



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON EMPLOYMENT, WORKPLACE
RELATIONS AND EDUCATION

ESTIMATES

(Supplementary Budget Estimates)

WEDNESDAY, 1 NOVEMBER 2006

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE

**STANDING COMMITTEE ON EMPLOYMENT, WORKPLACE RELATIONS,
AND EDUCATION**

Wednesday, 1 November 2006

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

Senators in attendance: Senators Barnett, Carr, Crossin, Ferris, Fifield, Lightfoot, Marshall, McEwen, Ronaldson, Payne, Siewert, Stephens, Troeth and Wong

Committee met at 9.04 am

EDUCATION, SCIENCE AND TRAINING PORTFOLIO

Consideration resumed from 1 June 2006

In Attendance

Senator Vanstone, Minister for Immigration and Multicultural Affairs

Department of Education, Science and Training

Commonwealth Scientific and Industrial Research Organisation

Dr Jack Steele, Chief of Staff

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

Dr Stephen Morton, Group Executive, Sustainable Energy and Environment

Dr Alastair Robertson, Group Executive, Agribusiness

Australian Research Council

Prof. Peter Høj, Chief Executive Officer

Mr Greg Harper, Deputy Chief Executive Officer

Mr Len Marsden, Chief Operating Officer

Prof. Elim Papadakis, Executive Director for Social, Behavioural and Economic Sciences

Prof. Margaret Clayton, Biological Sciences and Biotechnology

Australian Nuclear Science and Technology Organisation

Dr Ian Smith, Executive Director

Dr Ron Cameron, Director, Government and Public Affairs

Mr Steven McIntosh, Senior Adviser, Government Liaison

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

Ms Anne Gregory, Director, Analysis Unit, Policy and Analysis Branch, Higher Education Group

Dr Caroline Perkins, Branch Manager, Policy and Analysis Branch, Higher Education Group

Prof. Richard Johnstone, Executive Director, Carrick Institute for Learning and Teaching in Higher Education

Vocational Education and Training - 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, Vocational Education and Training Quality Branch, Industry Skills Development Group

Mr Ben Johnson, Branch Manager, Skills Branch, Industry Skills Development Group

Vocational Education and Training - National Training Directions Group

Ms Lisa Paul, Secretary

Mr Jim Davidson, Deputy Secretary

Ms Mary Johnston, Group Manager, National Training Directions Group

Ms Linda White, Branch Manager, Australian 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, Australian Apprenticeships Policy and Programmes Branch, National Training Directions Group

Ms Cathy Wall, Branch Manager, Australian Technical Colleges Branch, National Training Directions Group

Schools Resourcing Group

Ms Lisa Paul, Secretary

Mr Bill Burmester, Deputy Secretary

Mr Chris Evans, Group Manager, Schools Resourcing Group

Ms Deb Rollings, Acting Branch Manager, Schools Resourcing and Infrastructure, Schools Resourcing Group

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

Ms Carol Brain, Branch Manager, School Funding and Business Management Branch, Schools Resourcing Group

Schools Outcomes Group

Ms Lisa Paul, Secretary

Mr Bill Burmester, Deputy Secretary

Mr Ewen McDonald, Group Manager, Schools Outcomes Group
Mr Noel Simpson, Branch Manager Curriculum Branch, Schools Outcomes Group
Ms Di Weddell, Branch Manager, Literacy Performance and Reporting Branch, Schools Outcomes Group
Ms Wendy Whitham, Director, Educational Accountability and Performance Measures Team,
Literacy Performance and Reporting Branch, Schools Outcomes Group
Ms Sue Blackall, Acting Director, Literacy and Numeracy Team, Literacy Performance and Reporting Branch, Schools Outcomes Group
Mr Gary Powell, Branch Manager, Students and Access Branch, Schools Outcomes Group
Ms Judy Petch, Director, Drug Education and Student Wellbeing Section, Students and Access Branch, Schools Outcomes Group
Ms Louise Hanlon, Special Initiatives Unit, Students and Access Branch, Schools Outcomes Group
Ms Christine Dacey, Branch Manager, Targeted Assistance Branch, Schools Outcomes Group
Ms Nina Downes, Acting Director, Learning Needs Section, Targeted Assistance Branch, Schools Outcomes Group
Ms Allison Barnes, Director, Equity and Inclusion Section, Targeted Assistance Branch, Schools Outcomes Group
Mr Gary Winter, Director, Reading Assistance Programme 1, Targeted Assistance Branch, Schools Outcomes Group
Ms Regina Camara, Director Reading Assistance Programme 2, Targeted Assistance Branch, Schools Outcomes Group
Ms Katy Balmaks, Acting Branch Manager, Teaching Taskforce Branch, Schools Outcomes Group
Mr Paul Hunt, Teacher Workforce Team, Teaching Taskforce Branch, Schools Outcomes Group

Science Group

Ms Lisa Paul, Secretary
Mr Grahame Cook, Deputy Secretary
Ms Jessie Borthwick, Group Manager, Science Group
Mr Stephen 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 Robert Hesterman, Director, Radioactive Waste Management Section, Science 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 and Acting Group Manager, Finance, Property and Planning Group

Mr Ben Wyers, Acting Branch Manager, Property and Planning Branch, Finance, Property and Planning Group

Mr George Kriz, Chief Lawyer, Procurement, Assurance and Legal Group

Mr John Baker, Acting Chief Audit Officer, Audit and Investigations Group

Mr Terry Langton, Acting Chief Information Officer, Information Services Group

Ms Jill Dickens, IT Executive Director, IT Applications Branch, Information Services Group

Mr Greg Duncan, Branch Manager, Infrastructure Branch, Information Services Group

Ms Margaret Pearce, Acting Group Manager, People, Communications and Network Group.

