, and there were quite exhaustive arrangements in the department. A special task force was established for that very purpose.

So these programs have come into existence after exhaustive consultation with industry. They have gone out of existence with no consultation with industry. Does the government have anything to say about that? In your election policy, on page 13 of the 'Industry and Commerce' statement by Minister Moore, under the heading 'Consultation with Industry' it says:

Effective communications between industry and Government are essential if policies for industry development are to provide maximum benefit and gain the widest possible acceptance.

A Coalition Government will give a high priority to ensuring that representatives of Australian industry are given the opportunity to participate fully in the policy process and have a say on issues that affect them.

I can read on, but that is the tenor of it. Why did the government break that promise?

Senator Parer—Senator, you would be aware as well as anybody that we found ourselves in a position where we had to address a budget deficit of some \$10 billion. You would also be aware that within the ERC process, which you would have participated in in the past, that sort of process has to go on in such a way that it is difficult, if not almost impossible, to go down that track, bearing in mind the necessity to address the budget deficit.

Since the budget—I know in areas like the computer industry—there is a consultative process going on. You mentioned the innovation statement. That was the statement that you made in about December 1995. It was a pre-election commitment by the Labor Party. It was never the policy of this government.

Senator COOK—Do you recall what the Prime Minister said of it at the time?

Senator Parer—No, but let me finish. We did review the innovation statement, and we kept measures which we believed had merit and discontinued those which we believed were extravagant or of dubious value. The effect of that, in my understanding—the department may have a different figure—is that we have kept about 50 per cent of the innovation statement.

Senator COOK—On the first point, at the time the innovation statement was announced by the then Prime Minister, the now Prime Minister, who was then leader of the opposition, went public on the same day saying, ‘Labor has stolen our policies. That is exactly what we would do.’ If you want me to get the press releases I can, but I am sure you are familiar with it. That was a reassuring voice to industry that the policies that the former government had announced would be continued.

Senator Parer—Let me say to you, though, Senator—

Senator COOK—In the context of your commitment, at page 13 of your policy statement, to consultations with industry, and the fact that has now been adduced that consultations did not occur, my question stands: why did you break your election commitments?

Senator Parer—Although you indicate that we are not industry oriented, that whole budget process was industry oriented.

Senator COOK—I have not indicated anything other than the facts.

Senator Parer—The whole budget process was industry oriented. First of all we had to address a budget deficit; then we had to offer real incentives to industries to create real jobs. You may not like it, but in relation to the reaction of industry to that budget, across the board, I do not know anyone—you may give me an example; I would be interested if you could—that did not accept that budget as being a responsible budget. We could not walk away from the figures being quoted around. We can go into a political conversation here as long as you like, but you had five periods of growth and yet you ended up with an enormous budget deficit. We had no option but to confront it.

Senator CONROY—On what international measure do you define that, at two per cent of GDP?

Senator Parer—I am telling you that it could not keep going the way it did. You went on the bankcard, Senator. Your growth in government debt, in view of those years of growth, is incomprehensible.

Senator CONROY—Two per cent of GDP.

Senator Parer—Do you think it is okay? You are saying that it is okay.

Senator CONROY—You described it as enormous. I asked by what measure.

Senator Parer—You are saying that it is okay?

Senator CONROY—No, I did not say that.

Senator Parer—Well, I think that is what you did. We had to address it. I think the Prime Minister has made it very clear. We had to make some pretty hard decisions. No-one in politics likes making those sorts of hard decisions. We believe—and I think the view was reflected

in the community, whether it be the business sector or not, was that it was fair, it was equitable, it was spread.

Senator COOK—Through you, Mr Chairman, to the minister: there are several issues here and let us not confuse them all. Let us concentrate on the issue that I am concerned about. The first issue, which I would like to put aside for the moment—not because I do not want to debate it but because it would just take up a lot of time—

Senator Parer—We can do that another place.

Senator COOK—is the macro-economic strategy of the government, the fiscal consolidation strategy of the government. As to whether you had no choice, there are options. We have debated this in the chamber at times so let me just put that aside for the moment. But given that you had made a decision that you were going to find savings; given as well that you knew of the innovation statement—and, dare I say it, even rubbished me at the time for the amount of time I was taking in consulting over it; given the warm embrace of it by your leader in opposition, the commitment to consult with industry in your policy papers and the clear fact that you did not, surely industry deserved the courtesy of being notified and told, ‘These programs that we have had, we are not going to continue with. Have you got any idea of how you would like to salvage, from what we want to cut, what is most dear to you?’ At least there might have been that sort of polite—shall I say—indication from government that the things that industry had banked on, supported and strongly argued for were going to go by the board.

Senator Parer—You would appreciate more than anyone, Senator, that there are some parts of the budget process that are absolutely sensitive. With the best will in the world, those decisions have to be made—regrettably—without that sort of consultation. Consultation is occurring now, of course. I gave one example and the department may well have others. Also, as you would know, we have established a small business forum chaired by the chief executive of McDonald’s, to get rid of a whole lot of unnecessary regulations. We have made other positive steps in regard to industry which they, themselves, appreciate. But the one that they appreciate most is the fact that we fairly and equitably went across the board to cut the budget deficit over the next three years.

Senator COOK—The second point that you made is that industry has warmly embraced the budget. Are you aware of industry criticisms of the government, about the cuts to many of the programs I have just referred to?

Senator Parer—All I can say to you is that the feedback that I have had—and, I am sure, the feedback that Minister Moore has had—is that the time had come to make some difficult decisions. Those decisions were made. In fact, someone—it may well have been you—asked me a question in parliament the other day about one of the programs, which I think was the R&D program—

Senator COOK—That was Senator Conroy.

Senator Parer—Yes, Senator Conroy. I made a remark which I probably should have amended a little bit by saying, ‘reluctantly agreed to’. I do not think they overwhelmingly went out and accepted it. But they recognised the imperatives that we were facing.

Senator COOK—But you are aware that industry has solidly criticised the abolition of these programs?

Senator Parer—I am more aware of the fact that industry said that it had to be done.

Senator COOK—That means that you are aware of the macro-economic view of industry and you are also aware, by implication, of their criticism of the—

Senator Parer—Yes. It does not matter in which area cuts are made, there will inevitably be individual criticisms of it. You are quite right: when you take the macro point of view, people will say, ‘Yep, we know it’s tough. Yes, we had to tighten our belt. But yep, we reckon it was fair and reasonable; it had to be done.’

Senator COOK—There is, of course, the other approach, that all of these programs are programs that had been quite heavily reviewed or assessed in terms of assisting industry to grow. With industry growing faster, employing more people, they addressed the deficit on the revenue side of the budget, not on the outlay side of the budget. That was an alternative that you had in dealing with the deficit but that you positively refused.

Senator Parer—You thought that we should increase company taxes?

Senator COOK—No. But if you provide the catalytic programs that you have now abolished, which would assist industry’s growth to be faster than it would otherwise be—and, in the manufacturing sector, which is something I will come to in a minute, more solid—then you are putting in place positive macro-economic policies for the revenue side of the budget: more people employed, less payment of unemployment benefits, more income through taxation and so the story goes. You know the story as well as I do.

Senator Parer—Let me say that attacking the budget deficit is an attack on interest rates. No-one will disagree with that.

Senator CONROY—I thought the Reserve Bank chief said that there would not be any indirect, short-term—

Senator Parer—No-one is going to forecast what the interest rate will be—I do not think I have heard anyone be silly enough to do that. But there is no doubt that once you cut the budget deficit you are going to put pressure on the reduction of interest rates. There is no way in the world I am going to say to you what that thing might be and when it might occur, but there is that. There is the Industrial Relations Bill. If you go around industry, to a person they will say, ‘If you are able to achieve the sorts of things necessary on that IR bill—particularly the unfair dismissals part of it—that will go a long way down the track of our being able to employ people.’ It is a whole risk—

Senator COOK—You will not get that ‘to a man’. I just have to correct you—

Senator Parer—‘To a person’ in the business sector?

Senator COOK—Yes. You will not. The other point you made was in terms of consultation. You were not in the room at the time, so it is not fair of me to spring this on you without forewarning you, but I have a question about this committee you have now set up on information technology. The computer bounty is something that the opposition committed itself to in opposition but it has now been chopped and we have heard no consultations were entered into. Is it the view of government that consultations occur only after cuts are made?

Senator Parer—I repeat to you that we had no option but to look at all the programs and to make decisions where cuts were made that were fair and equitable. I believe there is consultation—again, the departmental people might like to comment on this—going on with the computer industry. Would you like to comment on that?

Ms Kelly—Yes. The government has established the information industries task force. The role of that task force is to establish a new information industry strategy and, in particular—in light of the government’s decision to end the computer bounty from 30 June 1997—the task force is going to consider whether and in what form the industries may require assistance beyond that point.

Senator COOK—Was the termination of the computer bounty mentioned in Meeting our Commitments?

Ms Kelly—No.

Senator COOK—Let us just go back over this again. Were there any consultations with the information industry about the abolition of the bounty?

Ms Kelly—No.

Senator Parer—I think I mentioned that. There are some things where you might like to do things, but there are sensitivities and budget determinations—particularly when we are required to address the deficit in a fair and equitable way.

Senator COOK—We will come to the computer bounty under the particular heading of the computer bounty, but just let me say as a headline comment now—I think this may have even been acknowledged in *Hansard* and probably by you at the time, because I think you were sitting opposite in the chamber when this bill came on, Senator—that the computer bounty is essential to the growth of that industry in Australia. If you knock it out and set up a consultative panel afterwards, what you are consulting about is not the growth of the industry sector but the demise of it and under what terms and conditions it will fail. A number of major users of that bounty have, in fact, now indicated, as you would be aware, that production cited in Australia currently is likely to move offshore.

Senator Parer—Yes. What is the question?

Senator CONROY—Are you aware of those comments?

Senator Parer—Aware of?

Senator CONROY—The comments Senator Cook just outlined.

Senator Parer—I think the point has been made that certainly there were not pre-budget consultations.

Senator COOK—No, but the loss of the computer bounty has caused some industry spokespeople to say that this will cause a section of the industry to move offshore.

Senator Parer—I doubt that. Naturally, you would expect some of them to say it. We had no option but to do what we did.

Senator COOK—Some of them might say it, but then it seems to me the role of government is to check to see whether they are telling the truth or just hyping their case. No consultation—

Senator Parer—I thought the point was made—it was made by an officer down there—that following the budget process, in fact, there have been consultations going on with the industry about ways to address any particular problems that might be there.

Senator COOK—Are you saying, therefore, that if industry says, ‘Bring back the bounty,’ the government will respond to that?

Senator Parer—Let us see what happens with the consultation process.

Senator COOK—I have to say I think it is a pretty poor exhibition by the government.

Senator Parer—On all estimates committees I have been on, every particular process we have done on the budget cutting, people on your side have complained about it. If you had any options as to how to address this problem it would be interesting but you are taking a totally negative view across the board. There are no positives coming out at all.

Senator COOK—I have plenty of positives. I started to explain one. I explained one in the Austrade estimates the other night where, once again, large sections of industry were duped by you promising to maintain EMDG. You have slashed that back. You promised explicitly to maintain the ITC program which has now been abolished. You promised to support and enhance Austrade but which has now been cut down. Those are things about which you have broken your promises and they are what industry is up in arms about.

The clear case here is that those programs have been independently reviewed and it was found, in the case of the EMDG program, it was able to create an advantage of 1:19 and in the case of the ITC program it was 1:27. For every dollar we put down we get \$27 back. Those programs are programs that help the size of the economy grow by aiding the competitiveness of Australian industry. That brings income to the revenue side of the budget. That is the way you deal with the deficit.

Senator Parer—You did not really deal with it that way.

CHAIR—Why did it not happen when you were in government?

Senator COOK—It was happening.

Senator Parer—Let me say that the EMDG—

CHAIR—It is getting worse.

Senator Parer—Let us not get on to EMDG unless you want to but the EMDG scheme has not been abandoned. It has been certainly amended and it has brought in, I might say—

Senator COOK—If it were a horse you would say it had been gelded.

Senator Parer—It has been brought in to cover a major industry that you people ignored, and that was the tourism industry.

Senator COOK—We brought the tourism industry into EMDG.

Senator Parer—Yes, on a partial basis and you did not include some of the other things they had been seeking for years.

Senator COOK—If I were you, minister, I would be very careful about going into the argument with us about EMDG because—

CHAIR—Senator Cook, I do not think the minister needs advice. He is here to answer questions specifically on the programs before us. Do we have any questions?

Senator COOK—Yes, we are still on overview.

CHAIR—I think it is time we started to move on to subprogram 1.1.

Senator COOK—I have not finished my overview questions. I have only begun them.

Senator Parer—Just before we do go any further, Mr Chairman, I wonder if you could give me some indication of how long we intend to be here, only because I want to arrange programs. I am happy to sit here all night if that is what people want.

CHAIR—We will certainly sit until we finish the department. I do not know what hour that might be, that is for the senators who want to ask questions.

Senator COOK—The fourth area that you raised in your earlier answer related to the macro-economic economy. What I would like to do now is ask you a few questions about the impact of the budget and, in particular, the programs of this department in terms of the manufacturing sector.

You may not have caught up with it but today the Australian Bureau of Statistics published the Australian business expectations survey and, without going through it line by line, business expectations are quite modest. In fact, you would say that business has very low expectations in the future. This is the September quarter survey looking at expectations for the December quarter and the next year. The significance of this is that it is essentially a post-budget survey of business expectations. You would have expected that business expectations, given the way the government has lauded the budget outcome, would be high but, in fact, they are low and they are lower than the previous quarter and which is lower than the previous quarter before that.

You would also be aware that the State Bank of New South Wales and the Australian Business Chamber publish a survey of manufacturing and last week, in the press, published the September quarter findings on the outlook for manufacturing which, to summarise it in a word, is bleak.

They in fact forecast the loss of 15,000 jobs arising in the manufacturing sector alone because of current expectations and business conditions. Minister, you would be aware of those things, I am sure. The importance of their September quarter finding is that it was also a finding in part—not in whole, to be fair, but in part—after the budget came down.

The structure of the budget is, as the budget paper itself says, to induce a slight contraction in the domestic economy. That is to say, the government has decided that it will contract the domestic economy, and thus domestic business opportunity. It forecast a 3.5 per cent growth for the coming year, which looks like a rubbery figure now, in view of what industry is saying, because of the strength of the international economy.

We had this argument in Austrade, and I am not going to go through it again. But all those building blocks that were in place, such as the EMDG, the ITC, Austrade, et cetera, that link the capacity of Australian industry to take advantage of stronger demand on a world basis—by the way, it is not uniformly strong: North Asia is weak and Europe is flat; it is only the United States and Eastern Asia that are strong still—have been abolished or reduced. Now a lot of the building blocks that were there to help Australian industry to be competitive in this portfolio have been cut back or abolished as well.

What do you say, then, about the promise the government made—that Mr Moore made—that there would be 200,000 new jobs created in the manufacturing sector in Australia between now and the year 2000? Given that the Australian Business Chamber and State Bank forecast is a loss of 15,000 jobs in the next year, that business expectations are down, that you are contracting the domestic economy and abolishing the supports for competitiveness and access to the international economy for Australian industry, how do you intend to create those 200,000 extra manufacturing industry jobs?

Senator Parer—Senator, let me tell you that I think it is pretty unrealistic to expect an improvement in one quarter, particularly as the budget only came down on 20 August, and, of course, you can quote these figures. There is an expectation out there and there is a bit of a concern out there that somehow the budget process might have difficulties within the Senate. You would be aware of that. There is also a concern about some of the key pieces of legislation, particularly industrial relations, that the business sector is sweating on to give it the confidence to employ people. Our whole budget process is there to create real jobs. It is not going to happen overnight, and you get a lag effect on these things as well.

Senator CONROY—What about some time in the next three years?

Senator Parer—Let me just give you some figures. You have quoted a particular survey and, certainly, the weakness in the June quarter was expected to continue in the September quarter. You cannot turn the *Titanic* around with one budget immediately. But the expectations for the December quarter were much more positive. Time will tell, but we have the ACCI-Westpac survey showing that business confidence is higher than at any time in 1995. A majority of firms expect production profitability and plant equipment investment to increase. Of the firms surveyed by the State Bank of New South Wales, the proportion exporting is expected to reach record levels.

A key factor is going to be the recent reduction in interest rates, which, again, have a lag effect. If it does not happen overnight, people do not rush in and take the risks straight away. It is a bit like—you will recall this, Senator Cook—the famous J-curve. There was expected to be a downturn before an upturn. This was with regard to foreign exchange. This was a while ago, but there is always a lag effect. No-one would dispute that. Our belief is that the government will assist manufacturing. We would not have gone down that route if we did not believe that. We did not do this for fun. This was done to recover an economy as we move towards a surplus, and, of course, the key part of it is micro-economic reform in the labour market.

Senator COOK—The MTIA would say that the other problem they face is a firming of the exchange rate. That wipes out all the advantages that there might be on the interest rate front.

Senator Parer—I can wax lyrical about exchange rates.

Senator COOK—But it is a fact. What they are saying is true, is it not?

Senator Parer—It does not matter whether you are talking about manufacturing or export industries; there is no doubt that as the exchange rate goes up they have to become more productive to compete.

Senator COOK—On top of which they have to do without the government supports that you have chopped out.

Senator Parer—No. You are talking about supports that we evaluated. We decided some were worth while and some were not. We had to target better. We had to make cuts. We did that. If we can go down the track of maintaining a low interest rate or decreasing interest rates and addressing some of the other structural issues like the inflexible labour market, you will find industry will start to invest again. When they invest you are creating real jobs, not phoney ones. You are not painting rocks white.

Senator COOK—The budget papers say that there will be a slight contraction in the domestic economy in the ensuing year. That is the major market for most small to medium sized companies. The Australian Bureau of Statistics' news release today relating to the business expectation survey says that small to medium sized business expect increases in sales of 0.9 per cent. This relates to the next quarter—the Christmas quarter. It is hardly small business running wild with great joy and confidence about their immediate future.

Senator Parer—The budget has not gone through. The industrial relations bill has not gone through and the other measures have not gone through.

Senator COOK—But you remain unconcerned that the structure of the budget—if it were to go through—would induce a slight domestic contraction?

Senator Parer—My view is that when that budget goes through and the other measures are implemented, if they are allowed to be implemented, you will see a restoration in investor

confidence. Unless you get a restoration in investor confidence you are not going to attack the underlying employment rate.

CHAIR—Can I perhaps direct the attention of senators back to the estimates for the Department of Industry, Science and Tourism. The issues that have been explored for the last quarter of an hour are really Treasury matters, not matters relevant to this department. They were explored at great length over two days last week. I direct your attention back to the estimates and the responsibilities of this department.

Senator COOK—With respect, Mr Chairman, the issues that I am exploring relate to this department.

CHAIR—Very tenuously in the way that you have been raising them.

Senator COOK—That is your judgment.

CHAIR—I am the chairman and that is the judgment I make.

Senator COOK—If you wish to make that judgment, let me address it.

CHAIR—No, I do not want you to address it. I want you to direct your questions to the minister on issues relevant to this department, not make statements. That is my ruling.

Senator CONROY—So the savings measures in this department are not relevant.

CHAIR—That has not been the subject of discussion for more than a quarter of an hour.

Senator CONROY—I thought Senator Cook was addressing the removal of building blocks.

CHAIR—No, he has been making very wide ranging esoteric statements. If he directs his attention to the specific funding of this department and directs his attention to those issues, that is fine.

Senator COOK—We are talking about the overview.

CHAIR—That is all I want you to direct your attention to.

Senator COOK—How does the government intend to create 200,000 jobs specifically for the manufacturing sector?

Senator Parer—I thought that we had properly canvassed this. It might have been philosophical, but we canvassed it. You may have your ideas, but our view—and it is reinforced by the fact that there are quite a number of us on our side who have spent a lot of time in business; we know the things that turn you on and turn you off in business—is that a major thing that decides whether people invest in job creating businesses, not just buying blocks of land, is investor confidence.

If you have the confidence that the budget deficit is under control, you have confidence in regard to future interest rates. It is no good going out and borrowing money now if you think interest rates are going to be low and you then find they go up. That blows you out of the water and destroys you. You only have to talk to business, particularly small business, and you will find that they are not about to put people on and then find that they have great difficulties and face great costs to put them off. If people are prepared to invest in wealth creating industries, they will create real jobs. That is the background to the situation.

Senator COOK—If I were to take you up on some of those things the chairman might jump down my throat because they are not in the estimates.

CHAIR—I probably will, too.

Senator COOK—Yes, but I cannot—

Senator Parer—I have answered the question and you have asked me the broad question again—how confident am I?

Senator COOK—No, the question I ask you is: how do you intend to deliver on your promise of creating 200,000 new jobs in the manufacturing sector by the year 2000? You have answered that you are going to do it in a macro-economic way. Fair enough so far, I suppose. I do not accept the philosophy you are putting, but at least it is a philosophy.

Senator Parer—Yes.

Senator COOK—But do you have any specific plans for manufacturing which will show us how you intend to do it? I ask that question against the background that the government has declined to name a figure for unemployment by the year 2000—to set targets for unemployment—everywhere in the economy except in this industry sector. Because you have made that exception—

Senator Parer—You are asking me to make a statement like ‘No child will live in poverty’—

Senator COOK—You made the statement before the election that you were going to create 200,000 new jobs. When I read it I thought it was heroic, given the technological change likely in this industry sector. But would you please explain, other than in macro-economic terms, if you have any plans in manufacturing to achieve that target, and, if so, what are they?

Senator Parer—Senator, I think you would even agree with me on this—if you are going to create jobs in this country they must be real jobs within the wealth creating sector. There is no other option.

Senator COOK—Manufacturing is the biggest value added section—

Senator Parer—There is manufacturing. There is a whole range of other things in front of me in another portfolio area that I will not go into. One of the concerns that we are addressing through another portfolio is, I think, the employment side as regards encouragement for people to put on apprentices. That is a program where I think some sort of money will be going out to that as well. But let me say that the whole thrust of our budget was to give a lift to investing in wealth creation in this country, whether it be manufacturing, the small business sector, the tourism industry or the mining industry—simply to get that investor confidence back up to invest, create wealth and real jobs.

Senator COOK—Let me ask the question again: do you have any specific plans for creating 200,000 new jobs in manufacturing by the year 2000?

Senator Parer—What you are asking me is do we have some sort of a plan that is equivalent to painting rocks white.

Senator COOK—No, I am not asking that.

Senator Parer—We have a setting in place, and the whole thing hinges around getting rid of the budget deficit within the first term—and other programs as well.

Senator COOK—I am not asking you to do anything other than what you have already said. During the election campaign, you specifically said you would create 200,000 new jobs by the year 2000. All I am asking is what specific plans you have. So far, I must say, you have not named any. The conclusion I am rapidly coming to is that you do not have any. So is it fair for me to say that you do not have any specific plans?

Senator Parer—What you did was quote from the coalition’s election statement.

Senator COOK—Yes.

Senator Parer—What it said was that we would seek to achieve the following goals for Australian industry: reverse the declining trend in business investment as a share of GDP—no-one will dispute that. Then it talks about creating the jobs in industry to replace those that have been shed in the past six years, sustainably reducing the trade deficit on manufactured items as a share of GDP—

Senator COOK—I have not got around to that one yet.

Senator Parer—promoting a stronger level of Australian ownership in industry and improving our ranking in terms of expenditure on R&D as a share of GDP. But the whole thrust of it is to do that.

Senator COOK—I understand what the thrust is. But if the answer to what I am asking you is that, other than your macro-economic planning, you have not got any plans, well that is the answer.

Senator Parer—The budget programs are spelt out and you can come to them one by one. I think I made the point right from the beginning that the innovation program was yours. We looked at it, we reviewed it, and we accepted about half of it because we thought the rest was not targeted. We were also confronted with the major issue of reducing the budget deficit that we inherited, which is by far the most important issue.

Senator COOK—Can I just assume then, because you have not answered me for about the fourth time about what specific plans you might have, that you do not have any specific plans?

Senator Parer—You cannot artificially create jobs, Senator. I think that is where the difference is between you and us.

Senator COOK—That could lead me into a discussion, which I will not go into, as to why you made the promise to do this in the first place.

Senator Parer—Let's wait for the passage of time.

Senator COOK—The other comment you have made, Minister, is that you reviewed the innovation statement. How did you do that?

Senator Parer—This was done through the ERC process, with the various portfolio ministers being involved in it.

Senator COOK—There was no formal review conducted, other than to succumb to the whims of Treasury and Finance?

Senator Parer—I think you are going a bit far because there were involvements by other ministers with other departments.

Senator COOK—When you say 'review', was this part of the normal budgetary process?

Senator Parer—This was the budgetary ERC process to review every program. I think we made that pretty clear over and over again with the all questions asked before the budget—that every program was subject to review. In view of the limitations we had on us on the budget deficit side, we had to make certain decisions, and we made them.

Senator COOK—These decisions, as we have learnt earlier, were made without any consultation with industry? It was an in-house decision by the government?

Senator Parer—I cannot answer your question in relation to what degree, if any. All I know is that my understanding is that there was some limitation on discussions with people in industry, particularly in respect of the budget process. But let me say to you that it is not that there have not been discussions with industry prior to the budget process and after the budget process.

Senator COOK—And the outcry of industry after the budget process indicates that—

Senator Parer—I thought that industry was pretty supportive after the budget. You must be reading the wrong—

Senator COOK—Not of the cuts to—

Senator Parer—You were not reading the same surveys I was, Senator.

Senator COOK—Not of the cuts to these programs. And if you want me to bring in the press releases I will and we can talk about those. So there was no formal review other than the normal budgetary process?

Senator Parer—Not to my knowledge. Maybe the department has some other information, but not to my knowledge from the minister.

Senator COOK—Well, can I ask the department, through you, if there was any formal review other than the ERC process?

Senator Parer—I will refer that to the minister. I have not got any information on that.

Senator COOK—The department is here. Can we ask them now?

Senator Parer—I think it is something that you have asked us—whether we, meaning the government, had any discussions with industry people. I will ask the minister.

Senator COOK—Thank you for that and I would not mind if the minister could then answer as to which industry sectors he directly consulted.

Senator Parer—I will refer that to the minister.

Senator COOK—But in your earlier answer you also said, in terms of the review I am talking about, that you did not know what the department may have done in reviewing these programs. My question—through you to the department, if I may—is what work, if any, the department did in ‘reviewing’ these programs?

Senator Parer—I will answer that. I do not think it is fair to ask the department that. You understand the business of government as well as anyone—probably better than most. Naturally, in any review departmental people are involved in giving advice to the minister, but through the ERC and budgetary process the minister has to take the decisions.

Senator COOK—All I am wanting to know is: was a formal review, as such, conducted outside the budget process?

Senator Parer—You can be sure the minister would have received advice.

Senator COOK—Well that is different in stature. Advice is different to a review. A review suggests that programs have been pulled out, held up to the light, looked at to see if they work, assessed, criticised and analysed, and a conclusion arrived at.

Senator Parer—Yes.

Senator COOK—Consultation or taking advice is—

Senator Parer—Okay. Well you are going back to consultation with industry and, as I said, I understand that, in view of the sensitivity of the matters because of the necessity to address the budget deficit, there was not a lot of consultation with certain industry people who would be affected. But I will clarify it with the minister.

Senator COOK—You will clarify that with the minister.

CHAIR—Any further questions?

Senator COOK—If there are any from any of the other—

CHAIR—Senator Murray has a general question.

Senator MURRAY—Minister, I doubt if you would have this information at your fingertips.

Senator Parer—I will try.

Senator MURRAY—You can take it on notice if you wish. I am interested in a comparative analysis of the budget of the Department of Industry, Science and Tourism and the Department of Primary Industries and Energy. What I am looking for is a comparison in absolute proportional terms of the budget outcome in dollar terms. The purpose of my question is to see if one ministry did much better in the budgetary decisions than another. If it did, I would like to know why. Do you need me to amplify the question for you?

Senator Parer—No, I know what you have got in mind, but I wonder if you are comparing apples with apples. But I am happy to take it on. You are talking about efficiency cuts and things like that? My understanding was that the same efficiency cuts were applied to all departments.

Senator MURRAY—Then your answer will come through with that. I am really looking to see if the government has a prioritisation which is more in favour of, say, Primary Industries and Energy than Industry, Science and Tourism.

Senator Parer—Oh, I see.

Senator MURRAY—That will emerge by a comparison. If I accept your argument that you had a budget deficit target and you applied it equally across the economy, I would expect to see an equal smack to both industries.

Senator Parer—We will take it on notice.

Senator MURRAY—Thank you very much.

Senator COOK—One of the election commitments that the government made—and I quote from the document put out by Mr Moore entitled *Industry and commerce policy*—reads:

. Maintain support for business expenditure on R&D through the 150% tax concession.

You have broken that promise, haven't you, Minister?

Senator Parer—We reviewed that. A lot of debate went on, as you will recall, as to whether it might even disappear altogether at one time. This went through the normal process and it was decided to reduce the amount on R&D. Then we reintroduced the START program. When you get to it, I am happy to get the department to give you a full run-down on the START program.

One of the things that we did cut was the R&D syndication program, which was known to be full of rorts. I know that your shadow minister, Mr Crean, does not like this very much, which would indicate to me that he did not accept that there were rorts there or that, if he did, he was supporting them. But it was something that your government knew about. You may well argue to me that you tried to do something about it, but you did not. There were schemes around this country that had nothing to do with R&D at all; they were to do with taxation laws. We removed them.

Senator COOK—We will come to that when we come to the item. But sticking with election promises broken, I think you acknowledge that you broke this particular election promise. It would be pretty hard not to acknowledge that.

Senator Parer—We did not get rid of R&D, if that is what you are saying.

Senator COOK—No.

Senator Parer—The budget deficit impetus made us look at it and we cut it back from 150 per cent to 125 per cent, but then we reintroduced the START program—you can come to that.

Senator COOK—All I was asking you was this: you have specifically broken the election promise of 150 per cent?

Senator Parer—We did not get rid of the R&D.

Senator COOK—And that is a matter of fact that you have. But you said—

Senator Parer—No, I am not walking away from it. We cut it from 150 per cent to 125 per cent and got rid of the syndication.

Senator COOK—Yes, that is another part of it. You also said that you reviewed this and you made this decision. When you reviewed it, were you aware that the Industry Commission had just concluded a major review of research and development in Australia?

Senator Parer—Senator, all I can tell you is that the review went on. It was not saying that R&D incentives were not a good thing. But, in view of the budget imperatives, we looked at every program and ours came back from 150 per cent, which I might say to you—and you will know this as well as anybody—when compared with most other countries in the world, it still fits in as an attractive R&D program.

Senator COOK—We will go to that debate in a minute. I know that you are feeling a bit defensive about it. I am just asking a simple question—

Senator Parer—No, I am not.

Senator COOK—Were you aware of the Industry Commission review when you conducted your review of the 150 per cent?

Senator Parer—Every program was looked at. If you would like us to spend money like a drunken sailor, which you people did, nothing would give me greater pleasure than to make it 200 per cent. We had budget imperatives and part of that was to come back and say, ‘Let us come from 150 per cent to 125 per cent’—and it is still attractive.

Senator COOK—Do you know what the findings of the Industry Commission review were?

Senator Parer—To compensate for that we have the START program—and the department will give you all the information on the START program. It is a \$520 million program for industry research and development.

Senator COOK—I think, Minister, you would agree with me that the Industry Commission can be characterised as being very dry and has a mind preset against subsidies or supports—and this is a tax concession. It conducted a long running review of research and development in Australia and made findings. Are you aware of those findings?

Senator Parer—I am aware of its findings, but I am also aware of the fact that we had to take some decisions and we took them.

Senator COOK—What were they? What were the findings with respect to the 150 per cent?

Senator Parer—We do not disagree with the R&D incentive program. You are trying to run the line as if somehow we disagree. We agree with it and the more we can encourage genuine R&D, not the rorted syndicated R&D that you did not do anything about, the better. You must have known about the rorts—you can tell me whether or not you knew about it. Did you know about it?

Senator COOK—We will come to that debate in a minute. If you want to have the debate now, I am happy to promote it from where it is on the agenda to centre stage now. I would be very happy to promote it.

Senator Parer—I cannot add any more than what I have told you. It was part of the program review. We had the requirements to address the budget deficit. We did it and we did it across the board. People said, ‘We would have preferred to keep the 150 per cent,’ but they had accepted it. The general view of industry is that what we did in this budget was responsible and if you read most of the stuff they will say it was well overdue.

Senator COOK—We will come to what industry think of the changes to the 150 per cent in a minute. Are you aware of what the ultra dries of the Industry Commission recommended about the 150 per cent? If so, what did they say?

Senator Parer—Senator, all I can say to you is that the decision was taken by the government with full knowledge of all the facts and we took that decision not with a view to making cuts that we thought were going to be bad for industry but with a view to making decisions in the budget which were going to be good for industry. That is the whole overview of the budget.

Senator COOK—Are you aware of what the findings are on what growth R&D expenditure generates in the economy?

Senator Parer—Personally, myself? Who knows? The department can answer that.

Mr Evans—There are variations on that. The Industry Commission gave an estimate. We have done further work and for a given dollar expenditure you can get rates of two to one.

Senator COOK—So for every dollar you get two back?

Mr Evans—Yes, but not on all occasions.

Senator COOK—No, not on all occasions, as a generality. In some cases you get much more.

Mr Evans—You have to be very specific—the additional R&D. For the outlay from government or the cost to government, then you have to stimulate additional R&D.

Senator COOK—The department did a survey on R&D and what the multiplier of R&D expenditure is. Can you remind me, Mr Evans, what the department found?

Mr Evans—I will take that on notice. I would not want to give you an inaccurate figure on that one just off the top of my head, Senator. I will check it up.

Senator COOK—Just check it for me, but I think it was 1:9.

Senator Parer—The other thing we got rid of, too, was the gravedigging, as you know.

Senator COOK—We were trying to get rid of that.

Senator Parer—We got rid of gravedigging.

Senator COOK—You put our bill up.

Senator Parer—Yes.

Senator COOK—I was just questioning the Industry Commission’s findings and whether the government took those into consideration. Minister, there is no point in me pursuing you on what the Industry Commission found, because you have not been able to answer that question. The Industry Commission found—I will just recite this for the record, and this is the ultra dries of the Industry Commission—that the 150 per cent research and development incentive works and, on balance, that it should be kept and that it has an important multiplier.

Mr Evans says it is 1:2. I thought it was higher than that. I think this department's own survey has found it 1:9. You say that industry are happy with the budget. Are they happy with the decision of the government in this aspect of the budget?

Senator Parer—You just made two remarks there. One is that it worked, and we do not disagree.

Senator COOK—At 150 per cent.

Senator Parer—The other one is that it should be kept, which we do not disagree with.

Senator COOK—At 150 per cent.

Senator Parer—We brought it to a figure which is still in the ballpark with most other countries around the world. I do not want to get into a long debate on this. You are right—it is across the board. There are instances, of course, where incentives for R&D really were not necessary. I came from the industry sector. I know what people did. I am not saying that any of them are crooks; I am just saying that here was something they received something for that they were doing anyway. That is fine. I am also saying that in one instance, the syndicated side, it was a rort. But you can come to that later.

Senator COOK—You keep talking about the syndicated side. We will deal with the syndicated side.

Senator Parer—With respect to the gravedigging, I know instances of gravedigging. There are companies around today which have not paid a franked dividend for the past five years, because they went back and, in time, found R&D, which they were doing anyway. We had consultants on the ground—

Senator COOK—Just on the gravedigging thing, you acknowledge that we were addressing that problem in government, don't you?

Senator Parer—Yes, it had been going on for years. It took a long time—after 13 years.

Senator COOK—Did you identify this as a problem that you would address in your election papers?

Senator Parer—No. We were not specific on that, but we kept the R&D. That is what we have done. It is certainly at a reduced figure—I am not walking away from that.

Senator COOK—I will come to the syndication part. You also made promises on that, but that is another matter. What is the government's reaction to industry outrage at the reduction of the 150 per cent tax?

Senator Parer—Senator, you keep talking about outrage. We have industry around Australia lauding us for this budget, because they looked at it across the board. Certainly, people will take the view—and, as you would expect, it is a normal view—'Cut your budget, but don't touch me.' That is the old nimby bit. I speak to these industry people. I am speaking with them at the moment and I know them as people.

Senator COOK—So do I.

Senator Parer—I can tell you that their reaction to me was, 'We think it had to be done. What you did was right.' It is going to be to the benefit of this country in the long run. It is well overdue.

Senator COOK—Would you agree with this comment:

First it is a stupid decision, because it will tilt the balance for big companies undertaking major R&D projects and comparing a number of possible locations. In the past, Australia offered a comparable economic environment but won out through the availability of relatively cheap research science and

engineering personnel. However, with the reduced R&D tax concession rate, Australia will no longer compete with countries such as Chile, Malaysia and Singapore . . .

Or would you agree with this comment from a company which said:

We could not have grown to the size we are now without that R&D assistance.

Or would you agree with this comment:

The big issue for industry was to ensure certainty about the R&D tax incentive. Now—then there is the company's name—

. . . is reviewing its position, and I expect that we will maintain our total R&D effort but more of it will be done in other places. . . . is now a global company and Australia is no longer an especially attractive location for R&D.

Or would you agree with this?

We are very disappointed first in the reduction to 125% which, given the compliance costs, makes the scheme not a lot of use. Second, and more important, is the change of definition which has introduced an uncertainty into the process that is extremely misdirected.

Or would you agree with this comment, talking of the government:

. . . and they could well impact on attempts by—

then it gives the company's name—

. . . to attract research activities currently performed by the parent company . . . in the United Kingdom.

Another comment is:

. . . changes to the definition of eligible R&D were 'totally unthought through'.

That is a range of comments from Australian companies on what you did when you broke this election promise. I think it is fair to say that that represents outrage.

Senator Parer—Come off it—you are quoting a handful of companies. What you are not quoting is the general industry view across the board that we came out with a budget that was well overdue and that has other aspects to it. We have legislation there that is going to improve their position.

Senator COOK—You are not telling me—

Senator Parer—Hang on. It does not matter what group you are talking about: when you have to make a hard decision which is in the interests of the business sector and the community at large, individuals will come out and say, 'I'd prefer to have kept the high figure.' Of course they would—that is human nature. But let me tell you that the whole budget process—I keep hearing you say, 'You're going back to macro things'—

Senator CONROY—Investor confidence.

Senator Parer—Exactly. Senator, you are dead right. It is all to do with investor confidence. You were not here and I cannot blame you, but—

Senator CONROY—Your entire position is that it is up there and it is just—

Senator Parer—This is what most of the budget process is and it is what the whole thrust of legislation is: to make this a better country with more investment and more real employment.

Senator COOK—Are you dismissing these comments, Minister?

Senator Parer—I am saying it is inevitable that you are going to get people saying things like that. It does not mean we are wrong; we are right.

Senator COOK—The tenor of these comments is that they are going offshore because the climate is no longer attractive.

Senator Parer—Yes.

Senator COOK—Do you dismiss that?

Senator Parer—Yes, I do.

Senator COOK—The companies are saying that and it is all set out here in quotations. There is Dr Robin Batterham, the Vice-President of CRA Research and Technology; Dr Robert Hobbs, the General Manager of Corporate Research at BHP; Dr Paul Donaghue, the Chief Scientist with ICI Australia; and the Australian Industry Research Group. They all made some comments which I have not quoted, but they are of the same tenor.

Senator Parer—It sounds like a group of vested interests to me.

Senator COOK—Dr Chris Hudson, Director of Research and Development at Goodman Fielder; and Dr Jim Fox, Chief Executive Officer of Vision Systems Australia. There are other comments—I have not quoted all these—about it by Dr Edwina Cornish from Florigene, a small company, who said that without this incentive they would not exist. Mr Ray Dingle of Pacific Semiconductor; Mr Michael Rowland of Amrad Limited; Mr Bob Moses of CSL Ltd; Dr John Stocker of Pratt Industries, who, I might say was the former chief executive officer of the CSIRO; Mr Paul Baxter of Price Waterhouse—you might say he has a vested interest—and—

Senator Parer—What was he manufacturing?

Senator COOK—You might say he has a vested interest; I drew attention to him. All the others are in what you would term the ‘wealth creation’ businesses.

Senator Parer—Let me tell you that some of those companies you quoted—I will not repeat them again—have expressed to me, on a total overview of the budget, that, notwithstanding the fact that we had to make those particular cutbacks in those particular areas, they have taken the view that the budget was a responsible one, was well overdue and that everyone had to share a bit of pain.

Senator COOK—That is not the budget macro—

Senator Parer—That is it; that includes it. It is across the board.

Senator COOK—So that means that they have no right to argue.

Senator Parer—They are quite entitled to do it, but I think not unexpectedly in some places, because people always like to hang on to something. You do not have to be in the business sector to do that.

Senator COOK—These people are saying that the research and development that they were doing in Australia will now be done overseas, or a large part of it will.

Senator Parer—I bet you it isn’t.

Senator COOK—You are unconcerned about that?

Senator Parer—I bet you it isn’t. They are not the views reflected to me by some of those people you have just quoted through their chief executives.

Senator COOK—Did you discuss with their chief executives their views of the broken election promise on research and development?

Senator Parer—They never raised it with me, Senator. We were confronted with a particularly disastrous situation that you manufactured all on your own and we had no option

but to address it. If we had not addressed it, we would be subject, quite legitimately, to an enormous amount of criticism, not only from those people but from you.

Senator COOK—How are you addressing a budget deficit by chopping out an incentive that creates either a 1:2 multiplier, on Mr Evans's figure, refereed by the Industry Commission, or a 1:9 multiplier, on my hazy recollection of this department's own survey?

