



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

WEDNESDAY, 31 MAY 2006

CANBERRA

BY AUTHORITY OF THE SENATE

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:
<http://parlinfoweb.aph.gov.au>

SENATE

**EMPLOYMENT, WORKPLACE RELATIONS,
AND EDUCATION LEGISLATION COMMITTEE**

Wednesday, 31 May 2006

Members: Senator Troeth (*Chair*), Senator Marshall (*Deputy Chair*), Senators Barnett, George Campbell, Johnston and Stott Despoja

Senators in attendance: Senators Allison, Bernardi, George Campbell, Crossin, Chris Evans, Ferris, Forshaw, Kirk, Marshall, Siewert, Stephens, Stott Despoja, Troeth and Wong

Committee met at 9.08 am

EDUCATION, SCIENCE AND TRAINING PORTFOLIO

In Attendance

Senator Vanstone, Minister for Immigration and Multicultural Affairs

Department of Education, Science and Training

Australian Research Council

Professor Peter Hoj, Chief Executive Officer

Mr Greg Harper, Deputy Chief Executive Officer

Mr Len Marsden, Chief Operating Officer

Professor Elim Papadakis, Executive Director for Social, Behavioural and Economic Sciences

Dr Mandy Thomas, Executive Director for Humanities and Creative Arts

Australian Nuclear Science and Technology Organisation

Dr Ian Smith, Executive Director

Dr Ron Cameron, Director, Government and Public Affairs

Commonwealth Scientific and Industrial Research Organisation

Dr Geoff Garrett, Chief Executive

Dr Ron Sandland, Deputy Chief Executive

Mr Mike Whelan, Chief Finance Officer, and Executive Director, Corporate Operations

Professor Alastair Robertson, Group Executive, Agribusiness

Dr Stephen Morton, Group Executive, Sustainable Energy and Environment

Dr Rod Hill, Group Executive, Information, Manufacturing and Minerals

Dr Jack Steele, Chief of Staff, Business Development and Commercialisation

Australian Institute of Marine Science

Dr Ian Poiner, Chief Executive Officer

Mr Peter Willers, General Manager

Mr Vic Bayer, Chief Finance Officer

Science Group

Ms Lisa Paul, Secretary

Mr Grahame Cook, Deputy Secretary

Ms Jessie Borthwick, Group Manager, Science Group
Mr Steve Irwin, Branch Manager, Science and Technology Policy Branch, Science Group
Ms Sara Cowan, Branch Manager, International Science Branch, Science Group
Ms Kylie Emery, Branch Manager, Science Programmes Branch, Science Group
Mr Patrick Davoren, Director, Radioactive Waste Management Section, Science Group

Questacon

Professor Graham Durant, Director
Ms Margaret Backhouse, General Manager

Australian Institute of Aboriginal and Torres Strait Islander Studies

Ms Bronwyn Nimmo, Deputy Principal Collections
Mr Tony Boxall, Director, Corporate Services

Indigenous and Transitions Group

Ms Lisa Paul, Secretary
Dr Wendy Jarvie, Deputy Secretary
Mr Bill Burmester, Deputy Secretary
Mr Tony Greer, Group Manager, Indigenous and Transitions Group
Mr Matt Davies, Branch Manager, Transitions Branch, Indigenous and Transitions Group
Ms Susan Smith, Branch Manager, Indigenous Education Policy Branch, Indigenous and Transitions Group
Ms Marg Sykes, Branch Manager, Enterprise and Career Development Branch, Indigenous and Transitions Group
Ms Rosalie Grant, Acting Branch Manager, Indigenous Business Management Branch, Indigenous and Transitions Group

Strategic Analysis and Evaluation Group

Ms Lisa Paul, Secretary
Dr Wendy Jarvie, Deputy Secretary
Dr Evan Arthur, Acting Group Manager, Strategic Analysis and Evaluation Group
Ms Oon Ying Chin, Branch Manager, Economic Analysis, Growth and Evaluation Branch, Strategic Analysis and Evaluation Group
Mr Murray Kimber, Branch Manager, Income Support for Students Branch
Ms Anne Byrne, Branch Manager, Skills Analysis and Research Strategy Branch, Strategic Analysis and Evaluation Group
Ms Anne Gregory, Director, Higher Education Analysis, Strategic Analysis and Evaluation Group
Mr Paul Balnaves, Director, Demographics and Lifelong Learning Section, Strategic Analysis and Evaluation Group
Mr Greg Clarke, Acting Director, Research Support Section, Strategic Analysis and Evaluation Group

Cross Portfolio

Ms Lisa Paul, Secretary
Dr Wendy Jarvie, Deputy Secretary
Mr Grahame Cook, Deputy Secretary
Mr Bill Burmester, Deputy Secretary
Mr Jim Davidson, Deputy Secretary

Mr Craig Storen, Chief Finance Officer, Finance Branch
Mr George Kriz, Chief Lawyer, Procurement, Assurance and Legal Group
Mr Richard Bridge, Chief Audit Officer, Audit and Investigations Group
Mr Tony Kwan, Chief Information Officer, Information Services Group
Mr Ewen McDonald, Group Manager, Corporate Strategy Group
Ms Margaret Pearce, Branch Manager, Parliamentary and Communications Branch, Corporate Strategy Group
Ms Carol Brain, Branch Manager, Business Performance Improvement Branch, Corporate Strategy Group
Mr Jason Coutts, Acting Branch Manager, Business Performance Improvement Branch, Corporate Strategy Group
Ms Lorraine Neish, Acting Branch Manager, People Management Branch, Corporate Strategy Group
Mr Ben Wyers, Acting Branch Manager, Property and Security Management Branch, Corporate Strategy Group

Innovation and Research Systems Group

Ms Lisa Paul, Secretary
Mr Grahame Cook, Deputy Secretary
Dr Evan Arthur, Group Manager, Innovation and Research Systems Group
Ms Leanne Harvey, Branch Manager, Research Systems Branch, Innovation and Research Systems Group
Ms Anne-Marie Lansdown, Branch Manager, Innovation and Research Branch, Innovation and Research Systems Group
Ms Margot Bell, Acting Branch Manager, Innovation and Research Branch, Innovation and Research Systems Group
Ms Julie Randall, Director, Research Programmes and Policy Unit, Innovation and Research Systems Group
Mr Greg Piko, Director, Research Infrastructure Section, Innovation and Research Branch

Higher Education Group

Ms Lisa Paul, Secretary
Mr Grahame Cook, Deputy Secretary
Mr Colin Walters, Group Manager, Higher Education Group
Ms Lois Sparkes, Branch Manager Quality Branch, Higher Education Group
Mr Rod Manns, Branch Manager, Funding and Student Support Branch, Higher Education Group
Ms Anne Baly, Branch Manager, Teaching, Equity and Collaboration Branch, Higher Education Group
Dr Caroline Perkins, Branch Manager, Policy and Analysis Branch, Higher Education Group

National Training Directions Group

Ms Lisa Paul, Secretary
Mr Jim Davidson, Deputy Secretary
Ms Aurora Andruska, Group Manager, National Training Directions Group

Ms Linda White, Branch Manager, New Apprenticeships Services Branch, National Training Directions Group

Mr Neil McAuslan, Branch Manager, Funding and Performance Branch, National Training Directions Group

Mr Craig Robertson, Branch Manager, Strategic Directions and Infrastructure Branch, National Training Directions Group

Ms Margaret McKinnon, Branch Manager, New Apprenticeships Policy and Programmes Branch, National Training Directions Group

Ms Mary Johnston, Branch Manager, Australian Technical Colleges Branch, National Training Directions Group

Industry Skills Development Group

Ms Lisa Paul, Secretary

Mr Jim Davidson, Deputy Secretary

Ms Rebecca Cross, Group Manager, Industry Skills Development Group

Ms Robyn Priddle, Branch Manager, Client Engagement Branch, Industry Skills Development Group

Ms Helen McLaren, Branch Manager, Technology and Information Services Branch, Industry Skills Development Group

Ms Catherine Vandermark, Branch Manager, VET Quality Branch, Industry Skills Development Group

Ms Stella Morahan, Acting Branch Manager, Skills Branch, Industry Skills Development Group

Schools Resourcing Group

Ms Lisa Paul, Secretary

Mr Bill Burmester, Deputy Secretary

Mr Chris Evans, Group Manager, Schools Resourcing Group

Ms Catherine Wall, Branch Manager, Funding and Coordination Branch, Schools Resourcing Group

Ms Christine Dacey, Branch Manager, Schools Resourcing and Infrastructure, Schools Resourcing Group

Ms Marie Cook, Branch Manager, Investing in Our Schools Implementation Branch, Schools Resourcing Group

Ms Kris Erwood, Acting Branch Manager, Funding and Coordination Branch, Schools Resourcing Group

Schools Outcomes Group

Ms Lisa Paul, Secretary

Mr Bill Burmester, Deputy Secretary

Dr Trish Mercer, Group Manager, Schools Outcomes Group

Mr Noel Simpson, Branch Manager Quality Schooling, Schools Outcomes Group

Ms Di Weddell, Branch Manager, Literacy Taskforce, Schools Outcomes Group

Mr Gary Powell, Branch Manager, Performance and Targeted Programmes Branch, Schools Outcomes Group

International Education Group

Ms Lisa Paul, Secretary

Dr Wendy Jarvie, Deputy Secretary

Ms Fiona Buffinton, Group Manager, International Education Group

Ms Linda Laker, Branch Manager, International Quality Branch, International Education Group

Ms Susan Bennett, Branch Manager, International Cooperation Branch, International Education Group

Mr Anthony Fernando, Branch Manager, Market Development Branch, International Education Group

Mr Greg Cox, Branch Manager, International Policy and Recognition Branch, International Education Group

CHAIR (Senator Troeth)—I declare open this meeting of the Senate Employment, Workplace Relations and Education Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2006-07 for the portfolios of Employment and Workplace Relations and Education, Science and Training. The committee is due to report to the Senate on 20 June 2006 and has fixed Friday, 28 July 2006 as the date for the return of answers to questions taken on notice.

The committee's proceedings today will begin with its examination of the Education, Science and Training portfolio, starting with the Commonwealth Scientific and Industrial Research Organisation, moving to the Australian Research Council and the Australian Nuclear Science and Technology Organisation, and then the rest of the agenda. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice.

I remind senators and witnesses that the proceedings of this committee are governed by the privilege resolutions of the Senate agreed to in 1988. In particular, resolution 1(9) provides:

A chairman of a committee shall take care to ensure that all questions put to witnesses are relevant to the committee's inquiry and that the information sought by those questions is necessary for the purpose of that inquiry. Where a member of a committee requests discussion of a ruling of the chairman on this matter, the committee shall deliberate in private session and determine whether any question which is the subject of the ruling is to be permitted.

Resolution 1(10) provides:

Where a witness objects to answering any question put to the witness on any ground, including the ground that the question is not relevant or that the answer may incriminate the witness, the witness shall be invited to state the ground upon which objection to answering the question is taken. Unless the committee determines immediately that the question should not be pressed, the committee shall then consider in private session whether it will insist upon an answer to the question, having regard to the relevance of the question to the committee's inquiry and the importance to the inquiry of the information sought by the question. If the committee determines that it requires an answer to the question, the witness shall be informed of that determination and the reasons for the determination, and shall be required to answer the question only in private session unless the committee determines that it is essential to the committee's inquiry that the question be answered in public session. Where a witness declines to answer a question to which a committee has required an answer, the committee shall report the facts to the Senate.

The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings:

Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings.

I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. The Senate has also resolved:

An officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy, and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister.

This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. If a witness objects to answering a question, the witness should state the ground upon which objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for the claim. An officer called to answer a question for the first time should state their full name and the capacity in which they appear and witnesses should speak clearly and use the microphones to assist Hansard to record proceedings. Mobile phones should be switched off.

I welcome Senator Amanda Vanstone, representing the Minister for Education, Science and Training, and officers of the Department of Education, Science and Training and their agencies. Minister, do you wish to make an opening statement?

Senator Vanstone—Thank you, Madam Chair. Simply, on the record, I wish to apologise for keeping the committee waiting. I do realise that at the commencement of hearings the minister needs to be here. Sometimes—at the end of a lunch break, for example—it is not so critical for the committee to continue. But anyway, please accept my apologies for that. I was caught up with another meeting. Other than that, let us get on with it and behave as I believe we in this committee normally do, which is, generally speaking, in a civilised and friendly fashion.

CHAIR—Thank you, Minister. We shall do that. I call the officers from the Commonwealth Scientific and Industrial Research Organisation to the table.

[9.14 am]

Commonwealth Scientific and Industrial Research Organisation

Senator WONG—Dr Garrett, I presume CSIRO undertakes preparations before coming to estimates hearings.

Dr Garrett—Yes.

Senator WONG—Do they include coaching in terms of answering questions when appearing before the committee?

Dr Garrett—We do normal preparation, which is discussion with our colleagues in debate. I do not think that is coaching, no.

Senator WONG—Do you hire any consultants to—you do not like the word ‘coach’—practise answering?

Dr Garrett—No.

Senator WONG—No consultants or PR people?

Dr Garrett—No.

Senator WONG—Who takes you through the questioning practice?

Dr Garrett—We work with our colleagues in government relations and the communication team. We work with our colleagues in finance and HR in the corporate environment and the executive team.

Senator WONG—On this occasion, you did not engage any consultants?

Dr Garrett—No.

Senator Vanstone—With respect, let us start off as we mean to finish. You asked the question about engaging consultants only less than a minute ago, I would have thought. The answer was no and you have repeated the question. That is badgering. You asked a question and within a minute you are asking the same question again.

Senator WONG—Chair, there was a reason for that. I am going to ask whether on the last occasion—that is, before the last estimates round—there were any consultants or external parties engaged to coach you or to help you with practising before the estimate hearings.

Dr Garrett—No.

Senator WONG—I want to talk about your forecasts for external earnings. It is a matter we discussed, I think, on the last occasion. Just remind me of the original forecast for external earnings for 2006-07.

Mr Whelan—The PBS for 2005-06 had total revenue for CSIRO for 2006-07 at a little over \$1 billion. I think it was \$1,024,800,000.

Senator WONG—Non-government revenue.

Mr Whelan—And the revised estimates have the figure at \$970 million.

Senator WONG—Non-government revenue: in the 2006-07 PBS, wasn't that \$362,833,000?

Mr Whelan—It may have been of that order, yes. I do not have that calculation in front of me but—

Senator WONG—Isn't it in the PBS?

Mr Whelan—If we add up a series of figures, it is in the PBS. I was just going to do a quick subtraction.

Senator WONG—In the 2005-06 PBS, wasn't it the case that the 2006-07 revenue was forecast to be \$416,664,000?

Mr Whelan—I am sorry; I missed that question.

Senator WONG—You might have the figures somewhere, but I am trying to compare the forecasts in the 2005-06 budget round for external revenue and the ones which are now contained in the 2006-07 PBS for external revenue for the budget estimates period.

Mr Whelan—Yes.

Senator WONG—Let us look at 2005-06. The 2005-06 PBS had \$368,755,000 for total non-government revenue; the PBS for this budget round, which I suppose is estimated actual to date, is \$347,605,000. So it is a deficit of \$21 million?

Mr Whelan—It is a difference of \$21 million; that is correct.

Senator WONG—The 2005-06 PBS had external non-government revenue for the 2006-07 year at \$416,664,000. That has been revised down to \$362,833,000?

Mr Whelan—That is correct.

Senator WONG—So it is a deficit or a reduction of \$53 million?

Mr Whelan—That is correct.

Senator WONG—For 2007-08, the difference between the two PBSs was \$63,818,000; is that right?

Mr Whelan—I think that is correct.

Senator WONG—And for the outer year, 2008-09, it is \$44.7 million?

Mr Whelan—That is correct.

Senator WONG—So, between one estimates round and another, there has been a total reduction in budgeted external non-government revenue of \$183 million. Is that correct?

Mr Whelan—That is correct.

Senator WONG—Can somebody explain to me why there is such a dramatic gap in external earnings?

Mr Whelan—There was a change in the estimates, Senator, based on two factors: \$121 million of the difference is associated with re-estimating the value of IP revenues the organisation expects to achieve over the next five years—

Senator WONG—Can you just take me to where in your PBS that note is?

Mr Whelan—It would be the line on page 286 in the 2006-07 PBS, and you would be comparing it to page 266 in the 2005-06 PBS.

Senator WONG—Okay. So you are saying you have estimated a reduction in IP earnings?

Mr Whelan—The line on page 286 of the current PBS, if that is where you are at, Senator—

Senator WONG—Yes.

Mr Whelan—is royalties. That reflects IP revenues to the organisation. That is the line I am referring to. The change in the value of that line item cumulatively over the period of the forward estimates is approximately \$121 million. The reason for that change is that we are proceeding with a number of actions, some involving litigation, around the generation of IP

revenue for the organisation, and until those matters are resolved the organisation does not feel it is appropriate to include in its forward estimates the potential values of those revenues and has adjusted its estimates down accordingly. We therefore regard the IP revenue forecasts in the forward estimates as conservative, a flaw. We would expect to revise them subject to the outcomes of legal action with respect to those IP matters.

Senator WONG—So—I am looking at the 2005-06 PBS—what component of the \$184 million is a reduction in the estimated IP revenue?

Mr Whelan—It is \$121 million on \$184 million, Senator. I have not done—

Senator WONG—\$121 million over that.

Mr Whelan—It is the vast majority of the change.

Senator WONG—\$121 million of the \$184 million?

Mr Whelan—Yes.

Senator WONG—Did you not turn your mind to this when preparing the 2005-06 figures?

Mr Whelan—Yes, we did. And, as matters have progressed, we have an improved understanding of the time frames associated with those matters and, as a result, we have adjusted the forward estimates.

Senator WONG—So there is legal action, you were saying, in relation to your royalty stream?

Mr Whelan—Parts of that royalty stream. That is correct.

Senator WONG—Okay. I do not need to know things that are confidential in relation to that, but what do those legal actions relate to?

Mr Whelan—The most significant relates to the prosecution of a patent for wireless LAN technology in the United States.

Senator WONG—When did that legal action commence?

Mr Whelan—I do not have the details of that, but Dr Steele might be able to provide some details on that.

Dr Steele—There are two pieces of litigation around wireless LAN, one initiated by CSIRO against Buffalo Technology in February last year.

Senator WONG—February 2005?

Dr Steele—February 2005.

Senator WONG—And the other?

Dr Steele—The second one was an action brought against CSIRO, or two related actions brought against CSIRO. My recollection is that was May last year.

Senator WONG—So the first legal action, the CSIRO-initiated one, has been fought for over a year. There was no adjustment, was there, in the additional estimates round?

Mr Whelan—Senator, we actually did seek to adjust our forecast in the additional estimates round, but they were not published because we were not seeking additional

appropriation revenues. So they were not incorporated into the portfolio additional estimates statement. But we did provide updated figures to the department of finance as part of the additional estimates.

Senator WONG—They were not included in the PAES?

Mr Whelan—No, because there was no change to the appropriation revenues. It is not a decision taken by CSIRO, Senator.

Senator WONG—Sure, but that is not the only purpose of ensuring there are accurate figures, is it—to seek more money from the parliament?

Mr Whelan—I am not in a position to debate it with you, Senator. It was not a decision made by CSIRO.

Senator WONG—Okay.

Mr Whelan—We provided updated forecasts as part of the additional estimates process.

Senator WONG—What about the remainder of the \$184 million?

Mr Whelan—That is largely associated with the fact that, with respect to our flagship programs, an increasing proportion of the investment in those programs is not coming directly to CSIRO; it is being made by flagship partners themselves. To give an example of that, when we collaborate with a university on a flagship program, they are also investing significant resources in that. In the original estimates we had assumed that all revenue beyond CSIRO associated with flagships would flow through our books. The experience to date suggests that that is not the case and we have adjusted the estimates for that purpose. But it is important to understand that the overall value of the investment going into the flagship program remains the same; it is not necessarily all passing through CSIRO's books.

Senator WONG—So this is reflected in the goods and services line item; is that right?

Mr Whelan—Yes, that is correct, by and large.

Senator WONG—I am a little confused about one thing. Since the 2004-05 PBS, estimates of revenue from the goods and services line item have declined by over \$260 million over the three-year period of 2005-06, 2006-07, 2007-08. I note that in the PBS, I think, in 2004-05, you did not separately itemise royalties.

Mr Whelan—I do not have the 2004-05 figures in front of me. But I think, as we have discussed previously, probably the major factor in 2004-05 was that we withdrew from the forward estimates any revenue associated with joint ventures because we were not able to bring those to account as CSIRO revenue. But that is not a factor in any change as far as 2005-06 estimates are concerned.

Senator WONG—I think what I am more interested in is the reduction in expected income from goods and services. Can you explain why that is occurring?

Mr Whelan—I just did. The major factor behind that in the forward estimates is a reduction in the amount of revenue we expect to receive directly associated with the flagship program. An increasing proportion of the revenue associated with the flagship program is being made in kind by partners.

Senator WONG—Do they then provide that income to you, or a proportion of that?

Mr Whelan—Can I give you an example?

Senator WONG—Sure.

Mr Whelan—Rather than, for example, CSIRO receiving \$5 million from an industrial partner to build a pilot plant, the industrial partner invests the \$5 million directly into the pilot plant that the flagship program will use. So the investment is being made in the flagship outcomes. The total investment in the flagship program remains the same. It is not coming through CSIRO's books.

Senator WONG—But the fact is, in terms of your external income, you have a \$21 million gap between budgeted and actual earnings for 2005-06.

Mr Whelan—That is a different matter. If you want to understand the reason why the forecast revenue for 2005-06 is different to the estimate, the first factor is lower IP revenue; the second factor is lower interest; the third factor is slightly lower goods and services revenue—a mixture of consulting revenue being under budget and a mixture of flagship revenue being under budget.

Senator WONG—Do you regard it as concerning, because we have gone through a number of estimates rounds where it is quite clear that the estimated external revenue for CSIRO continually is less, as we come to each estimates round, than what we budgeted for previously?

Dr Garrett—Let me try to build on Mike's views here and provide you with a little bit of a snapshot of the last couple of years. We projected, more than three years ago in our strategic plan, aspirational targets around external revenue. If you look at that to value in 2004-05, the strategic plan target of, as I say, more than three years ago was \$356 million in external earnings. The result last year, not including asset sales, was \$315 million. If you add into that the CSIRO revenue generated from our major joint ventures, which Mr Whelan has talked about—Food Science Australia and the Ensis joint venture with the New Zealand Forest Research Institute—that adds another \$17 million, taking it to \$332 million. If you added on to that the in-kind contributions—because our flagships are around achieving national objectives; they are working together with the broader community of Australia—of some \$30 million, we are actually quite close to that target. Secondly, if you look at our forecast in this financial year—and I indicated the result for 2004-05 was \$315 million, as per our annual report—it is \$345 million, which is a 9.5 per cent increase.

Senator WONG—Which figures are you quoting from? This is total non-government revenue, is it?

Dr Garrett—If you turn to page 94 of our annual report and look at the total external revenue line under 2004-05, it is \$314.6 million.

Senator WONG—Is this at page 94?

Dr Garrett—It is on page 94, table II.

Senator WONG—Yes, that is 2004-05.

Dr Garrett—It is at 2004-05. Come down to total external revenue and it is \$314.6 million, which I have rounded up to \$315 million. As I indicated, the forecast of that equivalent number in 2005-06 is \$345 million. That does not include the revenue generated from the major joint ventures, which in that column you will see—

Senator WONG—Sorry, could I just stop you there. I thought the goods and services line item for 2005-06 was actually \$303,377,000, not \$345 million. Is that not correct?

Mr Whelan—The goods and services line in the forward estimates is actually \$295,346,000.

Senator WONG—Yes, and that particular year was itemised at \$303 million in the last PBS, so it was reduced by around \$8 million between the two budgets.

Mr Whelan—It was. But what Dr Garrett is saying is that if you look at year-on-year movements, total revenue excluding asset sales is growing by something of the order of 8.9 per cent.

Senator WONG—But isn't the point that the difference between what you come before the parliament with or you release to the public is your projected external revenue, which you have downgraded in each forward estimate period for the last three budget rounds?

Mr Whelan—We have, but I think I have explained the reasons why that is the case. Notwithstanding that fact, total external revenue has grown very significantly over that period and the factors that we have provided to you are a mixture of accounting treatment factors, over which we have no control, and also experience with the flagship program, where we have had investments made in kind.

Senator WONG—I do want to ask you about that. Flagships are still part of CSIRO, are they not?

Mr Whelan—Absolutely.

Senator WONG—Then surely in kind contribution must appear through your books at some point.

Mr Whelan—I will give you a good example. It does not come through our profit and loss statement and therefore it is not reflected in the portfolio budget statements. You would be familiar with the CRC program. The CRC program, which the Commonwealth has been running for a very long period of time, has a mixture of funding of both cash and in kind. As far as the CRCs program is concerned, we include those in kind figures in the notes to our financial statements. In fact, if I grab last financial year's—

Senator WONG—Let us do this one. Oh, we can do both.

Mr Whelan—Sorry; I will just conclude that answer. If you look at pages 194 and 195 of the organisation's annual report, you will see that we do record details of in kind contributions of the CRC program, even though those figures—

Senator WONG—What page are you at?

Mr Whelan—I am on pages 194 and 195, note 25.

Senator WONG—Where is that reflected in the PBS?

Mr Whelan—It is not. That is my point. Just like the CRC program, the CSIRO flagship program does not necessarily have all of the money flowing through its books. One of the deficiencies of the PBS as a basis for looking at the resources devoted to our research is that it does not include in kind contributions.

Senator WONG—So, if you were to add in kind contributions to the external revenue line in the 2005-06 PBS, what would you value it at?

Mr Whelan—We estimate it will be approximately \$30 million this year.

Senator WONG—\$30 million?

Dr Garrett—Conservatively. Can I add one other point?

Senator WONG—Over which period?

Mr Whelan—Over the year.

Senator WONG—Over which year, 2005-06?

Mr Whelan—Over the 2005-06 year.

Senator WONG—What is your projection for 2006-07?

Mr Whelan—The figures I have for 2006-07 are of the same order.

Senator WONG—Of \$30 million?

Mr Whelan—Yes.

Dr Garrett—Could I make one other point about the target setting? Referring back to our strategy and page 101 in our strategy 2003-07, which was more than three years ago, in the area of intellectual property revenues, you will see from a line in table 94 that last year we generated \$20.44 million and the 2005-06 aspirational target was \$46 million. This year, we believe we will get close to \$38 million, which is a very substantial increase on the \$9.3 million of 2000-01. So, contrary to some of these points, we believe we actually have a strong financial position and are growing the organisation.

Senator WONG—Yes, you said that last time, Dr Garrett. I have to say that you came before us last time—and we will come to whether or not there is any further deficit—admitting that you had sought permission to run a \$17 million deficit and you had received one for \$14 million.

Dr Garrett—Yes, \$14.7 million.

Senator WONG—Yes, \$14.7 million. We will certainly come to some of the deficit issues shortly. You are now before the committee acknowledging that, certainly in terms of what the parliament and the public are given through your PBSs, there is a very significant reduction in your estimated external earnings. You say, to be fair to you, that there is a range of reasons for that to do with accounting treatments et cetera. But the figures show a very substantial reduction in royalties of \$121 million and total non-government revenue of \$183 million over the forward estimate periods as between the last PBS and this one. I have to say, Dr Garrett, I am not an accountant but I would not have thought that portrays a robust financial position.

Mr Whelan—It is important to note that over the last five years the organisation has grown its total revenue very substantially and it expects to continue to do so. The fact that we have

adjusted forward estimates is a feature of improved knowledge about the progress of the organisation's strategy and also takes into account a range of accounting treatments. Perhaps I could just make the point that, yes, you are right; there is a variance from the forecast, but the underlying financial position of the organisation remains robust and there is an increase in total revenue of the organisation over the period of the forward estimates.

Dr Garrett—And if we look over that history, just to give you additional facts, in 2000-01, the total revenue was \$761 million; in 2004-05, it was \$892 million. That is 130 million new dollars spent on science. If you look at our deficit figures over the last five years—

Senator WONG—On science or on management?

Dr Garrett—Our business is science. Management provides a foundation by which we can do good science. If you look at the deficit point that you were making, over this five-year period the total deficit has actually been \$2.3 million, which is one-quarter of one per cent. Obviously in this year, as we indicated, we are projecting to run a deficit and we are looking to improve on the approved \$14.7 million, and we can talk about the reasons for that.

Senator WONG—Can someone explain to me how running a deficit of \$14.7 million in a financial year and requesting permission from DOFA to run a deficit higher than that indicates an organisation in a robust financial position?

Mr Whelan—Yes, I think I can. The fact that the organisation has net assets of about \$1.2 billion and accumulated surpluses from prior years of about \$400 million means that, a bit like a family budget or bank balance, the organisation has resources to draw upon when it needs them.

Senator WONG—This is debt financing, is it?

Mr Whelan—No, it is not at all. It is funding from the gains we have made in the past. We could have chosen not to run a deficit. We could have chosen, given increased costs, to have gone and cut science in the organisation—\$14 million worth of science. We think that would have been very short-sighted, given the two factors that were driving the deficit: that of increased depreciation costs and that associated with increased legal costs. We are very comfortable now. The department of finance have recognised that there is an issue to be addressed around the depreciation costs, and we have correspondence from them that suggests that matter will be addressed in the additional estimates for 2006-07. So our perspective on it is that a deficit was the totally appropriate thing to do in those circumstances.

Senator WONG—And you are budgeting for a break-even this year?

Mr Whelan—Are we talking about 2006-07 and the out years?

Senator WONG—Yes.

Mr Whelan—Yes.

Senator WONG—So that is robust, is it?

Mr Whelan—A break-even budget?

Senator WONG—Yes, in the context of, as I said, a \$120 million reduction in your forecast earnings from external sources?

Mr Whelan—If I can connect those two very different things together, revenue less expenses gives us a bottom line. If there is a reduction in the forward estimates of the amount of revenue coming into the organisation then there will be an adjustment in the amount of expenditure of the organisation. All of those factors, though, are on top of what we currently spend. There is no suggestion that we are cutting anything as a result of changing those forward estimates. The organisation continues to grow. We continue to increase our expenditure on science.

Senator WONG—And the aspirational targets—that is a very convenient term, if I may say so, Dr Garrett—and the strategic plan from external revenue: if we were to compare what you have budgeted as forecast earnings with those, what would the deficit be?

Dr Garrett—As I indicated earlier, if you look at the 2004-05 actuals, there are 315 actual plus the Food Science Australia plus Ensis. That is 332, compared with the strategic plan target of 356, not taking into account the major funding from flagship in kind as we indicated. In 2005-06, there were the same numbers: 345, which is an increase of over nine per cent on forecast, plus the 25 for FSA and Ensis, which is 370, compared with the target of 394 some nearly four years ago without the flagship in kind contribution. As Mike has indicated, around the deficit this year for the two major factors around depreciation, which we are negotiating with DOFA, and the increased expenditure on our intellectual property protection, which we believe is a very important investment for the future, that says we are in a strong position.

Senator WONG—Flagships have been going for what, three or four years?

Dr Garrett—Three years.

Senator WONG—Since 2003?

Dr Garrett—Yes.

Senator WONG—You claim that some of the revision in your forecasts for external revenue is because of the accounting treatment of the in-kind contribution from flagships. Is that correct?

Dr Sandland—That is, in fact, true.

Senator WONG—This is what I want to know. If it has been going since 2003, surely you would have factored that aspect into your forecast revenue predictions for 2004-05 and 2005-06 and it would not take until the 2006-07 budget round for you to come and tell us, ‘Oh, we actually overestimated because of the accounting treatment of in-kind contributions from flagships.’

Dr Sandland—The critical thing with the flagship program is that we are actually achieving the goals that we have set ourselves.

Senator WONG—You may say that is the critical thing. Perhaps the critical thing for the committee might be that you come before us with a very substantial reduction—hundreds of millions of dollars over the forward estimate period—in forecast revenue from external earnings. You put to us that one of the reasons for that is the accounting treatment of in-kind contributions—something I would have thought you would have been aware of for some three years. Surely that should have been factored into the forecast revenue predictions for the previous budget rounds. Why are we seeing a revision now?

Dr Sandland—When we set up the flagship program, we set up something that was unique in Australian science. It was tackling a number—six—of Australia's largest challenges and doing so in a way that involved cross-cutting science across the whole organisation, with collaboration outside of the organisation. In order to actually set up a program like that, we established a number of governance mechanisms and a number of internal mechanisms, but it was a huge challenge for the organisation. It was, if you like, a flagship in itself to be able to take on these kinds of challenges, and we did not know precisely how the revenue would flow, because it was doing business in a completely different way. I think as we went through the early years of the flagships we nevertheless expected that ramp-up in external revenue to occur, but what did emerge was that our partners—and we have many partners with the flagship—decided to make those kinds of investments themselves, and we are talking about this large amount of \$30 million. That is why I say the most important thing is actually achieving our goals. Yes, I understand that it may be frustrating that in terms of predicting external revenue—

Senator WONG—'Worrying' I think is probably more the word.

Dr Sandland—From my perspective, it is not a worry, because we are achieving the flagship goals. That is what I think is critical for the organisation and for Australia.

Senator WONG—Post 2003, you must have become aware at some stage that the different accounting treatment of in-kind contributions would affect your forward estimates of external revenue. Is that correct?

Dr Sandland—I suppose we have gradually become aware of the distribution between in-kind contributions and actual revenue contributions.

Senator WONG—When did this dawning realisation come to fruition?

Dr Sandland—I think it is fair to say that we have been aware of it for probably around—

Mr Whelan—About 18 months.

Senator WONG—Did you factor that into the 2005-06 PBS?

Mr Whelan—Not the original estimates.

Senator WONG—Or you just chose not to.

Mr Whelan—It was not an apparent feature for us doing those estimates at that time.

Senator WONG—Sorry, but I thought 18 months ago would have taken us into the period prior to the 2005-06 PBS.

Mr Whelan—Yes, it would have, but we did not factor it into the 2005-06 estimates.

Senator WONG—So effectively the figures in 2005-06 were technically inaccurate?

Mr Whelan—Not really.

Senator WONG—Hang on. You cannot have it both ways. You cannot say to us, 'Look, don't worry about the \$120 million reduction in forecast earnings, because it is about the accounting treatment of in-kind services essentially,' and then say to us, 'But we didn't provide inaccurate figures in 2005-06 because we did not factor the different accounting treatment of in-kind services.'

Mr Whelan—I was simply going to go to the materiality of the difference. As it has played out over the course of 2005-06, yes, the impact is in the order of approximately \$8 million on the 2005-06 estimates. I know this might seem strange but, in a \$1 billion revenue budget, we will get variances of those orders from time to time. It is a much more material issue for us now than it was, given we have forecast estimates now of \$30 million in kind when in the earlier periods it was a much smaller number.

Senator WONG—My recollection is that your operating deficit over the last three financial years—and I think we discussed this at some length on the last occasion, Mr Whelan—was 5.3, 9.2 and 14.7.

Mr Whelan—I do not know that calculation. Over the last five years it is a total of \$2 million. We could look at what it is over the last three—

Senator WONG—What about over the last three years? I am asking you to confirm 5.3, 9.2 and 14.7, in order.

Dr Garrett—That is correct. We have the permission of DOFA to hit 14.7. We are obviously looking to improve on that.

Senator WONG—‘Improve’ meaning a bigger deficit or a lesser one?

Mr Whelan—We expect to run a lower deficit this year.

Senator WONG—So the actuals and the budgeted deficit for the current and the last two financial years are 5.3, 9.2 and 14.7. Is that right?

Mr Whelan—That is correct.

Senator WONG—So you have a position where your deficits are increasing over the last three years, yes?

Mr Whelan—Mathematically, yes, that is correct.

Senator WONG—What do you mean by ‘mathematically’?

Mr Whelan—I am agreeing with you. The maths says that those things are increasing.

Dr Garrett—We also indicated, as we have both said, that if you take the last five years it is a \$2.3 million deficit.

Senator WONG—I am sure we could do it over the last 20 years and that would also give us a different example. But I am talking about the trend, which is downwards.

Dr Garrett—You look at trends; we are in the long-term business. If you look at the lifetime of the organisations, they have an operating profit of \$452 million. We are obviously projecting earnings into the future around intellectual property revenue et cetera, and we need to take that long game into account. That is what Mr Whelan has tried to indicate. But, arithmetically, you are correct.

Senator WONG—Over the same period that you have had increasing deficits of 5.3, 9.2 and 14.7, what has the increase in salaries been?

Mr Whelan—If we take the enterprise bargaining agreement as a general guide, salaries have probably grown by somewhere between 4½ and five per cent per annum.

Dr Garrett—In the previous year it was 5.5 per cent for the organisation. In this current round it is four per cent.

Senator WONG—What has the increase been in senior management remuneration? Hasn't that gone up from, for example, \$6.6 million in 2001-02 to \$10.7 million in 2004-05?

Dr Garrett—We have answered that question on notice and, as indicated there, in the last year the increase in fixed remuneration for the Executive Management Council was four per cent, which is lower than for the organisation as a whole. The confusion came about from not comparing the right numbers from various annual reports. I can get you that question on notice.

Senator WONG—So I think we have had around a 24 per cent increase in senior management remuneration over a similar period to the increasing deficits for the organisation.

Dr Garrett—That is not correct.

Senator WONG—Sorry, I thought E1086_06 is the question on notice answer to which I was referring.

Dr Garrett—I will just get that. Is that in this round or the previous round?

Senator WONG—The reference I have is E1086_06. It is in the most recent round.

Dr Garrett—We have reported around this previously. The number of officers reported in 2004-05 was 40, compared with 36 in 2003-04. The important point that we have made before is the importance of comparing individuals in one year with individuals in another year. As I have indicated, the total increase in fixed remuneration for senior officers was four per cent.

Senator WONG—But they are an increasing proportion. When you have a third again, you are up to 40, just under 11 million.

Dr Garrett—The number of officers reported in the executive management council, it is agreed, went from 36 to 40 at that time.

Senator WONG—Over the last four years, it has gone from 30 to 40.

Dr Garrett—Yes, I understand.

Senator WONG—One of the suggestions made—and I put this to you for comment—is that the priorities in the organisation are wrong. We can go through the increases in the amounts spent on executive remuneration and various other management entitlements, but there is a reduction in some areas of staffing. We have talked about and will come back again to your projected reductions in staff. The suggestion is certainly out there in the public that CSIRO's priorities are wrong.

Dr Garrett—I must say the following: if you look at those particular numbers in the last three years, as Dr Sandland has indicated, you see that the flagships have been a major thrust for the organisation. We have introduced flagship directors to help us deliver on the objectives and goals we have set ourselves in these major programs for Australia. That is another six leaders into our executive management council.

Senator WONG—Dr Garrett, according to estimates answer to question on notice E1085_06, your office, for example, has operating costs of over \$1 million. They include your

remuneration, travel costs, renovations on Westridge House, renovations to the value of \$182,914, repairs and maintenance to the tune of \$64,200, a house which I understand is not used for any official purposes in terms of the answer. I am not trying to put too much weight on the housing issue but the perspective that has certainly been put to a number of members of parliament is that there is a lot of money and priority given to executive remuneration and increasing the number of executives and management at a time where you have operating deficits, a deficit in terms of your projected external forecast and staff reductions.

Dr Garrett—I think it is important to put into context the additional skills that the recruitment of officers, such as our flagship directors, has brought to the overall delivery of our overall objectives. Again, that is a point that Dr Sandland made. He referred to my own office expenditure; we obviously work very hard at understanding and keeping to a minimum the increases associated with that. As you will know from E1085, the operating cost in 2002-03 was \$221 million. That went to \$227 million in 2003 and to \$228 million in 2004-05. I can give you a detailed breakdown. I think it is appropriate that the chief executive, having responsibility for what is close to a \$1 billion corporation, has resources available to conduct the stewardship of that organisation in an appropriate way. As far as the remuneration of senior officers is concerned, the board remuneration committee takes its responsibilities very seriously. We believe that the oversight of remuneration levels and the number of senior managers are appropriately reviewed.

Senator WONG—Without trying to put too fine a point on it, we have your office with annual costs of over \$1 million, with various components of that remuneration being housing, travel et cetera. Do you think the public and the organisation are getting value for money?

Dr Garrett—I think it must come back to what we are delivering. Looking at what this organisation is achieving, we have had 12 independent external reviews of our divisions in the last two years—independent international panels looking at the quality of our science and the impact of what we deliver—and we are shortly to release a flagship performance review, a copy of which we will obviously make sure you get at a very early stage. We want to be judged by the outputs of that program.

We look at the fact that this organisation is in the top one per cent of the world's R&D organisations in 13 research areas; that for one component of our business, which is our science excellence, the citations per paper are now at 10.21, which is well above Australian global norms and second only to ANU; that, per our annual report, in the last four years there has been a publication increase of more than 30 per cent in papers, conference proceedings, books and journals; that the impact of our patent portfolio has increased over the last two years and now is up to 4,108; and that the revenues generated from our intellectual property earnings, as I indicated earlier, have grown from \$9.3 million just over four years ago to close to \$38 million this year. We want to be judged by our outputs.

I think you are right and that the public should review the value for money. We are in a process at the moment, in terms of our training and funding review, of seeking to quantify that benefit cost. We believe that investment in CSIRO, with the wonderful scientists we have across our organisation who are doing wonderful stuff, is good value for money.

Senator WONG—I was not asking about them; I was asking about your office. Have you answered that question as far as you wish?

Dr Garrett—Yes.

Senator WONG—I cannot quite locate that question on notice, but I believe that I asked last time about the process of adjustment of rent on the house. I think the answer was that it is not adjusted in terms of market rates. Is that right?

Dr Garrett—The response that we provided in E919, I think, states the situation quite clearly. As it says there, my remuneration includes an accommodation component. It is the responsibility of the board remuneration committee, which interacts with the Remuneration Tribunal. We have stated the situation there.

Senator WONG—So the value of the accommodation component of your remuneration package has only been indexed for FBT purposes since 2002 and has not changed other than that indexation?

Dr Garrett—That is correct.

Senator WONG—A reflection of increase in the market value of that accommodation component in terms of looking at real estate rental properties et cetera is not included in any adjustment of your remuneration package?

Dr Garrett—Perhaps it would be appropriate for Dr Sandland to make a comment.

Dr Sandland—As per the answer in E919_06, the accommodation component of the remuneration package was set. It is in line with the accommodation components that were set for previous chief executives of the organisation. In fact, while it has only been indexed, as you say, for FBT purposes, I think it should be pointed out that the accommodation component was not meant to reflect market rental for Westridge House. Westridge House is a heritage-listed property for which CSIRO has a duty of care. Indeed, CSIRO was under considerable pressure to maintain Westridge House as a heritage property. When Dr Garrett was first appointed as chief executive officer of the organisation, he was asked to take up residence in Westridge House. Indeed, from the point of view of a financial advantage, Dr Garrett would have been much better off had CSIRO not made that suggestion to him and he had taken up a private residence.

Senator WONG—I do not want to go too far down this path. There might be a cash benefit to not living there and there might not be a direct financial benefit from living there but, with \$250,000 being spent on renovations, repairs and maintenance since 2001, there is obviously an associated benefit from residing in that location as well as the fact, as you say, that the component of that aspect of the salary package is not adjusted to reflect market rent or anything close to that. I was not going to go much further. If you want to answer that point, you can.

Dr Sandland—The amount that was spent on the property was reflected in CSIRO's duty of care to maintain this as a heritage-listed property. Furthermore, Dr Garrett's salary package is looked at each year by the board remuneration committee.

Senator WONG—Dr Garrett, you mentioned the 12 reviews in the last X number of years when you were responding to my value for money question. I may have a list of all of them,

but could you please provide us on notice with a list of the 12 reviews to which you were referring in that answer?

Dr Garrett—I can.

Senator WONG—Thank you.

Dr Garrett—I could say them now. Would you like me to?

Senator WONG—I am just conscious of time, and I just want to cross-reference it against what I have got, if that is okay.

Dr Garrett—That is easy to do.

Senator WONG—I want to go back to this executive salary component and your answer E1086. I am not a mathematician, so I am sure somebody at the table will tell me if I am wrong but, if you divide the number of executives by the annual remuneration costs, we get a per-person amount—and this is obviously an average amount—of \$269,725 for 2004-05. For 2003-04, the average was \$241,926, which is about an 11 per cent increase. I am a bit confused. You indicated it was a four per cent increase.

Dr Garrett—I will take you back to a previous question, which I do not have the answer for here. We could table that again to indicate that is not a straight comparison. You cannot use that data arithmetically to make those calculations. We publish the data in the annual report on a regular basis. As I am advised, it is not possible to calculate the salary or even remuneration increases from these tables. It incorporates a number of factors, such as on costs and leave accruals, and you have to have the same people in the same year going forward in order to do that comparison.

Senator WONG—I understand. I am just looking at it globally in terms of resources allocation. You are saying here that there are various bits of the organisation you spend things on. You are spending quite significantly more on executive salaries than you were four years ago.

Dr Garrett—That is correct. It is because of the new flagship directors et cetera that we have brought on board.

Senator WONG—So you would accept that there has been a reasonably substantial increase over the last four years in the amount of executive remuneration.

Dr Garrett—It was on senior managers in the organisation, because of the new positions and the change process that we are introducing and these new vehicles for delivery flagships.

Senator WONG—Dr Garrett, you might prefer me to ask this of Dr Sandland. Do the figures that we were discussing in relation to the renovations et cetera to Westridge House include the cost of any extension at the back of the house?

Dr Sandland—I might ask Mr Whelan to take that question as he was responsible for the property portfolio until fairly recently.

Mr Whelan—I think that the question on notice that you were referring to earlier was associated with costs undertaken since 2001. As I understand it, in 2000 or 2001, there was an original change made to the residence. I think approximately \$500,000 was spent on that of which about \$300,000 was associated with refurbishing it. It had not been occupied as a

residence for some time. Approximately \$200,000 was associated with bringing it up to a residential standard.

Senator WONG—What precipitated this half-a-million dollar expenditure on upgrading the house?

Mr Whelan—As I understand it, there were two factors. The first factor was that the organisation was required for heritage purposes to renovate the building. We came under a lot of pressure from the Australian Heritage Council to do so. The second factor was that the organisation had decided midway through the nineties that it was an appropriate residence for a chief executive officer of CSIRO and, therefore, put plans in place to renovate it and, to some extent, try to kill two birds with one stone by addressing the pressing need we had to renovate the property but also make that available to a future chief executive. Indeed, it was the organisation's plan to do that for the chief executives prior to Dr Garrett's appointment.

Senator WONG—But was that at Dr Garrett's request?

Mr Whelan—I think I have just indicated that it was a decision taken by CSIRO prior to Dr Garrett being offered employment.

Senator WONG—What was the total amount of the renovations in the subsequent period?

Mr Whelan—I do not think there have been any renovations since that period. There have been some capital works on the property to address—

Senator WONG—That is your answer: renovations done to the value of \$182,914. Wasn't that what you provided to us?

Mr Whelan—I will break that down, if you like, but it included things like the provision of security fences, removal of obsolete buildings and electrical installations. It was not renovations in the form of new carpets and curtains for the tenants.

Senator WONG—I am trying to get the total cost. Was 2000 when the residence was—

Mr Whelan—I will check that.

Senator WONG—Since 2000, are we talking around \$750,000 spent on refurbishing, renovating, extending, upgrading and maintaining the property?

Mr Whelan—That is correct.

Senator STEPHENS—Mr Whelan, Senator Wong asked you a question in relation to this year's deficit. You had a \$14.7 million deficit and you made the comment that you were looking to improve that. Have you got an estimate of what the figure is projected now?

Mr Whelan—We are waiting for the May result, which we will get in about a week's time. I will bring you up to date with the figures at the end of April and perhaps give you some historical data to contextualise where it might go. At the end of April we were only \$1 million behind the original budget, so we have significantly improved the result over the last six months. At the end of April we were running an operating deficit of \$10.8 million compared to a budget figure of \$9.9 million—that is the original budget not connected to the deficit of \$14.7 million.

In previous years, the last two months of the year are generally very strong surplus months. We complete a lot of research work. We bring to account a lot of revenue that, if you like, we have been effectively accruing as work in progress. The average over the last couple of years is that we have run a surplus in the last two months of around \$6 million. If that were to happen over the next two months, we would have an operating result of a deficit of around \$4 million. I will have a better feel for that at the end of May. There are a lot of variables.

Senator STEPHENS—Table 3.1 of the PBS indicates your staffing projections of 5,860 for 2006-07 are down from the estimated actual of 6,030 staff in 2005-06. Can you explain where 170 staff have been reduced in that period?

Mr Whelan—There will not be a reduction of 170 staff in that period. The 2005-06 figure was an estimate for the average of the year. At the end of May 2006, I think the full-time equivalent number, which is what this calculation is, was actually 5,889, so in broad terms we expect a decrease of around 30 staff next year.

Senator STEPHENS—Where are those numbers expected to be reduced?

Mr Whelan—As we have previously indicated on notice, the bulk of reductions next year in a gross sense will take place in our research support services area but there will probably be offsetting growth in other parts of the organisation. I think the estimated reduction in staffing for research support services staff was approximately 90 out of a base of around 700 or so. We expect that there will be growth in other parts of the organisation as research investments expand across the organisation.

Senator STEPHENS—Have you identified where those areas of growth might be specifically?

Mr Whelan—They will be a function of the budget that we are just completing now in terms of the detailed divisional and themed budgets which we will take to our board at its 20 June meeting.

Senator WONG—I am confused, which is not an unusual state of affairs in the estimates process, especially at this end of the second week. Your answer to Senator Stephens was that—as I understand it—the average staffing level number is not an actual head count; it is an equivalent FTE. You have previously indicated to us, I think—was it 90 job losses in the research support services review? I do not understand how those two figures correlate.

Mr Whelan—Which two figures are you trying to correlate?

Senator WONG—The difference between the 2005-06 average staffing level and the 2006-07 average staffing level and what you have already told us through the estimates process will be the outcome of job loss in the research support services review.

Mr Whelan—It means that there will be growth in other parts of the organisation—that is how you will reconcile those two figures. That is consistent with the objective of the research support services review. As we have indicated to you previously, the purpose for reviewing our support services is to provide additional revenue to invest in our science. We expect next year that that will be approximately \$9 million and, by the end of the program, we hope to generate savings of about \$27 million. While there will be reductions in support staff, finance, HR, legal and commercialisation, we expect that to fund increases in resources that go

directly into our science. That has been a pattern that we have tried to pursue over the last five years.

Senator STEPHENS—I am just thinking about what you said to me before. You are anticipating that the actual staffing reduction will be about 30 overall rather than—

Mr Whelan—I will use the data at the end of May as a baseline. We had 5,889 at the end of May. Our estimate for next year is that on average there will be about 5,860. So on average we are expecting a net reduction of 30. That is correct.

Senator WONG—What is the net reduction between the two financial years? The 30 is what you are giving as a point in time until 2006-07. What is the actual reduction between the two financial years?

Mr Whelan—I do not have the actual for 2006-07 yet.

Senator WONG—Sorry; I mean the actual projected reduction. Can you give me the figure to date plus projected reduction in staff in 2005-06 and the projected staffing levels in 2006-07?