Ms Gillian Mitchell, Acting Branch Manager, Parliamentary and Communications Branch, People, Communications and Network Group

Ms Virginia Cook, Director, Media and Marketing Section, Parliamentary and Communications Branch, People, Communications and Network 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

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

Dr Rosalie Grant, Acting Branch Manager, Indigenous Business Management Branch, Indigenous and Transitions Group

Ms Judy Cook, Acting Branch Manager, Enterprise and Career Development Branch, Indigenous and Transitions Group

Strategic Analysis and Evaluation Group

Ms Lisa Paul, Secretary

Dr Wendy Jarvie, Deputy Secretary

Dr Trish Mercer, Group Manager, Strategic Analysis and Evaluation Group

Ms Oon Ying Chin, Branch Manager, Economic Analysis, Growth and Evaluation Branch, Strategic Analysis and Evaluation Group

Ms Carolyn Ho, Acting Director, Early Childhood Education Team, COAG Human Capital Taskforce, Economic Analysis, Growth and Evaluation Branch, Strategic Analysis and Evaluation Group

Mr Murray Kimber, Branch Manager, Income Support for Students Branch, Strategic Analysis and Evaluation Group

Mr Bill Schulz, Acting Director, Partnerships Section, Income Support for Students Branch, Strategic Analysis and Evaluation Group

Mr Indhi Emmanuel, Director, Budget and Business Assurance Section, Income Support for Students Branch, Strategic Analysis and Evaluation Group

Ms Dianne Peacock, Director, Student Allowances and Policy Section, Income Support for Students Branch, Strategic Analysis and Evaluation Group

Ms Julia Forrest, Director, ABSTUDY Policy and Student Projects, Income Support for Students Branch, Strategic Analysis and Evaluation Group

Mr Phil Aungles, Director, Income Support for Students Section, Income Support for Students Branch, Strategic Analysis and Evaluation Group

Ms Anne Byrne, Branch Manager, Skills Analysis and Quality Systems Branch, Strategic Analysis and Evaluation Group

Mr Gregory Clarke, Acting Director, Quality Systems and Skilled Migration Section, Skills Analysis and Quality Systems Branch, Strategic Analysis and Evaluation Group

Dr Paul Balnaves, Acting Branch Manager, Transitions and Attainment Branch, Strategic Analysis and Evaluation Group

Mr Lucio Krbavac, Director, Transitions and Youth Section, Transitions and Attainment Branch, Strategic Analysis and Evaluation 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

Department of Education, Science and Training

CHAIR (Senator Troeth)—Good morning, everyone. I declare open this meeting of the Senate Standing Committee on Employment, Workplace Relations and Education. The committee has agreed that we will commence today with the Education, Science and Training portfolio, beginning with the CSIRO. The committee examined the expenditure of this portfolio at its budget hearings on 31 May and 1 June 2006. In these supplementary estimates we will today be considering matters of which senators have given notice. The committee has resolved that answers to questions on notice are to be lodged with the committee by 16 December 2006.

I remind officers that they are protected by parliamentary privilege. I also remind officers that, in its orders of continuing effect, the Senate has resolved that there is no area in connection with the expenditure of public funds where any person has a discretion to withhold details for explanations from the parliament or its committees unless the parliament has expressly provided otherwise. Officers shall not be asked to give opinions on matters of policy and shall be given an opportunity to refer such questions to superior officers or to the minister. Where an officer declines to answer a question, the grounds for this should be stated so that the committee may consider the matter. The giving of false or misleading evidence to the committee may constitute a contempt of the Senate. Officers called upon for the first time to answer a question should state clearly their name and position. Oral evidence and documents in estimates proceedings are part of the public record.

I welcome the Minister representing the Minister for Education, Science and Training, Senator the Hon. Amanda Vanstone, officers of the Department of Education, Science and Training as agencies as well as observers to this public hearing. I welcome the first agency, the Commonwealth Scientific and Industrial Research Organisation. Minister, do you wish to make an opening statement?

Senator Vanstone—No, other than to say it is, as usual, a pleasure to be here. I trust that we can continue—as we usually do in this committee, with the odd moment when each of us gets frazzled, because that is going to happen—with our normal cordial civility. Let us get on with it.

CHAIR—Indeed, and I am. In that case, I will ask those senators wishing to ask questions of CSIRO to proceed.

Senator WONG—I understand that we were advised yesterday that Dr Garrett is not available today.

Mr Whelan—Yes. We advised the committee on Monday—

CHAIR—That is correct.

Mr Whelan—that Dr Garrett had been requested to attend an event at one of the CSIRO sites in Canberra and would be unable to be here this morning.

Senator WONG—Okay. That is an event with the Prime Minister.

Mr Whelan—That is correct.

Senator WONG—That was in the diary previously, was it not?

Mr Whelan—The event is not being organised by CSIRO; it is being organised by the department of industry. We were notified on Friday of the timing of the event. Having considered that, we then advised the committee on Monday that the chief executive would not be available for a 9 am start, and we offered the committee an opportunity to perhaps take CSIRO later.

Senator WONG—When you say you were advised on Friday of the timing, was that the first time CSIRO became aware—

Mr Whelan—Of the timing of the event? Yes.

Senator WONG—Let me finish the question, Mr Whelan. I am not asking about the time; I am asking about the date.

Mr Whelan—Yes. That was the first time we knew that the event was going to be on Wednesday, 1 November.

Senator WONG—So where is Mr Garrett now?

Mr Whelan—Dr Garrett is on his way to Yarralumla.

Senator WONG—What are they doing there?

Mr Whelan—As I understand it, there is an event there this morning being lead by the Prime Minister and the department of industry. They will make some announcements associated with research programs and the Asia-Pacific Partnership on Clean Development and Climate.

Senator MARSHALL—And you say you offered the committee to see CSIRO later. Is that correct?

Mr Whelan—That is correct. We raised the matter with the committee on Monday and said that if the committee would like to reschedule the timing of hearing CSIRO we would be happy to accommodate.

Senator MARSHALL—Who was that raised with?

Mr Whelan—The email was sent to Alice Crowley.

Senator MARSHALL—And how did the committee respond?

Mr Whelan—We received a number of responses from the committee. The first was that members were to be notified and that, subject to their advice, it may be rescheduled or it may not, that it was a matter for members. We received I think three emails back saying that they had not heard. I think the one at 6.08 pm last night said they had not heard anything and therefore CSIRO was on at 9 am this morning.

Senator MARSHALL—All right. That is the first I have heard of it. I guess that is a matter for me to take up with the secretary.

CHAIR—I assure you, Mr Whelan, that I did receive the email alerting me as chair. Then I approved the sending out of that advice to other committee members on Monday in order to hear back from them. I understand that the secretary did not hear any advice that the committee wished to proceed as otherwise.

Senator Vanstone—Tsk, tsk! We either have a situation where the committee secretariat has not done its job—in which case we will all be appalled and shocked because they are so good and usually do their job in an excellent fashion—or we will find that senators who are so upset that someone is not here were not interested enough to check their emails. Maybe there is another alternative. We will wait and see.

Senator MARSHALL—No-one is actually saying they are upset; we are just clarifying a matter of process. Given your earlier comments about proceeding in a cordial manner, you should not jump to conclusions.

Senator Vanstone—I am not.

Senator WONG—It is early to verbal, Minister.

Senator Vanstone—As I say, there might be another alternative.