Senator Parer—You are making the wrong assumptions, Senator. You are making an assumption that the R&D that companies are engaged in will not continue. R&D will continue.

Senator COOK—They are saying that they will not continue in Australia.

Senator Parer—Of course they will. It is a value judgment that you and I are taking and will never agree on.

Senator COOK—We will get into this in detail when we actually come to the R&D part.

Senator Parer—I thought we were already in it.

Senator COOK—No, we are not. I am still dealing with broken election promises.

In the minister's absence, I asked a series of questions of the department but it became obvious to me that it was unfair to ask those questions of the department. Perhaps I can ask them of you, Minister.

Senator Parer—Yes, we will see how we go.

Senator COOK—How many staff are employed on the Minister for Industry, Science and Tourism's personal staff or in his office?

Senator Parer—I think the department can answer that. From our point of view, I know that we have fewer staff than you did. I do not know exactly what the position is with regard to Minister Moore.

CHAIR—I recall asking Senator Cook this sort of question when he was the minister; he told me I had to go to the Department of Administrative Services to ask that question.

Senator Parer—There are two aspects to it. This was asked at the previous committee I was at. One is the administrative services side and the other one is the people from the department. I think you are asking about us.

Senator COOK—The department has given information about a couple of liaison officers.

Mr Hanna—The others are essentially just a matter of me getting hold of a telephone book and counting the names. I can do that for you if you want me to.

Senator Parer—We are happy to give it to you. It is public knowledge as far as I know.

Senator COOK—Can you let us know how many of them are classified as electorate officers and how many are classified as personal staff. Does the minister employ any consultants?

Mr Hanna—I am pretty certain the answer is no.

Senator COOK—But you will check that?

Mr Hanna—Yes.

Senator COOK—You have told us the answer to the question on liaison officers. Can I also ask in this question: what is the salary band of each staff member, what is their home base for the purpose of claiming travel allowance and what is their job definition—that is, is some person designated as a media adviser or some special designation?

Senator Parer—What does 'designated' mean?

Senator COOK—Say a media adviser or some specialised designation such as that.

Mr Hanna—Some aspects of this are in a question on notice already in the House. So we should be able to get that information for you reasonably quickly.

Senator COOK—I would like to know which are paid by the department and under what act the others are employed. I would specifically like to know whether the minister has had working in his office anyone associated with Rehame Australian Services Pty Ltd or has had anyone from that company lent to him or been on contract from them—or has anyone previously been employed by them?

Senator Parer—I have no idea. We will put it to the minister.

Senator COOK—If he has, in what capacity were they employed, for how long were they employed, how much did their services cost, who paid for it and under what authority were the payments made?

Senator Parer—We will take it on notice.

Senator COOK—When I was talking to you about the minister's promise to create 200,000 new jobs, the other question I should have asked is: has the minister asked the department to propose ideas of how 200,000 new jobs might be created in the manufacturing industry by the year 2000?

Mr G. Taylor—We have had a range of discussions with the minister going across the portfolio, including industry policy.

Senator COOK—Did this subject come up, Mr Taylor?

Mr G. Taylor—Not in any specific way.

Senator COOK—So has there not been a specific request made of the department to put forward suggestions on how 200,000 new jobs might be created in this department by the year 2000?

Mr G. Taylor—There has been no specific request of that nature at this stage.

Senator COOK—What number of redundancies has the department had since the election in March?

Mr G. Taylor—We have had 143.

Senator COOK—Have they all been voluntary?

Mr G. Taylor—Yes.

Senator COOK—Can you let us know in which areas those redundancies have occurred.

Mr G. Taylor—Do you mean which parts of the department, Senator?

Senator COOK—Yes.

Mr G. Taylor—They have been from all divisions.

Senator COOK—Can you let me know the numbers from each division.

Mr G. Taylor—I am afraid we will have to take that on notice.

Senator COOK—Some of the information I want to know is covered in the questions I put on notice. I put quite an extensive number of questions on notice about staffing, changes in staff and portfolio locations. In the overview section—I am not going to hold you to the letter of it—I want to get a sense for how the shape of the department may have changed as a consequence of downsizing affected by budget changes or other administrative changes.

Mr G. Taylor—We had some incoming functions. They were additional to the previous structure that you would be familiar with. The main accretions were tourism, the Bureau of Consumer Affairs and the housing policy branch from a pre-existing department. The redundancies came from all parts of the department. I do not think they were particularly concentrated anywhere but, obviously, they were not of absolutely even incidence.

Senator COOK—How did you go about calling for them? Did you just put out a blanket call for people to accept a redundancy package or did you structure that to specific areas?

Mr G. Taylor—We put around the opportunity to express interest in redundancy to all staff. That was the main step.

Senator COOK—How many did you get, by the way? You gave me a figure.

Mr G. Taylor—It was 143.

Senator COOK—How many offers of redundancy did you receive?

Mr G. Taylor—Do you mean how many expressions of interest?

Senator COOK—Yes.

Mr G. Taylor—That varied by different levels. In the senior officer range, there was an approximate balance between expressions of interest in redundancy and the numbers that we were reducing by. In the ASO ranks, there were rather more expressions of interest. I am not sure if we have a figure for that. We can certainly give you that information. There were more expressions of interest, but I do not have the figures in my head.

Senator COOK—There were more expressions of interest than there were positions that you wished to shed?

Mr G. Taylor—Yes.

Senator COOK—That circular that you put around calling for expressions of interest—could you make a copy of that available to the committee?

Mr G. Taylor—Yes, certainly.

Senator COOK—If I might say so, it seems to me that one of the managerial problems with calling for redundancies is that often the people who have the most marketable skills and are therefore able to eat more easily, find re-employment outside of the department, are the ones that offer first. But these are frequently—not always—some of the more valuable members of your staff. It seems to me that one of the managerial challenges is to ensure that you maintain a sufficient number of experienced people able to maintain the corporate memory of the department as well as downsize.

What steps did you take to effect the balance of redundancies so that, for want of a better description—and I know it is offensive for the people who have remained, and I do not mean it that way—the better qualified people did not leave?

Mr G. Taylor—Obviously, this is a very important question. We have to operate within the existing Public Service Act agency bargaining agreements and so forth. They shape or put some general constraints on the process. I am sure you would take that into account without asking me to elaborate all that.

Personally, I had several discussions with each division head about the questions you raise. I made it clear that the people the division heads felt were the most important for working in the new environment we were entering should be aware there was important work to be done and so forth, so it would be clear to them that, if they wished to remain, they could.

Another process which we went through was termed the reverse order of merit where there was an excess of volunteers to leave in those ranges. There was an assessment of those who are better than others. You start with those who are regarded as the least valuable and let them go. That is, I think, a procedure that is being followed by a number of departments in the same situation.

Senator COOK—Is it true that the department is now recruiting additional officers?

Mr G. Taylor—We have done a number of things. Firstly, we have swapped a number of staff with other departments. In those where there were insufficient volunteers to leave, we have swapped with members of our staff who do want to leave. That is not exactly recruitment, but there has been that turnaround.

We have sought expressions of interest around the department where there are skill shortages, but that has been drawing staff from one part of the department into another part where there are vacancies. We may very well begin formal recruitment because, since the downsizing exercise, normal attrition has continued, so over time normal vacancies arise. I expect progressively we will move back into a normal recruiting situation.

Senator COOK—When you do, and to the extent that you are seeking additional staff, does that mean that those people who have been formerly with the department, have accepted a package and have been made redundant will have an opportunity to return?

Mr G. Taylor—It would not be expected that they would want to return, as they left voluntarily. There is a guideline that for 12 months we could not bring anyone back that had gone out under those circumstances.

Senator COOK—Does the department employ consultants?

Mr G. Taylor—Yes.

Senator COOK—Could I have a list of who those consultants are and what their tasks are?

Mr G. Taylor—Yes. Is it still published in the annual report or is it available on request?

Mr Hanna—It is supplementary information, I think.

Mr G. Taylor—We can provide that information.

Mr Hanna—It is certainly in the draft annual report that was provided to you a couple of weeks ago.

Senator COOK—How are the consultants selected?

Mr G. Taylor—On a case by case basis in light of the needs at the time. There is the secretary's accounting instruction that governs the procedural aspects of it.

Senator COOK—What are those procedures?

Mr G. Taylor—We can make a copy available. They are to do with testing the market and obtaining value for money. They would be basically the same as the guidelines that other departments have.

Senator COOK—In terms of redundancies—I think the former secretary has departed and you are now the secretary to the department; that is one of the significant senior managerial changes since the election—in the senior executive area of the department what have been the other changes of senior personnel?

Mr G. Taylor—In addition to the 143 redundancies, there were approximately 11 reductions at SES level.

Senator COOK—Eleven reductions at SES level?

Mr G. Taylor—Yes. Ten redundancies and one reduction.

Senator CONROY—And they were not included in the 143 redundancies?

Mr G. Taylor—No, that is right. There are another 10 or 11.

Senator COOK—There were 10 redundancies and one in some other capacity?

Mr G. Taylor—There was one case of regression where an SES officer elected to step down a level under provisions that were made available about a couple of years ago or even longer, I think.

Senator COOK—Was this to hold a job at all or was this for some other reason?

Mr G. Taylor—This was in one of the states where there was a significant reduction in the profile and there was a surplus of officers. The officer concerned did not wish to leave the state where he lived.

Senator COOK—Looking through the *Portfolio Budget Statements*, I do not see EFIC being reported in here. EFIC is referred to in the budget document. My recollection is that we used to have EFIC before us in estimates.

Mr Hanna—It is a non-budget funded agency. We have not normally had them here. The EFIC matters that are mentioned in here are policy issues that the department has been primarily involved in, although in close consultation with EFIC. We will be able to answer those questions.

Senator COOK—But in the budget EFIC has to pay \$40 million back to the government—100 per cent of its surplus this year and for the out years 50 per cent of its surplus—rather than plough that back into EFIC, as the former government had required it to do. In the estimates proceedings do we not have a chance to talk to EFIC about that? It is a budgetary matter.

Mr Hanna—It was not our intention to bring EFIC down. We can answer questions, I think, on those. All of those issues went to the EFIC board and were cleared by the board, as required under the act.

Senator COOK—Minister, I think I know what your answer would be: this is a budgetary measure for macro-economic reasons.

Senator Parer—No. I think you can ask the officers whether they are able to answer the questions on EFIC.

Senator COOK—We might deal with that at the end of the procedures on DIST. The other one which, as I understand it, we have never had before the estimates committees, and its status has changed, is the AIDC. My understanding is the reason why we did not is the AIDC had partial private ownership, and therefore under the terms of corporate law it could not treat the majority shareholder—that is, the Commonwealth—differently from the minority shareholders. For reasons associated with that, the AIDC never appeared. It is my understanding that the minority shareholders were then bought out of the AIDC and it is now entirely in public ownership. Is that right?

Mr G. Taylor—That is substantially right.

Senator COOK—I am not sure but I think the AIDC basically financed that buyout from within their own reserves—their own capability without a budget outlay—but I could stand corrected on that. The reason why the AIDC is not here is that there is no direct outlay associated with the AIDC?

Mr Hanna—That is correct.

Senator COOK—What would we do if we wanted to ask questions related to the budget and the AIDC? We would have to find some other forum, would we?

Senator Parer—Senator, if you have any questions on the AIDC can we can see how the department goes, if you want to fire any questions.

Senator COOK—All right. Other committee members may have a different point of view, but it would be convenient for me to take AIDC issues at the end of the process.

Senator MURRAY—I would like to add something. You will have to take this on notice for sure but I would like to know what, in the movement across to complete private ownership, letters of comfort, guarantees or liabilities the government was left with?

Senator Parer—It has gone the other way.

Senator MURRAY—It has gone from private to public?

Senator Parer—It was partially private with the majority public, but it has now come back to being fully public, as I understand it.

Senator MURRAY—Were there any liabilities left out there with regard to the private ownership?

Mr G. Taylor—Liabilities?

Senator MURRAY—Of any kind. Were any guarantees or anything of that sort given, or was it a clean deal?

Mr G. Taylor—The AIDC operates with a government guarantee and it is in the nature of the merchant bank that has significant liabilities of its own.

Senator MURRAY—But, in relation to those who were bought out, was there a guarantee?

Mr G. Taylor—No. They were bought out. I should add, Senator, that this process was in fact handled by the Asset Sales Task Force of the Department of Finance, so it may be that some of these questions should be directed elsewhere.

Senator MURRAY—Do you want to take it on notice or do you want me to do that?

Mr G. Taylor—We can take them on notice and pass them across if we need to.

Senator MURRAY—Thank you.

Senator COOK—But is the AIDC still regarded as within the portfolio?

Mr G. Taylor—Yes.

Senator COOK—I am looking at table 1.2 on page 20 in the overview section.

CHAIR—Have you gone onto 1.1 yet?

Senator COOK—No, this is in the overview section.

CHAIR—Right.

Senator COOK—Looking at this table at item 1, which we will come to in a minute, but taking it globally, it appears that there is roughly a \$54 million increase in the budget allocation.

Mr G. Taylor—These figures are correct.

Senator COOK—What I do not understand is with so many programs removed, so much money removed, is the correct picture in fact that the budgetary allocations for the department, despite the significant cuts that we have referred to earlier, have gone up?

Mr G. Taylor—As you would be aware, these figures are a composite of a vast number of different things. For example, the START program is on the outlay side—and that was an addition. The savings in that general area were, for the most part, on the revenue side. There would be a variety of explanations like that. Have we got a convenient print-out of all this?

Mr Dainer—Yes. Page 35 provides you with another table of variations.

Senator COOK—So all of those things in brackets are cuts and all the things not in brackets are—

Mr Dainer—Reductions from actual expenditure last year to the appropriation level this year.

Senator COOK—If you could just walk me through this a bit more carefully. The reason why table 1.2 shows an increase is that the staff funds are loaded in and that countervails the cuts. Is that what you are saying?

Mr Dainer—If you look at page 35, I think the START program would be an increase in industry innovation and above that is the increase in factor F. They are the two largest increases.

Senator COOK—Is there a table you could direct me to? The START program replaces a program that dealt with tax concessions, doesn't it?

Mr G. Taylor—Yes.

Senator COOK—We never showed those figures.

Mr Evans—They never showed up in our *Portfolio Budget Statements*.

Senator COOK—What I am trying to do is get a neutral comparison so I can see what has happened. Is there such a table anywhere in these tables? I could not find them.

Mr G. Taylor—I do not think so.

Senator COOK—Senator Schacht was saying earlier—and I do not think you were here, Mr Taylor—and I can vouch for this in the two portfolios I sat on estimates with him in, that we are having trouble with the way in which some of these tables are composed in order to compare like with like.

Mr G. Taylor—We have been having trouble for years.

Senator COOK—They are composed, as I understand, under direction to you from the Department of Finance by and large. Senator Schacht—and I was there when it happened—was quite amazed nonetheless—it was true because it happened before my very eyes—that Ted Evans, the Secretary to Treasury, agreed that the tables were deficient and did not produce a clear understanding or comprehension of what was happening in his portfolio. We have the same problem in the Department of Foreign Affairs and Trade. I think the other problem, which is an understandable one for the department, is that you are required to produce these in a rush straight after the budget. Is there some way, now that we are in this process of looking at estimates, in which we can get a better presentation of what has actually happened?

Mr G. Taylor—Yes, I think we could construct that.

Senator COOK—Do you have any figures which would give us an idea of what it would look like?

Mr Evans—Yes.

Senator COOK—Can you paint us a bit of a picture of it?

Mr Evans—You are looking at the R&D side, for example?

Senator COOK—We are still on the overview, but I wanted to get an idea in my head about what the department went through, globally. Did it come out of it better or did it come out of it worse? I always thought, reading the budget papers, that it had come out of it startlingly worse, but these figures seem to suggest that the reverse is true.

Mr G. Taylor—The bulk of the big savings are on the other side.

Mr Evans—On the revenue side. They were in the order of several hundred million dollars.

Mr G. Taylor—We can provide a table showing that.

Senator COOK—You have got 143 staff less now than you had before?

Mr G. Taylor—No. They were the redundancies at that time. There have also been adjustments in the budget process, and I expect some other adjustments of a smaller kind as well.

Senator COOK—You are expecting further redundancies?

Mr G. Taylor—No. The START program would have an administrative component and there are several other programs of that kind. There have also been some reclassifications between program and running cost expenditures in line with Department of Finance theory on these matters. That again is a composite of a large number of ons and offs, as it were.

Senator COOK—I am trying to come to some understanding of how the department looks at the end of this process on staffing. Is it smaller? Are you doing more with less, as the slogan goes?

Mr G. Taylor—There is a table on page 20 that shows an estimate of staff years, which may be of help. I stress that that is very much an estimate.

Senator COOK—This is table 1.2 under Industry, Science and Tourism and it compares actual staff years to estimated staff years for the out year?

Mr G. Taylor—Yes. I think that is a first step in answering, but I would ask you not to take those figures too literally because, as you know, what we actually manage to is a dollar amount and how the managers actually use the money may or may not produce exactly that number of staff years, but I think that goes a fair way to answering your question.

DEPARTMENT OF INDUSTRY, SCIENCE AND TOURISM

Subprogram 1.1—AusIndustry

CHAIR—I will ask some questions in the R&D area. Firstly, the START program, for which \$40 million is to be appropriated for 1996-1997, what progress has been made in the preparations to commence the new START program? I understand there have been some industry consultation seminars conducted in capital cities over the last fortnight. Perhaps you would tell me something about the utility of those seminars in terms of proceeding with the commencement of the START program.

Dr Dubs—The START consultation has taken place over the last few days. We have met with industry in all state capital cities. Currently it is going on. It is just finishing in Hobart. That will be the end of that round of consultation. I think the results have been very positive. We had a very good response from industry. The fora were organised jointly with the chamber of commerce representatives and were very well attended.

CHAIR—Have the seminars had any impact on the structure and delivery arrangements for the program?

Dr Dubs—I think it is a bit early for me to say exactly how it has impacted because we have been running around the countryside in various fora. I have presented in a couple; Keith Besgrove, who is in Hobart today, has attended others. I think we really need to now consolidate what we have heard during those fora. But, yes, it will no doubt influence the thinking.

CHAIR—Can you tell me when START will commence?

Dr Dubs—The intention is to come out with the ground rules, so to speak, or the guidelines in October and invite applications for November, with decisions being made early next year.

CHAIR—What will the relationship be between the new START program and the existing competitive grants and commercialisation loans program?

Dr Dubs—That depends to some extent, of course, on what the new part of START covers. Essentially START will cover both the current program of grants and loans and the new allocation of funds. It depends a bit on how exactly that is structured. What we would aim for certainly is to have a seamless transition from one to the other so that we do not end up with difficulties of people having to worry about where to go and what to apply for. But the exact arrangements and how it is delivered obviously will have an impact on how it is integrated with the existing programs.

CHAIR—Are efforts being made to facilitate access to the START program for those R&D syndicate proposals that will be ineligible to proceed under the transitional arrangements announced on 23 July?

Dr Dubs—Yes, that is one of the intentions, of course, to make sure that those projects which were prepared for consideration in the syndication context will be invited to restructure, rethink their proposal and see how they could benefit from the START program.

CHAIR—I want to ask some questions on R&D syndication, but have you got any questions on START before I—

Senator MURRAY—I have questions some on START. The government has allocated \$40 million this year and \$100 million in the three subsequent years to this program. Can you provide a breakdown of how much of this is to be provided in running cost and how much in program cost?

Dr Dubs—I do not have the details.

Mr Evans—It was \$2.8 million the first year and \$3 million the second year for running costs.

Senator MURRAY—The *Portfolio Budget Statements* state on page 41:

In addition to providing additional funding, the START program will subsume the existing IR&D loans and grants schemes.

Which scheme precisely is being referred to here?

Dr Dubs—There are currently two schemes: a competitive grants scheme, which is funded at roughly the \$40 million mark, and a concessional loan scheme for early commercialisation of technologies, which is funded at roughly the \$10 million mark. Those two schemes are ongoing. The loan scheme has been in operation for about two years and it is ongoing, and the grant scheme has been renewed for three years, so there is funding for that.

Senator MURRAY—Does that figure of the funds allocated to the START program include those funds for those existing schemes or is that money additional?

Mr Evans—Those existing schemes are already funded and the START is additional to those, so that will give you additional funds in each year.

Dr Dubs—A total of \$520 million all up over four years.

Mr Evans—So this year, for example, with START there would be a competitive branch and the concessional loans, in the order of about \$80 million, available for support for R&D projects—new dollars available for R&D projects.

Senator MURRAY—Is there any possible duplication or overlap between the proposed START scheme and existing schemes such as the competitive grants for R&D schemes?

Mr G. Taylor—Dr Dubs was explaining that the various programs would be brought to alignment so that they meshed. Exactly how is yet to be decided, but they will all be brought into alignment with each other, and administered jointly.

Senator MURRAY—I presume there is potential for overlap and duplication in the early stages?

Mr G. Taylor—I would hope not.

Dr Dubs—The focus for the new part of the START program is for major projects and that has not been set in concrete, but we are talking about projects which would be at least \$2 million total expenditure. This is not just R&D, but R&D and some of the commercialisation aspects. The existing grants and loans would be refocused onto the smaller end of the scale of projects.

Mr Evans—For example, whilst the existing branch program did not have any actual cap on it, in a sense it was self-limiting because you had a limited amount of funds and therefore it tended to dissuade the R&D board from looking at large sums of money, because they want to disburse it. The concessional loan program actually had limitations on the size of the firms that could apply.

Senator MURRAY—The START program is listed, I think, at \$520 million, but the PBS says \$340 million over four years.

Dr Dubs—The \$520 million is the existing grants and loans over the three years, which is still funded, plus the new money. So the \$340 million is the new money for the—

Senator MURRAY—In addition to the \$520 million?

Dr Dubs—No, it is \$340 million, plus \$180 million; the \$180 is the money which is for the programs which are currently run and have been running for some time. The rest, the \$340 million, is the new money.

Senator MURRAY—Has any research been undertaken which suggests assistance mechanisms such as those provided by START programs are the most appropriate for increasing commercialisation of R&D?

Mr Evans—Yes. Prior to and during the formulation of the program we had research programs under way, which looked at the most effective way for government to achieve an outcome for given dollar expenditures. It looked at the existing programs, the R&D grants, loans and the tax concession, and looked at it in terms of additionality, which is critical from a government point of view, and completion through to commercialisation of the projects. In a managed scheme of outlays, the grants program came up with very high figures of the actual outcomes. Seventy per cent of the projects funded went through to commercialisation where we had some differences in the actual additionality, occasioned by a tax concession program—quite a deal lower.

Senator MURRAY—Is that research a public document; is it available?

Mr Evans—No, it is not a public document.

Senator MURRAY—Could it be made public?

Mr Evans—That is a matter we will take to the minister.

Senator MURRAY—Thank you. When did the department start to conceive of the START program? Was it brought to you by the new government or is it something you have been developing over time?

Mr Evans—As part of the government's election commitments, it indicated that it wanted a full review of the whole area of support for R&D program support. As a consequence of that decision, the minister instructed us to undertake that review. So really the work commenced in March and progressed over the succeeding months.

Senator MURRAY—So it is not a scheme which arose from your own expertise and long experience in the nature of industry assistance?

Mr Evans—I think you would have to say that it does arise from that experience. The trigger, you might say, for bringing it forward was the government's instructions for a review of all of the programs.

Senator MURRAY—As you know better than I, the purpose of government is to constantly improve and make better the schemes for assistance to industry. Is it your opinion that the START scheme is an improvement and is better than the schemes it replaces?

Mr Evans—Yes, because what we have now done is to recognise—I think it was known before; it was just that the capacity to deal with the issue was somewhat constrained—that when a firm is undertaking an R&D project, there are various stages: the research, the development phase and the commercialisation phase. The more certainty they can get at the outset of the process about the support, funding et cetera, the more confidence it gives the proponent to go forward. So the R&D START program has brought together the experience out of the competitive grants program and the concessional loans program and, indeed, attributes out of the R&D syndication program—those positive attributes—and combined them so that a proponent, a small to medium enterprise or a collaborating institute that is collaborating with industry, can embark on a program in a very comprehensive managed way, knowing that, if they meet their milestones, support will be forthcoming.

Senator MURRAY—That question leads me to the following remark. Malcolm McIntosh, the head of the CSIRO, has stated that the abolition of syndication will affect some major projects that were pending as well as future levels of work—there must obviously be effects from cutting such a scheme—and that the outcome, the net cost-benefit relationship, is dependent on the effectiveness of the replacement scheme. Plainly, you would expect a negative effect from withdrawing benefits. Have you balanced that and taken into account those concerns in developing the START program?

Mr Evans—Yes we did, Senator. We analysed the syndication projects, both those that have gone previously and those that were in contemplation and made assessments about the benefits from the R&D expenditure, the cost to the taxpayer and looked at the positive attributes and tried to build those into the broad framework of the R&D START program. As Dr Dubs has said, we are now making sure, in the consultation period, that the refinement means that we do achieve those outcomes that the program has got as its objectives. I understand what Dr McIntosh was saying and we are making sure that we get rid of the negatives and emphasise the positives in the way we deliver the program.

Senator MURRAY—Senator Cook has been pursuing you on the matter of jobs, and I think those questions are always extremely hard to answer because you are never quite sure of the consequences of what you introduce. But I would assume that you would have had a view as to the job creating consequence of programs you already had in place because you would have been able to measure that over time, I assume. Therefore, when you cut those programs, you would expect, again I would assume, a certain loss of job creation possibilities. On the other side of the ledger, I assume you would also have said, ‘Well, START will create so many jobs.’ I am interested whether you could tell me what the two sides of the ledger look like when you cut those programs: how many jobs do you think you might lose and, when you add START, how many are you going to add and what will the net effect be?

Mr Evans—Can I take that one on notice, Senator, because this matter will have to be raised with the minister.

Senator MURRAY—Yes. That is all I have on START, Mr Chairman. I have got some on the R&D.

Senator COOK—Mr Chairman, I have questions from the beginning of this section. You have started at START. I have got no objection to asking my questions on START now, while we are all sort of in the mood. I just want to indicate, though, that I would like an opportunity, at some time, since I have had a fair bash at it—other members of the committee might want to have a go now—to start back at the beginning of the section and work through some of the other programs that I have had questions on.

CHAIR—Yes, that is fine.

Senator COOK—I just do not want to forfeit my right to do that by starting midway through the process.

CHAIR—You can ask anything on 1.1 at any stage of the process.

Senator COOK—I thought we were under instructions from you to proceed sequentially, but that is obviously—

CHAIR—Sequentially through the program—1.1, 1.2, 1.3.

Senator COOK—Firstly, you say here that the START program will subsume the existing industry research and development loans and grants schemes. What was the budgetary allocation for the industry research and development loan scheme, as an aggregate, in the last budget?

Mr Evans—I will just grab those figures, Senator.

Senator COOK—This program looks like a rebadging of an older program. I just want to ask—

Mr Evans—No. I think this raises the issue that you have alluded to about the PBS.

Senator COOK—About the what, sorry?

Mr Evans—The portfolio budget statements.

Senator COOK—Yes.

Mr Evans—The funding available this financial year for the competitive grant program and still available is \$24 million. The funding for the concessional loans program is about \$14.7 million.

Senator COOK—That comes to \$38.7 million, and the first year outlay here is \$40 million. So they did well; they have an extra \$1.3 million.

Mr Evans—No, that is in addition.

Senator COOK—Right; and this is in replacement for access to syndication?

Mr Evans—Yes.

Senator COOK—Right. Before I go on to the START scheme, let us get to the point of how it was decided by the government to end syndication. This minister, together with the Treasury, issued a press release about that, did they not?

Mr Evans—Yes, Senator.

Senator COOK—And in that press release, as I recall, he said that the BIE had undertaken a study of syndication.

Mr Evans—Yes, Senator.

Senator COOK—Is a copy of the BIE study on syndication available?

Mr Evans—Yes, Senator. It was distributed that day, I think.

Senator COOK—I just did not know. I have got a copy; I did not know how I came by it. I wanted to be sure that it was on the public record.

Mr Evans—We made it available.

Senator COOK—So I came legitimately by it.

Mr Evans—I hope you have not been hiding it since that time, Senator.

Senator COOK—No, I walked about shamelessly with it under my arm. Who asked the BIE to undertake this study?

Mr Evans—We did, Senator.

Senator COOK—We being whom?

Mr Evans—The department.

Senator COOK—Of its own motion?

Mr Evans—No, it was a consequence of discussions which arose following previous reviews and previous changes to the program. It involved not only the department but the IR&D board, feeling they needed a better analysis of the operation of syndication.

Senator COOK—To the question from Senator Murray about the origins of START, you said—these are my words and they are not meant to be offensive—essentially, that you dreamed it up in-house as a program after you reviewed the existing landscape, or what you had there before. Again, these are my words paraphrasing you. That was related to the government's decision to review this area in the budget in their pre-election undertakings.

Mr Evans—Yes. It was an exercise which I think is best described as occurring in parallel. As we looked at programs such as the R&D tax concession, we looked at those to see whether that was the most effective way of achieving our outcomes and we looked at alternates—such as programs on the outlay side—to see whether we could develop a program which achieved the outcomes without the distortions that were occurring in the program.

Senator COOK—That answer goes to the scope you are talking about. I am in a chicken or egg situation here. Who started the process? Did the new minister ask you to start the process?

Mr Evans—It was a process which had been under consideration for quite some time.

Senator COOK—In the former government?

Mr Evans—In the former government, R&D syndication was an area which was being closely scrutinised.

Senator COOK—We will come to the former government's sins of omission or commission or responsibility, as there have been certain allegations about them. I do want to go painstakingly through what the former government actually did to deal with some of those allegations. They did quite a bit of a work on them, did they not?

Mr Evans—Yes, Senator.

Senator COOK—And have given quite a bit of consideration to this whole area.

Mr Evans—Yes, Senator.

Senator COOK—And have taken measures to tighten up in this area.

Mr Evans—Yes, Senator.

Senator COOK—So there was this conjunction of minds between the ministers and the departments that we should do some work in this area, and it is not quite clear who started the process, but both parties homed in on it pretty early on in the term. Is that what you are saying or have I got that wrong?

Mr Evans—That is correct.

Senator COOK—That is about right, is it?

Mr Evans—In the government's election statements they did indicate that they would re-examine options for a more generally available grant to support R&D in tax loss companies. So whilst we started at different points, there was a conjunction.

Senator COOK—Did Mr Moore directly ask the department to do some work on this?

Mr Evans—Yes, Senator.

Senator COOK—Was that the request that gave rise to the BIE study?

Mr Evans—In essence, I think the BIE study was started before that. I would have to check my own diary, which I do not have with me, but I think the embryo may have been created just shortly before the minister asked us.

Senator COOK—You were ahead of him, anticipating him, like a very good department would always do, but the minister did explicitly ask you to deal with this area.

Mr Evans—The minister, when briefed, asked that we make sure that we comprehensively review and analyse this program. He was briefed upon coming to government.

Senator COOK—‘We’ being the department and not the BIE?

Mr Evans—Yes.

Senator COOK—So did the department conduct the study for the BIE?

Mr Evans—It is one of those little oddities that occur when there is a change, but we actually did commission the BIE to do it.

Senator COOK—‘We’ being the department?

Mr Evans—‘We’ being the department.

Senator COOK—When you commissioned the BIE to undertake this study, did you provide it with the terms of reference as to what the study was aimed at doing?

Mr Evans—We had quite lengthy discussions with the BIE and, in particular, the officer in the BIE who was going to do it, with particular reference to a previous study that had been

done by the BIE where we considered that there were some areas which had not been fully comprehended by the previous study and a belief on our part that those needed to be addressed to make sure we had the complete picture.

So the terms of reference were not much different to those of the previous study, but there was a more critical analysis of particular areas of operation of syndication and, because we had gained greater experience in the time, we were able to provide a better analysis of how syndicates were being put together and how they were operating than had been the case previously. So there was quite a quantum leap in the information available to all parties.

Senator COOK—Can I just press you for a moment on this point. Are you saying that the terms of reference arose out of a talk in the department with the BIE and therefore what the BIE had to go with was an understanding you had orally communicated to them? Or is there an explicit document stating the terms of reference of this study?

Mr Evans—No, I do not think there is an explicit document outlining the terms of reference. There is a communication which indicates in broad terms the work we wanted the BIE to do which was to build on the previous work.

Senator COOK—There was an explicit document. Was that before or after the conversation you had?

Mr Evans—With the minister?

Senator COOK—No, with the BIE.

Mr Evans—The document would have come after. I would not have wanted to ask the BIE to do something unless I was satisfied that they had the capacity to do it and they had the time.

Senator COOK—They had a bit of a meeting of minds and worked out the terms of reference?

Mr Evans—I was particularly keen, Senator, to make sure that Dr Lattimore who conducted the study previously continued that work.

Senator COOK—I do not think there was anything wrong with that. This is an interactive process in which you refine what your goals are.

Mr Evans—One of the key things in my mind was to get Dr Lattimore who had probably the most comprehensive understanding and had built an econometric model which enabled us to have a better analysis of syndication.

Senator COOK—Did this conversation in the evolution and final materialisation in documentary form of the terms of reference follow the minister's discussion with the department?

Mr Evans—They occurred about the same time.

Senator COOK—Did the minister indicate to you what he wanted to be achieved in this study?

Mr Evans—No, Senator.

Senator COOK—Did he give you any guidance?

Mr Evans—I think the guidance the minister had given us was that he wanted to make sure that we did a comprehensive, proper, thorough and rigorous analysis.

Senator COOK—Of what?

Mr Evans—Of the operation of the whole R&D program area: grants, tax concession, syndication.

Senator COOK—But the study, which, as I said, I have been blatantly disporting myself with, is specifically titled ‘Evaluation of a Syndicated R&D Program’.

Mr Evans—Yes.

Senator COOK—It is not a widespread study. It is a particularly focused study, is not it?

Mr Evans—That is right.

Senator COOK—This took care of the syndicated part of your general remit from the minister. Did you conduct studies of the other elements of it? Are there documents?

Mr Evans—We did those internally, Senator.

Senator COOK—Are there documents saying what the findings were? What the analysis is?

Mr Evans—Yes, but I think they are cabinet-in-confidence, Senator.

Senator COOK—They are not available for parliamentary scrutiny. Is that what you are saying?

Mr Evans—Yes, Senator.

Senator COOK—They relate to how the tax dollar is spent. We are scrutinising that now.

Mr Evans—There is quite a deal of information on them.

Senator COOK—But you are saying we are not allowed to see these documents?

Mr Evans—The documents formed part of a cabinet submission.

Senator COOK—That way they have the golden ring of cabinet confidentiality so we cannot get access to them.

Mr Evans—It has been my experience, particularly when it comes to dealing with tax matters, that the tax office is fairly protective of the work coming out of the revenue analysis branch.

Senator COOK—I note for the moment—and maybe we will come back to this—that the sorts of things the minister talked to you about went much wider than syndication. But I want to home in on syndication for the time being.

Mr Evans—Yes, Senator.

Senator COOK—The BIE in 1994 had conducted quite an extensive study of research and development, had it not?

Mr Evans—Yes, Senator.

Senator COOK—Can you refresh my memory of what the BIE findings were in 1994 on syndication? Was it much wider than syndication?

Mr Evans—Yes, it was much wider.

Senator COOK—As I recall, it was later the basis of a submission the BIE made to the Industry Commission’s inquiry into R&D in Australia.

Mr Evans—Essentially, Senator, as I recollect, the findings were that syndication—were you asking about R&D or syndication?

Senator COOK—Syndication.

Mr Evans—In respect of syndication there were significant additionality and significant spill-over benefits from it.

Senator COOK—The 1994 BIE report on R&D gave syndication a tick—using the colloquial?

Mr Evans—Yes.

Senator COOK—As a positive?

Mr Evans—Yes.

Senator COOK—After a study?

Mr Evans—Yes.

Senator COOK—So that we do not miss this in passing: what was the finding of the BIE on the 150 per cent tax deductions?

Mr Evans—Again, it considered it induced additioinality in the range of 10 to 17 per cent and therefore on balance should be retained.

Senator COOK—That is right. As I recall it, it was an on-balance decision. But I think they are the only ones that ever did a complete study of what the effects were.

Mr Evans—Yes.

Senator COOK—The Industry Commission relied on their work—

Mr Evans—They did to some extent, yes.

Senator COOK—And the accuracy, scope and quality of their work, for it to come to some conclusions as well, as I recall.

Mr Evans—Yes, but subsequent to that I think there was a more comprehensive understanding on our part—you may recollect, Senator, that was evolving during the latter part of your tenure as a minister—

Senator COOK—Yes.

Mr Evans—Which led us to the conclusion that, whilst one would not be critical of the quality of the BIE report, there were particular aspects and attributes of the operation of syndication which had not been addressed in that study and which needed to be taken into account by the BIE in a further evaluation.

Senator COOK—Yes, but what you have described is the BIE position on syndication circa 1994.

Mr Evans—A lot happened between 1994 and 1996.

Senator COOK—We are going to go down this road and have a look at what happened. The next major report was the report of the Industry Commission on research and development. What did the Industry Commission decide about syndication?

Mr Evans—Again that it added value.

Senator COOK—What year was that?

Mr Evans—It was 1995.

Senator COOK—Last year.

Mr Evans—Yes.

Senator COOK—I have characterised the Industry Commission as the ultra-dries of economic advice to the government. I do not think they would baulk at that.

Mr Evans—No. Well, they might, but—

Senator COOK—I do not think Mr Scales would.

Mr Evans—No.

Senator COOK—I think that in a public interview he just said that that was his role, to be first over the barbed wire in the interests of economic rationalism, and that he was getting a bit tired of carrying the load and copping all the blame. I do not think they would baulk at that. Anyway, my point is that this came under scrutiny of the Industry Commission, which is, we all commonly agree, a pretty dry organisation. How long did that report of the Industry Commission take?

Mr Evans—About a year.

Senator COOK—They had hearings up and down the country, didn't they?

Mr Evans—Yes. But it covered the whole field of R&D.

Senator COOK—Yes.

Mr Evans—I think it is fair to say that there was not a great understanding of the operation of syndicates. So even though they may have given a report I am of the view, and certainly have had that view reinforced by subsequent discussions with people, that R&D syndication was an evolving scheme and the degree of innovation which was being introduced into its operation by the promoters was quite marked. It was an area where I think there was not the in-depth analysis done until the second report by the BIE from a perspective of—

Senator COOK—We have not got to the second report yet. I admit that these things evolve over time. In fact, that is why you have to keep constant scrutiny on them and, for the record, why we in government and in opposition support—in terms of tax avoidance—retrospective legislation. If tax avoiders know that a government will retrospectively wipe out their ill-gotten gains, the incentive to avoid in the first place is removed up front. But the current government does not believe that and voted us down on a couple of occasions, even in the R&D area. However, let us just continue with this.

The Industry Commission report sequence is a draft report, out for public comment, and back in a final report which goes to government and the government responds. That is the sequence, isn't it?

Mr Evans—Yes.

Senator COOK—Do you know when the draft report was released for public comment?

Mr Evans—Off the top of my head I do not, but I could get the information.

Senator COOK—Would it be about the middle of 1995?

Mr Evans—No, it would be a little before. I came to AusIndustry in April 1995 and the draft report was on the table then.

Senator COOK—Do you know when the period for public comment closed? Was it three months later?

Mr Evans—It was three months later.

Senator COOK—The government responded to this report in the innovation statement, didn't it?

Mr Evans—That is correct, Senator.

Senator COOK—And that was in December 1995.

Mr Evans—That is correct.

Senator COOK—Some time shortly after March 1996, as a consequence of the change of government and—I cannot leave this out—of the department's own conscientiousness about these matters, the remit was given to the BIE to undertake this evaluation of syndicated R&D only.

Mr Evans—Yes, Senator. We believed we could carry out the evaluation of the general R&D tax concession internally.

Senator COOK—We have just come through a very intense period in looking at research and development innovation, the whole lot.

Mr Evans—Yes.

Senator COOK—And we are all up to the mark, fully acquainted with what was going on.

Mr Evans—Yes.

Senator COOK—Let me just find the summary of this report. The summary says, in part, in the first dot point:

The quality of some of the R&D and the likelihood of its commercialisation is low because (a) good tax loss companies are more scarce in good times—

I guess that was a contemporary reference to the times that we were enjoying—and (b) some of the new structures have avoided taxes on payments made to research companies under syndication both increasing the cost to revenue and reducing the incentives of managers and investors to discriminate on the basis of the quality of R&D.

Then it says:

We are sceptical that the new guidelines issued in November 1995 will deal with these problems over the longer term.

The new guidelines issued in 1995 were issued as a consequence of the earlier BIE study—

Mr Evans—That is correct.

Senator COOK—And our understanding of what had happened following the Industry Commission's study. So what they are saying is that between November or December 1995 and this report—am I accurately quoting them here?—there was new evidence that caused them to change their mind.

Mr Evans—Yes, Senator.

Senator COOK—And change their mind they did. What I do not understand about that mind changing is this. I refer you to page 22 of the report. I do not know if you have a copy of it.

Mr Evans—No, I do not have one here with me.

Senator COOK—Sooner or later we will break for dinner and that might be an opportunity to get hold of one. For the moment let me just refer you to table 3.1, on page 22 of this report. The title is 'Syndication registration statistics, as at mid May 1996'. I emphasise that: 'mid May 1996'. This table is a very interesting table but if you have not got a copy of the report it is a bit unfair of me to start quoting from it.

Mr Evans—I think I am generally familiar with it.