Mr Whelan—It is 29. That is what I just said. There were 5,889 at the end of May and we expect there to be an average of 5,860 next year. I do not have an end point figure for next year, sorry, if that is what you are getting to. We have taken the salary budget for next year and used average salary to calculate the number of FTEs.

Dr Garrett—And it is important to emphasise that those are full-time equivalent numbers as opposed to the approximately 6,500 staff we have.

Senator WONG—I am having trouble—maybe I have missed it again. You have got 170 full-time equivalent reductions between the 2005-06 PBS and the 2006-07 PBS. Are you now telling us it is only 29?

Mr Whelan—I am not going to argue with that. That is exactly the figures you have on page 280 of the PBS.

Senator WONG—Well, it is your PBS. It is not mine.

Mr Whelan—That is correct. All I am telling you is: at the end of May we had 5,889 FTEs in the organisation, so the real reduction over that period will be closer to 29.

Senator WONG—What was the reduction between the commencement of the current financial year and the end of May?

Dr Garrett—Could you ask that question again, please?

Senator WONG—Mr Whelan was giving point in time figures as at the end of May and I am saying: what was the total staff reduction over the period 1 July 2005 to date to get to the numbers that he has just given us?

Dr Garrett—As at 30 June 2004 the FTE numbers were 5,965, with a headcount of 6,574. As at 30 June 2005 the corresponding numbers were 5,946, with a headcount of total staffing of 6,576. As at 3 May the number of full-time equivalents was 5,889. That is a reduction between those years of 57, with a headcount of 6,529.

Senator WONG—So why was the 2005-06 FTE staffing level at 6,030?

Mr Whelan—I have just asked that question, Senator, and I do not have a satisfactory answer for you at the moment.

Senator WONG—But you are the man who is supposed to know the numbers, Mr Whelan.

Mr Whelan—I am sorry; there are a lot of numbers to know.

Senator WONG—Will someone get back to us at some point as to why?

Mr Whelan—Yes, Senator.

Senator WONG—Sorry, Senator Stephens.

Senator STEPHENS—That is okay. Are the research support services the only area where you are expecting staff reductions?

Mr Whelan—No. I think there will be movements across the organisation as the balance of the research portfolio shifts next year. Dr Sandland and Dr Garrett might be able to provide more details on that.

Dr Garrett—Yes. As I think we talked about last time, Senator, we have over the last 18 months implemented a major review process in our science investment process around the appropriate investment of our parliamentary appropriation resources. We tabled the broad direction-setting document under cover of a question on notice last time and it indicates the trends of some of the areas that are growing and some of the areas that are staying the same and a couple of areas that we are pulling back on. So there will be shifts in our overall science portfolio as we go forward, but overall we are looking at net growth in science, as Mike has indicated.

Senator STEPHENS—Sorry, Dr Garrett; you said you provided that detail in response to a question on notice; I had not seen that. Let us look at employee expenses on table 5.1 on page 286. If you can help me out with that, that would be very useful. This tells me that you spent \$10.6 million more on salaries in 2005-06 than budgeted. Is that correct?

Mr Whelan—As at the end of April, total salaries were slightly underspent. Taking all salaries, so salaries, super, workers compensation and any contract staff and casuals employed in the organisation, the budget was \$462.7 million and we had actually spent \$456 million. So, year to date, we are slightly under budget. But we do not expect to be under budget at the end of the year; we have some leave accruals we have to bring to account by 30 June. We expect to be in line with budget at the end of the year.

Senator STEPHENS—In the statement for the forward estimate you are planning to spend \$7.9 million less compared to your estimate in 2005-06. This is more of the confusion of comparing PBS—

Mr Whelan—I am on page 286. It shows employee costs next year will increase by approximately \$19 million on the amount estimated to be spent this year and will increase by a further \$27 million the year after. So the employee cost line is growing in each of the years, which you would expect. Average staff numbers are about the same, and we are probably facing wage increases on average of somewhere between four and five per cent over that period.

Senator STEPHENS—I think this is the same difficulty that Senator Wong was having in that what you projected in last year's PBS and what you have then carried forward is different, isn't it?

Mr Whelan—I can explain that. It actually links back to what Senator Wong was asking about. It goes to the focus on revenue. When the organisation generates external revenue it is to conduct research. If it does not generate as much of that revenue it does not conduct as much research. Therefore, it does not necessarily increase the number of staff in proportion to what it was going to. We typically do not spend the money unless we can get it in the door. If we do not get as much money through the door, we cannot spend as much money.

Senator STEPHENS—Can you explain to me the increase in employees' expenditure, which you have just so clearly articulated, and yet you are talking about fewer staff. Can you explain how that is happening?

Mr Whelan—The average rate of salary increase is having a greater impact than the net production in staff. So, in proportional terms, the average wage rise has a much more significant effect.

Senator WONG—What are employee provisions? Is that accrued liabilities?

Mr Whelan—It is leave liabilities and long service leave liabilities.

Senator WONG—So you have an increase in employee expenses, which is essentially cash flow, I suppose.

Mr Whelan—It is the amount of expense of people's salaries during the year.

Senator WONG—But you have a decrease in accrued liabilities.

Mr Whelan—We may have an increase in accrued liabilities.

Senator WONG—No, you have a decrease in employee provisions. That is between the 2005-06 and 2006 portfolio budget statements.

Mr Whelan—The figures I have in front of me on page 287 of the PBS in balance sheet show employee provisions in 2005-06 increasing in 2006-07. Is that what you are referring to?

Senator WONG—The estimated actual for 2005-06 is \$217,723,000 for employee provisions. Is that correct?

Mr Whelan—No. I have a figure—on page 287, about half way down the page—for liability employee provisions of \$189.6 million.

Senator WONG—I am talking about the 2005-06 year not 2006-07.

Mr Whelan—I am talking about the 2005-06 year. I am reading the figure from the 2005-06 year.

Senator WONG—Yes, take me to the 2006-07 table.

Mr Whelan—Which PBS are you reading from?

Senator WONG—That is the issue. I think there is a difference between the 2005-06 estimated and the 2006-07 actual employee provisions. I am comparing that with the projected employee provisions in 2006-07.

Mr Whelan—Let me try and catch up with where you are at. I am at page 267 of the 2005-06 PBS.

Senator WONG—I have interrupted Senator Stephens.

Mr Whelan—That sets out the balance sheet for the organisation.

Senator WONG—Where are employee provisions? Table 5.1, isn't it?

Mr Whelan—That is three-quarters of the way down the page.

Senator WONG—Employee provisions on page 266 of the 2005-06 is \$217,723,000.

Mr Whelan—Yes. That is the liability estimated in 2005-06, and our current estimate is that that liability will only be \$189 million.

Senator WONG—That is what I was saying. Your employee expenses are increasing but your accrued liabilities are projected to decrease by \$28 million.

Mr Whelan—That is correct. The reason for that is that in our enterprise agreement we negotiated with staff a reduction in the maximum leave cap that people could carry forward. A lot of staff have taken leave in the organisation over the last couple of months as a result of that and that has reduced our leave provisions. That reduction in leave provision actually reduces future cost for us. We have shared that cost saving with staff through a wage rise. That was one of the things we negotiated in the enterprise agreement. We said, 'Let us put a cap on how much leave you can carry forward.' There are two good reasons for that. It reduces cost to the organisation and it gives an OH&S outcome for staff. We then shared the cost benefit with staff through a wage rise.

Senator WONG—Is there any component of the reduction in employee provisions over and above that attributable to the change in leave entitlements?

Mr Whelan—There would be two factors in the leave provisions—the reduction in the leave cap, which would reduce the provision, and a wage rise, which would increase the provision. The net of those is a reduction.

Senator WONG—I am asking if there are any factors other than the leave alteration that you have described to which the reduction in employee provisions is attributable.

Mr Whelan—Not that I am aware of.

Senator WONG—Have people's leave entitlements been reduced?

Mr Whelan—No.

Senator WONG—Just the cap.

Mr Whelan—Yes. The maximum amount of leave that someone can carry forward has been reduced. There is no change to people's annual leave entitlements whatsoever.

Senator STEPHENS—What has it been reduced to?

Senator WONG—I suppose that is one way, Dr Garrett, of improving one aspect of your financial statements.

Mr Whelan—You asked the question about the change in the cap. There had been no cap effectively previously. We have introduced a cap of 45 days.

Senator WONG—Resulting in an accounting improvement to your financial statements.

Mr Whelan—That did not result in an accounting improvement. The fact that staff subsequently took leave and reduced their leave liabilities resulted in that improvement.

Dr Garrett—As Mr Whelan said, the important occupational health component of that was a factor.

Senator STEPHENS—Going back to the employee expenses, can you tell the committee what the budget for senior management remuneration and the actual spend for 2005-06 were?

Mr Whelan—I do not have that detail. We do not budget for senior management expenses per se. Senior managers are generally part of business units. An example of a senior manager is a chief of a division. A chief of a division's salary cost would be included in the divisional budget. We do not separately bring them out.

Senator STEPHENS—What about the executive team?

Mr Whelan—That is similar. My responsibility in the organisation is the finance and governance group. My salary costs will be included in the budget for the finance and governance group. As a general rule, from an actual perspective, all corporate functions have had reductions in spend over the course of the last 12 months.

Senator WONG—I have one question, which relates to Westridge House. FBT is calculated in terms of a proportion of a notional value of that fringe benefit. Is that correct in simple terms?

Mr Whelan—There is a value, yes.

Senator WONG—What is the value that is attributed to Westridge House for the purposes of the calculation of FBT?

Mr Whelan—I am happy to take that on notice. I do not have that figure with me.

Senator WONG—Is it a commercial value—a market value?

Mr Whelan—I doubt it, given the information that Dr Sandland provided to you earlier about how that package was constructed.

Senator WONG—Was it always the intention, when the half a million dollars was spent upgrading Westridge House, that it would be used as a residence for the head of CSIRO, or was there consideration of utilising that premises for the purposes of providing commercial accommodation generating a revenue stream?

Mr Whelan—Certainly not the latter. My understanding, from the material that has been provided to me, is that CSIRO contemplated renovating and extending Westridge House for the purpose of accommodating its chief executive as early as 1995 and, to the best of my knowledge, at no point has the organisation contemplated renting it out to anybody else.

Senator WONG—And you will take on notice what value is ascribed to the property for the purposes of FBT?

Mr Whelan—Yes. I do not have that figure with me.

Senator FERRIS—That building was a scientific centre for many years before it became a private residence. When the extensions were done, were they done with a view to adding more rooms for the chief executive, or were they planned at a time when the scientific community was still using the building?

Mr Whelan—As I understand it, there were not any scientists in the building at that time. It was lying empty and it needed money spent on it. I think it had become unoccupiable for any research purposes. There were OH&S issues associated with it.

Senator FERRIS—I seem to remember the cloud-seeding people once being there.

Mr Whelan—I think the bushfire CRC was in there at a point in time as well.

Senator FERRIS—How long had it been empty before all of these changes occurred?

Mr Whelan—I do need to check it, but the data I have before me suggests that it had been vacant for 10 years prior to it being renovated.

Senator FERRIS—What was added by the renovations at the back?

Mr Whelan—I have to take that on notice. The material I have in front of me says a modest extension was provided, but I do not know the detail of it.

Senator FERRIS—It is not modest; it is quite large. It is two storeys and it is quite significant. The house was originally a family home occupied I think by Mr Weston, the original designer of the arboretum. It was a large house; it is a large house, but it has been made significantly larger. I think it would be useful if we knew what was added to it.

Mr Whelan—As I said, I am happy to take that on notice.

Senator FERRIS—Thank you.

Senator STEPHENS—I want to talk about the research support services review. You provided to me an answer to a question on notice about the review, which indicated that 90 full-time equivalent positions were to go in 2005-06, 50 were to go in 2006-07 and 83 are estimated to go in 2008-09. What is the current status of the review?

Mr Whelan—We are part way through implementing the review. The scope of the review was to cover off a range of support services—financial, legal, people and culture, property and facilities, commercialisation, contract administration and information services—progressively between now and early 2007. Our planning at this point in time is that four of those functions will be implemented on 1 July, and we are currently completing recruitment processes for that. Those four functions are commercialisation, legal, finance and contract administration. We expect the balance of the functions to be implemented over the course of this year and completed in approximately February 2007.

Senator STEPHENS—So, in terms of the 90 positions that you predicted would be shed in this financial year, how many have actually left?

Mr Whelan—Senator, I think we projected that there would be reductions in 2006-07, if that is what you mean by this financial year.

Senator STEPHENS—No, you actually said 90 in 2005-06 in the answer you provided to me.

Mr Whelan—Are you referring to the answer to question on notice No. E1062-06?

Senator STEPHENS—Yes.

Mr Whelan—My answer says:

The current estimate of possible staff reductions is 90 in 2006/07 ...

There is no reference to any reduction in 2005-06.

Senator STEPHENS—I am sorry. You are right. Thank you. On the basis of the review and the fact that it continues to expect a significant reduction—you said in estimates last year, in November, that it would be perhaps 175 jobs over three years—how is staff morale in CSIRO, Dr Garrett?

Dr Garrett—When one introduces change in line with a strategy and implementation process—and Research Support Services was, as we have indicated previously, designed to enable us to provide unified support across the organisation, consistent with our strategy in the legal, HR, finance and other areas we have talked about—that change obviously introduces turbulence. We are working hard in the consultative processes. We have taken a long time to engage and develop the plans with staff. But, understandably, many staff who are affected are concerned. We are continuing to engage in this process—and, in any change processes, staff are concerned.

Senator STEPHENS—Has the CSIRO conducted a staff survey this year?

Dr Garrett—Not this year. We conducted it in 2005, and there were substantial change processes ongoing at that time. As we have reported previously, we have utilised a group that enables us to benchmark our staff satisfaction with international R&D organisations. At that time, we were four percentage points ahead of the global R&D norm and also the norm here in Australia. In fact, we were 13 percentage points ahead of organisations in change. We continue to engage with a number of consultative processes. We have a network across the organisation.

Senator STEPHENS—You say you have engaged an international benchmarking process. Who has undertaken that for you?

Dr Garrett—In the past, it was a group called ISR. That was through an open tender process and they ran it for the last three staff surveys—we call them insight polls.

Senator STEPHENS—When was the last one undertaken?

Dr Garrett—In 2005. I will just check my notes here.

Senator STEPHENS—That was the 2005 staff survey?

Dr Garrett—That is the data I was talking about.

Senator STEPHENS—So has any benchmarking been done this year?

Dr Garrett—As I indicated, we have a number of other processes in place. We have decided to do this probably every couple of years, in line with other organisations and agencies around the world. But we regularly test staff opinion through our strategy and action workshops, through the network, through the change partners that have been appointed in each of the divisions. So we have a network of information to enable us to gauge staff opinions.

Senator STEPHENS—You mentioned strategy workshops. Have you actually developed a strategy to deal with the widely reported poor level of morale in the CSIRO?

Dr Garrett—As I have tried to indicate, we have been engaged in some processes for some time. We believe we have a number of domains in which we continue to engage with staff to assess opinions. You talk about low morale—I do not believe that is the case. I have tried to give you some quantitative information benchmarked about morale and I have tried to indicate to you that any organisation in change has a complex set of communication processes. We have put in place a change program office. I have talked about the change partners and the enterprise feedback network that we have place. We are meeting again with 300 leaders across the organisation in July who are key players in sensing and obviously communicating with staff. The enterprise network feedback engages us with more than 180 staff on a regular basis across the organisation to assess this. So I do not accept that assertion.

Senator WONG—As politicians obviously we know that the papers often write things which are not correct but sometimes they do write correct things. You would be aware of public comments which have been made allegedly by scientists employed by your organisation or former scientists, including this:

Bullying has become a fact of life at CSIRO ... It's very unpleasant. Anyone who speaks up is penalised. They're humiliated publicly, moved and put into a departure lounge.

And there have been other comments, unattributed, putting a view that you are autocratic et cetera. I wonder if you want to respond to that, particularly given that you dispute the proposition Senator Stephens put to you that there are problems with staff morale.

Dr Garrett—No, I did not say that, Senator.

Senator WONG—Sorry, I thought you disputed the assertion that morale was low or problematic.

Dr Garrett—I indicated that in any organisation in change morale becomes an issue. What I was trying to indicate was how we are doing in comparison with other organisations in change where communication is key and that obviously staff have concerns. We are fully aware of the concerns that people have, as I indicated last time when there were accusations of gagging of scientists. We have undertaken a comprehensive, across the organisation review around the public comment policy and this has provided us with yet another forum of interaction with staff clearly speaking out around their concerns.

I will be receiving that report shortly and we will be taking that to the board and potentially making changes. So we are trying to run a process which says: we have set ourselves a strategic path. We had the approval of that strategic path. We believe that for what CSIRO can do for the nation we need to be moving into the domains that we have articulated, and that requires change. It requires change in terms of the research support services, it requires

change around the investments of our \$600 million of taxpayers' money in order to produce maximum benefit for the nation. Any change process creates turbulence and some people are obviously disaffected by that and choose to comment adversely in the media. Many others are obviously saying this is the right path for the organisation and we need to keep pushing through—communicating well, consulting well—but sticking to the strategic path with which we have engaged for the benefit of Australia, and that is what we are doing.

Senator STEPHENS—If we were to have an insight survey this year, Dr Garrett, do you think that there would still be a response like 53 per cent fearing losing their jobs and 25 per cent—or one in four—thinking of leaving the CSIRO?

Dr Garrett—I would not want to speculate on that; that is a hypothetical assertion. What I have tried to indicate is that we have a number of forums in place to gauge staff opinion and a number of consultative forums which enable us to really try to work with staff to work through the change processes that we have in place.

Senator WONG—I do not think Senator Stephens—

CHAIR—It being 10.45, it is the morning tea break.

Proceedings suspended from 10.45 am to 11.01 am

Senator STEPHENS—Following on from the discussion prior to the break about Westridge House, I wonder if perhaps the most useful way to understand the extension program is if we could actually have a copy of the plans of the building—the original plans of the building and the extensions that have been undertaken since the refurbishment began.

Mr Whelan—I can look into that.

Senator STEPHENS—You will take that on notice? Thank you. I want to try to understand a little bit more about the staffing costs that we were discussing before the break. You said to me, Mr Whelan, that you do not have a breakdown of the senior management team as part of those things. But perhaps you can just explain a little more about Dr Garrett's support staff and arrangements. In terms of supporting Dr Garrett's office, I understand from the PBS and the annual report that staff costs went up by \$35,000. Can you explain what that was? Were additional staff brought on?

Mr Whelan—Could you please direct me to where you found that data in the annual report?

Senator STEPHENS—It was actually provided in answer to question on notice E1085 of 2006.

Mr Whelan—So you are referring to the direct cost line 'labour'.

Senator STEPHENS—Yes.

Mr Whelan—And why it has increased over that period?

Senator STEPHENS—Yes.

Mr Whelan—I assume it is a function of staff mix and wage rises in the organisation over that period.

Dr Garrett—Actually, at that time, I recruited a part-time executive officer from one of the divisions on secondment. I used it both in terms of providing support to my office and as a developmental opportunity. That would have explained much of the difference.

Senator STEPHENS—And that person was seconded from which agency?

Dr Garrett—At that time it would have been Dr Jean Wijffels from Livestock Industry. Subsequently it was Anthony Swirepik from Entomology.

Senator STEPHENS—Who do you have in your office now? Who is providing the support staff?

Dr Garrett—As of now, I have two PAs and a chief of staff, Dr Clark. We also have access to records management services.

Senator STEPHENS—So you have three support staff positions.

Dr Garrett—That is correct.

Senator STEPHENS—Are you able to provide us with the details of the positions, their gradings and their pay scales?

Dr Garrett—I am happy to do that.

Senator STEPHENS—Thank you. In relation to the other information that was provided in response to that question about the chief executive office unit, I noticed that the chief executive's remuneration actually decreased between 2003 and 2004.

Dr Garrett—That is the total package. That is accurate.

Senator STEPHENS—Are you able to explain what that reduction was, Dr Garrett?

Dr Garrett—In terms of the overall package at that time, I believe my overall at-risk component decreased slightly.

Senator STEPHENS—Sorry, can you elaborate? What is the 'at-risk component'?

Dr Garrett—Sorry, that is jargon. It means—

Senator WONG—Subject to performance.

Dr Garrett—Subject to performance. That could have been the explanation. I would have to look at the facts. This number is associated with leave accruals and a whole bunch of other stuff. I would have to get those facts.

Senator STEPHENS—That is a performance related reduction in that year.

Dr Garrett—I do not know the answer to that, Senator. That was a suggestion. I do not have the accurate data.

Senator STEPHENS—Then there was an increase in the next year of \$50,000-plus. Would that also have had a similar kind of explanation?

Dr Garrett—The same answer applies, in that that remuneration package is made up of a whole series of elements. The board remuneration committee does not normally release that information. But there was an increase.

Senator STEPHENS—However, you can provide us with some information about the at-risk issues of those two years and the explanation of the differential?

Dr Sandland—We do not normally provide any details on officers' performance against their at-risk component. That is information that is private to the officer.

Senator WONG—Were they achieved or not? We do not necessarily want to know the detail of the precise way in which performance targets were assessed and so forth, but to what extent were they achieved?

Dr Sandland—That is a matter of discussion between the chief executive and the board remuneration committee. That is a board decision. As we have said in the past, we do not reveal individual components of the salary package of any officer in the organisation, not just the chief executive.

Senator WONG—Sorry?

Dr Sandland—We do not reveal the individual components of the salary package of any officer in CSIRO. This does not just apply to the chief executive.

Senator WONG—You do. I think my suggestion would be appropriately answered questions on notice about components of Dr Garrett's remuneration: salary—

Dr Sandland—Senator—

Senator WONG—let me just finish, if I could, because it might clarify things—other costs, the Land Rover, plus an unspecified proportion for accommodation. You have answered questions about that. I think Senator Stephens is just inquiring as to whether or not the performance related aspects were achieved.

Dr Sandland—I think Dr Garrett answered elegantly earlier as to the achievements of the organisation under his leadership.

Senator WONG—That is not the question.

Dr Sandland—Well, the answer then is that a performance component has a range between zero and an upper band, and the board will make a decision based on how they believe the organisation and the chief executive—any senior executive—have performed.

Senator WONG—Are you declining to indicate whether or not the performance targets were achieved?

Dr Garrett—As we responded before to your question on notice, the practice at the moment is not to indicate individual performance ratings. I think we responded to that previously. That is the current practice of the board remuneration committee and it applies to any member of the organisation. That information is not made available.

Senator WONG—I can appreciate that there might be aspects of your discussions with the board that are arguably not appropriately put before estimates, but your salary is funded by taxpayers' money and there is an appropriation for that before the parliament in this estimates round, as in every round. I have to say that I do not see it as being unreasonable to ask two things: the proportion of the salary which is subject to performance measures and whether or not, in general terms, those performance measures were achieved.

Dr Sandland—It depends on what you mean by ‘in general terms’. Basically, there is a list of areas against which any senior executive needs to achieve and, generally speaking, some of those would be achieved at the highest level and some at a lesser level. Similarly, for the organisation as a whole, all of those factors are taken into account in setting that, so the answer might be: ‘Yes, yes, yes, not quite as much as we would have liked, no for these reasons, yes, yes, yes.’ I do not think giving a single answer to that question is meaningful.

Senator WONG—Let us do it this way: in answer to Senator Stephens, Dr Garrett, you indicated that the proportion of your remuneration which was at risk—that is, subject to performance targets—had reduced. Is that right?

Dr Garrett—As I indicated, I have to take that one on notice because there are a number of elements of the package around leave accrual that make adjustments from year to year, so I would have to come back with that detail.

Senator WONG—I am sorry; I thought your answer was that the proportion had reduced.

Dr Garrett—That was my indication, but I do not have the detail which is being asked.

Senator WONG—What is the current band of remuneration which is subject to performance? I will make this clear: I am not going to ask how much you were actually paid but, under the contract, what is the upper band?

Dr Garrett—As Dr Sandland has indicated, the current policy that we have from the board remuneration committee is that we do not indicate components of the overall remuneration package. I would like to take that question on notice, if I may, and have discussions with the board, because I am obviously in a personally difficult situation here. I need to talk with the responsible authorities in my environment around that, and I will do so.

Senator WONG—You are entitled to take it on notice, but—and you might want to respond to this now—I ask you to consider that, if a witness is declining to answer a question, the committee is entitled to know the basis on which the answer is not being provided. Are you claiming confidentiality? What is the claim that is being asserted as a bar to answering it?

Dr Garrett—Can we take that on notice? As Dr Sandland and I have stated clearly, it is current practice, from the board remuneration committee down, that we do not reveal or indicate individual components of packages. I will take that on notice and come back to you.

Senator WONG—The point I am making—and this is my assertion; obviously it is a matter for the committee—is the fact that the board has a policy is not a ground on which an estimates committee would generally say an answer is not required.

Senator Vanstone—If I can be of some assistance, Dr Garrett has not refused to answer your question. He is not declining to answer your question at all, so I think he is entitled to say in response that he does not have to give a reason why he is taking something on notice. I think that has been the practice. What he has said to you is that he will take it on notice.

Senator WONG—I appreciate that, Minister. I am simply indicating, in terms of his consideration of the answer on notice, that a policy of a board regarding executive remuneration would not generally be grounds by which a committee would accept a declination to answer. I am asking him to consider that when the matter is taken on notice.

Senator Vanstone—That is fair enough, and I appreciate that. I have a long interest in the issue of salary packages from when someone first asked how much Geraldine Doogue is paid. You could see the ABC, which still likes to say governments should be accountable, running a mile from being accountable for what they do with taxpayers' funds. I am pleased to say that the committee at the time—which was called the F and GO committee, Finances and Government Operations—did not, in the end, reveal her salary. The issue was not about what she was paid, albeit a senator had asked that out of some interest. It was about whether departments and government agencies are required to answer questions in parliament as to what they do with money. While the parliament estimates would obviously have to say how much we paid for these chairs and the company that bought the chairs would have to suffer the indignity of their cost prices to the Commonwealth being revealed, so it is the case—and should be, in my own view. It is not unreasonable to reveal, for example, the daily rate paid by the Attorney-General's Department to silks. But, counterbalanced against all of that, there is an expectation that all of these things will be done with balance and with a respect for people's private privacy. It simply is not true that, because you work for the Commonwealth or the ABC, everything about your personal contract, which someone may have an interest in, is actually a matter of national interest.

Senator WONG—That is true. I am actually not asking for all the details. I am just asking for the band—as Dr Sandland said, the nought to whatever figure that is subject to performance assessment.

Senator Vanstone—I was not trying to be critical of your question; I was simply indicating that I have some sympathy and understanding for your question but I also understand the other side of it as well, when you are on the other end.

CHAIR—Dr Garret has agreed to take that on notice.

Senator WONG—Yes, he will take it on notice.

Senator STEPHENS—In relation to the chief executive's office, you provided in your answer to me the expenditure for 2002-03, 2003-04 and 2004-05. Could you also provide 2001-02 and the planned expenditure for 2005-06?

Mr Whelan—Yes.

Senator STEPHENS—The travel expense is itemised in 2004-05 as \$77,556. It says here that 'travel, hospitality and other expenses are not specifically identified or recorded separately for the chief executive'. Who else would be required to travel or have hospitality expenses?

Dr Garrett—For example at major executive management council meetings Dr Clarke would be part of those processes. I would also have some personal assistant support in that environment, requiring travel.

Senator STEPHENS—As an estimate, what proportion of that budget would be used for the chief executive's position?

Dr Garrett—I do not know the answer to that.

Senator STEPHENS—Can you give some kind of indication?

Mr Whelan—No.

Senator STEPHENS—Perhaps you could provide us with an indicative percentage of—

Dr Garrett—So the question is: of the total travel budget out of my office, what percentage is utilised for my travel and what percentage is used for staff travel?

Senator STEPHENS—Yes—other. This travel would include overseas travel.

Dr Garrett—Yes, recognising also that CSIRO is across 75 sites and I obviously spend a lot of my time on the road.

Senator STEPHENS—Do you travel business or first class when you travel overseas?

Dr Garrett—I travel routinely economy class around Australia, I travel business class, if and when I go to Perth, and I travel business class when I go overseas.

Senator Vanstone—Just as a matter of interest, Senator, how do you travel when in Australia?

Senator STEPHENS—It depends on what they can put me on on the flight.

Senator Vanstone—I see. What proportion of your travel would be economy, for example?

Senator STEPHENS—I do not know.

Senator WONG—Probably about the same as yours, Minister, I am sure.

Senator Vanstone—I can tell you I do not travel economy if there is an entitlement to business class, which the senator has as well. I think it would be a matter of particular interest since you are so interested in the earth-shattering question as to how Dr Garrett travels domestically. I just thought I would put on the record that taxpayers pay for you to be carted around the country business class and I do not know that they see a senator's role as being any less than Dr Garrett's—or any more for that matter.

Senator STEPHENS—The purpose of my question was to determine how many trips would be indicated by the level of the travel budget—nothing more.

Senator Vanstone—That was not your question, though, was it?

Senator STEPHENS—No. The question was: did you travel business class in Australia—

Senator Vanstone—That is right—that was your question.

Senator STEPHENS—and overseas?

Dr Garrett—I should add that from time to time the frequent flyer upgrades enable me to travel business class locally.

Senator Vanstone—I feel lucky if I can get a frequent flyer seat when I need it.

Senator STEPHENS—I have never been able to do it.

Senator Vanstone—That is something we all agree on.

Senator STEPHENS—That is right. Mr Whelan, you were speaking earlier this morning about the executive remuneration costs and you reported \$10.8 million in the last budget. Can you tell us what you anticipate that to be in 2005-06?

Mr Whelan—No, I cannot, but when we are preparing the materials drawn from the table we prepare for the annual report, as we are preparing our accounts through July, we will prepare that table. It will be published in our annual report when it is tabled in parliament in September or October.

Senator STEPHENS—We can deal with that in additional estimates. Dr Garrett, with the appointment of Dr Peacock to the position of chief scientist you have had some reorganisation within the CSIRO in terms of duties.

Dr Garrett—Within the CSIRO senior leadership team, yes.

Senator STEPHENS—What changes have taken place as a result of his appointment in terms of the distribution of duties within the executive team?

Dr Garrett—The responsible executive for our information minerals and manufacturing area, Dr Hill, has been appointed to a position on the executive team as responsible for business development. The responsible executive for, at that stage, the science planning team, Dr Barber, has taken Dr Hill's appointment. Dr Peacock has not been and is not a member of the executive team. He leads a small team in my office, which is a continuation of the roles that he undertook in facilitating science leadership in the organisation since his retirement as chief of plant industry.

Senator STEPHENS—Have there been changes to Ms Staunton's duties under the new arrangements?

Dr Garrett—Yes. As part of the rearrangement, Dr Peacock has taken over responsibility for the education and science outreach group and the CSIRO Discovery Centre. They were formerly reporting to Donna Staunton. In addition a small group in the brand and marketing area will be reporting to Dr Hill in his new capacity.

Senator STEPHENS—Has Ms Staunton been given other responsibilities to replace those that are now being undertaken by Dr Peacock?

Dr Garrett—In terms of functional responsibilities, no. The object of the exercise was—and Dr Sandland, who has reporting responsibility here, might wish to add to this—to provide additional focus on some of the prime areas that required attention in the communication area.

Senator STEPHENS—Is there a variation in Ms Staunton's remuneration package reflecting those changes?

Dr Sandland—No. The requirements of Ms Staunton in the revised role are still at the same high strategic level.

Senator STEPHENS—Thank you.

CHAIR—Before we go on, I should indicate that opposition senators requested the appearance of Dr Peacock at the estimates hearings. I did make inquiries with the minister's office and I was informed that Dr Peacock would certainly be unavailable today, because he was in Melbourne, and will probably be unavailable tomorrow. A second reason given was that the Chief Scientist has never appeared before estimates committees before. I wanted to indicate that, for the opposition senators.

Senator WONG—Thank you, Chair. I appreciate that. The answer to one of the questions on notice, Dr Garrett or Mr Whelan, indicated you do not separately record travel, hospitality and other expenses for each senior manager. Do you do it in groups? Is it an 11-person executive team—is that what it is called?

Dr Garrett—Yes. What is your specific question?

Senator WONG—I am just trying to remember how your structure works.

Dr Garrett—We have an executive team made up of—

Senator WONG—Is that 11 people?

Dr Garrett—With me, yes.

Senator WONG—Including you, yes. Given that you could not give us a separate expenditure, do you have an aggregation of the travel and accommodation costs of the executive team?

Mr Whelan—No, we do not. Those costs are recorded in the business units that they are part of. So, for example, as I indicated, I think, to Senator Stephens earlier, I lead the finance and governance group and my travel costs, together with those of my team, are recorded in the travel budget of the finance and governance group.

Senator WONG—I want to turn now to your capital works projects. The 2006-07 PBS states your intention to rationalise research activities in a number of existing CSIRO sites in Brisbane. I want to be clear about the financial impact of that. For example, you say the estimated total cost, presumably of the rationalisation, will be \$93 million and will be partly funded from the sales of currently occupied sites. Which are the sites that will be sold?

Mr Whelan—We currently occupy sites at Cleveland, Indooroopilly and Cannon Hill, in addition to having people on the university site in Brisbane. There are likely to be three sites that we would sell.

Senator WONG—They are—

Mr Whelan—Cannon Hill, Indooroopilly and Cleveland.

Senator WONG—Cannon Hill as in ‘boom’?

Mr Whelan—Yes. I am not sure if it is named after a cannon or a person.

Senator WONG—What is the expected revenue from the sale of those three sites separately and what is the time frame for the sale?

Mr Whelan—Our estimates for planning purposes have assumed we will probably generate revenue of approximately \$65 million from the sale of those three properties. The estimates for each of them, and they are only estimates because they will depend on market conditions at those times, are approximately \$10 million for Cleveland, \$15 million for Cannon Hill and \$40 million for Indooroopilly.

Senator WONG—The estimated total cost of the rationalisation and co-location is \$93 million. Can you briefly tell me what that \$93 million comprises?

Mr Whelan—It would be our contribution to the construction of a very large laboratory site together with the Queensland government, Queensland universities and a number of state

departments. It represents our component. The amount we finally spend is subject to detailed planning. We are continuing to work through that and later we will take that through our executive team, our board and the minister at the appropriate time.

Senator WONG—And the \$65 million will offset the \$93 million.

Mr Whelan—Yes, that is correct.

Senator WONG—Is the \$28 million shortfall, as it were, in the financial—

Mr Whelan—That would come from our capital program expenditure over the next four years. That is in the PBS.

Senator WONG—Can you show me where that would appear in the PBS?

Mr Whelan—It does not appear as a specific item because we only provide aggregate capital expenditure. Go to page 291. We do not receive any capital appropriation from the Commonwealth so we fund, as we have discussed in this place before, capital program from depreciation expenses. We have estimated on that page what our approximate capital outlays will be in aggregate over the next four years. It is too early to say precisely what the distribution of that capital effort for Boggo Road will be over that forward period but we expect to fund it from those resources.

Senator WONG—Those figures on page 291 detail capital expenditure, don't they?

Mr Whelan—That is correct.

Senator WONG—What about Woodville?

Mr Whelan—What about it?

Senator WONG—Are you selling Woodville?

Mr Whelan—I imagine we will when we leave the site.

Senator WONG—Is that accounted for in your capital budget?

Mr Whelan—The capital budget is normally associated with the spending on acquiring a capital asset. If we were selling a capital asset that would be counted as revenue and that would appear on page 286 in the line 'Revenue from sale of assets'. You will notice that we have put a figure in there of \$5 million for the sale of assets. It is very hard to predict the timing of sales of assets.

Senator WONG—I am going to come back to that. What I am interested in is whether the expenditure item on 291 is a net figure—that is, would it include \$28 million for the net cost of the Queensland restructure, for want of a better term, or would it include \$93 million and then be offset by revenue gains? Can you see my question?

Mr Whelan—I do. It is a gross amount. It is not the \$28 million that will come from here; it is the total \$93 million that will come from here.

Senator WONG—This is planned for 2006-07?

Mr Whelan—We expect to have planning costs in 2006-07. We do not expect any construction in 2006-07. The bulk of the cost will occur in the out years of the forward estimates.

Senator WONG—So this \$93 million will be amortised over a number of years?

Mr Whelan—Yes.

Senator WONG—Will you be paying rent on the new sites or the co-located sites?

Mr Whelan—Those details have not been sorted out.

Senator WONG—As a result of the relocation and rationalisation is it proposed to make any staff redundant?

Mr Whelan—To the best of my knowledge this construction is associated with an expansion of CSIRO's environmental capability in south-east Queensland.

Senator WONG—Is there any alteration to research projects which are currently located at the three sites which will be sold or are they all intended in their entirety to move to the new sites?

Mr Whelan—I do not have that level of detail.

Dr Garrett—It is too early to say in that regard. In addition we will look at, because of the opportunities of collaboration with other agencies and universities, new projects.

Senator WONG—I want to turn now to the issue of the value ascribed to land and buildings as between the 2005-06 and the 2006-07 PBSs. If you compare page 287, which I think we were at before, or 286—

Dr Garrett—With 267?

Senator WONG—That is right. There has been a revaluation of about \$200 million for 2005-06? Would that be right?

Mr Whelan—Yes, that was the matter we discussed last time we met, and that is what resulted in the increased depreciation costs for the organisation.

Senator WONG—Your note 6 on land and buildings at page 294 in the current PBS says: Increase in land and buildings is the result of increase in property value and acquisition reported at fair values.

Is that right?

Mr Whelan—That is exactly what it says, Senator.

Senator WONG—Yes, but is that—

Mr Whelan—Is that a correct statement, Senator?

Senator WONG—Yes, is that the assertion?

Mr Whelan—Yes, it is.

Senator WONG—Can you explain to me then why, in the 2005-06 PBS, the note there said—I am trying to compare them—said it was 'a result of cyclical revaluation in 2007-08'? I am just trying to work out how you get \$200 million more in the value of your land and buildings.

Mr Whelan—You periodically revalue them. The major reason the value has gone up is that the cost of replacing buildings has gone up massively. The rate of inflation for

construction costs in Australia over the last four years has probably been close to nine or 10 per cent. That has resulted in a massive increase in the value of the property holdings of CSIRO. That is that primary driver, Senator.

Senator WONG—Between the estimated actual for 2005-06 in last year's PBS and the estimated actual for 2005-06 in this year's PBS, there is a difference of \$200 million. Are you suggesting that your property has risen in value by \$200 million in the year?

Mr Whelan—Yes, Senator, and the reason is that they were not being revalued annually, so you have the effect of a number of years' increase in value being brought to account at one time, which is what we were discussing last time we were here.

Senator WONG—Yes. What you have projected is about a \$100 million increase in value over the next three years.

Mr Whelan—The primary driver for that is increasing capital stock. We are not forecasting, in the PBS, further growth in the existing estate.

Senator WONG—So when is the next revaluation? If you say the \$200 million is the result of a revaluation of current property—

Mr Whelan—The valuations are undertaken every three years, Senator, by the Australian Valuation Office. They are independent valuations.

Senator WONG—Okay. I assume then that 2009-10 is when we will see the next jump?

Mr Whelan—Yes.

Senator WONG—Okay. Did you give me, or did I ask for, a figure for your projected revenue from the Woodville sale?

Mr Whelan—I do not know that you asked me that.

Senator WONG—I am asking it!

Mr Whelan—Okay. Approximately \$4 million.

Senator WONG—And when is that intended to—

Mr Whelan—I do not have details of that.

Senator WONG—These should all appear in revenue gains on page 286. As you said, what you have budgeted for is \$5 million over the forward estimate period each year. The figures that you have provided me with today indicate \$65 million for the three Queensland sites—which I assume will at least occur during the forward estimate period—plus \$4 million for the Woodville site, which I also assume, and please tell me if I am wrong, will also occur in the forward estimate period. So how do you explain the discrepancy between the evidence you are giving about projected income from asset sales and what is in the PBS?

Mr Whelan—I cannot, from the details in front of me. I am happy to take that on notice.

Senator WONG—Can you tell me why, at page 286 of the PBS where it says 'revenue from sale of assets', you have chosen to put \$5 million for every year?

Mr Whelan—As I said to you, Senator, I cannot answer that at the moment. I am happy to take that on notice.

Senator WONG—Okay.

Mr Whelan—I do not know the answer to your question, Senator; I am happy to take it on notice.

Senator WONG—Yes, I heard you answer; I am just trying to work out whether to ask something else around that. I would like to clarify what you are taking on notice, then: in light of the evidence you have given about the proceeds from asset sales, why is that revenue not reflected in page 286 of the PBS—

Mr Whelan—Yes, I understand your question.

Senator WONG—and what is the basis of the identical amount of \$5 million being projected over every year of the forward estimates; and what effect does that have on the accuracy of the financial statements. Are you aware of anywhere else in the financial statements where this projected revenue would appear?

Mr Whelan—It could be appearing in goods and services revenue, depending on the assumptions we have made. That is why I would like to check it.

Senator WONG—All right. Are you able to do that today, or is that a lengthier process?

Mr Whelan—I think it might take me a bit longer than that, Senator.

Senator WONG—What would be the reason for the accounting treatment of revenue from asset sales not appearing under revenue from sales of assets but under revenue from goods and services?

Mr Whelan—As I have said, I do not know the answer to that. I am happy to take it on notice. I literally do not know the answer to the question you are asking.

Senator STEPHENS—I understand from the note that you said that there was a result of a cyclical re-evaluation in 2007-08. Are you now saying that re-evaluations occur every three years? Did you bring forward the re-evaluation for 2007-08?

Mr Whelan—No, we re-evaluated at the end of 2004-05. So, at 30 June 2005, we brought those to account, those values were carried into this year and they will be carried into subsequent years.

Senator WONG—How many jobs are forecast to be lost as a result of the closure of Woodville?

Dr Garrett—We have currently offered 28 staff redeployment at the Clayton site. They are science and technical staff. They have until August to respond as to whether they wish to relocate or whether they wish to take a retrenchment package. There are a further six staff involved in support services. We are currently, as we said earlier on, involved in the research support services review, under which umbrella they will be considered. There are approximately 35 staff involved but, as I indicated, 28 staff have been offered relocation.

Senator WONG—So they are currently considering that. So, at minimum, it is eight jobs, subject to the decisions people make in relation to the offer of relocation. Is that accurate?

Dr Garrett—I am just checking your number. That is essentially correct, yes. No offers to the administrative staff will be made until the RSS process is commenced in July.

Senator WONG—Are the eight staff who have not been offered relocation all administrative staff?

Dr Garrett—I am not sure whether it is six or eight. I do not have that data.

Senator WONG—You do not have that data?

Dr Garrett—It is either six or eight but I know that they have not been offered jobs elsewhere.

Senator WONG—Perhaps you can confirm that on notice. Are the staff who have not been offered relocation all administrative staff and not scientific staff?

Dr Garrett—That is correct at this time.

Senator WONG—At this time. What does that mean?

Dr Garrett—That means that depending on the RSS review, some opportunities may emerge.

Senator WONG—Of the 28 staff, how many have been offered relocation to Clayton?

Dr Garrett—As I indicated, it is 28.

Senator WONG—All of them?

Dr Garrett—That is my understanding.

Senator WONG—What about postdoctoral fellows? Will they be able to continue their projects or fellowships post the closure?

Dr Garrett—Yes. We have concluded an arrangement with the university in that regard, as I understand it. The support staff number was eight.

Senator WONG—Yes, 28 and 36 are the two figures, aren't they? We talked about the asset sale. Is there research equipment that will also be sold?

Mr Whelan—I think we will probably sell some but we will also transfer some to Clayton.

Senator WONG—And you have not worked that out?

Mr Whelan—No. We are talking about the level of detail of what we should move across at the moment.

Senator WONG—Is the \$4 million a reflection of the property value or property plus—

Mr Whelan—It is the property.

Senator WONG—On page 27 of the PBS, I am exploring the difference in the cash line item in financial assets in table 5.2 between the 2006-07 and 2005-06 PBS, Mr Whelan. The 2005-06 PBS had, presumably, your cash reserves—is that correct?

Mr Whelan—It is cash in the bank.

Senator WONG—It had them as \$183 million. The 2006-07 has it as \$139 million, which is a difference of \$43 million. Is that cash that has been dipped into or used by CSIRO?

Mr Whelan—Not specifically. Cash moves as a function of accrued revenue and payments in advance. We do not dip into cash; the net assets of the organisation are drawn upon if the

organisation needs them. Cash is one part of it, but we also have receivables and other investments that fund the organisation as our working capital.

Senator WONG—I do not understand very much of what you just answered, so perhaps I will go through this very simply. There is a substantial difference between your cash reserves in the two PBSs—\$43 million less in the 2006-07 PBS than in 2005-06, just under \$15 million in 2006-07, just under \$24 million in 2007-08 and about \$11.5 million in 2008-09. There is a substantially lower level of cash reserve identified in the 2006-07 PBS than there was in 2005-06. Where is that cash going? What is it being used for? Why is the decision being made to utilise it?

Mr Whelan—There is no specific decision being made to utilise cash.

Senator WONG—Was it to fund the deficit?

Mr Whelan—No. As you know from the forward estimates, there are not planned deficits going forward, so there is no—

Senator WONG—You did not plan one last year but you had one.

Mr Whelan—That is true, but we are talking about the forward estimates and the forward estimates talk about a break-even outcome. The cash figures here are correlated with that. You have picked one line; there are a whole range of movements within the balance sheet that are not necessarily the result of the P&L performance of the organisation. They have to do with the timing of cash flows; they are not correlated, necessarily, with the operating result.

Senator WONG—Can anybody tell me why there is \$43 million plus \$14 million plus \$23 million plus \$11 million difference between one year's financial statements and another's in terms of the amount of cash the organisation holds? Can anybody explain to me why that is and what that cash is intended to be expended on, given that it is only 12 months since different figures were presented to the parliament in the 2005-06 PBS?

Mr Whelan—One of the reasons is that we expect to have more receivables at the end of each period. These are estimates at the end of each period—at 30 June each year. We expect to have more debtors at the end of each of those years. That is the major reason why the cash is different, but they are both current assets.

Senator WONG—If that is the case, then the difference I am talking about should be taken into account via an increase in the line item receivables, shouldn't it?

Mr Whelan—Yes.

Senator WONG—But it is not.

Mr Whelan—There have been some increases in those in the out years.

Senator WONG—There have, but you are not suggesting, are you—maybe I am wrong; if I am, please let me know—that the receivables difference between the two PBSs is \$43 million for 2005-06, \$15 million for 2006-07, \$24 million for 2007-08 and \$11.5 million for 2008-09?

Mr Whelan—I am sorry; I was taking some advice and I did not hear your question.

Senator WONG—Is the reduction in the cash reserves which is outlined over the forward estimate period between last year's PBS and this year's PBS made up for by an increase in the receivables line item?

Mr Whelan—No, it is not. The total movement in net current financial assets, if we take 2008-09 as an example, is approximately \$6 million between the two. There has been a reduction in net current financial assets of \$6 million over a period of four years.

Senator WONG—Mr Whelan, Mr Garrett or someone, I just want to know why you had \$43 million more in last year's PBS—the 2005-06 financial year—than you do in this year's.

Mr Whelan—Are you asking for the reason we had more cash last year?

Senator WONG—Why you said you had \$43 million more cash than you do now.

Mr Whelan—The main reason why that was so was that at that time we made certain assumptions about the level of capital spend we would have this year. We have spent more on capital this year than we originally intended. That is a draw on cash. That would probably be the major factor for the movement between the two periods.

Senator WONG—What was the difference between your projected capital expenditure and the actual capital expenditure?

Mr Whelan—That is not the reason. There has been an increase between the two, but it is not significant enough to drive the whole shift in the cash figure. I will take that on notice and provide you with a reconciliation.

Senator WONG—Of where the \$43 million has gone.

Mr Whelan—The \$43 million has not gone anywhere.

Senator WONG—It has in terms of the statements you presented to the parliament. It has in terms of the financial statements that we have been presented with. Do you want to take that on notice?

Mr Whelan—I have indicated that we will take that on notice.

Senator WONG—Again at table 5.2, I want to compare 2005-06 and 2006-07 PBS estimates, actuals and forward estimates in relation to infrastructure, plant and equipment. Again there is a reduction over the forward estimates period between the two financial statements for the 2005-06 year of \$16 million, for 2006-07 of \$33 million, for 2007-08 of \$40 million and for 2008-09 of \$45½ million dollars. Do I infer from this that there is a reduction in expenditure on plant and equipment or is there some other reason for the reduction?

Mr Whelan—At face value, there may have been some movement between those assets classified as land and buildings and those classified as infrastructure, plant and equipment, but I would have to take that on notice.

Senator WONG—That would be good, because you have resiled from the two reasons that you gave me for not being able to identify where the \$43 million difference in cash went. I accept that these are complicated issues, but you have not been able to indicate that. For this one, you cannot indicate why there is a difference here either at this point.

Mr Whelan—No.

Senator WONG—Over the forward estimates, could you explain that. Has there been a freeze or a slowdown or any direction as to the purchase of plant and equipment, Dr Garrett, for financial reasons?

Dr Garrett—Plant and equipment in the current financial year?

Senator WONG—In CSIRO, yes. I am trying to work out why it is that you have quite large numbers, I have to say, up to \$45 million—and Mr Whelan is going to get back to us as to why—in the out year in the difference in your plant and equipment asset line than you told us you would have last year at the same time. Does that reflect a suggestion that you were actually going to sell property, sell plant and equipment or purchase less?

Dr Garrett—Mike can continue with this line.

Mr Whelan—We are forecasting reduced levels of capital expenditure over the period of the forward estimates. You can see that if you compare pages 291 in the current estimates with 271 in the previous estimates.

Senator WONG—Why has there been a decision to reduce expenditure on plant and equipment?

Mr Whelan—It is on capital more generally. The reason is that we are trying to drive the return on our assets harder than we have been at the moment. What we are looking to do is to get more value out of the existing infrastructure that we have. We have been quite careful about where we invest new money in terms of capital infrastructure for the organisation.

Senator WONG—As I said, you are projecting over the period, between what you told us last year and what you told us this year, a reduction of over \$100 million in cumulative terms.

Mr Whelan—That is correct.

Senator WONG—That is a quite a significant drop in the asset line. Is that because of the organisation's financial position? Are you simply not in a financial position to spend the amount on plant and equipment that you previously indicated that you would be able to?

Mr Whelan—I can get some comparative figures for you, but I am pretty certain that the figures that we have in the forward estimates are in fact increases on what we have spent previously. They happen to be lower than what we were previously estimating. I think the amount of capital we spent in 2004-05 was of the order of \$78 million. This year we expect to spend about \$99 million or thereabouts. In the out years we are averaging around \$90 million. That is about \$10 million down on previous years but substantially above the 2004-05 figure.

Senator WONG—And you will get back to me as to why we are, as I said, \$100 million down in plant and equipment over the forward estimates from where you told us you would be last year. Can I go back to the cash for one point? Do you agree that the actual cash reserves of the organisation are in fact \$43 million lower for the current financial year than you told the parliament they would be at the previous estimates round?

Mr Whelan—Yes.

Senator WONG—And you would agree that you are forecasting \$15 million less in cash reserves for the 2006-07 financial year than you told us you would in February?

Mr Whelan—No, not in February. These are figures from the original estimates.

Senator WONG—Did you amend these?

Mr Whelan—As I indicated to you earlier in the hearing, we did provide revised estimates as part of the additional estimates process; they just were not included in the published additional estimates.