Senator MARSHALL—There may well be.

Senator Vanstone—I am just making a point: we have serious issues we can discuss here. CSIRO have come and, in a very cordial fashion, indicated when they first heard of it. They have been asked to repeat that answer, which is an inference that perhaps they have not told the truth. You said, ‘Are you sure that’s the first time you heard about it?’ They said, ‘Yes.’ Why would we have that? Then we ask again, and we make an issue of it as if CSIRO is trying to get out of it. Okay, we can all behave like that.

Senator MARSHALL—I was just seeking clarification on the process, Minister. I think it is you who is jumping to conclusions, and you ought not to.

Senator WONG—I think the only inference being made is the one you have made, actually, Minister.

Senator Vanstone—I did not hear what you said, Senator, sorry.

Senator WONG—I said I think you are the only one making inferences here.

Senator Vanstone—You can think what you like and I will think what I like. There we go.

Senator WONG—Mr Whelan, if no other senators have broader issues, can I take you to E194_07. You are the financial officer—is that correct?

Mr Whelan—Chief Finance Officer.

Senator WONG—Do I direct my questions to you or to Dr Morton?

Mr Whelan—You can direct your questions to me in the first instance and then I will—

Senator WONG—So, you are the power behind the throne.

Mr Whelan—I would not go that far. But I have been asked to coordinate CSIRO’s representation today.

Senator WONG—Fair enough.

Mr Whelan—I should just clarify for the benefit of the committee: Dr Morton is head of our sustainable energy and environment group and Dr Robertson is the head of our agribusiness group.

Senator WONG—Do you have that question with you?

Mr Whelan—Yes, I do.

Senator WONG—Are you able to provide me with the allocations for those line items for 2006-07?

Mr Whelan—The value of appropriation, budget and external revenue estimates for 2006-07?

Senator WONG—Yes.

Dr Morton—I can.

Senator WONG—Just to save time, Dr Morton, could you indicate if there are any additional items in the energy research and investment that are not covered by the answer in terms of the 2006-07 figures?

Dr Morton—Having said I can do that, what I can do is provide you with figures on the bolded headings. I have not got the breakdown for the standard type headings within each of those broad categories.

Senator WONG—Sorry, for the what?

Dr Morton—For the bolded headings such as coal, gas and petroleum, low emission coal technologies, renewables, energy storage, energy management et cetera.

Senator WONG—I see. So you can give me those but not the subcategories?

Dr Morton—Yes.

Senator WONG—Okay. Let us start with that.

Dr Morton—For coal, gas and petroleum exploration and extraction for 2006-07, our budgeted appropriation investment is \$26 million. For low emission coal technologies, our budgeted appropriation investment is \$10 million. For renewables, our budgeted investment is \$12 million. For energy storage, our budgeted investment is \$3 million.

Senator WONG—What about energy management and distributed energy?

Dr Morton—The budgeted investment is \$7 million. For other energy research, the budgeted investment is \$6 million.

Senator WONG—Can you explain the reduction in energy storage?

Dr Morton—I am sorry, what did I say?

Senator WONG—You said \$3 million.

Dr Morton—I am sorry, that is incorrect. It is \$5 million.

Senator WONG—Can I scroll down so that we can make sure that we get the figures correct, Dr Morton? From the top, it reads: \$26 million, \$10 million, \$12 million, \$5 million, \$7 million and then \$6 million.

Dr Morton—That is correct. Unfortunately, I cannot provide you with external numbers because they are not absolutely clear until the end of the financial year.

Senator WONG—So this is just the budget appropriation?

Dr Morton—Yes.

Senator WONG—That would mean that in terms of coal, gas and petroleum projects we are looking at a \$36 million investment for the 2006-07 year.

Dr Morton—Are you adding the low-emission coal technologies into the earlier number?

Senator WONG—Yes.

Dr Morton—Yes.

Senator WONG—Is there any aspect of energy storage which also relates to coal, gas or petroleum?

Dr Morton—No. My understanding of that investment is that it is all directed at improving our ability to store intermittent renewable energy, such as from wind and solar. That is its intention.

Senator WONG—Okay. So energy storage is focused on renewables?

Dr Morton—Correct.

Senator WONG—And you will clarify that if that—

Dr Morton—That is correct.

Senator WONG—So \$36 million for coal, gas and petroleum. If you assume that energy storage is in renewables, \$17 million—half—is being spent on renewables. Is that right?

Dr Morton—Broadly speaking, yes.

Senator WONG—What is the total investment? I cannot add those up off the top of my head.

Mr Whelan—It is \$66 million. It is an increase—

Senator WONG—So there is actually a reduction in total investment over that period from \$80 million to \$66 million. Oh, I see—it is the appropriation versus the external. Sorry.

Dr Morton—The appropriation investment has advanced substantially—by something like 16 per cent.

Senator WONG—It is \$11 million in actual terms. I presume that you would apply some sort of discount to work out what it means in 2005-06 dollars. Mr Whelan could probably do that. Can you explain to me the justification for spending twice as much on coal, petroleum and gas research as on renewables?

Dr Morton—I confess that I do not have at my fingertips the breakdown among those different areas, but my impression is that the bulk of it is going into gas and petroleum exploration. As you know, we have substantial offshore deep-sea gas resources, and CSIRO is making heavy investments there. I could provide you with that information if you wanted a breakdown. My impression is that the bulk of that investment is in exploration for gas and petroleum.

Senator WONG—Could you provide that on notice?

Dr Morton—Yes, certainly.

Senator WONG—I would appreciate that. Thank you. What is the science investment process?

Mr Whelan—It is the means by which CSIRO allocates research funds to themes in CSIRO. Those themes have particular science or industry outcomes.

Senator WONG—Are the figures that have just been read the results of that process?

Mr Whelan—In part, yes.

Senator WONG—Is it a document?

Mr Whelan—No, it is a process. Ultimately, as we have discussed in the committee before, the outcomes of the science investment process are reflected in the organisation's

operational plan and budget, and that is a document. It encapsulates the conclusions that have come from that investment process. It distributes resources among the research themes that the organisation is investing in.

Senator WONG—Is there a document that we can seek?

Mr Whelan—The organisation's operational plan contains the budget and the allocation of resources by theme.

Senator WONG—For the 2006-07 years?

Mr Whelan—That is correct. We have an operational plan for 2006-07 that contains the outputs of that process.

Senator WONG—And that is—

Mr Whelan—The CSIRO operational plan.

Senator WONG—Have you provided that?

Mr Whelan—No. You have not sought a copy of it to the best of my knowledge.