Senator COOK—There is a column which is headed 'Taxable "genuine"' and the side headings are 'Number of syndicates', 'Number of research entities in syndicates', 'syndicates per entity', and then 'Current prices' and away it goes. The next column is headed 'Taxable "pseudo"' and its figures are listed under the same side headings. These columns show the

number of taxable 'genuine' syndicates as 158, and the taxable 'pseudo' as 5. I do not quite understand this, given that the argument here is that the baby is being thrown out with the bathwater. There are 158 genuines and five crooks, so we throw out the lot.

Mr Evans—No, I do not think it is saying—

Senator COOK—All 163 get the axe.

Mr Evans—No, I do not think it is saying that there are only five crook—

Senator COOK—That is what the table shows.

Mr Evans—I do not think you can take it that that is definitively analysing each of those syndicates and saying that only five of them are crook.

Senator COOK—It does not say crook, it says 'pseudo'. I presume that is a polite reference to rorting. Is that what it is supposed to mean?

Mr Evans—No, it is not. I will come back to you after lunch.

Senator COOK—Do you know what 'pseudo' means in this context?

Mr Evans—I would like to refresh my mind. This is a critical matter. It is some weeks since I have looked at it.

Senator COOK—All right. I am just interested in getting this record very clear.

Mr Evans—I am sure you are, Senator.

Senator COOK—But, anyway, with '158 taxable genuine', we would be pretty right in saying therefore that they were legitimate syndicates, wouldn't we, or do you need to take advice on that too?

Mr Evans—No. If by 'legitimate' you mean one which on the surface appears to comply with the then rules, that is a correct statement. Whether on closer examination they fully comply is another matter. But it was those that had made an application for registration as an R&D syndicate and met the initial threshold test.

CHAIR—The ones that are pseudo are obviously—

Mr Evans—Do not even meet the threshold test.

CHAIR—illegal. The others might be legal but they are still flouting the intent of the syndicate.

Mr Evans—Absolutely.

Senator COOK—There is a note here which defines 'genuine' and 'pseudo'. This is note (a). I suppose it always pays to read the footnotes. It states:

'Genuine' taxable syndicates are those where we believe that the syndicate researcher either pays tax on any income or has a validly acquired tax loss to offset against any income.

Does that sound like a rort?

Mr Evans—When you take the point 'validly acquired tax loss', that is within the then rules. The rules that were governing the bulk of those were the previous finance scheme guidelines, as it was being developed and interpreted by the tax concession committee. They would have a tax loss, but the creation of that tax loss may give rise to some serious questions as to whether it was going to meet that other test for the national economic benefit. What we found was that they were creating the tax losses by a variety of means which, whilst complying with the law, did not meet the intent of the program.

Senator COOK—That is what tax avoidance is all about.

Mr Evans—Absolutely.

Senator COOK—People comply with the law but they do not meet the intent of the law. That is why these things are constantly under review.

Mr Evans—Absolutely.

Senator COOK—As soon as you plug up one loophole, two or three more spring up, so you have to keep working at it.

Mr Evans—That is why we referred to the comment that the new guidelines could not address it either. We thought in November that they would, and it was merely again a matter of weeks before they found ways round them.

Senator COOK—But given your explanation of the definition here of ‘genuine’, can you then help me with how that fits with the definition here of ‘pseudo’? This footnote then reads: A ‘pseudo, taxable syndicate is one where tax losses are artificially generated (such as under cost base) or where use is made of a core technology acquired prior to enactment of capital gains taxes in 1985.

Mr Evans—‘Prior to 1985’ is quite clear in that, if you have a piece of intellectual property which you are able to demonstrate was generated pre-1985, it escapes capital gains tax.

Senator COOK—Yes, I understand that part. But the pseudo thing here is:

... taxable syndicate is one where tax losses are artificially generated ...

What we were talking about before is that a genuine one is where people might be complying with the law but, in fact, rorting it. Pseudo here is where there are artificially generated taxes, which is the rort.

Mr Evans—The most obvious one is acquiring the intellectual property off-shore. That probably is the most obvious pseudo one. But there were other mechanisms which people were using to create artificial tax losses which we could not do anything about.

Senator COOK—Maybe we should wait until you have had a chance to look at this, but what I want to be clear on here is: the definition of ‘pseudo’ is when the losses are artificial. Also, the purpose of having the distinction between ‘genuine’ and ‘pseudo’ is to distinguish between artificiality, that is rorting, and genuine tax losses, that is non-rorting.

Mr Evans—Perhaps I could explain it another way. Where they had acquired the intellectual property offshore from somewhere like Vanuatu—

Senator COOK—Vanuatu? I do not want to disrespect the worthy citizens of Vanuatu, but Vanuatu has intellectual property?

Mr Evans—That was where some of these syndicates were acquiring the property from.

Senator COOK—Where were they getting it from?

Mr Evans—The intellectual property had ended up residing in a Vanuatu company which they were then purchasing it off. Where was it originating from? Many times, Australia.

Senator COOK—I understand the point that you are making. But the Vanuatu intellectual property specialists—they were the pseudos, were they not?

Mr Evans—Yes, or the Isle of Man.

Senator COOK—But they were not the genuines.

Mr Evans—No. But I would explain that, when you went to the genuines, there were other mechanisms being used which met the test of being ‘genuine’ fitting within the then rules. One of the mechanisms which was becoming even more apparent was the inflation of the core technology valuations. So we went from, at the outset of the scheme, very low valuations. In

1992, you were getting an average valuation of about \$1 million; moving through to 1994, about \$7 million; whereas, at the end of last year, we were seeing average valuations of core technology in the order of \$30 million.

Senator COOK—Hence the rort.

Mr Evans—Hence the rort. Where we were in difficulty was being able to test. There is no genuine market for these, so we had to pursue them to get proper valuations. We then had to test those. It became a subject of debate between those people—again a limited field of people, by the way—who were doing core technology valuations. And we are up as high as \$130 million for core technology valuations.

Senator COOK—This table seems to point in the direction of what I am wanting to get at. You have cast some doubt, although you have not scotched it.

Mr Evans—No.

Senator COOK—Maybe I am looking at the wrong table, but this report argues up front that there is a lot of genuine R&D being done—

Mr Evans—Yes.

Senator COOK—and that it is valuable. It sets out that argument quite strongly. That argument corresponds with the argument of the 1994 report and the findings of the Industry Commission. But then it goes on to say ‘however, the public good, or the public interest, is not served because of the rorting’. Perhaps this question should be taken on notice, the answer to be given when we resume proceedings after the dinner break—whenever that might be.

CHAIR—I am not sure. Perhaps we will take it for an hour and a quarter at 6.45 p.m.

Senator COOK—Where there is any analysis in this report that differentiates between the baby and the bathwater, the crooks and the goods—

Mr Evans—I will go through it. The essence of it is that—

Senator COOK—I do not know whether you should necessarily go through it, but is there someone who has gone through it who can point that out?

Mr Evans—But the essence is: yes, I would not deny that some of those projects have R&D. But you then have to look at the cost to the taxpayer and whether that same effect can be achieved at a more economical cost for the taxpayer.

Senator COOK—And whether the transitional costs mean that you lose the advantage in the first place; and whether the general framework, like the reduction of 150 to 125, drives it offshore anyway.

Mr Evans—I think—and Dr Dubs mentioned this before—that we have invited those people who had R&D syndicate proposals and which have now been affected by the transition rate to apply for the R&D staff program. A number of those have taken up that invitation. Indeed, as you are probably aware, a number of researchers expressed concern that there was not a program that provided the sorts of dollars they needed and that, therefore, they were being driven into the clutches of the promoters of these when they would rather not be.

Senator COOK—That is right, genuine people shopping on the wrong side of town because that was the only way they could get their stuff into commercialisation.

Mr Evans—Yes, and the R&D START program provides that suite of activities and it has those attributes.

Senator COOK—That is one of the issues of considerable concern to me, Mr Evans—and I just make this a comment—because I am not sure that it does. I think the fundamental and obvious truth of all this is that a lot of these things are driven by fiscal consolidation—what the minister has said—the need to find savings, and not by the merits of the program. What we have here is a clash between the savings imperative—that is, the macro-economic imperative, as the minister would describe it—and the optimum value that could be achieved for the economy by a properly targeted program, not a cut-down version of a properly targeted program. I think that is what the issue is.

Mr Evans—I would have to say that the views were evolving, and evolving quite rapidly. But I think all the key advisers had come to the view that the program could not be sustained. That was not only the department, but the IR&D Board and other key sectors of industry who were intimately aware of the program.

Senator MURRAY—But was your reason because it was cost inefficient or because it was a rort?

Mr Evans—Essentially, the two factors: it was cost inefficient, and it was being manipulated. The original intent of the program, which was to provide support for a company that could not undertake the R&D itself by allowing them to joint venture, had been lost and was being further lost. It had been captured by others who were then developing it for tax minimisation purposes. As we saw it, to try to close that down, they would just find a new way round it; it would pop up somewhere else. But it was rapidly evolving.

Senator COOK—It evolved pretty damn rapidly after December 1995.

Mr Evans—It took literally a week or two, when we thought we had closed a loophole, for them to find ways around it. I was prone to say to the industry, ‘I wish you would put as much effort into innovation and manufacturing industry as you do into these arrangements.’ There was a lot of talent being developed.

Senator COOK—There is a lot of talent put to finding ways through the tax maze which, if it were directed to doing some things more constructively, would be of greater value to the economy. I think everyone at this table would agree with that. It is a common problem for governments to grapple with.

My point—and I return to it, although not in an argumentative way with you, Mr Evans—is that it seems to me that the prudent exercise of government here is to see what the optimum return to the economy will be, rather than chop programs about on the basis of simply taking a broad brush for fiscal consolidation reasons.

Mr Evans—As you know, we had been tracking the impacts and effects of that program, and we had reached the point that our advice was such that it was no longer sustainable.

Senator COOK—In his speech last week on the Industry Research and Development Amendment Bill, the minister, Mr Moore, stated:

There are three current AFP investigations going on into syndicates or proposed syndicates.

Obviously, I do not want to know who the investigating officers are talking to, but can we have details of the nature of those investigations?

Mr Evans—Could I take that on notice? I think it would be appropriate to consult with the AFP about the release of any information.

Senator COOK—I just want to make it clear what my interest here is. Obviously, when a matter is under investigation, you do not want to jog the elbow of the investigating officers and cause the evidence that they are seeking to take flight.

Mr Evans—Correct.

Senator COOK—Thus, I do not want to contribute in any way, with this question, to helping tax evaders get prior notice that they are under the hammer. But I would like to know the broad character of the issues under consideration. If you can answer that without—

Mr Evans—In broad character, we now have a compliance monitoring unit as well as a legal unit. The work they carry out alerted them to some problems. They then follow the due process of notifying it through the system and end up with the AFP, seeking advice as to what should be done. On three occasions the AFP has considered them of such serious nature that they have taken them on board. The improper operation of syndicates is poor. He referred to one where the information provided was not correct.

Senator COOK—Just bear in mind that I have said that I do not want to cause any questions here which would enable evidence that is obtainable to take flight. From what you have said, are these investigations on issues of compliance, given that they came from the compliance unit in the first place?

Mr Evans—Certainly one of them is not because the syndicate did not actually get operational. On two occasions the initial concern was on matters of compliance but it may go further than that.

Senator COOK—Let us hope that justice is done and quickly.

Mr Evans—That is why we treat these matters very carefully as well as very seriously.

Senator COOK—They broadly came to your notice on a compliance basis in the first instance?

Mr Evans—In the first instance, yes.

Senator COOK—Not on a shonk basis? Shonks may be non-compliant—

Mr Evans—I have a bit of a problem with this shonk base. It may be that what appeared to be done seemed to be a shonk, but if you investigate you find other—

Senator COOK—It was non-shonk.

Mr Evans—Maybe non-shonk, but then you find other shonks.

Senator COOK—‘Follow the money,’ they always say in crime.

Mr Evans—They are very adept at moving the money around.

Senator COOK—Without endangering any investigation, can you tell us when those syndicates’ arrangements were put in place?

Mr Evans—Yes, Senator. One occurred some three years ago, one occurred about 18 months ago and one was seeking to occur about six months ago.

Senator COOK—So they pre-dated the tightening of syndication that took place in innovation studies?

Mr Evans—Yes, Senator.

Senator COOK—I knew we had a good reason for tightening up. It is further proof that we are right to do so.

CHAIR—Where are you Senator Cook in relation to R&D? Are you nearly finished?

Senator COOK—No way.

CHAIR—We might break for dinner there.

Senator COOK—I have just got one question which might dispose of this issue of investigations.

CHAIR—Okay.

Senator COOK—Given that these matters under investigation took place before the former government tightened the R&D guidelines, are you in a position to say—this is a hard question and I acknowledge that—whether these would have got through the tightened guidelines or whether they would have been caught by the tightened guidelines?

Mr Evans—I do not want to evade the question. One of the things that occurred is that where we seek to be rigorous in our application of the guidelines, the promoters, the proponents, have had an increasing tendency to seek to challenge those decisions by the legitimate means available to them. We think there is a degree of susceptibility in those challenges which may well put at risk those decisions. We did a risk assessment of applications—the what ifs—if we applied the existing guidelines, the new guidelines, and were challenged on what was the likelihood of success.

Senator COOK—Would they have got through the tightened guidelines or not?

Mr Evans—Maybe not on first cut, but we thought that there was a reasonable chance that on challenge they would.

Sitting suspended from 6.46 p.m. to 8.00 p.m.

CHAIR—There were some questions before on Bureau of Industry Economics reports. Has there been more than one report on the syndication?

Mr Evans—There has been, Senator. There have been two in effect, the latest one being July 1996, which was released on 23 July. The questions were being asked about that one.

CHAIR—In that report, did the BIE raise any concerns about the quality of some of the R&D being induced by the syndication program—what were its findings in relation to cost-effectiveness—and can you give any examples of projects that the BIE gave in relation to conclusions reached on those two areas?

Mr Evans—Yes, the BIE did, Senator. Probably more importantly, earlier this year the Industry Research and Development Board tax concession committee raised the issue about the quality of the R&D being put forward in quite a significant number of applications. They felt unable, because of the constraints of the legislation, to reject them.

The act precludes me from referring to specific syndicates because that is commercial in confidence information. The tax concession committee expressed not only to the R&D board but also to the minister the view that they felt this was a major problem. When you had a genuinely available provision like R&D syndication, it was difficult to give the committee discretion to reject or not reject other than in accord with the legislation. They certainly felt there were quite a number of applications in which the R&D was of dubious quality and value. The BIE had the same view in their report. That was an emerging problem.

Senator COOK—When did the committee express those views?

Mr Evans—April and May of this year.

Senator COOK—Did they express them to the minister?

Mr Evans—Yes.

Senator COOK—Had they expressed those views earlier than that?

Mr Evans—No, they had not. You may recall that, in the latter part of last year, the committee indicated they thought the tools they had would enable them to address the emerging problems of syndication. Subsequently, through dint of experience, they came to the conclusion that they could not.

Senator COOK—Thank you.

CHAIR—Can you give any examples, without identifying syndicates, of the way in which the intent of the legislation was being flouted by applications that were to all appearances legal but were flouting the intent of the legislation?

Mr Evans—Yes, if I talk about it in general terms so I am not accused of revealing any commercial in confidence information. The problem started, firstly, with the issue of the tax losses. You referred earlier to table 1.2, Senator, where it had ‘genuine’ in inverted commas. Whilst they may have brought tax losses to it, it was a real question whether those tax losses were ever going to be realised and whether it was a contingent liability on the Commonwealth. We have seen more and more occasions where a reasoned judgment would say that they were never going to be realisable. That is where it started. The next phase was where we were getting evaluations on the core technology which were significantly inflated, and in the BIE report—

Senator COOK—Which you mentioned earlier.

Mr Evans—Yes. In the BIE report they looked at the past syndicates and looked at the ratio of core technology to R&D spend for the tranche of applications which we had in the pipeline and which are affected by the transition arrangement. That ratio had gone up quite a deal. We just kept seeing this trend of the ratio going up and the core technology valuations getting significantly inflated in the opinion of the tax concession committee and in our opinion.

The structures around the syndication then got more sophisticated. Initially, they were very plain vanilla but we found more and more arrangements being put in place. We saw the emergence of a new phenomenon—the leasing of core technology. It was using leverage leasing to add to the problem of the inflated valuation of core technology. They were then structuring the financing of the purchase of the core technology and the R&D spend by quite sophisticated means, which meant that there was an additional debt burden on the Commonwealth or an additional tax benefit being obtained because they had quite high interest rates. So that was adding to the problem and the put options were being exercised more and more.

Each of these syndicates had a provision in them whereby the investor could exercise a put option within a fixed period of time. That was on the basis that there was a technical failure. We found that you could induce technical failure by a variety of means—for example, by withholding research funds or by making it plain that, whilst the research might have continued, there would not be any funds for commercialisation, and that was being exercised. The list is endless of the sorts of techniques that were developing, like advanced researcher royalty payments which increased the yield to the investor but did not necessarily do anything for the R&D spend. It is hard to know where to stop in the mechanisms that were being developed. We found it increasingly difficult to keep up with them.

Senator COOK—When did these things start appearing?

Mr Evans—They were there in an embryonic stage last year, but we really saw it come to the fore in the applications that we received in the latter part of last year in October and

November. There is a later table in there which shows the change in trends of what we call cost-based syndicates, where they artificially create a significant cost base to drive the tax benefit.

Senator COOK—On what page is this?

Mr Evans—It is on page 29, table 3.6. That is in regard to the 83 applications that were made in November 1995. Where you see the cost-based overseas core technology, 30 of those applications were of that nature.

Senator COOK—Were 48 fully at risk?

Mr Evans—No, including at risk. At risk syndicates are pretty much a rarity. The bulk of those 48 would have been fully guaranteed returns.

Senator MURRAY—With regard to this syndication business, my assessment is that there were three reasons for it being dropped. The first would be the government's policy view, that, for budgetary reasons, it would be necessary to drop it. The second would be for cost-effectiveness reasons—it just was not cost-effective enough, which is a matter of judgment. The third is that it would be rorted. If you had to weight those three reasons and rank them one to three, how would they rank?

Mr Evans—I would rank them in reverse order, Senator.

Senator MURRAY—You would?

Mr Evans—Yes, Senator.

Senator MURRAY—If we then look at the rorting thing—and of course that is putting a stigma on the people who have constructed this—my understanding is that syndication has been put together largely by three main groups. The first is financial institutions, with the merchant banks leading the fray. The second is professional firms, with accounting firms leading the fray.

Mr Evans—No, the accounting firms—by that, I mean the six major firms—have not been active in the syndication field. Eighty per cent of syndicates have been put together by three promoters.

Senator MURRAY—Yes. I have been given their names. Do you want to spell them out, or is it better that they are kept quiet?

Mr Evans—I would rather not.

Senator MURRAY—And the third area, I understood, was big corporations themselves sticking this together if they had the internal abilities to do so. But you say 80 per cent were put together by the financial institutions?

Mr Evans—Yes, Senator. Within that 80 per cent, the third category you mentioned, large corporations, we are seeing that emerge as well. But they were using the merchant banks to put it together.

Senator MURRAY—This may be too wide a question for you, but I will put it to you and you can tell me. Suppose three main institutions within the financial institution menu were sailing very close to the legal wind, if you like—rorting, amoral distorting, tax avoidance and all that sort of stuff: the smellier side of deal making. If they were involved in that in this area, are they likely also to lack morality and the proper corporate method of behaving.

CHAIR—Business ethics.

Senator MURRAY—Business ethics, in other areas. Have we stumbled over a set of institutions that deserve a thorough look at everything they do?

Mr Evans—Senator, I would be reluctant to pass a view on their morality, but suffice to say that a set of skills are developed when you are in the structured finance field which are readily transferable.

Senator MURRAY—But rorting means pretty close to being shonky, crookedness. How do you define rorting?

Mr Evans—My definition is that the scheme or the system is being manipulated to obtain an unintended benefit which is quite divergent from the original policy and program objectives.

Senator MURRAY—I gather you are a very experienced public servant? Is this rorting that has been going on, and the manipulation, as bad in business morality terms as, say, the bottom of the harbour schemes? Is it that kind of rip-off?

Mr Evans—It is very difficult for me to answer that. I think there is a set of skills developed in the structured finance industry which are transferable, and people have developed those skills over time. You will find they apply those skills in a number of areas, and if they are not applying them in this area they will then move onto another area. It is certainly in the eye of the beholder, but I look at it from the perspective of what the government's policy objectives were, the program objectives they then sought to attain from that policy outcome, and whether that is being achieved. You can find it in a number of areas.

Senator MURRAY—Mr Evans, the purpose of my question really is this: if this rorting is so heinous and so damaging to the Australian economy, if you likened it to a criminal investigation, if the police find that a firm has been doing a particular set of criminal things, they will then look more widely to see what else they are up to. My question to you is: do you think that financial institutions, in particular, should be examined more widely if they are operating particularly unethically and rorting?

Mr Evans—I would have to say in my experience they are very intent on keeping within the law, but they ensure that they test the law to its fullest.

Senator MURRAY—That is as far as I want to go with that.

Senator Parer—Perhaps I could clarify something, because I think when you talk about bottom of the harbour, that was a pretty evil sort of operation.

Senator MURRAY—I see rorting as a very big word, quite frankly.

Senator Parer—I do not think you can claim that these financial institutions are operating outside the law. They are operating inside the law but there is a loophole there. I do not think you could claim anything else.

Senator MURRAY—So why use the word 'rort'?

Senator Parer—I am not sure it is the proper word to use.

Senator COOK—Treasury used it.

Senator Parer—That is right, and hence your request for a definition.

CHAIR—In a sense, it was not in accord with the objectives of the program. It was in accord with the legislation but not with the intent.

Senator Parer—Yes, it is like a lot of things. If there is a law there and they are willing to exploit it then they are using the law as it stands, and legitimately doing so. You cannot equate it to a bottom of the harbour scheme, which had all sorts of criminal aspects.

Senator MURRAY—It would probably be better if it was described not as a rort but just going far too far within the law.

Senator Parer—I am not sure how you would properly describe it. Anyway, we have brought it to an end.

Senator MURRAY—I have lots more on R&D but I will pick that up when you tell me.

CHAIR—I think we might finish R&D now. Is everyone else finished with R&D?

Senator COOK—No, I have not even scratched the surface of R&D.

CHAIR—You have been a long time on it, Senator Cook.

Senator COOK—That is right. I have to say that this government has made allegations about my conduct as a minister, and this is my opportunity to actually set the record straight and I intend to do that.

CHAIR—You have an opportunity to do that in the Senate.

Senator COOK—This is the opportunity the Senate affords me to do it. The Treasurer and the industry minister have both answered questions about this and I am looking for their reference to the use of the term ‘rort’. I have to say I could not pick it up immediately from the Treasurer, but that is a matter of record and we can come to that some time.

My question is this. Before the dinner break, I was referring to a table which I wanted to give you notice of, Mr Evans, and I was referring to the meaning of it. I think the key question in this discussion is this. This was a report which the government used to justify its abolition of the syndication system, and there has been an industry outcry that this is, to quote industry, ‘throwing out the baby with the bathwater’, or to quote one industry spokesman, ‘When you get a headache the solution of the government is to cut your head off.’ That is what one industry spokesman said. There is admission and recognition of rorts, but the point industry raise is that there is a hell of a lot of good work being done too, and this report recognises that as well.

Where is there an analysis of the bathwater and the baby in this report? Where can we get a view of what percentage was good R&D within the national interest, returning value for money as intended—what incidence that was—and what percentage were crooks? When I looked at this table on 3.1, it shows taxable ‘genuine’ as 158 and taxable ‘pseudo’ as 5. It would be—

Mr Evans—I think I should emphasise that the ‘genuine’ is in inverted commas.

Senator COOK—Yes, and there is a definition of it here.

Mr Evans—Yes, but it is those who either pay tax on income or have a value acquired tax loss. There is a secondary question that has to emerge out of that, which is: are they contingent liabilities which will be realisable?

Senator COOK—That is the discussion we went through.

Mr Evans—Yes.

Senator COOK—What I am trying to do is cut to the chase immediately and come to the point straight away here. In this report, where is the evaluation of the bathwater and where is the evaluation of the baby? Where is there an evaluation of what percentage of these schemes worked and returned a national good?

Mr Evans—I think you have to take the report in total. You will not find one table that does that.

Senator COOK—Just walk me through it, because I think that is the relevant question here. You are closing down a whole scheme and industry spokesmen say, ‘When you have a headache the solution of the government is to cut your head off.’ Other industry spokesmen say, ‘The cancellation of syndication is throwing out the baby with the bathwater.’ This is the report that gave rise to government action. Where is there—

Mr Evans—No, it was only part of it.

Senator COOK—This is a report that the Treasurer and the minister for industry had a press conference about and they referenced this report as their examination of this issue as to why they cut out syndication. This may not have been the only reason, but it figures very large in the reasoning. All I am asking is: what analysis was done about the good and the bad, and where is it in the report?

Mr Evans—I think the report captures it in the summary at the front, where it acknowledges that not all syndicates are bad, but says:

We are no longer certain that the program generates net benefits for Australians.

Senator COOK—I read that. But that is a conclusion. Where is the evidence and the methodology that leads to that conclusion in this report? Where is the scientific method of this report in evaluating and analysing the good and the bad? This report seems to be skewed entirely to fixating on the bad, which is laudable in itself but it does not lead to a balanced judgment. I am just asking for a bit of guidance.

Mr Evans—I think you have to take the report in total, but also take it with other work that we have done. I think you can see the signals when you look at table 1.2 and then table 3.1, where you see the shift in the trends. As I mentioned earlier, you can see the trend in terms of the value of core technology rising, and those sorts of activities. You can see the analysis, which I am not at liberty to provide to you, of the tax losses that were being used by the researcher coming into the syndicate and whether they are a realisable contingent liability on the Commonwealth, which is work we did internally, and a conclusion being drawn that the trend lines were all going the wrong way.

Senator COOK—That is trend lines, and I accept what you say. But I still want to know: where is the evidentiary base for drawing the conclusion that the scheme should be terminated, which is what this report concludes?

Mr Evans—Yes.

Senator COOK—Accepting an evaluation of trend lines, which is a matter of direction of change in this, where is the evidence about the degree or incidence of fault compared with the degree or incidence of well based, proper research, serving the national interest?

Mr Evans—That is contained in the cabinet submission, Senator.

Senator COOK—On the public record—let us step through them—is the BIE’s first report in 1994, which concluded that this was a sound method, as we have said. On the public record is the Industry Commission report, and I think we agreed before dinner that the final report was issued some time around August or September 1995. After a public debate on a draft report, this was a sound method. The next report that appears says that it ain’t a sound method and the whole thing should end.

Mr Evans—I think I explained that to you.

Senator COOK—I am not questioning any of the evidence that you have given, Mr Evans. All I am asking is: would you not, as a reasonable person, in making a decision to cancel a

scheme like this—on the basis of its prehistory and the investigations and reviews of it by reputable, independent, respected authority—say that, before you threw the whole scheme out, there ought to be an evaluation of what use it was rather than a report about what ill was arising. That is a reasonable—

Mr Evans—Yes, Senator, it is reasonable. But there is one overriding issue which makes that very difficult to do in a public arena. That is, we are dealing with commercial in confidence information, individual companies' tax situation and commercial information about their R&D, funds spent on R&D and the outcomes. That is not information that can be made public.

Senator COOK—I understand that. This report, which deals with—let me slip to the vernacular without a technical meaning—rorts, which is a sensitive area, has not gone to the particularity but nonetheless conclusions are drawn.

Mr Evans—If you read the report, you will see that the report goes into some detail to look at the attributes of syndicates and what constitutes a positive attribute in terms of providing net benefit and negative attributes. That was the reason we got Dr Lattimore involved, because he had provided that earlier report, and now he was able to work with more detailed information to make those judgments about the negative attributes. Quite simply, it comes to the conclusion that the applications that were coming forward had more negative attributes than positive attributes.

Senator COOK—Let me take another tack on this. From what you have said, the government does know the answer to this question but the answer is contained in cabinet submissions which are beyond the reach of this committee?

Mr Evans—Yes, Senator. And the answer is contained in commercial in confidence information which is not able to be released?

Senator COOK—I am not asking for the release of commercial in confidence material, but the way in which commercial in confidence material is dealt with in the public arena is in the aggregate, not in the particular: you look at the whole class of items and you come to an aggregate outcome so that no individual scheme or company is identified.

Mr Evans—And that is not in 6.4.14.

Senator COOK—Which page is that?

Mr Evans—Page 90.

Senator Parer—Senator, you can pursue this, and I know the reason you are pursuing it, but, with the information available in that report, irrespective of the fact—and no-one disagrees with the point—that there were genuine people involved in the scheme, bearing in mind the content of that report, surely you would have to argue that there was no option but to close it down. If we had that report and it was public and we did not do anything about it, you would probably be the first cab off the rank to say that we were being irresponsible in government.

Senator COOK—We are now, I guess, debating what weight we place on reports, but you have made that intervention straightforwardly and I would like to straightforwardly take you up on it. I am not playing politics or arguing the case. I would have thought that, knowing that there is a range of good schemes, which this report says there are, a minister would want to know—as a reasonable request—how many there are and whether, if he close down schemes, there is a reasonable way in which those good guys can still function and flourish, rather than closing down the scheme.

This is where it relates back to START, because effectively START is the replacement of this scheme. Now the only way I, as an outsider to this process, looking in, can make a judgment as to whether START is an effective remedy or whether START actually reduces the amount of R&D we would have got—that is, good R&D—is by knowing what is forgone by closing down the scheme, and the value of what is forgone, and starting to do some comparisons.

The other question that arises is: what other options would there have been—other than closing down the scheme—that would have stopped the rorts and enabled the good guys to get on with it. Now those may not have been to close down the scheme in its entirety. There may have been other ways of resolving it, and I would have wanted to see what those options were so that a minister or a government making a decision on this has got all the relevant inputs there to make an informed decision. When industry then turn around and say, ‘You have thrown out the baby with the bathwater,’ rather than turning a deaf ear to that growing cacophony, the government could say, ‘No, that is not true; here is the analysis and here is how the baby is kept and the bathwater is drained out.’

It seems to me, stepping back from our personal roles in this and looking at it as a case example in the very important area of tax avoidance, that they are the things that ought to have been thought of for the government. This is the document, we are told, on which it was based, and they are not there. That is the reason for my inquiry.

Mr Evans—This is the document which we could release publicly. Indeed, 6.4.14 addresses that and goes through the issues and looks at alternatives. The government had a comprehensive range of advice to it which examined alternatives, but again it is very sensitive information which is very difficult to put out in the public arena, because you may provide—

Senator COOK—We are beginning to talk past each other now. We just did deal with the issue that you would aggregate that to protect commercial in confidence information. You would not cite individual cases; you would aggregate it and look at what the trend line there was. On page 90, I think you said, the explanation for all of my concerns is apparent. Perhaps someone might be prepared to walk me through it and demonstrate it to me.

Mr Evans—If you take 6.4.14, where the report addresses the issue in the broad, it says: . . . we believe there is a risk that the program could generate net economic losses to Australians if it attracts firms with low valued tax losses, uses structures that effectively avoid taxes . . .

And it goes on. In a sense, Senator, those are the attributes which were prevalent in syndication applications that were coming forward. It then goes on to identify—

Senator COOK—That is only an 8½-line paragraph.

Mr Evans—Yes, Senator.

Senator COOK—It has no evidentiary base attached to it.

Mr Evans—The difficulty is that it is one of those cases where, unless you identify the individual, we are going to be at odds. And I cannot identify the individual.

Senator COOK—Do it in aggregate. Could I explain just exactly what my problem is? I guess I am picking this off because I was a former minister here. A string of companies come charging through my door almost on a daily basis, and I say, ‘This is crook.’ They think I am an opposition figure, so I will be automatically sympathetic to them. But I can empathise with the responsibilities of government; having only recently left them, I have not forgotten. How do I answer? Do I say, ‘The government has adequately captured your concerns by doing this.’

Mr Evans—Yes, Senator.

Senator COOK—And what is the degree of ‘crookness’ of this scheme? What is the degree of goodness of this scheme?

It does seem to me that what we are coming to is clearly a lack of aggregated data to provide an evidentiary base for even the assertion that there were good schemes out there. These are just assertions in this report.

Mr Evans—You say they are assertions, Senator. I believe that we provided evidentiary proof to government on these matters and these—

Senator COOK—Where is it?

Mr Evans—It is not available publicly, Senator, as you would well know. It is very difficult to make that sort of information public.

Senator COOK—So we tell the companies, ‘Well, I cannot answer your question because the government—’

Mr Evans—Can I give some illustrations. I understand what you say—that the companies come to your door—but from my position, dealing with particularly the promoters, I have people who are principally responsible for this saying to me as we try to tackle this growing problem, ‘Well, yes, we know that half of the applications we made in November are crook but we thought we would just test the system out’. I sit down there and tackle them about the core technology evaluations and have the key people from the promoters sitting across the table from me. I quiz them about this and they say, initially, ‘No, no, they are all genuine’—hand on heart. Then, when you pursue them, they turn around and say, ‘Well, we have to fess up; yes, they are inflated.’ That is a matter of record. Those statements were made. I have not gone out publicly and said, ‘They said this’ and ‘They said that’. That is the problem. You are only getting one side of the story.

Senator COOK—I know what you are saying but I also know that your role, rightly and properly, is to track these rorts and kill them off. All of us around this table want you—or the department—to succeed in doing that. But the argument is: ‘They killed me off, and I was not a rort. I was a good guy. Now I have nowhere to go.’ I want to know how many good guys got killed off. Did we crawl over their bodies to get to the bad guys?

Senator MURRAY—What percentage?

Mr Evans—For the majority of those that were killed off there would not have been an economic benefit. We could better achieve the outcomes by the START program.

Senator COOK—And how do you arrive at the conclusion?

Mr Evans—By analysis.

Senator COOK—And where is that analysis?

Mr Evans—That analysis resided in the department and the tax concession committee.

Senator COOK—Can we have access to it?

Mr Evans—No. Not only would it be commercial-in-confidence, but I think that, given the likelihood of some surrounding events, it would be positively dangerous to release that information.

Senator COOK—I accept that answer in so far as the tax committee is concerned. But then, again, that has us looking at individual cases.

Mr Evans—Absolutely.

Senator COOK—Surely, someone can tell us how many there are?

Mr Evans—It gets difficult, Senator, because you then start to identify individuals.

Senator COOK—We start to identify individuals when we say there are so many rorts?

Mr Evans—Yes.

Senator COOK—Why is it different?

Mr Evans—The body is big enough for a person to put his or her hand up and say, ‘It is not me, it is someone else.’ When you start to narrow down the field, then people start to say, ‘This is getting too close to home.’ I am sure no-one has turned up on your doorstep and said, ‘Mine was a bit of a try-on and it was right to knock it off.’

Senator COOK—But quite a few have turned up on my doorstep and said, ‘They were not rorts.’ Let us go to a couple of them. The Orbital Engine Co. in Western Australia is on the public record as saying, ‘We are not a rorted syndicate, we are a good syndicate. But now that this is out of the way, we are going to have to take our R&D to the United States.’ That is what they are saying. I have got the press cutting here.

Mr Evans—Yes. I have seen the press cutting.

Senator MURRAY—And the Premier of Western Australia supported them.

Mr Evans—Yes. I am aware of that. My difficulty is that I cannot comment on that specific application.

Senator COOK—But I am not asking you to. It may be a good syndicate. I believe it to be a well-conducted company but it may or may not be, for all I know.

Mr Evans—But if you apply—

Senator COOK—I want the analyst’s approach to these reports to tell me.

Mr Evans—If you were prepared to get Orbital Engine to release us from the constraints we have had, we may be able to do that, but I do not have that approval or authority at the moment.

Senator COOK—Yes. I think that we are missing each other, Mr Evans. I think that we are talking past each other. I want an aggregation without identifying any one company and you are saying, ‘But we cannot do that because we will identify a company.’ If there is only one of them, we will. But if there are more than three, we will not.

Mr Evans—But you used that particular company to say that they have said X, Y and Z. I am not at liberty to comment one way or the other on that.

Senator COOK—They were self-identifying. They put their hands up. They are conducting a public campaign in defence of their honesty as a syndicated R&D company.

Mr Evans—Yes, I know that.

Senator COOK—What I do about it? Do I say—

Senator Parer—What you say is that the government, in its policy decision making, having had the study done, decided to abandon the syndicated R&D.

Senator COOK—And leave you high and dry? They now say—I forget the figure; I have got the press release here somewhere—it is something like \$114 million worth of R&D they will do in America rather than in Australia.

Mr Evans—Yes. That company has been well supported by the Australian government, as you would well know.

Senator COOK—Absolutely. In one sense, from that point of view, they have got no reason to complain. But the previous owner of that company has sold out and it is now owned and run by BHP. They have just recorrected their books and all of those demands for public support which we had from the previous owner no longer appear. They are producing high quality intellectual property in the motor vehicle area which is of value to this country. But if it is done in the United States, it will be of value to that country and once again we Australians will be standing on the wharf waving goodbye to our scientific ideas and watching foreigners commercialise them and buying back the goods that are produced from the ideas that we originated at a much inflated price.

Mr Evans—They are perfectly at liberty to apply for the START program. We have sent a letter out inviting them to express an interest in applying for the START program. As I mentioned earlier, a number of the syndicate projects that were in the pipeline have done just that.

Senator COOK—I am not aware that the Orbital Engine Co. has done that.

Mr Evans—No.

Senator COOK—I do not think that it is fair for me to take Mr Evans further on this. I have to say that my conclusion is that there is no cost benefit analysis here of the value of the R&D in a syndicated program that has been overlooked by the abolition of the program. There is an analysis of the rorting of the program, quite rightly and fairly, but for objective decision making it needs to have the other component and it is absent and we are unable to reach it. I ask you, as the minister representing the government: is there some way in which you, for the purpose of this committee, can demonstrate to us that the interests of the R&D that has been abandoned because of this program are now being reflected at the optimum level somewhere in government programs?

Senator Parer—I do not want to prolong it—and I am sure you do not either—but the thing is that, based on the report and investigation done, we abandoned it and, as the officer has indicated, there are people involved, such as the one you have quoted, who have been invited to participate in the START program, which is the new program introduced.

Senator COOK—If that is the answer, I have to say it is inadequate. I think it is unfair to those companies and, while I do not know in detail, I think *prima facie* they certainly have a case. I think it is just amazing, frankly, that the government cannot demonstrate that they have not. I think it also means for us that, in looking at the numeric value of the funds in the START program, we are unable to compare whether or not those funds adequately meet the needs of the good R&D, because we do not know how much that was and what value it was. And that is the other weakness that I can identify.

Mr Evans—There may be a way, Senator. If you recollect, we had a not dissimilar issue last year and it was dealt with in a particular way. I am sure if that was raised again, it could be addressed.

Senator COOK—There is some way of us working out—

Mr Evans—Our inhibition is the commercial-in-confidence information and our inability to transmit that outside very confined quarters. But you recollect there was a methodology adopted last year which enabled a senator like yourself who had a concern—

Senator COOK—To come and have a private viewing?

Mr Evans—Yes. But there is no way we could put it on the public record.

Senator COOK—I made that decision, as minister, to open my books to the opposition at that stage because of a controversy over R&D. That is a decision for the government.

Mr Evans—That is right.

Senator COOK—How do you feel about it, Minister?

Senator Parer—I will refer it to the minister.

Senator COOK—I am not trying to be smart here, but you can actually see the purpose of all of this and why it would make it easier for all of us. Having championed the cause of the good R&D people, in case people misread what I say I should put on the record very firmly that I would not yield one inch to anyone else in terms of clamping down on misuse and rorting. That has got to be a prime concern as well.

Senator Parer—Mr Chairman, while we have a lull, can I suggest we bring on AIMS, who are here, rather than—

Senator MURRAY—I want to deal with R&D first.

Senator Parer—You want to finish R&D?

CHAIR—Senator Cook, you have finished R&D?

Senator COOK—No. I just dealt with the report.

CHAIR—I think you dealt with it fairly thoroughly.

Senator MURRAY—Do you want to give him a break from you and give me a go?

Senator COOK—Yes, sure.

Senator MURRAY—Mr Evans, you would appreciate that for the business world, R&D is their HECS; it is something they are very concerned about.

Mr Evans—Yes.

Senator MURRAY—All parties, I think, are getting a lot of pressure from the business world and I think it is appropriate that we pursue it. I might summarise my impression of the minister's remarks as follows. I got the impression that the government would give as much money to R&D as it could afford, providing it is cost effective.

Senator Parer—Can I just add a little bit to that because it adds to the question you asked previously. Curiously enough, one of the good things that can come out of budget restraint is that it does make you look at every program and, in the course of looking at every program, you find things that should be addressed and addressed fairly severely. Hence—just going back to that program—this all popped out. So when you asked the officer to prioritise, I was pleased the way he did, I might tell you—

Senator MURRAY—I am sure you were. I was surprised, I must tell you.

Senator Parer—But, on the other hand, we kept saying before the budget—as you might recall, being in the Senate—that it did not matter what the subject matter was or what portfolio it was—every single program was being gone over with a fine toothcomb. Out of it, of course, come those sorts of things. Yes, you are right. But there are limitations. The very people you are assisting with this—and I would be happy to make it 200 per cent if the money was there—are the very people who make the contribution to the tax coffers anyway to pay for this. I just make the point that, in the efforts to get the budget into balance, you have to show some restraint.

Senator MURRAY—Yes, and, as you know, we support your deficit reduction strategy but—

Senator Parer—You do, but I am not sure about some of your mates.

Senator MURRAY—Not as far as it goes. I presume I address my remarks to you, Mr Evans. It may be me, but I cannot find where in budget statement No. 1 and in the portfolio budget statements that the funding allocation for the R&D tax concession appears?

Mr Evans—It does not, specifically.

Senator MURRAY—Okay. And where is the announced abolition of the syndication provisions mentioned?