Senator WONG—That is right; you say that DOFA did not put them in. Sorry, I am paraphrasing what you said. I think you said it was not your decision. So there is \$24 million less in cash reserve for 2007-08 than in the 2005-06 PBS?

Mr Whelan—That is correct.

Senator WONG—And \$11½ million.

Mr Whelan—Correct.

Senator WONG—Do you borrow money?

Mr Whelan—Not as a general rule.

Senator WONG—Do you have any debt financing?

Mr Whelan—We do not have lines of credit per se. There are some leasing arrangements that are not dissimilar to that in nature, but we do not as a general rule borrow money. Notwithstanding the questions you have just asked me, the total current assets of the organisation will increase substantially over the period of the forward estimates. There is no prima facie reason why the organisation would need to think about borrowing funds.

Senator WONG—Just going back to the issue of the revision of estimates that was not provided, did you give me those at the time in the February estimates—that is, the revised estimates for the cash reserves?

Mr Whelan—No.

Senator WONG—Do they differ from those that now appear in the 2006-07 PBS?

Mr Whelan—They would.

Senator WONG—Are you able to provide us, on notice, what your revised financial statements were insofar as they did not appear at the additional estimates?

Mr Whelan—Yes.

Senator WONG—Thank you. So you are saying that you do not have any current debt level.

Mr Whelan—We have some liabilities on our balance sheet for leases, as I have indicated. They are of the order of \$80 million in any particular financial year.

Senator WONG—How is a lease treated? Is the total value of the lease accounted for as a liability over the period of the lease for that financial year?

Mr Whelan—At the end of the year we bring to account the amount that is outstanding in total.

Senator WONG—Just going back to cash, on page 289 of the 2006-07 PBS, you have here that cash years repayment of debt is \$1.9 million for each of the financial years. What debt does that relate to?

Mr Whelan—Sorry, Senator, we are just clarifying the type of assets it might have been associated with. For some scientific equipment we have purchased on a finance lease, that will be the capital repayment associated with the finance lease. The interest component will be recorded under supplier expenses.

Senator WONG—To be frank, you gave your answer hypothetically that that would be. Is this interest-free payments on a finance lease or leases, or is it something else, or is it partly made up of that and partly something else?

Mr Whelan—It would be capital costs associated with the finance lease.

Senator WONG—What is the capital cost—interest payments?

Mr Whelan—No, the capital would be the capital component of the payment—so there would be a capital component and an interest component. This would be the capital component.

Senator WONG—So this is only the capital component. What is your total capital component of debt financing, then?

Mr Whelan—I do not have that level of detail, Senator. I can get that for you.

Senator WONG—Okay. You said you did not borrow but you have—

Mr Whelan—As a general rule.

Senator WONG—Okay, but you have \$1.9 million per year over the forward estimates periods on capital repayments.

Mr Whelan—That is correct.

Senator WONG—Are you able to give me an indication of what that relates to?

Mr Whelan—It most likely relates to the financing of some scientific equipment. I can get the details for you.

Senator WONG—Yes, if you can get the details. What was the sort of debt financing arrangement you described for such purchases?

Mr Whelan—It would be a finance lease.

Senator WONG—What is your total exposure in terms of those sorts of liabilities?

Mr Whelan—I am happy to take that on notice, Senator, but it would be minimal in the overall liabilities of the organisation.

Senator WONG—About two-thirds of the way down on page 289: 'Net cash from or used by investing activities' which is all in brackets, so I assume that means deficits?

Mr Whelan—That is correct, Senator.

Senator WONG—Tell me why that is all in brackets and what that means.

Mr Whelan—It means that the difference in cash outlays from investment activities is greater than the amount coming in from investing activities.

Senator WONG—So it is a function of cash flow.

Mr Whelan—It is a function of cash flow, and it is in part because a lot of income that we bring into the organisation at a point in time is not necessarily monetised—it is held in the form of an equity holding or a royalty stream associated with a patent, and it would be monetised at a different point in time.

Senator WONG—Because, on that figure you have a \$94 million cash deficit in terms of the difference between the inflow and outflow for 2005-06.

Mr Whelan—The net figure for 2005-06, if you come to the bottom of the page, in fact is the difference in cash between two periods of \$19 million. We had cash at the beginning of the period of \$158 million and we have cash at the end of the period of \$136 million—so it is \$19 million.

Senator WONG—Net cash is the inflow/outflow, so that is a function of how much money is coming in and how much is going out, and \$94 million more is going out in 2005-06 than is coming in. Do we agree on that? Can we just take this sequentially. I understand you have a view but I just want to clarify exactly what that line item means.

Mr Whelan—Senator, could you ask the question again?

Senator WONG—The \$94 million deficit that appears on page 289.

Mr Whelan—No, there is no \$94 million deficit, Senator.

Senator WONG—What is the figure that says \$94 million in brackets?

Mr Whelan—It says that that is the net cash flow from investing activities. It is offset by a \$76 million surplus from operating activities which is also drawn upon by \$1.9 million in cash payments for debt. It gives you a net movement of approximately \$19 million in cash.

Senator WONG—On the investment activity side, there is \$94 million more going out than coming in.

Mr Whelan—That is correct. The reason for that is those investing activities are associated with capital outlays and, as a general rule, they are not a function of generating revenue. The revenue we generate from our operations is recorded under our operating activities.

Senator WONG—And then from your operating activities you generate a net surplus of \$76 million.

Mr Whelan—That is correct.

Senator WONG—So this is why you have the net decrease in cash of \$20 million, correct?

Mr Whelan—Yes, Senator.

Senator WONG—How are we going to have this turnaround? What you have budgeted for is an over \$50 million turnaround in your net increase in cash held from 2005-06 to 2006-07.

Mr Whelan—There are two reasons: we expect the net cash flows from our operating activities to increase by \$20 million next year and we expect our net cash outflows from investing activities to fall by \$30 million next year.

Senator WONG—I have to say that there have been a number of estimates now where CSIRO financial statements, projected income, projected revenue from external sources and a whole range of other targets have been what one might call optimistic. I think Dr Garrett now uses the term ‘aspirational’ for the strategic plan objectives. You are telling us that you think you can turn around your cash position of \$50 million in 12 months. How realistic is that?

Mr Whelan—It is a by-product of the financial statements we have prepared for next year.

Senator WONG—Financial statements are financial statements. You actually have to generate the revenue.

Mr Whelan—Yes, we do and we are forecasting a modest increase in total external revenue next year. We are forecasting slightly fewer outlays on capital equipment and we are expecting some improvement in the cash flow to the organisation.

Senator WONG—Dr Garrett, given, frankly, the evidence before the committee over a number of estimates rounds where CSIRO has failed to meet a number of revenue targets, do you have confidence that the revenue targets which are set out in this, and the alteration in your cash position from a minus \$20 million to a positive \$32 million in a 12-month period is realistic and achievable?

Dr Garrett—I think we have stated quite clearly what our position is, and we have indicated to you that we will respond on the detail. I have also given you the historical track record of the organisation—that is it.

Senator WONG—Is that a yes?

Dr Garrett—Yes, we have confidence in our current financial performance.

Senator WONG—Do you think that the revenue projections and the cash flow position that are in the PBS are realistic and achievable?

Dr Garrett—The answer is yes. That is why we put them there, and I have confidence in the colleagues who have developed these details. We will explain to you in due course the calculations that you are looking for.

Senator WONG—Mr Whelan, when are you likely to be able to come back on the various things you have taken on notice? Is that possible later today or not?

Mr Whelan—I think it is unlikely. As I have indicated, I will get them done as soon as we can.

Senator WONG—The \$50 million turnaround in cash flow—as you said, you are projecting an increase in income as it were but you are also projecting a reduction in your operating activities of \$16 million. Is it, for the—

Mr Whelan—No, not the operating activities. I think you might be referring to investing activities.

Senator WONG—Sorry, investing activities. What are you no longer going to invest in?

Mr Whelan—We expect to spend less on the purchase of property, plant and equipment next year in cash terms than we did this year.

Senator WONG—Or less over the next three years.

Mr Whelan—No. It jumps back up in the out years, so next year it drops from \$84 million to \$55 million and it goes back up to \$84 million. So we expect to spend less on capital next year than we originally did and than we did last year.

Senator WONG—You are projecting a very dramatic reduction in purchase of property, plant and equipment, aren't you? It is about \$30 million out of \$84 million, so it is over a third.

Mr Whelan—The major reason for that is that we are not in a peak of the construction of buildings at the moment. We expect that peak to come later in the forward estimates.

Senator WONG—Is it because you also need to turn around your cash position?

Mr Whelan—We actively manage our cash to maximise the amount of interest we can generate from it but, as a general rule, we are not seeking to build up our cash holdings. We are seeking to make sure that our assets are as productive as possible. This is not a result of trying to change the cash figure.

Senator WONG—What about the cash and operating activities? What is the change projected there?

Mr Whelan—The change is approximately \$23 million. Of that, \$15 million is associated with increased revenue from the government in appropriations.

Senator WONG—\$23 million—

Mr Whelan—is the difference between \$76.969 million and \$99.765 million. You will see if you go up to the cash received line appropriations there is a \$15 million increase in that over the two years, so it is the single largest component.

Senator WONG—The cash used between 2005-06 and 2006-07 is a reduction.

Mr Whelan—Yes. We expect to have lower costs associated with supplier costs next year. In part that is bringing to account the effect of the procurement arrangements we have put in place over recent years. We have moved to put in place a number of national contracts, reducing the costs associated with procuring services.

Senator WONG—You mentioned earlier, Dr Garrett, in answer to another question, your public comment policy. I remember we had a long discussion about that last time.

Dr Garrett—We did.

Senator WONG—What is the status of that?

Dr Garrett—As I indicated earlier on, the process that I initiated, in discussion with my colleagues, was a review across the organisation, which I set in train at the end of February with a senior group of individuals, to discuss with staff on many sites their concerns around perceptions and difficulties in public comment.

Senator WONG—Dr Garrett, if you want to put that on the public record you can; I actually just want to know where it is at. Has the board endorsed a policy? Is there a policy—

Dr Garrett—The reason I am stating it is because I gave you the answer to that earlier on. I basically said the report has just been submitted to me. We will be discussing it with the executive team and the board on 20 June, and thereafter we will be considering the recommendations of that group around amendments to our public comment policy, and communicating appropriately.

Senator WONG—Does the report recommend better media training for scientists?

Dr Garrett—That is certainly one of the options that have been considered. As I indicated, that report has just arrived and I need to digest it and take it to the board on 20 June.

Senator STEPHENS—I was looking at something as we were following that discussion about the cash flows. Can you explain to us what the purchase or replacement of intangibles is? It looks to me like \$14.6 million this year. What are intangibles?

Mr Whelan—Typically that is software development. The costs there are associated with the implementation of a SAP enterprise system across CSIRO.

Senator STEPHENS—Thank you.

Senator WONG—Are you intending to release the report to which you just referred to, Dr Garrett?

Dr Garrett—I indicated when I set up the terms of reference that I would make a summary of the report publicly available, yes.

Senator WONG—Only a summary?

Dr Garrett—That is correct.

Senator WONG—You do not want to release the whole report?

Dr Garrett—I indicated that I would provide the essence of the report, as approved by the board.

Senator WONG—The summary is a different thing to the report itself.

Dr Garrett—Yes, it is.

Senator WONG—Are you prepared to provide the report to the estimates committee?

Dr Garrett—I will have to consider that. I indicated—and I will agree to—what I previously committed to.

Senator WONG—I am sorry?

Dr Garrett—I will do what I previously committed to, which is making publicly available a summary of the report.

Senator WONG—Yes. I understand that is what you committed to do through estimates. I am asking you to provide us with a copy of the report.

Dr Garrett—The answer to that is that I am going to consider your suggestion. This is an internal document that I have just received, and typically internal documents are internal documents, in many agencies.

Senator WONG—Who prepared the report?

Dr Garrett—This was prepared by a number of senior colleagues appointed by myself and led by Dr Tony Haymet—a group of scientists and senior leaders across the organisation.

Senator WONG—Were any consultants or external parties contracted to assist in the preparation of the report?

Dr Garrett—No.

Senator WONG—I assume what you are actually doing is taking on notice my question about the production of the report.

Dr Garrett—Yes, Senator.

Senator WONG—Mr Whelan, you were telling me about the fact that you were going to spend less on supplier expenses. Is that the correct term?

Mr Whelan—That is the cash effect we were discussing previously, the accrued effect—

Senator WONG—I had not asked the question—if I could, it might help.

Mr Whelan—Sorry.

Senator WONG—The difference between your supplier expenditure between the 2005-06 and 2006-07 PBS is \$36 million for the forthcoming financial year; \$45 million for the subsequent; and \$41 million for 2008-09, which is a total difference of \$123 million. Are you going to pay less, buy less? How is the \$120 million reduction in expenditure going to be achieved?

Mr Whelan—Are you referring to the cash flow figures on page 289 or are you referring to the figures on 286?

Senator WONG—I was comparing 286 of 2006-07 and 273 of 2005-06.

Mr Whelan—The main reason for that is, as we discussed earlier, that with less revenue coming into the organisation we expect to spend less. That is the major factor there. The secondary factor, which I alluded to in my answer earlier, was that we have also made reductions in the price we are paying for goods and services generally and those two factors coming together means we will spend less than we had originally forecast. But in overall terms, our expenditure on suppliers is going up broadly in line with inflation and slightly less as our national procurement contracts kick in.

Senator WONG—Is it also a reduction in volume?

Mr Whelan—Not as a general rule, although when you put national procurement contracts in place and the mechanisms that go with that, you start to get more control about the actual volume of purchases but the primary driver has been rate.

Senator WONG—Congratulations to you if you can do it simply by managing your procurement better, but in the 12-month period what you are turning around over the next three years is \$123 million.

Mr Whelan—I am not going to suggest to you and nor should you conclude that that is a function of procurement contracts.

Senator WONG—If it were, I am sure DOFA would want to get your advice, Mr Whelan.

Mr Whelan—I am sure they would. The difference here is between two estimate variances as opposed to what we expect the year on year changes to be. The major driver for the difference between the two periods is we revised down the level of external revenue and, if we are not bringing the revenue in, we are not going to spend the money. That is the major driver for the reduction in the supplier cost. A secondary factor is the implementation of national procurement contracts.

Senator WONG—I would like to know if you are buying less.

Mr Whelan—The data in the estimates is that we expect to buy slightly less in total dollar value next year than we did this year.

Senator WONG—I am not asking dollar expenditure; I am asking volume. I do not know if you are the best person. There might be someone else. What I am trying to work out is: you are saving \$120 million over—

Mr Whelan—No.

Senator WONG—Let me finish. There is a \$120 million difference between what you indicated to the parliament last year you would be spending on suppliers and what you are now indicating to the parliament you will spending. I am asking: is that, in fact, CSIRO making a decision to spend less because of its financial position?

Mr Whelan—No. It is a function of having less revenue in the organisation therefore we will spend less. That is the reason. It is not because we have decided to cut the volume of any particular item we need.

Senator WONG—Suppliers appears both in expense at 286 in table 5.1 departmental income statement and also the statement of cash flows in 5.3 at page 289. There is a quite a difference in terms of the actual amount. Can you just explain that to me—\$316 million and 287, and 293 and 286?

Mr Whelan—That is to do with movements in the value of accrued expenditure or a credit as we might have at any point in time. It means that we expect to lay out more cash this year as we are paying bills that were due at the end of last year, but we expect at the end of this year to actually have fewer accrued bills than we did at the same time last year. Overall, more cash has gone out this period but the total value of the expense in the period is less.

Senator WONG—Can you also explain why table 5.3 shows your estimated actual expenditure on suppliers as \$316 million but \$287 million for 2006-07? That is a reduction of \$29 million.

Mr Whelan—Yes. That is the same factor I just talked about. Let me take you back to page 286. If you look at the value of supplier payments in accrued terms for next year, it is \$286 million. The value of cash payments is \$287 million. That reflects that we expect to have approximately the same value of creditors at the end of both periods, so therefore the accrued expenditure matches the cash expenditure. In the year that we are in, we are saying that there has been a movement in the value of those. We have fewer creditors at the end of this year than we had at the end of last year, so we have caught up on payments and spent more in cash, but it does not necessarily flow through into the P&L.

Senator WONG—Does the reduction in procurement expenditure relate to scientific services, research services or equipment?

Mr Whelan—As a general rule, we have started with what we call the low-hanging fruit. We have tackled things like telecommunications costs, desktop services, personal computers, software costs, stationery and travel costs. As a general rule, it does not apply to specialised scientific equipment. There is limited ability to bring our purchasing power to bear. We might buy only one or two specialised items a year, so it is not a function of scientific equipment. It is a general function of laboratory supplies—glassware, chemicals and the like—not specialised scientific equipment.

Senator WONG—Do you have disaggregated categories for the suppliers line item?

Mr Whelan—Yes.

Senator WONG—Maybe on notice you could provide them. I would like to look at those categories for your 2005-06 projected expenditure and your 2006-07.

Mr Whelan—That information will become available in detail when we finalise our operational plan and budget with the board in June, so I expect to have that in our operational plan some time in July.

Senator WONG—Can you take that on notice?

Mr Whelan—Will do.

Senator WONG—I cannot recall the due date for answers to questions on notice.

CHAIR—28 July.

Senator WONG—There you go; you can do it after you have done all that, Mr Whelan. Is CSIRO currently conducting research on geosequestration?

Dr Garrett—Yes. As part of our energy activities in the energy flagship, we are engaged in a number of programs that relate to this area.

Senator WONG—How many projects are there?

Dr Garrett—I do not know exactly. I will ask my colleague Dr Morton to join us, if he has that detail, but I am not sure that he does. Dr Morton is the head of the sustainable energy and environment group of divisions. We do not know the exact number of projects. We can take that on notice and provide you with that information.

Senator WONG—How many of the projects are near conclusion? How advanced are they?

Dr Garrett—In the portfolio of research projects, some are at early stages and some are maturing. Again, I could give you an indication of that appropriately; we do not have that level of detail with us.

Senator WONG—Do you have any research already completed or preliminary findings in relation to any of the projects.

Dr Garrett—I do not know the answer to that.

Senator WONG—If so, do you propose to release them?

Dr Garrett—I do not know the communications strategies around those programs. That is a level of detail for the responsible managers.

Senator WONG—Who are the responsible managers?

Dr Garrett—The responsible managers would be the chief of the division of energy technology, David Brockway, and the flagship director, Dr John Wright.

Senator WONG—Are any of those persons here?

Dr Garrett—I could ask them. They are not here, no.

Senator WONG—I am interested in whether you have research findings and, if so, what your views are about releasing them.

Dr Garrett—Obviously, our job is to develop science and publish that appropriately, so it will be a part of those programs.

Senator WONG—I want to go back to supplier procurement issues. Does it mean that you are going to be spending less on the sorts of things scientists use—beakers, burners and laboratory equipment?

Mr Whelan—We hope to buy labware cheaper than we do now, yes.

Senator WONG—And buy less labware?

Mr Whelan—No, that is not the driver. The driver is to get the unit cost down. We need to supply the labware that the scientists need.

Senator WONG—So, if I ask you next time you come, will you say you have bought less or more or the same amount of labware as you would have at the same time this year?

Mr Whelan—I would expect, all things being equal, that the amount of labware we buy would be driven by the science. What I would expect is that the unit cost we pay for it will be going down over time.

Senator WONG—Is Dr Morton able to answer questions about geosequestration?

Dr Garrett—We do not have that detail. He is the group executive; he would not have the detail of the projects. As I indicated, we will get that information for you.

Senator WONG—I am actually not going to go into a lot of detail; I just want to know the status of it. Are we a long way off?

Dr Garrett—He is coming to the table. Would you like to repeat your question, Senator?

Senator WONG—Yes. Dr Morton, I appreciate that you are not the project manager as it were, or whatever the term is. On your website previously, there has been some indication of a couple of projects on geosequestration. I am just interested in knowing where they are at.

Dr Morton—Certainly. That is correct; we are working in this field, particularly with the carbon dioxide CRC. The details of the projects that we are engaged in, the time frames in which they are due to be completed and the communications strategy—I am more than happy to get back to you with detailed information, because I do not have it at my fingertips.

Senator WONG—Okay. In your position—you are head of the group, aren't you?

Dr Morton—I am the group executive responsible for the division and the flagship programs involved, yes.

Senator WONG—As group executive, have you been provided with research documentation in relation to either of these or both of these projects?

Dr Morton—I have certainly discussed them at great length with both of the responsible managers, yes.

Senator WONG—And are there some research findings that have already been completed?

Dr Morton—That is what I want to make sure I reply reliably on, by seeking the information from those two people.

Senator WONG—Would it be normal at some point for such findings to be released?

Dr Morton—Of course, yes.

Senator WONG—Do you see any reason why that would not be the case?

Dr Morton—No. The reason for emphasising the communication strategy is that all of this work is inevitably done with partners, through CRCs and other arrangements, so talking about the results requires consultation with those people with whom we have been working.

Senator WONG—Thank you. That is all from me.

CHAIR—Senator Stephens?

Senator STEPHENS—I have no more questions about the geosequestration, but I did want to move onto the issue of the Chief Scientist.

CHAIR—Right. We will probably have time for one more question before lunch, as it is nearly 12.30. So, if that is a series of questions, you may want to leave it till after lunch.

Senator STEPHENS—I am happy to do that. There was one question I wanted to ask about Ms Staunton. Does she still have responsibility for the CSIRO website?

Dr Garrett—Yes, Senator.

Senator STEPHENS—Thank you.

CHAIR—In that case, we will break for lunch now and reconvene at 1.30 pm.

Proceedings suspended from 12.28 pm to 1.32 pm

CHAIR—The committee is reconvened.

Mr Whelan—May I say something before we begin questions. Senator Wong asked me a question during this morning's hearing about explaining the difference between cash figures for 2005-06 and 2006-07, and I undertook to get an answer to that. I have an answer to that, which I would like to provide to the committee. Is that possible?

CHAIR—That is fine.

Mr Whelan—Senator Wong made the observation that in CSIRO's original 2005-06 portfolio budget statements we had forecast cash at the end of 2005-06 of \$183 million and in the revised estimates for 2005-06 that number was \$139 million, a difference of \$43 million.

That is correct. The difference between those figures is due to a range of factors. I would like to go through what they are. First of those is that we have increased capital outlays over that originally forecast by \$3.2 million. There has been an increase in the amount receivable by the organisation—that is people who owe us money—of \$3 million. There has been an offsetting increase in creditors, which actually provides more cash to the organisation of \$4 million. There has been an increase in other investments, which has an impact of \$4.8 million. There has been an increase of \$7.5 million associated with the increased deficit being run by the organisation. That is the cash component of that. There is \$10 million, which is the effect of the timing of property settlements associated with the Lindfield property. The final component, \$14 million, is associated with cash outlays associated with the creation of the intangible asset Senator Stephens was asking about, the SAP development. The reason that is different from the original estimate is that the business case to proceed with that had not been approved by the Minister for Finance and Administration prior to the finalisation of estimates. Once approved, we brought the cash effect to account. To save the senators adding all that up, in net terms that is \$38 million of the \$43 million difference. I will undertake to provide more detail in writing, but that is the basis for the difference between the two figures.

CHAIR—Thank you.

Senator STEPHENS—Thank you very much, Mr Whelan, for that information. It is very helpful for us. I said were going to move on to the chief scientist, the appointment of the chief scientist and how that is all working. Can you outline for us please, Dr Garrett, what Dr Peacock's role is at CSIRO?

Dr Garrett—As I mentioned briefly previously, his role is chairman of the science team in my office, which continues on a role in science leadership that he has been playing since his retirement as chief of Plant Industry—and admirably—with the whole objective of bolstering science in the organisation continually. As chair of this team, he is responsible for providing scientific advice to me, especially in the emerging science area, building and fostering science leaders, stimulating our PhD and postgraduate programs, encouraging science conferences and seminars across the organisation and CSIRO's role in science education and outreach. That is the extent of his role. As I indicated, he is not a member of the CSIRO executive. He is not involved in setting CSIRO research priorities or funding decisions or in the negotiation of triennium funding agreements. Those are the tasks of the CSIRO executive.

Senator STEPHENS—Is he reviewing the CSIRO public comment policy?

Dr Garrett—He was part of the task team that I established to work with staff to get feedback around the existing public comment policy and to make recommendations for potential amendments to that policy.

Senator STEPHENS—How many days a week does Dr Peacock work at the CSIRO?

Dr Garrett—We have agreed that it will average approximately 25 hours per week. That is the sort of time engaged in CSIRO activities. So it is a part-time assignment.

Senator STEPHENS—How long is his appointment as the chief scientist for?

Dr Garrett—I understand it is for two years. Obviously they are questions you will address to the department.

Senator STEPHENS—In the length of his contract with CSIRO?

Dr Garrett—That is also until the end of the next calendar year, so until the end of 2007, but it is renewable.

Senator STEPHENS—You said this morning that there were some changes in the responsibilities of the senior team. Are you able to provide an up-to-date organisational chart of the CSIRO and the management responsibilities?

Dr Garrett—Of course.

Senator STEPHENS—Thank you very much. I did hear you say that Dr Peacock is not involved in the triennium funding agreement negotiations.

Dr Garrett—Correct.

Senator STEPHENS—Can I ask about the way in which this chief scientist is actually a public servant whereas the previous chief scientist was not a public servant? Has that generated concerns for you in terms of your corporate governance, and would you like to put on the record, if it has, what you have done to deal with that?

Dr Garrett—I do not believe so. I think those are questions properly asked of the department.

Senator STEPHENS—I will ask the department, but I thought you might want to make some comment. That is fine. The final issue that I really wanted to take up is the issue of the energy futures forum. Could I have some information about that?

Dr Sandland—What is the information you are seeking?

Senator STEPHENS—I had a look at the information that is on the web site and I wanted some clarification about the way in which the forum operates, how it was established, the membership and some general information about that.

Dr Sandland—Absolutely. The energy futures forum is an activity of the Energy Transformed Flagship. It was set up to bring together a number of parties from a number of different stakeholder groups to look at future energy scenarios for Australia and to carry out some modelling. That group as a whole puts together the scenarios which are then expertly modelled. So those participants come from across the spectrum, from NGOs through to government and with very significant industry participation as well.

Senator STEPHENS—Can you tell me when it was actually established? That information is not on the information sheet that I have.

Dr Sandland—I cannot tell you that precisely but it has been running for of the order of 18 months and possibly as long as two years.

Senator STEPHENS—On the information brochure it says:

The Energy Futures Forum is a sector wide initiative, running over an 18 month period ...

Is it intended that it will continue beyond its original 18-month period?

Dr Sandland—There are still a number of issues outstanding in terms of some of the scenarios that are being modelled. I am not sure of the exact time at which that is likely to conclude. I am informed that it is another six months from now.

Senator STEPHENS—Does it have a budget?

Dr Sandland—Yes.

Senator STEPHENS—Where do we find the information about that budget?

Dr Sandland—That is under the Energy Transformed Flagship budget.

Senator STEPHENS—The last page of the brochure lists the current participants. There is Alcoa et cetera—quite a long list of participants. Is this a fixed list or do people dip in and out of the forum? How does that participation work?

Dr Sandland—It is basically a fixed list. There had been two withdrawals from the energy futures forum. One of those has since rejoined. But essentially it was a commitment to participate throughout the process.

Senator STEPHENS—Who are the two that withdrew?

Dr Sandland—The World Wildlife Fund originally withdrew from the forum but has now returned as a full member and is happy with progress and the revised work plan. The Australian Conservation Foundation also withdrew. They have not rejoined, but that is not indicating that they have a particular problem. There are a number of issues that have led to that. We are currently undertaking discussions with the World Wildlife Fund to represent the Australian Conservation Foundation, because they have a close association. So we hope we can get the representation and views of the Australian Conservation Foundation into the forum as well.

Senator STEPHENS—Do the companies and organisations pay a fee to join the forum?

Dr Sandland—Yes.

Senator STEPHENS—Can you tell us what that fee was?

Dr Sandland—We are not sure of the exact figures. We can provide that. Obviously we adopted a scale so that community organisations were not disadvantaged vis-a-vis major corporations. We wanted to get the views of all the relative stakeholders in determining a group of scenarios that really needed to be modelled in this critical domain.

Senator STEPHENS—So it has approximately six months to run, and you said that it is modelling key energy scenarios. Do you know how many scenarios they are modelling?

Dr Sandland—There are three core scenarios, with the possibility of variants around those three core scenarios.

Senator SIEWERT—Can you tell us what they are? Are they in that program?

Senator STEPHENS—No, they are not.

Dr Sandland—I do not have that precise level of detail with me at the moment but I can certainly provide that for you.

Senator STEPHENS—Is one of them about cutting greenhouse gas emissions?

Dr Sandland—A great deal of CSIRO's work is focused on methodologies for reducing greenhouse emissions, so we are looking at relevant scenarios for energy futures. Obviously, the reduction of greenhouse emissions is critical from that perspective.

Senator SIEWERT—What about decreasing oil supplies or peak oil?

Dr Sandland—As I said, I do not have the exact details on the scenarios with me at the moment but I can certainly provide you with that information.

Senator STEPHENS—Dr Morton, would you have some more information that might help us?

Mr Morton—I am in the same situation as Dr Sandland. Relying on my memory would not be completely satisfactory. But what Dr Sandland said about at least one of the scenarios, addressing the potential for substantial reductions in greenhouse gas emissions, that is the core of one of those scenarios. Inevitably, the scenarios must take into account the potential decrease in oil supplies.

Senator SIEWERT—Did you say ‘one of the scenarios’?

Mr Morton—It may crop up in several of them. As Dr Sandland said, there are some ancillary scenarios built around the core ones. So it will be in at least one of those. Rather than do it off the cuff, it might be much more reliable to give you the exact information of what comprises the scenarios.

Senator SIEWERT—Could we have that sooner rather than later? I am not trying to be rude, but very often we get answers to questions on notice very late. Particularly for some of the work I am doing on another inquiry, this sort of information would be extremely useful.

Dr Sandland—We will endeavour to get that information to you as quickly as possible and we will put a priority on it. In terms of the process of getting the answers to the committee, there is a process that we go through for that which does have some steps in it that take a little time.

Senator SIEWERT—I appreciate that.

Senator STEPHENS—Dr Morton, you nodded furiously when I asked the question about the greenhouse gas emission reductions.

Mr Morton—Yes.

Senator STEPHENS—Given that the Intergovernmental Panel on Climate Change believes that global emissions need to be cut by at least 60 per cent, can you tell me whether or not one of the scenarios is looking at cutting emissions by that amount?

Mr Morton—One of them has the word ‘deep’ in it. As to the precise quantity, a better way to find out is for us to provide you with the correct amount.

Senator STEPHENS—Is one of the scenarios about Australia adopting nuclear energy?

Mr Morton—The potential for nuclear energy to enter the mix is incorporated in the approach, yes.

Senator STEPHENS—Is the CSIRO a member of the global nuclear energy partnership interdepartmental committee being chaired by PM&C?

Dr Garrett—No, not at this stage.

Senator STEPHENS—Has the CSIRO undertaken any further work on the development of a nuclear industry in Australia?

Dr Garrett—No.

Senator STEPHENS—Did the CSIRO contribute to the ANSTO report *Introducing nuclear power to Australia—an economic comparison*?

Dr Garrett—I do not believe so.

Senator STEPHENS—Can you confirm on notice that that is the case.

Dr Garrett—Sure.

Senator STEPHENS—They are all the questions I have on the Energy Futures Forum. I have one question about CSIRO's involvement in the RQF. Is that something that you have been involved with?

Dr Garrett—Could we just finish off one question, around the nuclear issue. We did obviously put in a submission to the parliamentary inquiry into Australia's non fossil fuel industry in May 2005—and that is on the public record—which had some comments on the development of additional efficiency in the uranium industry. So that is in the broader domain. With respect to the RQF, one of my colleagues, Dr Michael Barber, is a member of the relevant committee, and that is how we engage in that process.

Senator STEPHENS—Thank you. That is all from me.

Senator SIEWERT—I have a range of questions, so I am going to jump around a bit. I might as well start where we have just left off, on the energy core scenarios. Are you using some economic analysis in that as well; and, if you are, who provides that advice?

Dr Morton—Yes, we are, and ABARE is the primary modeller as part of the forum.

Senator SIEWERT—Are you therefore using the advice that they are providing on oil prices?

Dr Morton—I do not know the detail to answer that question.

Senator SIEWERT—If you could provide me with some information on that, that would be extremely useful.

Dr Morton—Okay.

Senator SIEWERT—My questions are: who are you getting your advice from; is it just from ABARE; and have you looked at the advice that ABARE is providing to you, in light of some of the international work that is going on around oil prices and scenarios.

Dr Morton—The first answer is: yes, it is ABARE. I think we will need to provide answers to the two following questions on notice.

Senator SIEWERT—That would be useful. Thanks. Still on energy, I would like to ask some questions that I think come under the energy transformed national flagship program. You have probably said some of this before, but I need to be reminded. How much funding is spent on the geosequestration? What I am looking for is: what percentage of research is spent on geosequestration, renewables and, specifically, solar thermal technology?

Dr Morton—It is not possible for me, from the numbers in front of me, to specify the amount spent on the geosequestration work. We should be able to do that when we provide answers about the numbers of projects and their time spans. I can tell you that in this current

financial year we are spending something like \$7.5 million to \$8 million on low-emission coal technologies. When I say 'we are spending', that is the appropriation allocation to that domain—but only a proportion of that would be in geosequestration.

Senator SIEWERT—That funding you just mentioned, the \$7.5 million to \$8 million for low-emission coal technologies—does that include the geosequestration projects?

Dr Morton—Yes, and it also includes the work in post-combustion capture of CO₂ which then is passed over for geosequestration in this conceptual approach.

Dr Garrett—And coal gasification separation is in that area too.

Senator SIEWERT—In the \$7.5 million to \$8 million, or in addition?

Dr Morton—It is in that as well. Yes, Geoff is right.

Senator SIEWERT—Okay. What I would like, if possible, is a breakdown of the different funding for the renewable and non-renewable energy research that is being done.

Dr Morton—Yes, we can provide that.

Senator SIEWERT—Is it possible to give me a time frame for when this research is likely to result in something that is viable as an energy source? For example, I read in the paper the other day that solar thermal technology could be available within seven years. Could I have some predications from you as to when the various technologies might be available for use?

Dr Morton—Just to follow on from that, the time frame in which these technologies will become viable is clearly dependent upon various types of market signals, which depend upon certain policy settings. So you are presumably asking purely in technical terms when this work will be finished.

Senator SIEWERT—Yes, that would be useful. In respect of the work that has been done on solar thermal that we saw in the media the other day, my understanding is that CSIRO did that work in association with the coal CRC. Is that correct?

Dr Garrett—I am sorry; which precise work are you referring to?

Dr Morton—The solar thermal work.

Senator SIEWERT—The solar thermal work. As I understand it—and I only know what I have read in media—that was completed in August last year.

Dr Morton—No, it is ongoing work.

Senator SIEWERT—The report, though, that is referred to in the media—

Dr Morton—Now I know what you are talking about. I am with you.

Senator SIEWERT—Sorry if I have not been clear.

Dr Morton—There is a report that was published in the *Canberra Times* quite recently. Is that the one you are referring to?

Senator SIEWERT—Yes.

Dr Morton—Sorry.

Senator SIEWERT—That was completed in August, was it?

Dr Morton—That is correct. The draft of that report was completed by CSIRO and sent to the Cooperative Research Centre for Coal in Sustainable Development at that time.

Senator SIEWERT—Who is responsible for the release of the report? Is it the CRC or is it yourselves?

Dr Morton—It is the CRC.

Senator SIEWERT—Do you know when they will formally release it?

Dr Morton—No, I do not. We have received final comments back from them on the report, but my understanding is that most of the information used in the report is actually already available on the CRC website. It will be under another document title. Most of the work included in that new report has already been made available by the CRC.

Senator SIEWERT—As I said, all I have seen is what is available in the media. The media says that what is in that report could be viable within seven years. Is that correct?

Dr Morton—I am not sure.

Senator SIEWERT—Could you check it for me?

Dr Morton—Certainly.

Senator SIEWERT—The reason I am asking is that there is highly significant information for the current energy debate, and it would be very useful if it was fully available to the community in light of the current comments that are being made in the media about energy.

Dr Morton—I have not sighted the report myself. That is the reason I am hesitating, but we can certainly see what is available and let you know.

Senator SIEWERT—Thank you. That is much appreciated. I have some questions about water and then I want to go on to G-bIRD. Is it more appropriate that I ask my climate change and water questions now while Dr Morton is here?

Dr Garrett—I think so. Dr Morton will be here and then we will change guard.

Senator SIEWERT—The report that you released just a couple of weeks ago on the situation with water in the Murray—I have forgotten the name of it but I have looked at it—deals with a number of potential impacts on water in the Murray and particularly deals with climate change. It goes into that to a certain extent and it talks about how it combines with other impacts on water. On my initial reading of the report—and I must admit I have not gone through it in great detail—it does not go into the issue of environmental flows extensively. Is that correct, and will you be doing further work on the impact of climate change, particularly on the Murray, and environmental flows?

Dr Morton—The report you are referring to was commissioned by the Murray Darling Basin Commission. Therefore, it is in their hands as to when they choose to release that report.

Senator SIEWERT—It has been released. It is on your website.

Dr Morton—Good. I am just letting you know that from our point of view, we followed through on our commitment to allow them to choose the release date. Is the question: is the

impact of ongoing climate change on likely water resources in the Murray Darling Basin going to continue?

Senator SIEWERT—It is: will you be doing more research?

Dr Morton—Yes, we certainly will. We have just signed up to a major \$7 million program with the Murray Darling Basin Commission, the Department of Sustainability and Environment from Victoria, the Australian Greenhouse Office and Land & Water Australia. In fact, the inaugural steering committee meeting for that was held this week. That program is designed to do precisely that: to extend our information about the likely impact of climate change on water availability in the MDB.

Senator SIEWERT—Presumably, therefore, that includes environmental flows?

Dr Morton—Absolutely.

Senator SIEWERT—And the differential impact on water for use and storage as environmental flows?

Dr Morton—It is a very extensive program with five or six themes. My understanding is that the answer to your question would be ‘yes’ but, given that I am not completely across all of the detail, you would have to take that with a grain of salt. But that is my understanding.

Senator SIEWERT—Are you able to provide information on notice on that?

Dr Morton—Of the design of the program?

Senator SIEWERT—Of the design of the program and time lines for when the studies are going to be done.

Dr Morton—Sure—that has all been agreed by the steering committee so that is readily available.

Senator SIEWERT—That would be very much appreciated if you could, please.

Dr Garrett—We will endeavour to move with haste to provide you with that information.

Senator SIEWERT—Thank you. It is relevant to yet another inquiry I am involved with. I would like to move on to G-bIRD if I could, please.

Dr Garrett—I will ask my colleague Dr Jack Steele, who runs our commercialisation group, to join us. He has been intimately involved in these debates.

Senator SIEWERT—I would like to follow up some questions that I asked last time. I am learning to ask very detailed questions so that I make sure I get the answer. It comes with experience of coming to estimates, because the answer I received last time on the costs was not quite as extensive as it could have been. I asked last time what the costs associated with the G-bIRD technology were, and this is the answer I got:

The G-bIRD technology arose from long term strategic research aimed at developing models and instruments for remote sensing studies ... rather than a specific project to detect volcanic ash.

It is not possible to state the costs of the research in relation to volcanic ash detection, as this is not identified as a separate research activity in the financial records of this work.

Obviously, at the time, I did not ask detailed enough questions about it so I am going to try again. From what I understand, when you become involved in a project to commercialise

research you actually do quite extensive work on the costs involved in the research and the commercialisation—particularly when it comes to commercialisation. Your response last time, if I took that to be in fact a comprehensive answer, would mean that CSIRO does not do that work—it does not actually keep records or have any procedures for the time its scientists spend on various projects. Is that correct?

Dr Steele—The precise question last time related to how much CSIRO had spent on the research, and the answer went to that particular issue. I am hearing a different question now, which is how we account for our commercialisation costs. Have I understood the question, Senator?

Senator SIEWERT—Yes. What am I trying to do now is ascertain how you do that process, and then I will come back and ask the question again about G-bIRD. What I am asking now is: do you have procedures in place that actually track investment in the time the scientists spend on research on specific projects?

Dr Steele—Let me repeat that back to make sure I am addressing the question.

Senator SIEWERT—I realise I did change it a bit but, by the time we get through this, hopefully we will get to the answer.

Dr Steele—The question I have heard is: do we, for example, effort log our scientists in the activities they conduct on research?

Senator SIEWERT—Yes.

Dr Steele—I think the answer to that question is yes, Senator. But I am going to add a qualifier to try and be helpful. When you get to the end of a period of research and then you start a commercialisation process you often find that what you are now commercialising is something different to what you were producing during the research.

Senator SIEWERT—Yes, I understand.

Dr Steele—So sometimes you cannot go back and get the research that is just related to that outcome, and this is an occasion like that—hence the answer you got. But, as a generalisation, yes, our scientists effort log their activities and they will effort log it to a description of a project which may or may not subsequently turn out to be the one that you want to do the analysis of, but it is the way the project is set up at the start.

Senator SIEWERT—When we refer to G-bIRD I do appreciate that we talk about the airborne stuff and we talk about the ground based stuff, so I do appreciate that there are two different systems. My understanding of the research is that originally it was about the airborne side of things. Is that correct?

Dr Steele—Senator, can I add an additional comment. My understanding of this particular issue is a little bit peripheral, however, my understanding is that it was in fact a project that was broader than that—understanding how you can analyse gas composition, in effect. And so it was not just a project around aerial methodologies or ground based methodologies—it was something that was broader than that.

Senator SIEWERT—Is what you are saying that, up until the point that the commercialisation of the specific process started, there was not any logging of time against

that particular research, or there was logging of time against what we were just talking about—that is, that broader project?

Dr Steele—The latter. It was a much larger project that would therefore not be indicative of the cost of the actual G-bIRD, be it aerial or ground based, so you would end up with a much larger figure about much larger outcomes.

Senator SIEWERT—Let us go from the point when the decision was made to commercialise it. Do you have figures for the amount of what CSIRO invested in that project?

Dr Steele—I can give you an answer which goes the following way: a decision was made to commercialise this project area in approximately September 2003 and a separate project was set up for a period of time for that purpose. I believe that there are very likely project accounts associated with that project. That was a divisional based activity. As part of that commercialisation process going forward, also the corporate business development of commercialisation team became engaged in part, although it was mostly led out of the division. At the corporate level, we have not kept a separate account for this individual project but, if it is helpful, we could do an estimate of what our time involvement would have been by thinking back, so we could end up with some indicative figures.

Senator SIEWERT—That is for the corporate involvement?

Dr Steele—I am going back to my recollection of March, but I believe there is also fairly likely to be project accounts for a defined project that was effectively around the technology transfer activities that were commencing in about September or October 2003, or something like that.

Senator SIEWERT—Can you provide that information on the specific project? If the corporate information is available, I would like that.

Dr Steele—We could do an estimate of that. I will take the transcript of this session as the question on notice.

Senator SIEWERT—You could provide the information that was logged against the project. Do you have an overall figure for what the development of G-bIRD as a commercial project has been?

Dr Steele—Are we only talking about the commercialisation aspect here?

Senator SIEWERT—Yes.

Dr Steele—Then, if we add together the divisional activities and the corporate activities, that will give us an estimate of that figure.

Senator SIEWERT—Are they the only two?

Dr Steele—The only other item, which we can readily find out as well, would be the cost of the patent.

Senator SIEWERT—That would be useful. Is this not something standard that you do for all commercialisation projects that you undertake?

Dr Steele—The commercialisation process does not automatically shut off all the existing project accounts whereby you draw a line and start again with a separate commercialisation project accounting process.

Senator SIEWERT—I appreciate that.

Dr Steele—In that sense, the answer is no. In some cases, there is a commercialisation project which has a new start, so sometimes it is there and sometimes it is not in the way in which you are asking the question.

Senator SIEWERT—You have a fairly careful accounting process of how scientists and people within CSIRO spend their time. Is that correct?

Dr Steele—Correct.

Senator SIEWERT—It seems to me that I am asking question for which it is hard for you to give me the information. If you do that auditing process, why is it hard?

Dr Steele—The difficulty you are seeing is that we are trying to be precise in our answers, and some of the questions are not mapped exactly on the existing financial structures in a fashion where we can give you the precise answer we are trying to give you. That is the mismatch that we are seeing here.

Senator SIEWERT—Are you saying that you do map out and audit how people spend their time on various projects but it is not very useable?

Dr Steele—I am telling you that sometimes the questions are asked in retard from a different perspective to the way in which the accounting has been set up in the first place.

Senator SIEWERT—Let me come at it from another way. What do you use the information for?

Dr Steele—Let us take this scientific activity from go to whoa. The projects were set up around an additional set of objectives. This is 10 years back. The accounting will go to what was spent and proper financial management of that conduct of the R&D. That is a different genre of question to the one I think we are talking about now, which is: how much have you spent on the commercialisation aspect of it? That would presumably lead into questions about what the return on the investment is, how we are getting that back and all that sort of stuff. Because the commercialisation goes in a different pathway, the way in which you set up your financial accounts to manage the R&D often does not quite gel neatly back-on-back to the questions you are asking now.

Dr Garrett—As per the answer to the question on notice—and we can examine the transcript and try to provide exactly the information you needed—the G-bIRD technology was part of a long-term strategic research program that would have been detailed and costed and time and operational costs would have been allocated, out of which then came a particular development rather than a specific project called ‘volcanic ash’. That is the difficulty we had in being specific in this case, but we will endeavour to do these estimates as we have indicated.

Senator SIEWERT—Let me make it clear. I was asking about the commercialisation side of it because you could not provide me with that broader information. I am interested in what

it would have cost from go to whoa, but I understand what you have just said about it coming from a broader research project. But I am not just interested in what it cost to commercialise it; I am interested in the cost of the research. You are commercialising other research as well so, while my question could be seen to be specifically about G-bIRD, it is actually more applicable to anything that you are commercialising and how you cost that out and how you follow what it costs to develop. That is the other reason I am asking, so it is a generic question as well.

Dr Garrett—You are generically asking the sunk-cost question—that is, how much have we spent to produce a particular item of intellectual property. That is what you are asking.

Senator SIEWERT—Yes. I was trying to be very specific about getting some information so, before I move on, I am just double-checking that I have asked everything that I wanted to, because I went off on a tangent. You will get me the costs as much as you can on how much it has cost to develop G-bIRD as a commercial project. Will the figures you provide to me give me an indication of that?

Dr Steele—I am expecting that the answer we will give you will be a cost of the project at the time a decision was made to effectively do that technology transfer project circa the middle of 2003 onwards, and an estimate from the divisional accounts, which is issue one. Issue two is an estimate of the time that was involved in the corporate activity and a dollar value for that to back that up, and issue three was a copy of an estimate of the patent cost over the duration of the patents. That will give you an indicative figure of what commercialisation costs look like. You heard that there is an estimate in there.

Senator SIEWERT—Okay. Thank you. I want to move onto the patents, because that was another question that I asked last time. At previous estimates, I asked about patents relating to G-bIRD technology, which you took on notice and which you have provided to me. You said that CSIRO had filed patent applications in respect of four inventions relating to the technology now referred to G-bIRD. There are patents in a number of countries including Australia and Canada, and there are two patents in the US. In respect of the other three inventions relating to G-bIRD technology, an international patent application has been filed to cover these. I want to go into a bit more detail about that, because it is not clear to me what is happening.

Dr Steele—Would you like me to expand that answer then?

Senator SIEWERT—Yes, and I will see if in expanding the answer you can answer some of the questions I have here.

Dr Steele—Good. There are four patent families that relate to this technology; hence, the use of the term ‘four inventions’. The first patent family was lodged in around 1990. Those patents have gone through the patent application process and have resulted in granted patents. In that first paragraph of the answer to question 943-06 you see the countries in which there are granted patents: Australia, Canada, Germany, France, United Kingdom, Hong Kong, Italy, Japan, Netherlands, Sweden and Singapore. There are three other patent application families that are going through the process, two of which were lodged in 2003, one of which was lodged in 2004.

Taking that second one, the patent process, as you know, starts with a provisional patent application and then goes to a complete specification around a year later, going through the patent corporation treaty process. A period of time after that, you select the countries in which you wish to proceed to seek a patent. So, if you take what I will call patent family 3, CSIRO has instructed its patent attorneys to seek patents in Australia and the US in relation to that one. But it is a patent application that is continuing. With patent family 4—and, by the way, three and four are the two examples from 2003.

Senator SIEWERT—So families 3 and 4 were in 2003.

Dr Steele—Correct. CSIRO has instructed its patent attorneys to pursue a patent protection in Australia, Europe and the US in relation to that one. Patent family 2 is the one from 2004. The deadline for setting countries in which patent applications are to be pursued has not arisen in that one because it is earlier in the process of the patent application. Was that helpful?

Senator SIEWERT—If I knew what patent families 1, 2, 3 and 4 meant, it might have been.

Dr Steele—Would you like some names?

Senator SIEWERT—Yes.

Dr Steele—Patent family 1, the 1990 one, is entitled ‘A detection system for use in an aircraft,’ patent family 3 is entitled ‘An alarm system for remote sensing equipment,’ patent family 4 is entitled ‘An infrared detection apparatus’ and patent family No. 2 is entitled ‘Sulpha dioxide detection method.’

Senator SIEWERT—So the first two patents you referred to in your answer from last estimates related to the airborne technology. Is that correct?

Dr Steele—Are you drawing a distinction between ground based and airborne in that question?

Senator SIEWERT—Yes.

Dr Steele—You are effectively asking a question as to whether or not the claim sets on those patents and reads on one and not on to the other. I am going to have to take that question on notice.

Senator SIEWERT—So you cannot tell me whether patent family 1, which is from 1990, covers the airborne and the ground based.

Dr Steele—Personally, I cannot. I can certainly get the answer to that question on notice.

Senator SIEWERT—My understanding from what you have just told me, and please correct me if I am wrong, is that the patents that you actually have are the two from 1990 on family one.

Dr Steele—The patents that are granted patents now are from family one dated 1990.

Senator SIEWERT—CSIRO might know but you do not know yet whether that covers airborne and ground based. Is that correct? What I am trying to find out is whether you have a patent over the ground based technology yet.

Dr Steele—I am saying that CSIRO certainly knows that but that I do not know that answer now. It is a question for me to ask our patent attorneys.

Senator SIEWERT—What I want to know is whether you have that patent yet.

Dr Steele—That having been said, I am expecting that the answer is yes.

Senator SIEWERT—So you think that the original patent from family No. 1 in 1990 covers the ground based as well as the airborne?

Dr Steele—That is my expectation, and I will answer the question on notice.

Senator SIEWERT—You are still going through the process for families 2, 3 and 4.

Dr Steele—Correct.

Senator SIEWERT—Where have you applied for the patents from families 3 and 4 in 2003?

Dr Steele—Family 3 is Australia and the US. Family 4 is Australia, Europe and the US.

Senator SIEWERT—What happens? I am not a patent person. You apply for the patent and then people come and verify it. Is that correct?