Senator WONG—Is that on your website? I have looked on your website during one of these hearings before because you told me that something was on your website.

Mr Whelan—I am not sure, to be honest.

Senator WONG—Perhaps you can provide us with a copy of that. That would be useful. Are we able to get a tabled copy today?

Mr Whelan—I will undertake to follow that up.

Senator WONG—In terms of the actual appropriation for renewables, there has been a net reduction, hasn't there, in actual dollars between 2005-06 and 2006-07?

Dr Morton—The answer is yes. We took a decision during our science investment process at this time last year to focus our research in renewable energy, with the result that we are in the process of winding down one particular area of work in water splitting. As a result of that, there has been a slight reduction.

Senator WONG—Are you saying to me that the entirety of the reduction there is due to the ending of funding into water—

Dr Morton—Yes, water splitting for hydrogen production.

Senator Wong—Water splitting. Senator Stephens would know more about that than I.

Senator STEPHENS—Hydrogen production.

Dr Morton—Breaking apart.

Senator WONG—Into hydrogen and oxygen?

Senator STEPHENS—H₂ and O, yes.

Senator WONG—I did year 12 chemistry—that was the last time I did chemistry. There you go. So what is the total reduction? Is it 18.6?

Dr Morton—I would like the opportunity to confirm, but it is in the vicinity of a \$1 million reduction.

Senator WONG—So CSIRO is spending \$1 million less on renewable energy in the current financial year?

Dr Morton—Yes, as a result of that decision to focus the work on other areas of renewables research.

Senator WONG—You are not focusing it; you are reducing it.

Dr Morton—The whole purpose of that reduction is to put our resources into three other areas of renewables research where we are particularly keen to make a contribution.

Senator WONG—But there is a net reduction in investment in renewable research.

Dr Morton—Of that amount for this financial year, yes.

Senator WONG—Of \$1 million.

Dr Morton—Yes.

Senator WONG—Mr Whelan, I have some questions about your budget. What is the accounting treatment that you use? Is it GFS?

Mr Whelan—AIFRS.

Senator WONG—The international financial reporting standards?

Mr Whelan—Yes. They apply to CSIRO.

Senator WONG—Is it unusual for those rather than the government financial statistics to be utilised?

Mr Whelan—Over the last two years the Australian accounting standards have been—

Senator WONG—I am on the committee that deals with that, so I am aware of that. But the GFS are outside of that framework.

Mr Whelan—I am not familiar with GFS.

Senator WONG—Has there been any change in terms of the accounting treatment between the 2004-05 and the 2005-06 accounts?

Mr Whelan—Yes.

Senator WONG—Can you explain what the difference is?

Mr Whelan—The most significant change in accounting treatment related to the treatment of the sale proceeds from property development at our property in Lindfield. Under the AIFRS standards, we were required to bring the profit associated with that sale into the 2005-06 accounts. They had previously been recorded in the 2004-05 accounts.

Senator WONG—Any other difference?

Mr Whelan—There were some minor changes in terms of the treatment of some intellectual property revenues. We had to clarify gains on sale of equity. But they were relatively minor and they are outlined in the notes. We can go to that if you would like.

Senator WONG—There is something new—although perhaps you can tell me where it appeared previously—at page 115 of the 2005-06 report. There are various line items under the heading ‘Gains’ on that page.

Mr Whelan—Yes.

Senator WONG—Could you refer me to where in the PBS, either the 2006-07 one or the 2005-06 one, or in the additional estimates statements, that category has been utilised previously?

Mr Whelan—A point of some considerable frustration as a finance officer in the public sector is that the statements that we are required to prepare in terms of our annual reports are not always in the same format as the portfolio budget statements. Like you, we often have to go between the two of them and ask, ‘Where are these figures included?’

Senator WONG—So are you going to lobby finance to get the accounting treatment in the budget papers more consistent with what the private sector utilises?

Mr Whelan—It is not so much the private sector. But we would all benefit if there was greater consistency between the format in our annual reports and the format that was in the portfolio budget statements. I do not have any problems putting that view, and we have expressed that view to the Department of Finance and Administration previously.

Senator WONG—Okay. Is there anything in the PBS which reflects 115 and the treatment of gains?

Mr Whelan—Some of those gains would be included in the line item ‘Royalties’.

Senator WONG—Okay. Can you take me to the page? Is this the 2006-07 PBS?

Mr Whelan—Yes. I am looking at page 286 of the 2006-07 PBS.

Senator WONG—But that is only one component. I presume that that would be reflected in equity investments and intellectual property net gains.

Mr Whelan—That is correct.

Senator WONG—Okay. That is less than a third.

Mr Whelan—Perhaps I could restate the question and see if I have it right. I am looking at page 115 and I am trying to tell you where in the PBS the numbers associated with fair value gains, reversal of previous asset write downs, net gains from sale of equity and net foreign exchange gains would appear.

Senator WONG—Correct.

Mr Whelan—With respect to fair value gains, as far as the estimates are concerned, they would be included in the figure for royalties.

Senator WONG—Okay.

Mr Whelan—As far as the net gains from the sale of equity investments and intellectual property goes, that is the figure of \$11,910,000. They would also be included in the figure of \$33 million for royalties.

Senator WONG—So that is \$27 million.

Mr Whelan—By my calculations, that is a little bit over \$16 million. That is \$4.5 million plus \$11.9 million.

Senator WONG—Sorry. I thought it was including the \$15 million, but that is the property figure.

Mr Whelan—That is correct. The property figure would be—

Senator WONG—Sorry, can we finish this? So you say that ‘royalties’ in the PBS would include the \$4.5 million and \$11.9 million, which leaves \$17 million, which is accounted for elsewhere, presumably, in your—

Mr Whelan—Yes. If you go further up on page 115, there is a line item under the heading ‘Income revenue’ and ‘Royalties’ and it has \$20.5 million. If you add those together—

Senator WONG—They are more.

Mr Whelan—it comes to approximately \$37 million in what we would regard as revenue from intellectual property as far as our management accounts are concerned.

Senator WONG—Which is your budget estimate.

Mr Whelan—Yes. It is slightly above the budget estimate; that is correct.

Senator WONG—Okay. And the \$15 million?

Mr Whelan—The \$15.467 million would relate to the estimate of five in the PBS under ‘Gains’ and ‘Revenue from sale of assets’.

Senator WONG—Your annual report has three times the amount of the estimate revenue from the sale of assets that the PBS has.

Mr Whelan—That is correct.

Senator WONG—So you sold three times more than you thought that you would?