Mr Evans—I will just get someone to look it up.

Senator MURRAY—I will wait for that response, but I can continue. Do you know where the reduction in the maximum rate to 125 per cent is mentioned?

Mr Evans—Yes, it is in one of the revenue measures tables in Budget Paper No. 1. I will find it for you, Senator.

Senator MURRAY—Thank you.

Mr Evans—The deliberative announcement was in the Treasurer's budget speech and the measure was in one of the revenue tables.

Senator MURRAY—Are you able to tell me when the final decision was made on the 125 per cent?

Mr Evans—That is part of the budget process.

Senator Parer—I cannot tell you whether it was two days or two weeks before the budget came down, but it was in the lead-up. You go through the expenditure review process—through the battle.

Senator MURRAY—You will understand—you probably do already—why I am asking that question. There is a view that this government ranks mining and farming ahead of manufacturing and that when the diesel fuel rebate cuts were not approved because of lobbying the cut from 150 per cent to 125 per cent occurred. When did your department put up the recommendation to cut R&D from 150 to 125 per cent?

Mr Evans—As part of the budget process there are a range of options which government canvasses throughout the budget process.

Senator MURRAY—Was that one included in it?

Mr G. Taylor—Taxation measures are always done jointly with the Treasury, so it would have been a joint paper containing options.

Senator MURRAY—And that was included in those options? In the broad package of options that went up that one went up originally?

Mr G. Taylor—I would have thought so.

Mr Evans—It was. There was a range of options put forward.

Senator Parer—I would just like to correct you too, Senator, because if you look at the budget papers you will find that within the mining sector there is a saving of just over \$100 million on the diesel fuel rebate.

Senator MURRAY—Yes, I understand it has been tightened up. I appreciate that.

Mr Hanna—Can I just let you know, Senator, that the reduction to 125 is on page 4-13 of Budget Paper No. 1.

Senator MURRAY—Thank you. My question is now really directed to the earlier remarks—that if we had enough money we would do as much as we could for cost-effective R&D.

Senator Parer—I would give people free beer.

Senator MURRAY—Yes—and that. How important have you assessed the 150 per cent tax concession on R&D as being—and you referred earlier to a series of reports in 1994-95—in fostering growth in business expenditure on R&D, because I assume you have a ratio of return?

Mr Evans—That is a very difficult question, Senator, because there are a number of events that occurred at the same time and the weight you assign to the impact that arose from those will depend on where you are coming from. The 150 per cent tax concession came into play and at the same time we were having tariff reductions, the financial market had been deregulated and we were in a more competitive environment. Depending on where you are coming from, you will give greater weight to one of those factors than another.

I do not think you could ignore it as a factor, you would have to give it some attribution, but I think one has to raise the issue that its purpose was to induce additional R&D. The BIE report indicated that it thought it was inducing somewhere between 10 and 17 per cent additionality. You can get into quite complex and interesting exercises in looking at the cost in terms of a tax concession to the actual benefit flowing from that additionality because, as I think you raised earlier, you do not want to pay for something that was going to happen anyway, and you can get some very interesting equations out of that. If you then discount the actual amount of R&D for a factor occasioned by the tariff reduction, the equation switches over in the other direction. It is a very complex argument.

Senator MURRAY—My impression of the Australian public sector is that it is very clever, very professional and well resourced. I am familiar with modelling and the difficulties and all the exogenous and endogenous variables and the things you can add and take away. Has your department done sensitivity analyses to see the effect on R&D and business growth by reducing the 150 per cent to 125 per cent, or indeed done any sensitivity analyses on increasing it or even decreasing it beyond 125?

Mr Evans—Limited.

Senator MURRAY—Were those limited results provided to the minister in arriving at his decision?

Mr Evans—The outcomes of it were advised to the government.

Senator MURRAY—Are those outcomes available?

Mr Evans—No, they are part of a submission.

Senator MURRAY—They are covered in cabinet confidentiality?

Mr Evans—Yes.

Senator MURRAY—I am a great condemner of secrecy, I must tell you, Mr Evans.

Mr Evans—I understand, Senator.

Senator MURRAY—Prior to the government announcing its decision to reduce the 150 per cent tax concession, did the department provide any downside information, any negative caution to the minister or cabinet about possible consequences?

Mr Evans—I think I would have to say that in providing advice to government on options we canvassed the whole range of impacts.

Senator MURRAY—If we bear in mind the government's view that we are going to be put through pain for a few years and then they are going to restore the economy to good health, we should then have in prospect a view as to what R&D might look like once this pain is over. In those terms, how does our ratio of business expenditure on R&D to GDP compare with other OECD countries and our leading competitors in the Asia-Pacific region, and what would be your department's advice to government in terms of future R&D concessions, say, within a three-year span? You can take that on notice if that is too difficult.

Mr Evans—Again, there is not a simple answer to that question. What we have is a generally available concession which provides a range of benefits which are more extensive than in some of the countries that we are often compared with, in terms of Malaysia, Singapore, et cetera. They do not have it, it is not generally available and the claims you can make on eligible expenditure are much more constrained or confined.

Senator COOK—I am sorry to cut across you, Senator Murray, but I would like to see it from an operational point of view of a company. If you go to Singapore or Malaysia as a company wishing to invest there, you can virtually negotiate these benefits with those governments.

Mr Evans—That is if they want you. If they do not want you, you cannot negotiate.

Senator COOK—They are hungry for technology. Singapore does not call itself the intelligent island for nothing, and Dr Mahathir is running around the globe trying to sign up every piece of intellectual property he can. He buys the Eagle Aircraft Corporation and everything else he can get his hands on because he has a 20-20 vision for Malaysia, and it is a technology vision. So they do want it and they are desperate for it.

Senator MURRAY—I would suggest the following. None of us in this room can ever foresee the complete consequences of what we do for the very reasons you have outlined—there are so many variables out there. But I would suggest that, if the downside is the genuine danger that good Australian companies and technology could go offshore, if they were offered the prospect of a return to a more beneficial R&D environment within two to three years after the government has finished its housekeeping, then they might be tempted not to make a decision which then has 15- or 20-year consequences.

It is for those reasons I ask you whether your department is providing advice to government in the long term of an optimal R&D environment and whether that optimal R&D environment is based on benchmarking against First World economies in terms of the R&D regime that they follow?

Mr Evans—Certainly, and we will monitor not only the impacts and the outcomes from this change but we will also closely monitor what is occurring in comparable countries to make sure that we understand, particularly where we think there is a marked degree of similarity between the economies, what they are doing to induce R&D and what may be applicable here.

Senator MURRAY—We would appreciate it if you were able to do a summary of that and provide it to us, because that gives the prospects.

Senator Parer—I might say, just as a comment, I am not saying R&D itself is narrow, but the important thing for an economy like Australia's—and bear in mind that when you talk about investment today there are no such things as international boundaries—

Senator COOK—Investment is footloose.

Senator Parer—Absolutely, so what we have to ensure, and this is the broader picture, is that we have an investment climate here that attracts the investment in the first place, not just

domestically but internationally as well. In fact, recently I chaired an APEC ministers meeting and one of the delegates made a remark that stuck in my mind. He said that investment today is like electricity—it will flow to the lowest point of resistance. So it is no good worrying about R&D if you do not have the investment because it is the investment that brings with it the R&D.

Senator COOK—But investment follows demand.

Senator MURRAY—You lead me on to my next question—

Mr Evans—Sorry, Senator, on page 4-69 of Budget Paper No. 1, you will see some of those comparisons in the table.

Senator MURRAY—Yes, I had read those.

Mr Evans—We will do one for you.

Senator MURRAY—Yes, but you can see where I am going to.

Mr Evans—Yes.

Senator MURRAY—The minister's remarks lead me on to my next view, and I am not one of those who grabs hold of this idea of globalisation and investment flowing to the lowest point and so on, because I believe economies are extremely varied. You get local economies, regional economies and national and international economies, and you cannot just paint one picture. For that reason, I would like to ask you—and I am sure it is something that these two gentlemen are familiar with, but we are not—which industries in percentage terms utilise that 150 per cent now, the 125 per cent tax concession formerly? I do not think that is in the paper, is it?

Mr Evans—No, it is not. I can provide the committee with a paper which shows the utilisation by industry sectors from the innovation survey work we have undertaken.

Senator COOK—Along with manufacturing.

Mr Evans—Yes, but within segments of that.

Senator MURRAY—Thank you, I appreciate that. We have been particularly asked to identify how widely used the concession is in the information technology and telecommunications industries and in the scientific and medical equipment industries, which are both highly export and research intensive.

Mr Evans—I can do that for you, Senator. We will even go further and give you some international comparisons as well.

Senator COOK—Can I add pharmaceuticals and chemicals and super-light materials.

Mr Evans—Yes.

Senator MURRAY—In 1991, following a suggestion then that the rates would be lowered to 125 per cent, AIRG undertook a study which estimated the breaking level to be around 9.8c in the dollar, which is virtually identical to the R&D subsidy of 9.75c in the dollar that would have applied with a 39 per cent company tax rate and a 125 per cent tax concession. The present proposal goes below this threshold. What are the consequences of that?

Mr Evans—At this stage I would not be comfortable in giving you a prediction on the consequences.

Senator MURRAY—When you are looking for value for dollar, it is always wise to drive at the break-even level so that it is most cost effective. In a return to my earlier question on sensitivity analyses and modelling—and I am probably referring to international research—has

anyone found yet the rate below which companies will not find the incentive attractive? Could, for instance, you drop it to 100 per cent and still achieve the same result? The Treasurer has very blandly said, 'Oh, at 125 we get the same.' I do not know how he can say such a thing.

Mr Evans—The answer to your question is no, but I think that is one of those imponderables where you may never know until you do it.

Senator MURRAY—So the Treasurer has made a wild and inaccurate statement?

Mr Evans—No, I think he would be acting on advice from Treasury and their assessment.

Senator MURRAY—Why would Treasury know the answer to that question, when you, the experts, do not?

Mr G. Taylor—Pass.

Mr Evans—Pass!

Senator COOK—Because Treasury knows everything.

Senator MURRAY—My conclusion is that both Treasury and the Treasurer have made wild and inaccurate statements. I understand the pressure you are under as a result of the change of government and the budgetary pressures. We would like to know, as participants in the opposition process, at what stage you would be able to tell whether the cut to 125 per cent has had no effect—in other words, the same amount of R&D is going on—or has had a beneficial effect or has had a detrimental effect. Because if, after six months, say, it had a major detrimental effect, we would hope that the government would come back to parliament and say, 'Whoops, we have made a mistake. Let's lift it up again.' When would you be able to tell us that?

Senator COOK—If they can sell Telstra and top themselves up.

Mr Evans—Being relatively frank about it, I would not be confident of giving you an accurate assessment for probably three years.

Senator MURRAY—Three years?

Mr Evans—Yes, because of the data that you have got to collect, the timing issues. It is a claim which occurs post the actual event, post the expenditure of when a company submits its tax returns—

Senator MURRAY—It is an awesome responsibility, is it not? Because if you are wrong, in three years time you are going to say—

Mr Evans—I think I well know my fate if I am wrong.

Senator COOK—If you have lost it, trying to get it back once it is resettled somewhere else will be difficult.

Mr Evans—We will start to see trends emerge after this financial year, but to be confident about saying, 'This is exactly what has happened,' I would probably want to go three years out.

Senator MURRAY—If the diesel fuel rebate had been cut by the equivalent amount that this is going to deliver to the government, would you still have recommended a fall from 150 per cent to 125 per cent?

Mr G. Taylor—It is beyond our capacity to respond to a question like that, Senator.

Senator MURRAY—I will ask the minister. Minister, if the diesel fuel rebate had been cut to deliver an equivalent outcome to the effect of cutting it from 150 to 125 per cent, would the government still have proceeded with the 150 to 125?

Senator Parer—That question was asked of me. Let me tell you there was no correlation whatsoever between the R&D and the diesel fuel rebate; they were quite separate issues. I can tell you that categorically because I was heavily involved in the diesel fuel rebate, but I was not involved personally in the R&D.

Senator MURRAY—Mr Evans, are there any job losses expected as a result of the cut from 150 per cent to 125 per cent?

Mr Evans—Not in the immediate future; not in this financial year, was our assessment.

Senator MURRAY—So no figures have been put to the downside?

Mr Evans—In terms of job losses?

Senator MURRAY—Yes.

Mr Evans—Our assessment on that came about from our assessment of company plans for R&D expenditure and their strategies. Our assessment was that you would not see an immediate impact on employment in that field.

Senator MURRAY—You would probably not be aware that our party are considerable fans of strong regional development and strong support for the countryside. Is it your view that the dollar for dollar rural research availability should be matched for maximum effect in the manufacturing world?

Mr Evans—On a dollar for dollar?

Senator MURRAY—Yes. Is that the kind of approach you would recommend the government, with some money, pursued?

Mr G. Taylor—It is a program in another portfolio and not really ours.

Senator MURRAY—But it is a principle, is it not?

Mr Evans—Well, we have a not dissimilar principle but I think we are a bit more rigorous. There is a capacity to match in the grants programs—the competitive grant program, for example—on dollar for dollar. But that can and does vary, depending on the assessment by the experts in the IR&D Board as to what amount of support is required to induce that R&D to be undertaken. They are quite conscious of their responsibilities and the staff of the department are also conscious of that. But there is a capacity under that program to match dollar for dollar.

Senator MURRAY—Our concern is not that rural industries are coming first, but that manufacturing is coming last. It is probably a little unkind to refer to rural industries as just exploitative because they are not; there is value adding and some high value adding that goes on there. Nevertheless, there is an impression arising out of this budget that you have had the floor wiped with you as a department, and the rural boys have got away with it scot-free. Is that an unkind view?

Mr Evans—It is not a view that I have entertained. I have never considered that I have been wiped with anyone, Senator, but you can always find out after the event, I suppose.

Senator COOK—Probably on the strength of the National Party.

Senator MURRAY—It was probably a bit of a loose question for me to put to you, but it is a view. Was there any analysis undertaken comparing the level of subsidies afforded rural industries compared to manufacturing generally, encouraging R&D expenditure away from manufacturing and pushing it towards rural industries by choice—

Mr Evans—No, Senator.

Senator MURRAY—As a more profitable or a better outcome?

Mr Evans—No. That was not something we contemplated or—

Senator MURRAY—Has anyone looked at that? The essence of economics is to put your money where you get the best return.

Senator Parer—I think, Senator, that really you have to concentrate on the particular portfolio. And their job is the promotion of industry and to find the best and most effective ways to do that. They do not really get too concerned about what happens with—

Senator MURRAY—Well, the point of my question is that if there is a finite R&D dollar and now rural and regional is more attractive, then an investor in the true objective sense will say, 'I am going to get a better return going in that direction,' which leaves manufacturing even shorter of the R&D dollar.

Senator Parer—Are you going to tell me that he is going into farming?

Senator COOK—Well, on this point I think Senator Murray is in order, for the reason that this portfolio is industry, science and tourism.

Senator Parer—Absolutely.

Senator COOK—And the science part of the portfolio keeps a watch on science everywhere, whether it is in the rural sector or in the services sector, or wherever it might be housed, including in manufacturing. So, from that point of view, it is relevant to the portfolio, I think.

CHAIR—If you want to get into that sort of argument—

Senator Parer—You could talk forever.

CHAIR—There is only limited time and we shifted dramatically away from the rural sector with the manufacturing sector our new direction.

Senator COOK—That is a point of debate.

Senator MURRAY—What I am seeing here is a policy choice, which may have unintended consequences, and I would like to ask you as a department to put into your departmental heads the prospect of investment moneys now being redirected where there is a better R&D return. There is that prospect. And I would like to ask that you avail yourselves of the opportunity to keep a watching brief on it, in case that is one of the unintended consequences.

Mr Evans—Yes, Senator.

Senator MURRAY—That is all I have until 1.2.

Senator Parer—I wonder, Mr Chairman, if we could bring AIMS on to our Senate committee now.

CHAIR—Yes, I think we might.

Senator COOK—I have a couple of questions on it specifically which follow on from what Senator Murray was asking, before I return to my—

CHAIR—Is it too much to hope that might wind up R&D?

Senator COOK—It is too much to hope, Mr Chairman, because there is still a lot on R&D that needs to be dealt with.

CHAIR—I think we have dealt with an enormous amount of R&D. I cannot recall R&D ever being given such an enormous amount of time in estimates hearings.

Senator COOK—I think you are right, but I cannot recall an occasion on which R&D has been so badly dealt with as it has been in this budget.

My first question is that early in Senator Murray's line of questioning he referred to a number of companies—three, I think—which are the major promoters of syndication. Everyone got awfully pure and was disinclined to name them. The government has attacked me as being negligent in this area and that is a fair political cop—I will not make too much about that because that is what the nature of the game is—but if we can trade political accusations, why cannot we actually name the companies which we believe to be the main rorters and turn a bit of public scrutiny on them? They are the ones that are actually doing it.

Senator Parer—Senator, I think you would be the first, if you had been sitting in this seat, to say that they have not done anything illegal and to do so really just throws a bit of mud in their faces. If they had done something illegal, then I think no-one would hesitate about naming anyone.

Senator COOK—I will not pursue that any more but, as I say, I think Mr Costello and Mr Moore may have called them rorters at some stage. On the question about trying to get this into context, like comparing the amount of 'rorting' here to the amount of rorting on the bottom of the harbour scheme, I think we have dealt with that but I have to say that this is, by comparison, an exercise in miniature compared to the bottom of the harbour. The last major tax concession in the tax act is on R&D and all the other loopholes have been effectively closed off or are progressively closed off and therefore the concentration is in this area. That is compared to the tax act that applied in 1983 which was wide open and for which people were saying that paying tax is optional. That is not the situation now.

One of the other questions was about our competitiveness as a nation. I think Senator Murray raised a question—and not quite in these terms—relating to our competitiveness as a nation as a site for R&D compared to other nations in the world. It is my recollection that the department commissioned some accountancy house to do a study of that last year and they did a world study and came to some conclusions about that. I forgot the name of the report but it was published and made publicly available.

Mr Evans—Yes, Senator.

Senator COOK—Am I right in recalling that the conclusion was that Australia was one of the most competitive sites in the world for R&D?

Mr Evans—Yes.

Senator COOK—This report was a survey of European, North American, North Asian and neighbours in South-East Asian countries. It came up to that comparison with that 150 per cent there.

Mr Evans—Yes.

Senator COOK—As a consequence of that, I think that report found that we were competitive on cost, on quality and within time. As a consequence of that, one of the initiatives in the innovations statement was the investment attraction program, under which we had successfully attracted regional headquarters to Australia. That was reconfigured to target world corporations that do large R&D in order to attract their R&D to Australia to take advantage of our competitiveness and grow brain-based industry in this nation and get the investment that comes with that. Is that true?

Mr Evans—Yes.

Senator COOK—I think it is in that report where there was some finding about what the multiplier is for every dollar of R&D and what the broader economic value that that generates might be. In view of the change now in our R&D regime, for whatever reason—and I will not go into reasons here—but just the clear, plain fact that it has changed and changed to be less competitive and we decided still to continue to try to attract R&D worldwide—

Mr Hanna—Yes.

Senator COOK—We are still continuing to do that. Are we not a little embarrassed by having to tell everyone we have just changed from 150 to 125?

Mr Hanna—No, not really. It certainly does not make the selling job any easier. That is fairly obvious. But, no, I wouldn't say we would be embarrassed by it.

Senator COOK—If someone can recall the name of that report it might be of some use because in the ensuing debate that is going to arise about this it will be a very valuable document.

Mr Evans—We can probably get a copy.

Mr Hanna—We have got one here now.

Senator COOK—The OECD—this is the other point in our international comparisons—maintains a measure for BERD, business expenditure on research and development?

Mr Evans—Yes.

Senator COOK—That measure is refereed against an OECD set of criteria, so it neutralises disparity between nations. That really is in shorthand an OECD comparable scale on what amount of private sector activity there is in research and development in OECD economies. Correct me if I am wrong, but I think it is how much the private sector spends as a percentage of GDP, and that comes up with a BERD rating. Where does Australia rate in that table?

Mr Evans—It comes 17th.

Senator COOK—Out of how many OECD countries.

Mr Evans—Out of 25.

Senator COOK—How long ago was it that we rated 19th? A year or two?

Mr Evans—About 18 months ago.

Senator COOK—In terms of our peer group economies in the developed world, Australia has an abysmal private sector expenditure record on R&D? That is the deduction from that ranking, isn't it?

Mr Evans—That could be a conclusion that could be drawn, Senator.

Senator COOK—We are down around Turkey, Spain and Portugal—countries like that. That ranking was improving: we came up from 19 to 17. Have any projections been done with the reduction in R&D from 150 to 125, in view of the reaction from the community and from business about going offshore and those changes acting as a disincentive as to how that will impact on our BERD ranking?

Mr Evans—There were some assessments made as to the likely effects of any changes in the tax concession.

Senator COOK—Can we see that?

Mr Evans—No, Senator. It would be very difficult to then translate those into where we might lie on the table. You have to look at the performance of those other countries and where they were going.

Senator COOK—You have to say that a reduction in R&D incentives would not improve our BERD ranking?

Mr Evans—It comes to the core issue, Senator. If you look at what we had achieved in the decade in which the tax concession was available, in terms of our increase in BERD; if you look at where we had shifted from, and the changes were marginal; and if you look at the issue of additionality, when you remove the emotion which often surrounds these events, then I would not necessarily expect that there will be a marked change in business expenditure on research and development because a variety of companies offer a variety of views as to why they do expend. Quite clearly, there is a very strong view out there in the research and development community that it is not the actual benefit that persuades them to undertake R&D, it is their need to remain competitive, the environment in which they are working and the resources available in this country in terms of innovative skills, et cetera.

Senator COOK—But all these companies—BHP, CSR, ICI and Goodman Fielder—said they will continue to do it, but they just will not do it in Australia.

Mr Evans—Yes. I thought that was debatable.

Senator COOK—That is what they said.

Mr Evans—I think you would have some of the people—

Senator COOK—I am not asking you to draw a conclusion—it would be unfair for me to ask you to do that, Mr Evans—but I have to say that if you reduce the incentive for R&D it is not likely on the plain face of it to have an advantageous effect on our BERD ranking, and we are likely to languish in the cellar as being one of the worst performing private sector R&D countries in the OECD. I think that is a fair enough conclusion. The only other thing that arises from Senator Murray's questions on this is: do we know how much we save in the budget by reducing the 150 to 125?

Mr Evans—Yes.

Senator COOK—How much is that?

Mr G. Taylor—It is on pages 4 and 5, Budget Paper No. 1. The table has part 2 measures.

Senator COOK—Revenue measures?

Mr Evans—Yes.

Senator COOK—Can you pick it up for me?

Mr Evans—It is about halfway down—reduction to the premium rate of reduction for R&D expenditure of 125: 1996-97, 35; 1997-98, 430; 1998-99, 350; and 1999-2000, 440.

Senator COOK—Okay. I will check this, but I think that just about covers the diesel fuel rebate. I have got other questions on research and development, but that is all that—

Senator MURRAY—I have got two questions arising out of what you have just gone through, Senator. Mr Evans, the department provided clear direct advice to the government that syndication should be abolished and it did so publicly. Your reasons have been well enunciated and you have ranked them. Did the department also provide clear direct advice to the government suggesting the 150 per cent tax should be reduced?

Mr Evans—We provided clear direct advice on the range of options the government might have wished to consider in respect of R&D.

Senator MURRAY—We know the grounds on which the syndication was attacked because you have now ranked them and I understand your arguments. On what grounds did you want to reduce the tax from 150 to—

Senator Parer—Can I answer that? I think I should answer it. In the budget process every program is looked at. The department would have given the minister a range of options on R&D—whether it be 150, 125 or 100—and the ERC process would have taken all those options into account before coming to their final decision.

Senator MURRAY—My difficulty, Minister, is this: I clearly understand the syndication argument. I do not have access to your material, but I can clearly understand your argument. We established earlier that the Treasurer and the Treasury made a wildly inaccurate statement that 125 per cent would deliver just as much R&D as 150 per cent because there is no way they can know that. My question to you is: was that cut from 150 to 125 entirely for budget saving purposes or did you know that it would have no effect on R&D expenditure?

Senator Parer—It would all have been weighed up, bearing in the mind the two considerations that had to be taken into account—budget constraints and the continuing program.

Senator MURRAY—If you say to me, ‘We cut it because we wanted to save money,’ in my little head I can understand that. I might not agree with you, but I can understand that.

Senator Parer—I think I made the point right from the beginning—I guess I will be making it again tonight—that we were confronted with a budget deficit which we had to attack. We did it in the way that we believed was most fair and equitable and I believe that was the way it was received by the general community, including the business community.

Senator MURRAY—I accept that as a reason, but then the Treasurer goes and says, ‘But the 125 per cent will have no effect on the actual R&D.’

Senator Parer—It is not expected to have any significant effect. That was the view of the government.

Senator MURRAY—But how do you know that? We have established that no proper sensitivity analysis modelling was done.

Senator Parer—There was a budget process, advice given to the cabinet by the department on the various scenarios.

Senator MURRAY—I think you have taken a chance, personally.

Mr Evans—There was limited sensitivity analysis.

Senator MURRAY—You may be right. We may find you are right. But there is no evidence that you are using to tell me that you are right.

Mr G. Taylor—It is a judgment, at the end of the day.

Senator MURRAY—The problem is that, again from your own evidence, you are not going to find out until three years time. That is the problem.

Senator Parer—All I can say is that currently even with the 125—and, as I said to you, it would be great if we could make it more—it still is one of the most concessional within the OECD. My understanding is it compares more than favourably with countries like Singapore and Malaysia.

Senator MURRAY—Mr Evans is going to give us—

Mr Evans—Yes. I have to say too it is a subject of much debate between us and our colleagues in other countries as to the mechanism they use.

Senator MURRAY—I am sure.

Mr Evans—When you see the table you will see a country like Norway, where there is no tax concession.

CHAIR—I would appreciate it if you would finish this segment. We could take on AIMS.

Senator COOK—That is a reasonable juncture, as far as I am concerned, to take on AIMS. I do not want the Townsvilleans having to spend more time out of their glorious retreat than necessary.

Program 5—Australian Institute of Marine Science

CHAIR—Just prior to questions, a further correction to the *Portfolio Budget Statements*. It relates to program 5, Australian Institute of Marine Science. A letter from the director of AIMS says:

I am writing to advise you of an error in the 1996-97 Industry, Science and Tourism portfolio budget statements in program 5, Australian Institute of Marine Science. On page 112 of the portfolio budget statements, actual staffing figure for program 5, industry, science and tourism, table 2.1, summary of outlays by program should be 156 not 148. The understatement of eight staff occurred due to an administrative error in applying the effective staff redundancies as actual staff numbers instead of using staff years. The impact of this is to change the percentage staff variation to zero in column 6 of that table. I apologise for the inconvenience to the committee.

Questions to the Institute of Marine Science.

Senator MURRAY—Has the government received any advice from you concerning the adequacy of infrastructure at AIMS?

Dr Reichelt—The AIMS infrastructure has been a subject mentioned for a number of years now. The advice has been that the institute's facilities are ageing and there is a rising cost of maintaining those facilities.

Senator MURRAY—So you consider that additional infrastructural funding is required?

Dr Reichelt—We are spending more now on maintenance and will be needing to spend increasing amounts in the coming years. We are looking to analyse the benefits of refurbishing as opposed to simply spending more and more on maintenance.

Senator MURRAY—How long can you hang on on this maintenance basis until you need a proper capital injection?

Dr Reichelt—It is hard to be precise in terms of defining what 'hang on' means. I think at some point—and again this would have to be subject of probably discussions with the Department of Finance and analysing it with the minister as well—it will be a trade-off on the rising cost of maintaining the buildings, particularly at Cape Ferguson. We have had analyses done on the vessels and the advice we have received is to dispose of one as soon as possible, which is being done in the coming year. The other two vessels need refurbishment or replacement in the next three years.

Senator MURRAY—Why was AIMS not compensated for the impact of the new efficiency dividend imposed by the government on both running and program costs whilst CSIRO was compensated? Why were you discriminated against?

Senator Parer—I think the answer to that is that across the board, across the portfolio, the only group that did get that special consideration was CSIRO.

Senator MURRAY—Do you feel hard done by?

Mr G. Taylor—We all do.

Senator COOK—I have to declare an interest here. Minister, I think AIMS is a terrific institution and I am a fan of it, so let me put that on record up front. There has been a reduction in funding, I notice, of about a million bucks.

Dr Reichelt—Over four years, Senator.

Senator COOK—I am looking at page 112, program 5—summary of outlays by program. The total outlay comes to 0.96 of a million, or is that a percentage?

Dr Reichelt—That is a percentage. In real terms it is about minus 3.9 per cent.

Senator COOK—And are staff years down as well?

Dr Reichelt—That was the correction that I just tabled a bit earlier. They will not be down for the last financial year but we are projecting losses of staff positions in the coming financial year to account for this.

Senator COOK—I think the government would expect that AIMS, in response to that, would seek commercial partners or some form of commercial income to help compensate for budgetary losses overall to direct yourself more commercially. Is that what you interpret as part of your charter?

Dr Reichelt—Yes, we do interpret it that way, and there have been strong moves in the last two or three years to step that up. I have been pushing hard in that direction myself and particularly in the last year or two in the area of offshore oil and gas on the North West Shelf. Mariculture: we are trying to build links with industry there, and we have had a good relationship with the pharmaceuticals industry as well who are injecting quite a bit of money. But we are looking to step that up.

Senator COOK—Without asking to go to any one particular commercial relationship, as a job lot overall are you making a quid out of it?

Dr Reichelt—It is interesting. One of the things that we are doing this year is completely reviewing our costing and charging policies for that very reason. We want to make sure that, where we are, if you like, spending in kind resources or steering our infrastructure in partnership with external buyers or co-sponsors of work, we do have a better handle than I think we have had in the past on how those dollars have been steered. Last year I analysed that co-investment and it was running at about one to one: for every external dollar it was steering or somehow had a grip on one dollar of appropriation funds. So we have to be careful when we go into externally funded work in the interests of competitive neutrality that we do not become a commercial consulting company and compete with the Kin hills and Sinclair Knights. So we make sure that when we do take on external dollars that is in support of our basic work as much as their applied work.

Senator COOK—I think you have done some stunning science, if I may say so. AIMS created—what do we call it?—the wet PC, which is an underwater private computer that you can read off on the face mask of the scuba diver and manipulate by a hand mechanism that you have devised. Is that right?

Dr Reichelt—The wet PC—what we call the human machine interface—is an area that we have now got patents being considered for. It has attracted a lot of attention. We have had its

commercial prospects reviewed by the Stanford Research Institute. We are just in receipt of an interim report from them. They have found that there is no competing product, particularly in the underwater area. There may be other areas on land. The areas on land are drawing attention particularly from defence applications and, in the first instance, we are targeting Australian defence, obviously. We have established relationships now with the army and the navy and they are very interested in it.

Senator COOK—Registering a patent like this and then having to defend it if it is challenged in any way is a large cost, isn't it?

Dr Reichelt—It can be. I think that we are seeing the scientific community rapidly becoming more sophisticated in the ways that it approaches commercialisation. The first step is to protect it and, from my point of view as the R&D manager, we have to find some way to pay for it as soon as possible right after getting that protection in place. With a lot of leg work in finding commercial partners, we are finding that there are partners who are willing to cover the up-front costs but who obviously are trading off some of the return in the future to do that.

Senator COOK—Have you got commercial partners lined up for the commercialisation now for the wet PC? Has it got to that stage?

Dr Reichelt—We do not have a commercialisation agreement. We have a network of companies in place now that are sharing the intellectual property. We have got paying customers who are buying test pieces of equipment and evaluating them. One in particular we are hopeful for is the Project Wundurra 21st Century Soldier. I will not be entirely happy with that until we find someone who is prepared to sign up, perhaps, a licensing agreement for the manufacturer.

Senator COOK—Are you close at all to covering the costs of its development?

Dr Reichelt—The costs have been relatively small for the development of that piece of intellectual property. One junior scientific technician was working on it, not full-time, for probably three or four years to produce it, so it will only take one small agreement to cover that cost. The patent costs will be probably as big, or bigger, than the actual development.

Senator COOK—Then it might create an income stream through royalties or licensing?

Dr Reichelt—That is the hope.

Senator COOK—The other, if I might say, stunning piece of science that you were responsible for creating is the sunblock devised from coral on the Great Barrier Reef. Can you just tell me a bit more about that? It has some phenomenal blocking value: plus 17, or something, isn't it?

Dr Reichelt—It is a very strong blocker of ultraviolet light. It is a molecule that was discovered in the surface tissues of corals and it was discovered by a scientist who simply asked the question: why don't the corals get cooked at low tide?

Senator COOK—Why don't they get sunburnt?

Dr Reichelt—That is right. It turns out that this is a previously undescribed class of compounds that has very strong blocking capability. The original discovery was in 1985 or 1986. It was picked up by one commercial partner and then dropped with all the rights being returned to the institute. That was an investment back in us of some \$4 million or \$5 million in the late 1980s.

We are very close to a commercialisation agreement involving an Australian company and a Japanese company. The reason that it has now become important is that the competing

products are beginning to be very unattractive to the market. That is, they are being banned because they have other undesirable properties. So far, we still have one analog of our compound which not only blocks the ultraviolet light, but does not have any of the other damaging properties. We are looking forward to making a statement about a commercialisation agreement in the next month or two.

CHAIR—How do you extract this product without killing or damaging the coral?

Dr Reichelt—Having discovered it in a small sample of coral, it can be synthesised.

Senator COOK—If you are to announce the commercialisation arrangements shortly—I cannot pre-empt that, it would be immature—can you see a way of covering the costs of discovering and developing this by virtue of that commercialisation and making an income profit, if you like, on top of that?

Dr Reichelt—Yes. We would see that a fairly standard approach to this kind of product would be up-front payment covering any past patent costs. We would like to see part of the arrangement include establishing a research program as well for ongoing work and then a percentage of royalty stream, a percentage of wholesale sales, for instance, of any product anywhere in the world that contains this compound.

Senator COOK—They are two examples of commercialisation that you are involved in from original science. Have you got any other thing on your books that we ought to know about?

Dr Reichelt—There are always some good ideas. There are two areas: one, where a particular scientist, a very junior post-doctoral fellow, has made discoveries in the last couple of months. One of these I do not yet have a patent on and would rather not disclose, if that is all right.

Senator COOK—Right.

Dr Reichelt—There is another area which may lead to a commercial product. The scientist worked out a way to measure the hourly growth of corals underwater. Corals grow at one centimetre a year, so they do not grow very far in an hour; we are talking about a few molecules stacked on top.

Senator MURRAY—I thought you were going to tell me that it is one centimetre one hour.

Dr Reichelt—I will come to the reason that that might be relevant in a minute.

Senator MURRAY—A spurt, as it were.

Dr Reichelt—If you could bear with me. The important thing is that you cannot touch the coral. Effectively, he puts a laser beam underwater. The closest analogy I could make is that he puts a laser beam underwater and measures the rate of change of its shadow as it grows. So, by not touching the coral, he can measure the molecules of carbon going on. In fact, what he does is to measure the movement of a diffraction grid by lowering something down close to it.

The significance of that is that the world's climate records are of intense interest to scientists all around the world. There is no good record of climate in the tropics. The usual methods are examining ice cores and tree rings and they are all in temperate areas where the rings occur. But corals have these rings in them and the potential for unlocking the climate record by this particular device could provide the climate modellers with the record they need in the tropics. This will affect our understanding of global warming and greenhouse effects. I said at the outset that it is not apparent immediately whether this will lead to a royalty stream, but

this single piece of information could have a very large impact on the world's understanding of its global climate.

Senator COOK—The coral reef is, in effect, an historic record of climate change ever since the reef started to form?

Dr Reichelt—That is right.

Senator COOK—How many thousands of years is that?

Dr Reichelt—Reefs have been growing there for millions of years but, as you know, the tide goes in and out every day.

Senator Parer—You are unique. You are the only people who are allowed to drill the Barrier Reef, aren't you?

CHAIR—David Thompson would never have allowed it.

Dr Reichelt—That is right.

Senator Parer—And I have had a look at what you have done there. Some years ago it was going down—exactly what Senator Cook is talking about—looking at the climatic conditions that occur. How far back have you gone on that?

Dr Reichelt—There are records locked in corals from the Barrier Reef that date back to the 13th century. The corals I am talking about would not fit in this room. The importance of those is the—

Senator Parer—But you can pick up the cause when you have floods and droughts—

Dr Reichelt—Yes. Flood events and climate events. I mentioned global climate but probably closer to home is our understanding of El Ninos and drought effects in northern Australia which feed back strongly to industry and rural production and other sorts of things.

Senator MURRAY—Many commercialisers are not going to take it offshore because they have cut the R&D from 150 per cent to 125 per cent.

Dr Reichelt—We will have to investigate the START program to see who would like to build it. I think that there is actually commercial potential in instrumentation arriving from this sort of technology. But, in the first instance, it might be scientific instrumentation, as opposed to the wet PC, which we are hopeful could be in anything from fighter joysticks, to controllers for harsh environment recording, to underwater computers.

Senator COOK—Let me dwell for a second on Senator Murray's question: the commercial partners would be confined. I think you have beaten the bushes all over the world on the wet PC. They are really not Australian companies, as such, for whatever reason; they tend to be world companies, don't they?

Dr Reichelt—With the exception that we are getting intense interest from our own defence group—DSTO—yes, they are. The optics for head-up displays come from a Dutch company with Swedish links; there are Israeli military interests and, of course, Californian ones. They do tend to be fairly global.

Senator COOK—So, in a way, just as we sell iron ore to the world and buy back manufactured products out of steel, here we are selling scientific ideas and later buying from global companies some of the applications of those?

Senator Parer—Yes, but we get the benefit of the R&D work that they have done.

Senator COOK—Yes, that is true. And we get a royalty stream. But we have not developed—dare I say it—an innovation psychology in Australia that has created a critical mass of companies able to take that to the market from Australia.

Senator Parer—We all share and suffer from your frustration.

Senator COOK—Mine is pretty intense. I do not want to probe much further on what you are doing to generate commercial income because it may well be that Finance or Treasury monitoring this will say, ‘That’s a reason to cut your budget funding further.’ I think that it is actually a reason to increase it because that creates the scope for more such valuable breakthroughs, scientifically. What is the work you are doing with the offshore oil and gas industry in the north-west of Western Australia? I think it is the first dot point on page 113.

Dr Reichelt—There are three or four streams to that work. It began a couple of years ago and it has reached its planned level of investment, which is the state of \$3 million a year at the moment from our appropriation budget, with additional money coming from the offshore oil and gas industry.

It is centred on three main areas: the already producing area between Exmouth and Port Hedland—what we think of as the North West Shelf. In that area, we are doing work funded by the Australian Petroleum Production Exploration Association and Energy R&D Corp, to study the low levels of hydrocarbon that come out with produced formation water. The water comes up with the oil, is separated and put into the marine environment.

We have a hydrocarbon specialist who is tracking the plume as it comes away from the rigs on the North West Shelf. That work is well under way now, and it is showing—as I think may be reported here—that it turns out that there are actually very low levels of hydrocarbon, which is good news for the oil and gas industry. It required specialised instruments to be developed because we are talking very low concentrations where, to filter these things out, you need to sample very large volumes of water. That is one area.

Senator COOK—Correct me—as I am a lay person in all this—from what you are describing, it sounds as if it is assisting the hydrocarbon industry get better yields from their wells.

Dr Reichelt—I wish I could say that, but not really. It may do if water content, or the amount of water, were an issue for them and they could not process it. But I think the up-front benefit is that it enables them to assure the environmental monitoring group—the EPA—that they are not damaging the marine environment by having their production facilities there.

Senator COOK—It is greater than that?

Dr Reichelt—That is right. The second area is Scott Reef. If you picture where Broome is and draw a line up towards Indonesia, it is closer to Roti in Indonesia than it is to Broome.

Senator COOK—Which part of Indonesia are we drawing the line to? Is it Timor?

Dr Reichelt—No, the nearest island, which I think is called Roti. It is an offshore reef on our far north-west, north of the area I was just referring to. Scott Reef has quite a lot of interest and it is highly prospective for gas. A recent annual report by the Woodside company showed that it was sitting over the top of 12 trillion cubic feet of gas. It is not commercial at the moment.

The reason the Scott Reef joint venture partners—Woodside is our administrative contact—are investing in basic research in that area is primarily so that there are no surprises for them when it eventually does become prospective. They understand the need for long-term environmental work. Key issues are what its natural variability is, how it is replenished and

how disturbed it is. When I say how it is replenished, that means whether it is self-seeding or the corals and fish that live there come from Indonesia, for instance, or elsewhere such as Ashmore Reef.

That work is well under way. We have established study sites there, as well as studying the coral communities, which show themselves to be highly undisturbed. We have also built links with the European space program, ERS-1, and we are analysing synthetic aperture radar to look at the surface texture of the ocean around this reef.

By looking at the surface, effectively, the roughness of the ocean and the small stretches between waves, you can detect what are called internal waves. These are waves that break in the layers of ocean below the visible surface, but it is these waves, when they break on the continental shelf, that scour underneath the pipelines and can wash the sediment away from offshore to onshore pipes. They are important to understand from an engineering point of view.

These are just examples of what we are doing at the Scott Reef area and, again, that is well supported. It is attractive to us because it has the combination of an application and it has a lot of good fundamental science in it as well. It is a good mix.

The third area is in the Timor Sea, and this is very recent. It is only in the last three or four months that the oil and gas industry has picked up some technology we developed for monitoring the Great Barrier Reef using hand-held diver videos. We designed some computer software to analyse those videos to map the sea floor. The oil and gas industry is mapping deeper areas, but they use remote-operated vehicles.