Dr Steele—You apply for the patent, and the process of applying for the patent involves the inventors working with the patent attorney to describe in the patent document what the invention is. The usual way of doing it, and the way in which these appear to have been done, is that there is an initial patent application lodged with the Australian patent office. That starts the clock and within a 12-month period you need to ‘complete’ that specification, which is to say that you then lodge a more complete application. The more complete application may be identical or it may be changed, but it needs to be within the scope of the invention as described in the first document. That becomes the complete specification, whereas the first version is called a provisional patent application. After a defined time period following that process, you need to enter into the international phase and, after that, you need to select the countries in which you are going to apply for patents off that family. That usually results in a negotiation with the individual country’s patent office.

Senator SIEWERT—You must be up to that phase now, if you have specified the countries which you have just told me. Is that the phase that you are up to now?

Dr Steele—We have reached at least the phase where you have to specify which countries in which you are going to apply, except for patent family 2, where we have not had to select the countries yet.

Senator SIEWERT—The sulphur detection one?

Dr Steele—That is correct.

Senator SIEWERT—Have you had to defend them yet?

Dr Steele—Clearly, the first family, being a granted patent, has been through the whole process.

Senator SIEWERT—I beg your pardon; I am referring to families 2, 3 and 4.

Dr Steele—Okay. The time in which you need to do things varies from country to country. Once you get to that national phase, it is not as if there is a cataclysmic Thursday when they all happen simultaneously; there are different time points in different countries. In relation to families 3 and 4, my guess is that it is still fairly early on in the national phase but, if you have more specific questions, I can certainly get more specific answers for you. Your use of the word ‘defend’ I assume is referring to what effectively becomes a review process by the patent office and a negotiation with the patent examiner about what is an acceptable set of words around the claims in the patent that then define the invention satisfactorily and is the thing that is the value in the patent. My guess is that 3 and 4, in a couple of different jurisdictions, are starting that process but are unlikely to have got to the end of that process.

Senator SIEWERT—How do you do that normally? Do the people involved in the generation of whatever has been invented do it—in this case it is technology, so I will use the word ‘technology’—or does some general person do it?

Dr Steele—I am in the happy position of having been an inventor on about eight patent applications so I will be able to answer that from personal experience. The inventor is involved in the process of describing the invention in the first place. So you clearly need the inventor to provide input to the patent attorney on the description of the patent during the provisional patent application phase. It varies thereafter as to the level of involvement of the inventor in completing the specification at the end of that first year, in the international phase entry and in the discussions with the various patent offices around the world. I can think of a couple of patent applications where as an inventor I was involved in all of that process going through. I am probably one of the few people in CSIRO who has been involved in the subsequent litigation around one of them. But I can also think of a number of other patent applications on which I was an inventor where after I was involved in writing the original provisional application the patent attorneys took it away from there and fundamentally were able to do it completely on their own and did not find a requirement to come back to the inventor for further input. It varies.

Senator SIEWERT—In this case, where one of the original inventors is not a member of CSIRO any more, do you feel confident that (a) you can provide the technical information and (b) this is not a precedent; there are other examples where it has happened?

Dr Steele—The second part of the question is easier to answer than the first one. This is not the first time the situation—that an inventor has left CSIRO while the patent application is still being prosecuted—has occurred. In the first part of the question I suspect you are asking for a specific answer around these individual cases. I cannot give you an answer around the individual cases because I am not personally involved in these patent cases. Really the people we would need to talk to would be the prosecuting patent attorneys to ask them whether or not they were comfortable with the specifications and whether or not all that information was there. My guess is that they would ask the question the other way round—let us see what the examiner in the patent office comes back with and if I know from the specification what the answers to the questions are I will be able to tell you the answer to the question you have just asked me. I am sorry—it sounds like an evasive answer. It actually is not; it is quite a specific answer.

Senator SIEWERT—I know it sounds like that and I do understand what you are saying. Let me put it another way. What happens if the examiner comes back and says, ‘You can’t provide us with the information that we need?’

Dr Steele—You mean if the examiner goes to our patent attorneys and asks a few questions and the patent attorneys need further input. If it was input in relation to patent law or things like that, I think we would be entirely placed to cover it off. If it was a flaw in the original provisional patent application that incompletely describes the invention, we would seek to make contact with the inventor to see if they could help us with it.

Senator SIEWERT—What happens if they say no?

Dr Steele—It depends on what they are saying no to.

Senator SIEWERT—What happens if they say no, they do not want to help.

Dr Steele—If they were to say that they did not want to assist us in continuing with the patent application for which they were an inventor, I think we would be pretty disappointed, but we would have to work it out at the time as to what happened. I do not know that I can give you an advance answer to that question. It depends on the magnitude of the issue at the time, whether it is something that is absolutely fundamental to the main claim in the patent and is a really crucial issue or whether just a requirement for some clarification around the claim wording in a subsidiary claim that is claim 12 on the patent application. You have a whole range of situations there.

Senator SIEWERT—I understand that. Does CSIRO have other scientists who are knowledgeable in this area that could answer these questions if it was a major issue? Do you have other experts in this technology?

Dr Steele—A couple of comments. The first comment in response to that is: of course the CSIRO in-house folks and our patent attorneys would have access to the records we still have in relation to the research work. The second comment is: on each of these four patents there is in fact more than one inventor, so we are hoping that we would have at least one inventor—

Senator SIEWERT—Still left!

Dr Steele—able to assist us. The third comment is: I would have to take the third question on notice, which was: are we completely denuded of scientists who are competent in this area?

Senator SIEWERT—I am not having a go at your scientists, by the way.

Dr Steele—I understand that, but I am articulating the question crisply so I can say that is the question you are asking. I do not know the answer to that one; we would have to take that one on notice, hypothetical as it is.

Senator SIEWERT—Okay. Is the science on this complete? That is, there is no further research that needs to be done, it is now fully up to commercialisation and that is it, other than minor refining. Basically, the science is done. Is that a correct understanding?

Dr Steele—My understanding is that it was the calculation of both the CSIRO in 2003 and our commercialiser, Tenix, that the science—and I choose that word carefully—is substantively complete. It is recognised that the science that we have done needs to be

complemented with engineering and other things to pull together the full package, and we know that Tenix was expecting that it would need to do that to proceed forward as part of the commercialisation process. So the headline answer to your question is: we understand it is, but there are other things that need to go with it. And, in giving you that answer, Senator, I acknowledge that it may be that others have a different view about whether the science is complete.

Senator SIEWERT—What is complete or what is not—okay. This will be my last question. Does CSIRO have an estimate of the value of this technology once it is commercialised?

Dr Steele—The answer to that question is that the present commercialisation plans by Tenix involve the formation of a spin-off company, and CSIRO has seen an early stage business plan for that. So that is one sort of view of the value of the technology. So the answer in that sense is yes.

Senator SIEWERT—I may have misled the committee: I am going to ask another question!

Dr Steele—How I am surprised, Senator!

Senator SIEWERT—That did not answer my question, sorry!

Dr Steele—And the answer to your next question is: I am happy to take that on notice. But can I just expand my answer one step further. The ‘value’ of the technology has different meanings in different contexts. One way of valuing the technology is to ask what it is worth to someone who has exclusive rights to commercialise it. The value of a piece of technology viewed from another perspective, when you lump in the public good component, could be quite different from that. So, if you are going to ask us for the value of the technology, I am afraid I am going to ask you to be specific about how you want us to answer that question.

Senator SIEWERT—All right. Let’s go for part A first, and that is if you are the—sorry, what was the term you used?

Dr Steele—If you are the exclusive licensee—

Senator SIEWERT—Exclusive licensee, yes.

Dr Steele—what would be a net present value of that estimate?

Senator SIEWERT—Yes.

Dr Steele—We would like to that take that question on notice, please, Senator.

Senator SIEWERT—Is your relationship with Tenix—sorry, but if he answers in this way I have to ask for more detail! Tenix has that exclusive licensee relationship with you?

Dr Steele—Correct.

Senator SIEWERT—Okay. So, when you entered into the relationship with Tenix, did you do forecasting about how much you thought this would be worth? Surely they do that when they are trying to commercialise a project.

Dr Steele—The answer to that question is likely to be yes, but I have not actually seen that data myself and cannot answer that question now.

Senator SIEWERT—Can you provide that data, please?

Dr Steele—I can certainly answer that question, taking it from the transcript, Senator.

Senator SIEWERT—Thank you. I would also like to know—I am learning!—if there has been an update, as the project has developed, as to what people think is the commercial value of this technology.

Dr Steele—I will make sure that you receive our most recent estimate of that.

Senator SIEWERT—The other part of your answer to that question was about the public good component.

Dr Steele—My point was that it depends on how you view the value as to what answer you are going to get—whether you are only talking about the exclusive licensees' net present value and a real, hard financial figure, as it were.

Senator SIEWERT—Yes, that is what I am answer.

Dr Steele—It is the hard financial figure that you are after.

Senator SIEWERT—Yes. When you said that they are developing a spin-off company, is that to develop a further product or this product?

Dr Steele—I understand it is this product—if 'this product' refers to the G-bIRD technology.

Senator SIEWERT—Yes. I am not a commercial brain. Why are they doing that?

Dr Steele—There could be a number of reasons why you would choose to do a spin-off company. But, in the ordinary course of events, it would be because you need to attract capital to further develop the product and the commercial opportunity—for example, to do the engineering, the actual product development and the manufacturing activities. And then, by the way, going on for the marketing activities et cetera, you might choose to set that up as a separate spin-off company and get capital in in order to be able to assist you with that.

Senator SIEWERT—I have two questions from there. Would CSIRO then have a relationship with that spin-off company?

Dr Steele—The present contractual arrangement with CSIRO and Tenix is that Tenix has a licence. When you set up a spin-off company, it is often the case that the capital providers wish to see the intellectual property being put into the company. Tenix does not have ownership of the intellectual property at the moment. If they wish to have intellectual property assigned to the company or an option to have assignment to the company, that would necessarily involve a change in our commercial relationship. Of course, CSIRO would be involved in that process.

Senator SIEWERT—So you would then negotiate with the new company about the IP?

Dr Steele—Effectively, you negotiate with the sponsors of the new company before it is formed to end up with the commercial terms—either that company gets its license or alternatively it has an assignment of intellectual property et cetera.

Senator SIEWERT—Is that spin-off company likely to be an Australian based company? Or is this likely to involve overseas investment and companies?

Dr Steele—Those two options may be slightly different options. It is not quite the same question. My expectation is that it is likely to be an Australian proprietary limited company. That does not exclude it having offshore investors.

Senator SIEWERT—Thank you.

CHAIR—That is the end of the questions. Thank you very much, gentlemen, for your prolonged appearance before us today.

[2.40 pm]

Australian Research Council

Senator STEPHENS—Sorry about the long wait. I wanted to speak to you briefly about two issues this afternoon: firstly, the Australian Research Council bill and, secondly, the council's response to the audit report. First of all I want to go the ARC Amendment Bill 2006, which abolishes the ARC board and transfers the powers and functions to the CEO. Did the ARC offer the minister or the department advice on previous drafts of this bill?

Prof. Hoj—Throughout the Uhrig review and the resulting need to amend the ARC act, the ARC has had the opportunity to interact with the department, which has had carriage of the tasks associated with the Uhrig review and its outcomes and the need to amend the bill. We can go into the greater detail of this. I will let my colleagues, Len Marsden and Greg Harper, add to what I have just said.

Mr Marsden—I think the question was answered in that, yes, we did have involvement in the various drafts of the bill and providing comments on that back to the department.

Senator STEPHENS—So that was constant interaction between the department, the minister and council?

Mr Marsden—No, it was constant interaction between the council and the department. As Professor Hoj said, the department has carriage of the legislation back through to the minister.

Senator STEPHENS—How soon before the bill was tabled was the council made aware of the final draft of the bill?

Mr Marsden—That is testing my memory, but I think it would be around mid-March. But I can take that on notice and provide a more precise answer to that question.

Senator STEPHENS—Did the council raise any concerns about the final bill with the minister or with the department?

Mr Marsden—As you are probably aware, when legislation comes in, there are many organisations involved in providing comments on that legislation—for example, the department of finance and other central agencies. Like all those bodies, we were providing comments as we went through that process. There were certainly issues where we noted differences between the existing legislation and the proposed new legislation, which we did provide comment on.

Senator STEPHENS—It is my understanding that, under the new bill, the college of experts can be appointed directly by the minister—is that correct?

Mr Marsden—That is correct.

Senator STEPHENS—And this is a significant change from the existing act.

Mr Marsden—It is certainly a change from the existing act, where the board establishes the committees.

Senator STEPHENS—Is it possible for the minister to appoint anyone to the council of experts?

Mr Marsden—As the bill is drafted, yes, that is a possibility.

Senator STEPHENS—If the government were to select appointees to the council based on non-academic credentials, would that affect the integrity of the grants process?

Prof. Hoj—The college of experts is exactly that: a college of experts who are supposed to be expert in the field in which—

Senator STEPHENS—In which field?

Prof. Hoj—In the field or fields in which they have to participate in a peer review process. By the very nature of the committee, one would expect that the vast majority, if not all, of the members of the college would be experts in the relevant field.

Mr Harper—I may add that proposed section 32(2) provides that:

The Minister must, in appointing members to a designated committee, try to ensure that the composition of the committee reflects the diversity of the interests in the matter or matters that the committee will be dealing with.

Senator STEPHENS—The minister can appoint anyone to the college of experts. Under the new legislation, does it mean that the CEO can be appointed by the minister?

Mr Marsden—Yes. Under the new legislation it is drafted that the CEO is appointed by the minister under section 34.

Senator STEPHENS—Professor Hoj, are you confident that the changes preserve the same level of confidence in the peer review process of the council?

Prof. Hoj—Are you asking whether I think that others see it as a change or whether I have confidence in the peer review system?

Senator STEPHENS—No. I asked: do you have confidence that the changes proposed in the amendment bill preserve the same level of confidence in the peer review process of the council?

Prof. Hoj—The test as to whether you have confidence in the peer review system will be the integrity of the results that the college of experts and the wider review base, through its advice to the CEO—still currently through the board but in future, presumably, through the CEO—gives to the minister. I guess it is possible under many different types of legislation to have an optimal outcome and a not so optimal outcome. The proof is really in the pudding: you will have to see what happens from here on in.

CHAIR—I suspect that is getting quite close to asking Professor Hoj his opinion on a matter of policy.

Senator STEPHENS—Thanks, Chair, I appreciate that. The bill extends appropriation money to the ARC for 2008-09—is that correct?

CHAIR—That was a question, was it, Senator Stephens?

Senator STEPHENS—Yes. I said: is that correct?

Mr Marsden—Yes, that is correct.

Senator STEPHENS—It is my understanding that the bill removes the ability of the ARC to offer strategic advice and conduct inquiries into research matters of national interest—is that correct?

Mr Marsden—No, in the sense that the power to offer strategic advice—and if you are talking about conducting inquiries as well—also comes from two other pieces of legislation, the Financial Management Accountability Act and the Public Service Act. The bill, as it is drafted, removes the explicit statement from the current legislation, but we believe that that power is also available through other legislation that I have just described.

Senator STOTT DESPOJA—Could I just pursue that point, Chair, very quickly. Good afternoon, gentlemen and Minister. I am aware of the references to the Public Service Act. Obviously, we have been through this in the committee process so I am not going to rehash that, because I am sure you have seen our reports. Does the Public Service Act specifically enable the CEO to initiate inquiries, and does this mean the CEO can do so without approval from or consultation with the minister? I am not sure who the best person is to respond to that. Mr Marsden?

Mr Marsden—Yes, I understand the question, Senator. Both the FMA Act and the Public Service Act give to the agency head, as they do to departmental secretaries and heads of statutory authorities, the power to do all things necessary to provide factual information as required by parliament in relation to the operation of their particular agency. The ARC would see that as extending to the conduct of inquiries.

Senator STOTT DESPOJA—So the ARC's understanding of those provisions would be that there is no limitation on the CEO, and thus the ARC, to continue to initiate its own inquiries; and that is without reference to the minister? That would not be necessary? You could ensure that process occurs without ministerial consultation?

Mr Marsden—That is our understanding. Whether it happens in practice, though, may be a different matter, because obviously agency heads—as departmental secretaries do—consult heavily with ministers when we prepare to undertake some major initiative, study or that sort of thing, or in this case initiate an inquiry. But in theory, yes, we understand that to be the case.

Senator STOTT DESPOJA—I am really keen to work out the practice versus the theory. We have had the practice of the past which has seen the ARC both have that power and utilise that power. But my understanding is that there is some debate now as to whether that exists only in theory. Obviously, there have been changes to the ARC Act, or there will be. But I am not confident, and I am looking for your reassurance, that the other acts to which you referred will actually give the CEO that power and that that power will not be interfered with because of some reinterpretation or reassessment of the changes that we presume are going to go through parliament. Please do not get me wrong—on the issue of consultation, I understand

that that may occur anyway, but I just want to clarify: can the ARC's CEO initiate an inquiry without the sign-off of the minister, without the minister's permission?

Mr Marsden—Senator, would you mind if we took that question on notice so we can provide a clear, specific answer? I would like to be able to consult more widely, if we need to—with, say, the Australian Government Solicitor's office and that sort of thing—because you have raised a small doubt in my mind, which did not exist until recently.

Senator STOTT DESPOJA—You can see why I have had a doubt in my mind on this one; I cannot seem to get an unequivocal comment on it. Can I also ask you, Mr Marsden—and, if you cannot answer at the moment, can you take it on notice—to provide me with the reference to the Public Service Act, because my understanding is that it does not refer to the ability of the CEO to initiate inquiries, and it is that specificity that I am after. Thank you for that.

CHAIR—Senator Stephens, back to you.

Senator STEPHENS—On the issue of the appropriations money being in the bill, were you aware it was going to be put into the bill?

Mr Marsden—Yes, we were aware it was going to go into the bill.

Senator STEPHENS—Going back to the change which will allow the minister to play an important role in appointing committees, that includes the designated committees, doesn't it?

Mr Marsden—Yes, that is correct.

Senator STEPHENS—Do the designated committees have a minimum number of members requirement?

Mr Marsden—In the current legislation, yes. I believe it is five. In the proposed legislation, no.

Senator STEPHENS—Is it likely then that the designated committees could be smaller than five members?

Mr Marsden—Yes, that is possible. It really depends on the circumstance for which the committee is being created. There may be some situations where a smaller committee is appropriate where there is not a need for expansive consultation or input from a variety of research sectors. In that case it would be appropriate. If it is a more expansive issue, then I would assume there would be a much larger committee than one, two or three people.

Senator STEPHENS—It could also be quite an effective way of controlling those committees. I am conscious of the time but I want to go to the ANAO audit report of the ARC management research grants. The report identified some important shortcomings in the ARC's administrative processes. It says that they were not able to fully determine and inform the government on whether all grants met their objectives, whether funds were used as intended or whether ARC goals were being fully met. It recommended some substantial changes in the auditing processes. Have those recommendations been taken up by the ARC?

Prof. Hoj—I will start and then Len can go into some greater technical detail. Overall there is a conclusion that the ARC is administering the administered funding well. As audit reports go, we believe that the ARC is seen to run an effective administration of taxpayers'

funds in that regard. Where the ARC has a weakness is an issue that we have publicly looked at since October 2004. We have acknowledged that the back end of the ARC's business, namely that the detailed follow-up of grant outcomes should be strengthened. We have written about this and we have started a research evaluation unit, albeit a very small one, to do that.

In November or December 2004 we started the development of a totally new research management system which will enable us to follow up progress reports, final reports et cetera on a much more systematic basis. So we acknowledge that one of the key findings of the ANAO report, namely the follow-up of the back end, is one in which we can improve, and we are doing that. I make the comment that the very first thing you do when you administer the amount of funds that the ARC administers is to ensure that you put an enormous amount of effort into selecting the right projects in the first place. In that case you can have a much greater degree of confidence that the funds are well spent. But perhaps Mr Marsden can add to that.

Mr Marsden—As you are aware from the audit report, we accept those recommendations. As Professor Hoj said, we recognise weaknesses in our current systems and we have also recognised that our current systems do not have the capability to address those weaknesses. To expand on that slightly, we have our front-end system—as you have probably seen on our website—but also three other systems behind that, which support the various aspects of post award management. Just over two years ago, those systems did not interface—let alone us even contemplate integrating them. We have fully assessed the capabilities of those systems and the costs involved of addressing that using the current technology and current systems.

We realised that is not viable, so we are in a process of replacing that system. As Professor Hoj said, we identified that in October 2004. In December 2004 we commenced an exercise to replace those systems. Even though we are a small organisation it is a very large and complex grants program, so almost the first 12 months was spent identifying all the work flows in our current systems and trying to map those through to where we want to take our future systems so that we have the ability and flexibility to cope with change as we go forward.

We are now at the point of starting to roll out the new system. We did a small pilot of that system on our Linkage International scheme in relation to the assessment with the committees on 25 May. We chose that scheme because it is quite small; there are only about 45 applications involved in that. We were testing things and they went very well—without a hiccup, actually—in relation to issues like conflicts of interest that the Audit Office identified in their audit report, which we were aware of. So now, as we move through our screening of various applications, if we come to a university of which someone from a particular college is a member, that person is identified by name and university and, obviously, then the committee chair asks them to leave the room before any data comes onto the screen in relation to that. We have automated that process and addressed it already. We intend to test that system further in July on our Linkage-Infrastructure scheme, which has 170-odd applications, and we will go live in August with the major scheme—one that has close to 5,000 applications at that point in time.

Once that is all bedded down—and we are pretty sure it is bedded down now, otherwise we would not be going live, but we will be backed up by existing systems in the worst case

scenario—then we start on the back-end issues that Professor Høj spoke about. Basically, we will be automating our final reports and progress reports and linking those back to profiles on the researchers and universities, so we can map vertically and horizontally as to what is happening and identify issues, such as simple things like progress reports not being received. At the moment, unfortunately, they are all done manually, and when you have a small organisation there is only so much capacity you have to keep on top of that, and we recognised that replacing the system was the best way to address that.

Prof. Høj—I will add one thing. In addition to these things and also starting in late 2004 and 2005, recognising that there was scope for improvement at the back end, we developed a pilot audit program with a G of 8 university and a non-G of 8 university and, based on that, in association with our internal auditors, we have rolled out a more comprehensive fuller audit program of the management of our grants, the first G of 8 university will be subjected to that audit in July. We are continually trying to address the areas in which there is scope for improvement.

Senator STEPHENS—Thank you.

Senator STOTT DESPOJA—I want to establish whether or not the ARC's Quality and Scrutiny Committee will be established again.

Prof. Høj—The Quality and Scrutiny Committee has been a feature of the ARC's operations for quite some years now. Last year, the Quality and Scrutiny Committee's functions were expanded and, therefore, the membership was expanded. It is our understanding, from conversations with our minister, that there is merit in continuing some aspects of the Quality and Scrutiny Committee—namely, the comparison of quality across our discipline areas—but we are not aware of a retention of the element that was introduced last year.

Senator STOTT DESPOJA—What were the terms of reference for the committee last year?

Prof. Høj—We can probably read those out to you to be more precise. We have done that once before.

Senator STOTT DESPOJA—Am I crossing over with someone else?

CHAIR—No. Everyone else has finished, I think.

Mr Harper—The terms of reference for the Quality and Scrutiny Committee in 2005 were to assist the ARC and the ARC board by carrying out three functions. There was a quality function, whereby the committee was to assess the relative quality of proposals within the six ARC research discipline areas by reading and ranking 30 proposals for funding—being five from each of the six discipline areas—under Discovery Projects that are at or nearest the cut-off point for proposals recommended for funding by the ARC College of Experts and, on the basis of that assessment, recommend to the board a distribution across those discipline areas of funding set aside for that purpose. There was a scrutiny function, whereby the committee was to scrutinise the processes followed by the College of Experts in assessing proposals for funding from members of the college and to provide a report to the board on the results of that scrutiny, including recommendations as appropriate. The third function, the community

representation function, had the committee assessing proposals recommended by the ARC College of Experts to the board for funding under the National Competitive Grants Program for their potential to deliver national benefit and to provide a report to the board on that assessment, including recommendations as appropriate.

Senator STOTT DESPOJA—What about the notion of rewriting project descriptions? Was that a function of the committee during 2005—obviously not explicitly in the terms of reference that you have just given me?

Prof. Hoj—If I understand the question correctly, the ARC has in its funding rules specified that on occasions where it believes that the description of the research proposal does not adequately convey the outputs that the proposal seeks to address, we reserve the right to rewrite the description of that project. In a sense the rules foreshadow that the ARC will do that, and it is true that last year this particular committee looked at a large number of applications and in some instances decided that an alternative description would better convey what it was we were actually funding.

Senator STOTT DESPOJA—When you say ‘some’ I am wondering how many instances there were. Is that something that is a regular feature? Would it be half a dozen?

Prof. Hoj—I would be a minority of the proposals in front of the committee.

Senator STOTT DESPOJA—Can you quantify that further for me, just out of curiosity?

Prof. Hoj—It is a small minority.

Senator STOTT DESPOJA—We are getting smaller, but I am not quite sure what we began with.

Prof. Hoj—The committee, from memory, would have looked at about 1,000 proposals which were in contention. I think eventually the ARC funded between 910 and 920 that year and the small minority we are talking about would be in the order of 50.

CHAIR—Thank you much for appearing before us today, gentlemen.

[3.08 pm]

Australian Nuclear Science and Technology Organisation

CHAIR—Welcome.

Senator STOTT DESPOJA—Can I begin by asking the number of health physics surveyors that are currently working at the Lucas Heights reactor?

Dr Cameron—I think there are two sides to that question. The number of health physics surveyors currently working at Lucas Heights involves those working at the reactor plus those working at other facilities around the site. In that group there are about 30 people. The process for the reactor was that we essentially were running a shift roster where there was one health physics person on shift. You need essentially six people to make that shift roster work.

Senator STOTT DESPOJA—Are you talking about the number of times, say, per day that they would monitor the Lucas Heights reactor?

Dr Cameron—A health physics surveyor would have a set number of tasks which they do. One of those tasks would be to make sure, on a regular basis, they did a contamination survey

of the area that people were working in. They also have a number of other tasks where they check their instrumentation. But the particular task that they are really there for is to monitor particular operations which go on in the reactor. Those are to do with operations by which we put targets into the reactor and remove those targets out, by which we change fuel. It is those specific tasks which we have used health physics surveyors to provide monitoring for.

Senator STOTT DESPOJA—Has there been a decrease in the hours that these surveyors are on duty and monitoring the reactor?

Dr Cameron—What happened was, about 1996 we introduced 24-hour health physics coverage because at that time we decided that we wanted to be able to move targets during the night shift as well as during the day shifts. That particularly related to the irradiation of silicon which we were doing, and we had these people then come on shift on a 24-hour basis. Prior to that they were not on for the night shift—they were only on for the two shifts during the day. What has happened recently is that we no longer require to do those operations at night so we are reverting back to the situation we had prior to 1996. As a result of that we have decided there is no longer a need for a health physics surveyor to be on the night shift.

Senator STOTT DESPOJA—How many daily surveys would be conducted, then, if there are—

Dr Cameron—We still conduct the same number of daily surveys. In other words, before the night shift begins there will be a survey conducted, and during the next shift as well there would be one conducted—so there has been no change to the surveys. The key issue has been that we no longer do as many operations and therefore we do not require that sort of monitoring.

Senator STOTT DESPOJA—So newspaper reports that there had been a cutback in monitoring from three to two—is that essentially right?

Dr Smith—I think, Senator, we should recognise that the unions that represent the staff that operate the reactor and the regulator are both happy with these arrangements. They recognise that you do not need a health physicist to monitor a task that you are not doing. It is a matter that was taken out of context or blown out of proportion in the newspapers.

Senator STOTT DESPOJA—Okay, I might get back onto that. But beyond or apart from the levels of satisfaction, am I correct in saying that it is a reduction from three to two? Essentially, are the figures as they have been reported correct in relation to the number of daily surveys?

Dr Cameron—In terms of the number of daily surveys, I am not aware that there has been any reduction in the number which have been done. The key issue was whether there was a need to monitor operations during the night shift.

Senator STOTT DESPOJA—Perhaps you could explain to us the role of the health physics surveyors. What is their role, and what do they actually monitor and do?

Dr Cameron—A health physics surveyor is a backup person who will be attached to a group of people who are performing a particular operation. When they are doing something which is specific to a particular operation their role is to monitor for radiation and contamination. They will do that both of the environment and of the people themselves. But

that is an additional backup because all our areas where we handle radioactive material have automated monitoring systems as well—they have detector systems on the walls and they would be able to detect any increases in radiation within that work area.

What we do in these operations where we are removing things out of the reactor is we have a specific person who is there just in case something happens during the operation. In the normal course of events you do not need the people because our automated systems will deal it, but if they are doing a particular activity there is a possibility that something unusual might happen and it has therefore been our precaution to have someone on there monitoring.

Senator STOTT DESPOJA—So in relation to the monitoring of the moving of radioactive material around the reactor, I take it from your answer that obviously there are automated systems that are in place when you do not have monitors. I would presume, therefore, that there is still movement of radioactive material around the reactor after hours. So even when you do not have monitors or surveyors in place there is still the movement of that material, but it is monitored in a different way.

Dr Cameron—No, if I could just clarify my other answer, we made the decision that there was not enough volume of work to need to carry out these operations during the night shift, and they involved putting things into the reactor and taking them out again. So we no longer do that at night shift—they are done during the day.

Senator STOTT DESPOJA—So that is between 11 pm and 7 am.

Dr Cameron—That is correct. Because we no longer do those specific operations, there is no need for a specific person to be standing there monitoring an operation which is no longer happening.

Senator STOTT DESPOJA—Were these changes discussed with ARPANSA?

Dr Cameron—Yes. We would have been required to get approval from our regulator for doing that, and that is what we did.

Senator STOTT DESPOJA—Obviously, ARPANSA's response was one of approval.

Dr Cameron—Correct.

Senator STOTT DESPOJA—I note that an ANSTO media release has stated that discussions are currently taking place with fire brigade unions to ensure they are satisfied with the revised arrangements. Dr Smith, I think you have possibly referred to consultations with unions. I want to clarify if these consultations have taken place. What was the outcome of those consultations and, in particular, have any of the concerns that the fire brigade had been resolved?

Dr Smith—We have had meetings with the fire brigade management and unions. On 25 May, our director of safety met with Deputy Commissioner Anderson, Commander Williams and Gemma Lowe, the industrial officer. Relevant internal procedures information about training et cetera was given at that meeting. Subsequent to that meeting, the fire brigade management gave us oral confirmation that they would attend any emergencies on site. At this point, we noticed that the union still had a ban on their website, so we do not know the state of discussions between the fire brigade management and the unions. However, in the interim,

while we do not know that, we currently have a health physicist available within 10 minutes of being on the site should an emergency occur.

Senator STOTT DESPOJA—You are satisfied that the fire brigade concerns have been resolved, but there is a delay between getting that confirmation either from, more broadly, the unions or specifically on their website.

Dr Smith—The disagreement is with the fire brigade union and the fire brigade management. The union is on our side; in fact, they are more than happy with the new arrangement.

Senator STOTT DESPOJA—I am curious about the cold commissioning of the OPAL reactor that was due to take 12 weeks: has that process been completed?

Dr Smith—Yes. It was completed three weeks quicker than expected, so it went extremely well. We did our 49 tests without any significant—

Senator STOTT DESPOJA—How many—49?

Dr Smith—I think something like 49 individual tests, and they went very well. We gained 25 per cent of the allocated time.

Senator STOTT DESPOJA—So ARPANSA is happy that all the systems are operating well and the checks are in place.

Dr Smith—ARPANSA have witnessed some of those tests as they required. As part of our licensing application, we have sent ARPANSA the full cold commissioning outcome report and that will be part of their consideration of the licensing application which is happening now.

Senator STOTT DESPOJA—What happens to that report—I am trying to think—under the ARPANSA Act. When, if at all, do we get to see that, or do we just see their analysis?

Dr Smith—Probably the next thing you will see is a decision from Dr Loy about the licence.

Senator STOTT DESPOJA—Do we know when that is going to happen?

Dr Smith—I would like to know.

Dr Cameron—Perhaps you could ask them for us.

Senator STOTT DESPOJA—Perhaps that is next. You have no idea how disconcerting it is asking questions of a Dr Ian Smith, but that is a personal reflection—too many Ian Smiths, with all due respect, Dr Smith. My husband is not a doctor.

Dr Smith—I get mixed up with him at dinners.

Senator STOTT DESPOJA—Yes.

Senator CROSSIN—I understand you had a little visit from people at Muckaty Station in May. What was the purpose of the visit?

Dr Smith—We had two visits from the Northern Land Council accompanied by various members of the Indigenous communities there. I am not sure where they came from. We made our services available to the department to show those people the facilities on our site and to

explain issues to do with radioactive waste. The people were not identified as coming from any particular area.

Senator CROSSIN—So you have had two visits just from the Northern Land Council—is that correct?

Dr Cameron—We had a request from the department to facilitate a visit requested by the Northern Land Council. We did that on two occasions, as Dr Smith mentioned.

Senator CROSSIN—So on both occasions they did not inform you where the people were from, whether they were traditional owners or what interest they had in coming to Lucas Heights?

Dr Smith—I was present for only one of the visits. At that stage I was not informed of where those people had come from. I was introduced to the support people, basically, from the Northern Lands Council.

Senator CROSSIN—I find it a bit surprising that they would take traditional owners from a pastoral property known as Muckaty Station and not have the courtesy to introduce them to you as having come from that parcel of land. But that is what happened.

Dr Smith—That is what happened.

Senator CROSSIN—They would have got a surprise because, when I last spoke to them, they thought they were going down to Lucas Heights to look at how the dump at the Tenant Creek municipal council offices could be better storing their rubbish, so they would have got a surprise when they got to your piece of land, no doubt.

Dr Cameron—We hope it was a pleasant surprise!

Senator CROSSIN—I was going to ask you if you think that the visit helped them to understand exactly what nuclear waste on their land would mean.

Dr Cameron—Certainly the intention of the visit was to explain to them how nuclear waste is created and what type of nuclear waste it is. We were able to show them the packages of gloves, clothing and paperwork and bits of equipment and they were able to see those before they went into the drums and see what types they were. They were able to stand next to the drums and see how drums are packed et cetera. They certainly took away a better understanding of what it is and how it is packed.

Senator CROSSIN—So did they ask any questions, or did you just get questions from the Northern Land Council representatives?

Dr Cameron—We got a number of questions from people about the waste and what it was and where it had come from et cetera, as we did the first time around. They were interested in how this waste is actually generated and how radioactive it is. That is one of the issues we try to deal with when people visit, as we do with various other groups. This is a fairly standard tour that we used with them—

Senator CROSSIN—Yes, I think there is a number of us who have been on it.

Dr Cameron—So you understand.

Senator CROSSIN—But they did not tell you where they were from. I find that quite amazing.

Dr Cameron—They certainly did not come and leave us business cards or anything. We were told that it was a group of people, that Northern Land Council wanted to facilitate a visit to Lucas Heights.

Senator CROSSIN—In the construction of the dump in the Territory, does ANSTO see that they have any role or responsibility in ensuring that the TOs actually understand what is involved?

Dr Cameron—TOs?

Senator CROSSIN—Traditional owners.

Dr Smith—At this point in time we expect it to be built on Defence land.

Senator CROSSIN—You expect it to be built on Defence land, do you?

Dr Cameron—And, as you know, Senator Crossin, we have been to Darwin and Alice Springs and held public meetings. We saw that as part of the educative process of trying to help people to understand what this waste is, where it comes from and how benign it is in terms of its management and transport. So we certainly do take seriously those opportunities that we have had to go and talk to people. We have of course since talked to groups to explain those things to them. We think that is an important part of our role.

Senator CROSSIN—The legislation does allow for either of the land councils to now nominate a site.

Dr Cameron—That is correct.

Senator CROSSIN—We have now had the Northern Land Council come down to Lucas Heights twice. In fact, the last visit was with traditional owners from Muckaty Station, which is a pastoral property just north of Tenant Creek. You might expect it will be built on a Defence site but there surely must be some provision in your thinking to allow that it might possibly not be one of the three Defence sites.

Dr Cameron—Of course, this process is not being handled by ANSTO, as you know; this has been handled by the department. I think that is certainly a question that you might put to the department. We provide scientific advice to the department on this process. We are very happy to provide that advice to anyone who asks us questions about the nature of radioactive waste.

Senator CROSSIN—So you have not been approached by DEST at all to provide any understanding to Indigenous traditional owners about what the storage of waste on their land would mean, other than to just take them around Lucas Heights?

Dr Smith—We have been asked to provide two Northern Land Council sponsored visits, yes.

Senator CROSSIN—And that is all?

Dr Smith—That is all.

Dr Cameron—But also, as I said before, we have been to Darwin and we have been to Alice Springs. We have talked to groups of people about radioactive waste. I think you were at one of those meetings, so you know the sort of presentation we made.

Senator CROSSIN—When people were at Lucas Heights, did you tell traditional owners for how long the site will be free of any contamination above normal background radiation?

Dr Cameron—I am trying to recall whether that question was asked.

Senator CROSSIN—Then I will ask it now.

Dr Cameron—Clearly the intention with institutional control, which is what we are talking about if we go to a repository, is that after a period of a few hundred years there would not be any need to further monitor that site because by that time radioactivity would have decayed to natural background levels. That is the philosophy behind this whole process. Radioactivity decays continuously. There is a period of time over which it reaches that and there is a rate at which it does, depending on the radioactivity you had there. The general philosophy is that you only need to provide containment for a few hundred years. By that time it will be down to background levels.

Senator CROSSIN—So you would expect the contamination you have in the barrels at Lucas Heights to not be there in how many years?

Dr Cameron—That is a variable question. As you know, some of the barrels we have at Lucas Heights, which have been there for 40 years, have already decayed down to background levels. We are even now going through those and we have been able to move some of those out as they are no longer radioactive material. Radiation decays all the time. This period of 200 years has been chosen as a sort of upper bound or a safe number—

Senator CROSSIN—Two hundred years, did you say?

Dr Cameron—Yes. It would be around 200 years. It is very hard to give a precise number because you are dealing with a range of different radioactive elements. But certainly that would be a safe number. By that sort of period of time, you would expect that the radioactivity would be down to background levels.

Senator CROSSIN—If in fact the site is relocated on Aboriginal land, despite the fact that you expect it to be on Defence land, have you suggested a time line for the removal of the intermediate waste, given that it is meant to be stored there only temporarily before another place is found?

Dr Cameron—No, we have not. That is essentially a policy decision about how long the store will last for and when Australia might have enough intermediate level waste to warrant some other course of action in terms of that. But certainly the store will be able to contain that intermediate level waste for a long period of time.

Senator CROSSIN—So if an Indigenous person said to you, ‘How long are you going to store the intermediate level waste on my land?’ you would have to say, ‘I don’t know.’

Dr Cameron—What we would say is that that is a policy decision that will need to be made. It will be made by the government on the information which is available to it. There is no technical reason why it could not continue to be stored there. Again, the technical approach

is to say that, if it above ground, you can monitor it; you can just go in with a monitor and say what the radioactivity is and whether it is still intact. You have the ability to continuously monitor the integrity of those casks. So technically there is no reason that should not continue. Therefore the decision will be made by the government at the time as to when there is enough material to make it worth while following some other course of action.

Senator CROSSIN—Or by some government at some time in the future.

Dr Cameron—Correct.

Senator CROSSIN—I just want to clarify something my colleague Senator Scullion said on ABC radio only last month when he was asked about finding a site that was safe in the wet season in the Top End. He said: ‘You know, we have already established from a scientific basis that there are plenty of areas in the Northern Land Council jurisdiction and they have indicated that, and we are proceeding accordingly.’ Are you aware of any sites that have actually been established on a scientific basis that are being investigated?

Dr Cameron—No, we are not aware of that. As you know, the process of assessment has begun. That contract was actually given to a company after tender. It is their role to measure parameters and assess those three Defence sites that we talked about.

Senator CROSSIN—Senator Scullion was not talking about those Defence sites. He said, ‘We have already established from a scientific basis plenty of areas in the Northern Land Council jurisdiction.’ Are you not aware of where those areas are?

Dr Cameron—We are not aware of the basis of that decision. It has not been done through ANSTO at all.

Senator CROSSIN—Would you expect that if there are plenty of areas that have been established on a scientific basis that you might know about them or be involved in that?

Dr Cameron—I think it depends on whether he was talking in specifics or in generalities.

Senator CROSSIN—I am trying to find the basis of that with my questioning.

Dr Cameron—In general terms, I think it is reasonable to say that we know pretty well the sorts of criteria that a site would need to satisfy. So we can talk in general terms about the types of parameters of a site that might make it suitable, but after you do that you have to identify a site and actually go there and do the measurements.

Senator CROSSIN—You do not have any exact scientific investigations of other sites outside the three Defence sites?

Dr Cameron—We are certainly not aware of any.

Senator CROSSIN—I have to say that at a public meeting in Tennant Creek on 22 May regarding the potential site people were very concerned about the lack of information on what it might involve. Have you been asked to assist in any way in keeping them informed of what a site in the region might mean?

Dr Cameron—Just to reiterate what I said earlier, ANSTO was providing advice to the department. If the department comes to us and asks for us to give assistance with any of that, we are very happy to do so, but the process is being run by the department, not by ANSTO.

Senator CROSSIN—I want to go to the amendment bill that is before the parliament at this point in time. If or when the ANSTO amendment bill becomes law, the returning casks could go to Sydney indefinitely until a dump is finished, assuming ARPANSA is happy with that. Is that correct?

Dr Cameron—The intention of the amendment that relates to these casks was to clarify ownership. The reason why we needed to clarify ownership is that in the reprocessing of the spent fuel that goes overseas from HIFAR, it is processed in a batch system with spent fuel from other reactors. So the waste that you get out may not actually be the atoms that came from your particular fuel element. If it is not then there has been some precedent in which it was not clear that we could claim that it was ANSTO's or Australia's waste. So the purpose of the amendment was to clarify that the material coming back would be Australian material and therefore we could handle such material at a store in the Northern Territory.

Senator CROSSIN—Or, as I asked you, they could go to Sydney indefinitely until the dump is finished as long as ARPNASA is satisfied. Is that correct?

Dr Cameron—The intention, as you know, is that the material will not be returned until the store is in place.

Senator FORSHAW—How did this issue about a question mark over whether or not it is strictly Lucas Heights waste arise?

Dr Smith—We took some legal advice. Apparently, there is a precedent in the copper industry of an Australian company which exported copper concentrate for custom smelting in a smelter and then tried to reimport the copper as if it was their copper. The legal process decided that, because their concentrate had been batched with other people's concentrate, the copper that came back was not necessarily the copper that went away. So with that as a legal precedent, there was a danger that you would get the same argument applied to the uranium—that the uranium atoms that went away are not the ones that are coming back.

Senator FORSHAW—I can understand the logic of what you are saying. It just occurred to me that you might have had a tip-off that there might be some litigation pending over the return, given that there was litigation in France some time ago. It was not about that issue but about whether or not it was permissible for COGEMA to do the processing.

Dr Cameron—I think the issue there was that the current ANSTO Act only allows us to handle waste which we have generated and, therefore, if there was some doubt about whether we could claim that to be our waste—

Senator FORSHAW—I understand all that. It is just that it has never occurred to me, as someone who has followed this issue for many years, that the reconstitution—if I could use that word—of the waste would throw up this issue. I never thought about it. But I never heard anybody else raise it either. It just seems to have come along very much at the end.

Senator CROSSIN—Dr Cameron, could I ask you to clarify something for me. You said the material will not be returned to this country until the dump is in place. That is not what I understood to be the view. I thought there was a contractual arrangement that that material was coming back in 2010 anyway.

Dr Cameron—Yes, sorry; that is worth clarifying. When we developed the timetable for the waste repository and store, it was on the basis of the date on which this material was due to come back. So what we did was ask ourselves, ‘What is the earliest possible date by which this material might return,’ and the earliest date we could think of was 2011. So the whole timetable for the repository and store is based on having a facility in place by 2011. That is what I meant when I said the intention was always to have the store prior to the material coming back.

Senator CROSSIN—If that does not happen, though, this material can now be stored at Lucas Heights. Is that correct?

Dr Cameron—That would be possible, but we would see that as not desirable because we are arranging for our waste to come back in containers that can go straight to the store, and therefore we would not want to have a process in which there was double handling.

Senator CROSSIN—So being able to store the waste temporarily in Sydney when it arrives back could satisfy ARPANSA’s need for substantial progress on dealing with the waste in order to issue the OPAL licence?

Dr Cameron—I think that is a question that you would need to put to ARPANSA—

Senator CROSSIN—I have done that today.

Dr Cameron—but, remember, the reason for the amendment of the act was actually to allow us to handle the waste at the repository and store. If it had not been designated as our waste, we would have some difficulty knowing whether we could do that under our existing legislation. So the whole intention is to allow handling operations by ANSTO at the Commonwealth radioactive waste facility.

Senator CROSSIN—Yes, I did ask ARPANSA that question. They were a bit stumped by it. They had not actually thought that that could be an unintended consequence of storing the returned waste at Lucas Heights.

Dr Cameron—There is certainly no intention that the waste will come back to Lucas Heights.

Senator CROSSIN—But it could be stored there if needed?

Senator FORSHAW—It is fair to say that Dr Cameron and ANSTO have always said that they could store that waste safely, in their opinion.

Dr Cameron—Yes, in our opinion.

Senator FORSHAW—Because you claim that you store it safely there now.

Dr Cameron—Yes, correct.

Senator CROSSIN—This act technically now says all of that waste is yours.

Dr Cameron—It says all the waste that went overseas for reprocessing is essentially our waste.

Senator FORSHAW—Could I clarify something. The issue of substantial progress towards a permanent store or repository for the waste relates to the granting of the application licence, doesn’t it?

Dr Cameron—To operate?

Senator FORSHAW—Sorry, the granting of the application for an operating licence. Isn't that the case?

Dr Cameron—That is correct.

Senator FORSHAW—Dr Loy said—and this was also one of the conditions laid down by Senator Hill, I think, when he was minister for the environment—when the initial approval was given for the construction of OPAL, that its proceeding to full operation was dependent upon the establishment of—or, in Dr Loy's words, substantial progress towards the establishment of—a permanent repository for the returned waste and future waste.

Dr Cameron—I think we need to clarify that, because—

Senator FORSHAW—There seems to be a bit of confusion about what is actually intended here. That is my understanding.

Dr Cameron—But we need to understand that the issue of the OPAL waste is different. It is different because, under the agreement with the United States, the first 10 years worth of spent fuel from OPAL will go the United States with no return. So, if we say it will be operational in 2007, that means it will be gone until 2017, and then there is a period of time when we accumulate waste and send it overseas. So the OPAL waste is at least 2025.

Senator FORSHAW—That is the case as you put it now, so I will concede that. But, at the time that the conditions were being laid down regarding the government's decision to proceed with construction of the new reactor, that aspect of what was going to happen to the first stages of OPAL's operations was not in place.

Dr Cameron—That is correct.

Senator FORSHAW—There was no public contemplation that the waste from OPAL in the first 10 years would be handled overseas, was there?

Dr Cameron—That is correct.

Senator FORSHAW—So the ground has shifted in that regard.

Dr Cameron—But what I am explaining is that the pressure for dealing with OPAL waste is now a different pressure than it was before because the time scales are much longer.

Senator FORSHAW—Dr Loy has dealt with that. He said that was a new factor that he would need to take into account regarding his operating losses. My point was, it relates to the issue of substantial progress, it is still ultimately related to a permanent site somewhere else.

CHAIR—I think Senator Crossin was still going on with her questions.

Senator FORSHAW—Sorry, but I did not want to come back to it at a later stage, having a bit of an interest.

Senator CROSSIN—Dr Cameron, I still would like you to clearly say whether or not the returning casks could go to Sydney indefinitely. Is that correct? I know what the intent is, but could they be stored at Lucas Heights—yes or no?

Dr Cameron—You are asking me to deal with a hypothetical.

Senator CROSSIN—We are hypothetically suggesting there is going to be a dump in the Territory so let us take it a bit further.

Dr Cameron—I think there has been substantial progress towards establishing a Commonwealth radioactive waste facility and a very clear intention by the government to do so. They have done that in such a way that the timetable would have a store in place before any waste was due. That seems to us to be the right thing to do.

Senator CROSSIN—If that store is not place because either the Defence sites keep getting earthquakes on them or they keep getting flooded—

Senator Vanstone—Sorry to interrupt you, but you cannot insist that an officer answer a hypothetical question.

Senator CROSSIN—This whole issue about nuclear waste and the facility is hypothetical. If that dump is not built by them for whatever reason and we do have casks returning in 2010-11, where would they be stored?

CHAIR—That is a hypothetical question. That is compounded by two hypotheticals.

Senator Vanstone—That is a good point.

Senator FORSHAW—That is not correct. This stuff is coming back. We know that. There is a contract; this stuff has to come back. It is coming back in 2011 at the earliest. So I do not see where the hypothesis is.

CHAIR—I was chair of the committee that did the bill. I understand the hypothesis is ‘if it goes to Sydney’.

Senator FORSHAW—It is not for me to answer the question. Senator Crossin is asking the question.

CHAIR—I still say that it is bordering on hypothetical.

Senator Vanstone—The officers might like to get some advice.

Senator FORSHAW—ANSTO know the answer.

Senator Vanstone—The officers might like to get some advice and have time to reflect on the answer. They will take it on notice.

Senator FORSHAW—It is Commonwealth waste.

Senator CROSSIN—There was a suggestion the waste facility would be in South Australia, and that has not happened. Now the focus has moved to the Northern Territory. Has there been an alternative investigation as to where this waste might be stored if the facility is not built in this country by 2011?

Dr Cameron—We have indicated the government’s position, which we have supported—that is, there should be a facility in place in time for the waste returning. We have of course got some flexibility in terms of the time in which that waste would return. It is fully the intention to have a facility in place to contain the waste when it returns from overseas.

Senator CROSSIN—Only ANSTO’s waste can be stored at Lucas Heights. Is that correct?

Dr Cameron—That is correct.

Senator CROSSIN—The ANSTO amendment bill now actually gives you ownership of the waste coming back from overseas. Is that correct?

Dr Cameron—That is correct.

Senator CROSSIN—So technically it could be stored at Sydney, without any legal impediments?

Dr Cameron—It certainly gives ANSTO the ability to handle that waste.

Senator CROSSIN—Does the bill also expand your waste management role?

Dr Cameron—It does in the sense that it gives us the ability now to condition and package waste from other Commonwealth agencies prior to sending it off to the Commonwealth radioactive waste management facility, and that seems to us to be a very efficient use of taxpayers' money. Rather than replicating such facilities we should use the existing facility.

Senator CROSSIN—Is this going to see more waste transported in and out of Lucas Heights?

Dr Cameron—At the time in which the Commonwealth radioactive waste facility is ready there will be some need to condition waste for it to go there. But you have to realise that 50 per cent of the waste is already at Woomera and ready to be sent and the majority of the other waste already exists at Lucas Heights. So we are not talking about any significant volumes.

Proceedings suspended from 3.45 pm to 3.58 pm

CHAIR—We shall resume. Senator Crossin has some more questions.

Senator CROSSIN—Dr Cameron, has there been any discussion that ANSTO will oversee the waste facility in the Northern Territory in the future?

Dr Cameron—There have been no formal discussions about that.

Senator CROSSIN—Have there been informal discussions about that?