Mr Whelan—No. It relates to the issue that you asked me about earlier to do with the accounting treatment for the sale of the Lindfield property. That had previously been recorded in the 2004-05 accounts, but with the implementation of AIFRS we were required to bring it to account in 2005-06.

Senator WONG—Which property was it?

Mr Whelan—It is the Lindfield property. It is to do with some vacant land that was adjacent to the National Measurement Laboratory. A decision was taken in the mid-1980s to develop that and that process culminated in the sale of those properties in 2005.

Senator WONG—Where is the revenue of sales from assets?

Mr Whelan—The gains from sale of assets on page 115.

Senator WONG—Page 115.

Mr Whelan—That is where it appears.

Senator WONG—Yes. I am looking for the previous annual report. What was the revenue from sales of assets in 2005 listed as in the 2005 report?

Mr Whelan—The comparative figure, as per the financial statements, is zero. But I will just check the actual statements. On page 147 of the 2004-05 annual report—you will note that the format of the statements has changed, Senator—there is a line item under ‘revenue’

and 'revenue from ordinary activities' called revenue from sale of assets, which amounts to \$30.95 million. It is important to note that in the treatment that was required in 2004-05 we were required to bring to account the sale value separate from the value of the land itself—if you like, the cost. So we brought forward the gross revenue, and you can see, further down that page, the value of assets sold is \$16.3 million. If you take those two away from each other, you end up with a net figure of approximately \$15 million.

Senator WONG—Which is what you say is in the 2006 report.

Mr Whelan—Exactly. We were required to bring that to account in 2005-06 and restate, for comparative purposes, the 2004-05 result. That is why you have zero in 2004-05.

Senator WONG—Aren't you counting twice, then?

Mr Whelan—We are not counting it twice—

Senator WONG—Well, you have counted it as \$30.5 million in the 2005 report and then you count it again as \$15 million.

Mr Whelan—In 2004-05 we counted it as \$30.5 million less the value of the asset. So the figure is exactly the same; it is still \$15 million.

Senator WONG—I see—minus the \$16 million. I understand.

Mr Whelan—We have been required to move it from one year into another. But there is no change in the bottom line equity of the organisation.

Senator WONG—Yes, I've got it—because you put it down as an expense.

Mr Whelan—Yes.

Senator WONG—Well, that makes sense. Presumably, you were using the AEIFR standards for 2004-05, but there are no gains in those accounts at page 147 of the annual report.

Mr Whelan—You are correct. AEIFRS were also applied in 2004-05. There was a ruling of an urgent issues group, as I recall, that we, together with the auditors, used to interpret the AEIFR standards in 2004-05, and we correctly applied the new treatment. The ruling of that group lapsed at the end of that year. It no longer applies in this year. As a result, we now have to interpret the AEIFRS differently. This is something that we spent a lot of time discussing with our auditors and our audit committee, because to the layman it does not make any sense to treat something one way in one year and then change it the next; but that, unfortunately, is the peculiarity of the accounting treatment these days.

Senator WONG—Okay. What would the effect have been on the budget bottom line if you removed the net gains from property, plant and equipment sales?

Mr Whelan—You will see there on page 115 of the 2005-06 annual report that, if you took all of them out of play, the result would have been a slight deficit. If you took out of play only those that related to the AEIFRS changes, we would have run an underlying surplus of \$303,000. Indeed, in communicating the financial result for the year, that is how we have chosen to communicate it. The AEIFRS factor is simply an accounting treatment issue; it does not really go to the underlying result of the organisation.

Senator WONG—But you are including in your accounts a gain from the sale of the Lindfield site of—

Mr Whelan—Yes, it is slightly less than \$15.467 million.

Senator WONG—So, without the gain from the sale of that site, you would actually have run a deficit.

Mr Whelan—No. Without the gain of sale from that site, we would have run a small surplus of \$303,000.

Senator WONG—Because you are saying \$15.467 million—

Mr Whelan—Is not the total value of the Lindfield site. There were some other asset sales during the year that also contributed to that \$15.467 million.

Senator WONG—What were they?

Mr Whelan—I do not have those details in front of me, but they may have been sales of surplus scientific equipment.

Senator WONG—So you sold the Lindfield site and some surplus scientific equipment, and if you had not done that you would have run a deficit.

Mr Whelan—Senator, I think you can pick any element of the financial statements in terms of revenue, interest, rent, expenses and, if they were changed, we would have a different financial result.

Senator WONG—Yes, but selling assets to run an operating surplus is a different thing to looking at different revenue streams.

Mr Whelan—Not really. We manage the assets of the organisation—

Senator WONG—You sell them.

Mr Whelan—Certainly when they are surplus to requirements, we do. And we take that revenue and invest it back in science, because that is what we are here to do.

Senator WONG—Yes, but at a time when there has actually been a reduction in investment in science, which I think we established earlier?

Mr Whelan—There has not been in CSIRO.

Senator WONG—There has in the research investment that we were talking about earlier.

Mr Whelan—As to total investment, I think it is probably worth taking a moment to—

Senator WONG—I will come to that, Mr Whelan.

Senator Vanstone—Madam Chair, if I may, if the senator is entitled to say, ‘Just let me finish the question,’ I think officers are entitled to finish their answers.

Senator WONG—I was actually just saying to Mr Whelan that I was coming to that—

Senator Vanstone—And ministers are entitled to make a point to the chair, as well. I appreciate that some senators may think estimates are here entirely for their own privilege, but if a senator is entitled to say, ‘Just let me finish the question,’ then an officer is entitled to finish their answer.

CHAIR—I agree with that. Mr Whelan, would you like to finish your answer?

Mr Whelan—I was only going to draw the senator's attention to page 115. The total value of income and the total value of investment in research in the organisation have gone up considerably over the two years.

Senator WONG—Did you say the income?

Mr Whelan—And the expenses.

Senator WONG—I want to come back and see if we can agree. Do you agree that were it not for the sale of assets comprising \$15½ million that you would have run an operating deficit?

Mr Whelan—As I said earlier, if any of those figures changed, we would have a different operating result. The underlying surplus for the year was a little bit over \$300,000, taking account of the AEIFRS adjustment.

Senator WONG—You disagree with the proposition I have put to you. Is that right?

Mr Whelan—My observation is that if there were changes to any of those figures then we would have a different operating result.

Senator WONG—If you had not sold off things, what would the change to the asset sales do to the bottom line?

Mr Whelan—It would have been a lower bottom line.

Senator WONG—I think you said that you did not have details of this to hand, Mr Whelan, but can you provide exactly what the \$15.467 million comprises?

Mr Whelan—I will take that on notice.