They had a large amount of videotape and no way to turn it into a map. In the last three or four months, we have mapped nearly 20 areas for them. The main company is BHP Petroleum. For them, it is giving them a resource map of where they would like to explore for oil and gas. What it is also showing is that this area of Australia's exclusive economic zone is very underexplored. It is almost unknown.

Senator COOK—Is this right on the edge of the continental shelf in the disputed territory between Australia and Indonesia?

Dr Reichelt—That is right. There have been expeditionary samples there, but it has been like Mawson to the Antarctic. There has not been a concerted scientific study of the sea floor in that area. What it has shown—and I do not have the exact distance—is an area something over one-third the length of the Great Barrier Reef and maybe three or four times the length of Ningaloo Reef, which is part of our exclusive economic zone.

It is dotted with banks that come to near the surface and a lot of them have nearly 100 per cent coral cover on them, so it is a very unusual ecosystem. It is right next to the area where southern bluefin tuna spawn and it is highly prospective for big eye tuna as well. It is important to the country, but it is almost unknown. The work we are doing in that area is early days and it is heavily subsidised by the oil and gas industry.

Senator COOK—We could go on all night because I find this conversation fascinating, but we had better get back to the estimates. I have one other question before I turn to this. Are you used as the honest broker from time to time in getting a scientific basis to the settlement of environmental disputes or issues of that nature?

Dr Reichelt—Yes, the institute as a whole is. It can be things like a group study of an area, particularly things such as measuring the status of the Great Barrier Reef. There have been a couple of instances that have been fairly close to home for me in the last few weeks. You may have heard of Hinchinbrook Island, and I had a role to play in reviewing some scientific

papers we prepared as part of that process. I believe that today an announcement was made by BHP Manganese at Groote Eylandt that they have some diesel fuel that has entered the ground water layer underneath the township in that area, and they have asked me to chair the environmental panel. The hydrocarbon specialist and I did the work on the North West Shelf to—

Senator COOK—Who pays you when you do that?

Dr Reichelt—In that case, the company would pay my costs, but we are cautious not to make too much profit out of that sort of venture because if you are trying to be an honest broker, basically we just want to cover costs without being entirely pro bono, as the solicitors would say.

Senator COOK—Against that background, in 1994 I think it was the UN that declared the exclusive economic zone, the EEZ, to 200 nautical miles from the low tide mark or to the edge of the continental shelf, whichever is the furthest. In the case of Australia we have the biggest seabed territory of almost any country—if it is not the biggest, we are about second biggest—which, in terms of land mass, is about 150 per cent greater than the Australian continent land mass, the unmet area—that is hardly a scientific term!

Senator Parer—We know what you mean. The dry area!

Senator COOK—Yes. The land, not seabed.

Senator MURRAY—I can see how you got your position.

Senator COOK—This is a huge territory which starts at the top in the tropical area and ends up in the south in Antarctica, and goes out to all the other areas and our offshore island territories. My understanding of the EEZ requirement—please correct me if I am wrong—is that Australia has the opportunity to exploit the resources in the water column, the fish resources and the seabed mineral, oil or gas resources, but that if we do not exploit those resources to the level of sustainability, other nations may come and exploit those resources. That is my understanding of the requirement of the EEZ. We have got first right, but it is not exclusively a first right. Is that your understanding of it? Have I got it right or wrong?

Dr Reichelt—That concept is embedded in the UN Convention on the Law of the Sea.

Senator COOK—Yes. Given the world pressure on fisheries, the diminishing of world fisheries, and the fishing out of major areas while at the same time there is a growth in food demand, with world population expansion and the rapid middle-classing of near Asian markets and things like that, one can expect greater pressure on fish stocks around the world. Here we are with one of the world's great reserves within our EEZ. How do we know what is sustainability for our fish resources, for example, so that if a foreign nation said, 'You are not operating to sustainable levels, so we will have several million tonnes of your fish,' how do we know that?

Senator Parer—It is not a bad question to ask of Dr Reichelt because of his relationship with the FRDC, but I am not sure that this is within this portfolio. I do not think it is an AIMS program is it, Dr Reichelt?

Dr Reichelt—We do not have a large commercial fisheries component.

Senator Parer—No. It is CSIRO, it is FRDC, which he chairs, but it is not within this portfolio.

Senator COOK—I think the purpose of my question, if I can go then directly to it, is that it seems to me that one of the responsibilities the new government has inherited is one of the

responsibilities that we were fiddling with, that there need to be some baseline studies of what sustainability looks like, so that, if some foreign power steams into our ocean territories and says, 'Thank you. You are not fishing to sustainability. We will now do that,' we have got some basis of proving in the International Court of Justice that we are right and they should shoot through, as the peaceful settlement to the dispute. My question is, does AIMS have a role in establishing any benchmark studies, or what stage of preparation are we at in all of that?

Dr Reichelt—I think AIMS does have a role—

Senator COOK—It is also important for mineral resources in the seabed.

Dr Reichelt—I would extend knowledge of resources to tourism and other non-extractive uses also. Yes, I believe AIMS has a strong role to play. At the moment I think Australia does have a shortcoming. In some areas it has good knowledge of its, for instance, fisheries resources, but that may be another story. The marine science and technology plan that has been announced recently, and I will be represented on the group working on that, is one avenue where I think knowledge of our marine resources can be injected. With a view to answering that question about what is sustainable and what can we tell other countries under our obligations to the UN Convention on the Law of the Sea, what we can tell those countries about our sustainable use of those resources, a prerequisite to understanding what is sustainable for any renewable resource is how much have you got and at what rate is it replenished. It is a very simple equation. For instance, all of fish stock assessment is based on that very simple approach.

Senator COOK—In this budget, is any of this funding going to helping AIMS's work on that project or any project such as that?

Dr Reichelt—Areas where we are building up resource maps such as in the north-west; areas where we are monitoring the status of the Great Barrier Reef, which is embedded in our funding—it is a high priority area that we will be seeking to preserve in spite of the budget reduction. I think they are all contributing to building up this picture of knowledge of our marine resources.

Senator COOK—Is there in place any program or effort to do this on a comprehensive basis for Australia that you are associated with?

Dr Reichelt—The closest national scheme that I could identify would be the work being done under the pharmaceutical funding from AMRAD, where we now have collections of marine biodiversity from all parts of Australia's coastline, with the exception of the Great Australian Bight and Tasmania. It has been a systematic sampling of the marine molecules that may have pharmaceutical benefit or may have pharmaceutical activity leading to medicines and drugs. However, I think that is not probably what you are asking.

Senator COOK—What I am asking is this: I think I saw somewhere that the government had announced the formation of a working party or a committee to look at baseline studies in this area. Is that so? If it is, what is your role in it?

Dr Reichelt—I think our role would be to tap into the specialist knowledge that AIMS has built up over 20 years in tropical marine systems, particularly mangroves and coral reefs.

Senator COOK—Would you be the agency that had major carriage of the scientific analysis for such a baseline study?

Dr Reichelt—I would expect we would.

Senator COOK—It comes back to your resources to do that, and I suppose that depends on to what extent the government wants to push this as a priority. You have corporate knowledge; you have an accumulation of knowledge because of your scientific background and expertise. I suppose what I am really asking is, have you got enough money to do the damn job properly? You might not be able to answer that question.

Senator Parer—But also I was going to point out that that would be the next step after the development of a national marine science and technology plan, which Dr Reichelt has just said the government has now announced a committee to formulate, of which he will be a key member. So having got that plan, then the next question is: how do you fund that?

Senator COOK—So we should follow this up?

Senator Parer—We have recommended it for the next budget.

Senator COOK—Then we will see whether the funding is there to carry out the plan.

Senator Parer—Yes.

Senator COOK—Thanks very much.

CHAIR—No further questions. Thank you very much, Dr Reichelt.

Dr Reichelt—Thank you.

CHAIR—Having dealt with AIMS, are there any other agencies on which not a lot of time is going to be involved in asking questions?

Mr G. Taylor—The smaller agencies do not have representatives here now. We had thought that AIMS was the only one likely to be treated in this way. That was our understanding.

Mr Hanna—We thought we were going to go through the department, so we would have to get them in. They are not actually in the building.

CHAIR—As the agencies are not here, we shall return to subprogram 1.1 for a little while.

Subprogram 1.1—AusIndustry

Senator COOK—Before we broke for dinner, we were talking about the three current AFP investigations that are going on into syndicates. I had asked whether the syndicates would have got through the tightened guidelines that were introduced in the innovation statement, and I understood that the answer was, ‘Well, probably not, but they may then have appealed and their chances of getting up on appeal may have been stronger or would have been likely to have been upheld.’ Why are we of that opinion? What is the reason why we think if the tax concession committee knocked them off, the courts would give them the tick?

Mr Evans—The reason for that opinion is an assessment by us, our legal advisers and the Tax Concession Committee, based on the past performance of the Administrative Appeals Tribunal, which would be their first port of call or, alternatively, they could use AD(JR). Again, it is on the basis of a proper assessment of the risks that there may well be an arguable case about the interpretation and the application of guidelines.

We are of the view that, given the heads of power in the legislation, but also given what the AAT has done in the past and the Federal Court has done in the past, it is very hard to enable the committee to have the degree of flexibility that is necessary to make sure you can knock all these out, but it is a professional assessment by the relevant parties.

Senator COOK—Based on any party or legal advisings as well.

Mr Evans—Legal advisings and a close study of previous decisions of the AAT.

Senator COOK—Okay. In the press releases issued by the Treasurer and the Minister for Industry, Science and Tourism on 23 July which announced the acquisition of syndication, four examples of rorts were given to justify the decision.

Mr Evans—Yes.

Senator COOK—I think I have a copy of what those four rorts were. Can you give us some background detail about these rorts?

Mr Evans—I think I can best characterise them as representational of what was and is occurring within the operation of syndication.

Senator COOK—So representational means that these are not actual cases, but they are taken on the features of a number of typical cases. Is that what you are saying?

Mr Evans—There are some features which were changed to protect the confidentiality of the syndicate, but they are a very accurate representation of what was occurring within it, without saying, ‘That is syndicate XYZ, that is syndicate ABC.’ But, again, it is quite possible to demonstrate that these events actually occurred.

Senator COOK—In the time frame, when would these typical types of rorts, as you have characterised them—not any one case study, but as a combination of typical cases—have applied? Would it be prior to the innovation statement or after it?

Mr Evans—Both.

Senator COOK—Both before the tightening of the syndication guidelines—

Mr Evans—And after.

Senator COOK—On the ones that would have occurred prior to the tightening of the guidelines, would they have been caught by the tightening of the guidelines that the government engaged in in the innovation statement?

Mr Evans—Not in all cases. I think if you were to ask me that question last year, I would have said yes, but now I would have to say no, because of the innovation which the packages were able to develop and the legal arguments they were bringing to bear.

Senator COOK—I do not want to put words in your mouth, but is this a correct characterisation? At the time of the innovation statement, we would have thought they would have been caught.

Mr Evans—Yes.

Senator COOK—But with experience and hindsight, we now are of the view that they may not have been.

Mr Evans—Yes.

Senator COOK—That is what we are saying?

Mr Evans—Yes.

Senator COOK—So to the best of our knowledge, in December when the innovation statement came down, we thought we were in the clear, that we had got the rorts out of the system?

Mr Evans—I think it fair to say we thought we had contained them, and it was manageable. And given that the new guidelines gave additional weight to the arm of the Tax Concession Committee, we thought that we could address them, but experience showed that that was not the case.

Senator COOK—Which of the two of the four are the ones that would have applied pre-innovation statement?

Mr Evans—I have a little bit of problem there, because you are narrowing it down.

Senator COOK—Yes, but these have been ‘blended’ to protect the rorts, so we cannot identify them.

Mr Evans—But if I go down to that depth, a reasonably informed person could identify them, and there are some matters which are the subject of litigation, which I would not want to exacerbate.

Senator COOK—I suppose you are saying to me that you cannot answer the question.

Mr Evans—In a roundabout way, yes.

Senator COOK—I will have to accept that answer. So I do not know which two applied prior to when I last had my hands on the guidelines. I will have a good look at them and see whether I can pick them myself.

Mr Evans—You may not be able to either, Senator.

Senator COOK—If I cannot pick them, they are relatively non-pickable, I would have thought. So tell us which of the two examples were the—

Mr Evans—No. I am just saying that you also may not be able to. But certainly the people who are involved in it could pick it.

Senator COOK—We are prepared to say to the world at large, ‘Here are four rorts. This is attached to the press releases of the Treasurer and the Minister for Industry, Science and Tourism. These are things that we are stamping out, but we are not going to tell you who they are, no matter what you ask.’

Mr Evans—This is a very litigious area. If you identified someone, they would take action in respect of our breaching the respective acts—the R&D act and the Income Tax Assessment Act.

Senator COOK—Might they, if they recognise themselves here, do that anyway?

Mr Evans—It would be very difficult for someone to stand up and say, ‘This was me precisely,’ because I can show a couple of other examples, if it were put to the test.

Senator COOK—If they cannot prove that it was them, you can tell us, can you not?

Mr Evans—No. My problem is that, if I go a bit further, they will be able to say, ‘You’ve identified us.’

Senator COOK—If they cannot have a go at us under what is there because they cannot prove it is them, why can you not tell us?

Mr Evans—Because you asked me to differentiate between the pre- and post-guidelines.

Senator COOK—Yes.

Mr Evans—The field is narrowed quite considerably by that action.

Senator COOK—You are saying that, if you did that, they could then go at us?

Mr Evans—I feel that is possible, yes. I would feel very uncomfortable about doing that.

Senator COOK—Alright.

Mr Evans—It could potentially increase contingent liability on the Commonwealth.

Senator COOK—An article in the *Australian Financial Review* on 1 August 1996 claims that Macquarie Bank, BT and Bain have stated that the four examples were either rejected before approval or were discovered after approval, in which case the government could simply nullify any tax concession. Is that not true?

Mr Evans—No, that is not true.

Senator COOK—Is it true that these companies said that in the *Australian Financial Review* on 1 August?

Mr Evans—To the best of my recollection, they said something like that. My comment was in respect of that statement.

Senator COOK—We were wondering who the three companies might be. But here are three companies that have burst into print; they are self-nominating. They are saying, ‘We three think this about those four examples.’ Is it not true that if a government, after approval, discovers a rort like this, it can nullify it retrospectively?

Mr Evans—With great difficulty, I would think. If they were approved, the R&D board would have decided that they were a complying syndicate and granted registration. It is post that that the capacity to nullify their tax benefit is very limited. You can only do it if they fail to comply with the arrangements which they were registered on. So if they had an arrangement that was registered, the ability for the government to nullify that registration could only be achieved by legislating. You would have to specifically exclude them. Once they get that registration, it is only revocable if they vary from the arrangements under which they were registered.

Senator COOK—As I said to the government, we have our hand up. Our position on stamping out rorts is clear. In the area of taxation, retrospective legislation to remove rorts is a principle. If rorters know that, by rorting, the government will retrospectively legislate to stamp out ill-gotten gains, there is no percentage in proceeding to rort. So it is true, Minister, is it not, that between us—the coalition and the Labor Party—without even involving the other parties, we could get a bill through to stamp out and nullify these rorts?

Senator Parer—We have not had to do that. We have just got rid of the reforms.

Senator COOK—I know that you have done that. However, that goes to whether the baby has been thrown out with the bathwater, and we cannot get any evidence about what the baby looked like and how many babies there were with the bathwater; we can only get evidence about the bathwater. This is a way in which it could be done, is it not?

Mr Evans—Senator, we looked at whether we could, as you say, remove the rorts. We actually spent quite a deal of time looking at whether that could be achieved by legislative means, be it primary or subordinate legislation. In the end, we came to the conclusion that you could not draft provisions which excised the bad ones without catching up the good ones. It is just not possible. A degree of flexibility has to be in the act that allows people to drive through. We spent some considerable time, intellectual effort and legal effort getting that.

Senator COOK—Why could you not simply vest some discretion in the tax concession committee?

Mr Evans—We have looked at that. The Senate does not have a practice of giving that sort of discretion to non-legislative bodies.

Senator COOK—The Senate does not have a practice on retrospective legislation. But this is tax and this is about avoidance. As the Treasurer says, this is battlers’ money. The Senate might find that there is basically a majority on this. But you are not the one that needs to make

the political judgment. I accept your advice. The government must decide. This again comes down to the question of throwing the baby out with the bathwater and what alternatives there were available to the government apart from killing the whole scheme. This is an alternative.

Senator Parer—We made our decision based on the evidence.

Mr Evans—The START program does that, Senator. It has those features—support for research and development and support for commercialisation.

Senator COOK—Yes, sure. But that arises as a program because of junked syndication. We need not have junked the good projects; that is the whole point here.

Mr Evans—But they are not junked.

Senator COOK—We will come to that. I refer to the *Australian Financial Review* of 1 August. The same article also quotes Minister Moore on ABC radio. When asked why the government was not prosecuting rorters, he said:

Well, they've been knocked back in the research and development committee which do the research and evaluation of the various projects.

In view of what you have said, is that an accurate statement?

Mr Evans—In respect of some applications, yes, Senator.

Senator COOK—In respect of the four case studies that were referred to?

Mr Evans—I find it difficult, but I certainly know that in respect of some of those applications that was the case. Subsequent action was taken which nullified the decision or overturned the decision in the tax concession committee.

Senator COOK—On 23 July, the minister joined with the Treasurer in announcing the junking of syndication and giving us four examples. On 1 August, he was asked, 'Why are you not prosecuting them?' He said, 'Well, they've been knocked back by the R&D committee, which does the research and evaluation of various projects.' If they had been knocked back, then the system has worked and they have been screened out.

Mr Evans—But then they were screened back in.

Senator COOK—If these examples have been screened out—

Mr Evans—I am not sure.

Senator COOK—These are not the examples that were screened back in—

Mr Evans—I am not sure the minister was referring necessarily to all four examples, but certainly examples within that.

Senator COOK—Yes. They are the four examples that two ministers gave and on which the government hung its hat. Minister, the government's science policy states:

Changes to the syndicated research and development tax concession guidelines (that is, those contained in the innovation statement) may well result in the drying up of one of the few effective forms of venture capital available in Australia to fund research and development.

Why did the coalition believe that Labor was being too hard on syndicates then but just six months later argued that we were being too soft on syndicates? In the context of this statement, it appears that you were criticising us for tightening the guidelines.

Senator Parer—It is a bit like coming into government and finding, instead of an \$8 billion deficit, a \$10 billion deficit. Instead of it being a surplus, we had a \$10 billion deficit. Having got into government—I think I have said this over and over—and been forced with the

imperative of looking at every program in detail, these unintended benefits in the syndicated R&D popped to the surface. We felt that we had an obligation to stop them.

Senator COOK—In the House of Representatives on 11 September, Minister Moore said, in answer to a question on R&D syndication:

I am surprised that the opposition would come up with such a question.

He then went into a bit of rhetoric. He then said:

... when the government came to power, the Treasurer and I spent months trying to clear up the mess that had been left by Senator Cook.

Just as a matter of interest: as I said in my answer to the previous question, it was well known around Sydney and Melbourne that these were the ways to get your rorts. Well known! How come you did not know, how come the former Treasurer did not know, how come the former finance minister did not know and how come the former minister for industry did not know these things were going around?

How come you did not know? In your policy, you are criticising us for tightening them up.

Senator Parer—You were in government. You were aware of what was going on. As I understand it, you introduced finance scheme guidelines in 1992 that were ineffective. In 1995, private and public tax exempt organisations from guaranteed return syndicates were exempted. Promoters discovered mechanisms to re-include these organisations. In 1995—I think you have alluded to it already—the IR&D Board introduced new finance scheme guidelines. Schemes re-surfaced to avoid those guidelines. This is why you are saying, ‘What happened after we tightened up in 1995?’ They were still there because they found other ways of surfacing.

Senator COOK—The evidence we have heard is that when we put down those tightened guidelines in 1995, we thought we had contained the system. I think that was the evidence.

Senator Parer—You made some sort of legislative change to try to do it, and it did not work.

Senator COOK—In respect of private sector tax exempt organisations, you and the minor parties in the Senate combined to block us on an important part of that legislation. Do you recall that?

Senator Parer—No, I do not.

Senator COOK—If this debate starts to hot up on this, I will be in the position of reminding you what you did about that. When we were trying to tighten the guidelines, you prevented us from doing so. The minister also said this on 11 September—this is a different answer—in answer to a question from Mr Tony Smith:

The situation surrounding the rorting of syndication was well known in financial circles in Sydney and Melbourne. If it was well known there, how come the government of the day did not know?

You have your policy here, which criticises us for trying to tighten it up. How come you did not know?

Senator Parer—You were the government; we were not the government.

Senator COOK—The minister said that everyone in Sydney and Melbourne knew about it. Presumably, he knew about it; he was a stockbroker.

Senator Parer—Sure. We found out pretty quickly after we got into government.

Senator COOK—I see.

Senator Parer—That is my interpretation of it.

Senator COOK—That will do. That is fine. Can the department outline the process for assessment and approval of syndicates under the arrangements put in place in the innovation statement.

Mr Evans—Yes. The general pattern of behaviour is that a researcher will have their proposal taken on board by what we call a packager or promoter, who will develop an application for registration as a syndicate. It contains three key elements: a description of research and development to be undertaken; the identification of the core technology and its uniqueness; and the financial arrangements that are proposed to be put in place to finance that research and development and the purchase of the core technology.

That application is then lodged with the department. We have a number of assessors, both in the research and development area and the finance area, who examine the application in detail. Some of these applications would be as thick as that folio. It requires quite a deal of work to break down the financial arrangements to assess where the flow of finance is coming from and the benefits accruing to various parties in the structure. At the same time, there will be an assessment by a person with the technological skills.

That is then combined into a report, which is presented to the tax concession committee. The tax concession committee proceeds to consider that, deliberate upon it and make a decision in respect of that application and whether or not it is not an ineligible scheme. The wording states that it has to be ‘not an ineligible scheme’. The double negative adds some difficulties to it as well. If they make that decision, the packager is so advised.

Very often, the promoter or packager sets out most of the aspects of the proposed arrangement, including the research, the core technology, the researcher and developer and the finance structure, but will not necessarily identify the investor. On that basis, the tax concession committee expresses an opinion as to whether or not they think it is likely to be eligible to be registered. If the promoter or packager is advised by the tax concession committee that it is not an ineligible arrangement, they would then seek to obtain an investor. They would then subsequently lodge a formal application for registration.

At that point, there is an assessment undertaken to make sure that there is no change from the original application for the expression of opinion by the tax concession committee. If there is no change, in normal circumstances, it would be approved. Because of the development of thinking and the views of the tax concession committee, there have been occasions where, whilst an opinion may have been expressed initially that it was not ineligible, when it subsequently came back for registration, they considered that it had adverse features which would render it ineligible.

Senator COOK—How many proposals had begun to be processed under those stages and were still in the pipeline on 23 July this year when the announcement was made to end syndication? If you cannot give us a precise answer, you can take that on notice. I would appreciate a ballpark figure if you cannot be precise.

Mr Evans—Which point in the system are you talking about?

Senator COOK—When the government cancelled syndication, how many proposals had been started through the process or were in the pipeline when it was knocked out?

Mr Evans—There are a number of stages.

Senator COOK—There are three stages. At each of those stages.

Mr Evans—There are 130.

Senator COOK—There were 130 in the pipeline at various stages of approval?

Mr Evans—Yes. Of consideration.

Senator COOK—Do you happen to know what the total value of those proposals was?

Mr Evans—In terms of the core technology valuation, the proposed R&D spend or the cost to revenue?

Senator COOK—Each way, since there are three headings and there are three different ways of assessing value.

Mr Evans—Can I take that one on notice and provide it to you?

Senator COOK—You can.

Mr Evans—In ballpark figures, the cost to revenue was in the order of \$1.4 billion. On that basis, you are looking probably at a combined core technology valuation and R&D spend in the vicinity of \$3 billion.

Senator COOK—They are ballpark?

Mr Evans—They are ballpark.

Senator COOK—I accept that.

Mr Evans—We will get you the precise figures.

Senator COOK—You may decline to answer this question, so I will mention this in advance of asking it. What are the names of the proponents, and what type of research was being proposed in those projects?

Mr Evans—I am unable to answer that.

Senator COOK—Why?

Mr Evans—Because that is commercial-in-confidence information.

Senator COOK—Could you say what the type of research being proposed was? Is that commercial-in-confidence? The name could be; I accept that.

Mr Evans—On a syndicate by syndicate basis?

Senator COOK—Yes.

Mr Evans—I think that would be commercial-in-confidence. But we could broadly aggregate a range of research.

Senator COOK—I would appreciate that. Can you explain what the A list is?

Mr Evans—Yes. After November 1995, 130-odd applications for the registration of syndicates in the pipeline had been lodged. The bulk of those were applications for what we have euphemistically called advanced rulings or advanced opinions. The tax concession committee then sought to develop a strategy to deal with those applications. It went through and identified in broad terms what we would call adverse features. It was pre-capital gains tax because the core technology was pre-1985. It identified some key characteristics which they believe needed attention by the applicants. That proceeded through in January, February and March. They went to issues such as core technology valuations. We wanted an arm's length market valuation.

We also addressed issues like pre-capital gains tax core technology. We considered them adverse features and unacceptable. There was a constant testing between ourselves and the packages, who kept saying, 'Why do you need this information? We do not have to provide it'. There was a continuous debate. The reply was that the tax concession committee had to

properly discharge its responsibilities. Therefore, it needed that information in a manner which was consistent and logical, et cetera.

In about May—I will have to get the precise dates—the major packages approached us and said that they were concerned about the delays in the processing of applications. They wished to discuss the matter with us. That then resulted in quite a good discussion, where they acknowledged at that meeting that, of those applications, a significant number of them were ones that they agreed had significant problems and would not meet a proper assessment by the tax concession committee and, therefore, be ruled ineligible.

Prior to that, they had been making noises about the fact that there were some applications which they thought were worthy of consideration, and that we should move them up the list and do a range of things. We suggested that, for example, we would consider applications that had been lodged under finance scheme guidelines No. 2—the new ones. Their response was that, if we did that, they would take us off to the Administrative Appeals Tribunal, the Federal Court, and therefore we had no choice, based on legal advice, but to deal with each application in the order in which it was received.

They put it to us that there were applications in there which they thought were genuine, would meet the stringent tests which the Tax Concession Committee was applying, and they would want those considered. We advised them that, subsequent to the action that they had taken, we had no way to do that unless they wanted to reprioritise it. They subsequently put it to us that they would be prepared to reprioritise those applications, and that would then accelerate the consideration of ones which they thought had appropriate attributes. And that became what was known as the A list.

But they also undertook to do a series of other things in respect of that. They advised us that a considerable number of applications, in their view, were not genuine, that they would withdraw those applications, which would then, in a sense, free us up to consider the remaining ones and therefore reduce the workload. They gave us a list of their priorities and they put their hand on their heart and said they believed that these applications would meet all the relevant tests we may want to apply. We had a first cut of that; we looked at them. It was not a rigorous examination, it was a once over lightly. We advised them that we thought that there were a number of those applications which they said met all the relevant criteria and had no adverse features, which in our view, just on the first blush, did not meet those criteria, and that was without going down into detail on a number of these applications to see whether in fact they really did. They then undertook to revise that list and also again undertook to withdraw the applications that were not genuine or were not supportable. There was some limited withdrawal of applications, but only limited.

We had to make sure that everyone who had an application in and therefore was somewhere on the list agreed to this process to reprioritise consideration of applications. We went round to all of these applicants to say, ‘This has been put to us. What is your reaction? How do you feel about it? Are you agreeable to that sort of approach?’ We had to get a variety of parties. Whilst three groups accounted for 80 per cent of the applications, there were another half a dozen or so people who accounted for the rest. That was about the point we were at when the government decided to terminate syndication.

Senator COOK—So to my question: can you explain what the A list is. In essence I understand you to say that it is all those who are left standing after all this elongated process that you have just described to us.

Mr Evans—No. There was a list put forward by the packagers, and it was a list of what they believed were their priority applications.

Senator COOK—Yes, that is what I meant.

Mr Evans—But there were other applications still in there as well.

Senator COOK—Right.

CHAIR—Would this be an appropriate time to break for supper, Senator Cook?

Senator COOK—I could just dispose of the A list in one or two further questions. Now that we know what the A list is, how many proposals were on it?

Mr Evans—About 46, Senator.

Senator COOK—Forty-six, give or take one or two. Do you know what the value of those proposals is?

Mr Evans—We will give you that answer afterwards—we just have to check.

Senator COOK—Okay, fine.

Mr Evans—I think it was somewhere—this is ballpark again—in the order of \$600 million to \$800 million.

Senator COOK—Again, what are the names of the proponents and what type of research was being proposed?

Mr Evans—I would answer the same way again as I did previously in response to a question like that.

Senator COOK—We have had this discussion before; I do not propose to repeat it. Mr Chairman, it might be an appropriate time to break.

Senator Parer—I am just wondering how many questions there are of ANSTO. Would you like to bring them on before we break?

Senator COOK—I do not have very many questions of ANSTO at all.

Senator MURRAY—I have got three. That is all.

CHAIR—Okay, we will deal with ANSTO and then we will have supper.

Senator COOK—I have not finished R&D.

CHAIR—I do not think we will ever finish R&D.

Senator COOK—It is a very important program.

[10.48 p.m.]

Program 6—Australian Nuclear Science and Technology Organisation

Senator MURRAY—Professor Garnett, why was ANSTO not compensated for the impact of the new efficiency dividend imposed by the government on both running and program costs whilst CSIRO was compensated—in your view?

Mr G. Taylor—The answer we have had to the same question before was that CSIRO was the only organisation compensated, and the same answer applies here.

Senator MURRAY—But it never answered the question why.

Senator Parer—Well, when we get to CSIRO there is some sort of detailed complex answer which we are happy to give you. Generally this applied across the board—CSIRO is the only exception.

Senator MURRAY—Does that mean that in the ranking of these institutions AIMS and ANSTO fall below CSIRO?

Senator Parer—No, they are very highly regarded.

Senator MURRAY—Why was ANSTO additionally penalised by retrieving \$5 million from its cash balances?

Senator Parer—Again it was not just ANSTO—there are other groups like AFMA, ERDC, where these organisations had surplus cash and it was felt by the government—whether I should say Finance or the government is another question—that they should return those funds to the consolidated revenue.

Senator MURRAY—What were you doing with those cash balances?

Senator Parer—Holding them in reserve.

Senator MURRAY—Just leaving them there?

Senator Parer—Oh no, they were reserves. The professor can answer.

Senator MURRAY—Yes, Professor. What would you have done with that money if they had not taken away those cash balances?

Prof. Garnett—Those particular reserves were earmarked for a waste management action plan that we had intended to implement over the next five years.

Senator MURRAY—So they were not reserves really?

Prof. Garnett—They were reserves but they had been earmarked or provisioned for that particular function.

Senator MURRAY—And now you will not be able to carry that out unless government next year gives you back the money.

Senator Parer—Yes. It is part of the budget process that we have been through over and over again tonight—everyone taking a little share in a fair and equitable way.

Senator MURRAY—Will you be applying for that money again next year in your budget application to government for that program?

Prof. Garnett—We will be attempting, when we hope to renegotiate the triennium funding arrangements, to come to some agreement on how we might handle that particular program.

Senator MURRAY—Was the decision on that money based on the review conducted by Mr Michael Easson in terms of the cash holdings of statutory authorities?

Prof. Garnett—My understanding was that that formed the basis—

Senator MURRAY—Was that review or can that review be tabled?

Mr G. Taylor—It was not conducted by our department or portfolio and I do not think it has been released.

Senator MURRAY—Would there be difficulty with it being released?

Mr G. Taylor—We would have to inquire, Senator.

Senator MURRAY—Could you do that for me, please?

Mr G. Taylor—Of course.

Senator MURRAY—Professor Garnett, were there any other major programs that you were applying for which you considered essential for your activity in the coming year which were knocked by the government?

Prof. Garnett—We are in an era of triennium funding when we believed that we had a budget allocation and we had planned accordingly, so there were no special applications.

Senator MURRAY—There were no special applications.

Prof. Garnett—Other than the spent fuel funding, which is not for a normal program but is for an exceptional activity.

Senator MURRAY—Thank you. That is all I had for you.

CHAIR—I have got a couple of questions. I note in your annual report you refer to the Senate Select Committee on Radioactive Waste and the fact that ANSTO has prepared an assessment of that committee's report. Is that assessment available?

Prof. Garnett—The assessment was provided through to DPIE and the various groups within government that have been reviewing the outcomes. We have provided it through to DPIE—

CHAIR—Would it be possible for this committee to have a copy?

Prof. Garnett—It is not this portfolio; it is DPIE.

CHAIR—Hang on, when you say it is not ANSTO's portfolio—

Senator Parer—The report went to DPIE.

Senator COOK—But ANSTO prepared it.

Senator Parer—We will check on both sides.

CHAIR—I note there is still a further report on the development of synroc. There are still problems with the synroc technology, are there? It is not purely a matter of delays incurred in commercialisation. Further development needs to be done on the technology for it to be a viable storage facility.

Prof. Garnett—There are a number of issues. You used the word 'problems'. I would not use the word 'problems'. It is a complex process and there are a number of issues associated with formulation for the wastes which appear to be the most attractive wastes at this particular time, as well as process steps which are being optimised. Then, of course, the issue is that we have demonstrated much of that in what I would call a non-radioactive state and we have demonstrated it at very low scale bench scale in radioactivity, but before synroc can be really taken further stages forward we need to be able to demonstrate it in a radioactive pilot plant somewhere.

Senator COOK—I have to say that I think ANSTO is in a no-win situation. Everyone thinks that you should mind the waste. No-one wants to take it when you set up a place to go to and if you have to ship it back overseas there are protests to prevent you from doing so. Meanwhile the residents around your depot complain about it being stored there, and the government has dudged your budget so that you cannot now access the funds you had earmarked in order to help manage it. It is a terrible position, I know, Professor Garnett. The best luck in solving it. And I think rightly you have not acknowledged anything I have said.

You could rebuke me for the temerity of this question, but when are we going to actually get a new reactor?

Prof. Garnett—I think that is an issue for the government to determine, Senator. I think you know full well that we believe that a new reactor is needed and that that is an issue that we believe will need attention in the very near future because of the authorisation for the existing facility and a decision will need to be taken.

Senator COOK—When we got to a stage when the amount we have spent on maintaining—

Senator Parer—Perhaps I should ask you a question: will you support us if we propose it?

Senator COOK—I will.

Senator MURRAY—I won't.

Senator COOK—But I must say I cannot speak for my party on this.

CHAIR—But we have got your commitment.

Senator COOK—I am a bit unashamed about it. I think we do need a research reactor in Australia and it does play an important role in terms of medical work that it does as well. If we are not in this game, we are out of it, and if we are out of this game we are out of a large part of the science of the next century. Where are we up to now? How many times have we rebuilt the existing reactor from within under the guise of maintaining it?

Prof. Garnett—We have not rebuilt the core at all. The facilities have been modified, and it is a complex operation, as I think you are aware, and so parts of the control panels and much of the water systems and other parts which are the secondary systems have been replaced. But the major part of the reactor is as it was when it was installed.

Senator COOK—Is the community consultative structure that you had in place so that the residents in the surrounding area could consult with you about activities on the site still in place now?

Prof. Garnett—We actually have two activities, and the answer is, yes, the consultative group that was established with the council previously has changed. We have a different way of interacting with the council but we still have regular meetings every three months. In addition to that, we have set up an additional consultative group with the community which is chaired by an independent person. We have now had that running for 16 months and the attendance is still very high. The community in fact participated with us in developing the basis for a questionnaire which will be run by a professional company, who will assess public opinion of things nuclear and community opinion. The community have worked with us in that and I think that is a very significant step forward in the relationships with the community.

Senator COOK—Certainly I have not seen any recent reports in the local media about concerns expressed by community groups within the environs of the reactor. I wish you well. I have no further questions.

CHAIR—Thank you very much, Professor Garnett, for appearing before the committee. We will have a short break.

Sitting suspended from 10.59 to 11.17 p.m.

Program 1—Department of Industry, Science and Tourism

Subprogram 1.1—AusIndustry

Senator MURRAY—I have an early flight and I am going to put some questions on notice later.

Senator COOK—I think we finished the questions about the A list. Did either Minister Moore or Minister Prosser write to people involved in syndicate proposals in the two months leading up to the 23 July announcement?

Mr Evans—Yes.

Senator COOK—Can the committee see copies of those letters?

Mr Evans—Senator, we will put that to the minister.

Senator COOK—Why would we not be able to see them?

Senator Parer—I think it is a matter for the ministers. I do not know what the content of those letters was.

Senator COOK—How many letters did they write to people involved in the syndicates?

Mr Evans—Could I take that one on notice?

Senator COOK—Do you know how many letters they wrote on 22 July 1996?

Mr Evans—I am aware that some letters were dispatched on 22 July, but they were, I think, in single figures, and indeed probably at the lower end of the single-figure range.

Senator COOK—So we sent letters out on 22 July, the day before the announcement.

Mr Evans—Yes.

Senator COOK—Can we have copies of those letters?

Mr Evans—We will take that one on notice.

Senator COOK—That brings me back to the BIE report. There were some final questions I had on the BIE report. You say this report was prepared by the BIE, not the department?

Mr Evans—Yes.

Senator COOK—You are certain that it was not the department that wrote the report.

Mr Evans—No, Senator. As you would be aware, the BIE has been absorbed into what will become the Productivity Commission. The report was being undertaken by the BIE, as it then was, but there was some debate as to how the report would be entitled on the 23rd because the BIE, in effect, had been absorbed into the Productivity Commission. So it was decided that the way it was presented was the best way to release it because the Productivity Commission felt it was not a report it had been commissioned to write and the BIE did not in a sense exist because it had been absorbed in the Productivity Commission.

Senator COOK—I know, but since the change of government the BIE, the EPAC and the Industry Commission have all published under their own separate headings, but they all have a little disc or something on the front page of their report that says, ‘The BIE’—or the Industry Commission, or EPAC—‘as part of the Productivity Commission,’ but until the legislation goes through they are still publishing separately under their own heading.

Mr Evans—That is right.

Senator COOK—So it would have been open to the BIE to do that, wouldn’t it?

Mr Evans—I do not think it was so much the BIE but the Productivity Commission. This matter was discussed with the Productivity Commission as to how the report would be presented.

Senator COOK—The report, which you say has been written by the BIE, has got on the front page of it, on the front sheet ‘Prepared by the Department of Industry, Science and Tourism with assistance from the Bureau of Industry Economics’.

Mr Evans—Yes. If you then go into the foreword—

Senator COOK—Are you saying that is misleading?

Mr Evans—You go to the title page and it says ‘Evaluation of syndicated R&D: Ralph Lattimore—

Senator COOK—Yes, but the heading then is ‘Department of Industry, Science and Tourism: Evaluation of syndicated R&D program: Ralph Lattimore’—no reference to the BIE at all.

Mr Evans—It says, ‘The report was researched and prepared by Ralph Lattimore, who also worked on the previous BIE evaluation of syndicated R&D. The report was written while Ralph Lattimore was on secondment to DIST from the BIE.’

Senator COOK—Even in that foreword from which you are quoting, the last sentence of the foreword reads:

It should be noted that not all views of this paper need reflect those of the Commonwealth or of the Department of Industry, Science and Tourism.

There is no reference at all to the BIE.

Mr Evans—That is correct.

Senator COOK—So was Mr Lattimore working on secondment from the BIE with the department at the time?

Mr Evans—For some of the time.

Senator COOK—For some of the time when he prepared this report?

Mr Evans—Some of the time he was in his normal position.

Senator COOK—Did the Treasurer have a hand in commissioning this report?

Mr Evans—No, Senator.

Senator COOK—Just the minister?

Mr Evans—Yes.

Senator COOK—I think we have covered the issue of the terms of reference, and I have asked for a copy of those. I am not sure whether you have agreed to provide them or not.

Mr Evans—It was one I took on notice.

Senator COOK—Are you able to enlighten me any further since?

Mr Evans—Not at this stage. I have not had a chance to check that out.

Senator COOK—Since it was the BIE and the BIE is housed with the Productivity Commission these days, did the BIE undertake any separate discussions with Treasury in the compilation of this report?

Mr Evans—Not that I am aware of.

Senator COOK—Did the minister’s office have any input to this report?

Mr Evans—No.

Senator COOK—Did the Treasurer’s office have any input into this report?

Mr Evans—No.

Senator COOK—Did the minister or the Treasurer themselves have any input?

Mr Evans—No, Senator.

Senator COOK—You are not sure of whether Treasury, though, had some input?

Mr Evans—Well, to the best of my knowledge they did not.

Senator COOK—But you are not sure.

Mr Evans—I will check that.

Senator COOK—The Department of Finance?

Mr Evans—To the best of my knowledge, no.

Senator COOK—Will you check that?

Mr Evans—Yes.

Senator COOK—Do you know if the Industry Commission did?

Mr Evans—No, not the Industry Commission. The body that is now in existence which entitles itself the Productivity Commission, I am aware that senior officers within there had considered and reviewed the report.

Senator COOK—Yet there was this strange reluctance to put the marker of the Productivity Commission on the report.

Mr Evans—Yes.

Senator COOK—Do you know what sectors of the Productivity Commission: was it the old Industry Commission group?

Mr Evans—It was senior officers from the old Industry Commission group.

Senator COOK—Was the IR&D board involved in the preparation of the report?

Mr G. Taylor—This is what happened. The report was written while Ralph Lattimore was on secondment to the DIST from the BIE. It is no more complicated than that.