Dr Cameron—We feel that we have the expertise to do that and, if the opportunity comes up, it is an opportunity that ANSTO would certainly look at.

Senator CROSSIN—Similarly, do you think you would take over the appropriations for the running of the waste dump if the opportunity arose?

Dr Cameron—Are you asking us whether we would turn down money if we were offered it?

Senator CROSSIN—I think that is what I am asking you, yes.

Dr Cameron—I think the issue is that we believe that we have the capability to operate that and we would be prepared to consider it at the appropriate time.

Senator CROSSIN—The PBS shows the cost of shipments of spent fuel in 2006-07 as \$10.2 million. There was no shipment the following year—2007-08—and the next shipment, in 2008-09, is estimated at costing \$11 million. That is an 8.2 per cent increase in cost. Is that just an inflationary increase, or is it an increase in the amount of shipment you expect to move?

Dr Cameron—I think there are two questions there. I will try to take them one at a time. First of all, clearly there is an inflationary element in that money because of the time at which it was first appropriated. The second issue is that we had intended the shipment in 2008-09 to be the larger shipment. We now intend that the shipment in 2006-07 will be the larger shipment. So it is likely that the costs projected for 2008-08 will not be fully needed.

Senator CROSSIN—I see. I have five quick questions to ask you. One goes to the radioactive waste leaks in the aquifer in Normandy in France. I have always wanted an opportunity to go to France; I think I have now found it. Are you aware of that news article in the *Sydney Morning Herald* on 24 May?

Dr Cameron—Yes, we are aware of that.

Senator Vanstone—Just while you are thinking of your next question, Senator, if you want an opportunity to go to France you could use your study allowance, since you are up in the Northern Territory, you would be perfectly justified in going to the opening of the Quai Branly museum in Paris, which is coming up soon and for which the Australian government has funded some Indigenous artists. This is a great achievement for Australia which only first Australians could have achieved. I believe that at least one and maybe two of them are from the Territory.

Senator CROSSIN—Thank you, Senator Vanstone, for putting that on the *Hansard* for me.

Senator Vanstone—I would be very surprised if you did not get a tick.

Senator CROSSIN—I in fact mentioned to people in my office this morning that that would be the second reason I should go. When I apply, I might use your supporting statement in my application, so thank you very much. That is most useful.

Senator Vanstone—It is an international achievement for Australia, achieved by first Australians, and your electorate is chock-a-block.

Senator CROSSIN—Meanwhile, getting back to water leaking out of the waste facility in France, in the aquifer near the site radioactivity was in fact 90 times above the safety limit. Will ANSTO look at that incident and get involved in why that has occurred and the scientific analysis about why that has happened?

Dr Cameron—Yes. We will be looking at that incident and we will be following what investigations are actually being done.

Senator CROSSIN—No doubt it has been confirmed now by French government agencies that that is the case. Have you been able to ascertain that?

Dr Cameron—No, we have not.

Senator CROSSIN—What role will you then take in monitoring what has happened in France?

Dr Cameron—The general role which we take all the time, which is to keep abreast of what is going on around the world and to try to understand any implications of that for what we currently do.

Senator CROSSIN—We might ask how that is going at the next estimates. Finally, on long-term storage, I turn to the International Atomic Energy Agency's publication *The long term storage of radioactive waste: safety and sustainability*, a position paper by international experts that they have put out. Among other issues it talks of stores originally intended as temporary facilities which have had their lifetimes extended and says:

... serious consideration has been given, in some countries, to the use of storage as a long term management option.

Are there any safeguards to ensure that the storage of the returning intermediate waste is temporary before final disposal? Could we see a situation where in fact the intermediate waste, if it is stored in the Territory, stays there quite permanently?

Dr Cameron—I have to refer to our previous discussion. I think the decision about the length of time the material is stored will be a government decision. Technically, as I said, the advantage of an above-ground store is that there is continuous monitoring and you always know the integrity of the materials, so you can always be assured that it is being held safely. But the decision on what the final disposal is will be a government decision.

Senator CROSSIN—The report also talks about a need to ensure permanence of records of the contents of the dump and any restrictions. Has ANSTO looked at long-term storage of records and what we might do to maintain the storage of those records in 100 and 200 years time? Is that part of the work you are doing in terms of setting up this facility?

Dr Cameron—I think it is part of the work that will need to be done in setting up that facility. It is not something that we have reached yet because I think we are at an early stage in terms of making progress on the site. But we take the point you are making, and it is a point that we are well aware of ourselves—the need to maintain records so that people in future generations will know what was there and how it was actually packaged for storage at our facility.

Senator CROSSIN—When would that work be likely to commence?

Dr Cameron—In the process of receiving material at a Commonwealth radioactive waste facility, you would establish procedures and criteria as to what information needs to be supplied with it, and it is at that point that the operator of such a store would have to set up a records recording system.

Senator WONG—When did ANSTO determine to commission the Gittus report?

Dr Smith—About November last year.

Senator WONG—Was that matter discussed with the department?

Dr Smith—No.

Senator WONG—Was the matter discussed with the minister's office?

Dr Smith—No.

Senator WONG—Was any permission sought from either the department or the minister's office prior to the commissioning of the report?

Dr Smith—No, it was a report that was commissioned for ANSTO to help us in our role of informing people about the options about nuclear technology and so on.

Senator WONG—When was the department advised of the fact of the commissioning of the report?

Dr Smith—I believe that we advised the minister we had received the report when we received it in late March this year.

Senator WONG—Starting at the beginning, when was the department advised that you had in fact commissioned the report?

Dr Smith—I believe around the same time.

Senator WONG—Around which time?

Dr Smith—March.

Senator WONG—Are you saying that neither the minister nor the department was aware of the commissioning of the report until you received it?

Dr Smith—That is correct. We commissioned the report for our own information to add to the material which we are providing in our advice to—

Senator WONG—When did you receive the report?

Dr Smith—We received the first draft of the report in March and we received the final draft in just the last week.

Senator WONG—In the last week?

Dr Smith—Yes.

Senator WONG—Before or after the synopsis was released?

Dr Smith—After the synopsis was released the final copy came from Professor Gittus.

Senator WONG—Was there much difference between the draft and the final? If you have already released a synopsis publicly, one would assume—

Dr Smith—He has put some additional material in which is not really directly connected with the options.

Senator WONG—Who prepared the synopsis?

Dr Smith—Professor Gittus.

Senator WONG—Was that at your request?

Dr Cameron—No.

Dr Smith—No.

Senator WONG—At whose request was that?

Dr Cameron—I think that is how he normally produces a report. He is a consultant—he is in the business of writing reports for various governments and that is obviously the style which he adopts.

Senator WONG—To clarify, to your knowledge the minister only became aware of the report when you provided a copy of the draft report to her in March?

Dr Smith—We did not provide her with the draft copy in March. The first time I spoke to the minister directly about the report was in fact in early May this year.

Senator WONG—What was the context of that discussion?

Dr Smith—The minister visited ANSTO to have a general discussion about the work of ANSTO. We were discussing nuclear power and we mentioned that we had commissioned a report.

Senator WONG—Had you provided a copy of the draft report to the department or to the minister at any time prior to that visit?

Dr Smith—No, the minister received the report for the first time when she visited the OPAL reactor on a recent Friday.

Senator WONG—Dr Smith, I did not ask when the minister personally received it; I asked if you had provided a copy of the draft report to the department or to the minister's office prior to the minister visiting the site.

Dr Smith—No, I had provided a copy of the synopsis to the minister's office.

Senator WONG—When did you provide the copy of the synopsis?

Dr Smith—Between the time that she visited the site and when she picked up the final report.

Senator WONG—When did she pick up the final report?

Dr Smith—Friday, 26 May.

Senator WONG—And the synopsis?

Dr Smith—The synopsis was handed into her office, I believe, on the Monday of that week.

Senator WONG—Was that at the minister's request?

Dr Smith—No.

Senator WONG—That was your idea?

Dr Smith—Yes.

Senator WONG—Okay. Can you explain to me why you have made the decision not to release the full report and only a synopsis?

Dr Smith—We felt that, in this area, it was appropriate that the minister should be given the opportunity to read the report first. We have given the report to her and she will be making the decision as to when it will be publicly released. I believe that will be quite soon. She felt that she would like to read the report, which is some 280 pages, before it is released publicly.

Senator WONG—It is your report, though, and not the minister's—correct?

Dr Smith—Correct.

Senator WONG—Did the minister request that you not release the report until she had had the opportunity to read it?

Dr Smith—I made a judgment in this matter, which was that given the political debate it was appropriate for me to give the minister the opportunity of reading the report first. She took that opportunity and she now has a copy of the report to read. She has indicated that we should be ready to release it publicly very soon.

Senator WONG—I think my question was: was that her request?

Dr Smith—No, that was not at her request.

Senator WONG—I am unclear about the interaction between this report and the study into nuclear power that I think the former minister, Brendan Nelson, announced last year. There has been some further discussion on that since that time. Can you enlighten me on this?

Dr Smith—There is no connection.

Senator WONG—Meaning what?

Dr Smith—Meaning that, as I said, we made the decision that we needed to make a comparison of the economics of nuclear power for Australia because almost every international study has shown that nuclear power is in fact the most economical way of producing electricity. Numbers of people have been saying that that is not the case in Australia. Our choice was to put some real facts into that debate and to get a nuclear expert to make a comparison of the cost of producing power particularly for the Australian market, which had never been done before because of there not being a real interest in Australia from the people who have done those previous comparisons.

Senator WONG—Dr Smith, I am interested—and perhaps it is just a matter of courtesy—that you have a report which, on your evidence, the minister has no role in commissioning and is not aware of until you handed a synopsis to her, and yet you choose to not release the report that is essentially ANSTO's property because you want the minister to read it first.

Dr Smith—I think it is a matter of courtesy to the minister to give her the opportunity of reading that before we put this material into the public domain.

Senator WONG—What is the purpose of that?

Dr Cameron—Obviously the minister would be asked a number of questions relating to the report. I think we just thought it was a courtesy to her to give her a chance to read it before she was asked all those questions.

Senator WONG—I think you told me Professor Gittus was the person who wrote the synopsis—is that right?

Dr Smith—That is right.

Senator WONG—Was there any comparison in the report or the synopsis of the economics of nuclear energy and that of solar, for example, or any other renewable energy?

Dr Cameron—I do not believe there is a direct comparison. There are many international comparisons which will give you the price of solar and wind power.

Senator WONG—Was that part of your instructions in terms of commissioning the report?

Dr Cameron—No, I think that, when we commissioned the report, we were interested in the particular issue that Australia has large reserves of high-quality coal and it has significant

reserves of natural gas. We currently produce 80 per cent of our electricity from coal and 10 per cent from gas. So the real comparison was that, if Australia needs to expand its energy production at the moment in terms of baseload production—and this is not peak load and so therefore we are not talking about renewables—the choice is really coal, hydro or nuclear. That was the comparison which has been made.

Senator WONG—When you commissioned it, did you outline in writing, a letter or some other document, to Professor Gittus the terms of your request?

Dr Smith—Dr Cameron wrote the particular letter. My instructions to him were that this report was to address the particular needs in Australia and to not re-cover the grounds of international comparison.

Senator WONG—Are you able to provide us a copy of the request outlining the terms of the report that was commissioned?

Dr Cameron—We can provide something. It is very short. It is almost a repetition of the words which Dr Smith said. This was really an international expert that we knew had done this work in other countries. We just asked him to do some work in Australia.

Senator WONG—I understand that. Obviously you come from a particular perspective in terms of the energy debate, Dr Smith and Dr Cameron, but obviously the questions one asks and the terms of reference one puts onto a person writing a report may determine the focus. Certainly it has determined the selection of the person concerned. That is fine; that is your choice. But clearly, certainly in the synopsis and from what Dr Smith is saying, there was an a priori decision that an examination of renewable energies was not going to form part of the report. Is that right?

Dr Smith—ANSTO's advice to all people we speak to is that the solution to global climate change certainly lies in using all available methods, which include carbon capture, renewables and nuclear. We see that there is a difference that is left out in much of this debate that the options for baseload power are much less wide ranging and, as I said previously, really baseload power can only be generated by hydropower, burning coal or nuclear. If you do not have a baseload, you cannot run a renewable system on top.

Senator WONG—The assumption being that there would be no technological capacity now or in the future for solar energy to provide part of baseload capacity.

Dr Smith—All of the calculations and the fact that the sun does not shine 24 hour a day do not make it a baseload power.

Senator WONG—That is your view; there are other scientists who have different views and there is different research on this. But you are entitled to your view, whether or not we agree with it. But that formed part of the way in which you formed your instructions and request for a report from Professor Gittus, did it not? You did not ask him to look at a comparison with nuclear energy, which is not an energy Australia relies on for baseload, unlike solar—we actually do rely in some areas on solar power.

Dr Smith—Not for baseload.

Senator WONG—Not currently, that is correct.

Dr Smith—Of course we are talking about technologies which are currently implementable, not technologies which require further research and development.

Senator WONG—So are you able to provide us with letters, correspondence, documents which set out the parameters of your request for the commissioning of the report from Professor Gittus?

Dr Cameron—We can provide you the terms of reference, which were very short.

Senator WONG—You do not have them here?

Dr Cameron—No.

Senator WONG—Is there any mention whatsoever of renewable energy anywhere in the report?

Dr Smith—I would have to take that on notice. There are 260 pages. I am not sure.

Senator WONG—And you are comfortable with commissioning a report that does not deal at all with the issue of renewable energy?

Dr Smith—As I said, we were looking at implementable technology for base loads, and that does not include renewables, which have a very important role in avoiding greenhouse gases emissions but which do not provide a substitute for baseload power.

Senator SIEWERT—Were you aware of the information that CSIRO has just put on the CRC website about solar being a replacement for coal for baseload power stations within seven years? CSIRO has just done a report for the coal CRC.

Dr Smith—We have not seen that report. It would be contrary to the accepted international position at the moment.

Senator SIEWERT—So you were doing this report and you did not even talk to CSIRO about the work that they are doing on renewable baseload power.

Dr Smith—We did not do the report.

Senator SIEWERT—Sorry, commissioned.

Dr Smith—We commissioned an expert to give us an economic analysis.

Senator SIEWERT—You commissioned an economic analysis, and here is our premier research body doing work on baseload solar power and you did not look at it?

CHAIR—I think Dr Smith—

Dr Cameron—Can we just go back to the original purpose of this report? We asked this expert to give us a view on whether nuclear power would be economic compared to coal in Australia.

Senator SIEWERT—And the reason Dr Smith said he was not including renewables is because they were not a replacement for baseload power. Quite plainly, CSIRO is doing work to look at that.

Dr Cameron—But the point of the report was to do exactly what I have just said: it was to answer the question of whether nuclear power would be economic in Australia, given where we are with the costs of gas and coal. That is what the report was about.

Senator WONG—Can you remind me of the cost of this report?

Dr Smith—The cost of this report was £UK8,000.

Senator WONG—What is the Australian—

Dr Smith—\$20,000.

Senator WONG—I cannot remember what the conversion rate is these days. I do not want to go over the ground we have argued upon but I have to say, from this side of the table, it seems a little bit odd. We have federal government funding—as Senator Siewert pointed out—for research into solar power technologies and capacity for base load input by solar power and we have ANSTO funding research that is specifically commissioned so as to exclude any consideration of renewables.

Dr Smith—I am sure it would have been considered that there was a single operating station producing base load power.

Senator WONG—Is that what you are advocating, Dr Smith?

Dr Smith—I am saying that if there were a single base load solar power station it would have been included.

Senator WONG—Is there a single base load nuclear power station?

Dr Smith—There are 440 base load nuclear power stations operating in the world.

Senator WONG—In Australia?

Dr Smith—Not in Australia.

Senator WONG—No, there is not, is there?

Dr Smith—There are 440 in the world.

Dr Cameron—This was to provide a contribution to the debate; it was not an attempt to be a comprehensive review of all possible technologies. It was answering a very simple question, and that is: could it be economic?

Senator FORSHAW—When you say it was to be a contribution to the debate, what are you talking about, the public debate?

Dr Smith—Yes.

Senator FORSHAW—It makes me wonder why you did not bring in groups like CSIRO or ARPANSA. I asked Dr Lloyd in another estimates hearing if he was aware of this report and this work being done and he said that the first time he heard about it was when he read about it in the paper. Admittedly he runs the regulatory safety agency but he is also charged with responsibility for the legislation, which prevents at this point of time the construction or licensing of a nuclear power plant. You say that you are contributing to the debate but you have gone off and commissioned this on your own, given a copy to the minister and that is about it.

Dr Cameron—Part of ANSTO's mission is to keep abreast of what is going in the nuclear fuel cycle and to be able to provide advice on that. The issue that we were trying to address is, contrary to what is said in many articles in the papers and by many politicians, whether or not

nuclear is competitive with coal. We wanted that analysis to be done for Australia and that was the sole reason we carried that out.

Senator WONG—I want to go to the issue of public subsidies. The synopsis lists a couple of finance plans, one of which includes an effective and quite substantial government subsidy. Does ANSTO believe that nuclear power in this country is only viable with the sort of public subsidy that is identified in one of the two finance plans in the report?

Dr Smith—I think it would be wise to wait and ask those questions when you have seen the whole report rather than just the synopsis.

Senator WONG—I would really quite like to do that, Dr Smith, but you have made a decision not to release it. We at the estimates committee are not given the courtesy of the capacity of reading the report before we ask you these questions.

Dr Smith—It is not within ANSTO's competence to look at Professor Gittus's complex financing models, which are presented in the report in a comprehensive way. They will no doubt be evaluated by people with the economic and business skills to see if they stack up.

Senator WONG—Hang on, Dr Smith. You cannot have it both ways. You are saying that that nuclear is that only viable alternative and that solar is not, so it is a base load capacity.

Dr Smith—To coal.

Senator WONG—You have a report that advocates a couple of financing models. Are you now saying it is not up to you to take a position in relation to public subsidy of nuclear energy, which you appear to be supporting?

Dr Smith—We were simply getting the information for people who are going to make these analyses. The economics in the report is all concerned with quite complex concepts about the costs involved in introducing nuclear power to a country which has no current nuclear power. Those are the costs which are being talked about in terms of a subsidy, which is really a government guarantee, as I understand it, not a subsidy as such.

Senator WONG—It is public investment.

Dr Smith—A guarantee does not necessarily mean dollars.

Senator WONG—We will wait and see the full copy of the report when the rest of the world, other than the minister and you, gets to see it. In the synopsis, the suggestion is that Australia purchase the fifth or later copy of a nuclear power station described as the AP1000. Does that mean that you would have to have at least four versions of this reactor made elsewhere in the world before it becomes economical for Australia to purchase one?

Dr Smith—That is the implication of that suggestion. There is cost in building a new nuclear reactor. There has never been an AP1000 built. The first one is expected to cost somewhere between 20 per cent and 25 per cent more than the later versions. Professor Gittus is saying that we should let other countries build those first four or five—or seven or eight or nine or ten. It seems very likely that in fact the APD1000s will be built in the United States in the near future.

Senator WONG—But currently your evidence is that there are no AP1000s anywhere in the world.

Dr Smith—Correct.

Senator WONG—Has any country commissioned one?

Dr Smith—The national regulatory commission of the United States has approved the design of the AP1000. The expectation now is that somewhere around 15 new nuclear power stations will be built in the United States, and at least some of those will be AP1000s.

Senator WONG—Over what period of time?

Dr Smith—An AP1000 takes three years to build. I believe that those new power stations will be built within the next decade.

Senator WONG—So 15 new power stations in the US, of which some might be the AP1000. Is that your evidence? Do you have evidence as to how many of them there will be?

Dr Smith—No. This will be a commercial decision.

Senator WONG—So, in terms of Australia getting the fifth, sixth, seventh, eighth or ninth, for the cost reasons, on your evidence it does not appear likely for at least a decade. Is that right?

Dr Cameron—That depends on the rate of take-up not just in the United States but elsewhere around the world. As you know, there is a resurgence of interest. China has already announced that it wants to build 50 nuclear power plants over the next 20 or 30 years. So, of course, it is possible that they might also take that up. Professor Gittus has talked about that because nuclear reactors have gone through a number of generations. We are now at generation 3 and moving on to generation 4 reactors. The AP1000 is really a generation 3-plus reactor, so it is the latest reactor to come on stream; therefore it makes sense to go with the later model.

Senator WONG—But none of them are actually on stream.

Dr Cameron—That is correct.

Senator WONG—There is approval for design and, at some point in the future, a possibility of build but you cannot tell me how many. Is that about the state of play?

Dr Smith—The design is approved by the national regulatory commission in the United States. Westinghouse aims to sell them to some of the 60 customers currently looking to purchase reactors.

Senator WONG—You say it takes three years to build so then you are probably talking at least 10 years before we get to generation 5.

Dr Cameron—You mean the fifth of the kind, not generation 5.

Senator WONG—Yes. Given where we are, aren't you talking at least 13 years before, technically, you could even look at this sort of proposition for Australia?

Dr Cameron—All we can say is that we might have made that analysis a year or so ago but we have seen a very significant change in the world in terms of people's willingness to and planning for taking up nuclear power. I think the likelihood is that the time frames will accelerate.

Senator WONG—To what? Are you willing to—

Dr Smith—It is purely speculative.

Senator WONG—It is purely speculative.

Dr Smith—I would not think—

Senator WONG—As I understand your evidence, you are talking about a design for a reactor where there is not one built or commissioned. There is simply a design approval as an option for base load capacity generation in a country where, as I understand our energy needs, we have some base load issues well within that time frame.

Dr Smith—Of course, the issue that Professor Gittus chose to use is the AP1000. The alternative that he could have chosen is the European pressurised reactor—the EPR—which is currently being built in Finland. A second one of those is currently nearing finalisation for construction in France. That is also a generation 3-plus reactor. So there is one of those currently under construction.

Dr Cameron—I think the analysis would work similarly for the EPR as it does for the AP1000.

Senator WONG—Is that your view or Professor Gittus's view?

Dr Cameron—That is Professor Gittus's view.

Senator WONG—That is a bit of the report that we do not have, is it?

Dr Cameron—No, what he did was take a case and work out the economics based on that case. That is what he has presented.

Senator WONG—Was it Professor Gittus's choice to specifically choose the AP1000?

Dr Cameron—Yes.

Dr Smith—Yes.

Senator WONG—That was not something discussed with ANSTO—is that right?

Dr Smith—That is correct, yes.

Senator WONG—Were the economics of other reactors discussed in the report?

Dr Cameron—The issue is simply that it is a reactor costing a certain amount of money. If you had taken another reactor that cost that amount of money or similar then the economics works in the same way. It is a quantum that he is comparing against other quanta. He could have used another reactor design and done those calculations, but he has taken one that has a particular cost and compared it with existing costs.

Senator WONG—The synopsis puts the risk of a terrorist attack as 50 per cent higher than before September 11. I understand it states that up to \$400 million would be required to insure the terrorist risk. Can you tell me whether this pricing of risk is built into the projected economic analysis of the viability of nuclear power in the report?

Dr Smith—It is Professor Gittus's expertise to do the full economic analysis. It does include the risks and there is a discussion of how those risks need to be managed, whether they are managed by government action in the country or by current insurance. At this point

in time in Australia we insure our reactors through Lloyd's of London. In the United States there is a government guarantee.

Senator WONG—I am going to repeat the question. Is the pricing of risk—for example, through insurance—included in the analysis of the economic viability of the AP1000?

Dr Smith—I believe it is, yes.

Senator FORSHAW—Did you just say that you insure your reactors through Lloyd's of London? Professor Gittus has a connection with Lloyd's of London, hasn't he?

Dr Smith—I believe he has.

Senator FORSHAW—Can you enlighten us a bit more on that?

Senator WONG—I was going to come to that.

CHAIR—Senator Wong has the call.

Senator WONG—Before I move to that issue, the synopsis suggests that three AP1000 power stations would be enough to reduce Australia's greenhouse gas emissions by 38 million tonnes per year. Does ANSTO have a view about the viability and appropriateness of having three nuclear power stations in this country?

Dr Smith—I believe that, if Australia were to make a decision to embrace nuclear power, the decision would have to be for multiple power stations to make the industry viable.

Senator WONG—So at least three?

Dr Smith—Yes.

Senator WONG—That would be your advice to government?

Dr Cameron—I think the choice of three by Professor Gittus was to meet a target on emissions. It was not that three had any magic significance on their own. He was looking at what it would take to reduce the emission of 38 million tonnes of CO₂. Three nuclear power stations would do that.

Senator WONG—Are you able to tell us the five measures for the mitigation of emissions that are mentioned in the report?

Dr Cameron—They are the measures that Australia is already working on as part of the additional protocol.

Senator WONG—Can I turn to another issue. Did you go to tender, did you have a number of researchers or did you simply select Professor Gittus because of your knowledge of his views, professional background et cetera?

Dr Smith—We selected Professor Gittus because we knew that we needed to get someone from the nuclear area who understood nuclear financing.

Senator WONG—Did you do a probity check? What sort of probity checks and balances did you have in place?

Dr Smith—We know of Professor Gittus's reputation, which has been established over many years. We knew of the work that he had done for other governments and we felt that the

small amount that he charged to produce such a large report was a very appropriate outcome for us.

Senator WONG—Did you do any probity checks? Did you ask him to disclose potential relationships and conflicts of interests?

Dr Cameron—Professor Gittus did provide his quite detailed entry from *Who's Who* and his CV, which reveals his whole career.

Senator WONG—Did you do any conflict of interest checks?

Dr Cameron—We did not see that there was any conflict of interest in the information he had supplied to us.

Senator WONG—Who made that decision?

Dr Cameron—We did.

Senator WONG—Who are 'we'?

Dr Cameron—ANSTO.

Senator WONG—Dr Smith and Dr Cameron?

Dr Smith—Correct.

Senator WONG—The two of you?

Dr Smith—Yes.

Senator WONG—As Senator Forshaw mentioned, Professor Gittus had a previous financial involvement with Lloyd's of London Syndicate 1176, which we understand is the biggest commercial insurer of nuclear power stations in Australia. I think he is also now involved in a company called Chaucer Holdings PLC. It is a UK company that is involved in the syndicate I mentioned. As such, it might be arguable that Professor Gittus has some interest in the insurance of nuclear power stations. Was that matter brought to your attention at any point before to commissioned or subsequent to commissioning the report?

Dr Smith—As I said, we made the decision that we needed to get someone from the nuclear industry. I think that it is very difficult to say that we are going to get someone from Greenpeace to evaluate nuclear industry financing. It just is not feasible. I do not believe that there is a conflict of interest because the clear interests of Professor Gittus are available. He has worked for the United Kingdom Atomic Energy Authority and he has clearly been involved in the nuclear industry for a long time. So I do not understand where you see a conflict of interest.

Senator WONG—Were you aware of his involvement, potential financial interest or apparent financial interest in the insurance of nuclear power stations?

Dr Cameron—Yes, we were.

Senator WONG—You were?

Dr Cameron—Professor Gittus has consulted on insurance, provided advice on insurance and been involved in insurance for some years, and that is why he was particular relevant for this study. We needed somebody with knowledge of insurance because insurance risk was

always going to be one of the big issues that determine what the cost of money is when you are trying to build. So we went to an expert.

Senator WONG—You went to an expert. I am asking: once you were aware of his interest in the insurance industry and particularly the insurance of nuclear power stations around the world, did you turn your mind to whether that might cause any conflict of interest in utilising him for the report?

Dr Cameron—We did not see any conflict of interest. In fact, we saw the advantages of talking to an expert in insurance risk—a person who has over many years provided models of how you could insure nuclear power plants—as really important in terms of understanding economics.

Senator WONG—Did you ask if Professor Gittus has any financial interest in Westinghouse?

Dr Cameron—We did not ask him that specifically.

Senator WONG—So you do not know. Is the syndicate I mentioned not only the biggest commercial insurer of nuclear power stations in Australia but also an insurer of nuclear waste transportation and storage?

Dr Cameron—It is one of the biggest insurers of nuclear in the world, yes.

Senator WONG—Right. Is Professor Gittus involved in the syndicate?

Dr Cameron—We have not asked him to disclose his exact involvement but he has told us that he consults widely on nuclear insurance. Therefore, he was a very appropriate person to ask about nuclear insurance.

Senator WONG—What is his current role in the syndicate or in the commercial insurance of nuclear power stations?

Dr Smith—We know his expertise is in the quantification of risk—

Senator WONG—Dr Smith, I understand that you came to the view that his professional expertise made him the best person for the job, but there is a different issue—there is an issue of a potential conflict of interest. There may not be a conflict of interest, but I have to say that I would have thought that it would have been in ANSTO's interest to explore this a bit. I ask the question again: do you know what his current role in the syndicate or in the commercial insurance of nuclear stations is?

Dr Smith—I do not know.

Dr Cameron—But he has told us that he has consulted widely on nuclear insurance over many years. He disclosed that to us very early on. The issue is that we cannot see where there could be a conflict of interest. He has presented a model. The model explains how risk is calculated, how risk is dealt with and how risk might be insured against. He has made the details available for anyone to check those models. That means that what is assumed or not assumed in calculating those risks is really transparent.

Senator WONG—On page 2 of the synopsis you list a range of Professor Gittus's qualifications. Do you list there also his commercial interest in the insurance of nuclear power stations?

Dr Cameron—The full report contains more details on his background.

Senator WONG—At page 2?

Dr Smith—That is part of his report. We did not create that page; that is his report. He has structured his report with a synopsis of his CV. His full CV appears later.

Senator WONG—Dr Smith, did you not consider whether or not it would be appropriate to look into the issue of what commercial interests or potential commercial advantage—if there is one—he might gain from the recommendations that he sets out being adopted so that others could judge for themselves the weight that they might put on the report or how they might consider the report?

Dr Cameron—We did not see any conflict of interest, and we have mentioned that to you before. We looked at him and his abilities and we thought that they were appropriate for what we needed. He has produced a report that provides all the details transparently so that anyone can see how the calculations have been done. ANSTO is not an expert in economic modelling. We are quite happy for others to look at that.

Senator WONG—So it was Professor Gittus's decision, not ANSTO's, to not list his private and commercial interests in the synopsis? Is that what you are telling me?

Dr Smith—He wrote the synopsis.

Senator WONG—Who insures Lucas Heights?

Dr Smith—I believe we have only one offer of insurance for our nuclear facilities, and I understand that it is from Lloyd's of London, but I do not know the details. I know that it is not a case where we are able to go to tender. There is only one company that offers to insure us.

Senator WONG—Is that the Lloyd's of London syndicate in which Professor Gittus has a financial interest?

Dr Smith—We are not sure of his interaction, but I know that because Australia does not have a nuclear indemnity—which lots of country do have—when we have talked about our nuclear insurance the only opportunity that we have to take insurance is through Lloyds of London.

Senator WONG—Okay. Aren't there guidelines in the Commonwealth in terms of tender processes?

Dr Smith—Yes.

Senator WONG—There are open tenders and select tenders; agencies can have panels which they go to et cetera. Did you follow any of those guidelines in respect of the commissioning of this report?

Dr Smith—We always take those guidelines into account of course. At the level of money we are talking about, there are options available for not going through the full process because of the expertise of the people involved.

Senator WONG—The issue is not so much how much money the report cost. This is a highly controversial issue, as you are probably aware. Part of the reason that there are

Commonwealth guidelines around tendering et cetera is that through that process any potential conflicts of interest are hopefully made apparent.

Dr Smith—I think they are absolutely apparent. This report does not sell anything. It is not producing any money for Professor Gittus in addition to what he is being paid. As you have said quite rightly, if there is a nuclear power station built in Australia, it will not be for at least a decade, by which time I suspect that Professor Gittus would not be part of the business that he is currently part of.

Senator WONG—Isn't the issue that you commissioned a report from somebody who may have a financial interest in increasing the number of nuclear power stations in the world, including in this country, and you did not consider whether there was a potential conflict there?

Dr Cameron—You have said that there may be a conflict of interest. We looked at that and decided that there was no conflict of interest that we could see. In fact, there was an advantage in going to an expert in nuclear risk, because nuclear risk is one of the key issues in determining the economics of nuclear power.

Senator WONG—Your evidence is that you looked at this issue and you do not believe there is a conflict of interest, yet you cannot tell this estimates committee what the nature of his financial interest in Lloyds of London or the syndicate that we discussed is. So how on earth can you come to a view that there is no conflict of interest?

Dr Cameron—Whether or not he has an interest in Lloyd's, the thing which we were purchasing was his experience in insuring nuclear risk. If you are going to look at that issue, you go to an expert in insuring nuclear risk. There are not many choices when you come to do that. As Dr Smith said, there are very few companies in the world that insure nuclear.

Senator WONG—Has Professor Gittus also been involved with Circa PLC?

Dr Cameron—I would have to look at his CV in detail.

Senator WONG—Is that to say you are not aware of that? You do not know?

Dr Smith—I am not aware of it.

Dr Cameron—I do not know offhand.

Senator WONG—One of the pieces of information that is publicly available on Professor Gittus states:

He and Mr Michael Dawson now run Lloyds of London Insurance Syndicate 1176, the biggest commercial insurer of nuclear power stations and other facilities in the world.

Were you aware of that?

Dr Cameron—Yes, we were aware of his involvement with Lloyd's of London.

Senator WONG—So you are not aware of his involvement or relationship with Circa?

Dr Cameron—No, we are not aware in detail.

Senator WONG—Is Circa one of the companies that was involved in the nuclear waste dump proposal in South Australia?

Dr Cameron—Not that I am aware of.

Senator WONG—Before I go to another topic, do you have anything more on this, Senator Forshaw?

Senator FORSHAW—When you came to choose Professor Gittus, was there nobody available in Australia? You may have avoided these other issues.

Dr Smith—The cost of building a nuclear power station is basically 60 per cent in the finance, so this is a very financial issue, and the cost of money is the issue that drives it. The overnight interest rate is what drives the cost of building a nuclear power station, so risk comes into that, because when there is perceived risk obviously the interest rate goes up and the cost of the project goes up. So, as Dr Cameron has said, the most important thing is to get somebody who understands what those risks are so that they can project what the cost of the finance to build the station would be, because the characteristics of a nuclear station are such that 60 per cent of the cost of the electricity is finance cost.

Senator FORSHAW—I still question you. There must have been some other people you could have considered. Did you?

Dr Smith—The alternative would have been to choose the company that did the survey in the United Kingdom. It would have cost a lot more money, because it is a very big international energy consultancy. That was also a broader based area. We were really looking specifically at understanding the cost of nuclear, not the cost of a broad range of energy technologies.

Senator WONG—Is one of the significant components of the total cost of nuclear power the cost of waste disposal and storage?

Dr Smith—It is.

Senator WONG—Does the full report look at various options for storing or disposing of high-level waste from proposed nuclear power stations?

Dr Smith—Since it is an economic report it actually looks at the cost that has been incurred in dealing with waste in a number of different countries.

Senator WONG—Does the cost assume domestic storage of high-level waste?

Dr Smith—It does not assume that there is high-level waste. There are a whole lot of assumptions about whether you undertake reprocessing here, but there is a cost assigned to dealing with waste disposal from the reactor.

Senator WONG—Sorry, Dr Smith. I am not a scientist, but I thought nuclear power plants produced some high-level waste. Yes?

Dr Smith—Yes, it produces waste, but you said high-level waste.

Senator WONG—Does the costing of waste disposal and storage in the report assume domestic waste storage?

Dr Cameron—What he does is to put in a factor, which is used by many other countries to deal with the back end. So he has not been specific about where you place it but he is saying: how do we incorporate that cost? People incorporate that cost by putting a factor into the cost of electricity and he has used a factor which is commonly used elsewhere.

Senator WONG—Right, but you make certain assumptions when you factor in costs for waste storage, and the cost, I would assume, of taking it offshore is going to be different to that of storing it on the mainland or transporting it to another country—correct? So what are the assumptions?

Dr Smith—I believe the assumption is about transport of the spent fuel to a reprocessing facility, such as the one in France, and the return and storage of the intermediate-level waste following that. The cost that he suggests is about two per cent of the cost of generating electricity.

Senator WONG—Two per cent. That is for sending it over to France and bringing it back—is that right?

Dr Smith—The same as for our HIFAR fuel that you were talking about.

Senator WONG—Yes, I am aware of that, but I am just clarifying. Are there any other waste dump options canvassed in the report?

Dr Smith—No, this is an economic report.

Senator FORSHAW—The report has been commissioned for ANSTO, as you said, but you have taken the decision to provide it to the minister first off. Is it going to be released publicly?

Dr Smith—As I believe the minister has indicated, her intention is to release it publicly in the near future.

Senator FORSHAW—Why is it a decision of the minister if this report was not commissioned for government, by government or at government direction but rather by ANSTO itself?

Dr Smith—As Dr Cameron said, we believe that the minister will be asked questions on the report and she needs the opportunity to understand it.

Senator FORSHAW—Yes, but whether or not it was an appropriate decision for you, the board or whoever made the decision—I assume it was you, Dr Smith—to provide it to the minister first as a matter of courtesy is a separate issue. This report was commissioned by ANSTO, presumably its ownership is with ANSTO and ultimately the decision to release it, I would have thought, is with ANSTO. I ask the question again: are you going to release it publicly?

Dr Smith—We are going to release it publicly.

Senator FORSHAW—I would have thought you were. When?

Dr Smith—I believe within the next week.

Senator FORSHAW—Did the report go to the board for any sort of consideration or endorsement?

Dr Smith—Since this is a report of an independent consultant, we did not believe that the board needed to endorse it.

Senator FORSHAW—Has Professor Gittus done work for ANSTO before as a consultant?

Dr Cameron—No.

Dr Smith—Not to my knowledge.

Senator FORSHAW—Do you publish details of your consultancies in your annual report?

Dr Cameron—Not individually, no.

Senator FORSHAW—I could not find them. That is all. There were some issues about whether or not ANSTO is required to provide these details in its annual report. I understood you would be, and the Audit Office has recently issued a report on compliance by government departments and agencies across the board with requirements for publishing these details.

Dr Cameron—We certainly follow the Commonwealth procurement guidelines.

Senator FORSHAW—Let me tell you: the compliance rate is very poor, and that is what the Audit Office's finding is, but it does not specifically deal with ANSTO; it was a selection of agencies. I will ask another couple of questions quickly. You were talking about the transport of the waste overseas, reprocessing and bringing it back, and you answered some questions earlier from Senator Crossin about the costs of that, which are referred to in the PBSs. Is any income earned by ANSTO for the reprocessing of that material, or is it all just cost?

Dr Smith—I believe that the cost that is quoted is the adjusted cost for the reprocessor retaining the uranium.

Senator FORSHAW—So are you telling me that there is a—

Dr Smith—You pay a processing cost, and part of the benefit to the reprocessing company is the money you pay them and the fact that they end up with uranium which they can sell.

Senator FORSHAW—We know there are costs, and they are recorded in your annual reports, PBSs and so on: what it costs to ship this stuff overseas, bring it back and all that. I am trying to ascertain whether, compared to that total figure, there is any income that you can put on the other side of the ledger that you can identify.

Dr Cameron—No revenue comes back to ANSTO, but when the reprocessor sets a price they take into account the benefit they are going to get.

Senator FORSHAW—So you get a discount?

Dr Cameron—You get a discount.

Senator FORSHAW—Do you know what proportion that is?

Dr Smith—Uranium, you know, is worth about \$90 a kilogram.

Senator FORSHAW—I might know that. You see, this process is a means for ANSTO and Australia to deal with its waste, and therefore I understand that it is seen that there is a cost to be paid in shipping it overseas and bringing it back. But I am also conscious that someone else is getting some benefit out of the use of that material, and I would like to know, if you cannot give us the dollar figure, what the ratio is of the total cost against the benefit. It may not be much; I am not sure. I would not imagine that it would be much, but what is it?

Dr Cameron—I do not think we would be able to answer that question, but—

Senator FORSHAW—You can take it on notice, if you want to have a look at it. The other question I want to ask is about the Community Right to Know Charter Relating to ANSTO,

which is published on your website. There is a long history to the development of this. Has that been endorsed by any of the community groups or the Sutherland Shire Council, or is this ultimately ANSTO's own community right to know charter?

Dr Cameron—Ultimately, this is ANSTO's charter. As you know, Senator Forshaw, because you have had some experience of this, we did go through quite a long and tortuous process—

Senator FORSHAW—Sometimes to my misfortune, but go on!

Dr Cameron—of trying to get facilitation between us and certain groups on this particular charter. Despite the best efforts of the facilitator, he could not quite get agreement. We then had to go back to Senator Hill, because it was part of the EIS condition about this. We explained the process we had been through. He read the report of the facilitator. On that basis, he decided that we had fulfilled the EIS condition to the best of our ability. That led to this right to know charter, which is consistent with and adds to the Freedom of Information Act, which is already in place.

Senator FORSHAW—What was the name of the facilitator again? I have forgotten his name.

Dr Cameron—We are going back a few years now. I can certainly find out.

Senator FORSHAW—Is this charter the result of the work done by the facilitator?

Dr Cameron—Yes, this charter came out of that process of facilitation and trying to put down what we could provide, and it does not take away from any of people's rights under the Freedom of Information Act.

Senator FORSHAW—I do not need to know all about that. I am just trying to ascertain—because there are some people who tell me that this charter has never been signed off by them, and you have confirmed that.

Dr Smith—I think we also now publish an annual corporate social responsibility report and hold regular community briefings to make sure that we keep to the spirit of that.

Senator FORSHAW—Dr Smith, I read your ads in the *Leader* newspaper; that will do.

Senator KIRK—I have some questions on the corporate social responsibility report and whether or not there has been any market research conducted in relation to that. But, in view of the time and the time that has been spent on this organisation, I am happy to put those on notice.

CHAIR—That would be appreciated. Thank you.

Senator STEPHENS—With your indulgence, Chair: Dr Smith, you said that this report cost £8,000. Were there other associated costs, like travel?

Dr Smith—That is the total cost.

Senator STEPHENS—Thank you very much.

CHAIR—Thank you very much, gentlemen.

[5.00 pm]

Department of Education, Science and Training

CHAIR—I will now call the Department of Education, Science and Training, the Science Group, to look at outcome 3. I welcome Ms Lisa Paul, the secretary of the department, and other officers from the Science Group. I call for questions from Senator Stephens.

Senator STEPHENS—I wanted to have a look at the PBS and to work through some of the information in it. Could we start with appendix 3 on page 117. In output 3.1, under the Higher Education Support Act, there is an underspend of \$14.1 million in 2005-06. Perhaps you could provide some details about what that underspend represented.

Ms Paul—I think that is to do with the Innovation and Research Systems Group, which we are coming to just after cross-portfolio.

Senator STEPHENS—You are asking me to start somewhere else, aren't you?

CHAIR—What you are asking is still ahead of us, Senator Stephens, so you have not missed it.

Senator STEPHENS—Thank you. That is good. I have this in the wrong place in my folder; I am sorry. Just to be clear: what I am asking you is ahead of us. So national radioactive waste management is also in that group, is it?

Ms Paul—No, that is for all these people here, so we are more than happy to answer that.

Senator STEPHENS—Then let us go to output 3.2 and the national radioactive waste management overspend by \$1.5 million. Can you explain to us what the additional funds were spent on?

Ms Borthwick—There has been some rephrasing of that, but I will ask Mr Davoren to reply, if he can.

Mr Davoren—The project is significantly underspent this year. The funding for the whole program is \$4.74 million for radioactive waste management, which includes Maralinga and some other radioactive waste issues relating to the former repository project, and there is a smaller component of \$3,884,000 for the Commonwealth radioactive waste management facility. This year that project is significantly underspent due to the late start of the siting studies at the three Defence sites. There was significant reprofiling of the project in additional estimates in November. That led to revised funding this year, as I have mentioned, of \$3.8 million. There was also a rephrasing of \$3.45 million for 2006-07, reducing the funding for that year to \$3.2 million. The reason for rephrasing, apart from the delays in the start of the project, has been the slippage of the major expense item of the project, which is the conduct of the environmental impact statement—which would come out to about \$3.2 million. That has slipped from 2006-07 to 2007-08.

Senator STEPHENS—Thank you for that. That answer enabled me to find my place in the folder, so let us start with the issues as they are listed here. The first one is the cooperative research centre funding. On page 83 of the PBS, the department states:

The Department will raise the quality of outcomes in 2006-07 by increasing accountability through monitoring the performance of CRCs against the agreed deliverables set out in their agreements.

Is DEST undertaking a review of the CRC program?

Ms Borthwick—We are not undertaking a review of the program; we are undertaking a review of some of the reporting elements that we ask as part of the requirements of funding for the CRC.

Senator STEPHENS—Who is actually conducting that review?

Ms Borthwick—We will be looking at that ourselves. We will probably also seek some external advice on that arrangement, but we have not as yet gone into a consultancy selection process.

Senator STEPHENS—But you anticipate that you will?

Ms Borthwick—I expect that we will look for some outside advice on that issue.

Senator STEPHENS—What is the time frame for that review?

Ms Borthwick—We are considering it at the moment. I will turn to Ms Emery for a response on the exact timing.

Ms Emery—It is really an ongoing process of looking at what we get CRCs to report on so that we start to decrease some of that reporting load to make sure that we get the most important pieces of information from them.

Senator STEPHENS—Tell me what ‘raising the quality of outcomes in 2006-07 by increasing accountability’ means, then?

Ms Emery—It is ensuring that they are actually delivering on what has been contracted, so through their agreement that is measuring things such as whether they are creating spin-off companies, how they might be going about commercialising their intellectual property or getting it adopted through their commercial partners.

Senator STEPHENS—Does that mean that the funding agreements will be different in 2006-07 from other years?

Ms Emery—The CRCs are funded for seven years and we are currently in a selection round. The funding agreement for the 2006 selection round is similar to what it has been in the past, but it is going to be more focused on making sure we collect information on outcomes.

Senator STEPHENS—Did anything in particular prompt this change and this review?

Ms Borthwick—As Ms Emery said before, we monitor the reporting processes and the management of the program on an ongoing basis, so we keep it under review. Where there are opportunities for us to strengthen those processes, we do. We generally do that in consultation with the CRC community, as has been the case on this occasion.

Mr Cook—The way in which the department administers CRC program is that we have a high level committee—the CRC committee—which provides advice to the department and is, in fact, heavily involved in the selection process. It includes a range of people with different backgrounds and, amongst other things, they are very keen to see that we get appropriate information from the CRCs but without burdening them unnecessarily with undue red tape. It is always a balancing act about getting the right sort of information from them while giving

them the maximum opportunity to get on with what they are really there for, which is to do the research and produce outcomes.

Senator STEPHENS—You say that is a high level committee. Is that all within DEST or are there representatives of other departments on that committee?

Mr Cook—The committee is mainly comprised of people outside of DEST. It is chaired by Dr Peter Jonson and it comprises a number of people who have an industry background and a number of people who have a strong research background. Myself, my colleague deputy from the Department of Industry, Tourism and Resources and Professor Hoj from the ARC are all ex officio members, so it is a range of people with different skills and perspectives to make sure we get this right.

Senator STEPHENS—Can you table that list with the committee?

Mr Cook—Yes. We would be happy to. We will get you a clean copy, Senator.

Senator STEPHENS—Thank you very much. In terms of the number and the whole funding arrangement with the CRCs, table 3.2.3 on page 91 indicates that the number of CRCs is set to decline from 70 to 54. That is right, isn't it, Ms Emery?

Ms Emery—That is right. At the moment there are actually 71 CRCs. At the time the PBS was put together, there were 70 but there are now 71 CRCs, and that will decline to 57 in 2006-07.

Senator STEPHENS—What is the new one that has been established?

Ms Emery—The CRC for Biomedical Imaging Development.

Senator STEPHENS—With the decrease to 54, is that CRCs whose seven-year funding is almost complete?

Ms Emery—That is right. It goes down to 57 in the next financial year. That decrease is a reflection that a number of CRCs' funding comes to an end on 30 June 2006.

Senator STEPHENS—I am trying to understand this. So there are 16 fewer CRCs in 2006-07. Was that planned?

Mr Cook—It was a result of the funding profile under the two Backing Australia's Ability packages. There was a ramp-up of the CRCs program and then a plateauing, if you like. A number of the CRCs who came in through the growth period are now coming to the end of their funding cycle. At the same time there has been a trend towards CRCs getting larger in terms of the amount of funding that we provide to each individual CRC, which means that within the allocated money you actually get less than what you would have got historically.

Senator STEPHENS—So there is actually a reduction in the number and, as you say, an expansion of the size of some of the CRCs. But there is also a reduction in funding of \$18.8 million this year, compared with last year, isn't there?

Mr Cook—Again, it is a facet of the way in which the funding profile works. You will find that every second year is lower than the previous year, because we have a selection round each two years. The funding is worked on the basis that you have a selection round and you start funding a new lot of CRCs, so you have got this cyclical effect in the forward estimates.

Senator STEPHENS—Would it be possible for you to provide on notice a list of the CRC stage 1 applications, the shortlisted applications and the CRC funding recipients for 2004, 2005 and 2006?

Ms Emery—I am sorry, Senator, can I clarify this. You are after the—

Senator STEPHENS—The stage 1 applications, the stage 2 applications and the final successful recipients.

Mr Cook—The selection round will take until late this year to complete. At this stage we can give you information on stage 1 and those that have gone through to stage 2 but we cannot yet give you the results of the selection round because it is still in process.

Senator STEPHENS—When will that be completed?

Ms Emery—We expect it to be completed by the end of December this year.

Senator STEPHENS—I refer to the whole process of applying for CRC funding. I understand that the minister has the final say over which CRCs are funded. Is that correct?

Mr Cook—That is correct. The CRC committee that I mentioned to you earlier goes through the assessment process and makes recommendations to the minister, and the minister is the decision maker.

Senator STEPHENS—Is there any kind of appeal process if a CRC funding application is rejected?

Mr Cook—No, there is no formal appeal process.

Senator STEPHENS—Have there been any instances of a recommendation being overturned by the minister?

Mr Cook—The CRC committee tends to rank the applications in groups: from the best group and the next best group down to the uncompetitive ones as the committee sees it. The cut-off point in that is really driven by the amount of funding that is available to fund the CRCs. Historically, our experience has been that the minister accepts the CRC committee's recommendations about the rankings of those people.

Senator STEPHENS—So what ranks as best—royalties or patents? How do you measure the better and the best?

Mr Cook—There are four key selection criteria. I will ask Ms Emery to tell you about them.

Ms Emery—As Mr Cook has said, there are four selection criteria which are contained within the selection guidelines. For the 2006 round, that is obviously the 2006 selection guidelines for applicants. The first of the selection criteria is:

The outcomes will contribute substantially to Australia's industrial, commercial and economic growth.

The second criterion is:

The path to adoption (commercialisation/utilisation) will achieve the identified outcomes.

The third selection criterion is:

The collaboration has the capability to achieve the intended results.

The fourth selection criterion is:

The funding sought will generate a return and represents good value for the taxpayer.

Senator SIEWERT—Do they have to meet all of those to succeed?

Ms Emery—Absolutely. That is contained in the guidelines, which specify that each applicant has to meet all of those selection criteria to continue at least through stage 1.

Mr Cook—The CRC committee, in looking at these applications, ranks people against those criteria. It is the people who meet them best that become the top ranked ones.

Senator STEPHENS—In terms of that second point about the potential for commercialisation, does that mean that a CRC actually has to have commercial products or a commercialisation strategy in mind in order to seek funding in the first place?