Senator WONG—Are you able to tell me what proportion of that relates to the Lindfield property?

Mr Whelan—It is approximately \$14.2 million.

Senator WONG—That is the carry forward?

Mr Whelan—That is the value of the adjustment between the two financial figures.

Senator WONG—So there is about \$1.2-and-a-bit million that relates to other bits and pieces that you have sold. How did you identify them?

Mr Whelan—That they would be surplus?

Senator WONG—Yes.

Mr Whelan—We undertake stocktakes on a regular basis. Scientists, in conducting their research, might conclude that a piece of equipment is no longer up to the standard that they demand to do their research and they seek to replace it. As part of that process, we identify assets for disposal. We do not have an interest in retaining assets that we cannot use, and we seek to dispose of them.

Senator WONG—Your actual deficit in 2005 was \$20.8 million?

Mr Whelan—Restated, that is correct, after taking into account the AEIFRS adjustment.

Senator WONG—What was the effect of the AEIFRS adjustment?

Mr Whelan—It is the figure I just gave you, Senator.

Senator WONG—What was the effect of it?

Mr Whelan—It is \$14.2 million associated with Lindfield—

Senator WONG—Yes, I understand that.

Mr Whelan—I think there were adjustments of approximately another \$2 million or \$3 million associated with other AEIFRS adjustments.

Senator WONG—Perhaps I was not making myself clear. What was the effect on the operating deficit for 2005?

Mr Whelan—It increased it.

Senator WONG—It increased the deficit?

Mr Whelan—Yes.

Senator WONG—Can you confirm your budget appropriations for the 2005-06 and 2006-07 years? I have a range of figures in relation to those years. The budget estimate for 2006-07 is \$607.2 million and for 2005-06 it is \$593.9 million?

Mr Whelan—That is correct.

Senator WONG—I want to go back a couple of years. For 2004-05 it is \$577.1 million?

Mr Whelan—I do not have 2004-05 data in front of me.

Senator WONG—I will put it on the record and you can ping a letter in if we are wrong. For 2003-04 it is \$568.6 million. Have you looked at what the value of the 2006-07 estimate would be in 2005-06 dollars?

Mr Whelan—I have not. We could do the calculation now.

Senator WONG—The figure that has been in the public arena is that the 2006-07 estimate in 2005-06 dollars is in fact \$592.5 million.

Mr Whelan—It depends on the rate of inflation you choose, but it is probably of that order.

Senator WONG—If that is the case, there has in fact been a slight reduction in funding since 2005-06 and a more significant one since 2003-04.

Mr Whelan—As I said, it depends on the inflation rate you use, but, if you discount it back, on face value it looks like the 2006-07 number is virtually the same value as 2005-06 in real terms.

Senator WONG—Or potentially less.

Mr Whelan—Depending on the figure you choose for rate of inflation.

Senator WONG—What do they call it? Non-farm GDP?

Mr Whelan—We have a particular price inflator that is made of a number of indexes.

Senator WONG—I find the financial summary table on page 73 very hard to read. There are no columns or rows.

Mr Whelan—It is my chief executive's favourite table. We will put some lines in it.

Senator WONG—The forecast government appropriation for the 2005-06 year was \$612 million. That was your strategic plan.

Mr Whelan—In 2003 when we developed our strategic plan we were thinking about what the growth in external revenue might be and what the growth in appropriation might be, and we estimated at that time that by 2005-06 we would hope to have \$612 million in appropriation funding from government.

Senator WONG—This is in 2003-04?

Mr Whelan—We developed the plan in late 2003 and early 2004.

Senator WONG—So you were estimating at that point that over the period of the plan your government appropriation would be increasing to \$612 million.

Mr Whelan—That was our strategic plan estimate. It was not the numbers that were sitting in the portfolio budget statement; it was an internal document for planning purposes.

Senator WONG—I appreciate that. Can I make an assumption that you did that on the basis of projected inflation rates, maintaining the value in real terms?

Mr Whelan—No.

Senator WONG—What were the assumptions that went into the \$612 million?

Mr Whelan—The assumption underpinning that was that, as the organisation was undertaking a major transformation program to try and improve the impact and the value of its research to the nation, its case to government for increased funding might lead it to receive increased revenue. There would have been an element in there for inflation, but we also made some assumptions that the government might seek to invest more, and indeed it did through the flagship program as part of the BAA2 package.

Senator WONG—So the difference between what you actually got and what you anticipated is—

Mr Whelan—Approximately \$19 million.

Senator WONG—Do you have any concerns that the assumptions in your strategic plan have not been matched by government appropriation?

Mr Whelan—No. I think that, as we have discussed in this place previously, in putting together the strategic plan we were trying to deal with the fine line between realistic estimates and estimates that would motivate action both inside and outside the organisation. As I reflect back on the figures that we put together in 2003, I think we got it pretty right. We ended up getting increased money from government both as part of normal indexation but also through support for the flagship program. Ultimately it was not as much money as we had estimated in 2003, but it still grew and we are very pleased with that result.

Senator WONG—Has that shortfall been a driving factor in your decision to sell a range of properties?

Mr Whelan—No. The organisation has been rationalising its property holdings. Probably over the last 15 years we have reduced from 110 sites to 57.

Senator WONG—You are running out of things to sell.

Mr Whelan—That is not the intent. The purpose of that program is not to generate revenue. As we have discussed previously, in most cases, particularly where we are consolidating, the resources go back into funding new facilities for scientists. That is one of the mechanisms by which we have been able to maintain world class facilities, and that helps us attract world class scientists to work in the organisation.

Senator WONG—How are you going to keep doing that when you no longer have properties to sell that you wish to sell?

Mr Whelan—At some point, the organisation will have consolidated to an optimal level and there will not be a need to sell properties.

Senator WONG—Can I take you to E490_07? I presume the Lindfield site is the one that we have been discussing.

Mr Whelan—No.

Senator WONG—That is another one?

Mr Whelan—Across the road from the Lindfield site, we also owned two residential sites. In the past, they might have been caretakers' residences when the property was developed in the early 1980s. We have identified those residential allotments for sale.

Senator WONG—Can you tell me the value of each of these properties?

Mr Whelan—I will have to take that on notice.

Senator WONG—What stage of the sale are each of them at?

Mr Whelan—I will check and see if we have those details here. I have some details with respect to the first two properties, the site at Lindfield and the one at Discovery Drive, Townsville. The Lindfield site sold in the last couple of weeks for \$1.7 million and the Discovery Drive property sold this financial year for \$600,000. The other three properties identified are currently going through the approval processes for sale.

Senator WONG—And they are?