Senator COOK—That is the point I was trying to work out. This report has the letterhead of the department. It says on the front page that it is prepared by the department, with assistance from the BIE. On the next page it has the heading of the department and the author's name, Ralph Lattimore—a very distinguished person, I have to say. Then the reference to the BIE seems to be absent, and notably so. It seems more as though a BIE officer working for the department wrote the report. Is that what your written answer there says, Mr Taylor?

Mr G. Taylor—I am just looking at the foreword. The foreword seems accurate to me.

Senator COOK—The relevant part of the foreword states:

The report was researched and prepared by Ralph Lattimore (who also worked on the previous BIE evaluation of syndicated R&D) with the assistance and cooperation of officers working in the Department of Industry, Science and Tourism . . .

It names them and continues:

The report was written while Ralph Lattimore was on secondment to DIST from the BIE.

It should be noted that not all views of this paper need reflect those of the Commonwealth or of the Department of Industry, Science and Tourism.

From that, it would seem to me that it would be wrong to characterise this as a report of the Bureau of Industry Economics and that it would be more accurate to characterise this as a report of the department.

CHAIR—Who cares?

Senator COOK—I do because this is the report that killed syndication, and it is waved around in public and referred to by the Treasurer and the minister as a BIE report.

CHAIR—It was obviously written by a BIE person.

Senator COOK—Hang on. The BIE was, until the Productivity Commission hove into view, a part of the department but one charged with an academic responsibility to stand back and write independently of the requirements of the department. So, when you say something is

done by the BIE, people expect that to have a degree of academic distance and objectivity that you would not necessarily expect from a departmental document.

Given the flaws in this document—flaws to which I referred earlier about lack of balance in evaluating the good parts and only a concentration on the bad parts—it looks to me very much like a quick and dirty report made for the purposes of a political fix in which the minister can wave it around and say, 'This a report from the BIE.' And that, in fact, is not the truth.

Senator Parer—Senator, you have been going down the track for about four or five hours now. We all know what you are aiming at. But this will keep going round and round in circles. We have both been on estimates committee for a long time. I do not think I have seen anyone, apart from Senator Vigor, pursue something in such a way. Come out and tell us what you are looking for. We know what you are looking for, but I am not sure what you are going to achieve. If you want to sit here all night, that is fine. But I think we have to get to the stage where you just put all your questions on notice, and the department will respond to them?

Senator COOK—I probably resent the imputation that I am like Senator Vigor.

Senator Parer—You are the closest I have seen in 11 years, I tell you—not from a personality point of view.

Senator COOK—Minister, the government made this bed and now it has to lie on it. The government made these allegations, made these changes, said these things—

Senator Parer—And we have made a decision.

Senator COOK—Yes, and it is quite proper and appropriate for me to probe the basis of that decision. The deeper we get into probing, the less efficacy there is in the basis, I might say.

Senator Parer—You are really drawing a long bow in questioning the authenticity of the author of that report.

Senator COOK—I happen to know Mr Lattimore, and I have a high regard for his reputation.

Senator Parer—There you go.

Senator COOK—But it appears that he was not working as a BIE officer when he wrote this report; he was working on secondment to DIST when he wrote this report. It also appears that it is not accurate to refer to this as a BIE report; it is accurate to refer to this as a departmental document. That does change the quality of the debate about it, I must say.

CHAIR—Don't we consider the report on the merits of the evidence it presents?

Senator COOK—It does knock a leg from under the government's pretension that they have some independent academic assessment which justifies the policy decision they made. That is what I am after, and now I think it is clear.

Mr Evans—The methodology Dr Lattimore adopted in this report was no different from the methodology he adopted in previous reports—and that is in terms of his independence, standing back and the rigour in the approach.

Mr G. Taylor—I was personally involved in Dr Lattimore's services for this. I wanted to say also that he is an outstanding person and he did the previous study. So we have continuity with the same person. Whatever the technicalities might be, I think you know and we know that Dr Lattimore would not have his name on anything that was not first-class stuff.

Senator COOK—That depends on the terms of reference he was asked to report on. Until I see those, I cannot say anything more—other than to say that I have a high regard for the ability of Dr Lattimore. But this report, I might say, is defective in my view in the parts in which I have explained it. He was given a task and, doubtless, he discharged that task. But I would be very interested to see the terms of reference.

We have talked about the Orbital Engine Co. The other comment I would draw to your attention is from Sir Gustav Nossal in *Nature* magazine. He said there that it would have been fairly straightforward to close the loopholes with the scheme, and save the scheme as well.

There are two other matters that I need to cover. One is that the minister announced to parliament recently that there would be an inquiry into the *Southern Cross* syndicate—I think that is the right name for it—or the Bertrand boat syndicate. Has that inquiry commenced?

Mr G. Taylor—No.

Senator COOK—Have the terms of reference of that inquiry been determined?

Mr G. Taylor—I believe that we are very close to having the arrangements for the inquiry, including the terms of reference, capable of announcement. I think that will be in the next few days. That of course depends on the minister, but I think we are very close to that.

Senator COOK—Has an inquiry been selected?

Mr G. Taylor—Again I think we are very close.

Senator COOK—When is the reporting date for this inquiry?

Mr G. Taylor—That would depend on the availability of the person doing the inquiry.

Senator COOK—I would just say for the record that I would welcome such an inquiry, subject to the reasonable caveat, of course, that it is an inquiry into these issues and the allegations that have been made, and that it is a properly based, fair inquiry—it is not a witch hunt or anything like that.

Mr. G. Taylor—That is my expectation.

Senator COOK—Yes. Given the conversation I have had with the minister about it, that is my expectation too. Frankly, I think the best thing to do here is to stand back from all of the issues that one expects will be the subject of that inquiry and not to pursue them in estimates, but rather to await the findings of the inquiry and deal with it that way. That is my view.

Others may take the view that I should pursue those matters now. But I just want to make it clear for the record that, speaking for myself, I think it is far better to stand back and let the inquiry work, given that my expectation is that the inquiry will be as I have described. As I say, that is my understanding from my discussions with the minister.

I also have a couple of peripheral questions, but I do not think I can ask them until I know the terms of reference because I will not know until then the scope of the inquiry. . Can I explain myself this way: a number of allegations have been made here which cover a wide field. The inquiry seems to be focused on ‘the’ particular syndicate which, therefore, may not deal with some of the other issues that have been canvassed which are, one might say, publicly notorious. I think a proper inquiry may well resolve the issues of ‘the’ syndicate. But that would leave other issues about individuals’ reputations and what people may have done perhaps not dealt with.

I do not know how those issues can be dealt with. I just do not think there are any other ways in which they can be dealt with, other than through normal public debate or by actions

that individuals might wish to take. I think that is about all I can say on that matter. I just perhaps indicate that I reserve—not that I need to—my right, as a matter of record, to take up these issues at some subsequent time.

Senator Parer—Fine.

CHAIR—Have we concluded 1.1?

Senator COOK—Not quite. My next question is to Mr Evans. First of all, I would say that I have found very useful and valuable the evidence that Mr Evans has given tonight. But, Mr Evans, I would ask though: who were you reporting to during the time in which you had charge of the issue of R&D, syndication and AusIndustry in the department; who was your senior?

Mr Evans—I reported through the then deputy secretary to the secretary and subsequently to the minister.

Senator COOK—In the functioning of the normal supervision that those officers would have the responsibility for, they were aware of all the activities, and so forth, were they?

Mr Evans—Yes, they were.

CHAIR—Does that conclude 1.1?

Senator COOK—When we leave this issue, we will not be able to come back to it. I have just a couple of final questions.

On 10 September the Macquarie Bank put out a press release headed ‘Budget blocks world first for Australian mining’. That press release was joint, as far as I can tell. It was from the Macquarie Bank and Valiant Consolidated which is a Western Australian mining firm. For the record, the first paragraph of this press release reads:

A chance to make Australia the world’s lowest-cost producer of manganese sulphate seems to have been thwarted by the Federal Government’s decision to block Research & Development Syndication Schemes, according to a Western Australian mining firm.

Then it goes on to develop that point, with most of the quotes—and quite a bit of this press release is in quotes—being attributed to Mr Simon Farrell of Valiant Consolidated. That is the first point.

Then two days later, on 12 September, the Macquarie Bank put out another news release which reads:

A number of press statements were issued on Tuesday 10 September from the office of Macquarie Bank. These press releases related to R&D syndication on behalf of particular researchers. Macquarie Bank was the arranger of these syndicates and facilitated the press releases.

These statements were issued in error without the authorisation of Macquarie Bank’s senior management. The statements do not represent the views of Macquarie Bank.

Macquarie Bank disassociates itself from the statements and withdraws them.

That is signed by Richard Sheppard, Deputy Managing Director.

It is my understanding—and I do not know whether anyone here can confirm it—that the employment of Mr Charles Maddison, who was Manager, Public Relations, Macquarie Bank, and whose name appears on the now withdrawn press release, was severed shortly thereafter by the Macquarie Bank. Minister, can you confirm that the Treasurer, Mr Costello, rang the bank and demanded that their earlier press release be withdrawn?

Senator Parer—I have no idea what Mr Costello would have done. It is something that you could ask of him.

Senator COOK—Can I ask you to refer the question to him?

Senator Parer—Yes.

Senator COOK—Can I ask the officers: are you familiar with the Valiant Consolidated Research & Development Syndicate?

Mr Evans—Yes.

Senator COOK—Are you familiar with the press release of 10 September in which details of this syndicate are referred to?

Mr Evans—No.

Senator COOK—I can make a copy of the press release available to you. I will do that now. But would you then be in a position to confirm whether what the press release says about Valiant Mining is true?

Mr Evans—I think I would find myself in some difficulty because, if they made assertions which we disputed, either my non-answer or my disagreement may reveal commercial-in-confidence information which I am precluded under the act from releasing.

Senator COOK—I understand what you are saying. But I just say this: this company has put its hand up in public, quite apart from what the Macquarie Bank may view; it has said these things—

Mr Evans—Yes.

Senator COOK—and made these assertions. The question that is still the open question is: irrespective of whether the bank withdraws endorsement from them, is what Valiant is saying true? They then attach a case study of Valiant.

The other associated press release is headed—and this is one of the withdrawn ones; I make that very clear—‘Blind people handicapped by R&D abolition’. It talks about an R&D syndicate. It says:

The Federal Government’s retrospective abolition of the Research & Development Syndication Scheme means that millions of blind people around the world could be denied access to a cheap and easy-to-use method of producing Braille.

Then it goes on to quote Mr Tim Connell, Managing Director of Quantum Technology Ltd. As far as I can tell, all of the quotes in this statement are from Mr Connell, not from the Macquarie Bank. He—to put it colloquially—has a red hot go at the cancellation of the syndication scheme and what damage it has done to his particular company, as he argues. There is also a case study of Quantum Technology Proprietary Limited following that.

CHAIR—I am familiar with it.

Senator Parer—Mr Chairman, Senator Cook can come up and quote item after item on which a judgment has to be made about people complaining about a scheme that we have got rid of. It is available to them to apply through the new START scheme. Now whether they succeed or not will depend on their case. But you can go on all night quoting a case here and a case there.

Senator COOK—Yes, there are three.

Senator Parer—None of us knows how authentic they are; we have no idea.

Senator COOK—There are three here.

Senator Parer—You are making the point that there are some people who probably were legitimate under a syndicated scheme, and we are not disagreeing that there were people like

that. But we are saying that we closed the scheme down for very good reasons—because it got out of hand; it became a tax measure rather than a research measure. I am not sure what you are going to achieve. Sure you can get one or two examples. But I am saying that we have an alternate scheme, which is START, which we think is more focused, and those people have the opportunity to apply.

Senator COOK—I understand what you are saying. I am actually pursuing a slightly different line of questioning.

Senator Parer—I am not sure what it is.

Senator COOK—I can tell you. The advice I have is that the Treasurer did persuade the Macquarie Bank to disown these press releases and is responsible for the Macquarie Bank issuing the withdrawal notice. Irrespective of whether the Macquarie Bank owns these press releases or not, I would like to know whether those things which are being spoken of in them about the damage done to those people's companies are true?

Senator Parer—It is interesting questioning our Treasurer as to whether he did it or not, considering what your ex-Prime Minister did over and over again. Let's not go into that.

Senator COOK—I am happy to.

Senator Parer—Mr Chairman, I think we have got to show a little bit of sympathy for the 30-odd people sitting in the next room waiting to come in. I am perfectly happy to sit here all night, but I do not think it is fair to those other people.

Senator COOK—Nor do I. I am happy to find another time if you want to pursue it then. But since this is the only time available to me, this is the only time I can exercise my right.

CHAIR—I think we have given Senator Cook more than enough tolerance in the time that he has had to explore issues just in one relatively small section of the department. I would just like some indication of what cooperation we might expect with regard to the other sections of this department to try to finish in a reasonable time. I do not think people want to come back. The minister is not available anyway to come back for another day. I would have great difficulty coming back for another day.

Senator COOK—I am not going to take responsibility for whether or not I should truncate my examination of these estimates, I have to say; and I will not. But I am quite happy to be compliant in finding a way in which we can get the job done. But there are a number of questions I want to ask, and I am duty bound to ask them.

CHAIR—There is the mechanism of putting questions on notice too.

Senator COOK—Yes, but you do not get a chance to examine them.

Senator Parer—You do. If you do not like the answers, you have the opportunity to pursue them in the additional estimates.

Senator COOK—It comes down to this. I am happy to play the game. I do not like seeing those people sitting there, and I know what it was like as a minister having the department sitting there.

Senator Parer—I might tell you that in opposition I was always sensitive to that too.

Senator COOK—But great violence has been done to a number of programs that I happen to feel quite strongly about and about which the opposition does too, and I have an obligation to deal with those matters. I want the right to deal with them, I am quite happy to fit in with a reasonable way of doing it, but I still want to exercise that right.

Senator Parer—I think you have had a pretty fair go. I do not know how many hours we have been sitting talking about this one topic, with a few smaller programs slapped in the middle.

CHAIR—Seven and a half, eight hours.

Senator COOK—The government has made allegations against me and against—

Senator Parer—Senator, I know exactly the line you are going in.

Senator COOK—And this is the opportunity for me to actually put those allegations down.

Senator Parer—I think you have done it pretty adequately, I would have to say.

CHAIR—This is an exercise in self-justification, not an exercise in examining—

Senator COOK—Your government made the allegations and if it wants to enter public debate and start throwing these allegations around it can expect that public debate to be joined and it can expect the defence against the allegations to be made.

Senator Parer—But not a marathon debate.

CHAIR—One can question whether the estimates committees are the appropriate place to do an exercise in self-justification.

Senator COOK—Those are your words, Chairman, and I reject them. Might I say, with the greatest respect, Mr Chairman, this is a committee of the Senate inquiring into the executive and, rather than protect the executive, it seems to me your role is to protect the Senate and its right to a proper inquiry.

Senator Parer—All I know is that we have to come to some sensible conclusion. We are on program 1.1 and I think you have made your point over and over again, to be frank. My belief is that, if you have a million more questions, put the whole damn lot on notice. If you do not like the answer, you get the option to pursue it at great length at the additional estimates.

Senator COOK—At the supplementary estimates next month? And we can find a more humane scheduling program to deal with them.

Senator Parer—Hopefully. Senator Murray has run out of puff too; he has to take off in the morning early.

CHAIR—He is looking to put his on notice. He has a couple he wants to ask.

Senator COOK—I am sure Senator Murray is conducting himself according to his responsibilities. I have to conduct myself according to mine.

My last question was the third and final press release in this batch, which is headed 'Retrospective R&D abolition hurts women'. It refers to Amlab International, a Sydney company that has developed an integrated urological workstation to help women suffering from incontinence. The quotes are in Mr David Rosenbaum's name, who is the managing director. That is the third one. The questions I have asked about the foregoing two I ask about this.

Mr Evans—That is in respect to the press releases.

Senator COOK—Are they accurate in what they say?

Mr Evans—To the extent I can, I will address those, but I may be constrained by—

Senator COOK—I will pass it across. It is my only copy.

Mr Evans—I will get a copy back to you.

Senator MURRAY—I have just two questions and I am going to put the rest on notice, if I may. Mr Evans, when the department was putting up its options to the minister to consider what should be cut and what should be improved and what should be added, did it rank or weight the existing range of programs in the DIST portfolio in order of most to least valuable or most to least desirable?

Mr G. Taylor—The nature of the ERC process this year was that each portfolio had a savings task.

Senator MURRAY—But in arriving at your savings decisions—

Mr G. Taylor—And the minister had to assess his priorities.

Senator MURRAY—But surely you ranked them in some way to assist him. You have a new minister who would need that kind of advice, surely.

Mr G. Taylor—I cannot say that we ranked them in the order of a list in the sort of precise way that your question might imply, but the process is similar to that.

Senator MURRAY—I would assume you did rank in some order. You would have said, 'Well, these are the most valuable and these are the least valuable.' The purpose of my question is to see if we can get hold of that list. That would help us decide those things which are most right to advocate keeping and most right to advocate throwing out.

Mr G. Taylor—There has to be a bit more judgment and a bit less science when you are dealing with subjects as far afield as tourism, industry, science and so forth.

Senator MURRAY—What was the basis upon which decisions were made to cut programs and by how much?

Mr G. Taylor—The process is the whole ERC process, and it goes on for months.

Senator MURRAY—So it was a straightforward financial decision?

Mr G. Taylor—The minister, in the overview, talked for some length about the overall budgetary situation.

Senator MURRAY—Yes, I understood that.

Mr G. Taylor—In a sense, you have a list. The programs that are there were rated more highly than the programs that are not there.

Senator MURRAY—The Senate is going to be asked to vote on the budget. We will be asked to make judgments in terms of a number of the items we are capable of voting on. It would be helpful if we were to know what areas you regard as the most and least valuable. Are you not going to provide me with that?

Senator Parer—Senator, I do not think the secretary can. When each program is looked at, a range of options is put to the minister.

Senator MURRAY—Program by program.

Senator Parer—We looked at every program. It went on for days and weeks.

Senator MURRAY—I am sure that it did.

Senator Parer—I was pleased to see the end of it, to be frank. Each one is looked at carefully. A decision is taken at that level. It is not taken at the departmental level.

Senator MURRAY—So there was no ranking, as such; it was an item by item discussion?

Senator Parer—Yes. But the case is built up by the particular department. Departments go to great lengths to protect what they believe are the proper programs. It then has to be

fought out in the ERC. As I have said over and over, we had budget constraints and imperatives put on us, and we had to face them.

Senator COOK—In my experience—I do not know what the case is here—the usual process is that the parameters of the budget are to decide what the savings target is in general terms. Each portfolio is then taken. The ERC decides whether it has got close to its savings target. If it has got it, it might spare everyone. If it has not got it, it will run back through the process again.

Senator Parer—Over and over. You go through the mincer.

Senator COOK—But the parameters determine the approach.

Senator MURRAY—Thank you for your answers.

CHAIR—The questions that Senator Murray was going to put on notice have been received by the committee. Is it the wish of the committee that they be incorporated in the transcript of evidence? There being no objection, it is so ordered.

[The questions appear at the conclusion of today's proceedings]

Senator COOK—I think we are about to shift gears in terms of our agenda. Perhaps we ought to spend a quick minute canvassing our options. I do not want to unnecessarily inconvenience people, but I do have an obligation that I intend to discharge. There are a number of programs here that I have a series of questions about. I do not know how many questions there will be until I hear the answers. I can give you a broad indication of what the questions are.

CHAIR—Are they similar questions for each?

Senator COOK—They are similar questions for each one, but the answers will be different because of the different characteristics. I can happily give you an idea of what my main concern is. Some of these are in the questions I have put on notice to the department. It might be useful if we could just spend a moment either off or on the record—I do not care which way we do it—having a private chat between ourselves in order to sort this out.

The department will have answers to my questions on notice by 4 October. I have a series of questions headed 'On programs abolished or cut back'. One is a straightforward question about who has been abolished or who has had their funding cut. All that detail is set out here. I then have this series of questions: what was the rationale for the program's establishment; was that rationale in response to a demonstrated need; how was that need identified; and how will that need be addressed now that the program has been abolished?

This is basically background information that I would like. Others include: which firms will be affected where firms are affected; and which firms were the beneficiaries of programs? I think I have covered most of (g), which is this: have any of these firms been consulted as to the effectiveness of the program as a consequence of their cutback? We have heard that broadly. Another question is this: what other consultation has been undertaken within industry concerning the effectiveness of the program that has been abolished?

CHAIR—They sound like questions that would probably have to be taken on notice anyway.

Senator Parer—These are questions that Senator Cook has put on notice. I am confused.

Senator COOK—I am not criticising anyone here, because I have been labouring under a misapprehension. These are similar questions to the ones I asked Austrade. They provided all the answers on the night. I had an expectation that this would be the case. I was unaware that the department had until 4 October to submit. That shortened my examination of Austrade

quite dramatically. I do not want to go through each of these programs and ask all those questions, since you are preparing the answers to them. But can you tell me whether the department is in a position to give full answers to those questions?

Mr Hanna—No. I am not exactly in a position to do that now. We will be able to give reasonable answers to all of them, but I do not know about full answers to all of them.

Mr G. Taylor—Do you mean by the deadline?

Senator COOK—Yes. I do not want to be caught short. I do not want to get a situation where, with the greatest respect to everyone, on 4 October I pick up a set of answers stating ‘yes’, ‘no’ or ‘maybe’ instead of giving the detail I am actually seeking. Is it clear what I am asking?

Mr G. Taylor—To the extent that information is available in any forum or in any form, we will be able to meet 4 October. Where the information may not be known, we would not be able to provide it orally or in writing. Subject to that qualification, I understand that we will be able to meet 4 October.

Senator COOK—If, for example, in my rush the question is perhaps a bit too vague and the meaning is not understood—although I do not think that is the case here—and the department writes an answer with regard to a meaning which was not the intended meaning, and there are arguments like that, can we discuss that between ourselves? Can we get it clear what I was asking and then answer that question? I do not want to get caught receiving basically a form answer with none of the detail that I am seeking.

Senator Parer—That is okay.

CHAIR—You would do that in writing?

Senator COOK—I do not mind if I am accompanied by a minister’s staffer so that the integrity of the process is maintained and that I am not off talking to the department on my own. If I were the minister, I would object to it, frankly.

Mr G. Taylor—We would centralise the process through Mr Hanna. If there were a doubt about the meaning, Mr Hanna or some other person like him would seek clarification from you. I think that is what you have suggested.

Senator COOK—Yes.

Mr Hanna—We can do that.

Senator COOK—So the purpose of my enquiries would be met. That will help shorten the process quite considerably.

Senator Parer—Thank you for your cooperation.

Senator COOK—I am here to please, but I am also here to get the mail through on behalf of my team. My questions on the Karpin report industry task force will be taken up into that format?

Senator Parer—Right.

Senator COOK—The questions I have on encouraging innovative practices will be taken up under that format. The questions I have on technology expert placements will be treated the same, as will those on effective design use and business spinoffs from the research sector. I have a couple of questions on the reduction in funding for innovation flagship projects. They are not wholly answered by the questions I have put on notice. I thought this was quite an important program. As I recall, three flagship projects were announced in the innovation statement. Only one will be retained, and that is the magnetic resonance imaging project. The other two—the maritime research facility at Launceston and mineralogy in Western Australia—

were abolished. Starting with the maritime one, were there any discussions with the Tasmanian government prior to the abolition of that program?

Mr Evans—Yes.

Senator COOK—So they were consulted about it?

Mr Evans—I would use the word ‘discussion’.

Senator COOK—They were told about it?

Mr Evans—They were told about it. We had discussions about it, particularly about the source of the funding. Our concern was that the vast bulk of the funding was coming from government sources. There was a low level of industry participation, which gave rise to our concerns.

Senator COOK—I would have expected the Tasmanian government, irrespective of whichever political party was in office, to go ballistic about any loss of government funding in Tasmania. That aside, was the industry consulted?

Mr Evans—Yes. There were some limited consultations with industry. Some views were expressed from industry about the appropriate locale for that type of facility. It did not necessarily favour its location in Launceston. There were divergent views about the nature of the facility and its location.

Senator COOK—This project came out of a quite considerable round of detailed consultations. As I recall it, the argument was about using the Indonesian one because it is nearby. Building one in Australia was considered to be duplicating. On the other hand, the rapidly expanding ship building industry of Australia—notably, the fast ferry section of that—was very interested in having a facility like this.

Mr Evans—Yes.

Senator COOK—Was the fast ferry industry consulted?

Mr Evans—There were discussions with them. There were some divergent views as to the nature of the facility and its location. That would probably not surprise you. Given where the fast ferry construction is occurring, there were some views that Launceston was not the most appropriate place to locate it and that it would be better sited elsewhere.

Senator COOK—Elsewhere in Australia?

Mr Evans—Yes.

Senator COOK—That is an argument as to location and not an argument as to the abolition of the measure. When you told Bob Clifford about that, I would have stood back several hundred yards while he gave us all a blast. I do not know that he necessarily would think it a good idea to take it out of Launceston.

Mr Evans—That would be a fair summation of Mr Clifford’s views. But there are others who are equally vociferous in their views.

Senator COOK—The question of this hydrodynamic research facility is something that I will pass on now but which I want to discuss with you when we come to the question of the ship bounty. The issue there is that the bounty has been terminated ahead of time. This was a means of helping to reduce input costs at the design end for this industry. There are other matters associated with the termination of the bounty which impose extra costs on this industry. I will deal with all of them in the bounty discussion.

Mr Evans—You want to probe further on the rationale for that decision?

Senator COOK—Yes. I would rather do it as a job lot related to the shipbuilding industry.

Mr Evans—There is a degree of selfishness on my part. I now have to hang around for the bounty. That is my part of the shift. That is all right.

Senator COOK—It goes to the future shipping program and all those other things the department is doing to help promote what is, I think, the only complex, sophisticated technology that Australia has a world-first lead in. Given the emphasis on sectoral policy and programs that the new government has made—an emphasis I do not disagree with, I might say—I would have thought there would be a great deal of policy discussion about how we can preserve our market position on the one piece of complex technology that we lead the world in. This is an input cost. The mineralogy flagship project is in Western Australia. Was the Western Australian government consulted about that?

Mr Evans—There were discussions.

Senator COOK—Of the same character?

Mr Evans—Yes.

Senator COOK—I imagine that, irrespective of whichever government was in power in Western Australia, we would get the same blast from that state to the Commonwealth about cutting out a program that helped their mining industry.

Mr Evans—There were some different factors at play in that issue. The industry believed that what was being proposed would replicate some of the activities they were undertaking. I am talking about the private sector. It was also predicated on support from the private sector, and that was not necessarily forthcoming.

Senator COOK—That did not seem to be the case prior to the innovation statement. What changed their mind?

Mr Evans—I imagine a number of events and circumstances that occurred post the innovation statement which they felt presented an opportunity to open a debate.

Senator COOK—So has industry said that they do not want this program?

Mr Evans—In respect of mineralogy, the view put forward from the private sector was that they were undertaking this sort of activity and they were not fully supportive of the proposal. Again, there was an issue about location. They did not want it in Western Australia or in that particular locale. They did not agree with the way it was gone about.

Senator COOK—Is it again a question of where it was located?

Mr Evans—That was not the only issue, but that was one of the issues in the debate.

Senator COOK—Did some of the people want it in Queensland?

Mr Evans—No-one wanted it outside Western Australia. There was a view from the private sector that it would be better to allow the private sector to undertake that, ascertain the most appropriate way to go about it and determine whether there was any need for government support for it.

Senator COOK—Did anybody bother to ask them why they were lobbying so hard for it in the innovation statement? If we had known that, we could have put that there was popular demand for it.

Mr Evans—This did emerge after the innovation statement. I understand what you are saying. There was a view expressed before and after the innovation statement. These people had a change of mind.

Senator Parer—Can we let some of these people go?

CHAIR—I thought Senator Cook was going to place the bulk of his questions on notice, but we are still going to try to work through the essential areas.

Senator COOK—That is what I am doing.

Senator Parer—Could we look at the various programs and see whether some who will get asked no questions can go home.

CHAIR—They can all go on notice.

Senator Parer—We already have a series.

Senator COOK—I do not have many more questions. The innovative flagship is one, and the nature of the termination of that program is what I am pursuing. The reduction in funding for the development application—

CHAIR—I am thinking more in terms of going down the list. You could indicate which ones on page 14 you can cover completely by questions on notice. We might let people go.

Senator COOK—I have done marine science and ANSTO. I have some questions here from Senator Conroy about the Tourist Commission. I know that Senator Schacht wants to be notified when the Industrial Property Organisation comes on, because he has questions about that.

CHAIR—Can Senator Conroy's questions go on notice?

Senator COOK—I think so. I know that Senator Schacht has questions on the National Standards Commission.

CHAIR—Are they ones he would put on notice?

Senator COOK—I do not think so. You would have to take that up with Senator Schacht. I have an extensive number of questions on CSIRO. I do not have any questions on the Anti-Dumping Authority, but I am not sure whether Senator Schacht has.

Senator Parer—Rarely do they get questions. They wait here for hours with never a question. You could probably let them go.

CHAIR—Yes.

Senator COOK—If Senator Schacht has questions, we should be able to give them to the Anti-Dumping Authority on notice. His former ministerial responsibility included the Anti-Dumping Authority.

Senator Parer—They are ready to take questions on notice, even in their absence. They usually do not get too many questions.

Senator COOK—They usually do not. The questions they do get, if they get any, are usually quite important. I have a number of questions, as you can imagine, on Customs.

CHAIR—I accept that you have a number of questions. Are they ones you have to ask, or can you put them on notice?

Senator COOK—A lot of them are. There are a few questions about the Australian Manufacturing Council secretariat. I could probably put a few questions on notice about the way in which it was terminated, what consultations were engaged in, what has happened to the people and how the function will be carried on. A leading Australian businessman cornered me in the Golden Wing lounge at Tullamarine the other day and told me what a great body it was and what a pack of rascals you lot are for cutting it out. He is definitely on your side

of the fence and not on my side of the fence politically. I have a number of questions that are related to the textile, clothing and footwear industry sector.

CHAIR—Where is that?

Senator COOK—TCF. They may well be better taken up under the particular program items that are in there.

CHAIR—I said at the outset of the hearings that that would be the way they would be done. Senator Schacht has a number of questions on AIPO and National Standards. There are questions for the Tourist Commission from Senator Conroy, but they will be put on notice. We still have to do CSIRO and Customs, but the Tourist Commission and anti-dumping can go. Is there some way of finding out how much Senator Schacht has got for AIPO and National Standards?

Senator COOK—This is a very difficult situation. He is the shadow minister for communications and he is doing the communications estimates now. I have no idea how far through them they are.

CHAIR—Perhaps we could suggest he put them on notice.

Senator COOK—I would not dare speak on his behalf about that.

CHAIR—Senator Neal, do you have any questions on consumer affairs?

Senator NEAL—An hour or so.

CHAIR—An hour or so? Cut it out. They can be taken on notice.

Senator NEAL—No way. That is why I have stayed here for six hours and I am going to ask all of my questions, thank you very much.

CHAIR—Are there any questions on science and technology?

Senator COOK—Yes.

CHAIR—What about trade investment facilitation?

Senator COOK—Yes.

CHAIR—Corporate services?

Senator COOK—Not particularly, but I cannot speak for Senator Schacht on that. He may very well have some for corporate services. Mr Chairman, I appreciate that you are pressing very hard, but I just want to say that I do not take responsibility for keeping people here. I did not schedule it at this hour of the day. While we will do the best we can, as I say, I have got an obligation to ask questions and I want to exercise that. I think I have made a series of gestures to try to accommodate it and I will work hard at finding some more, but I cannot guarantee—

CHAIR—I was assuming that the gestures you were making would perhaps allow us to complete the whole thing within the next couple of hours. We will move to consumer affairs.

Subprogram 1.5—Consumer affairs

Senator NEAL—Does Minister Prosser believe he has a conflict of interest representing both consumer interests and small business interests?

Senator Parer—I do not believe the minister does.

Senator NEAL—Is that his view or is that your guess?

Senator Parer—That is my view of his opinion. I can ask him if you like.

Senator NEAL—Yes, if you would not mind. Does the minister believe that the interests of consumers and small business are opposed to each other?

Senator Parer—In my view, the answer would have to be no, but again I will ask him the question.

Senator NEAL—Where the minister has a conflict of interest between small business and consumers, who gets priority?

Senator Parer—I think you are assuming that there is a conflict of interest. I think your assumption is wrong.

Senator NEAL—So you think there is no conflict of interest at all?

Senator Parer—No.

Senator NEAL—So, if there is no conflict, why in New South Wales are there about 24,000 disputes between consumers and businesses every year?

Senator Parer—That does not mean the minister has a conflict.

Senator NEAL—No, I did not say that. Does the minister believe there is a conflict between the interests of business and the interests of consumers?

Senator Parer—The answer is no, but I will ask him that question. My impression is no because we would not have the portfolio built that way if there was.

Senator NEAL—That is exactly why I am questioning it. Does the minister believe that the majority of his efforts should be directed towards the small business sector of his portfolio rather than the consumer affairs sector of his portfolio?

Senator Parer—I think you are asking me for the opinions of a minister—

Senator NEAL—That is right.

CHAIR—Are these questions all along those lines? If they are questions to Mr Prosser rather than to Senator Parer I would suggest that the most effective way of getting the answers would be to put them on notice.

Senator NEAL—That is how the whole process works. We deal with the views of the minister. We never actually have the minister here.

CHAIR—No, it is not about the views of the minister, it is about the estimates of the department—the expenditure of the department.

Senator Parer—You are quite right, Mr Chairman. What we are doing here is looking at the forward estimates.

Senator NEAL—I know, and the way the department operates.

Senator Parer—I am also interested in what estimates you are referring to when you are asking those questions.

Senator NEAL—You do not have to refer to—

CHAIR—Yes, you do.

Senator NEAL—I would call for a ruling from the clerk on this matter because we have—

CHAIR—The clerk does not give a ruling, I give a ruling. I chair this committee.

Senator NEAL—We have had this dispute in the community affairs committee. I think you will find that this process also deals with the conduct of the department and its administration.

CHAIR—It does, but that is not the views of the minister. You cannot ask Senator Parer what views Mr Prosser might have. You have to ask Mr Prosser.

Senator NEAL—That is not correct.

CHAIR—If you want to ask Mr Prosser his views, the best way of doing that—

Senator NEAL—Mr Prosser is never before estimates.

CHAIR—That is right, so if you want to ask his views through this committee you put those questions on notice.

Senator NEAL—The minister is here as a representative of the minister.

CHAIR—No, he is not. He is a representative of the government.

Senator Parer—My understanding is that when questions are asked, and I know that a lot of latitude is provided, that you really should point to a budget—

Senator NEAL—No, that is completely incorrect.

CHAIR—No, it is not incorrect.

Senator NEAL—We have resolved that on a number of occasions already through days and days of estimates.

CHAIR—You can certainly ask questions about the administration of departments, but it still has to relate to their expenditure. Your questions do not relate to the administration of the department. You are asking questions about the views of the minister.

Senator NEAL—The minister has already taken them on notice, so why I will not waste any time pursuing them.

CHAIR—I am saying that you should put those questions on notice.

Senator NEAL—The minister present has already taken them on board.

CHAIR—I am suggesting that you put them all on notice and that will save us a lot of time.

Senator NEAL—That may be your wish, but I do not intend to do that. I will proceed with my next question.

Senator Parer—Let us see how far the senator goes, Mr Chairman.

Senator NEAL—What safeguards has the minister put in place to ensure that the interests of consumers are given the same weight as the interests of business in the department's decision making?

Senator Parer—Senator, that is—

Senator NEAL—That relates to the administration of the department and I am quite entitled to ask that.

Senator Parer—Yes, you are entitled to ask the department that, but the minister is responsible for both small business and consumer affairs.

Senator NEAL—That is right.

Senator Parer—My view would be that he would treat them equitably and give equal weight to both.

Senator NEAL—The question was: what safeguards has the minister put in place to ensure that the interests of consumers are given the same weight as the interests of business in the department's decision making? If he has put in place no safeguards then the easy answer is: none.

CHAIR—The minister has answered the question.

Senator NEAL—Has the minister put in place safeguards?

Senator Parer—I will ask the minister.

Senator NEAL—I know you have been here a long time, but if you do not intend to treat the questions seriously it will take longer. Were all of the election promises in the subprogram quarantined from the efficiency dividend and running costs or were there no promises made in the area of consumer affairs?

Senator Parer—I have no recollection of any specific promises in that area, but I will refer it to the minister.

Senator NEAL—What input is the minister going to have into the government's response to the ACCC report on petrol pricing?

Senator Parer—My understanding is that this investigation was instigated by Minister Moore.

Senator NEAL—The ACCC has prepared a report in relation to petrol pricing. The government is going to provide a response. It is in the area of Treasury so normally it would be the Treasurer who is responsible for the carriage of preparing the government's response. What I would like to know is: what role is this minister going to have in the preparation of that response?

Senator Parer—It is my understanding that it was Minister Moore who initiated this.

Senator NEAL—No, I am talking about Prosser.

Senator Parer—Who was it?

Senator NEAL—It was actually initiated by the last government.

Mr Croker—The ACCC report was released on 15 August and it made a number of recommendations relating to pricing controls and marketing issues in the petroleum industry. The ACCC report concluded that increased competition rather than continued government regulation will help petrol prices. The government is consulting with industry in relation to the report and has undertaken to do so prior to finalising any decisions. That action is currently in hand.

Senator NEAL—Thank you for that information. I would like to know whether the Minister for Small Business and Consumer Affairs will be having any input into the preparation of that response. Maybe I can ask a different question: has the bureau been asked to provide any advice in relation to the ACCC report?

Mr Rodgers—I am not aware of the director asking the minister for advice, but I would like to take that on notice if I might.

Senator NEAL—Yes. You might also take this question on notice: if some advice has been prepared, what advice has been provided by the bureau to particularly protect the interests of regional consumers?

Mr Rodgers—Yes.

Senator Parer—I understand from my advice that Treasury will convene an interdepartmental committee to address all issues covered in the ACCC's report.

Senator NEAL—Will that include the bureau?

Mr G. Taylor—I am not quite sure exactly where we are in the process, but the answer is that ultimately it would be cleared through all parts of the portfolio, including the federal bureau.

Senator NEAL—What exactly does ‘cleared’ mean?

Mr G. Taylor—Probably all three ministers would have some interest in this—certainly Mr Prosser would. We are at the IDC stage at the moment, I think.

Mr Croker—That is right. We are at the interdepartmental committee stage working with Treasury on these matters. Officers in the bureau have been advised of that activity but, frankly, we have not reached any degree of finality in that process yet because we are going through the process of consultation with the various interested parties in the industry and with consumer bodies.

Senator NEAL—When is it anticipated that the government response will be ready?

Mr Croker—We anticipate providing advice to the government for consideration in November. That gives time for the consultation process to take place.

Senator NEAL—So the response will not actually be published at that time; there will be consultation. Would it be finalised some time in the new year?

Mr Croker—The timing of government decision in relation to the ACCC report is a matter for the government, but we are planning a process which will provide advice to the government during November.

Senator NEAL—I turn to the small business deregulation task force. One of the promises of this new government was to cut red tape for small business by 50 per cent. What mechanisms has the minister put in place in this process to ensure that the interests of consumers will be protected?

Senator Parer—The small business task force is exactly what it says it is. It is there to cut enormous amounts of regulation for small business, which is one of the great complaints of small business, as you are probably aware. That is what it is focused on.

Senator NEAL—Are there any safeguards in place to protect consumers in that process?

Mr G. Taylor—I am sure you know that the Prime Minister will report to government when the report is received. I assume the government, including Mr Prosser, will have due regard to the interests of consumers.

Senator NEAL—Will the minister be consulting with the consumer groups in relation to the reduction of regulation of business?

Senator Parer—I would assume that the minister would consult with a broad range of people. At this stage, all that has happened is that the small business task force has been around Australia talking to people interested in addressing a very real problem that has been there for too many years.

Senator NEAL—I understand that he will be consulting with a range of people, but will he be consulting with consumer groups?

Senator Parer—I will ask him.

Senator NEAL—When you ask him that you might ask him which consumer groups, if any, he is consulting with. If he is not consulting with any consumer groups, how will he ensure that he includes the views of the consumers in the process?

The small business deregulation task force has been meeting in Sydney. Could I have a list of all the other places it has met in?

Mr G. Taylor—Yes. It has met in every capital.

Senator NEAL—It has met nowhere outside the capital cities?

Mr G. Taylor—No, I do not think there have been any meetings outside—

Senator NEAL—Feel free to take on notice the date and place of each meeting.

Mr G. Taylor—Yes. Mr Cook, has there been a meeting outside the capitals?

Mr Cook—No, in each of the capital cities.

Senator NEAL—Could I have the dates of those meetings?

Mr G. Taylor—Yes.

Senator NEAL—Could I also be provided with a list of the participants?

Mr Cook—I should introduce myself. I am the secretary to the task force. When you say a 'list of participants', do you mean people they met with in each of the capital cities?

Senator NEAL—I originally meant those who are members of the task force, but I would also be interested in knowing who they met with.

CHAIR—That is on the public record, is it not?

Mr G. Taylor—The task force has met with an enormous number of people, but there would be records available.

Senator NEAL—How were the members of the task force selected?

Mr G. Taylor—They were appointed by the Prime Minister.

Senator NEAL—What was the process undertaken for selection of those participants?

Mr G. Taylor—As I recall it, there was obviously a need to have some small business people, there was a need to have legal and accounting expertise, and there was a need to keep the group small. As I recall it, those were the main considerations.

Senator NEAL—Is anyone appointed to the task force to represent the interests of the consumers?

Mr G. Taylor—No.

Senator NEAL—Did the department provide any advice—when I say department, I really mean the bureau—on who should be appointed to the task force?