Ms Emery—It has to have some sort of commercialisation or utilisation plan in place at the time of seeking funding, yes. So that would normally be through its industry partners that it would have involved in its application.

Mr Cook—But they do not have to have a product. They are doing research to generate something, but they need to understand that they have the capacity to do research which will lead to something useful at the end and a strategy for how they are going to get there.

Senator STEPHENS—Something useful at the end?

Ms Emery—That ‘something useful’ might be in terms of a more efficient process rather than an actual product being produced.

Senator STEPHENS—Okay. That is quite helpful. Senator Siewert asked you an important question. So the successful applicants score highly in all four of those key criteria?

Mr Cook—Yes. The successful applicants would have scored highly in all four.

Senator STEPHENS—And the minister has the final say. You say that you are not aware that the minister has overturned any recommendation of the council—is that right?

Mr Cook—I cannot remember one in the time that I have been associated with the CRC process.

Senator STEPHENS—With regard to your relationship through the CRCs with the Department of the Environment and Heritage, which CRCs and research areas does the department of the environment allocate funding to DEST for?

Mr Cook—The department of the environment does not give us any funding. I would encourage them to do so if they wish! I think what you might be referring to is the fact that they have the CERF—and I forget what the acronym stands for.

Ms Emery—The Commonwealth Environmental Research Fund.

Mr Cook—They fund environmental research which is considered to be in the national interest. So they run that program separately from our program.

Senator STEPHENS—Does the fact that the PBS of the department of the environment shows a tapering of funding from the department to the CRCs affect your monitoring arrangements? Is that part of the partnering agreement of the CRCs? Is that how that works?

Ms Emery—I am sorry; I am not actually sure what you are referring to.

Senator STEPHENS—The department of the environment PBS indicates an item that says, ‘Reduction of funding to CRCs’. I am just trying to understand what that relationship is. But I guess I should ask the department of the environment, and I will.

Mr Cook—I have not seen their PBS, but what it could be referring to is that there are a number of CRCs based around tropical and marine science. I know they are certainly looking at assisting to fund what would not be CRCs as we know them under our program but which would be the successors, I suppose, of the CRCs.

Senator STEPHENS—Can we talk now about Commonwealth expenditure on science and innovation? Is that in this group or is that in the next group? No, I think it is in this group.

Senator SIEWERT—Before we move on, can I ask a clarifying question? When you were talking earlier, you were talking about the line item decreasing because some of the CRCs are winding up in June 2006. Does that then anticipate that they may not apply for ongoing funding?

Ms Emery—In general, those CRCs that wind up this year would have applied for funding in the 2004 selection round. So the ones that may be winding up in June 2008 would be applying now for their funding.

Senator SIEWERT—So where do they get picked up in terms of your forecasting for the future? That will get picked up in allocations then, so at the moment the only allocation you are making is for ongoing—

Ms Emery—That is right—for actual agreements that have been signed.

Senator SIEWERT—So, in relation to agreements that have been signed for the CRCs that are winding up this year, would they have already signed their agreements for their ongoing funding? Is that how it works?

Ms Emery—If they are winding up this year, they have not received further funding or they have not applied for further funding. So they just come to an end this year.

Senator SIEWERT—If they do receive further funding, they will know that they are receiving further funding—

Ms Emery—And they will have an agreement in place.

Senator SIEWERT—They will be picked up with that funding under that item.

Ms Emery—I think so.

Senator STEPHENS—I think Senator Crossin had some questions she wanted to ask.

Senator CROSSIN—I do. It will not come as any surprise to you what I have questions about! I want to talk first of all about whether there have been any applications from a land council for a site for the waste dump. Under the Commonwealth Radioactive Waste Management Act, Mr Davoren, if the land councils were to nominate an area as a potential site, could you outline to me what process would be followed for checking that the rules for nomination were complied with by the council? Or do they simply have to write to the minister requesting that a site be put on the list?

Mr Davoren—They write to the minister. They are legally obliged under the act to make sure that the traditional owners are made aware of the consequences of having the site on their land. They are obliged to consult with the community that is involved and with any other communities with an interest in the site. The minister considers that nomination and, at her discretion, she can accept or reject it. As far as the process is concerned, I think you mentioned a month or so ago that, if there was an Aboriginal site nomination accepted by the minister, that would be considered along with the three Defence sites.

Senator CROSSIN—What evidence would you need to be satisfied that TOs had been consulted or that they had given consent to their land being nominated?

Mr Davoren—They have to understand what it means and I think they have to consent. It is a legal obligation under the act on the land council, as I understand it.

Senator CROSSIN—What evidence would you be looking for to prove that there is consent?

Mr Davoren—We would be after advice from the land council, but the land council would have an obligation to ensure that there was consent, as the act is written.

Senator CROSSIN—It is interesting. I asked some questions before about the latest visit to Lucas Heights by the Northern Land Council and some traditional owners from Muckaty Station, and ANSTO were not even aware where those people were from. They never even introduced themselves as being from Muckaty Station. Does that surprise you?

Mr Davoren—There have been groups from the Northern Land Council and we have hosted those visits to ANSTO. It was basically so those people from the Northern Land Council delegations could see the radioactive waste and could get some idea of what hosting a facility on their land might mean to them. It was unusual that they were not introduced as a group from a particular area.

Senator CROSSIN—Under the act, regarding rules for a site nomination, section 3B(6) says:

Failure to comply with subsection 3B(1) does not affect the validity of an approval.

And section 3D says:

No person is entitled to procedural fairness in relation to a Minister's approval.

Would you agree that there is no protection for traditional owners, if they feel their land has been improperly nominated?

Mr Davoren—I think it is a job for the Northern Land Council in properly representing the interests of the people within their community. It is a matter for all the representatives on the Northern Land Council to agree to the nomination of a site, and I doubt that they would do so unless those rules were agreed to.

Senator CROSSIN—But therein might be the problem, might it not? The act does not protect specific traditional owners. If the Northern Land Council or the Northern Land Council executive approve a site and that is then given to the minister, what right of appeal does a traditional owner have if the site is not approved of by them?

Mr Davoren—The act is relying on the effective processes within the Northern Land Council. I understand that there are such processes.

Senator CROSSIN—If it comes to pass that those processes are not in fact followed?

Mr Davoren—I think that is a bit hypothetical.

Senator CROSSIN—It may not be, given that people from Muckaty Station actually thought they were going to Lucas Heights to look at how their municipal rubbish can be better stored, as per the Tennant Creek rubbish dump. That was their understanding of what Lucas Heights was about.

Ms Paul—We have a most detailed, comprehensive consultation process and so on, as you know. There would be a concern in this hypothetical situation, there would be a concern universally, to ensure that the correct procedures had been followed, and everyone would be extreme diligent.

Senator CROSSIN—When you say that, does that mean that, if in fact you got a nomination from the land council, DEST would undertake a process to confirm that the traditional owners were properly consulted and had consented to that nomination?

Ms Paul—If we were to receive a nomination from any other body, other than the three sites already under investigation, we would go through very comprehensive processes to ensure that all the correct procedures laid out in the act and the relevant protections were followed. We would be very careful about that.

Senator CROSSIN—You would want to satisfy yourself that the owners of that land had agreed to that nomination?

Ms Paul—And that the status is clear. That is in everyone's interest.

Senator CROSSIN—Have you actually had a nomination from the Northern Land Council for a site?

Mr Davoren—No, we have not.

Senator CROSSIN—Have you had any representation from them about a possible site?

Ms Paul—This is probably the point to say that we have had a request from the Northern Land Council that our communications with them be confidential. I just thought I should mention that. We may come to some questions where I will need to mention that and, of course, ask for your consideration. Obviously, I fully appreciate the role of the committee.

Senator CROSSIN—Why was that request made?

Ms Paul—I do not know. It is just a request from the Northern Land Council for confidentiality, perhaps because it is at such an early stage. I am not sure. I do not know.

Senator CROSSIN—That leads me to pursue my earlier questions probably even more vigorously. As much as we do not like it, the three sites nominated by DEST have been made very public. There are many people involved in all parcels of land, right across the Northern Land Council's jurisdiction. They must be in discussion with you, because they have been to Lucas Heights twice. But have they actually suggested to you that they have a parcel of land under consideration?

Ms Paul—As I say, we are at this point now where they have asked us to maintain confidentiality. Mr Davoren said we do not have an offer of land from them, that there is no formal offer and so on—perhaps because they are still going through their processes their preference is for us to maintain confidentiality.

Senator CROSSIN—Who has made a decision to maintain that confidentiality rather than keep an open and transparent process?

Ms Paul—That is a request from the council.

Senator CROSSIN—Who has agreed to that request?

Ms Paul—The council has asked us to maintain confidentiality at this stage, so we are respecting that request at this stage. Presumably, if things progress, that will have to change.

Senator CROSSIN—What do you mean by that? At what stage will any discussions or announcements become public?

Ms Paul—As Mr Davoren said, there is no offer. We are not investigating a site or anything. There has been no offer from the council. It really rests with them presently. If that status changed and they did move to make an offer or whatever then of course all these formal processes would have to start.

Senator CROSSIN—Has there been discussion with the Northern Land Council about monetary compensation for traditional owners if their land is nominated?

Ms Paul—I think it is because they are doing their internal consultations that they have asked us to keep our communications confidential.

Senator CROSSIN—Have you set aside money that you could pay to any traditional owners—be they from the northern or central land councils—as compensation for land?

Mr Davoren—No.

Senator CROSSIN—Is there any thought about what kind of compensation might be given to traditional owners if land is nominated?

Mr Davoren—It would not be unusual if they sought some financial compensation. We would certainly have to compensate them for the land. Because it is a radioactive waste facility, following international practice, it would not be unusual if they sought some funding in recognition of that. But at this stage we have not discussed that and they have not sought any amount.

Senator CROSSIN—Have you done any research or calculations as to what you might offer traditional owners for land? You are going to be using it for 200 to 300 years.

Ms Paul—It would be impossible to say until there was an offer and some detail. It would really depend on the detail of the land, the circumstance and all the rest of it.

Senator CROSSIN—There has been no initial work done whatsoever in respect of that?

Ms Paul—We have given early consideration to the concept that that may become an issue. But, without an offer, it is purely hypothetical. So, no, we have not formalised any advice on that issue.

Senator CROSSIN—What kind of consideration have you given to that?

Ms Paul—Only really what we have said, which is that, as Mr Davoren said, it could be an issue. But that would become a matter for government, and we are nowhere near that yet.

Senator CROSSIN—The three sites are now under investigation. I will get onto that a little bit later. Mr Davoren, you suggested to me in the February estimates that, if a site were not nominated by mid-year, it might be too difficult to fit into the timetable. Is that still the view?

Mr Davoren—I think I said at the February estimates that whether government accepted or did not accept a nomination was a matter for them. It is matter for them at any stage that they receive that. Obviously, the stage at which it would have been too late was when the minister had approved a selected site later in the process, but from a project management point of view the later we receive a nomination the more difficult it is to accommodate in the existing project schedule.

Senator CROSSIN—That is true, but has it been pushed out from mid-year? Could they now nominate a site in, say, October or November? Would that not be too late?

Mr Davoren—It would start to be difficult.

Senator CROSSIN—Not impossible, though?

Mr Davoren—No, not impossible.

Senator CROSSIN—When are you hoping that the site selection process will be completed?

Mr Davoren—As you know, in March we appointed Parsons Brinckerhoff and we were expecting the process to go for about a year. Somewhere around the middle or late in the first half of next year we would be expecting to nominate a site under the Environmental Protection and Biodiversity Conservation Act and the siting licence process of the ARPANSA Act.

Senator CROSSIN—Are they going to nominate one site or do a site selection evaluation of the three sites and then the minister will choose one of the three? What exactly is happening here?

Mr Davoren—As I think you mentioned before, there are three Defence sites and the contract we have with Parsons Brinckerhoff enables them to consider a nominated site. If a site were nominated and accepted, the government would receive a report on the four sites—

Senator CROSSIN—Four sites?

Mr Davoren—The three Defence sites and a nominated site if we received one. Then the government would select one of those sites with which to proceed through the full environmental and radiation protection regulatory process.

Senator CROSSIN—I want to get clear whether Parsons Brinckerhoff are just putting one name forward to the minister or whether they are actually doing an assessment of all three sites and rating them or just giving the minister an assessment of all three sites.

Mr Davoren—They will give an assessment of all of the sites.

Senator CROSSIN—So the minister may choose or not choose the most preferred site of Parsons Brinckerhoff—is that correct?

Mr Davoren—They may not get a recommendation from Parsons Brinckerhoff. It is a complex matrix of considerations. It may be that it would be slightly more expensive to build on site A but transport is better. Or on site C you may be able to do near-surface disposal of low-level radioactive waste. It is a decision for the government based on the characterisation. It is a site characterisation process.

Senator CROSSIN—Is any public consultation expected?

Mr Davoren—There would be consultation by the consultant with people around the areas, taking into account socioeconomic factors, so there would be consultation with adjoining land-holders.

Senator CROSSIN—Do you know when that consultation is likely to take place?

Mr Davoren—Not at this stage. It is very early in the process. The contractor has only been on the job for a while and until now it has been gathering all of the already existing information, which is quite a lot of climatological and geological information that Defence have on their sites, and building a field program to proceed with. We will be informed of that field program at our regular project meetings.

Senator CROSSIN—Are you now meeting with Parsons Brinckerhoff regularly?

Mr Davoren—Yes. We have had one meeting and we are going to have another shortly.

Senator CROSSIN—Are they scheduled to be monthly or just at certain stages of the process?

Mr Davoren—I think the intensity of the meetings is dependent on the work that is being done. At this stage we are doing preliminary work, so we have not found the need to meet every month. But I imagine there will be monthly meetings once we get into the field assessment part of the project.

Senator CROSSIN—Were you involved in the visit of the traditional owners of Muckaty Station to Lucas Heights?

Mr Davoren—I was involved in two meetings of delegations from the Northern Land Council to ANSTO.

Senator CROSSIN—Did both of those meetings involve people from Muckaty Station or were they the two times that the NLC has been to Lucas Heights?

Mr Davoren—I think Ms Paul mentioned that we are endeavouring to respect the request of the Northern Land Council for confidentiality of the Indigenous groups that we are consulting.

Senator CROSSIN—It is public knowledge that they went to Muckaty Station, because they put out a press release themselves to say they had been there. I am just asking you if the two meetings you have had were with the same group or with two different groups.

Mr Davoren—They were with different groups.

Senator CROSSIN—Does DEST actually bear some responsibility for ensuring that the traditional owners understand what is involved in putting nuclear waste on their land?

Mr Davoren—We feel that we do.

Senator CROSSIN—Why is it then that the people from Tennant Creek came away from Lucas Heights a bit perplexed because they could not find household garbage there?

Senator Vanstone—To be fair: this questioning has been pretty free ranging, but I do not think an officer can tell you why someone left a particular site with a particular view that you allege they had. I do not think they can do that. It is just not humanly possible.

Senator CROSSIN—Mr Davoren, did you get the feeling that the people who attended Lucas Heights understood what was happening there?

CHAIR—That is asking for Mr Davoren's opinion, which I do not think he should be expected to give.

Senator CROSSIN—With all due respect, Chair, this is the department that will be responsible for dumping nuclear waste on land that may or may not belong to traditional owners. I am asking Mr Davoren if he feels that DEST have a responsibility to ensure that the traditional owners understand what will be dumped on their land.

CHAIR—I think Mr Davoren has already answered that question to some extent. Your next question was: 'Did you get the feeling that—' I think it is unfair to ask an officer to respond to a question like that.

Senator CROSSIN—Mr Davoren, what sort of information was provided to traditional owners when they visited Lucas Heights?

Mr Davoren—The main emphasis of the visits of the NLC delegations was to inspect the sort of waste that would be disposed of, if there were near-surface disposal or storage at the site. We took them to the radioactive waste management facilities at ANSTO and they looked quite closely at the type of waste. We took the top off a low-level waste drum and showed them the type of material that was there. We also took them through the environmental science division of ANSTO and showed them the measures that were taken to measure radioactive material in the environment, drawing on examples of monitoring uranium mines and also the environmental monitoring at Maralinga.

Senator CROSSIN—What processes or procedures will you undertake to ensure that traditional owners understand what will be dumped on their land if a site is nominated by the Northern Land Council?

Mr Davoren—I think that visits to places like ANSTO would go a long way towards doing that, providing expert advisers to them and answering all of their questions—that sort of process.

Senator CROSSIN—Did they ask many questions when they were at ANSTO?

Mr Davoren—Yes, they did.

Senator CROSSIN—Did the traditional owners or the representatives from the Northern Land Council ask the questions?

Mr Davoren—There were a range of Indigenous people. Most of the questions came from people other than the staff of the NLC.

Senator FORSHAW—Did you take them to the Little Forest area?

Mr Davoren—No, we did not.

Senator FORSHAW—Why not?

Mr Davoren—Because I did not think that taking them to a site which represented the waste practices of the 1960s would have been particularly informative.

Senator FORSHAW—But that is not the only reason why you might want to show them that. Waste is buried there. What will happen to that waste? Do you know?

Mr Davoren—I do not know.

Senator FORSHAW—But it is part of what has occurred at ANSTO.

Mr Davoren—Yes, it did—a long time ago.

Senator FORSHAW—Yes, but it is still there.

Mr Davoren—I do not think it represents contemporary waste management practice.

Senator FORSHAW—I am not suggesting it does, but the waste that is actually located at the site was produced by HIFAR and Moata. You showed them the types of waste on the site now. You mentioned various places. I am just saying that there is another part of that site that currently has waste buried and it has been there for a long time. It would be for the sake of completeness.

Mr Davoren—I am unaware of what the management options are for that particular site.

Ms Paul—That is probably a matter for ANSTO.

Senator FORSHAW—All that stuff could be dug up and relocated, couldn't it?

Mr Davoren—It could be.

Senator FORSHAW—It is not just gloves, equipment and, ultimately, reprocessed stuff that comes back from overseas. Let us be frank about this: most people in this country have absolutely no idea about what we are talking about when we talk about nuclear waste. People have ideas or perceptions about it. Some people think it is mountains of high radioactivity—like watching *The Simpsons* or something. I thought that, if you went to the trouble of having the Indigenous representatives there, you might have actually given them the complete picture of all the types of waste that are stored both at the reactor site and at the Little Forest Burial Ground. One assumes that ultimately, one day, the intention is for that stuff to be stored somewhere else. Any comment?

Mr Davoren—It may be. I think we showed the people who went to Lucas Heights a very significant part of the Commonwealth's radioactive waste holdings.

Senator FORSHAW—But you did not show them that part.

Senator CROSSIN—Did you provide these people with an interpreter?

Mr Davoren—There was an interpreter at one of the meetings.

Senator CROSSIN—At the first or second meeting?

Mr Davoren—The first meeting was a meeting of a delegation of the full council of the Northern Land Council and, from my experience, they all spoke English.

Senator CROSSIN—So there was an interpreter for the group from Muckaty Station, was there?

Mr Davoren—There was an interpreter at the second visit.

Senator CROSSIN—How many traditional owners would you expect would sign off on a decision to use their land?

Ms Paul—I think that is probably a matter for the council, isn't it?

Mr Davoren—I think that is a matter for the council.

Senator CROSSIN—How does DEST intend to satisfy itself that the right traditional owners or the right number of traditional owners have agreed to their land being used?

Mr Davoren—I think that is a matter within the competence of the Northern Land Council.

Senator CROSSIN—You would not be testing that as is tested, say, through the native title legislation when a claim is put for native title? Native title courts rigorously test that the people making claim to the land are the correct people.

Ms Paul—As I said before, we have got every interest in comprehensive consultation and so on. As you know, we have been very active in consultation and so on up there. We would have an interest and make sure that we had as many views as possible. We would also rely on the formal advice from the council, which would have formal status.

Senator CROSSIN—If a traditional owner asked you when the site would be free of any contamination above normal background radiation if it was dumped on their land, what would your answer be?

Mr Davoren—I think I would quote the institutional control period of 300 years if that was the one that was selected. I think, as Dr Loy advised you earlier today, the institutional control period and thus the acceptance criteria for radioactive waste have not yet been decided in relation to this facility, but it could be up to 300 years for the material that was disposed of. The other issue relates to the material that would be stored there, but I think the expectation would be that, before that period of 300 years, the government would move to dispose of that material at a separate site.

Senator CROSSIN—So there is an intention that you would remove the intermediate waste before the 300 years is up. It would only be stored there temporarily—is that right?

Mr Davoren—That is right—awaiting disposal. The practice for that material is to dispose of it. At the moment, Australia does not have enough of that type of material to make it worth while.

Senator CROSSIN—You are not aware of any potential sites other than the three Defence sites being investigated?

Mr Davoren—They are the sites we are investigating. We have not received a nomination for another site.

Senator CROSSIN—Have you been involved in any scientific investigations on sites other than those three sites?

Mr Davoren—No.

Senator CROSSIN—My colleague, in a radio interview on the ABC on 27 April, said: ‘We know. We have already established from a scientific basis that there are plenty of areas.’ Is that not correct?

Mr Davoren—I heard you repeat this quote to Dr Loy. What the senator might have been saying was that a wide range of sites would be suitable for above-ground storage but, to my knowledge, there are no such scientific studies that have been undertaken in the Territory.

Senator CROSSIN—We have argued all day about whether we are talking about hypotheticals here. This is not a hypothetical; this is a direct quote: ‘We have already established from a scientific basis that there are plenty of areas.’ That is not a correct statement, then?

Mr Davoren—We have not established that.

Senator CROSSIN—DEST have not undertaken any studies, then?

Mr Davoren—No.

Senator CROSSIN—At this stage, would you expect consultations about a potential site to be made public beyond, say, the traditional owners, the land councils and the government?

Mr Davoren—I imagine we would receive a nomination and if a nomination were accepted then it would be made public.

Senator CROSSIN—At a public meeting in Tennant Creek on 22 May regarding the potential site in that area, there was critical concern about the lack of information on what it might involve. Was DEST not invited to that public meeting?

Mr Davoren—I do not think we were, but we think that there is ample public information on our website, which is well publicised. It attracts 6,000 page viewings a week, so we think there is public information there. We have a toll-free number for people who wish to ring us and talk to us about the facility and we have an information officer whom they can discuss the issue with, so we think there is plenty of information there if people wish to access it.

Senator CROSSIN—Do you think there would be many traditional owners who would be accessing your website?

Mr Davoren—If there are traditional owners who are interested in nominating a site, we would ensure, as we have done, that they are fully briefed on what was involved in hosting a facility.

Senator CROSSIN—But what about people who might have land surrounding Muckaty Station or traditional people who might have an interest in that area? They would not all have websites. I have raised this again. I wonder whether DEST have given any consideration to putting our easy-to-read literature in everybody’s letterbox?

Mr Davoren—I think the act requires the Northern Land Council to consult with those interests.

Senator CROSSIN—I do not know whether you are aware where Muckaty Station is, but the border of Muckaty Station is also the border of the Central Land Council, so it is the very last piece of land within the Northern Land Council's jurisdiction. Have DEST given any consideration to putting out some easy-to-read hard copy literature that can now be put in everybody's letterbox in Tennant Creek? The debate has now gone to Tennant Creek. I do not think you expected it to happen, but it has.

Mr Davoren—If we received a nomination, I am sure that we would.

Mr Cook—If you believe that that is a real problem then of course we will have a look at it. We will take your comments on board and review our communications strategy. It is not in our interests to have people ill-informed about these things.

Senator CROSSIN—I think I have raised this issue at the November and February estimates hearings, and at a public meeting in Tennant Creek on 26 May, and people are still saying—

Mr Cook—We were not at that meeting, as far as I understand it.

Senator CROSSIN—Not everyone has an internet site and not everyone has access to a telephone.

Mr Cook—I appreciate that.

Ms Paul—As Mr Cook says, we have been very committed to the broadest consultation. We will talk to anyone who wants to know more, so it sounds as though we might need to get up there. We are happy to take your comments on board.

Senator CROSSIN—I have a range of questions about money, but I think you have already gone through that earlier in the piece. I noticed on your website that there are extensive polling results of attitudes in South Australia covering the attempt to put the low-level facility there. Is similar polling being carried out in the Northern Territory or is it planned?

Mr Davoren—Not at this stage.

Senator CROSSIN—At what stage, then?

Mr Davoren—None is planned.

Senator CROSSIN—Why was polling done in South Australia?

Mr Davoren—I was not involved in the project at that stage, so I would not be sure.

Senator CROSSIN—Is there someone in the department or someone here who was and who can answer that question?

Mr Cook—We will have to take that on notice. The person who preceded Mr Davoren had a history going back a few years. Mine is relatively recent. I was aware that polling was undertaken, but as to its genesis—

Senator CROSSIN—I know that Mr Davoren has been in the department for a while.

Mr Cook—He was not working in this area.

Senator CROSSIN—So you do not know why that polling was established in South Australia?

Mr Cook—No, not specifically.

Ms Paul—We would have to find the history.

Senator CROSSIN—You do not know who conducted the polling in South Australia? Do you need to take that on notice?

Mr Davoren—Yes, I think we would.

Ms Paul—It looks like it.

Senator CROSSIN—At the February estimates I asked about the construction of the facility and the answer was around \$30 million. Is that still the current figure?

Mr Davoren—It is wrong to say that it is a current figure. I think I made quite clear to you in February that it is a really rough ballpark estimate. One of the purposes of the current studies is to refine the cost estimates for the facility, so I will know a lot more about likely costs of the facility towards the end of this year, I would imagine.

Senator CROSSIN—So there is no update on the figure?

Mr Davoren—No, that is a very generalised estimate.

Senator CROSSIN—I want to ask about the radioactive waste leak into the aquifer in Normandy in France. I asked this earlier. Are you aware of the article in the *Sydney Morning Herald* on 24 May?

Mr Davoren—Yes, we are, Senator.

Senator CROSSIN—Does that concern you?

Mr Davoren—It did when we saw it but it did not once we went to the trouble of consulting the French authorities—in fact the French regulator, Dr Loy's equivalent over there, who is the director of safety of nuclear installations. The information that we got was that the level, extent and significance of radioactive emissions from that facility, which is the Centre de la Manche, a low-level waste facility, were grossly overstated.

Senator CROSSIN—To what extent?

Mr Davoren—I think that they said there were off-site emissions of tritium which were above World Health Organisation recommendations for drinking water. That was untrue. The levels exceeded an investigation level off the site but they did not exceed the WHO limit. I understand that at the site they exceeded the WHO level but the contamination that was measured relates to an incident that happened 30 years ago before the site was operating in its current form and under its current management and current design.

Senator CROSSIN—This newspaper article says:

... a report by a French laboratory, ACRO [shows]... levels of radioactivity, on average, more than seven times the European safety limit ...

Have you got hold of that report?

Mr Davoren—Yes, we have had a look at it.

Senator CROSSIN—Is that accurate? Is that what that report says?

Mr Davoren—We go to the French regulator—that is the umpire over there—for these sorts of things. They said that the results were overstated.

Senator CROSSIN—Is it possible for you to provide this committee with a copy of that report from the French laboratory, if you have it?

Mr Davoren—The ACRO report? Yes, I think there was a copy of that on the website.

Senator CROSSIN—On which website?

Mr Davoren—I think that there is an ACRO website. ACRO is a NGO laboratory so it is an independent laboratory. I gather it is properly certified to do tritium measurements but I think there may be some confusion about where the measurements were taken.

Senator CROSSIN—What is ARPANSA's equivalent in France?

Mr Davoren—The Direction de la Surete des Installations Nucleaires—forgive my pronunciation!

Senator CROSSIN—They have probably got a website but it is probably all in French—is that correct? Is there an English version?

Mr Davoren—There is some English on it. I refer to them as DISN—and that is to your relief, I am sure.

Senator FORSHAW—You wanted a copy of that—

Senator CROSSIN—If it is on a website, I can find it.

Senator FORSHAW—You are going to provide us with a copy of the French regulator's report to you? Did you get a letter—

Mr Davoren—Yes. This is a very recent report. There was an Australian delegation to an international radioactive waste conference and there were DISN representatives there who were able to provide some information.

Senator FORSHAW—How was that information communicated? Was it word of mouth or was there something on paper that says that this other report is overstated?

Mr Davoren—We have got a briefing note which includes the information as told to us by our officer over there from DISN. I think that it might be better if we sought an official response from DISN.

Senator CROSSIN—You do not have anything officially from them in either a report or a letter?

Mr Davoren—No, we do not, because it is very recent. You will know that ANSTO and ARPANSA had nothing on it.

Senator CROSSIN—The reality is, though, that water has leaked from this nuclear waste facility. Is that correct?

Mr Davoren—Water has leaked from a facility that was constructed about 30 years ago. There was an incident there.

Senator CROSSIN—You have no doubt looked at how that facility was constructed and why the leakage occurred.

Mr Davoren—I do not think we are looking at that facility, because after that incident occurred, the facility was closed down and a new facility was built at that site.

Senator CROSSIN—Are you saying this is an incident that occurred 30 years ago?

Mr Davoren—Yes.

Senator CROSSIN—It is not a recent incident.

Mr Davoren—No, but the emissions are still taking place, although at a reduced level. I think we are 2½ half-lives through the decay of tritium, so the levels are decaying. In 30 years, they will be down to very low levels.

CHAIR—I am assuming that in 30 years the building of such facilities has advanced in scientific and technological ways.

Senator FORSHAW—That is hypothetical.

Senator CROSSIN—That is hypothetical. If you have a look at the great big storage centre at Lucas Heights, you might not say that.

Mr Davoren—That is correct, Senator. After that incident in the 1970s, France established an entirely new radioactive waste regime and it moved to some of the most highly engineered waste disposal facilities in the world.

Senator FORSHAW—But there have been instances in recent years of water leaks at Lucas Heights, in the fuel rods that are stored there.

Ms Paul—I am not aware of that, Senator.

Mr Davoren—No, I am not aware of that.

Senator FORSHAW—I am. It is reportedly not dangerous.

Senator CROSSIN—Nevertheless, is this not an area where you would look at why that occurred—hopefully with a view to examining and researching that—to ensure it does not occur when you build this facility in this country?

Mr Davoren—We would be concerned if the modern facility in France leaked. I do not think anyone is considering building a facility, and our regulator certainly would not accept a facility of the type that this material leaked from in the 1970s.

Ms Paul—That is the main comfort for us, that we have found the issue related to a form of construction, which would not occur these days. ARPANSA would never agree to it.

Senator CROSSIN—No, but then in 200 years time people may well be saying, ‘Gosh, we should never have built that like that in the Territory back in 2007.’

Ms Paul—Of course, the whole regime of safeguards, international standards and all the rest of it is completely different now, and extremely comprehensive.

Senator CROSSIN—It is part of the problem about how you are going to store this stuff, is it not? It is an ever-evolving science.

Ms Paul—It is an evolving science.

Senator CROSSIN—I want to ask about long-term storage. The International Atomic Energy Agency's publication, *The long term storage of radioactive waste*—you are probably familiar with it—says:

... stores originally intended as temporary facilities have had their lifetimes extended ... serious consideration has been given, in some countries, to the use of storage as a long term management option.

Are there any safeguards contemplated to ensure that the storage of the intermediate waste at the NT facility is temporary?

Mr Davoren—Looking at the international scene, you can observe that countries are moving towards disposal. Some smaller countries do store for a long time, but I think there has been definite progress towards disposal of radioactive wastes. There has been disposal of intermediate level wastes, which is the sort of waste we have.

Senator CROSSIN—What countries would you be referring to there?

Mr Davoren—Finland, it has been demonstrated there. And facilities for the disposal of high-level waste are well into the planning stage in Sweden and France and in the United States.

Senator CROSSIN—Planning, but not executed.

Mr Davoren—I should say it has gone well beyond the planning stage in Sweden and in the US. There have been vast expenditures.

Senator CROSSIN—What about the permanency of records? No doubt you would have heard me ask Dr Loy about that today. You want to be satisfied that records would be kept permanently, for a very long period of time, with any needy restrictions. What consideration has been given by DEST about storage of information at the waste dump?

Mr Davoren—We will have to demonstrate for our regulator a method of secure storage of the records relating to the facility. We can have some confidence that the institutions will have the durability that we require for up to a 300-year period. In our society, records of land titles and things like that are known to exist for periods that are that long. But there are also other measures that could be taken to ensure the security of these sites, and there is quite a study internationally in the markers that are left at sites. At contamination sites, there are durable markers and there are also institutional records. I think, through a combination of those, you can ensure that people are protected against the risks, which are going to be quite low towards the end of that institutional control period.

Senator CROSSIN—Is someone within the science group charged with the responsibility to research or investigate that?

Mr Davoren—I think it will be work that is done by our consultants as we are developing the environmental and safety cases for the facility.

Senator CROSSIN—So there is no-one specifically inside the department?

Mr Davoren—Not at the moment.

Senator CROSSIN—Parsons Brinckerhoff will be asked to do that, will they?

Mr Davoren—They could, and so could the contractor we appoint for the EIS. We have a similar issue at facilities like Maralinga, where there are markers on the ground. We have records and those records are duplicated by the regulator.

Mr Cook—This is not something new to us, of course. We do it as a matter of course with Commonwealth records in terms of having multiple forms and places of storage and having to meet our obligations under the Archives Act. There is already regulation in place that requires us to do this in addition to—

Senator CROSSIN—We will test that, Mr Cook: can you tell me who instigated the polling of the South Australia dump? Let us test the records and see how well they are kept.

Senator FORSHAW—You mentioned a moment ago about moving to disposal of intermediate and high level waste, and I think you talked about Sweden and Finland. In terms of the radioactive waste repository, what methods of disposal are you referring to?

Mr Davoren—The disposal I am talking about is interring wastes in deep geological facilities. We are talking of depths from, say, half to one kilometre with no intention of retrieval.

Senator FORSHAW—So when you talk about it, that is what you mean by disposal?

Mr Davoren—That is disposal.

Senator FORSHAW—Are there any other forms of disposal?

Mr Davoren—There is near surface disposal of lower level radioactive waste. Once again, there is no intention of retrieval but, as has happened in a few instances around the world, because you are operating in the near surface you could retrieve it if you had to.

Senator FORSHAW—You are not referring, are you, to various technological methods that have been put forward about encasement et cetera?

Mr Davoren—They are part of a system.

Senator FORSHAW—Yes, I know. I just wonder when you use the term ‘disposal’ whether you are talking about deep geological disposal.

Mr Davoren—That refers to the location of the material and also the encapsulation and the packing of that material in the excavation. They are all part of the system.

Senator FORSHAW—I have heard that term. Whether it is synroc or all of the other things that are talked about, it is encased and you cannot retrieve it, but it is also still talked about as a long-term method of storage because you still have to store it.

Mr Davoren—With synroc—

Senator FORSHAW—Synroc is the one that is often mentioned but there are other proposals.

Mr Davoren—That synroc would eventually be part of the disposal system.

Senator FORSHAW—Yes, somewhere. To do with output 3.2, Major national research facilities, the funding previously allocated to those is now being rolled over into the National Collaborative Research Infrastructure Strategy. Will the facilities continue to be funded through NCRIS or will any of them be shut down?

Ms Paul—That is a question for the research group that I mentioned earlier. They will be coming on later after cross-portfolio.

Senator FORSHAW—I am glad you said that. I can hand this back and someone will be able to answer Senator Stephens's question shortly.

Ms Paul—Absolutely.

Senator FORSHAW—Well done. I like this committee. Senator Stephens, I have asked your question. Could you explain, Ms Paul.

Ms Paul—The questions about NCRIS and so on will be handled after cross-portfolio by the research group that I mentioned earlier.

CHAIR—Do you have questions here, Senator Siewert?

Senator SIEWERT—Not on this particular issue, but I would not mind going back to CRCs. Is that okay?

CHAIR—Yes. If it is in outcome 3 it should be dealt with here.

Senator SIEWERT—Sorry that I did not ask this before. Is it appropriate that I ask about a specific CRC?

Mr Cook—It depends on what you are asking, but try us.

Senator SIEWERT—We might have to do a hypothetical. I want to follow up on a question that Senator Stephens asked. In answer to a question of hers you said that there is no appeal to a decision that you make in advising the minister. What happens if you find that you have made a recommendation based on a misapprehension of information that you have been provided with or it is found that your assessment is somehow flawed? What is the process that a CRC can use to come back to you and say, 'We think you've made an error'?

Mr Cook—The assessment process starts with stage 1, where we ask people to put in more preliminary information against the criteria that Ms Emery mentioned to you earlier. Then, in the stage 2 process, there is quite a deep investigation of the CRC through the material that it has to provide to the CRC committee. They go through an interview process and subsets of the CRC committee will undertake to follow up on any areas of uncertainty or will seek further information or clarification. Sometimes, as a result of all that, further requests can be made for additional information. Underneath the CRC committee there are a series of expert panels established which deal with specific areas, such as environment, manufacturing or medical or whatever broad field the CRC falls into, comprising experts in those areas. Those panels undertake this detailed assessment. By the time it gets back to the CRC committee to look at that work and be satisfied that the work is being done or to decide that further investigation needs to be made, we are pretty confident that all relevant information is to hand. Often during that process a lot of additional information is provided, so it is quite an exhaustive process. It takes the best part of a year to go through this process. From the time we call applications to the time a decision is made is roughly a year.

Senator SIEWERT—It has probably been no secret that the construction innovation CRC has been talking to people. I am not in a position to say whether their application should be approved or not, and I am not asking about that. I am trying to be careful with my words,

because I am not trying to say that you have not been doing the right thing. In a case where they believe that their information has not been fully considered or there has been a misunderstanding of some of their information, what process could they use to ensure that everybody is comfortable that the information is being considered appropriately?

Ms Emery—In stage 1 of the selection process the only information before the committee is what is actually provided by the applicant. It may be how it is phrased within their application, but that is the information which is before the committee in making its decision.

Senator SIEWERT—So you are saying that it is the way the information is provided rather than the way it has been interpreted.

Ms Emery—That might be the case.

Senator SIEWERT—But if they feel that their information was provided in the appropriate manner, what happens if there has genuinely been a misunderstanding about that information?

Ms Emery—There is a question of interpretation, I guess. The one thing that we need to remember is that this is a competitive exercise. I suppose we have not brought that out to date. This is a competitive exercise, so it was assessed in competition with the other 29 applications that were received. It is based on information which has been received.

Mr Cook—The process we go through is providing formal feedback to the people who are judged not to be competitive. The chair of the CRC committee is also happy to talk to people. I am not aware that anything has come up out of that process that would suggest that the decision of the CRC committee was not appropriately based.

Senator SIEWERT—I want to then ask what I think will be one further question. When you talk about the stage 1 and stage 2 process and the interview process, can and is the information that is provided in stage 1 discussed during the process in stage 2?

Ms Emery—Only for those applications that make it through to stage 2. Their stage 2 application has to be based on much the same grounds as what their preliminary case was. Their full business case has to be based on what their preliminary case was, and that is assessed. It is more on the stage 2 and the full business case, which is assessed at stage 2.

Senator SIEWERT—If an application falls out at stage 1, there is no appeal on that either?

Ms Emery—No.

Mr Cook—That is correct.

Senator SIEWERT—So each decision level is not appealable?

Mr Cook—That is right. To ensure that our process runs properly, we also have a probity adviser who sits with the committee during its deliberations to ensure that all relevant bits of information are considered and irrelevant bits are not, that the process is equitable and fair and that it meets all of those sorts of tests that you would expect in a process like this. Obviously, people who are not judged to be competitive are disappointed.

Senator SIEWERT—Thank you.

Senator STEPHENS—I do not have any questions on that issue, but if we can move on I do.

CHAIR—Please go on.

Senator STEPHENS—Moving to the—

Senator CROSSIN—Chair, can you give an assessment on what we are doing and where we are going now?

CHAIR—Yes. We are intending to finish this section and then we are moving to cross-portfolio.

Senator CROSSIN—After cross-portfolio there will be?

CHAIR—Outcome 3, the innovation and research systems group, followed by Indigenous and transition group, followed by strategic analysis and evaluation.

Senator CROSSIN—You are intending to get through all of that tonight?

CHAIR—That is the program for tonight. Yes, I am. We need to start first thing in the morning with the higher education group. Anyway, please proceed, Senator Stephens.

Senator STEPHENS—I have no more questions of the science group. I am happy to move to cross-portfolio.

CHAIR—But you have questions for cross-portfolio? We will move to that. I do intend to break at 6.30, but we might as well get started.

[6.25 pm]

Cross-Portfolio

Senator STEPHENS—We can start looking at pages 100 and 103 of the PBS. On page 100 you say:

The Department is budgeting for a \$4.0 million operating loss. A reduction when compared to the estimated operating loss in 2005-06 of \$6.7 million.

Can you explain what that is all about, please?

Mr Storen—The \$4 million operating loss we are expecting in 2006-07 reflects a number of factors. Probably the largest factor is a number of revenue items we earned in preceding years that we were not able to use and spend in the years in which we earned the revenue. We expect to spend that revenue in 2006-07, which creates more expense than revenue and a loss situation. One of the two main areas relates to the building of the Higher Education Information Management System, which has been a four-year project. The government funded us \$20 million over four years to build it and some of the build has been pushed into 2005-06 and 2006-07. The second major element is some spending within international education in relation to some projects that they have undertaken through a special account. The revenues have been earned in previous years and we will be using those revenues in 2006-07.

Senator STEPHENS—Will they all be used in 2006-07 or will they be carried forward?

Mr Storen—The current estimates and our current plans are that we will not have operating losses from 2007-08 onwards, so yes.

Senator STEPHENS—The comment is made here:

The anticipated loss is primarily due to growth in the Department flowing from the implementation of a range of significant election commitments ...

Which commitments are they?

Mr Storen—In the 2005-06 budget in particular there were some major election commitments that saw an increase in the department's staffing numbers. The major one was probably the Investing in Our Schools program, which was the \$1 billion for schools. There were also the Australian technical colleges and a range of skills initiatives around Tools for Your Trade. There were a couple of others there. They were probably the bigger growth drivers in 2005-06. In 2006-07 we have also had a few more, particularly the COAG initiatives around skills and the mental health initiatives. So in that respect we are dealing with a growing department and trying to grow the infrastructure, the corporate services and the backbone of the department to keep up, and that means we also need to spend a bit more than we have received in revenue to get the department in shape to be able to deliver on those commitments.

Senator STEPHENS—Also on page 100, the comment is made that 'the department's current liquidity ratio is expected to decline marginally in the forward years'. Can you elaborate on that for us, please?

Mr Storen—The liquidity ratio basically looks at our current assets compared to our current liabilities, if you like. That means assets that we can turn liquid, into cash, within 12 months and the liabilities that we are required to discharge over the 12 months. The main reason we would be seeing a slight decline in that is the build of non-liquid assets—capital items. For example, we are having a roll-out of some personal computers in 2006-07, which probably means in easy terms that we are turning some of our cash into non-liquid assets, which reduces that ratio.

Proceedings suspended from 6.29 pm to 7.32 pm

Senator WONG—This will be brief. Did Senator Stephens cover the questions on notice?

Ms Paul—No, we have not done them yet.

Senator WONG—I understand that somewhat belatedly you have done most of them. Is that right?

Ms Paul—We have, indeed. I am really pleased to be able to say that we did much better than last time.

Senator WONG—I am glad to hear that. And hopefully you will do even better next time in terms of when we get them.

Ms Paul—Yes, although we did better on that, too, this time.

Senator WONG—Yes.

Ms Paul—It is a continuous improvement.

Senator WONG—Off a low base, one might say, from the last occasion. I understand that we had this discussion last time.

Ms Paul—Yes.

Senator WONG—I am trying to get a handle on the non-appropriations revenue. I think it is on page 19 of the PBS. What is the total non-appropriations revenue budgeted for the year 2006-07?

Mr Storen—Page 19 of the PBS shows that the total administered and departmental revenue is \$467,268,000.

Senator WONG—I am looking at the table but do you think I can see it, even though I have tabbed it?

Mr Storen—It is the last number in the second-last column.

Senator WONG—Yes. I wanted to compare that with the 2005-06 PBS, which had a slightly higher figure of \$486 million. I think it is \$486,813,000. It is a reduction of \$19½ million.

Mr Storen—I do not have a detailed answer for you. The biggest element by far is the indexation of the HELP debt, the administered revenue item of the \$400-odd million. The indexation of the HELP debt is based on CPI, so the most likely explanation for that is a slightly lower CPI estimate for 2006-07 than we had for 2005-06. If you would like me to take that—

Senator WONG—We are doing higher ed tomorrow, aren't we?

Ms Paul—Yes, we are.

Senator WONG—If you are able to get some details on that before then, we could go through it in a bit more detail. Would that be possible?

Mr Storen—Higher ed is on first thing in the morning but, yes, we will see what we can manage by then.

Senator WONG—We will try and finish you up quickly here. How about that? Page 103 of the PBS indicates a small operating loss in the forthcoming financial year. Can I get an explanation as to why that is the case?

Mr Storen—I have covered that for Senator Stephens previously.

Senator WONG—Okay.

Mr Storen—Do you want me to give you a short version?

Senator WONG—She asked you about the higher activity levels and what the government's policy agenda means. Just remind me what it was.

Mr Storen—It was the election commitments largely from the 2005-06 financial year, which was the Investing In Our Schools program, the Australian Technical Colleges and a range of skills initiatives. A colleague has reminded me that we have also transferred the ANTA functions to the department.

Senator WONG—Does the reduction in revenue that we have been discussing already contribute to this operating deficit?

Mr Storen—No. The reduction in revenue is on the administered side of the department. Looking at the revenue items at the top of that table, the quick maths has it at about the same.

Senator WONG—Can you explain what the comments you make about the liquidity ratio at page 100 mean? You say:

... it is expected to decline marginally in the forward years estimates.

Mr Storen—There are two factors. One factor we talked to Senator Stephens about before the dinner break was a slightly higher spend on capital items in 2006-07.

Senator WONG—How is that being funded?

Mr Storen—There is a combination. Part of it is funded from the budget. Questacon is part of the department's accounts. There was a budget measure for Questacon for a refurbishment and some renewal of their exhibits so that capital spend is being funded from the budget. Each year we have a capital spend on plant and equipment in the department and there is a slightly larger one planned for 2006-07.

Senator WONG—How is that being financed?

Mr Storen—The department is funded for depreciation expense through appropriation from the government. In crude terms, we put the depreciation expense aside as we earn it and then we use it for capital purchases to replace our equipment and to manage the department. Generally, our rate of capital purchase is about the same as our depreciation.

Senator WONG—But not in this forthcoming—

Mr Storen—In this case, it is slightly ahead for 2006-07.

Senator WONG—There is no debt financing capital expense, is there?

Mr Storen—No. We cannot raise debt and we do not use financing leases in the department.

Senator WONG—It makes you different from CSIRO. Can you explain why the drop in government revenues, which is described at 103 over the forward estimates periods, occurs?

Mr Storen—That is the \$429 million to about \$407 million in 2007-08, is it?

Senator WONG—Yes.

Mr Storen—There are a range of budget measures funded in the department. In 2005-06, there were a range that went for two years. The largest contributor would be the Investing In Our Schools program.

Senator WONG—What about tutorial vouchers?

Mr Storen—Tutorial vouchers are another contributor—a large proportion of the departmental revenues in 2006-07; it declines into 2007-08. There are a range of initiatives which Centrelink are undertaking for us that require upfront funding in 2006-07, and it tails down into 2007-08 as well. In 2006-07 we received \$3 million for further work on the RQF. It goes to zero in 2007-08. We received \$1 million in 2006-07 for Questacon, to examine options for extension. It goes to zero in 2007-08. I have covered reading vouchers. Those are the headline items that contribute to the decline.

Senator WONG—Just briefly, what is the Centrelink initiative?

Mr Storen—There are actually quite a range of Centrelink initiatives. Centrelink delivers Abstudy and youth allowance on behalf of the department. So we pay for any activities undertaken by them.

Senator WONG—What are the activities?

Mr Storen—The easiest list to have a look at is in the budget measures table in the PBS. It starts on page 21. The Centrelink initiatives start on about page 22. Towards the bottom you can see call centre supplementation, which is \$5.7 million in 2006-07 and declines to \$4.6 million in the following year. So that is a \$1.1 million contributor to the revenue decline. There are quite a few of them.

Senator WONG—Yes. There are a range of measures across the range of income support payments for both DEST and DEWR, aren't there?

Mr Storen—That is correct.

Senator WONG—What is the call centre supplementation? Or would I need to ask Centrelink? That is just what they are charging you, isn't it?

Ms Paul—It is the automatic increase which results from the range of other measures. That is my understanding.

Senator WONG—But it is only over two years.

Ms Paul—We will find the description for you.

Senator WONG—I am happy to take that on notice if you would prefer.

Mr Storen—It is basically described in one of the Treasurer's papers on the budget.

Senator WONG—That is fine. I can look at that. I did have some questions about staffing levels and the fall in employee expenses over the forward estimates period. The headcount for full-time equivalents for outcome 1 is an increase, outcome 2 is an increase and outcome 3 is an increase, and yet it appears that your employee expenses are reduced. Could you briefly explain to me why that is?

Mr Storen—The employee expenses increase from 2005-06 to 2006-07—

Senator WONG—Yes, 2006-07, 2007-08, 2008-09—yes, there is a reduction—

Mr Storen—But then, yes, you are correct. It does decrease into 2007-08 and 2008-09. The basis of that is similar to the reasons for the appropriation revenue from government decreasing. Putting aside the Centrelink money, which does not include their staffing—

Senator WONG—You will have fewer staff in relation to those initiatives for which you are not being funded in the outer years. Is that basically a summary of it?

Mr Storen—I am just uncomfortable with some of the wording you used. We are receiving less money for a number of the initiatives, and a number of initiatives are declining to zero. Therefore, with less funding we are able to afford fewer staff in the agency.

Senator WONG—So there will be a reduction, on the current forward estimates figures, in your staffing numbers across a number of outcomes as a result of those initiatives ending their funding period.

Mr Storen—Based on the current estimates, yes.

Senator WONG—Your previous PBSs included a consolidated set of performance data in graphical form, which brought together information contained in your annual reports—ABS data, NCVER data, MCEETYA et cetera. I think it is on page 55 of the 2005-06 PBS. I am not clear whether one appears in the 2006-07 PBS. If it does not, why was that decision made?

Mr Storen—In looking at preparing the 2006-07 portfolio budget statements, we made a few changes. One of the key changes was to align the outcomes and the language in the outcomes to the strategies in our strategic plan, which was recently announced. In doing that work, we looked at the information, particularly some of that graphical information, which was largely retrospective and largely repeating a lot of material that is either already in annual reports or will be in the next annual report. To make a tighter document, requiring less quality assurance towards the printing stage, we did not see the need to continue—

Senator WONG—We found it very useful.

Ms Paul—As Mr Storen says, it is the sort of thing that we would include in the annual report because it tended to be retrospective.

Senator WONG—Where was the decision made? Was it made in the department, or was it a matter discussed with the minister's office?

Mr Storen—It was definitely made in the department.

Senator WONG—I might deal with this now rather than in the VET area. There was a 2006 budget update on vocational and technical education—labour: short on skills—circulated by the minister post the budget. Do you know the document I am talking about?

Ms Paul—I think so. I do not have it in front of me.

Senator WONG—I can provide you with a copy, because I want to ask you whether there was any departmental involvement in it.

Ms Paul—I probably do not know the answer to that. It may be better to wait until the—

Senator WONG—Do you want a copy of it?