Mr Whelan—Vanderlin Drive, Grove Street, and Lansdown.

Senator WONG—Vanderlin?

Mr Whelan—The first two listed under 2006-07 have been sold. The next—

Senator WONG—Why I am confused is that the first two are listed as Edmund Street, Lindfield and Walleroo Road, Hall. I assume that they are two different—

Mr Whelan—Oh. I have a different answer.

Senator WONG—I have one that has a little heading on it from the committee.

Mr Whelan—I cannot explain that difference. I am more than happy for you to have a copy of this.

Senator WONG—Just go through this: first, there is Edmund Street, Lindfield, New South Wales.

Mr Whelan—Yes, I have that.

Senator WONG—The next one is Walleroo Road, Hall, New South Wales. Then there is Discovery Drive, Townsville; Vanderlin Drive, Darwin; Grove Street, Atherton; and Lansdown, Woodstock.

Mr Whelan—Okay. I cannot explain why there is a difference. But that property that you are referring to has been sold. I do not know why it is not in my answer and is in yours, but I can confirm that it has been sold.

CHAIR—No doubt your desire to provide the committee with every possible detail is the answer to that, Mr Whelan.

Senator WONG—So Edmund Street has been sold for \$1.7 million?

Mr Whelan—That is correct.

Senator WONG—What has happened to Walleroo Road, Hall?

Mr Whelan—That has been sold for \$1.6 million.

Senator WONG—Discovery Drive has been sold for \$600,000.

Mr Whelan—That is correct.

Senator WONG—What about Vanderlin Drive?

Mr Whelan—That is in the process of approval for sale.

Senator WONG—Can you disclose the purchase price yet or not?

Mr Whelan—No.

Senator WONG—Grove Street?

Mr Whelan—That is in the process for approval as well.

Senator WONG—And Lansdown, Woodstock?

Mr Whelan—In process.

Senator WONG—Have any sales for the 2007-08 or 2008-09 year been brought forward?

Mr Whelan—Not that I am aware of.

Senator WONG—Is the \$3.9 million from those sales accounted for as yet?

Mr Whelan—No. What I have given you is the gross value of the sale. I have not given you the profit on the sale. The profit on the sale will be brought into this year's accounts as a net gain or net loss on property sales, depending on what the values of those were.

Senator WONG—What is the net gain-net loss—

Mr Whelan—I do not have those details with me.

Senator WONG—There has been a slight reduction in the number of personnel at SES level between 2005 and 2006. I am interested in the number that earn above \$300,000. Going

back through the annual reports, the number who earned above \$300,000 in 2004 was five, in 2005 it was 10 and in 2006 it will be 18. Is that correct?

Mr Whelan—I do not have the figures for 2006-07 yet; we have not calculated those. Are you referring to page 176 of the annual report?

Senator WONG—I have it at note 33, 2006.

Mr Whelan—Yes, that is on page 176. I wanted to make sure we were at the same place. Your question relates to how many people's total remuneration exceeded \$300,000. Is that correct?

Senator WONG—Correct.

Mr Whelan—Can we do it from \$295,000? That is the start of the band.

Senator WONG—I am happy to do that.

Mr Whelan—There were 10 on \$295,000-plus in 2005 and 18 in 2005-06.

Senator WONG—This is probably a question I should ask to Dr Garrett but it does seem a fairly large proportionate jump in the number of people earning probably close to in excess of what the Prime Minister earns.

Mr Whelan—It certainly is an increase of eight between the two years. It is probably worth noting the total value of remuneration to executives in this class rose by 2.6 per cent in aggregate whereas the average growth in salary for the organisation across all staff was 3½ per cent. The proportion of salaries invested in senior executive salaries actually fell between the two years. But, yes, I do note the number of officers in that category has increased by eight.

Senator WONG—I do not want their names, obviously, but can you tell me, of the 18, how many are in corporate or HR—that is, non-research and non-science directed—

Mr Whelan—I would have to take that on notice. Perhaps I can just give you the scheme of things at a macro level. The cohort we are talking about consists of chiefs of divisions, flagship directors, group executives and those members of the corporate executive on the executive team. In terms of who the corporate executives are, there is me, as Chief Finance Officer, Nigel Poole, who heads business services and Dr Michael Eyles who heads our people and culture group—and that is it in terms of corporate execs. The rest of the staff listed here are scientists.

Senator WONG—Again, this might be a question for Dr Garrett, but could you provide some indication as to why between 2004 and 2006 the number of SES earning above that band has gone from five to 18.

Mr Whelan—I will take that on notice.

Senator WONG—That is over three times. I want to go back to the science investment process we were talking about. As I understand it, you prepare documents which result in whatever your decisions are about broad direction setting. Are you able to provide us with one for the 2006-07 year?

Mr Whelan—What is the document you are requesting?

Senator WONG—Your document setting out the SIP broad direction.

Mr Whelan—Yes, we have a broad direction setting document. So you would like a copy of the update?

Senator WONG—Yes, please.

Mr Whelan—I will take that on notice.

Senator WONG—I want to go back to one thing, Mr Whelan, and I might not understand how this correlates with what you have said. In the last estimates you talked about \$10 million, which was the effect of the timing of property settlements associated with the Lindfield property. Does that correlate with what you told me today? I thought it was \$14 million.

Mr Whelan—It is. I cannot recall what I said last time. I think I might have said it was ‘of the order of \$10 million’. If you are referring to discussions about Lindfield that we had at a previous hearing then we are talking the same set of numbers.

Senator WONG—At pages 58 and 59 of the *Hansard* of 31 May you indicated to me that it was \$10 million. You are welcome to come back afterwards if you cannot clarify it today. Can you, on notice, clarify how that correlates with the evidence you have given today.

Mr Whelan—Yes.

Senator RONALDSON—Dr Morton, this is probably best directed to you. Do you have a dedicated area that looks at future weather patterns? Is there a division within CSIRO that looks at those?

Dr Morton—Yes. Our division of Marine and Atmospheric Research has worked in this domain for decades.

Senator RONALDSON—How many people, roughly, are in that division? Just ballpark.

Mr Whelan—Ballpark, around 450.

Senator RONALDSON—Do they work with the Bureau of Meteorology to assist them in establishing possible future weather patterns and other such information?

Dr Morton—Yes. We work very closely with the Bureau of Meteorology.

Senator RONALDSON—I understand that in relation to the present climate pattern there is considerable joint work being done between the two organisations.

Dr Morton—That is correct, to the extent that bureau and CSIRO scientists are collaborating on the development of a new next generation modelling system to incorporate feedback between the atmosphere, the ocean and the land surface. So there is the best collaboration between the bureau and CSIRO that I have seen for many years.