Mr G. Taylor—No.

Senator NEAL—The task force commissioned a number of papers. Can a list of those papers be provided?

Mr Cook—Yes. Two of them have been published and are on the public record. Is that what you are referring to?

Senator NEAL—I saw those. That same press release said that there were a number of others, which I have not seen referred to anywhere on the public record.

Mr Cook—There will be a report published shortly on the results of a survey by the Yellow Pages. That will be on the public record. We have released press releases and a newsletter which is called the *Chairman's Update*. I could table those tonight if you would like them.

Senator NEAL—I would appreciate that. Could I also have a list of any other papers that have been commissioned?

Mr Cook—That is all, other than internal research.

Senator NEAL—Has the minister asked the bureau for advice as to how small business deregulation may affect consumers?

Mr Rodgers—I am sure there have been discussions between the bureau senior officers and the minister about that matter. I cannot recall a specific request for briefing in the formal sense, but I could check on that and advise you of it.

Senator NEAL—Has the bureau included in their estimates provisions for advising in this area?

Mr Rodgers—Specifically in relation to the issue of small business deregulation?

Senator NEAL—That is right.

Mr Rodgers—No.

Senator NEAL—What was last year's financial running cost for the Bureau of Consumer Affairs?

Mr Rodgers—For 1995-96, Senator?

Senator NEAL—Yes.

Mr Rodgers—Actual expenditure in 1995-96 was \$4.963 million.

Senator NEAL—That was actual. What was budgeted for in last year's budget?

Mr Rodgers—Budget estimates for 1995-96 were \$7.081 million.

Senator NEAL—Why is there such a big difference between what was budgeted and what was actually expended?

Mr Rodgers—The major elements of the difference between the budget and the actual expenditure relate to a large component to do with origin labelling—\$1.2 million. A component to do with a project on fee scales which—

Senator NEAL—Fee scales for solicitors?

Mr Rodgers—Fee scales for solicitors—fee scales for running Federal Court and court matters. That was, in fact, a matter that was held back in the Attorney-General's Department on the transfer of the bureau, post election.

Senator NEAL—What was the value of that?

Mr Rodgers—It is about \$300,000. And there is a major component in relation to general support costs which is caught up, again, in the transfer from A-G's to the Department of Industry, Science and Tourism as part of the arrangements for funding of the bureau. That money was in the bureau's running costs within A-G's, but is not within the bureau's running costs.

Senator NEAL—When you say 'general support', that is just administrative support, is it?

Mr Rodgers—To do with such things as information technology, computing support to do with our library services—a whole range of corporate services.

Senator NEAL—Why would it cost less within this department than it did under A-G's?

Mr Rodgers—It does not cost less; it is that the money in A-G's was given to the bureau, whereas in DIST—

Mr Dainer—No, there is a different charging regime in A-G's than there is DIST. DIST overheads are lower than A-G's.

Senator NEAL—That is interesting.

Mr G. Taylor—I think we are the most efficient department of state, Senator.

Senator NEAL—I do not know if that makes me feel better or worse.

Mr G. Taylor—Nor do I.

Senator NEAL—I am sorry, how much was that general support worth?

Mr Rodgers—The figure I have here, Senator, is about \$600,000.

Senator NEAL—So those should add up to the difference between \$7.08 million and \$4.9 million. It does, roughly. In last year's budget, what was estimated to be the expenditure in the out-years for running costs?

Mr Dainer—That would take some time to work out.

Senator NEAL—That is fine. It is actually in the budget portfolio statements for last year, but I could not find it when I was coming down here. How much is provided for the Bureau of Consumer Affairs running costs in this budget?

Mr Rodgers—The figure is \$5.108 million for 1996-97.

Senator NEAL—Were any cuts made to the running costs of the bureau, other than those matters you have already outlined, between the election and the budget?

Mr Rodgers—Not in running costs.

Senator NEAL—Were they made in other areas?

Mr Dainer—I am sorry, were there—

Senator NEAL—Were there any cuts made to the bureau between the election and the budget, other than those matters you have mentioned?

Mr Rodgers—In the efficiency dividend?

Senator NEAL—In any area?

Mr G. Taylor—There was no cut to the running costs in addition to or different from the general efficiency dividend arrangements.

Mr Dainer—That is right.

Senator NEAL—You lost the three per cent, did you?

Mr Dainer—Yes.

Senator NEAL—How did you calculate that three per cent? I noticed that it was only part of a year, so how much did it represent?

Mr Dainer—I would like to take that question on notice.

Senator NEAL—All right. Do you also need to take this question on notice: what amount did they lose as a result of the two per cent running cost cut?

Mr Dainer—Yes.

Senator NEAL—What effects have the cuts to the running costs and the efficiency dividend had on the bureau's functions?

Mr Dainer—There has been no effect on the general functions.

Mr G. Taylor—One shorthand way of assessing it would be to look at page 20 of that document, which shows that the staffing in the bureau have been scarcely affected.

Senator NEAL—But there would be areas other than staffing that would be affected, wouldn't there?

Mr G. Taylor—I am sorry. I thought your inquiries at this stage were about the running costs. We have been responding in terms of running costs.

Senator NEAL—There are two things I want to know: the running costs, and the efficiency dividend.

Mr G. Taylor—The efficiency dividend comes from the running costs.

Mr Dainer—I thought you were talking about the COPO cut, which is the same as the efficiency dividend on programs.

Senator NEAL—No, I thought the efficiency dividend covered the whole bureau, not just the running costs—or does it only cover the running costs?

Mr Dainer—There is a thing called the COPO cut, which is an efficiency dividend on programs.

Senator NEAL—But that is the efficiency dividend; it is the same thing.

Mr Dainer—In effect, yes.

Senator NEAL—Does the efficiency dividend cut affect more than the running costs?

Mr G. Taylor—We need to keep the terminology straight or we will get confused. It is in the nature of an efficiency dividend, but it is referred to as a COPO. Is that correct?

Mr Dainer—Yes, that is right.

Senator NEAL—The Commonwealth own purpose outlays is what I mean; what I mean by the three per cent efficiency dividend is the cuts to that area.

Mr Dainer—Yes, there was a cut to the grants to Australian bodies program item.

Senator NEAL—So that was even before this budget?

Mr Dainer—No, that was out of this budget.

Senator NEAL—I am trying to find out what cuts there were between the election and the budget.

Mr G. Taylor—We are not trying to be evasive; we are just trying to be clear. I think the answer to that is the answer we have already given and was involved in the transfer of A-G's to DIST; is that correct?

Mr Dainer—This is now a question about the program, not running costs. There was no cut to the program.

Senator NEAL—Before the budget?

Mr Dainer—That is right.

Senator NEAL—But there were three per cent and two per cent to the running costs solely. Is that correct?

Mr Dainer—In the three per cent to the program, the COPO cut.

Senator NEAL—What I want to know for both of those is their monetary amounts. Please take that on notice. What were the cuts in both those areas post-budget as a result of the two per cent and also the three per cent?

Mr Dainer—We would take that question on notice.

Senator NEAL—How many jobs out of the bureau have been lost since the election? There are those figures on page 20, and it says 48 to 46. Is that still correct?

Mr G. Taylor—I said that was an indication. The figures for 1996-97 are, as I indicated, an estimate because all parts of government work off a dollar sum. The staffing could be higher or lower, depending on the balance between staffing and administration. But I assume that this is worked out on a sort of constant relationship.

Senator NEAL—I would like to know what the real situation is. How many people were employed in the bureau at the time of the election?

Mr G. Taylor—Unless Mr Dainer remembers, we will have to take it on notice.

Mr Dainer—I do not recall it. It is a figure of around 48 or 49, but if you want an exact figure we would have to find out.

Senator NEAL—Also, how many people are presently employed in the bureau at this time? Looking at the difference between those two figures, how many of those positions were full-time, part-time or temporary? In other words, the reality rather than just the anticipated situation based on the budget cuts?

Mr Rodgers—So you would like the full picture of the employment as at the election and—

Senator NEAL—As it is now.

Mr Rodgers—Right.

Senator NEAL—Also, with any of those positions lost, what is their profile in terms of their classification and from which sections of the bureau were they lost? Does the bureau employ any people outside Canberra?

Mr Rodgers—Not now, but there was an officer in Sydney prior to the end of June, I think. That position has now been transferred to Canberra.

Senator NEAL—Okay. What was that position?

Mr Rodgers—It was a position at the senior officer grade C level. It was a position that was in Sydney post the transfer last year of enforcement activity from the bureau to the Australian Competition and Consumer Commission.

Senator NEAL—Thank you. Why was that position transferred from Sydney to Canberra?

Mr Rodgers—The work that was involved in that position had finished so there was no further work for that officer in Sydney.

Senator NEAL—As a result of the staff changes that have occurred, what functions are not carried out by the bureau that were carried out before?

Mr Rodgers—Apart from that one position we were talking about in Sydney, all of the functions that were being performed prior to the budget are still being performed.

Senator NEAL—So you are saying that having less staff has made no difference to the output? It does not say much for the staff, does it?

Mr G. Taylor—There are various ways, Senator, you can become more efficient, and the bureau is no less good at that than any other part of the department.

Senator Parer—Mr Chairman, could you just call an adjournment for five minutes so that *Hansard* could stop recording and we can have a brief chat around the table about discussions I have had with Senator Cook and Senator Schacht.

CHAIR—Yes.

Short adjournment

Senator NEAL—Can you provide me with a breakdown by gender of the positions that have been lost? Can you also provide me with the cost of any of the positions that have been lost in terms of the redundancy packages, plus the cost of any anticipated redundancies over the next year?

Mr Rodgers—The positions themselves would not have a gender. Are you talking about just the change in the mix of staff?

Senator NEAL—There is a certain number of positions that have been lost between the election and now, and I would assume a certain number of positions that are planned or anticipated to be lost. What I want to know is how many of those are men and how many are women. I assume you know who is leaving. I know we are dealing with small numbers, so it may not be of great importance.

Mr Rodgers—Sometimes there is not a one-to-one relationship between the position and the person—there can be changes and the position might disappear but the person in that position goes somewhere else in the bureau and another person might leave. In other words—

Senator NEAL—It is not often just one person leaving; it is not that simple. If it is more complicated than that, I am quite happy for you to elaborate as much as you need to to explain the real situation. We are to discuss regional areas. Is it the intention to abolish the bureau, Minister? Where is the minister? Have we got the minister back?

Mr G. Taylor—He is consulting his colleagues.

Senator NEAL—The first budget measure which is set down is cuts to consumer organisations. Can we have a breakdown of those cuts to the Consumers Federation, AFCCRA, the National Prices Network and financial counselling.

Mr Rodgers—Yes, we can probably give those to you now. In 1995-96 funding for the Consumers Federation of Australia was \$404,000. There was no government funding from the budget to the Consumers Federation of Australia in the 1996-97 budget. In 1995-96 there was \$66,000 from the budget to AFCCRA.

Senator NEAL—Is present funding nil?

Mr Rodgers—Yes.

Senator NEAL—What about the National Prices Network?

Mr Rodgers—In 1995-96 it was \$41,000 and in 1996-97 it was nil.

Senator NEAL—What about financial counselling?

Mr Rodgers—In 1995-96 it was \$2.229 million and in 1996-97 it was \$1.979 million.

Senator NEAL—What is the anticipated funding for financial counselling in 1997-98?

Mr Rodgers—Can we take that on notice; I do not think we have that figure at this stage.

Senator NEAL—Also for 1998-99. Who is anticipated to take over the role of the Consumers Federation, now that they are no longer funded, if they are unable to continue?

Mr Rodgers—I think the bureau's opinion is that the key functions that were carried out by the CFA if the CFA is unable to continue will be taken over by the bureau, particularly in relation to consultation with consumer bodies and the identification of people for nomination to agencies and bodies as consumer representatives.

Senator NEAL—There is some concern that the bureau is not actually a body that is independent from government, so it has some difficulty providing a role as an independent consumer advocate.

Mr Rodgers—The bureau would obviously propose to consult very closely with the agencies that are seeking consumer representatives. We would use a wide range of networks to identify appropriate consumer representatives for those agencies.

Senator NEAL—What sort of networks?

Mr Rodgers—There would be a number of mechanisms. The minister has already agreed to the use of advertising. That has occurred in relation to some financial services agencies in the superannuation area. We would also develop a very extensive database of people.

Senator NEAL—So you are saying that the network would be advertising?

Mr Rodgers—That would be a way of building the basis that we already have; we would build on the base. We already have an extensive set of information about consumer representatives that has already been developed, and we would build on that by the use of advertising, as the minister agreed from time to time.

Senator NEAL—Will the bureau go out individually and talk to each of those consumer bodies or will they have annual meetings with them?

Mr Rodgers—We would intend, wherever a consumer representative is needed for an agency or on a particular body, to talk with that body about their requirements and look to fulfil those requirements from the basis of information we have.

Senator NEAL—Do you have the network list that the CFA has at the moment?

Mr Rodgers—I do not know of the network list fully, but we know of the bodies to whom the CFA has been nominating consumer representatives. That is a matter of public knowledge, printed in their own annual report.

Senator NEAL—But do you have the complete list of consumer bodies that the CFA has?

Mr Rodgers—You mean consumer representatives or consumer bodies?

Senator NEAL—They have a number of member bodies.

Mr Rodgers—We know that list, yes.

Senator NEAL—Did the minister conduct discussions with the Consumers Federation prior to cutting their funding?

Mr Rodgers—The minister met with the chair of the CFA prior to the budget.

Senator NEAL—Did he tell them that he intended to cut their funding and discuss with them the possible methods for dealing with that change of circumstances?

Mr Rodgers—I am not aware of the detail of the discussion, but I am sure that options were canvassed. I do not know what the details of those options are. I was not present at the meeting.

Senator NEAL—You are telling me that the minister told the federation that their funding would be cut.

Mr Rodgers—I do not know that, Senator.

Senator NEAL—In order to have discussed the possibilities arising from that, they would have had to be aware that it was being cut. As I understand, they were not aware that their funding was going to be cut.

Mr Rodgers—I do not know what was discussed at that meeting.

Senator NEAL—Can you take that on notice and advise me if it was? Can you do that?

Mr Rodgers—I can certainly seek advice from the minister's office.

Senator NEAL—Was any funding provided to allow the CFA to establish alternative sources of funding?

Mr Rodgers—No funding was provided to the CFA beyond the budget night.

Senator NEAL—So their funding effectively ended on 21 August?

Mr Rodgers—Yes.

Senator NEAL—Is the minister prepared to sponsor a trust or some other vehicle to allow industry and private donations to be made to the federation?

Mr Rodgers—Certainly the bureau's desire is that the CFA continue. I cannot answer that question on behalf of the minister as to whether he would sponsor a trust. If a trust were established—I understand there are discussions going on—the bureau would certainly seek to support it in any way that is appropriate.

Senator NEAL—What sort of support would you be providing?

Mr Rodgers—That depends on what is proposed in terms of establishment of the trust. It would not extend to financial support in any way, but there may be mechanisms for helping that trust to be formed. I know no more than I have heard—that there is a discussion going on between CFA and appropriate businesses for such a trust to be established.

Senator NEAL—I think the assistance being sought from the CFA is more a moral support. They certainly have got the picture that they are not getting any further funds. I would like to know whether the bureau is taking steps to assist them in finding that alternative finance.

Mr Rodgers—I cannot answer the specific question in relation to the finance because that is something I have heard about in only the last day or so. I know that the bureau and the minister would wish the CFA to continue; therefore, we would assist in any arrangements we could in that regard.

Senator NEAL—But you do not have any plans to do anything in particular to assist at this stage?

Mr Rodgers—There have been discussions with the chair of CFA about ways that we might help, but I do not have the detail of those arrangements or proposals.

Senator NEAL—Has the government paid out any sort of retrenchment package to the chief executive officer of the federation?

Mr Rodgers—I have no knowledge of any such payment.

Senator NEAL—Does that mean no? Would the set-up allow something like that to occur?

Mr Rodgers—No, I do not think so. Any such payment, I think, would have to come from somewhere within the CFA itself.

Senator NEAL—Is it the bureau's view that the cutting of the federation's funding, basically on one day's notice, is very likely to lead to the organisation not continuing on?

Senator NEAL—Is it the bureau's view that the cutting of the federation's funding on one day's notice is very likely to lead to the organisation not continuing on?

Mr Rodgers—The bureau would probably wish to see if it is at all possible that they can continue to operate.

Senator NEAL—Did the bureau give any advice to the minister on the method of funding being reduced in the time period over which it should be cut?

Mr Rodgers—I do not remember any such discussion occurring, but I could check on that.

Senator NEAL—Did the bureau do a review of the functions of the federation before the decision to cut their funding was made?

Mr Rodgers—A review of the federation?

Senator NEAL—Of its functions and efficiencies.

Mr Rodgers—There has not been a review in recent times. There may have been a review some years ago. I think in the early 1990s there might have been a review.

Senator NEAL—Was there any review done of the CFA between the budget and the election?

Mr Rodgers—No.

Senator NEAL—Who will select consumer representatives for government bodies now that the federation is not there, or may not be there, I suppose, is the more precise question?

Mr Rodgers—There are a number of answers to that. There are a number of bodies that the minister appoints consumer representatives to, and I presume that will continue. There are a number of bodies to whom the agency itself—for instance, Standards Australia—appoints representatives to their technical committees. The arrangements for appointment would reside still with the agency or body concerned.

Senator NEAL—Wasn't the way that function was previously carried out that the minister requested the CFA to put forward a person that he or she would then appoint?

Mr Rodgers—That was one mechanism used previously, yes.

Senator NEAL—So, bearing in mind the CFA may well not be there, how is the minister going to obtain advice about consumer representatives and who to appoint?

Mr Rodgers—The most recent example of that was advertising. The minister advertised and received applications for such positions.

Senator NEAL—Which positions in particular?

Mr Rodgers—These were to do with appointments to positions in the financial services area. I do not have a detailed list of them, but there were a number.

Senator NEAL—If a position was advertised and out of the number of applicants the minister chose one and appointed them, who is that person answerable to? I am talking in general terms.

Mr Rodgers—I suppose the person is answerable to the consumer community in general. That is who they are accountable to. Their role is as a representative of consumers on the agency body concerned.

Senator NEAL—What is the mechanism for their accountability if there is no peak body they communicate through with the general consumer groups Australia wide?

Mr Rodgers—The bureau would see that accountability in a broader sense—that is, they would report in a number of ways to consumer bodies and to consumers to whom they are ultimately accountable. They might report at appropriate forums, report in bureau newsletters, report in terms of publicity of one kind or another that they would issue from time to time. It does not necessarily have to be through a conduit of the CFA if the CFA did not exist.

Senator NEAL—If someone is a consumer representative and they have nobody to report to then they come along and speak out in Hyde Park and say these are the views I will be putting on this forum, that is not really true accountability; is it?

Mr Rodgers—I think it would be true normally, as they now do, through written newsletters, two of which the bureau would be publishing. They would report through a mechanism that already exists in the bureau as distinct from a mechanism that is through the CFA if the CFA did not exist for that purpose.

Senator NEAL—Does the new structure being set up by the minister require those consumer representatives to report to the minister?

Mr Rodgers—Not to my knowledge.

Senator NEAL—Would you check if that is the case or not?

Mr Rodgers—Yes.

Senator NEAL—This is probably a question for the minister. Senator Parer, could we have your attention for a short period.

Senator Parer—Only if you are going to ask something sensible. This is the longest set of questions asked of our people.

Senator NEAL—Your cooperation will be taken into account. What is the policy basis of the minister's decision to cut funding to the Consumers Federation?

Senator Parer—In the light of budgetary constraints, the legacy left to us by the previous government after 13 years of abuse of the Australian taxpayer, the government decided to terminate funding for three Canberra based consumer bodies.

Senator NEAL—I understand that is the standard response that has been given in regard to every cut across every portfolio.

Senator Parer—But it is true.

Senator NEAL—What I am interested in knowing is why you chose to cut in this particular area rather than to cut in another.

Senator Parer—That is what they all say: 'You can cut everyone else except me.'

Senator NEAL—The question is: why on a policy basis did this government choose to cut this area rather than another?

Senator Parer—Which one would you suggest?

Senator NEAL—I am not suggesting any. You are the government, not us, at the moment.

Senator Parer—I am telling you that it was in the light of budgetary constraints. The view across the general community—which would not be news to you—was that it was generally accepted that some hard decisions had to be taken, as long as they were fair and equitable. That was generally accepted by the community at large.

Senator NEAL—So you had no particular reason for choosing this area than any other; is that correct?

Senator Parer—This is the information I have at my disposal from the minister.

Senator NEAL—So he does not really have any views on policies in relation to consumer affairs?

Senator Parer—No. It is a policy. The government's view is that the Federal Bureau of Consumer Affairs can quite properly take responsibility for consultation with consumer bodies and the nomination of consumer representatives to government decision making bodies. It also acts as a conduit between government and financial counselling services.

Senator NEAL—In light of the reduction of funding to the National Prices Network to nil—actually just while I am on that, is there any funding provided for the National Prices Network apart from through this department?

Mr Rodgers—Yes, I believe that it exists. Our funding is marginal to the total funding for that. I think it is an incorporated body.

Senator NEAL—It is, but is there any other government funding provided to that body, apart from through this department?

Mr Rodgers—We do not know whether that continues. Perhaps we should take that on notice. We do not believe there is any now, but there was.

Senator NEAL—There was through admin services.

Senator Parer—It was always a Labor Party front, Senator. You would know that.

Senator NEAL—It was very effective.

Senator Parer—I know. It was an effective Labor Party front.

Senator NEAL—They are your words, but most people thought it was a very effective consumer body.

Senator Parer—There was extra equipment in the Labor members' offices. It was a scandal.

Senator NEAL—It was very popular.

Senator Parer—Yes.

Senator NEAL—You would learn a lot from pursuing it further. So who is going to monitor supermarket prices now that the National Prices Network is no longer in place?

Mr Rodgers—Some of that responsibility would now fall to the Australian Competition and Consumer Commission and its prices surveillance work.

Senator NEAL—Are they taking on monitoring of grocery prices as part of their function?

Mr Rodgers—I cannot answer it for the commission in the way that they would do that, but they do have an overall responsibility in that area.

Senator NEAL—The reason I ask is that previously the ACCC has indicated that they have no intention of monitoring prices in the area of groceries. Is your view that they will take over that role based on anything that they have said or is it a hope on your part?

Mr Rodgers—I certainly have not had any direct discussions with officers of the commission about it, Senator.

Senator NEAL—I suppose I can ask Treasury that. The coalition's view seems to be very much that competition will fix the issue of consumer interest. Is the bureau concerned that without the prices network the transparency of pricing in the area of groceries will no longer be there to create further competition?

Mr Rodgers—I think the bureau sees the commission as having a role to play in this area. There are other bodies, such as the ACA, that from time to time undertake similar surveys and publish them.

Senator NEAL—I am not aware of the ACCC ever having published any surveys in the area of groceries.

Mr Rodgers—It is the ACA, the Australian Consumers Association, that I am referring to.

Senator NEAL—That is obviously a commercial body.

Mr Rodgers—Yes, it runs on commercial grounds.

Senator NEAL—A recent survey published in *Choice* listed Newcastle as having the cheapest grocery prices in Australia. That seems to indicate that the price network has been pretty effective. That was one of the most active in terms of price networks. Does the bureau agree that that is the case?

Mr Rodgers—Prices surveillance is generally an effective way of honouring prices on behalf of consumers. I think the Australian Competition and Consumer Commission has overall responsibility in that area from the government's point of view.

Senator NEAL—If the government believes that surveillance of pricing is effective and that is what the prices surveillance network does, why did they decide not to fund it?

Mr Rodgers—It is seen in terms of the commission's role as an appropriate place for such surveillance to reside.

Senator NEAL—AFCCRA also has not been funded. One of the roles AFCCRA had was to provide backup and information to financial counsellors around Australia. What alternative source of support is being provided for the bureau for those financial counsellors now that AFCCRA is no longer being funded?

Mr Rodgers—The bureau will communicate directly with the agencies that provide financial counselling. A coordinator is funded through the process that we mentioned.

Senator NEAL—Where is the coordinated fund going to be?

Mr Wunsch—There is a group within the bureau that services those agencies. It is the same group that distributes the funding to the 45 or so agencies that are in the program. There will be more direct consultations with the counsellors in those agencies.

Senator NEAL—How many people are there in that part of the bureau?

Mr Wunsch—That function is within a section comprising seven people.

Senator NEAL—What is the name of that section?

Mr Wunsch—Management of grants.

Senator NEAL—Are you saying that the people who deal with the management of grants will be giving the financial counsellors support by way of legal advice and expert advice in the counselling area?

Mr Wunsch—No, I am not saying that. All we are saying is that there will be some direct liaison between the bureau officers and the counsellors. They could identify training needs, for example, and we would see whether the funding that we give them is dissected in such a way that allows for appropriate training. The other main factor is that there are state based financial counselling organisations still in place. They were in place before AFCCRA came into being. A lot of the financial counsellors have continued to get support from those associations over the years.

Senator NEAL—So what you are saying is that the bureau will only give support in an administrative sense?

Mr Wunsch—That is about all we can do.

Senator NEAL—In the past AFCCRA gave backup expert advice, financial counselling and legal advice. How is the bureau going to fill that gap if AFCCRA does not exist any more?

Mr Wunsch—We are not suggesting that we can fill that gap completely. AFCCRA may or may not exist in the future. Our funding supported part of its secretariat and some administrative support. AFCCRA derives income from other sources besides the bureau's

funding. They are still functioning at the moment, and we are not sure what the future really holds for them. But the feedback I am getting is that they will continue to operate in a slightly reduced capacity. That is my understanding.

Senator NEAL—Minister Prosser, in a letter he sent out to AFCCRA, said that in order to maximise the resources available for financial counselling he was cutting their funding.

Senator Parer—Yes.

Senator NEAL—In the light of this letter, why is it that the funding for financial counselling has lessened rather than increased?

Senator Parer—Let me point out that the government is continuing to fund about 45 community organisations, under the Commonwealth financial counselling program, to assist financially disadvantaged consumers. Terminating the general grants to consumer organisations has enabled the maximum amount of money—more than \$2 million—to be directed towards financial counselling of low income individuals.

Senator NEAL—The fact is that, despite all the cuts to the other peak consumer organisations, funding for financial counselling dropped from \$2.29 million last year to \$1.979 million this year. Do you really think that is maximising it if it goes down?

Senator Parer—Yes, if it is directed properly.

Senator NEAL—How many financial counselling services have had their funding cut entirely?

Senator Parer—I think I might ask the department that.

Mr Wunsch—Do you mean since the budget?

Senator NEAL—Between the election and now.

Mr Wunsch—How many financial counselling services—

Senator NEAL—Have been cut entirely?

Mr Wunsch—None.

Senator NEAL—My understanding is that two financial counselling services that were previously funded are no longer funded—one in Western Australia and one in Queensland. Is that the case?

Mr Wunsch—No. I think I can explain what you are getting at. There was one agency in Western Australia and its last funding was in 1994-95. They were unable to secure the services of a suitable financial counsellor. Their counsellor left, and they were just unable to recruit another counsellor. So, as you would probably realise, we operate under a funding agreement with individual agencies, and we provide funds in return for their financial counselling service delivery. So there was no funding agreement entered into in 1995-96 with that agency for financial counselling.

Senator NEAL—That was for Western Australia?

Mr Wunsch—Yes.

Senator NEAL—What was the name of that service?

Mr Wunsch—I can tell you that it was based in Derby, but the name of it escapes me for the moment. I can probably look it up for you. Can I take that on notice or would you like it now?

Senator NEAL—Can you get it quickly?

Mr Wunsch—Fairly quickly, yes.

Senator NEAL—We do not know how long these questions on notice might take.

Mr Wunsch—I hope it is on the list we have brought with us. It has already dropped off our list, so I do not have the precise name with me.

Senator NEAL—It never existed.

Mr Wunsch—Yes, it did.

Senator NEAL—Can you check up and let me know?

Mr Wunsch—I can certainly undertake to give you that.

Senator NEAL—What were the circumstances of the second one in Queensland?

Mr Wunsch—Certainly none have been defunded. The circumstance of that was that there was one proposed to be located in Roma, Queensland. We were unable to identify a suitable service provider in that location. We were continuing to try to find such an agency, but there was just none in place by the time the election was held. My understanding is that a decision was made to wait until the budget to see what funding was available.

Senator NEAL—So no efforts were made to find a provider, once the election had happened?

Mr Wunsch—I think it was decided that it might be fairer to see what funds were available in this budget and maybe if we had one more provider, whatever the funds were, they would be more thinly distributed. So we postponed a possible decision on Roma.

CHAIR—How much more do you have to go?

Senator NEAL—Six pages.

CHAIR—I think we had better adjourn until tomorrow morning.

Senator Parer—Adjourn at 2 o'clock.

CHAIR—How much more will we get to by 2 o'clock?

Senator NEAL—I do not know how you would expect me to tell you that. I have given you the number of pages and I can give you the number of questions, but it will not really get us any further.

Senator Parer—From the line of questioning, Senator, it is up to you, but it would help if you were prepared to put a good number of those on notice because you are just getting the answer, then you move to the next question and then you move to the next question.

CHAIR—If there are six pages of questions to go, we are not going to get to any sort of finite point tonight at a reasonable hour, now that we have agreed to sit tomorrow.

Senator NEAL—I thought you were sitting next week.

CHAIR—No, we have agreed to sit tomorrow.

Senator COOK—What time would we sit tomorrow?

Senator Parer—Would 9 o'clock do?

CHAIR—We could make it 9 o'clock or 9.30.

Senator COOK—I would go for 9.30 if there was a choice.

Senator Parer—I can be here for a little while in the morning, but I am going to have to leave at 10 o'clock for half an hour and come back.

Senator COOK—Are you going to have to come back?

Senator Parer—I can leave at 10 o'clock and come back, but I have to go again, then we will get another minister.

CHAIR—You are not going away from Canberra?

Senator Parer—No.

Senator COOK—Are you available tomorrow, Belinda?

Senator NEAL—No, I am not, so I will have to come back another day anyway. I will come back after. I cannot be here tomorrow.

CHAIR—We are finishing tomorrow.

Senator NEAL—Well, you will not.

CHAIR—We will, we have agreed that we are having one more day.

Senator NEAL—Senator Cook just told you that you would not.

CHAIR—That is the agreement we have reached.

Senator NEAL—I was not party to any agreement.

Senator COOK—Let us finish this section.

CHAIR—But not if there are six pages.

Senator NEAL—I know that consumer affairs is not a high priority for your government.

CHAIR—Not at quarter to two in the morning.

Senator NEAL—But that is entirely a matter you chose to run in this committee. It is not a matter for me; I have waited around for six hours to reach consumer affairs.

CHAIR—Well, you can wait and be here tomorrow.

Senator NEAL—It is a matter of some importance to me.

CHAIR—You are not a member of this committee.

Senator NEAL—That is exactly right. I am a participating member of the committee, so I am entitled to ask questions.

CHAIR—So it is your responsibility to be here when the committee sits. We are accommodating Senator Schacht, who is not a member of the committee.

Senator NEAL—I am a member of the committee; I am a participating member of the committee.

CHAIR—But participating members do not have to be accommodated in terms of sitting times.

Senator Parer—Mr Chairman, can I suggest that rather than have the continued bickering going on, we allow another 15 minutes to complete this. It is up to Senator Neal as to how she wants to do it or we can come back tomorrow.

Senator NEAL—If I do not finish them, I will come back and ask them in additional estimates.

Senator Parer—You can put them on notice.

CHAIR—Yes, you can do that. You would have to put them on notice and then follow them up at additional estimates.

Senator NEAL—I can reserve that area and I can just ask them then.

Senator COOK—Just for the record, I want to say that all the discussions we have had were on the assumption that this section would be completed.

CHAIR—We were told one hour and now it is stretching into two.

Senator NEAL—I have to say that it has not been assisted by the behaviour of the chair, the minister and other people, who have made it very difficult to proceed.

CHAIR—I dispute that. Your questions have been answered quite satisfactorily. That has had no impact on your capacity to ask questions or to have them answered, so I absolutely reject that.

Senator NEAL—I will go on with asking my questions rather than continue with you. Of the financial counselling services that are continuing, could you provide me with a list of which ones have had their funding cut and how much in each case?

Mr Wunsch—Yes, we can do that. When you say ‘funding cut’, all we can do is distribute funds available in the 1996-97 budget.

Senator NEAL—I will make it clear exactly what I mean—whether their funding for this year is less than what it was for last year and what the difference is.

Mr Wunsch—Yes, we can take that on notice and give you a list.

Senator NEAL—Did the bureau do a review on the effectiveness of the Commonwealth financial counselling service before the cuts were made?

Mr Wunsch—There was a review planned for 1996-97 in any case because the program has been going some five years and there is a general commitment to review programs, even though this is a fairly small one by most standards, at least in that time frame. There was a review planned for this financial year.

Senator NEAL—But was a review conducted before the decision to cut the program was made?

Mr Wunsch—Before that budget decision, no.

Senator NEAL—Is the review you are saying was planned still going to go ahead?

Mr Wunsch—Yes.

Senator NEAL—Was the bureau of the view that the counselling services that were in place were fully utilised?

Mr Wunsch—We have no reason to doubt that. The ones which were established in the last financial year were all established on fairly sound research and demographic indicator grounds. Roughly 15 of those 45 are in that category. The other 30 have been funded since 1990. The establishment of those was before our time in that area. I could not really say with certainty just how good the grounds were for establishing those. There is no information that we have which says there are any that are not operating efficiently.

Senator NEAL—You must have got regular reports about the use of those counselling services.

Mr Wunsch—Yes. Our funding agreement calls for financial statements each year. Our inspection of those and our day-to-day contact with them would indicate that they are all operating effectively.

Senator NEAL—My question was whether they were fully utilised. Were the resources available for financial counselling fully taken up by the communities in which they were placed?

Mr Wunsch—I believe the answer is yes.

Senator NEAL—Is it your understanding of the situation that most of those financial counselling services were not able to keep up with the demand that was placed on them?

Mr Wunsch—Yes. The general argument from each agency is that the demand is outstripping their ability to provide the service.

Senator NEAL—Was that view in accordance with your assessment of the situation or was it only the view that was put to you by them?

Mr Wunsch—AFCCRA was in this process as well. They were giving us advice on these agencies, as well as the agencies reporting directly. I have no evidence to say that what they are arguing was not true but, again, I would like to reserve judgment until our current review process is completed.

Senator NEAL—Does the bureau believe there will be greater demands for financial counselling once the Wallace inquiry is concluded?

Mr Wunsch—We do not have a view on that at this stage.

Mr Rodgers—It depends on the outcome of the inquiry and what sorts of mechanisms are in place after the inquiry is finished.

Senator NEAL—When is the review going to be completed?

Mr Wunsch—By the end of November this year.

Senator NEAL—The consumer education program was cut as one of the budget measures. What was the basis of the decision to cut that particular program? Are you going to give your standard response—you want to put the response on notice?

Senator Parer—That was a policy decision by the government in the light of the prevailing budgetary restraints. The government decided not to proceed with its implementation. Of the allocation, \$10,000 received from the 1995-96 financial year has been carried over and set aside for the development of consumer education resources. The remainder has been rescinded.

Consumer education for secondary schools is currently on the work plan of the Consumer Education Advisory Committee, which reports to the Ministerial Council on Consumer Affairs. The committee has been asked to develop a national approach to the issue following the completion of the primary schools education project to be launched in October.

Senator NEAL—Was this program announced between the last budget and this election?

Senator Parer—You mean from the previous government?

Senator NEAL—Yes.

Senator Parer—It was part of the youth statement prior to the March election.

Senator NEAL—So it was. Senator Newman said that there was a general across-portfolio decision by ministers to cancel funding for any program announced by the Labor government between the budget and the election. Is that the case with this program?

Senator Parer—I am not sure, as a general comment. In fact, we had considerable debate before with Senator Cook about the innovation program where the government looked at it and kept 50 per cent of it.

Senator NEAL—So it was not on that basis that this program was cancelled?

Senator Parer—I do not know what Senator Newman said.

Senator NEAL—I will look it up for you and provide you with a copy in supplementary estimates. So you are intending to continue with this program despite the cuts?

Senator Parer—No, I think I have pointed out that there were cuts and the consumer education in secondary schools is on the work plan for the Consumer Education Advisory Committee, which reports to the ministerial council. The committee has been asked to develop a national approach to the issue following the completion of the primary schools education project to be launched in October.

Senator NEAL—But is there any money provided for that?

Senator Parer—There is \$10,000 set aside for the development of consumer education resources.

Senator NEAL—That is not going to take us very far, is it?

Senator Parer—Neither was the first bit.

Senator NEAL—I refer to performance outcomes for 1995-96. Were any activities being undertaken by the bureau to meet objectives of the consumer subprogram last budget stopped shortly after the election?

Mr Rodgers—If I understand your question, Senator, no. Perhaps I could ask you to rephrase it.

Senator NEAL—I will state it again. Were there any activities being undertaken by the bureau at the time of the election for further outcomes set out in the last budget which were stopped shortly after the election?

Mr Rodgers—The answer to the question is no, there was not any change at the time of the election.

Senator NEAL—Are you certain about that?

Mr Rodgers—It is the sort of question that at this time of the morning I would want to give some detailed thought to. My recall is that there was no change.

Senator NEAL—If that answer is not correct, could you let us know? And, if so, at whose directions were the activities stopped? In terms of the performance forecast 1996-97, does the minister hold the view that an educative process of business and self-regulation without legislation is adequate to protect consumers?

Senator Parer—I am not sure of the basis of your question, Senator.

Senator NEAL—Looking at the first two dot points, it would seem to talk entirely about market and self-regulation without really mentioning anything else in terms of consumer protection.

Senator Parer—I notice further down there is talk about other things. We generally have a view that self-regulation is more successful than prescriptive measures. That is not always the case. It seems that has certainly been shown in more recent years to be a more effective approach in a whole range of things.

Senator NEAL—I suppose what I am really interested in finding out is: does the minister exclude entirely any sort of legislation or regulation?

Senator Parer—No.

Senator NEAL—They are still a possibility.

Senator Parer—Yes, but I still would remind you that one of the big problems we have got with the whole small business sector in Australia is over-regulation. It has grown up at all levels of government over a long period of time and that is being addressed.

Senator NEAL—As a starting point, you believe that there should not be legislation and regulation in place. You do not rule it out entirely.

Senator Parer—It is not ruled out entirely, but you have to think pretty carefully before you rush off and put it in the legislation that drives them to destruction—increases costs and increases the cost to the consumer. There is no net benefit.

Senator NEAL—What is the process the bureau is setting up in order to develop an agreed standard of business conduct in client service?

Mr Rodgers—The bureau is developing benchmarks, the carriage of conduct, to assist business in identifying best practice intended, developing self-regulation and carriage of conduct. These benchmarks will provide a framework or a ruler against which they can establish their own client service carriage of conduct.

Senator NEAL—Is that the same as the benchmarks for assessing the adequacy of industry based customer dispute resolution? Is that what you are referring to?

Mr Rodgers—These are similar to that. This relates to carriage of conduct in relation to client services by business.

Senator NEAL—So how are you going to develop those benchmarks?

Mr Rodgers—In consultation with appropriate stakeholders, people who are involved in the business and consumer community.

Senator NEAL—But how are you going to do it? Are you going to prepare a document which is circulated to X groups?

Mr Rodgers—Normally we would have consultations developed with discussion documents and circulate that for comment and develop it on the basis of those responses. That is a normal process.

Senator NEAL—So you do not have any particular plans as to the methodology at the moment?

Mr Rodgers—I do not have one in mind, but if we do have that laid out we can provide it to you.

Senator NEAL—I have some questions on notice. This is the only copy I have, so I will give it to you and you can take a copy and return it to me. That being the case, could you ensure that the bureau is a reserved area in terms of your committee's report?

CHAIR—That is agreed.

Senator Parer—At what time, and which department do we want first?

CHAIR—I suppose we will go back to 1.1, Senator Cook, will we?

Senator COOK—Yes, why not?

CHAIR—There seems to be a preference for 9.30 a.m.

Senator Parer—I am in the hands of the committee, but bear in mind that you still have to get another minister.

CHAIR—Yes. That will give us a bit more time. The committee stands adjourned until 9.30 this morning.

Committee adjourned at 2.03 a.m. (Thursday)

QUESTIONS ON NOTICE

The following questions were placed on notice:

Senator Lees to the Department of Industry, Science and Tourism—

The tourism portfolio comprises: (1) the newly created Office of National Tourism (ONT) (formerly the Tourism Division which was formerly the Department of Tourism); (2) the independent non-statutory agency Bureau of Tourism Research, and; (3) the independent statutory body, the Australian Tourist Commission.

The portfolio is responsible for the development of the tourism industry within Australia and the promotion overseas of Australia as a preferred tourist destination. It is also responsible for ensuring that the development of the tourism industry takes place within an ecologically sustainable framework.

It is clear that across the portfolio there is a recognition of the commercial centrality of Australia's reputation as a natural environment as a strong marketing angle internationally. There are also various legal requirements and policy objectives in relation to 'ecologically sustainable development' as it relates to tourism.

The fundamental questions are:

1. Does the portfolio accept as a fundamental guiding principle the need to keep what remains 'natural' as natural?
2. In marketing Australia as a nature-based tourism destination, are they being dishonest?
3. Are they actually fulfilling their legal and moral responsibilities in relation to ecologically sustainable development?
4. Is their budgetary allocation to the environment commensurate with their legal and moral responsibilities?
5. What can be done to prevent the tourism industry becoming the biggest THREAT to protected areas?
6. Are they ripping off Aboriginal culture?