Ms Paul—That would be helpful.

Senator WONG—I have a question about the actuarial services RFT. Ms Paul thinks this is funny.

Ms Paul—Not at all. I just know that Mr Storen will know the answer and I probably will not. It was a humble thought, actually.

Mr Storen—Is that the one that was in the press very recently?

Senator WONG—I have no idea. I have a copy of the request for tender. I do not scour the newspaper for DEST references, I am afraid. Have you used actuarial services in the past?

Mr Storen—Yes, for quite a number of years across the department. We use them in a number of areas. The ones that come to mind are basically the Higher Education Contribution Scheme and the Higher Education Loan Program. The doubtful debt that we determine for that for the purposes of the annual financial statements is prepared for us by actuaries.

Senator WONG—I guess I am asking: have you gone through a previous tender process?

Mr Storen—No, we have not.

Senator WONG—Why is that?

Mr Storen—We have been using the Australian Government Actuary for the larger services and some very much smaller actuaries too. As a result of the free trade agreement and the requirement to go to open tender for contracts over a certain amount, we basically decided to establish a panel, and this is the result of doing that.

Senator WONG—You spent \$700,000 on such services in the 12 months prior to the RFT. Is that right?

Mr Storen—I am not aware of the number, but we have spent a reasonably large amount of money.

Senator WONG—I am reading from the RFT:

In the last 12 months the department has spent approximately \$700,000 on actuary services.

Mr Storen—We had two major pieces of work done by the Australian Government Actuary.

Senator WONG—Did that expenditure appear in your annual report?

Mr Burmester—It certainly would have been reported to the parliament, either through an annual report or through the Murray Order that notes all big contracts.

Senator WONG—Are you able to tell us, perhaps on notice, what services or in respect of what programs those services were used? What was the \$700,000 used for?

Mr Burmester—We can take that on notice.

Mr Kriz—We can certainly get that information together for you. It is all out there. It is all published under the Murray Order and in the annual reports that we provide, as consultancies. But we can gather it up for you in one answer. That is no problem. One of the things that I could add to the answer from my colleagues is that what we are trying to do here is to bring together the separate contractual arrangements that exist across the department in order to better manage these services and hopefully get some sorts of benefits in terms of the value to the Commonwealth and to help the line areas in the department access these services more readily off a panel. So there is now a consolidation exercise when we have gone out to the market.

Senator WONG—What sort of report do you receive in relation to each of these services? Do you get an actuary's report in relation to a particular program et cetera?

Mr Storen—That is correct.

Senator WONG—Are you able to provide that?

Mr Storen—We can take that on notice.

Senator WONG—I think I will deal with a couple of these other issues in the relevant outcome. I have no more cross-portfolio questions.

[7.52 pm]

CHAIR—Thank you very much. That finishes cross-portfolio. We will now move on to innovation and research systems group, in outcome 3.

Senator STEPHENS—This is where we get to talk about national radioactive waste management and the major national research facilities. Is that right?

Ms Paul—What was the first one?

Senator STEPHENS—The national research facilities?

Ms Paul—Yes.

Senator STEPHENS—The question we raised before was about the fact that funding previously allocated to these facilities has now been rolled over into the National Collaborative Research Infrastructure Strategy. I was interested in knowing whether or not those facilities will continue to be funded through NCRIS or whether any of them will be closed.

Dr Arthur—It is not strictly accurate to say that the MNRFF funding has been rolled over to the NCRIS program. In technical terms, the Major National Research Facilities Program ceases at the end of this financial year. There is a new program, the National Collaborative Research Infrastructure Strategy, which, per se, is capable of funding the same kinds of things as were funded by the MNRFF Program, as it is also capable of funding activities undertaken under another program which is also ceasing at the end of this financial year—that is, the Systemic Infrastructure Initiative. It is therefore the case that, in formal terms, funding for the MNRFF Program, as was set out at the outset of the program, ceases at the end of June.

In the process of developing the National Collaborative Research Infrastructure Strategy, a lot of work has been done. The most visible outcome of that work at the moment is the production of a document known as the Strategic Roadmap, which outlines a number of capabilities which are identified as being priorities for funding under NCRIS. I would note that a number of the existing MNRFFs have activities which exist within the areas identified within the Strategic Roadmap as priorities and, in due course, when the government makes decisions on allocating funds under NCRIS, it clearly would be open to government to make use of the facilities established as part of the MNRFF Program for the development of NCRIS.

Senator STEPHENS—Do we have a list of the major national research facilities?

Dr Arthur—One certainly exists. I do not think I have that list in front of me. The program is currently managed by Science Group, but certainly we can take that on notice and there will be no difficulty in providing that.

Senator STEPHENS—Thank you. Perhaps, in providing that, you could also provide how much funding has gone to each since the inception of the program, if you would?

Dr Arthur—I am sure Science Group will be able to assist me in providing that information.

Senator STEPHENS—You said that the NCRIS incorporated two programs whose funding has now come to an end. The first one is the Major National Research Facilities Program and the second is called—

Dr Arthur—The Systemic Infrastructure Initiative.

Senator STEPHENS—Can you just describe for me what was in that program?

Dr Arthur—Certainly. That is funding which is available, as the name suggests, to provide support for infrastructure activities which are systemic in nature and which supports, in a general way, the activities of research in Australia. Perhaps the best way to give an idea of what has been funded under the program is to give some examples.

There was the transformation of telecommunications for research purposes between Australian universities from a reasonably low level in international terms to terms where Australian universities and research institutions can communicate at speeds and costs which are comparable with best practice in the world. That was funded from the Systemic Infrastructure Initiative to the total of some \$80 million, as I recall.

Funding for the upgrade of the Australian Partnership for Advanced Computing, so they could renew their peak facility machine at the ANU and provide funding for their outreach activities to their state partner activities, was also provided under SII. Slightly less easily comprehensible but in fact equally important, a lot of work on the processes needed, particularly software processes, to actually allow those facilities to be properly used—that is, how computers can work with each other remotely, how can you solve problems of research by engaging machines and people at distances—has also been funded under SII.

Senator STEPHENS—Is that infrastructure all in Australia?

Dr Arthur—Both the MNRF and the SII program have principally funded activities and infrastructure within Australia but by no means exclusively. For example, one of the MNRF activities that I am aware of has funded participation of Australian researchers in overseas synchrotrons. Up until now, we have not had a major synchrotron in Australia. That program, amongst the other activities, has funded participation in that activity.

In the case of the connections, most of the telecommunications connections that have been funded have been within Australia, but in fact it is not much use having very good connections within Australia and no international connections, so also a significant part of the funding has been used to acquire, and apologies for technical terms, dual 10 gigabit—that is, 10 billion bits per second—connections between Australia and the west coast of the US. Those connect with peered networks in the US and across to Europe. It has purchased the connectivity which can electronically link Australian researchers with the national researchers. To repeat: while certainly the majority of funding has been for activities and infrastructure within Australia, where there is a good reason for purchase to be made of capacity that is international, that has been done.

Senator STEPHENS—Thank you for that. Can you include the detail of that program in the summary of the funding?

Dr Arthur—We certainly can.

Senator STEPHENS—Thank you very much.

CHAIR—That is all for innovation and research systems group. Thank you very much. We will move on to Indigenous and transition group. I understand, Senator Evans, you have some questions.

Senator CHRIS EVANS—I defer to Senator Crossin, who is an expert in this area. I am a learner.

Senator CROSSIN—I want to start by talking about Wadeye and the report that Taylor and Stanley have done through CAEPR. I am not sure whether you are aware of it. FaCSIA told us yesterday that that is in fact the basis on which they are now building their COAG evaluation. The baseline data in this report is the data they are using for the evaluation of the COAG trial. Are you aware of the working paper I am talking about?

Mr Greer—Is this the CAEPR report from John Taylor that was developed and published about 18 months or two years ago or is it more recent?

Senator CROSSIN—It is not that long ago.

Mr Greer—Is it the evaluation of the COAG trial site that I understand Bill Gray from CAEPR may have been doing?

Senator CROSSIN—Let me clear that up for you. It is not the evaluation of the COAG site. Bill Gray is currently undertaking that. This is an evaluation of the Thamarrurr region—the Port Keats-Wadeye region—that John Taylor from CAEPR did. FaCSIA told us yesterday that the indicators in this report are being used as their baseline data for the evaluation of the COAG trial. This report is about a year old, I would say. I have not brought the whole report with me because it is 100 pages. I have only brought the sections relating to education.

Mr Greer—I do not have the report. I think it is the same report that I recall seeing about 12 months or so ago.

Senator CROSSIN—The reason I want to raise this is that his work reveals—and this is on page 43 of the report:

... for every dollar spent by the Northern Territory government on the Northern Territory average population of compulsory school age, only 47 cents—

that is, 47c equivalent—is actually spent in the Port Keats area. So, for everyone \$1 spent everywhere else in the Territory, 47c is spent in Port Keats. I am wondering if your department has actually looked at that data and done any analysis of that.

Mr Greer—Not a detailed analysis, but I do recall that, when that report came through, it was in fact a catalyst for the Commonwealth to begin negotiations with the Northern Territory to review the mission school agreement that had been in place for some 27 years. As a result of that intervention, the Prime Minister and the Chief Minister of the Northern Territory agreed to review that agreement. Significant progress has taken place under that which would enable mainstream funding to flow to the five mission schools in the Northern Territory, one of which I think was St Mary's at Wadeye.

Senator CROSSIN—You are talking about remote Catholic schools. I do not think we actually call them mission schools anymore.

Mr Greer—It was called the mission school agreement—

Senator CROSSIN—Back then it was, I think.

Mr Greer—Back in 1979, when it was—

Senator CROSSIN—That is right.

Senator CROSSIN—When you talk about significant agreements, it is interesting that you say that because I am not sure other people think there has been any achievement or progress on that. What has happened? Are you involved in regular tripartite meetings with the Northern Territory government and the Catholic system about reviewing that agreement?

Mr Greer—Yes. As I say, the CAEPR report to some degree acted as a catalyst to revisit that agreement. Of course, from 1979 recurrent funding from the Commonwealth for those five schools, including the school at Wadeye, were transferred to the Northern Territory administration and therefore the total responsibility for recurrent funding in those schools was the responsibility of the Northern Territory. The report that you have talked about threw into stark contrast some of the disadvantage, education wise, that was being experienced in Wadeye. That led to a preparedness of the Chief Minister and the PM to open up and agreeing to revisit that agreement. That has progressed to the stage where there has been government to government agreement that, pending a community consultation process with each of the five schools and their communities about what the preferred status of those schools might be going forward—that is, whether they want to be treated as government schools, Catholic schools or Christian schools—the Commonwealth would, in good faith, notwithstanding the transfer of funding initially into the base, reinstate mainstream funding for those schools. So that agreement is now in place.

The Northern Territory administration has recently agreed or acknowledged that, for the purposes of this interim funding arrangement, those schools can be regarded as government schools pending the completion of the community consultations. Then, of course, at the completion of those community consultations, should any of the five schools prefer to be regarded as a government school, Australian government mainstream funding would flow as it would flow to any mainstream government school. If they were to be treated as non-government schools—if that were the preference of those schools—their funding entitlement from the Commonwealth would flow at the relevant non-government rates.

Senator CROSSIN—Are we talking about the schools at Port Keats?

Mr Greer—Yes. There are five of them. We will run through them.

Ms Smith—Unfortunately I cannot pronounce the first one, then there is Xavier Community Education Centre at Nguiu on Bathurst Island—so they are the two schools on the Tiwi islands—and St Francis Xavier School at Daly River, Our Lady of the Sacred Heart at Thamarrurr at Wadeye and the Santa Teresa school. They were the five.

Senator CROSSIN—I was trying to think of the fifth one in the Top End, but it is Santa Teresa. So, Mr Greer, you say that there is now an interim funding arrangement in place?

Mr Greer—No, what we are saying is that the way is now clear, following a recent confirmation by the Northern Territory that the Territory administration would regard these schools as government schools for the purposes of this interim arrangement. That will, in a sense, trigger the release of around \$500,000 annually in mainstream general recurrent funding each year for those five schools. In addition to that, of course, those schools will also be able to access other mainstream funding entitlements such as the Investing in Our Schools initiatives and other targeted mainstream schools entitlements.

Senator CROSSIN—Are you able to provide this committee with a copy of either that exchange of letters or that interim funding agreement?

Mr Greer—Certainly. I am not sure I have it here, but we will certainly take that on notice.

Senator CROSSIN—That report also talks about the difference in the Commonwealth expenditure. Per capita spending for the Thamarrurr region is \$139, compared with \$622 per capita spent overall in the Northern Territory. Will this funding agreement also affect that ratio?

Mr Greer—This funding agreement would regard and fund those five schools on the same basis as students in any government school—certainly in the interim period. So, if they were in their primary years, there would be a prescribed amount per capita, and secondary school would have a different per capita weighting.

Senator CROSSIN—I am suggesting that the answer is probably: ‘Yes, it ought to fix up that disparity’. It should go towards closing the gap.

Mr Greer—If the disparity is as wide as you are saying, certainly this agreement will contribute to some closure of that.

Senator CROSSIN—Are you aware that a case has been lodged with the Human Rights and Equal Opportunity Commission about discrimination in school funding?

Mr Greer—I have seen coverage that suggests that there may be actions taken either through the commission or others about the distribution of funding in the Territory.

Senator CROSSIN—Have you been contacted by HREOC or any civil courts?

Mr Greer—To my knowledge, no, but I would need to—

Senator CROSSIN—So you are not involved in any legal action at this stage in relation to the funding disparity of Port Keats?

Mr Greer—No. We recognise, of course, that under the original 1979 agreement the total responsibility for those schools is with the Territory.

Senator CROSSIN—I have a copy of that agreement. It is a one-page, four-sentence—

Mr Greer—As I say, getting back to the original question, the report has been a catalyst to review that 27-year agreement.

Senator CROSSIN—There is \$10 million in the budget for the Tiwi Islands. On page 50 of the PBS is funding for the Tiwi Islands Secondary College. When was the decision made to fund this college?

Mr Greer—A decision was taken by the former minister last year to contribute—

Senator CROSSIN—Are we talking about the education minister?

Mr Greer—Yes, the then education minister took a decision to contribute \$1 million toward the development of that college. Also last year, the then minister for Indigenous affairs, Senator Vanstone, agreed to contribute \$1.9 million from the—

Ms Smith—The Aboriginal Benefits Account.

Senator CROSSIN—The ABA again! It is a handy slush fund, isn't it?

Mr Greer—That was to contribute towards the site costs. Then, in the context of the budget, government took a decision to build on that initial \$2.9 million with a contribution of another \$10 million. So, in aggregate, there will be a Commonwealth contribution of \$12.9 million towards the cost of constructing the college.

Senator CROSSIN—So the \$10 million just evolves as part of the allocation of money in the budget process. Is that correct?

Mr Greer—Yes.

Ms Paul—It is a budget decision.

Mr Greer—It is a budget decision and it is reflected on page 3 of the supplementary additional estimates statement.

Senator CROSSIN—Did DEST have any role or involvement in deciding the \$10 million figure?

Ms Paul—Yes.

Mr Greer—Yes. We certainly progressed that issue through the single Indigenous budget process that led up to government taking a decision.

Senator CROSSIN—Were you asked to find money to fund the secondary school?

Mr Greer—No.

Senator CROSSIN—Or did the minister decide: ‘Tiwi’s going to have a secondary school and I think \$10 million is a good idea’?

Mr Greer—No. The history of this certainly predates the budget. In fact, during 2004-05 my understanding is that the Tiwi Land Council or the Tiwi people—the community—invested more than \$400,000 in research and development towards the establishment of this, so the community certainly had identified that education in the Tiwi Islands was the key priority for that community. The Tiwi leaders, I understand, believed that they had only 10 years to close the gap in educational opportunities and that necessitated some urgent action. I think the first approach to DEST—and I think other agencies were involved in this—may have been in the early part of last year, on the back of that consultancy report. That report led to those first two decisions that I mentioned.

Senator CROSSIN—So you were sent that initial report—that scoping study for the school—early last year, as a matter of course?

Mr Greer—The Tiwi approached government with that report. I am not sure whether it was the end of 2004 or in early 2005, but it was a comprehensive feasibility study.

Senator CROSSIN—I have a copy because the Tiwi Islands education committee were eliciting support to put an application through the area consultative committee to get the funds for that school. We had a dual process happening, where applications for funds were being sought through DOTARS. I am trying to work out at what stage DOTARS might have stopped becoming involved and DEST picked it up.

Mr Greer—I am not sure when DOTARS was involved or not. The project overall was initially costed at something like \$18.4 million.

Senator CROSSIN—Yes, that is correct. I might get to that in a minute.

Mr Greer—What the Commonwealth is doing is providing a contribution towards that, and it may have been that the proponents here have been also looking to secure contributions from other sources.

Senator CROSSIN—Is the \$10 million new money or is it taken from other Indigenous programs?

Mr Greer—No, the \$10 million is certainly new money to the portfolio.

Senator CROSSIN—Where is it coming from?

Mr Greer—It is coming from the supplementary additional estimates. It is new money for us.

Senator CROSSIN—Have you had any consultations with the Catholic system in the Northern Territory? There is already a Catholic secondary school on the Tiwi Islands.

Mr Greer—I have had some passing discussions on that but not a detailed engagement with the Catholic Education Office up there. That is not to say that our local office has not had some engagement.

Senator CROSSIN—So the population on the Tiwi Islands is such that you think it warrants a second secondary school?

Mr Greer—Certainly, this is what the community were saying. The community—in their approach and in the feasibility study they had prepared—were, as I said earlier, very concerned that, whilst there was economic opportunity for and economic investment into the islands, the educational disadvantage of many in the community would be such that they would not be able to take advantage of those employment opportunities down the pipeline. It is in that context that the Tiwi people saw taking responsibility for getting a college in place as a mechanism to turn around that cycle of failure.

Senator CROSSIN—Mr Greer, with all due respect, I have the same report you have and I have read it, but I did not ask you what you thought the Tiwi people thought; I asked you whether DEST had done any studies to see if the Tiwi Islands needed another secondary college, given the population of students on the Tiwi Islands.

Ms Paul—We think the case was well made. In addition, as you are probably aware, it is broader than a school. The potential of it is to bring together a range of supports and focuses to help young people into work and to have a health connection and so on. It is quite an innovative idea. It is not just another school, as it were.

Senator CROSSIN—Is it not similar to the boarding school that has opened at Woolaning? They are the same people.

Ms Paul—I am not sure.

Senator CROSSIN—Same people, same group. I do not think that it is all that innovative.

Mr Greer—It will be a community controlled secondary boarding school not dissimilar from Woolaning.

Senator CROSSIN—Again, I am just wondering whether you think the population is such that another secondary school is warranted—whether the money would not have best been put into the Catholic secondary college to develop and extend that and create some innovative features around that secondary college.

Ms Paul—Clearly, our judgment was that it was sustainable. In addition to that, it was a proposal coming from the community itself and those things are important to us as well.

Senator CROSSIN—The \$12.9 million is purely for capital works?

Mr Greer—Yes, it will be for capital works construction and infrastructure.

Senator CROSSIN—Does it include staff accommodation—

Mr Greer—I am not sure—

Senator CROSSIN—or is it just a contribution towards the total building of the complex?

Mr Greer—I think that it is anticipated—and I do not have the full details here—that there will be staff accommodation in the completed \$18.4 million construction.

Senator CROSSIN—So the total cost is \$18 million. Where do you anticipate the community is going to find the other \$6 million?

Mr Greer—Once the school is established as a school, if it is established as a community school, it has an opportunity like any other school to make approaches to—

Senator CROSSIN—Does it have to get built first, before it is established as a school?

Mr Greer—It needs to be registered as a school. My understanding is that the registration of the school is imminent, probably within the next 24 or 48 hours.

Senator CROSSIN—But the other \$6 million will need to be found by the Christian Schools Association or the school board?

Mr Greer—Or by the community.

Senator CROSSIN—At what stage will that \$10 million be released to the school board? Will it be done in stages or—

Mr Greer—Our expectation or our planning is to put the \$10 million with the bulk grant authority in the Northern Territory and the bulk grant authority in the Northern Territory will manage that grant in the same way and with the same rigour and discipline that it manages other funding to non-government schools and projects in the Territory.

Senator CROSSIN—Is there any discussion about any fees that will be charged for this college?

Mr Greer—Not at this stage that I am aware of. It has been a little time since I have been through the feasibility study in fine detail, but the feasibility study indicates that the school will need to be sustainable within the normal income flows from the Commonwealth, if it is a non-government school, and the Territory administration.

Senator CROSSIN—Is this school funding linked to any other requirements from the Commonwealth?

Mr Greer—Yes. I think when the minister for Indigenous affairs announced the new initiative on 4 May, he indicated there would be a condition around signing a heads of agreement committing the traditional owners and the government to settle an agreement by the end of year to allow for home ownership and commercial business development over the township of Nguiu.

Senator CROSSIN—This is interesting, Senator Evans. So the island agrees to offer up Nguiu on a 99-year lease for commercial development. In return, they get the \$10 million for the school.

Mr Greer—The community, from the very early stages of its engagement with the Commonwealth, had always anticipated that this would be developed on the basis of a shared responsibility agreement. In fact, it becomes a comprehensive shared responsibility agreement. One of the attractive aspects of this was the strength of commitment that the community had to get the preconditions for learning in place.

Senator CROSSIN—A shared responsibility might also go to actually promising to get kids to school and attendance.

Mr Greer—This is what I am saying, Senator.

Senator CROSSIN—Why does it have to be linked with this government's new agenda of changing the land rights act and allowing for 99-year leases? That can already be done under the existing Northern Territory land rights act, under section 15. Why is it specifically linked to the economic development of the land on the island? No-one else in this country has to give up their land in order to get a local school. Why is it a more comprehensive SRA than anywhere else we have seen in the territory?

Mr Greer—This was an agreement that the community welcomed. I understand they have embraced the opportunity to enter the heads of agreement. But as I said, from an education point of view, a particularly impressive approach was in fact the—

Senator CROSSIN—Are you convinced the community leaders knew what they were signing when they signed this SRA? My last discussion with them showed they were not aware that the school was specifically linked to the 99-year lease. They knew that both items were on the table for discussion, but they did not realise that they were specifically linked: they must give up their land for 99 years before they get the \$10 million.

Mr Greer—I am not in a position to comment on the heads of agreement that was reached between the Minister for Families, Community Services and Indigenous Affairs—

Ms Paul—We would not know the detail of that. We know the engagement on the education side, but this is—

Senator CROSSIN—But this is the new whole-of-government approach, though, isn't it?

Ms Paul—Indeed, but the minister announcing this, who was responsible for the portfolio responsible for the negotiation of the comprehensive SRA, is in charge of the FaCSIA portfolio.

Mr Greer—That SRA is yet to be finalised. What has been signed, I understand, is a heads of agreement between the government and the community. That will flow into a comprehensive agreement.

Senator CHRIS EVANS—What does the heads of agreement cover, if it is not actually the SRA yet?

Mr Greer—I am sorry, I do not have that detail here, but we can certainly—

Senator CROSSIN—We might ask you to get us a copy of that.

Mr Greer—I will certainly take that on notice.

Ms Paul—We would be getting that from FaCSIA.

Senator CROSSIN—Does the SRA need to be signed before the \$10 million is released?

Mr Greer—It is my assessment that, before funding is released to the community, an SRA would need to be in place but not before funding is released from the Commonwealth to the BGA.

Ms Paul—In other words, the education side of the funding.

Senator CROSSIN—Does an agreement to give up their land on a 99-year lease have to be signed before the \$10 million is released to the community?

Ms Paul—I do not think we can answer that. I do not know the details of that.

Senator CROSSIN—Can you take that on notice and find that out?

Mr Greer—Certainly, but, reading from the media release on 4 May, my understanding is that the heads of agreement was signed on 4 May.

Ms Paul—It would be something that we would seek from FaCSIA, and we are happy to do so.

Senator CHRIS EVANS—What was your involvement with the introduction of the school proposal into the heads of agreement and the SRA? Did you initiate that or did FaCSIA initiate it? Where did the idea come from?

Mr Greer—The heads of agreement was introduced by FaCSIA or OIPC.

Senator CHRIS EVANS—But where did the idea about the school come from?

Ms Paul—The idea for the school came, as Mr Greer said, quite a long time ago from the community itself.

Senator CHRIS EVANS—How was that conveyed to you?

Mr Greer—The initial trigger was the receipt of the feasibility study. The community, having invested something like \$400,000 into that feasibility study, sought to meet with the Commonwealth. They probably met with a range of people but they certainly met with us to see whether we could engage in and progress with them the development of a facility.

Senator CROSSIN—That \$400,000 comes from profit the communities derive from the operations of Silvertech, who have a timber operation on the islands.

Senator CHRIS EVANS—So there was no education department funding of the feasibility study.

Mr Greer—No.

Senator CHRIS EVANS—When did they put that to you?

Mr Greer—I would have to check, but my understanding is that the feasibility study was commissioned and prepared during 2004. I am not sure whether we first saw it at the end of 2004 or whether it might have been early in 2005. I do not have those dates with me.

Senator CHRIS EVANS—Maybe you could take that on notice.

Mr Greer—Sorry, the proposal was received on 21 February 2005 on behalf of the Tiwi Land Council.

Senator CHRIS EVANS—Was that addressed to the minister or to you?

Mr Greer—That was addressed to the then minister.

Senator CROSSIN—Let us get this clear: it is the Tiwi Land Council that has done this scoping study, not necessarily the community councils on the Tiwi islands.

Mr Greer—I do not have this with me but my understanding is that it was the Tiwi Education Board, probably as part of the Tiwi Land Council, that developed and progressed this.

Senator CROSSIN—If Nguiu has already got a Catholic secondary school offering classes, will students at this new college qualify for Abstudy grants for boarding students?

Mr Greer—We would have to look at what the current guidelines are. I would need to take a closer look at that to see whether or not—

Senator CROSSIN—Has that aspect been considered in the funding of this college?

Mr Greer—The school would need to be able to demonstrate that its ongoing operations were feasible within the context of the income streams that would flow from the Commonwealth.

Senator CROSSIN—What does that have to do with whether or not boarding students get Abstudy grants?

Mr Greer—If the students who are attending this were eligible for Abstudy they would attract Abstudy. Abstudy is means tested support.

Ms Paul—We are just saying that if they are entitled they will get it.

Senator CROSSIN—But are they going to be entitled to get the grants for boarding students? Will they be entitled to get the grants for boarding students?

Ms Paul—It sounds like we will take it on notice and check it for you.

Senator CROSSIN—Just let me get it clear so that you understand what the context is here.

Mr Greer—The living away from home allowance.

Senator CROSSIN—There are four communities on Tiwi and Melville islands. Currently, kids would be sent to either Kormilda or St John's. They may well choose to go to the secondary Catholic college. If they are now going to go to a boarding college that is on Bathurst Island, will they be entitled to receive the grants for boarding students when the boarding college is right in their backyard?

Ms Paul—We will check that for you.

Senator CROSSIN—That has not been done before?

Ms Paul—It may have been. Mr Greer is not responsible for Abstudy, so we will check with the right people.

Senator CROSSIN—The people who are responsible for Abstudy are not here?

Dr Jarvie—They will be here for the next session. We will talk to them.

Senator CROSSIN—Give them a bit of preparation. I wonder whether you did the work to work out whether students and parents would be disadvantaged if they had a boarding school in their own backyard.

Ms Paul—We will check that.

Senator CROSSIN—Does the new secondary school affect the status of any existing school? Will it affect what is happening with the Catholic secondary school on the island?

Ms Paul—I cannot see how it would. I think the status of the other school would remain the same. This is an additional school. My expectation is that it would be treated in the same way as any other new school in a locality.

Senator CROSSIN—Other than it will have a boarding facility?

Ms Paul—Exactly.

Senator CROSSIN—What if students on the island still choose to go to Kormilda or St John's?

Ms Paul—I think it is their choice. From our perspective, this is like a new school, as you said, with a boarding component in any locality where there is an additional new school.

Senator CROSSIN—They will not be required to go to the boarding school on the island rather than to, say, St John's?

Ms Paul—Certainly not by us. We have not heard that that is something the community is seeking.

Senator CROSSIN—Could you also take that on notice and see if that will be a restrictive factor?

Ms Paul—It would not be a restrictive from our perspective. Was there a concern from the community's side that they were going to—

Senator CROSSIN—The boarding school will be a Christian boarding school. St John's in Darwin is a Christian boarding school. Will students be told that they will lose any assistance if they go to St John's rather than choosing the Christian boarding school on the island?

Ms Paul—That is certainly not the Australian government's approach. The students would have the choice.

Senator CROSSIN—What I am really trying to find out is whether or not students would be disadvantaged in terms of Abstudy or the boarding grants, with the close proximity to the boarding school in the community.

Ms Paul—Okay.

CHAIR—Senator Evans, do you want to ask some questions?

Senator CROSSIN—Before you start that, I need to ask a few questions on Health. Do you want to go to the monetary side while I am gone?

Senator CHRIS EVANS—What would you like me to do, Senator Crossin?

Senator CROSSIN—You could do the monetary side while I am gone.

CHAIR—As Senator Crossin has had the floor for over half an hour, I thought that you might wish to ask some questions, Senator Evans. I should say that I am proposing to finish what is on the program tonight by 11 o'clock.

Senator CHRIS EVANS—I will take my instructions from Senator Crossin. What am I doing now, Senator Crossin, so I can inform the chair?

CHAIR—I would like to give you an opportunity to ask questions.

Senator CHRIS EVANS—Certainly. I made clear what the power relationship is, so I am just checking first.

Senator CROSSIN—I will run away. Mr Greer, you will not be surprised that when I am back I will ask you a few questions on PSPI.

Senator CHRIS EVANS—On the previous question, what formal assessment did Education do of the Tiwi proposal?

Mr Greer—The feasibility study—and I am happy to make that available to you—was quite a robust study. It argued that this was a feasible proposition if it were, from memory, looked at in a whole-of-government context. As Ms Paul said, looking at this as just a regular school would not suffice. You need the association with Health, Community Services et cetera.

Senator CHRIS EVANS—So what is the answer to the question? Did you do a formal assessment of it or did you just think it looked robust and say, 'That'll do'?

Ms Paul—We did an assessment. Indeed, we have had communication with the proponents over a period of time as well, and of course we had to do an analysis because it was part of our consideration in the budget context. So there has been a deal of analysis.

Senator CHRIS EVANS—That is what I am trying to get to. What did you do? I might have given you a robust proposition to extend my house, but I figured that you would have actually done your own analysis before you accepted the educational merit of that. So what did you do?

Mr Greer—The government and the department were persuaded by the development proposition that came forward. The Territory administration has also been persuaded. They are on the cusp of registering the college as a school.

Senator CHRIS EVANS—I am obviously not making myself clear. I actually want an answer to the question. The question is: what did you, the Department of Education, Science and Training, do to assess the proposition? It is not what the Territory government thought about it. What did you do to assess the proposition against your guidelines for funding and providing education in the Tiwi Islands?

Ms Paul—We would have had a look at the feasibility study from several perspectives.

Senator CHRIS EVANS—You would have?

Ms Paul—Yes. We look at a proposal like this from the perspective of our funding under the schools programs and under the Indigenous-specific programs. In addition to that, through our Darwin based office, we have had communication and the ability to pursue any questions and so on. We would have needed to have ensured that the proposal would meet the parameters for Commonwealth education funding through a range of programs because, in particular, if this is to be a school, it has to be able to be registered as a school and therefore attract mainstream Commonwealth funding and so on. So those are examples of some of the considerations that we would have had to make.

Senator CHRIS EVANS—You keep using the term ‘would have’. It unnerves me a little. Did you, or would you?

Ms Paul—We would have—we have.

Senator CHRIS EVANS—Do you know that you did?

Ms Paul—Mr Greer can talk more about it, but—

Senator CHRIS EVANS—I didn’t have any luck with him! Did you do all those things?

Ms Paul—We would have had to have. So, yes, we did. How is that?

Mr Greer—We certainly considered those aspects—

Senator CHRIS EVANS—I think under cross-examination they would try and nail you on this.

Ms Paul—Yes. We are getting into grammar now, aren’t we?

Senator CHRIS EVANS—I thought it was a simple question: did you or didn’t you? But it seems that you want to rephrase that, so—

Ms Paul—Yes is the right answer.

Senator CHRIS EVANS—Good. So we did that.

Mr Greer—And, as we mentioned earlier, at the next stage—that is, the construction stage—we will be engaging with the bulk grant authority in an arrangement that provides the same level of rigour and assessment around construction, design and the like that they provide for any non-government school.

Senator CHRIS EVANS—I am not worried about that; I am checking your rigour in assessing the application—

Ms Paul—Yes.

Senator CHRIS EVANS—and I am making heavy weather of it. I really do not want to take this long on it.

Ms Paul—I am sorry.

Senator CHRIS EVANS—You do an assessment. What do you do with it then? It must come into some sort of formal recommendation.

Ms Paul—Yes. In this case, it came into our consideration in the budget process.

Senator CHRIS EVANS—Yes, but what did the department do? It recommended to the minister that the Tiwi Islands proposal be endorsed?

Mr Greer—Yes.

Ms Paul—Yes. In fact, we went through several types of processes. Internally, of course, it was a recommendation advice to the minister, but, because of the whole-of-government approach to Indigenous affairs, the proposal has been exposed to the other departments as well, in that context. It was through that context that it was considered in the budget. So it has had a deal of exposure across many portfolios—all of the portfolios involved in the whole-of-government Indigenous—

Senator CHRIS EVANS—So did it go up as part of the Indigenous budget submission?

Ms Paul—That is right.

Mr Greer—Yes.

Senator CHRIS EVANS—But your minister had signed off on it prior to that?

Ms Paul—That is right, and that is a formal process to do with the budget process.

Senator CHRIS EVANS—I want to ask some questions about your spending and your accounts. I do not have much background in this area, so forgive me if I ask about anything blindingly obvious in questions. You gave me some answers to questions on notice regarding the Indigenous Education Strategic Initiatives Program. I am still trying to get an understanding of it. On face value, in 2004-05 there was a massive underspend. We thought it was about \$142 million, but I think in your answer you told me it was \$129 million. But you do not call it an underspend; you call it some delightful term—‘underexpense’. So there was not an underspend; there was an underexpense of \$129 million in 2004-05—is that right?

Mr Greer—Yes.

Senator CHRIS EVANS—All that money was to be rolled over into the next year.

Ms Paul—Yes. The slowness in expenditure was in part due to the time taken for all the various parties to sign the new Indigenous education funding agreements. The funding could not flow until those were signed. That is what created that impact in that financial year. The quantum for the program still remains but it has shifted between years.

Senator CHRIS EVANS—Was this a new methodology or just a new agreement?

Mr Greer—It was a new agreement for the 2005-08 quadrennium.

Senator CROSSIN—Have all the states and territories signed?

Mr Greer—All states and territories have now signed. The last was signed in November 2005.

Senator CHRIS EVANS—November 2005—so almost six months after the end of the previous financial year?

Mr Greer—Yes.

Senator CHRIS EVANS—Why did it take so long?

Mr Greer—Delayed and extended negotiations around targets, strengthened accountability arrangements and the like.

Senator CHRIS EVANS—You could not agree the targets with the states?

Mr Greer—Yes. We negotiate targets across a range of educational outcomes for closing the educational divide, be they on year 3, year 5 and year 7 literacy benchmarks or attendance, retention and the like.

Senator CHRIS EVANS—When did you start negotiating these things with the states?

Mr Greer—We started engaging with the states during 2004. The act itself was not passed until the middle of December 2004. We engaged in both multilateral and bilateral negotiations with all states and territories, system providers and individual schools from the beginning of 2005.

Senator CHRIS EVANS—So there was never any chance of meeting the targets for 2004-05 expenditure then. I am not saying it is your fault, but if the act did not go through until the end of 2004—

Mr Greer—The quadrennium finished at the end of 2004.

Ms Paul—We work on a school year. The quadrennium actually goes from January to January.

Senator CHRIS EVANS—So January 2005 onwards?

Ms Paul—Correct. So the first half of the 2004-05 year is not relevant to this conversation.

Senator CHRIS EVANS—But you did not start engaging seriously—

Ms Paul—In terms of when we engaged for both the mainstream schools quadrennium, which is the \$31 billion over four years, and for the Indigenous funding for this quadrennium, gosh, I arrived in the department in February 2003 and we were starting to engage in 2003. Mr Greer is pointing out that the formalities by way of the legislation and the actual detailed offer came through in 2004. But authorities and so on would have been well aware.

Senator CHRIS EVANS—You used the term ‘detailed offer’. When was the detailed offer made to the states and territories?

Ms Paul—We can get the date for you. It would have been in 2004. It was very similar timing to the timing of the signing of the last quadrennium. We then went into—

Senator CHRIS EVANS—Did you have this enormous underspend the last time?

Ms Paul—I do not know.

Mr Greer—It was an underexpense.

Senator CHRIS EVANS—If you do not say ‘would have’, I will not say ‘underspend’. How is that for a deal? If you say ‘we did’, I will say ‘underexpense’. Is that fair?

Ms Paul—It sounds good.

Mr Greer—The act provides that the appropriation for the calendar year can be spent over 18 months.

Senator CHRIS EVANS—Yes, I have that in the answer to the question.

Mr Greer—What we were saying is that, whilst money that was estimated to be spent within the calendar year was not spent within the calendar year, it was spent within the 18-month window.

Ms Paul—It is just a difference between what we estimated might be the case and what was the case because of the timing of sign-ups.

Senator CHRIS EVANS—I have your answer and I appreciate that. I am just trying to make sure that I understand it. Can you give me the dates on which you signed the agreements with the states?

Mr Greer—Yes. The New South Wales SRA agreement—that is, the SRA schedule or the supplementary recurrent assistance or per capita element, which is—

Ms Paul—This is a different SRA.

Mr Greer—Yes.

Ms Paul—It is not a shared responsibility agreement.

Mr Greer—It is supplementary recurrent assistance per capita.

Senator CHRIS EVANS—There would not be shared responsibility between governments—we are all very clear on that.

Mr Greer—That schedule which triggered that entitlement with New South Wales was signed on 1 November 2005. The agreement with Victoria was signed on 29 June 2005 but not in time to make payments in that financial year.

Senator CHRIS EVANS—Were you saying that the New South Wales signing was on 1 November 2005?

Mr Greer—Yes.

Senator CHRIS EVANS—I see. We are not going in chronological order?

Mr Greer—I am just running down the list. The Victorian Department of Education and Training, including the Victorian Office of Training and Tertiary Education, was on 29 June 2005. The Victorian Catholic Education Commission was on 4 August 2005. The South Australian department of further education, employment, science and training was on 15 July 2005. The Western Australian Department of Education and Training was on 19 July 2005. The Tasmanian Department of Education was on 22 June 2005. The ACT Department of

Education and Training was 4 August 2005. The ACT Catholic Education Office was on 30 June 2005.

Senator CROSSIN—There are many other people who actually also sign IESIP agreements, such as Catholic education systems and private providers. Is that not correct?

Mr Greer—That is right.

Senator CROSSIN—How many IESIP agreements in total does the Commonwealth sign?

Mr Greer—At the moment, we have, I think, 248 or 250.

Senator CROSSIN—And that underexpense is that total amount, isn't it?

Mr Greer—It was a combination of SRA and some project funding that was not spent in the calendar year but it was spent in the 18-month window.

Senator CROSSIN—I am just trying to clarify this. You are not just talking about the eight state and territory governments here?

Ms Paul—No.

Senator CROSSIN—You are talking about 240 other providers as well?

Mr Greer—No, we are saying that a lot of individual ones were signed. I do not have the detail of those.

Ms Paul—The expense relates to the entire—

Mr Greer—But this is where the significant funding was.

Senator CHRIS EVANS—Basically, it seems like most of them were signed around the middle of 2005.

Ms Paul—That is right.

Senator CHRIS EVANS—How do you let the funds flow? Do you have to wait for the signing of the agreement?

Ms Paul—You have to wait for the signing of that relevant agreement and schedule. That triggers the release.

Senator CHRIS EVANS—So what do you do? The next day do you send them a cheque? It looks to me as though the only one you had signed before the end of June was the New South Wales one.

Mr Greer—No, the New South Wales Catholic Education Commission was signed in April and the South Australian Catholic Education Commission was signed in April.

Senator CHRIS EVANS—We do not include the ones you ran through?

Mr Greer—Those are the ones that were signed approximate to or after the end of June.

Senator CHRIS EVANS—I see. I am sorry—I thought I asked when you signed them.

CHAIR—We will take a short break.

Proceedings suspended from 8.59 pm to 9.15 pm

Senator CHRIS EVANS—Obviously I got a bit confused. Were the ones you gave me signed after the end of the financial year?

Mr Greer—Yes.

Senator CHRIS EVANS—Perhaps you could take on notice the dates of the ones you signed before that. What percentage of outlays did the ones signed after the end of the year represent?

Mr Greer—Of the 250—I think it is 250 or 248—Indigenous education agreements in place, 20 are signed with what we call ‘majors’. They are either Catholic systems or state/territory systems of education or training. Of those 20 major systems, eight had signed either after 30 June or proximate to 30 June, which prevented funds going out in 2004-05.

Senator CHRIS EVANS—And obviously things like the New South Wales state system would be a—

Mr Greer—It was a major—

Senator CHRIS EVANS—Tell me what happens when you pay the money out? Is it all paid in one lump sum or do you have milestones?

Mr Greer—There are milestone payments.

Senator CHRIS EVANS—Linked to what?

Mr Greer—Linked to performance reports. Rosalie, what are the triggers for milestone payments for our IEAs?

Ms Grant—They have to submit a performance report. That performance report consists of the accurate and complete reporting against the performance indicators. They also have to submit an accurate financial acquittal statement.

Senator CHRIS EVANS—And how often do you require them?

Ms Grant—The performance reports are required once a year on 31 May, and the acquittals are required at the same time.

Senator CHRIS EVANS—If you are going to give the New South Wales state education system \$20 million, do you give them a cheque for it all at once?

Ms Grant—There are three payments a year. There is a payment of 50 per cent of the funds, then 25 per cent, then another 25 per cent. The last 25 per cent is where the funds are adjusted according to the enrolments that are then reported. The initial payments are made on a notional entitlement.

Senator CHRIS EVANS—That is at the acquittal stage at the end of May?

Ms Grant—The adjusting payment—the last payment—is made around September, when we get the final adjusted enrolment data from the census.

Senator CHRIS EVANS—In this case you will be paying the last payment for the 2004-05 allocation in September 2006?

Dr Jarvie—We are talking about the calendar year.

Senator CHRIS EVANS—No, the budget payment is for the 2004-05 financial year. You did not sign the agreements until the middle of 2005. Or are you saying that the acquittal was in September 2005 in any event?

Ms Paul—All we are describing is a normal calendar year. In other words, in a normal school year, these payments work this way: in August there is a school census of enrolments taken across all schools, because this time frame applies not just to Indigenous schooling funding but also to mainstream schools. That is why, as Ms Grant was saying, the last payment is in September, after the census. Do you want to go to the ones that signed up late and how that works?

Senator CHRIS EVANS—We have them signing up in June 2005.

Ms Paul—That is right.

Senator CHRIS EVANS—You told me you have three payments. You made the last one after an acquittal in August, following a census, and you paid in September, so you have three payments in three months on that basis?

Ms Paul—Presumably, it all gets telescoped, but we might just check with Ms Grant.

Ms Grant—It is the financial acquittal for the previous year.

Senator CHRIS EVANS—I would like to say that helped, but it didn't.

Ms Paul—If I understand you correctly, Senator, what you want to know is, with respect to the late signers in 2005, if a state signed up in June or July 2005, when would the payments have flowed to that state?

Ms Grant—Provided they were compliant in the previous year, the first payment could go straightaway. The second payment could go straightaway, but the third payment would be dependent on the census data being available.

Senator CHRIS EVANS—So you are telling me that you pay out the lot in 2005 between July and September?

Ms Grant—Yes, that could be possible.

Ms Paul—But the underexpenditure is against the financial year. We arrange this with schools all the time.

Senator CHRIS EVANS—I understand that bit. I am just trying to find out when you paid the money out and why that is shown. You are telling me, in effect, they all received the money in 2005 as planned?

Mr Greer—Yes. The significant underexpenditure—that is, those funds that were not able to be paid—was rolled over from 2004-05 into 2005-06. Certainly, all but \$10,000 of the funding that should have been paid in 2005 has now been paid.

Senator CHRIS EVANS—That is a year later?

Mr Greer—No, it is May.

Ms Paul—A calendar year. Clear as a bell!

Senator CHRIS EVANS—You are saying that, out of the money that should have been spent in 2004-05, at the end of 2005-06 you have only \$10,000 left to spend?

Mr Greer—Of the funding that was rolled over.

CHAIR—Just a moment, the officer behind Ms Paul obviously knows a great deal about this. Would he be able to come to the table?

Mr Howard—The funding that was expensed in the second half of the year, following the signing of agreements, would normally have flowed or been recognised as being expensed in the first half of the year, had the agreement been signed then. For example about \$57 million was expensed in the second half of the year, following the signing of SRA agreements, which was the majority of that funding rolled forward.

Senator CHRIS EVANS—Except, as I understand it, you had \$129 million underexpense according to the answer you gave me on notice.

Mr Howard—No, \$126 million was the underexpense. There were some other movements in funds that increased that to \$129 million.

Senator CHRIS EVANS—You say it was \$126 million?

Mr Howard—Yes.

Senator CHRIS EVANS—I thought you told me it was \$129 million. Anyway, \$120-odd million. You told me that \$57 million of that was spent in the second half of the calendar year?

Mr Howard—That was supplementary recurrent assistance and a further \$46 million in other elements.

Senator CHRIS EVANS—That was also spent in the second half of the calendar year, 2005?

Mr Howard—Yes. A total of about \$103 million.

Senator CHRIS EVANS—Where is the other \$23 million?

Mr Greer—For 2004, the expenditure was \$167.4—

Senator CHRIS EVANS—Sorry, before you say that: 2004 as in calendar or financial?

Mr Greer—Calendar was \$167.404 million. The expenditure in 2004 was \$145.325 million—that is, in 2004, \$22 million or 13 per cent was not expended in the calendar year but the full appropriation, the \$167 million, was expended within that next six months, within that 18-month window that the act allows. If you come onto 2005, the allocation was \$265.384 million but the expenditure made in the calendar year was \$226.9 million—that is, \$37 million or 14.7 per cent was not expended in the 2005 calendar year. My understanding is that—

Senator CHRIS EVANS—You had to expend the \$22 million from the previous year as well.

Mr Greer—No. All of that \$22 million from the previous year had been spent in the 18-month window.

Senator CHRIS EVANS—But it must be expenditure in that calendar year though, mustn't it?

Mr Greer—Yes.

Senator CHRIS EVANS—So you have to add that to the \$265 million.

Mr Greer—No, in addition to the \$265 million.

Senator CHRIS EVANS—So you actually have \$287 million to spend.

Mr Greer—In the calendar year, yes. Of the funds for the 2005 calendar year that we anticipated would have been spent in the 2005 calendar year, \$226.9 million was spent—that is, \$37 million which we had anticipated spending in the calendar year was not expended but it has been expended as at 4 May; all but \$10,923 of that 2005 appropriation has been expended. When we say it is an underexpense, if you look at the funding under the act whilst appropriated for the calendar year, it has an 18-month window in which to spend it.

Senator CHRIS EVANS—I understand that, although on my figures you had \$59,000 because you had the \$22 million from the year before.

Mr Greer—That was fully expended within the 18 months.

Ms Paul—So it must have been spent by 30 June 2005.

Senator CHRIS EVANS—You cannot have one calculation for 18 months and one on a calendar year. It is either the calendar year or not, isn't it?

Mr Howard—The \$226 million expended in 2005 would include the \$22 million from the previous year and money spent in 2006 has—

Senator CHRIS EVANS—The carry-over from 2005 would be \$59 million in my view, not \$37 million.

Mr Howard—Yes, that would be correct.

Senator CHRIS EVANS—So you carry over \$39 million this calendar year into 2006.

Mr Howard—Of that order, yes, on those figures.

Senator CHRIS EVANS—That is all perfectly clear now. Have you ever thought about moving to a financial year in your expenditure?

Ms Paul—No. It would be fabulous from an accounting point of view, but the schools would not like it, unfortunately.

Senator CHRIS EVANS—A lot of them have changed the school entrance to the middle of the year.

Ms Paul—That is correct.

Senator CHRIS EVANS—Maybe that is why they did it. I never understood any of the other logic. What is your total spend on Indigenous programs this year?

Ms Paul—2005-06 or—

Senator CHRIS EVANS—The financial year 2005-06. I was just looking at table 8—is that where I should find it?

Mr Greer—The revised estimate for 2005-06 was \$341 million—

Senator CHRIS EVANS—Is that total Indigenous spend?

Mr Greer—No, this is under the Indigenous Education (Targeted Assistance) Act. My understanding is that as at Monday, \$309 million of that had been spent.

Senator CHRIS EVANS—I was just looking at your PBS though, where you total the Australian government Indigenous expenditure at portfolio level. At the bottom you have expenditure for 2006-07, and then below that you have expenditure for 2005-06. It seems to reflect a small drop in expenditure. Is that right, or am I misreading that? Don't tell me the answer is the calendar year. I will scream.

Ms Paul—Which line are you looking at, Senator?

Senator CHRIS EVANS—I am looking at the bottom two lines of table 1 on page 8 of your portfolio statement. On the face of it, it looks like you were spending less than the previous year. Is that right? If so, why? If not, why do the figures seem to reflect that?

Mr Greer—The estimated spend in 2005-06 includes the one-off \$10 million that will be expended before the end of this year in relation to Tiwi.

Senator CHRIS EVANS—That has the effect of increasing the 2005-06 expenditure by \$10 million?

Mr Greer—Yes.

Senator CHRIS EVANS—So you are telling me that the total expenditure, without that, for 2006 would be \$587 million?

Dr Jarvie—It would be \$573 million if you took the \$10 million off.

Senator CHRIS EVANS—I have \$597 million take away 10, I get \$587 million, even with my maths.

Ms Paul—The difference then would be about \$2 million, and that appears to me to be the difference, possibly, in the ARC. We would have to tell you what the \$2 million is, unless Mr Storen can tell us.

Mr Greer—Page 99 might be an easier way to look at this.

Senator CHRIS EVANS—It means you can explain page 99 but you cannot explain page 8.

Mr Greer—It is the same figure. That is again showing that the total spend for Australian government Indigenous education funding is estimated to be \$583.7 million. But that includes, of course, the \$10 million that we talked about in Tiwi—which is a one-off feature. But that still leaves a differential of \$3 million-odd—\$2.1 million of that in outcome 1, and 1-point something in outcome 2.

This reflects the totality of our Indigenous education programs within the portfolio. This is all of the funding under the Indigenous Education (Targeted Assistance) Act, the Indigenous Higher Education Advisory Council, our Abstudy funding and so on and so forth, given the ons and offs that have been reflected in that, year on year. I do not have the reconciliation, but I could take that on notice.

Senator CHRIS EVANS—It was a fairly simple question. Even allowing for the \$10 million, you seem to be spending less than you did in the year before. Given inflation et cetera, that surprises me so I just wanted to know why.

Mr Greer—One of the reasons is that of course we did have that carry forward in 2005. The \$129 million carried forward into 2005, which we identified earlier, was contributed to by the late signings, which will not be a feature as that starts to flatten out as we go forward. But I would really need to do the specific reconciliation of that for you, and I am happy to take that on notice.

Senator CHRIS EVANS—You say that the 2005-06 figure is inflated by—

Mr Greer—Some elements of the 2004-05 funding that were not able to be expended in the 2004-05—

Senator CHRIS EVANS—But you have had a carryover this year as well but it has been less, so you have had an under expense this year as well but it is less.

Mr Greer—Yes.

Senator CHRIS EVANS—So the figure you have got for 2005-06 is an actual rather than a budgeted figure?

Mr Greer—It is an expected actual.

Mr Storen—Yes, it is the estimated actual. It is the estimate that we make in April to publish in the May budget about where we are going to be as at 30 June 2005-06. I would point you to page 50. It reinforces what Mr Greer is getting at. The largest elements of Indigenous funding come under output 1.2. If you have a look at the series of numbers there, you can see that the Tiwi Islands \$10 million in the left-hand column goes to zero in the right-hand column. You can see the Indigenous education act, at 341, drops by about \$8 million in the right-hand column, so that is the carryover and flow-through there. That drops too much to reconcile the number you are trying to do. If you look at the line above, that includes Abstudy, which has got a slight increase, which brings it back. But, as Mr Greer said, we can provide a program by program reconciliation add-up if you would like.

Senator CHRIS EVANS—I wouldn't mind one. The result is that given these figures I cannot track spending, although I am prepared to admit that others might be able to. But I think from the discussion we have had that it is not all that easy to follow. What has been the percentage increase in the total Indigenous budget?

Mr Storen—As you have pointed out, there is a reduction because of a number of one-offs. Are you asking what we would have if we removed the one-off Tiwi and the one-off carryover?

Senator CHRIS EVANS—Yes.

Mr Storen—We could put that into the same process, if you would like.

Senator CHRIS EVANS—Yes, please. As I say, on the face of it, it looks like you have got less money. I figured that there would be some explanation but I could not work out what it was.

Mr Greer—If you wash out the carry forward, in fact there was an increase of about \$12.9 million on the year.

Senator CHRIS EVANS—Perhaps you could take that on notice for me and give me a breakdown. A breakdown of where those movements were would be helpful. I wish to look at a couple of the measures. Can someone tell me how expanding the Indigenous Tutorial Assistance Scheme to year 9 students is going to work? I am trying to work out the expenditure. You have got about 365.8 in 2006-07, 778.5 in 2007-08 and then 413.2 in 2008-09, so it looks as if it starts, goes up and then goes down as an expenditure. I am looking at a page that does not have a page number.

Ms Paul—Are you looking at the landscape table?

Senator CHRIS EVANS—Yes, that is the one.

Ms Paul—It does not have a page number on it.

Senator CHRIS EVANS—That is right. It is a trap for new players.

Ms Paul—It is actually page 22.

Mr Greer—This funding is \$15.6 million that has been provided with half-year effect in 2006-07, full-year effect in 2007-08 and half-year effect in 2008-09—that is, in a sense it is provided over two full calendar years, so it coincides with the end of the quadrennium, and we will reflect the carry-forward of this as we move into the new quadrennium. The measure starts from 1 January 2007 and will finish at the end of the quadrennium, which is December 2008.

Senator CHRIS EVANS—So you will need to seek extra funds in order to have any funding for 2009 and 2010.

Ms Paul—That would be in the context of the government's consideration of the next quadrennium.

Senator CHRIS EVANS—But that is the explanation: there is no approved funding for the 2009 or 2010 calendar years.

Ms Paul—Correct. This lines up with the quadrennium.

Senator CHRIS EVANS—So effectively this funds the 2007 and 2008 calendar years at the same level.

Mr Greer—Yes, the balance of the quadrennium.

Senator CHRIS EVANS—Are you confident that you will be able to put in place that extension of the scheme to year 9 students in time?

Mr Greer—We certainly believe so. This initiative plugs a gap, in a sense. We provide similar types of tutorial assistance to Indigenous students in years 10, 11 and 12, and, of course, in-class tuition is available for students up to year 8 in one way or another. But there was a gap at year 9, which is a critical transition point.

Senator CROSSIN—How are you going to determine who is eligible for that assistance in year 9? To be eligible in year 8 you had to fail the year 7 test; to be eligible in year 10 you had to fail the year 9 test.

Mr Greer—No, the tutorial assistance provided in those earlier years is targeted clearly at those students who failed those critical benchmarks in years 3, 5 and 7. They are the primary targets of the funds available, but there is flexibility for providers to use those funds for children in all years up to year 8.

Senator CROSSIN—Is that a change?

Mr Greer—That was one of the negotiated arrangements in settling on the application of ICT for the quadrennium. That is, the eligibility of a system is still determined—

Senator CROSSIN—By the failure of a year 3.

Mr Greer—by the numbers who actually fail to meet the benchmark. That sets the pool. Provided that systems or schools are appropriately addressing the needs of the priority cohort, there is also flexibility in the program for those systems and schools to be using those funds to provide other programs. You might do that by providing—

Senator CROSSIN—So, in practical terms, if 100 students sit the year 3 benchmark and 50 fail, your formula will only generate enough tutorial assistance for 50 students, but that money could be used for all of the year 4s the following year. Is that correct?

Mr Greer—What we are saying is that those students who do not meet the benchmark will trigger the nominal entitlement. With that nominal entitlement triggered, provided systems address the needs of that key cohort—that is, those who have failed—those systems have the flexibility to either address that need on a one-to-one tutorial basis or do it, for instance, in small groups. If you opt to do it in small groups of three, four or whatever, you may be able to spread those funds beyond the key cohort that you are targeting.

Senator CROSSIN—So what is the trigger for students to receive this in year 9? Is it the failure of the year 7 benchmark?

Mr Greer—No, this is an extension to students in years 10, 11 and 12.

Ms Grant—It will have very similar eligibility requirements, but we are working up the guidelines now.

Senator CROSSIN—What are the eligibility guidelines? That is what I am trying to ascertain. Is it the failure to meet the benchmark in year 7?

Ms Grant—No.

Senator CROSSIN—What is it then?

Ms Grant—It is determined by the providers.

Senator CROSSIN—They self-nominate for years 10, 11 and 12. Is that right?

Ms Grant—We have a notional allocation for the states and territories. They can decide who is eligible in terms of the needs of the students. But we do not have that criterion that you have to have failed—

Senator CROSSIN—For years 10, 11 and 12.

Ms Grant—a particular benchmark, no.

Senator CROSSIN—So the year 9 money will be allocated on the basis of providers nominating students who require that assistance?

Ms Grant—Yes.

Ms Paul—So, in other words, it is on a student numbers form, on an enrolments basis.

Mr Greer—We can provide the methodology.

Senator CROSSIN—It will be pay-through provided, not directly to schools?

Ms Grant—There are two ways of receiving it—either as a provider administered fund or as a DEST administered fund. For some providers, if there are difficulties in getting the tutors, then there is the option of the DEST administered funds.

Mr Greer—In the lead-in to this quadrennium, the provision of ITAS support for years 10, 11 and 12 was provided and managed by the department. As we moved into this quadrennium there was a choice. If a system wanted to take on that responsibility, and therefore was able to link this tutorial assistance with its own tutorial assistance and have the flexibility, they could do that, and a number of systems have already opted to do that. For those who did not choose to do so, the department continued to provide that direct service.

Senator CROSSIN—For those providers who have opted to pay the ITAS money through their system, are they taking any administration on-costs off for that?

Mr Greer—I think the maximum—we have had this discussion in here on a number of occasions—on-cost or the maximum service fee in a sense that is available, allowable under the Indigenous education agreements, is pitched at 10 per cent. As you know, Senator, in some years past, in some jurisdictions, it was many multiples of that.

Senator CROSSIN—So the amount of money that you have allocated for the year 9 tutorial assistance is based on how much per hour times how many students?

Mr Greer—Broadly, I think that is correct, Senator. It depends on whether or not it is face to face or a small group. It is times 35 weeks, times four hours. Face to face, I think, is \$30 per hour. For a small group it might be \$30.

Senator CROSSIN—So what have you based the money in your PBS on, though?

Senator CHRIS EVANS—It is four hours per student, is it?

Mr Greer—Four hours per student.

Ms Paul—For 35 weeks.

Senator CROSSIN—For how many students?

Mr Greer—We expect to assist 4,800 over the two years. That would be on the basis of 50 per cent of those enrolled at year 9 in remote areas or remote schools, and the attributions would be 10 per cent in non-remote schools.

Senator CHRIS EVANS—So your calculation of the \$15.6 million is based on four hours per student, for 48,000 students over the two years, but you chose the 4,800 students, or 2,400 a year, because that number represents 50 per cent of students enrolled in remote areas in addition to 10 per cent enrolled in—

Mr Greer—Non-remote. It reflects the formula that is currently in place for providing similar tutorial assistance for Indigenous students in years 10, 11 and 12. This is extending that same mechanism back for this critical year and using the same formula.

Senator CHRIS EVANS—Have you got the figure for how many students this will impact on in remote areas—the breakdown between remote and non-remote?

Mr Greer—We would have, but unfortunately I do not have it with me.

Senator CHRIS EVANS—Could you take that on notice for me?

Mr Greer—Yes, certainly. I have years 10, 11 and 12 by dollars and not by numbers. But the metrics were as you mentioned: 35 weeks by four hours by \$30 per hour for one-to-one tuition; and in group tuition, 35 weeks, four hours at \$35 per hour with a minimum of three students.

Senator CHRIS EVANS—How do you determine how you distribute that?

Ms Paul—On an enrolments basis using the 50 per cent or 10 per cent assumption.

Senator CHRIS EVANS—I see, so if you were a remote school you get funding for 50 per cent of the enrolled students?

Ms Paul—The funding would go to the system.

Senator CHRIS EVANS—It is not just a nominal figure; it is actually provided that way as well.

Ms Paul—Yes.

Mr Greer—If you are a system that opted to take on the administration of this, as a number of systems have, that would be the formula to use. If a system did not take it on, it would be on, as you have mentioned earlier, self-identification. The department would facilitate the tutorial assistance.

Ms Paul—It is based on enrolments in particular schools added up to a system.

Senator CROSSIN—Not attendance?

Ms Paul—No, enrolments.

CHAIR—Mr Greer, how long has this scheme been running?

Mr Greer—Year 9, of course, is just starting as an initiative. It has been running for at least a couple of quadrennia for years 10, 11 and 12.

CHAIR—A couple of years?

Mr Greer—No, a couple of quadrennia. We fund on a four-year basis. I am not sure whether it was initially back in the 1996 through to 2000 quadrennium or the last quadrennium. I will clarify that for you.

CHAIR—Have there been any measurable outcomes from it?

Ms Paul—Yes.

Mr Greer—Yes. We certainly drew on the evidence base in supporting and justifying this initiative through the single Indigenous budget process.

CHAIR—Could you get me some figures on that on notice?

Ms Paul—The achievement data for Indigenous students, off a very low base, unfortunately, has gone up considerably.

CHAIR—I would be interested to see that.

Mr Greer—We would like to think that the program, whilst it might not have had a direct causal link, was contributing to the increase that you can see in year 12 retention, for instance, from 29 per cent to pretty much 40 per cent over the past decade.

Ms Paul—Of course, clearly, there is a link to increased literacy outcomes and so on.

Senator CHRIS EVANS—Senator Troeth asked a good question about the proper assessment and what the measures are delivering. When you said, Mr Greer, ‘We would like to think’, my hackles went up, because so much Indigenous policy is based on what people would like to think rather than what they can prove happened. That is not a criticism. I was trying to break down and follow up Senator Troeth’s question about whether you have actually been able to analyse the difference in outcomes between those getting tutorial assistance and those not getting tutorial assistance.

Senator CROSSIN—This might be a good time, then, to ask a question about your annual Indigenous education report.

Mr Greer—Certainly. I would have to see whether or not that level of comparison was reflected in the survey work that has been done. In relation to the earlier comment, I was not going so far as to say that this initiative was the direct causal and only causal link to the increased retention rate.

Senator CHRIS EVANS—No, but it is the key question. I think if we thought there was and could establish a causal link then you would get a lot of support for extending it to every student. You cannot fund everything; you are funding a certain percentage. That is fine and understandable, but clearly what you would like to know is whether that funding is actually making a difference or not. If it is, I am sure that there would be broad support for increasing it. If it is not, we would want to review the scheme and work out if we could spend the money better.

Mr Greer—We are planning evaluations of the tutorial assistance generally, and we would certainly—

Senator CHRIS EVANS—I would be interested to know whether you can actually break down whether that particular input is making a difference.

Ms Paul—That is one of the things we are interested in. In general in this area—at least in the education sphere—we can collect, at quite a fine level, these indicators of attendance, enrolment, retention, achievement and so on, which is great in terms of being able to track change over time. On the whole, all those indicators are going up, but there is still a significant gap.

Senator CHRIS EVANS—And it is also a question of whether the gap is widening or closing.

Ms Paul—No, the gap is closing in Indigenous education, and that is our aim. Our contribution is to close the gap.

Senator CHRIS EVANS—It is a commentary, but some of the figures quoted actually only concentrate on the change, not the relative change. Retention rates for non-Indigenous students have gone up enormously as well.

Ms Paul—We call it ‘closing the gap’, so we always look at the relativity. It is by all counts diminishing, but it is still very significant.

Senator CHRIS EVANS—The ‘closing the gap’ approach is not always adopted by everyone. Could I also ask about the initiative for the sporting based academies and how you intend to roll them out?

Mr Greer—There are two elements of that program. One is the sporting academies, which are modelled and built on the positive results you can see coming out of Western Australia and the Clontarf model and how we might be able to roll out that model across the nation. Similarly, there is also an element where you might look at other strategies to use sport to either engage or re-engage Indigenous young people with education, not necessarily in an academy context. In relation to the academies, we are now in the process of scoping out the program guidelines and the risk management strategies, such that we will be in a position in June to engage with the community of interest in this before we make a call for expressions of interest on a submission basis.

Senator CHRIS EVANS—So you are going to do it on a submission basis?

Mr Greer—Yes.

Senator CHRIS EVANS—From existing institutions or groups that form around the submission?

Mr Greer—As the minister said in the press release, we are trying to use the good practice that has been demonstrated in Western Australia through Clontarf. That model has the Commonwealth as a contributor, not necessarily the whole contributor. In that model, the Commonwealth, the state government, and corporate and philanthropic Australia have contributed. So you would be looking to call for an expression of interest that would bring those parties together.

Senator CHRIS EVANS—While I support the idea of spreading successful models, it is also the case that there is a particular set of circumstances around a particular experiment, and Gerard Neesham has been a driving force in Clontarf, particularly with our profile—and as a coach for the great Dockers football team if unsuccessful. There is no doubt that the personalities and contacts have been driving forces of the success of that program. I think it is a great idea but I am also conscious that it will not necessarily germinate in another environment. That is why I think your point about institutional sport is really important—not relying on the one pillar.

Mr Greer—Yes, and that is part of the risk in this that we are trying to mitigate and if we can bring those coalitions of interest together—and they vary—that will be beneficial. Certainly the Clontarf model is demonstrably about boys and AFL. This initiative is about

boys and girls and as you move around the country it will probably be a range of different sports, depending on what seaboard and so forth—

Senator CHRIS EVANS—Have you decided on a geographical mix or are you just trying to—

Mr Greer—These would roll out on the basis that we would be looking to have at least 12 of these bodies in place by the end of 2007, 18 in place by the end of 2008 and finishing off with the last two in that last year. There may be some mix in there and—

Senator CHRIS EVANS—So you think you will end up with 32?

Mr Greer—That is cumulative; it is 20.

Senator CROSSIN—Are these existing schools or colleges that might become some sort of supporting institute?

Mr Greer—If you take the good example that this grew some of its modelling on—Clontarf—Clontarf is an academy that works alongside a school. The requirement and expectation of students attending are to meet the educational outcomes—attendance, retention and achievement et cetera—and in meeting those they participate in the sporting offerings.

Senator CROSSIN—Why has that been set up in contrast to the AFL's highly successful Kickstart program? Are you familiar with that program?

Mr Greer—I think that they are different models.

Senator CROSSIN—It is a different model but the Kickstart—

Mr Greer—That is not to say, as I said earlier, that under this broad strategy you cannot accommodate both.

Ms Paul—We actually want to see a range of models.

Senator CROSSIN—The Kickstart model is designed specifically to get into remote Indigenous schools where there would be no comparable institute just down the road.

Ms Paul—We would expect to see a range of models come forward. We know the AFL will be very interested—

Senator CROSSIN—And they could tender for this money?

Ms Paul—Of course. They would have to be a key group to have some sort of interest, I would expect.

Senator CHRIS EVANS—They have been very supportive of Clontarf.

Senator CROSSIN—That is a very successful program.

Ms Paul—Naturally we also want to see models which target girls. Clontarf is targeting, as you would know, Senator—

Senator CHRIS EVANS—I think that they have expanded to some netball programs as well.

Ms Paul—That is right. Clontarf has a proven and very successful model in terms of outcomes for employment or retention for the young people, but there are many other models which we will be very interested in as well.

Senator CROSSIN—So you do not have an idea about how this will operate as such yet?

Ms Paul—As Mr Greer said, we certainly have the process for unfolding it in terms of consultation and then an expression of interest process, but what the precise models are can be quite flexible. It may vary, depending on the needs of the particular regions and so on around the country. They will all be best-practice models at the end of the day, but all of them will feature sport because it has been proven to be such a winning combination to achieve educational outcomes, which are what we are all about of course, not so much the sporting outcomes.

Senator CHRIS EVANS—One of the tensions for the program has been that so many of the young men of Clontarf get drawn quite a long way away from their communities because it is the only centre.

Ms Paul—Given that these young men were disengaged or at risk of disengaging from education, the outcomes from Clontarf in terms of either employment or education are absolutely fantastic—in the vicinity of 87 per cent or something like that. It is just extraordinary.

Mr Greer—The average attendance is around 78 per cent. Retention rates are up around 82 per cent and, impressively, about 83 per cent of graduates from the program go into full-time work. If you can emulate those types of outcomes in different scenarios without necessarily using a cookie-cutter model, it is a way of disseminating good practice.

Senator CROSSIN—Or threatening people with taking away their Centrelink benefits—it must be a better way to go.

CHAIR—Are there any more questions on the Indigenous and Transitions Group?

Senator CHRIS EVANS—I want to ask about how the funding for Indigenous education providers fits in with the national skills shortage list. What is the interaction between the two? I understand you are giving priority to funding for identifying national skills shortages. Does that impact on Indigenous education providers as well?

Ms Paul—That would mean the impact on vocational and technical education providers. The focus on skills shortages generally goes to the post-school environment—not altogether. For example, the Australia technical colleges initiative is about schools. One of the technical colleges which will offer certificate III school based new apprenticeships in years 11 and 12 will be based in the Pilbara.

Senator CHRIS EVANS—That is the sort of thing I was thinking about. One of the failures is not having that sort of pre-apprenticeship technical start.

Ms Paul—That is right.

Senator CHRIS EVANS—I was wondering how the two interface.

Ms Paul—That is one of the ways. What we are trying to do right across the department is to have a focus on Indigenous students through all of our programs. There is a whole number of programs in the vocational and technical education area which focus on meeting skills shortages and most of them, in some way or another, will have some focus on Indigenous students, and it is often post school. The example I gave you is a really good example of

where the link will be for Indigenous students in the Pilbara into school based new apprenticeships. They will then, undoubtedly, go on to employment in the region, a boom region.

Senator CHRIS EVANS—That is right. The great irony is that often there is so much skills shortage and job availability right next to Indigenous communities and there is not much connection between the two.

Ms Paul—That is right.

Senator CHRIS EVANS—What does that mean in terms of the funding of those providers? You say it is mainly not directed at schools but at post-school providers, but what does that mean for an Indigenous provider in how that impacts on funding opportunities from the skills shortage program?

Ms Paul—There is a quite a range of different approaches to meeting skills shortages and many of them will touch on the lives of Indigenous people but in a way which we may not know. I will give you an example. One of the commitments that came through the budget last year was to extend incentive payments to employers of apprentices in skills shortages areas. Another one was providing tool kits for apprentices in skills shortages occupations, and so on. Some of them will, of course, be relevant to Indigenous people, but we would not necessarily know.

Senator CHRIS EVANS—It is more a question in terms of your funding. Is that built into whether you increase funding for providers who are doing a lot of the work in the targeted areas or is that not an impact? Will you fund at a higher level those organisations that are prioritising training in the skills shortages area?

Ms Paul—Yes, in general. In the vocational and technical education area, funding was doubled last year—an addition of about \$1.3 million—for a whole range of initiatives which target skills shortages in a whole lot of different ways: the technical colleges, the tool kits, the incentives, a national skills shortages set of projects and so on.

Senator CHRIS EVANS—That is why I am coming back to your specific responsibilities and how you administer programs. Is there any change in the way that you administer or fund education providers in relation to the skills shortages list?

Ms Paul—In general terms across the department?

Senator CHRIS EVANS—No, in specific terms.

Ms Paul—In Indigenous terms?

Senator CHRIS EVANS—You fund providers. We now have a program targeting national skills shortages. Regarding the way you fund education providers who provide services to Indigenous people, does that interface with a new program, a change in funding priorities or a change in the scale of funding as far as it is linked to the impact of the skills shortage? Or are the impacts the general ones that you were talking about?

Ms Paul—The biggest impacts are probably to the mainstream, actually. I could detail those.

Senator CHRIS EVANS—No. As far as your specific funding of providers goes, there is no impact—is that fair? I am not saying there should be; I am just trying to understand—

Ms Paul—And I am trying to understand what you mean by providers.

Mr Greer—It varies. Following last year's budget, we are putting in place Career Advice Australia, which provides funding for local community partnerships across the country, a national footprint of 213, including in about 37 remote or semi-remote areas. Underpinning that is the Youth Pathways program—again, in 100 regions across the country. In funding those we build in, in an indirect way, I suppose, an 80 per cent weighting for those providers which are providing those services in remote areas. In that sense, a lot of the clientele in those areas would of course be Indigenous.

Senator CHRIS EVANS—We are going around again. I have not made myself clear. Does the targeting of the skills shortages list impact on your mainstream funding of education services for Indigenous people?

Ms Paul—Not directly at the school level. The skills shortages list is a list of occupations with skills shortages, and so the impact of that list is not as relevant at the schooling level—where, of course, kids have not chosen their occupation—as it is at the next level, the post-school level of vocational and technical education.

Senator CHRIS EVANS—What will that mean for your funding of those institutions in terms of those that concentrate on programs on the skills shortages lists and those that do not?

Ms Paul—The impact on providers of many of the skills shortages measures—for example, TAFEs—is to offer some sort of additional focus. It impacts not only on providers. For example, some of the measures focused on incentives to employers. But it is not specifically differentially targeting Indigenous students. That is probably fair to say in summary. We could go through and say that because of the remote weightings—

Senator CHRIS EVANS—I understand the more general arguments. But if one TAFE largely catering to Indigenous students has electrical, plumbing and nursing and the one next door, again with Indigenous students, which does basket weaving—I had better be careful or I will get myself into trouble—

Senator Vanstone—It is sounding dangerous to me, and I am pretty brave!

Senator CHRIS EVANS—I am trying to think of derogatory terms that current ministers have used. Surfing, that was the other famous one.

Ms Paul—Yes, and belly dancing.

Senator CHRIS EVANS—So, given the government's—

Dr Jarvie—The per capita amount that comes through the IESIP funding is a per capita amount that is determined by location and then what grade of schooling it is. That will not change depending on what skills are taught in a particular TAFE. Other initiatives will affect it, but will not affect the per capita amount that goes out.

Senator CHRIS EVANS—Dr Jarvie, you are a treasure! Thank you for that.

Senator CROSSIN—I am glad you decided to get him out of a hole. I was not going to go anywhere near it.

Senator CHRIS EVANS—Dr Jarvie obviously understood the question and knew the answer. We are making progress. I want to ask about the Abstudy decision linking entitlement to a school attendance rate.

Dr Jarvie—That is handled by the next group—the Strategic Analysis and Evaluation Group.

Senator CHRIS EVANS—Okay, I will come back to that. I have been asked to raise a question about the funding of the Larapinta learning centre in Alice Springs. Am I in the right place? The funding cycles and the old argument about whether people are on grants or recurrent funding were raised with me. A lot of the concern seems to be about people living from year to year, wondering whether the support is going to be continued. Someone raised with my office the Larapinta centre. I understand they go on grant funding. Given the new philosophy—whole of government and blah-de-blah—does that mean that these sorts of organisations can expect to be put on more of a recurrent-funding basis?

Mr Greer—I am not sure specifically what the organisation is that you are mentioning but, looking more broadly, as I mentioned earlier we fund something like 250 education providers and 230 of those are not major systems. When we enter into Indigenous education agreements with those organisations we do that on a quadrennium basis, so we enter those agreements with those organisations for four-year periods, subject to targets, reporting accountability and so forth.

Senator CROSSIN—The centre is not funded under IESIP?

Mr Greer—Yes.

Senator CHRIS EVANS—It is a learning centre.

Senator CROSSIN—It is an annual funding of \$100,000.

Ms Paul—We think it might be schools funding. The schools people are with us tomorrow.

Senator CHRIS EVANS—The Menzies Research Centre launched a report yesterday called *Aboriginal education: remote schools and the real economy*. Has the department been asked to do any analysis of that?

Mr Greer—The department provided a synopsis of the report.

Senator CHRIS EVANS—Provided a synopsis to whom?

Mr Greer—We provided a synopsis of the report and a copy of the report to the minister.

Senator CHRIS EVANS—When did you do that?

Mr Greer—I think it was in the course of last week, in the lead-up to the minister's launching of that report.

Senator CHRIS EVANS—So you obviously got an early copy?

Ms Paul—Yes, Senator.

Senator CHRIS EVANS—And you did a synopsis for the minister?

Ms Paul—I am told we had a penultimate version, to be precise.

Senator CHRIS EVANS—That is fine. That is right, the minister launched it, didn't she?

Ms Paul—Yes.

Senator CHRIS EVANS—That makes sense. You did a synopsis. Did you provide any policy advice on the ideas or arguments contained in that report?

Mr Greer—No, it was a synopsis of the report.

Senator CHRIS EVANS—So there was no advice—they were not formally recommendations—on the policy directions advocated in that report?

Mr Greer—No.

Senator CHRIS EVANS—More broadly, what is the department's view or policy regarding involvement of teaching of awareness of Aboriginal culture within the schooling system? I know it is a broad question.

Ms Paul—In short, we are positive about it. People are just trying to find where it is reflected in policy.

Senator CROSSIN—It is not one of the 21 IESIP goals?

Ms Paul—I think it is one of the IESIP goals. It has come through in a number of policy statements.

Mr Greer—It is certainly a goal of the national goals for schools.

Senator CROSSIN—There are 21 or 22 goals under the IESIP.

Ms Smith—Under the AEP.

Mr Greer—Under the AEP—the Aboriginal education policy.

Senator CHRIS EVANS—For someone not that familiar with it, can we clarify what that means? The national goals for schools are under the COAG type agreement?

Ms Paul—It is the agreement through the Ministerial Council on Education, Employment, Training and Youth Affairs, the relevant ministerial council. Ministers signed up to a series of national goals. I forget which year it was. The Aboriginal education program sits underneath MCEETYA as well. It is an agreement between all the jurisdictions. One of the goals refers, as the senator rightly says, to the promotion of culturally inclusive education. We can find the words for you.

Senator CHRIS EVANS—Does someone have it in front of them?

Ms Smith—It is the teaching of cultural education but also understanding by non-Indigenous Australians—that is, of all school students—of the cultures of other students who are in schools. That includes not just Indigenous students but also other students from other backgrounds.

Senator CHRIS EVANS—What does it say about Indigenous students and the teaching of their culture to them?

Ms Smith—It encourages the understanding of Indigenous cultures and the inclusiveness of schooling to understand the range of students from diverse backgrounds. I think it is couched in that language. I do not have it in front of me to—

Senator CHRIS EVANS—No, I meant in relation to Indigenous students and their culture.

Ms Smith—It encourages the understanding and the teaching—the bringing in—of the culture.

Senator CHRIS EVANS—Of their own culture.

Ms Smith—That is right. But it is not explicitly defined just in relation to Indigenous Australians. It is implied that it is around diversity. But I do not have the specific words there. There are two goals that we are talking about.

Senator CHRIS EVANS—Two separate goals?

Ms Smith—Two separate goals under the three areas in the national goals for schooling.

Senator CHRIS EVANS—I am backing Dr Jarvie to see if she can keep her winning run going. Don't feel any pressure!

Dr Jarvie—I think I am going to fail you, Senator.

Ms Smith—I think we need to clarify that there are the national goals of schooling goals and also the AEP. There are different aspects that we are speaking about.

Dr Jarvie—Goal 20 is:

... to enable Aboriginal students at all levels of education to have an appreciation of their history, cultures and identity.

Senator CHRIS EVANS—And goal 17 is:

... to develop programs to support the maintenance and continued use of Aboriginal Languages.

Ms Paul—In addition to this, we are also saying that, in the national goals for schooling, which cover all schooling, ministers also signed up to two goals relevant to this area.

Senator CHRIS EVANS—So the ones we just read from page 140 of the *National Report to Parliament on Indigenous Education and Training 2003* describes the what?

Ms Paul—The goals of the Aboriginal education policy.

Senator CHRIS EVANS—Which is established underneath the national goals for schools framework.

Ms Paul—No. It is alongside, but both of those policy platforms are from all nine jurisdictions through the ministerial council.

Ms Smith—If it would be helpful, it is goals 3.3. and 3.4 of the Adelaide declaration, which relates to the broader national goals of schooling. We could provide them to you, but we not have copies here today.

Senator CHRIS EVANS—I will find them on your website, won't I?

Ms Paul—Yes.

Senator CHRIS EVANS—The Adelaide declaration?

Ms Smith—Yes, on the MCEETYA website.

Senator CHRIS EVANS—So that is part of the guiding principles that all education providers who receive your funding are supposed to deliver upon?

Mr Greer—They commit to the goals. If someone is entering into funding under mainstream schools funding, they must commit to the national goals for schools. For someone who is entering into an Indigenous education agreement for access to our Indigenous Education (Targeted Assistance) Act funding, they must commit to the goals of the Aboriginal education policy.

Senator CHRIS EVANS—Is this currently under review or is this solid at the moment?

Mr Greer—There is advice that will be going to MCEETYA this year. Depending upon what ministers collectively decide, that may trigger a refreshing or a review of the AEP.

Dr Jarvie—The AEP has been well established for a long time. A number of people have reviewed it and the Commonwealth-state working group has looked at it and said that perhaps it is time that it was reviewed. It has limited engagement of parents and communities, as I recall. It needs to be refreshed.

Ms Paul—The context for the work that we are talking about now is that, in 2005, all ministers agreed to identify Indigenous education as their top priority for the quadrennium. In that context, there has been a considerable amount of work done amongst officials of all jurisdictions on Indigenous education.

Senator CHRIS EVANS—Are you telling me that that is likely to lead to a review of the goals or just a review of the policy?

Ms Paul—The review of the policy would encompass the goals within the policy, potentially. That is not settled yet. That would be a matter for ministers to decide.

Dr Jarvie—Clearly ministers would have to make a decision whether they wanted to proceed down this path.

Senator CHRIS EVANS—Are we on the cusp of this or are you just telling me what the possibilities would be?

Dr Jarvie—Yes. This is a possibility.

Senator CHRIS EVANS—So there is no actual agenda for change at the moment.

Dr Jarvie—No.

Senator CHRIS EVANS—Dr Johns's report talked about a meeting of 15 school principals that Dr Nelson facilitated for him. When did that occur—do you know?

Ms Smith—It occurred on 31 October 2005.

Senator CHRIS EVANS—Who was the group that came together?

Ms Smith—It was a group of 14 school principals—11 government school principals and three independent school principals—who were invited to join a roundtable discussion based on their experience as successful principals in remote areas teaching Indigenous students.

Senator CHRIS EVANS—They were mainly from remote areas?

Ms Smith—They were all from remote areas.

Senator CROSSIN—Who were they? Where did they come from? Do you have the list there?

Ms Smith—Would you like me to run through the list?

Senator CHRIS EVANS—Maybe you just want to hand it up. Do you have it in a form where you can just table it, if you are happy to table it?

Ms Smith—Yes, I can table it.

Senator CHRIS EVANS—Thanks for that. Was it a one-day meeting or longer?

Ms Smith—It was a one-day meeting, yes.

Senator CHRIS EVANS—Who determined the list of invitees?

Ms Smith—The list of invitees was determined through discussion with the minister's office around who should be invited. We proposed some examples of people who had been successful in Indigenous education. It was thought that, for reasons of cost, we should keep it to a small number. There were 14 people who attended. One principal was invited but could not attend on the day.

Senator CHRIS EVANS—So, in conjunction with the minister's office, you worked up a list. Was this an initiative of the minister or the department?

Ms Smith—It was the minister's initiative to have a consultative process to talk with some practitioners who had been successful.

Senator CHRIS EVANS—Was that the only consultation they had with this group? Was it a one-off?

Ms Smith—With this particular group, yes.

Senator CHRIS EVANS—Who, apart from the 14, attended?

Ms Smith—Dr Gary Johns was invited by the minister to attend the discussion.

Senator CHRIS EVANS—Did the minister attend?

Ms Smith—The minister attended and so did departmental officials.

Dr Jarvie—I chaired it, as I recall.

Senator CHRIS EVANS—Was that just a day in Canberra?

Dr Jarvie—Yes.

Senator CHRIS EVANS—Did the minister stay the whole day?

Dr Jarvie—I cannot recall, but he was certainly there for a significant period of time.

Ms Smith—For several hours.

Senator CHRIS EVANS—Did the department pick up the tab for the flights and accommodation et cetera?

Ms Smith—Yes. We paid for the travel for participants, the accommodation, the hospitality and the venue hire.

Senator CHRIS EVANS—What did that cost you, all up?

Ms Smith—It cost \$33,000.

Senator CHRIS EVANS—Is there any ongoing contact with that group? Are they providing any ongoing feedback or engagement other than the normal engagement you have with the principals?

Ms Smith—From time to time. For example, there was an ongoing engagement under a project called Dare to Lead, where some of these principals were considering remote Indigenous education issues, earlier this year in Alice Springs. It is not a planned engagement.

Senator CHRIS EVANS—They are picked up in other networks, as it were?

Ms Smith—That is right.

Senator CHRIS EVANS—So they are not actually continuing.

Ms Paul—They are not a body as such.

Senator CHRIS EVANS—Chris Sarra was unable to attend. I was just talking about him this afternoon. I am trying to get organised to meet him.

Ms Paul—Yes. Very impressive.

Senator CHRIS EVANS—Yes. Did the department provide any other advice coming out of this meeting? Was there any other sort of action?

Mr Greer—Not action per se. A synopsis of what the emerging themes were was provided to the minister. Those themes were: high expectations by parents and teachers, the empowerment of community, developing skills in school leaders, the recruitment and retention of quality teachers, early childhood education, school attendance, numeracy competency, boarding school transition support, the use of technology, the cost of remote schooling and VET certificate courses. They were the headline themes of discussion over the course of the day.

Senator CHRIS EVANS—So you provided a synopsis of the sort of discussion to the minister.

Ms Paul—The focus of the day was on what works.

Senator CHRIS EVANS—Did you disseminate any wider than that?

Ms Smith—We have not disseminated anything more broadly, although I have spoken to it at an Alice Springs conference.

Senator CHRIS EVANS—Are you using it for internal development policy work?

Ms Smith—That is right.

Senator CHRIS EVANS—I want to ask a quick question about the away from base program. Is this the wrong section? I am new to the area, so that is why I asked.

Ms Paul—That is fine.

Senator CROSSIN—Can I just ask: of the 14 people who attended, were any of the principals Indigenous?

Ms Smith—Yes. One of the principals, Steve Foster, the principal of Badu Island State School, is Indigenous.

Senator CROSSIN—So one of the 14 was Indigenous.

Mr Greer—Chris Sarra pulled out.

Ms Lansdown—Chris Sarra was also intended to attend.

Senator CROSSIN—So one of the 14 was Indigenous.

Senator CHRIS EVANS—I want to ask quickly what the away from base assistance scheme is and about the Office of Evaluation and Audit report and whether you have received that yet.

Mr Howard—The away from base scheme has two elements: one is administered under Abstudy and the other under the IESEP program. It provides assistance for students for travel, meals and accommodation and to attend block release at predominantly tertiary institutions. In terms of the OEA evaluation, we are waiting on the copy of the final report, which we expect in the next day or so.

Senator CHRIS EVANS—You have seen the preliminary report?

Mr Howard—We have seen a preliminary report but this is the next to final.

Senator CHRIS EVANS—I understand they allow you to comment before they finalise the report.

Mr Howard—This is the one we are expecting for comment.

Senator CHRIS EVANS—So you have not seen the preliminary report?

Mr Howard—We have seen earlier versions of it.

Senator CHRIS EVANS—You have not had a chance to comment on them?

Mr Howard—No.

Senator CHRIS EVANS—You do not just get a preliminary; you get a series of drafts, do you?

Mr Howard—Yes, there have been some earlier drafts for discussion on the way through.

Senator CHRIS EVANS—You expect the report in the next day or two?

Mr Howard—Yes. We expect it some time this week.

Senator CHRIS EVANS—Is this an audit report or an evaluation report?

Mr Howard—An evaluation report.

Senator CHRIS EVANS—So this one will be made public?

Mr Howard—Yes, as I understand it.

Senator CHRIS EVANS—That is as I found out the other day, subject to the new parliamentary secretary signing an authority to that effect. I thought it was automatic in the act but I am told it is not automatic in the act; it requires the parliamentary secretary to authorise it. That is a bit of information I found out the other day. Thank you for that. I think the other two I questions I have are in the next section.

Senator CROSSIN—I have not finished this section. Can you explain your initiative on the reducing of substance abuse, petrol sniffing?

Mr Greer—This is the DEST aspect of a whole-of-government initiative that was announced in the budget context for \$55 million. Our initiative will be looking to put in place diversionary projects at five sites that may assist young people to engage or re-engage with education and the like. They might be modelled along the lines of very successful POEM projects.

Senator CROSSIN—Which five communities have you identified?

Ms Smith—We are thinking that there will be three projects in the central desert. We are jointly identifying those with the Department of Health and Ageing and FaCSIA.

Senator CROSSIN—So the central desert region will be part of the petrol sniffing initiative.

Ms Paul—Yes. Health and Ageing is the lead agency for this whole initiative.

Senator CROSSIN—And the other two?

Ms Smith—They have not been identified yet.

Senator CROSSIN—You just have another two communities somewhere?

Ms Smith—Yes.

Senator CROSSIN—That is about \$5 million over four years. Is that right?

Ms Smith—Ours is \$5.1 million over four years.

Senator CROSSIN—Will the community festivals for health promotion replace the funding for the Croc festivals or are they in addition to that?

Mr Greer—Funding for current festivals—and the current festivals are Croc festivals and rock eisteddfods—is currently managed and will continue to be managed by the lead agents for 2006. This initiative that came out of the budget will transfer lead agency responsibility for community festivals for Indigenous young people and for events more broadly from 2007. As part of that, we will be looking to perhaps approach the market to market test what appropriate arrangements going forward will be, but they will be of an ilk. There will be community festivals engaging Indigenous young people.

Senator CROSSIN—By grant application?

Mr Greer—Yes, we would be looking again to bring that forward over these next few weeks to frame up guidelines here, looking at the risk management strategies that might be involved in this and identifying an appropriate procurement approach. From that scoping, we will develop a request for tender and test the market on that.

Senator CROSSIN—Nationwide, \$4 million is a lot of money. That will be national?

Mr Greer—Yes, we would be looking at probably around \$3 million or thereabouts as a contribution toward conducting Indigenous youth festivals and probably around \$700,000 a year as a contribution toward other initiatives.

Senator CROSSIN—On PSPI: we are now into term 2 in Australian schools. Just before I go there, can you tell me how much money is allocated in this budget for PSPI moneys?

Mr Greer—Yes. I am not sure that I have the actual figures here, but on average PSPI has been appropriated at about \$24 million or \$25 million each year over the quadrennium.

Senator CROSSIN—You do not know what it is for the next financial year? I thought it was only \$22 million last year.

Mr Greer—Sorry?

Senator CROSSIN—I had a feeling it was only \$22 million last year.

Mr Greer—No. I will just check my brief. The allocation last year was \$24.3 million for 2005. Unfortunately, I do not have the year-by-year figures, but I imagine that apart from parameter changes it would be of that—

Senator CROSSIN—Somebody might have it there for you.

Mr Greer—Sorry, I have it here now: in 2005, \$24.3 million; 2006, \$24.4 million; 2007, \$25.3 million; and 2008, \$25 million. I am happy to provide this.

Senator CROSSIN—I have them now. How much money has actually been distributed for 2006 so far?

Mr Greer—As you would appreciate, this was a new initiative that was introduced in 2005. We had five funding rounds in 2005 and have had one to date in 2006. To date, 2,186 projects have been approved; 1,765 of those were in the Parent School Partnership Initiative and 421 were homework centres. On project funding approvals, \$50.6 million has been approved. A number of those projects, going back to your earlier point, Senator, have been funded for multiple years. Of that, \$37.4 million was approved for projects in 2005 over the five funding rounds and my understanding is that in the first funding round for 2006, which has completed but not yet been formally announced, there was something like \$13.2 million. There has also been some \$40-odd million of other source funding leveraged nationally to contribute to those 2,000-odd projects.

Senator CROSSIN—So the money in 2005 has well exceeded the \$24 million then?

Mr Greer—For 2005 we approved a range of projects in the first four rounds. I am not sure I have the list here with me. They were essentially projects that were able to be got up and under way in 2005. The last round in 2005 I think was approved about November. Essentially what that was doing was approving projects so schools could start the 2006 school year—as part of this continuous improvement we have talked about before—knowing with certainty what their funding applications and so forth were. We have another round, because we have reduced from five rounds—as we have mentioned before—into two funding rounds this year.

Senator CROSSIN—I am pretty familiar with this program now. Can you take on notice for me the amount of money that has been allocated? I have the amounts now for each of the years. But what I would like for 2005 is a breakdown for each state and territory. So, of that money, how much went to each state and territory?

Mr Greer—Certainly.

Senator CROSSIN—How much money has now gone to the Northern Territory for 2006?

Mr Greer—I might just have something along those lines.

Ms Grant—The Northern Territory for 2006 for the first round have an estimated \$1.75 million approved.

Senator CROSSIN—Last year you provided me with a list of how much money had gone to remote schools and how much money had gone to urban schools in the Northern Territory.

Mr Greer—Yes.

Senator CROSSIN—Are you able to provide me with that list for that first funding round in 2006 for the Territory?

Mr Greer—Yes.

Senator CROSSIN—You can take it on notice.

Mr Greer—Keeping it at the headline level, 101 projects have been approved in the first round for the Northern Territory. Eighty-two of those projects were remote and 19 were non-remote. In aggregate, if you look at the total over the six rounds that have been approved, something like \$8.62 million, or 70 per cent, of project funding has gone to remote areas in the Northern Territory and \$3.6 million has gone to non-remote areas.

Senator CROSSIN—Again, I am interested also in the list of schools and the amount they got, as you gave me last year.

Mr Greer—Certainly, Senator. As you know, once these processes are formalised, all of that information is put on the web. Each of the providers in rounds 1 to 5, I am pretty sure, is on the web.

Senator CROSSIN—You have not announced, though, this funding round for 2006? Is that correct?

Mr Greer—No.

Senator CROSSIN—They have not been given their money yet?

Mr Greer—They have not been announced yet, no.

CHAIR—Senator, I think you had better put the rest of those on notice. I think we will need to get in the strategic analysis and evaluation group to answer Senator Evans's questions. Thank you very much, indeed, to those officers leaving us.

Senator CHRIS EVANS—We just need the officer who can tell me about the initiative regarding linking the entitlement to Abstudy to the school attendance rate. I want someone to tell me how that is going to work.

Dr Jarvie—The new arrangements for school term allowance?

Senator CHRIS EVANS—Yes, and the link to the school attendance rate of 85 per cent.

Dr Arthur—I can answer in broad terms and Mr Kimber can provide answers in more detail. The measure is, as you would appreciate, a change to existing arrangements. It provides a variation to the eligibility and to the payment mechanisms for the allowance, essentially replacing the current situation—whereby the allowance is payable simply if a child is enrolled for the term—with a situation where part of the allowance is paid in advance and part of it is paid following evidence of attendance, as you suggested in your question, Senator, of 85 per cent of the term.

Senator CHRIS EVANS—How will that work in practice? What does it mean in terms of the payments

Mr Kimber—The total payment for the year will remain the same, in the order of \$540 per year. The first payment will be made at the beginning of term 1, upon enrolment, similarly to the current situation. That will be \$187. The payment for subsequent terms will be dependent on an attendance rate for the student of 85 per cent. The second term payment will be 83 per cent, the third term payment will be \$187 and the fourth term payment will be \$83. Sorry, I think I said per cent for the second term; it is dollars.

Senator CHRIS EVANS—I got a bit confused there. We have a three-term year?

Mr Kimber—It is a four-term year.

Senator CHRIS EVANS—What do they get at the start of the second term?

Mr Kimber—They get \$83. Sorry, I think I might have said 83 per cent.

Senator CHRIS EVANS—That is all right. I got lost. What do they get in the third term?

Mr Kimber—They get \$187.

Senator CHRIS EVANS—And in the fourth term?

Mr Kimber—They get \$83.

Senator CHRIS EVANS—Is that at the start of each term?

Mr Kimber—Yes. It is upon production of evidence of attendance. So we would hope that that would be at the beginning of the term.

Senator CHRIS EVANS—How does that work? Do they have to produce it or does the institution have to produce it?

Mr Kimber—It will have to be evidence of attendance provided by the school. We are currently working with Centrelink, who will deliver this measure, to look at the reporting arrangements. We are also planning discussions with state and territory education authorities to put in place the arrangements so the parents can then take that information to Centrelink to generate the next payment.

Senator CHRIS EVANS—So you will ask each of the education providers to give a printout or something to verify that they have had an 85 per cent plus attendance record?

Mr Kimber—We need to work with Centrelink to work out what particular method we use—as to whether we develop a form or whether they use the basis of current school reports—but some evidence will need to be provided by the school.

Senator CROSSIN—So in the first term they have to turn up 85 per cent of the time to get the payment on day 1 of the second term. Is that correct?

Mr Kimber—For the payment for the first term, it will be the same as it currently is—that is, \$187 based on enrolment. That will be paid automatically once eligibility is confirmed. That needs to be put in place so that parents can purchase essential school requisites for the beginning of the school term. The second payment, for term 2, would not be made until there is evidence of attendance provided by the parents. Obviously, they would need to get that from school.

CHAIR—Is the attendance from term 1?

Mr Kimber—Yes, that is correct. It is from term 1.

Senator CROSSIN—That is what I mean. They have to attend for 85 per cent of the time in term 1 to get the term 2 payment?

Mr Kimber—That is correct.

Senator CROSSIN—Would it be some sort of authorisation from the school principal?

Mr Kimber—That is right—

Senator CROSSIN—In the Northern Territory, for example, they all now electronically mark the roll.

Mr Kimber—Yes. It would be an authorisation from the school. As I said, we are working with Centrelink to put in place what arrangements will be used for that.

Ms Paul—Clearly the easiest way is the right way. If schools are collecting it electronically anyway, I am sure that is the way Centrelink will look to take it, to try to make it as straightforward as possible.

Senator CHRIS EVANS—Have you got a budget for administration of this?

Mr Kimber—Yes, there was a budget provided. Centrelink costs are estimated to be in the order of \$4.3 million over the four years.

Senator CHRIS EVANS—So that was an appropriation to Centrelink to pay for—

Mr Kimber—For the administration of it, yes.

Senator CHRIS EVANS—All the costs were theirs rather than yours—yours is the policy cost.

Mr Kimber—That is exactly right.

Senator CHRIS EVANS—How many students will be affected by the measure?

Mr Kimber—At the moment it is estimated that there are about 23,100 students in receipt of school term allowance.

Dr Jarvie—The way you need to look at it is that it is aimed at encouraging Indigenous students to go to school. The impact will depend very much on whether they do go to school or not. We have made some estimates based on the fact that there are 23,000 students currently in receipt of this who are attending junior secondary school and are low income. That is the base.

Senator CHRIS EVANS—Yes. This is the target population; that is, these are the numbers you think would be applying in 2007 for the allowance.

Mr Kimber—Yes, and that is based on current recipients of school term allowance.

Senator CHRIS EVANS—It is not based on an assessment of how many you think will not be eligible. If you currently spend \$10 million on funding the 23,000 anticipated for 2007, does the budgeted figure for the year provide for only 70 per cent of those students being eligible for the three parts? Or is it a budget figure based on all 23,000 getting the full

allowance? In other words, have you built in a factor of what you would expect the measure to do?

Dr Jarvie—There has been a factor built in of what the payout might be—which is less, which generates the \$1.8 million savings from the measure. It is not a major savings measure.

Senator CHRIS EVANS—So what is the assumption? If you are going to save \$1.8 million, how many of the 23,000 people who would have been eligible do you expect to not be eligible?

Mr Kimber—That varies across remote areas and non-remote areas. Given the low attendance rate in remote areas, we have estimated that the number of those in remote areas that will not meet the attendance criteria will be greater than those in the non-remote areas. Having said that, because the numbers in non-remote areas are higher—there are in the order of 70,600 in non-remote areas—the actual numbers that would not achieve it, whilst not similar, are in the same ballpark.

Senator CHRIS EVANS—Sorry, I am more confused at the end of that. You told me the target population, those you thought would be eligible in 2007, would be 23,100.

Mr Kimber—That is right.

Senator CHRIS EVANS—You then mentioned a figure of 70,000. That is where I got lost. Of the 23,100, you expect a saving of \$1.8 million—

Mr Kimber—That is right.

Senator CHRIS EVANS—How many students do you think, of the projected 23,100, will not be eligible for the latter payments?

Mr Kimber—In 2007 we estimate the effect to be around 7,400 students who will not meet the criteria; in 2008, 5,100; in 2009, 4,800; and, in 2010, we estimated 4,500. As Dr Jarvie said, we hope to see an increase in attendance because of this measure.

Ms Paul—This is an entitlement based payment, so there is an incentive effect—

Dr Jarvie—These are estimates—

Senator CHRIS EVANS—There is no confusion about that. So what is the driver that you think makes the numbers reduce?

Dr Arthur—The assumption is that—the policy driver is intended to increase attendance—as parents become aware of the policy, there will be an improvement in attendance. That is the policy objective.

Ms Paul—Yes. The whole aim is to increase attendance, and that is what we are assuming over the years.

Senator CHRIS EVANS—Okay.

Dr Jarvie—This initiative is part of a range of initiatives that schools and communities are undertaking to improve school attendance. It is also to be seen in the context that we are putting the money into tutorial assistance in year 9—a lot of which will be focused on—

Senator CHRIS EVANS—Dr Jarvie, you do not need to be defensive. I am a truancy officer man myself. I just want to know how you think it is going to work.

Dr Jarvie—We think it will work.

Ms Paul—We think it will lead to changed behaviour.

Committee adjourned at 11.00 pm