1. Office of National Tourism

What is the new 'Office of National Tourism'?; role; structure; relationship with Department of Tourism (DoT); Bureau of Tourism Research (BTR); Australian Tourist Commission (ATC); what are its responsibilities in relation to ESD?

In the ONT/DoT draft annual report for 1995/96 it is stated that the performance of the Regional and Environmental Tourism branch is to be assessed in terms of the degree to which the following measures are met: increased adoption of ecologically sustainable development practices in the tourism industry. . .

According to this measure, how successful has the Regional and Environmental Tourism branch been?

How exactly has this assessment been conducted and where is it published?

How much of the ONT/DoT budget is allocated to the Regional and Environmental Tourism branch?

How much of this goes towards ecologically sustainable development practices?

What proportion, and what actual amount, of the ONT/DoT budget is dedicated to addressing the environmental and social impacts of tourism? (last year/this year)

How exactly has this been/will this be spent?

How many staff employed by ONT/DoT?

How many are specifically allocated to environmental protection and ESD development?

What research programs is the ONT/DoT conducting or funding to assess the environmental impacts of tourism; to integrate ESD principles, etc?

At board meetings, how much time is spent on average in discussing environmental and social impacts of tourism?

What is the ONT/DoT's policy on the development of tourism infrastructure such as resorts, hotels, roads, airfields, marinas and golf courses within national parks or world heritage areas?

What is the ONT/DoT's policy on the development of tourism infrastructure such as resorts, hotels, roads, airfields, marinas and golf courses within wilderness areas or other areas of high conservation values which may or may not be gazetted as national park or world heritage?

Does the ONT/DoT actively promote 'Best Practice' in relation to the development of Australian tourism?

Does 'best practice' extend to ensuring that Australia's natural environment is not compromised by tourism development or activity?

In the ONT/DoT draft annual report of 1995-96 it is stated that 'the objective of the Regional and Environmental Tourism branch is to 'support the development of a competitive tourism industry which is ecologically sustainable. . . '. What does this actually mean in terms of ensuring the protection of Australia's remaining intact natural environments such as coral reef systems, old growth forests, national parks, world heritage areas and wilderness areas?

When the ONT/DoT talks about developing a 'competitive tourism industry', does this mean competitive in terms of quality or price or both?

If it means both price and quality, does the need to protect Australia's environmental quality take precedence over price and ease of access?

Does the ONT/DoT have a 'quality assurance' responsibility in relation to the development of Australia as a tourist destination?

Does 'quality assurance' extend to Australia's natural environment?

Is the ONT/DoT aware of the findings of the recently published State of the Environment report written by two hundred leading Australian scientists and launched by Senator Robert Hill?

Is the ONT/DoT aware of the multiple and cumulative threats to Australia's natural environment arising from such causes as global warming; increasing UV radiation; introduced feral animals, weeds, and diseases; changed fire regimes; widespread effects of pollution; overgrazing and land degradation related to the agricultural pastoral industries, ongoing logging and road construction operations in natural areas; ongoing unsustainable exploitation of natural resources including marine resources; mining and mineral exploration in national parks and marine parks; increasing visitor pressure on popular destinations; increasing widespread vehicular access to previously remote natural areas; and increasing development of natural environments including national parks?

Is the ONT/DoT concerned about these multiple and cumulative threats and if so, does it have a responsibility to ensure that the tourism aspect of those threats is kept to an absolute minimum?

How is it, or how does it intend to fulfil its responsibility in this regard?

What is the ONT/DoT's role in actually defending the integrity of Australia's natural environment so that it can with some credibility and honesty market Australia as a nature-based tourism destination?

What impact does the ONT/DoT believe tourism developments like the Port Hinchinbrook development in Queensland, or the proposed new developments adjacent to the Ningaloo reef in WA, have on Australia's credibility and reputation and marketability as a 'nature-based tourism destination'?

Is the ONT/DoT concerned that the tourism industry is becoming or could become the biggest threat to Australia's national parks and other protected areas

What are you doing to prevent this?

Does the ONT/DoT agree that coral reefs such as the Great Barrier Reef and Ningaloo are amongst the most threatened ecological systems in the world?

Is the ONT/DoT concerned about the degradation of the Great Barrier Reef Marine National Park through tourism-related activity e.g. anchoring of vessels and pontoons?

Is the ONT/DoT concerned that after years of concern expressed over the impact of such activities as anchoring of vessels and pontoons, this damage is continuing and indeed escalating?

Why are problems such as this allowed to carry on for years when they can only damage the reef and its reputation as a tourism destination?

What is the ONT/DoT's role in preventing this degradation?

What is ONT/DoT actually doing to prevent damage to one of Australia's great tourism icons?

How much is it spending to fix the problem?

The 'ecotourism strategy' was one of the key elements of the former DoT ESD strategy. Sources suggest that the ecotourism strategy is running off the rails (if it was ever really on them?!). There is increasing pressure to, for example, open up national parks for development in the name of 'ecotourism'.

At p.29 of DoT 1994-95 Annual Report, it states 'The [National Ecotourism Program's] various components will seek to reduce barriers to the development of ecotourism. . . .'

Where is the national ecotourism strategy 'at'?

What is the next step in terms of the ongoing commitment to quality of ecotourism?

How are issues to do with appropriate infrastructure and 'best practice' in ecotourism being handled?

Aboriginal involvement—

In its 1995/96 draft annual report the ONT/DoT states that 'During 1995-96 the department was involved in activities which aim to provide a basis for economic independence for indigenous people'.

How would the ONT/DoT summarise its success in this area?

How and with whom does the ONT/DoT consult in relation to the growth and impacts of tourism on Aboriginal lands throughout Australia?

How much of the ONT/DoT budget is allocated to consultation with traditional owners in relation to tourism development on their lands?

To what extent does the ONT/DoT rely on or encourage the use of Aboriginal culture, art and motifs in marketing Australia as a tourism destination?

What protocols does the ONT/DoT have in place to ensure that it is not breaching copyright or intellectual property rights in its use of Aboriginal culture to promote tourist visitation to Australia?

What fees or other payments have been made by the ONT/DoT to Aboriginal people or organisations in the last financial year?

2. Australian Tourist Commission

Statutory Authority; established under ATC Act 1987; main task to market tourism internationally; under the Act, one of its three principle objectives is to 'ensure Australia is protected from adverse environmental and social impacts of international tourism' (probably a Democrat amendment); 10 member board

Democrat amendment meant ATC must have an environmentalist on the board.

There is clearly an intention under the Act that the environment and ESD must be taken seriously in tourism and in the activities of the ATC.

In reading the 1995/96 draft annual report, apart from stating on page 5 that one of the ATC's obligations is to 'ensure that Australia is protected from adverse environmental and social impacts of international tourism', there is no other significant reference in the entire report to the environment. Why is this?

Who is the environmentalist on the current board?

What proportion, and what actual amount, of the ATC budget is dedicated to addressing the environmental and social impacts of tourism? (last year/this year)

How exactly has this been/will this be spent?

How many staff employed by ATC?

How many are specifically allocated to environmental protection and ESD development?

What research programs is the ATC conducting or funding to assess the environmental impacts of tourism; to integrate ESD principles, etc?

At board meetings, how much time is spent on average in discussing environmental and social impacts of tourism?

Does the ATC have a 'quality assurance' responsibility in relation to the marketing of Australia as a tourist destination?

Does 'quality assurance' extend to Australia's natural environment?

If yes, how does the ATC intend to ensure that it can honestly promote Australia internationally as a destination for people wanting to experience intact natural environments?

Is the ONT/DoT aware of the findings of the recently published State of the Environment report written by two hundred leading Australian scientists and launched by Senator Robert Hill?

Is the ATC aware of the multiple and cumulative threats to Australia's natural environment arising from such causes as global warming; increasing UV radiation; introduced feral animals, weeds, and diseases; changed fire regimes; widespread effects of pollution; overgrazing and land degradation related to the agricultural pastoral industries, ongoing logging and road construction operations in natural areas; ongoing unsustainable exploitation of natural resources including marine resources; mining and mineral exploration in national parks and marine parks; increasing visitor pressure on popular destinations; increasing widespread vehicular access to previously remote natural areas; and increasing development of natural environments including national parks?

Is the ATC concerned about these multiple and cumulative threats and if so, does it have a responsibility to ensure that the tourism aspect of those threats is kept to an absolute minimum?

How is it, or how does it intend to, fulfil its responsibility in this regard?

What is the ATC's policy on the development of tourism infrastructure such as resorts, hotels, roads, airfields, marinas and golf courses within national parks or world heritage areas?

What is the ATC's policy on the development of tourism infrastructure such as resorts, hotels, roads, airfields, marinas and golf courses within wilderness areas or other areas of high conservation values which may or may not be gazetted as national park or world heritage?

Does the ATC actively promote 'Best Practice' in relation to the development of Australian tourism?

Does 'best practice' extend to ensuring that Australia's natural environment is not compromised by tourism development or activity?

In the ATC annual report of 1994/95 at page 10 it is stated that 'Adding value to our appeal as a nature-based destination will provide travellers with more incentives to visit.' What does 'adding value to our appeal as a nature-based destination' actually mean in terms of ensuring the protection of Australia's remaining intact natural environments such as coral reef systems, old growth forests, national parks, world heritage areas and wilderness areas?

What is the ATC's role in actually defending the integrity of Australia's natural environment so that it can with some credibility and honesty market Australia as a nature-based tourism destination?

What impact does the ATC believe tourism developments like the Port Hinchinbrook development in Queensland, or the proposed new developments adjacent to the Ningaloo reef in WA, have on Australia's credibility and reputation and marketability as a 'nature-based tourism destination'?

In the draft 1995/96 Annual Report, the ATC speaks of the 'Olympic opportunity'; the opportunity for Australia to gain major tourism benefits during and beyond the Olympics in 2000. What steps is the ATC taking now, in line with its legislative responsibilities, to ensure that Australia's natural environment is not adversely affected by additional tourism generated by the Olympics?

To what extent does the ATC rely on or encourage the use of Aboriginal culture, art and motifs in marketing Australia as a tourism destination?

What protocols does the ATC have in place to ensure that it is not breaching copyright or intellectual property rights in its use of Aboriginal culture to promote tourist visitation to Australia?

What fees or other payments have been made by the ATC to Aboriginal people or organisations in the last financial year?

Bureau of Tourism Research (BTR)—

In the draft 1995/96 annual report, it is stated that one of the BTR's five key objectives is 'to undertake or coordinate research on priority issues in the tourism field'.

What is the responsibility of the BTR in relation to ensuring that the tourism industry meets ecological sustainability principles and criteria?

What research has the BTR done in the past two years that examines the impacts of tourism on Australia's environment and the measures that are need to be taken to reduce or avoid such damage?

What research program does the BTR have planned over the next one or two years to address growing environmental degradation problems across Australia, most of which will impact on the quality of Australia as a tourism destination?

Is the ONT/DoT aware of the findings of the recently published State of the Environment report written by two hundred leading Australian scientists and launched by Senator Robert Hill?

Is the BTR aware of the multiple and cumulative threats to Australia's natural environment arising from such causes as global warming; increasing UV radiation; introduced feral animals, weeds, and diseases; changed fire regimes; widespread effects of pollution; overgrazing and land degradation related to the agricultural pastoral industries, ongoing logging and road construction operations in natural areas; ongoing unsustainable exploitation of natural resources including marine resources; mining and mineral exploration in national parks and marine parks; increasing visitor pressure on popular destinations; increasing widespread vehicular access to previously remote natural areas; and increasing development of natural environments including national parks?

Is the BTR concerned about these multiple and cumulative threats and if so, does it have a responsibility to ensure that the tourism aspect of those threats is kept to an absolute minimum?

How is it, or how does it intend to fulfil its responsibility in this regard?

Senator Bob Brown to the Department of Industry, Science and Tourism

Program 9, Australian Customs Service

Issue: Diesel fuel rebate

1. Purpose and objectives

1.1 What purpose and objectives is the diesel fuel rebate scheme designed to achieve?

1.2 Which document or legislation sets out the purpose and objectives?

1.3 If there is no such document or legislation, when will the recommendation of the Australian National Audit Office (Report No. 20) relating to clarifying the purpose and objectives of the scheme be implemented, by whom and how? Will there be public consultation?

1.4 When and how will DIST report on whether the scheme is achieving its objectives

2. Mining and forestry

2.1 What is the policy justification for giving the mining and forestry industries a rebate on diesel fuel?

2.2 What savings would be generated in 1996/7 if the rebate was abolished for mining.

2.3 What savings would be generated in 1996/7 if the rebate was abolished for forestry?

2.4 For each year in the period 1985/6 to 1995/6, for individual forestry companies that have received a rebate under the diesel fuel rebate scheme, what is the name of the company, where is it operation located, and what amount of rebate was paid?

2.5 Why is the Government continuing to give assistance to some of Australia's biggest companies in the mining and forestry sectors through the diesel fuel rebate?

3. What proportion of the outlays for the diesel fuel rebate scheme result from each of the following broad categories of use:

transport

machinery

electricity generation

provision of other energy services (hot water etc)

other (please specify if there are additional significant uses)

4. Is it correct that diesel used to generate electricity by the mining, forestry and agriculture industries attracts a rebate, while diesel used to generate electricity by State-owned utilities does not? How do you justify this inequity?

5. In relation to the provision of energy services in rural and remote regions, diesel competes directly with renewable electricity generation, solar water heaters, insulation and other passive conservation measures.

5.1 Why is the Government massively favouring the consumption of diesel by some industries through the diesel fuel rebate, rather than providing an equivalent level of assistance to be used for solar or wind power, water heating, insulation and other passive energy conservation measures?

5.2 What benefits would flow to Australia's renewable energy industries from replacing the diesel fuel rebate with an equivalent amount of funding for the purchase of renewable and passive energy services?

5.3 What reduction in greenhouse gas emissions would flow from such a policy change?

Senator Neal to the Department of Industry, Science and Tourism—

Performance Forecast 1996-97—

Consumer Affairs

Portfolio Budget document p.83

2. Does the Minister hold the view that an educative process of business and self regulation without legislative is adequate to provide consumer protection?

3. Why was the Bureau of Consumer Affairs lumped in with the Department of Industry, Science and Tourism?

4. What process will the Bureau of Consumer Affairs use to develop an agreed standard of business conduct and client service?

5. Will the standards be part of an educative process or will they be enforced in some other way?

6. In an article in the Financial Review, the Minister, Geoff Prosser said: "I don't want to have any quality accreditation held up as a barrier to firms. . . " (15/7/96, p. 1)

Does the Minister intend removing compulsory standards governing quality of goods and services?

7. One performance forecast says the Bureau will promote a more effective consumer product labelling regime.

a) Please describe this improved labelling regime?

b) What will be the process for promotion and is it anticipated that it will include the introduction of legislation?

8. Will it deal with:

a) country of origin,

b) genetically engineered food,

c) irradiated food, and

d) Any other matters

8A. Will it deal with labelling items other than food? If so what?

9. The forecast says that a task of the Bureau of Consumer affairs is to put a balanced consumer and business interests in inputs to the Wallis financial system inquiry.

Why is the Bureau to represent business interests?

10. What submissions or views has the Bureau put to the Wallis financial system inquiry?

11. How were these views compiled? (Is there a document available?) Please provide a copy.

12. Another performance forecast states the Bureau will review consumer protection legislation.

a) Which consumer protection legislation is intended to be reviewed?

13. Does the Minister hold the view that consumer legislation is too extensive?

14. Does the Minister believe consumer protection should not occur by regulation therefore legislation in the consumer arena should on first premise be repealed?

15. What are you looking for in consumer protection legislation?

16. What provisions are you intending to revoke?

17. How is current consumer protection legislation not relevant to business needs?

18. What role if any did the Bureau have after the haemolytic uraemic syndrome (HUS) epidemic broke out after people ate Garibaldi mettwurst?

19. Was there any national notification or recall?

20. Did the Bureau play a part in this?

21. Did the Bureau have any input into the subsequent inquiry?

22. What was that input?

23. Is it the Bureau's or the Minister's view that self-regulation in the processed meats, such as mettwurst, or the meat industry in general, hasn't worked?

24. Does there need to be greater quality controls and monitoring of the meat industry to prevent HUS from occurring again?

25. Does the Minister believe that the Federal Government has a strong role to play in the national implementation of safety standards regarding food?

26. Does the Minister believe that the Federal Government needs to play a stronger role regarding national food safety?

27. Is the Federal Government involved in compensating any of the families affected by HUS?

28. Did the Bureau play a role after salmonella was found in peanut butter?

29. What was that role?

30. Did the Bureau play any role in the national recall of peanut butter?

31. What was that role?

32. There is a view that the recall was too slow.

a) Does the Minister agree with that view?

33. What could have been done to ensure peanut butter was removed from the shelves more quickly?

34. Was this a voluntary recall?

35. Are voluntary recalls working in your opinion?

36. In light of this situation, is self-regulation in the industry working?

37. Are greater checks needed to prevent this situation from occurring again?

38. Is this an example of how competition between business alone will not prevent these types of situations occurring?

39. Are any of the families who became ill being compensated by the Federal Government

b) If so, how much is that compensation?

40. What is the timetable for the establishment of the National Advisory Council on Consumer Affairs?

42. If so, what funding is provided in the budget for this year and the out years?
43. Isn't the advertising standards of lawyers determined by state legislation? What do you mean by performance based labelling?

Draft Annual Report

1. What areas of the Trade Practices Act will be changed as a result of your review of the Act's product recall provisions?
2. What happened to the Bureau of Consumer Affairs' programs aimed at helping educate Aboriginal and Torres Strait Islander consumers about their rights?
3. Is the Bureau still playing a role in the implementation of national competition policy?
 - b) If yes, what is that role?
4. How will the government service and utilities charters the Bureau will work on this financial year operate?
5. Will there be any manner of redress included in them, and what would be the method of redress?
6. How is the code of conduct for the direct marketing industry progressing? (The Bureau is a member of the working party working on the code.)
7. Is the Audit of consumer representation in Commonwealth Government decision making still proceeding?
 - a) If yes, have there been any audits held recently, and are there any planned for the near future?
 - b) If not, why not?
 - c) What have been the results of some of those audits?
8. What was the Bureau of Consumer Affairs' role in developing consumer protection measures in the telecommunication industry in the new regulatory arrangements to take effect in July 1997?
9. What provisions did the Bureau recommend?
10. Were they acted on?
11. Does the Bureau believe the response to consumer needs in the new telecommunications environment have been adequate?
12. The Bureau has played a role in the Small Business Deregulation Taskforce by identifying superfluous legal requirements.
 - a) Has the Bureau identified any superfluous legal requirements?
 - b) Does the Bureau think there are many superfluous legal requirements?
13. Does the Bureau believe it is possible to get rid of 50 per cent of Small Businesses compliance and paper burden without harming the interests of consumers?
14. At what stage is the review into consumer product safety standards under Commonwealth, State and Territory law?
15. When is the review likely to be completed?
16. The final draft of the Health Consumer's charter is with the Minister. (Health and Family Services).
 - a) How long has the charter been with the Minister?
 - b) When is a decision like to be made on the charter?

Senator Murray to the Department of Industry, Science and Tourism—

Subprogram 1.2—Industry Liaison

Abolition of the Computer Bounty from 1 July 1997

Did the Department provide any advice to the Government on the merit of the decision to phase out the Bounty ahead of schedule? What was the nature of this advice?

If it was to abolish the Bounty, how does this compare with advice provided to the previous Government toward the end of last year, when the decision was taken to extend the Bounty until the year 2000?

Why did the Government vote in only December last year to extend the life of the Bounty until the year 2000 and reiterate its commitment to this effect in its pre-election statement, and then seek to remove the Bounty?

Was any consideration given by the Government or Departmental officials of the impact which this unexpected change would have on the stability of the business environment? Was consideration given to the importance of stability and certainty for fostering investment in the industry?

Did the Government or Department undertake any consultation with the industry prior to taking this decision? Why/why not?

Won't this put domestic manufacturers at a disadvantage to foreign competitors given that fully imported IT hardware can be brought into Australia duty free, yet business inputs attract a tariff? How can this be justified?

Doesn't this provide an additional burden to the industry following the decision in July to alter the Tariff Concession Scheme to effectively impose a new 3 per cent tariff on imported business inputs which previously entered duty free?

Has the Department undertaken an analysis and/or provided information or advice to the Government of the impact which this measure will have on the industry and on jobs? What was the nature of this advice? Can any analysis be tabled? If no analysis was undertaken of the impact that removal of the Bounty would have on the industry and jobs, why not?

In particular, to what extent will the move penalise small domestic manufacturers? And, to what extent will transnational manufacturers be encouraged to shift manufacturing from Australia to other locations? Has any advice been received on this? Has any estimate been made concerning job losses?

The early phase out of the Bounty is only one factor affecting the business environment for companies in this industry, but this was not the only cutback to industry assistance:

Was the impact on the computer hardware industry assessed in the light of sweeping reductions of industry and export assistance programs administered by AusIndustry and Austrade? If not, why not?

If no analysis was undertaken of the impact of cuts to industry and export assistance programs generally, how can it legitimately be argued that removal of the computer bounty or any other assistance programs will only have insignificantly detrimental effect on the industry?

Shipbuilding Bounty

Is abolishing the bounties being done with the recommendations of the Industry Commission's Stocktake on Microeconomic reform in mind (ie to unilaterally reduce the general rate of tariff assistance to 3 per cent in 1997 and removed altogether in 1998). Doing this would remove the rationale for providing sectorally targeted assistance through bounty mechanisms.

Why should these particular sectors should be singled out for a lesser degree of assistance than is afforded manufacturing in general?

Book Bounty

Doesn't abolishing the Bounty before the IC completes its Report into Book Printing makes a mockery of the Government's commitment to give a high priority to ensuring that representatives of Australian industry are given the opportunity to participate fully in the policy process and have a say on issues that affect them'?

The Book bounty assists local book printers compete against duty free imports of printed books—was any consideration given to the disadvantage which abolition of the bounty places Australian industry?

Is it not the case that many Asian countries have trade barriers which inhibit exports of Australian printed books (eg failure to implement the provisions of the Florence Agreement, or the Berne and Universal Copyright Conventions)? Has any analysis been made of trade barriers in competitor countries? Can such information be presented? What efforts, if any, is the Government undertaking to remove impediments to Australian printed book exports?

Wouldn't it be more appropriate for the Government to offer abolition of the book bounty in return for commitment on the part of competing nation to remove trade barriers which inhibit exports of Australian books?

Isn't it the case that the bounty effectively offsets the printing industry for the adverse impact which tariffs applying to imported inputs used in book production (such as some papers, inks, binding materials and equipment)?

Has any analysis been undertaken or advice provided or received on the impact which abolishing the bounty will have on jobs and investment in the industry?

Abolition of the bounty is not an isolated measure, but one of many cuts to industry and export assistance measures—was any analysis undertaken of the impact on the book printing and publishing industries of the whole range of industry and export assistance cuts proposed in the Budget? (If not, why not?) What is the total impact on jobs and investment in these industries?

In regional terms, where will the impact on jobs be most felt? Will regional centres be affected? Which ones and how severely? Was consideration given to the impact which this measure would have on regional development? If not, why?

Supermarket For Asia Strategy

Of what real assistance will this measure, which only provides funds for research and consultancies, be to firms keen to export and improve their competitive advantage?

Approximately \$0.5 million is allocated each year—how will this money be spent? In particular, who will receive it? Is it to be for contracted out consultancies?

An almost equivalent amount is seemingly allocated each year for funding a Government and Industry Council and Secretariat to oversee this program. How can the Government justify the introduction of a program in which virtually half the allocated funds are running costs?

Initiatives under the Wood and Paper Industry Strategy to Encourage Enterprise Development and Innovation

How a program allocating a mere \$5 million over 4 years expect to have any impact whatsoever?

if the Government is serious about encouraging enterprise development and Innovation in this industry, why wasn't a program which would have a genuine impact be established and appropriately funded?

Is there any overlap between funds provided through this program and any funding programs provided to the Department of Primary Industries and Energy?

How much of these funds are for running costs or administrative purposes?

The Budget statement claims that 'client managers will be employed to identify firms which would benefit from assistance and use will be made of existing AusIndustry programs':

Why does the Government see the need to appoint 'client managers' to identify firms requiring assistance? (Is this a form of 'picking winners' but hiring someone to do it for you?)

Why not simply let firms that want assistance apply for it (ie through existing AusIndustry programs)?

Wouldn't it be better for the government not to have reduced AusIndustry's budget (thereby enabling it to provide more assistance to more firms), rather than spending money on identifying which firms ought to be singled out for assistance?

Program 7.0—CSIRO

CSIRO Efficiency Gains and Asset Realisation

(\$60 million savings to be raised from rationalisation and sale of assets)

Is it not the case that under operating conditions until now, any money CSIRO was able to raise from rationalisation or sale of assets was left for it to keep and reinvest as it thought best, eg investment in new plant or capital equipment, etc.

Why has the Government decided that this time \$60 million must be raised through the sale of assets and that the money must be returned to Government?

Was any advice provided to the Government as to the appropriateness of this decision?

Wouldn't it be better therefore, to describe the \$60 million increase in funding as a 'loan'?

CSIRO Increase in Funding

Is it not the case that about \$55 million of this so-called \$115 million increase is actually compensation for a new 2 per cent efficiency dividend on running costs and 3 per cent on programs for all its activities (ie the efficiency dividend on Commonwealth Own Purpose Outlays and Special Purpose Payments)?

Is it not the case then, that CSIRO's funding was not actually increased by this amount, given that \$55 million was taken away just before it was given?

Why was this CSIRO imposed with this efficiency dividend if it was to be restored its funding anyway?

Could you provide specific figures broken down for the next four years—comparing the effect of the new efficiency dividend with the increase in appropriation? Is it accurate to say that over 4 years the increase in appropriation funding is about \$10.3 million short of what CSIRO loses from the new efficiency dividend?

Did the Department provide any advice to the Minister/Government with suggestions on other areas where savings could have been found to compensate for cuts to CSIRO's appropriation? Which areas were highlighted for potential savings?

Why was this not made clear on Budget night when the Treasurer announced that the Government will provide an additional \$115 million over the next four years to CSIRO and that 'this more than meets' their pre-election commitment to provide \$60 million over the triennium. Isn't this really a misleading statement?

Cash Balances (No mention made in Budget Papers)

Is it the case that the Government has had a review conducted by Mr Michael Easson of the cash holdings of its statutory authorities and considered that CSIRO has about \$28 million more than needed to run the organisation? Can we see the review or can you table its findings?

Has the Coalition Government sought to appropriate any of CSIROs cash reserves?

Is the Government considering appropriating any of CSIROs cash reserves?

When will the Government decide whether or not it will take back some of CSIROs reserves, and if so, how much?

If the Government will not base its decision on the Easson report, then on what will it base its decision?

Has the Government received any advice on this from the Department? What is the nature of the advice?

Has the Government responded to CSIROs suggestion that they require at least 3 weeks of salaries in cash reserves?

External Earnings (Not discussed in Budget Papers)

Is it not the case that science agencies, such as CSIRO are heavily reliant on external earnings to supplement what they receive in Government appropriations?

Was consideration given to the flow on effect that reduced assistance for business R&D will have on Government research agencies such as the CSIRO? What are the expected impacts?

Is it not the case that if assistance for research is diminished, we can expect a reduction in the level of business investment in research? Doesn't this mean that the quantity of research funds they will be able to draw from industry will be reduced?

Program 9.0—Australian Customs Service

Diesel Fuel Rebate Scheme

Was any analysis undertaken by the Department or advice provided to the Government suggesting that the DFRS should be curtailed or abolished? If so, what was it, can it be tabled?

Was DIST directed at any stage to explore the viability of cutting or curtailing the DFRS either explicitly or in the context of seeking revenue savings by cutting back on industry assistance measures? If not, was DIST directed to find savings in industry assistance measures but told not to explore the possibility of winding back the DFRS?

When was the decision not to cut the DFRS made? When was the decision to wind back the 150 per cent tax concession made? Did the decision to reduce the 150 per cent tax concession follow after the decision to retain the DFRS in its present form?

Is it not the case, even if no explicit trade off was made between the DFRS and the 150 per cent tax concession, that they are effectively traded off against each other indirectly anyway when seeking cuts within the portfolio?

On what basis was the decision to retain the DFRS made? If on the basis of not wanting to increase the costs of business inputs to the mining and farming community, then why was such logic not used in July when the decision was made (by reforming the Tariff Concession Scheme) to effectively put a 3 PER CENT tariff on business inputs which previously entered Australia duty free? Why are business inputs to mining and farming more important?

-----check for more of Murray received electronically

Senator Cook to the Department of Industry, Science and Tourism—

Sub Program 1.3—Tourism

(a) As a result of budget cuts what level of funding will the following programs listed under the former Department of Tourism receive in 1996/97 (former funding levels over four years in brackets):

Regional Tourism Development Program (\$23m)

Rural Tourism Program (\$4m)

National Ecotourism Program (\$10m)

(b) As a result of budget cuts what level of funding will the following subprograms listed under the former Department of Tourism receive in 1996/97 (1995/96 funding is in brackets):

Regional and Environmental Tourism (\$12m)

International and Industry Development (\$3m)

Economic Policy (\$1.7m)

Bureau of Tourism Research (\$1.3)

(c) With respect to the \$7.167 million listed under Tourism and Expo Programs in Budget Paper NO2, what specific programs are planned to absorb that funding. What are their specific funding allocations?

(d) What grant programs are planned for the Tourism sub-program arising from the budget? What are their funding levels?

Running Costs

As a result of reductions in running costs how many staff are expected to be lost from the Tourism subprogram.

Australian Tourism Commission

(a) As a result of reductions in running costs how many staff are expected to be lost from the Australian Tourism Commission?

(b) What is the total amount spent by the ATC on overseas advertising and promotion in 1995/96. Is that figure set to decline in 1996/97.

(c) What is the total amount spent by the ATC on the production and preparation of overseas advertising and promotion in 1995/96. Is that figure set to decline in 1996/97.

(d) Did the Minister request the resignations of the ATC Board after the March election? Is it true that no Board existed from between early March and August 26? How could the ATC have participated in Budget preparation?

(e) When will the Board meet to discuss how the budget cuts will be dealt with, What ATC programs are to be cut. Will State specific advertising be cut?

Barrier Reef Tax

With respect to the Great Barrier Reef Marine Park Environmental Management Charge, has the Department determined whether there are price-elasticity issues associated with the budgeted increase.

Senator Sherry to the Department of Industrial Relations—

Page 19—Reduction in Portfolio total staffing from 1841-1474

How will this staff breakdown be reflected in program, staffing and geographical distribution?

Page 29—Budget Measure G263—Running Costs Reduction

What is the rationale for the extent of this cut?

What are the ASL implications for the out years of the changes proposed?

Page 30—Sub program 1.1

Research Activity

What examples can be provided of the planned research which will not now be undertaken? Alternatively, can a comparison be provided of this years program compared with that for 1995/1996?

What is the detail of the reductions in resources allocated to social justice and equity and overall coordination of the Working Women's Centres Program?

Does the indication that disputes monitoring and reporting will be based on ABS aggregated data indicate that there will be no departmental dispute monitoring?

Will advice be provided to the Minister on Departmental information concerning dispute frequency and changes? If so, will the information provided to the Minister be provided to the public?

Page 31—re: Commonwealth Submissions to cases before the AIRC

To what extent has the Departments reduction in resources restricted its capacity to provide information to the parties in major AIRC cases?

Was it the previous practise that the Department of Industrial Relations provided comprehensive information papers to all parties to provide a common information base for the conduct of the case?

Is it true that the Commonwealth will no longer be able to provide this information? What are the implications of this change for the conduct of cases and the quality of analysis upon which decisions will be based?

Did the Government's submission address the question that trainees could receive less after graduation than while under training? Did the Commonwealth accept that this was a reasonable outcome? If so, why? If not, why not?

What research and briefing material was prepared by the Department concerning the application of the equal remuneration provisions for Part 6A of the Industrial Relations Act? Can this research and briefing material be made public?

Has the Department prepared a report on the possible use of the minimum wage provisions of the Industrial Relations Act as based on the ILO Conventions. If so, can a copy of any such research be made available?

Has the Department produced a report on the implications for industrial relations of the recent case of Victoria vs the Commonwealth? If so, what was the nature of that report? Can a copy of it be made available?

Page 32

Will the Department continue the practice of providing information papers to the parties in Section 150A cases?

Will the Department be able to continue to promote awareness of issues relevant to workers with family responsibilities?

Will the Department be able to continue to participate if working parties and task forces on international activities in relation to the World Conference on Women; or working parties on Discrimination in Employment and Occupation; or Disabilities Standards or Age Discrimination? If any of this participation will be reduced, scaled down or otherwise changed, what are the implications for that for the timetable for and the further development of these issues?

What is the current situation with regard to industrial arrangements for the supported Wage System? Is the Department aware of the South Australian case with regard to the introduction of workplace agreements by workers with disabilities? How does the Department envisage the problems in this workplace agreement might have been resolved without a trade union participation? How would such a proposal be affectively assessed, reviewed or monitored under the Workplace Relations Bill proposals?

Page 33

What is the proposed 1996 program concerning the promotion of public awareness of industrial relations issues affecting workers with family responsibilities?

What was the nature of the Commonwealth's submission to the review of wage fixing principles and the safety net increase case? Did the proposed Commonwealth's submission change as a result of the election outcome?

Does the Commonwealth submission propose a wage increase for workers on wages above the minimum wage?

What were the guidelines suggested for the awards simplification process by the Commonwealth?

Will the Commonwealth be able to maintain relevant data bases to support and cultivate the simplification of awards?

Will the Commonwealth, through the Department of Industrial Relations, be able to continue providing information and support to the Commission and award parties?

Has the Commonwealth decided to initiate an AIRC test case for the implementation of the modern Australian apprenticeship and traineeship system? What will be the purpose of the Commonwealth's submission to that review?

Will the Commonwealth be advocating flexibility arrangements for apprentices and trainees under awards similar to those provided in the Workplace Relations Bill for Australian workplace agreements?

Will the Commonwealth be suggesting that the Industrial Relations Commission should have effective control of the take-home pay of apprentices or will it be suggesting it should remain in the hands of:

(a) a training authority

(b) the Government, through a top up program; or

(c) the employer through the decision as to whether or not to pass on the top-up money provided by the Commonwealth?

What provisions does the Commonwealth propose for ensuring that the top-up provided in the Budget will flow through to employees?

Is it a fact that the proposed rate to which apprentices wages might be topped-up is still substantially below that which would apply under awards? Has the Department any examples of the extent of this differential?

What is the Departments understanding of the current proposals concerning the application of the youth allowance to apprentices and trainees? What impact will this have on the take-home pay of apprentices and trainees?

Page 34

Will the Commonwealth be able to continue publishing a range of new and revised "work and family" resources?

Will the Commonwealth, through the Department of Industrial Relations, continue to fund Working Women's Centres? How are these Centres funded at the moment? How much of this funding will be affected by Budget decisions?

Will the Department of Industrial Relations be able to continue its program of extending the existing employer network and promoting family friendly work practices?

Will the level of activity under this sub program need to be reduced?

To what extent will the Department have to cut its contribution through publications and seminars to increasing public awareness of industrial relations issues and developments?

Page 38

What are the consequences of the reorganisation of the advocacy services and the closure of the Melbourne advocacy operation of the Commonwealth? How many jobs have been lost? How many people have left the Department as a consequence? What level of skill and experience did these people have? Who will replace these people? How will the functions which they performed now be discharged?

Page 40

With regard to Australia's obligations, as a Member of the ILO, what are the consequences if we don't meet our obligations? Are we currently meeting our obligations?

Has the ILO queried any of our activities with regard to meeting international standards?

Page 42—Affirmative Action Agency

What is the background to the reduction for Stage 2 of the effectiveness review?

What was the purpose for the \$173,000 additional estimates in 1995/1996? What are the implications of these additional estimates being reversed?

Page 48—Australian Industrial Relations Commission

From which regions will the job losses come and what effect will they have on particular functions?

Page 49

What is the background of the non-recurring funding of \$1,025,000 from 1995/1996?

Page 50

What will be the implications of reducing registry staffing by 25 per cent and applying a 30 per cent cut to administrative expenses?

What are the indications from 1996/1997 for overall workload? How does this compare with the changes to staffing?

Has the Commission or the Department undertaken a review of the implications of the Workplace Relations Bill for the AIRCs workload, for example, with regard to hearings under Section 89A?

Page 52

What are the implications for the conduct of cases before the AIRC of the limitations on the capacity of the Department of Industrial Relations to provide information and data to the parties in major cases?

What are the implications of this change for workers and employers in regional centres and remote areas? Will this mean they will need to travel further or meet greater costs? Will they receive the same service they received until now?

Page 55

What explanation has the Commission received for the underlying rationale for Budget measure G258?

Why has this cut been made? Why has the Occupational Health and Safety Commission been selected for especially large cuts?

Page 57

What was the outcome of the industry specific overviews published in 1995/1996?

Will this program of industry specific reviews continue?

What are the priority industries for 1996/1997?

Has the number or nature of these industries been changed as a result of the Budget cuts?

Has the nature of the review been changed as a result of the Budget cuts?

What impact will the cuts in funding have for the volume of research which is undertaken; for the subject matters which are reviewed; and for the dissemination of the research and the statistical findings?

Will the Commission be able to continue to conduct scientific workshops and symposia?

What changes will occur to the programs to assist safe handling of workplace chemicals?

What is the data concerning workplace injury and illnesses as a result of the use of chemicals?

Will the Commission's capacity to deal with this issue be effected by the Budget cuts?

Page 59—Community Education Campaign focussed on new and inexperienced workers

What was the nature of the program conducted in 1995/1996?

Why were new and inexperienced workers targeted?

Is there statistical evidence to support the contention that new and inexperienced workers or workers from non-English speaking background are at greater risk from occupation-based illness or injury? If so, what programs have been developed to respond to this requirement? Will the Budget cuts have implication for the capacity of the Commission to implement those programs?

Page 67—Australian Government Employment

Is the Department providing advice to the Minister or other Government agencies concerning implications of the Workplace Relations Bill for the public sector?

Is it proposed to publish a paper on this matter? If so, when is it due to be released?

What consultation has been undertaken with those workers with regard to impact of these changes on their living standards?

With regard to the overall conclusion of streamlining the level of service provided to clients and the range and depth of matters on which agencies and the Government can be advised, does this mean there will be a reduction in the volume and nature of the advice supplied?

What are the implications of these reductions?

How satisfied was the Department with the new APS Certified Agreement for 1995/1996? When will negotiations commence for a new agreement? If they have already commenced, is progress satisfactory? What are the key objectives for the Government in the negotiation of the new enterprise agreement?

Page 71

What is the status of the proposed review of the Public Service Act?

When is it proposed that there will be an outcome?

What is the Departments view about the proposed changes to the Public Service Act and its industrial relations implication?

What were the outcomes of the joint review into personnel transaction efficiencies?

Has the Department examined options, such as the 48/52 and 4/5 schemes, for reducing working hours for existing employees as part of a process of redistribution of work?

When agencies have included these options in workplace agreements, have they been promoted? Are there guidelines for the conduct of such arrangements? What has been the response to these proposals? Is it proposed to continue to promote them? How many of the Agreements have provision for such hours variations?

Can the Department of Industrial Relations continue to provide the advisory and information service it has provided to APS agencies? If not, what are the implications for this for the workload of other agencies?

What are considered essential standards of employment conditions?

What have been the outcomes of the promotion of innovative work program practices? What options have been considered? Can you explain the implications of the completion of transfer to agencies of DIRs discretionary powers on employment conditions?

Page 97

With regard to the restructuring of State and Territory Offices, what will be the impact on the awards management activities of the Department? How does this relate to the activities of the Office of Employment Advocates Act with regard to AWAs? What changes are envisaged for the trades recognition

service? Will this service be available in as many centres as in the past? Will there be the same number of officers involved in trade recognition activities?

Page 102

What workshops on Best Practice and Industrial Relations are proposed for 1996/1997? How many were conducted in 1995/1996 and previous periods? What are the implications of any reduction in the numbers of workshops?

How was the improvement of contact with small business and its advisers implemented during 1995/1996? What is the program for 1996/1997?

Page 114

With regard to the Task Force, how were the members of the Task Force selected? How was their level of payment determined? Who decided that Mr Angwin should continue to be paid by CRA while he was working on the Task Force?

What were the activities of the Task Force?

What Departmental support did it receive?

What were the total costs incurred?

With regard to the changes following the March 1996 election, what were the total numbers of staff leaving with voluntary redundancy packages? How much disruption has there been to departmental activities? Is it envisaged that any more staff will go in this or subsequent financial years?

Page 115

What is the plan and timetable in the Budget for communication and public education activities relating to the implementation of the Workplace Relations Bill?

Page 120

With regard to the proposed minimisation of recruitment, what was the Departments expectation for 1996/1997 recruitment prior to the post-election announcement of staff cuts? What is the likely outcome now?

Page 121—Information Management

Who made the decision to put the Workplace Relations Bill and other aspects of the Government's industrial relations activities on the internet? What was the cost of this decision? How many people have accessed DIRs Internet Homepage?

Sub-Program 1.1—Industrial Relations Policy

1. On page 33 of the Budget Statements you list under Performance Forecasts:

undertake policy development and facilitate the adoption through a possible AIRC test case of a policy framework for the implementation of specific industrial relations arrangement for the Modern Apprenticeship and Traineeship System (MAATS) in the award stream.

What is envisaged by this?

What is the policy objective—is it wage related?

Does it have any relationship to the recent AIRC decision on wage rates payable for those who have completed a traineeship? If so—what?

Was this proposal included under Ministerial direction?

In terms of the average weekly wage for trainees and apprentices, do you expect the direction to be upward or, downward over the next few years as a result of the implementation of MAATS?