Senator RONALDSON—I understand that there is some expectation that the El Nino pattern that we are in at the moment might pass or break, whatever the appropriate expression is, in March or April next year, in autumn. Is that the anticipated phase-out of the current El Nino?

Dr Morton—I am not qualified to comment. I would have to defer to my bureau colleagues on this. The bureau issues El Nino forecasts, and I think the question is best directed to them.

Senator RONALDSON—Sure. It is not a trick question. If you know from personal knowledge, feel free to say. If I put it to you that that is the expectation at the moment, would that be roughly in accord with your understanding?

Dr Morton—No. I would not be in a position to comment.

Senator RONALDSON—Is it right that normally El Nino weather patterns are followed by substantial rains, but certainly the last El Nino and possibly the one before broke the mould a bit and were not followed by above average rains? Is that correct?

Dr Morton—I think your description is correct, yes.

Senator RONALDSON—I understand that CSIRO and the bureau have formed some views about the likely weather patterns in Victoria, for example, over the next six months. It is my understanding that, in their view, there is a likelihood of being below average rainfall and above average temperatures. Is that correct?

Dr Morton—That would be my understanding, yes.

Senator RONALDSON—It is also my understanding that the view on likely fire conditions is as bad as or worse than 1983. Is that correct?

Dr Morton—Given the extent of the warming trend, the answer has to be yes.

Senator RONALDSON—Is it also correct that there are large parts of Victoria that are having their driest weather pattern on record?

Dr Morton—I would have to defer to my Bureau of Meteorology colleagues on that.

Senator RONALDSON—Given the pattern down there, do you think that that is likely to be the situation?

Dr Morton—Again, I think it would be better to ask this question of the bureau. Did the bureau appear here last evening?

CHAIR—No, I do not think so.

Senator SIEWERT—They did.

CHAIR—They did?

Senator SIEWERT—In the environment committee.

CHAIR—Yes, they appeared before the environment committee.

Dr Morton—I think the question is best directed to them.

Senator RONALDSON—That particular question?

Dr Morton—Yes.

Senator RONALDSON—Are you happy to answer other questions?

Dr Morton—Yes; to the best of my ability.

Senator RONALDSON—Given your knowledge of the situation in Victoria, is the risk of fire, given the conditions, greater than it would normally be in an average season?

Dr Morton—The answer to the question rests upon some assumption of what might constitute an average season. It is becoming increasingly clear to us that the warming and drying trend throws our assumptions about averages into some doubt. Having pointed that out, given the clear warming trend and the lack of rainfall, there is clearly a high risk of bushfire.

Senator RONALDSON—Should Victoria be on high alert for this forthcoming summer, given the conditions that have all come together?

Dr Morton—Again, I think the Bureau of Meteorology is best placed to answer that.

Senator RONALDSON—You are not able to answer that?

Dr Morton—I would not be able to add any value beyond what the bureau would properly provide.

Senator RONALDSON—This is not a trick question; it is a very serious issue. If I put to you that, given the conditions in Victoria, everyone—authorities, individuals et cetera—should be on high alert, would you agree?

Dr Morton—I think the bureau has already pointed this out.

Senator RONALDSON—They have acknowledged that, have they?

Dr Morton—That is my belief.

Senator RONALDSON—And you would not disagree with that?

Dr Morton—No.

CHAIR—I understand that Senator Crossin has questions.

Senator CROSSIN—Yes, thank you. Mr Whelan, I want to go to the issue of the Darwin facility. My understanding is that there are plans to close CSIRO Darwin. Is that correct?

Mr Whelan—No.

Senator CROSSIN—What is the situation in relation to the Northern Territory?

Mr Whelan—There are no proposals to close facilities in the Northern Territory.

Senator CROSSIN—Is there a proposal to shut down the agricultural research station?

Mr Whelan—Not that I am aware of.

Senator CROSSIN—My understanding is that the Northern Territory Horticultural Association have been informed that you are planning to relocate the agricultural research section back south.

Mr Whelan—That is correct. We are in the process of relocating four staff from the plant industry division to other sites in Australia. They will be working in, I think, our Brisbane laboratories.

Senator CROSSIN—So the plant industry division of Darwin?

Mr Whelan—The plant industry division of the CSIRO has about 850 staff across the organisation. Four of them are currently located in Darwin, and the division is proposing to concentrate some of its Northern Australian work in its facility in Brisbane. As a result, four positions will no longer be based in Darwin. But the lab will remain open in Darwin and other researchers will work there.

Senator CROSSIN—But there will be no representatives of the plant industry division in Darwin. Is that correct?

Mr Whelan—That is correct. It is probably worth noting that the vast majority of the CSIRO staff who work in our Darwin laboratory are not from the plant industry division. They are from our division of sustainable ecosystems, and they will remain there.

Senator CROSSIN—What were the four people doing in Darwin? What were their roles in the plant industry division up there?

Dr Robertson—My understanding is that those four staff in Darwin were involved in work on bananas and mangoes.

Senator CROSSIN—Who made that decision and what was it based on?

Dr Robertson—The decision was made by the chief of the plant industries division. His reasons for doing so were to consolidate the staff and the work, which is changing in its nature, into work that could be done in Canberra. So it is to consolidate and build the critical mass of his team in Canberra.

Senator CROSSIN—Were there any consultations held with stakeholders in the Northern Territory about the decision prior to it being made?

Dr Robertson—Yes, I believe that Dr Burdon discussed this with the minister over the last two years, and with the department.

Senator CROSSIN—No, I asked if there were any consultations with stakeholders in the Northern Territory prior to the decision being made. I don't exactly consider the department and minister to be stakeholders, I am afraid.

Mr Whelan—The Northern Territory minister and department, Senator. That is what Dr Robertson was referring to.

Senator CROSSIN—I meant broader stakeholders like the Mango Growers Association, the Banana Growers Association and the Northern Territory Horticultural Association. Were they consulted about this or were they just informed of this decision?

Dr Robertson—My understanding is that Dr Burdon, over a period of two years, has been having this conversation and consulting with them about the sustainability of the work that could be done up there. Other than that, I can only give you the details on notice.

Senator CROSSIN—When you say 'them', do you mean the minister and the department up there?

Dr Robertson—With the minister and the department and, indeed, the industries that are involved in the work that we were doing.

Senator CROSSIN—It was my understanding, when I met with the NT Horticultural Association, that they were informed of the decision; it was the first they had heard of it. So can you take on notice for me when the CEO of that division would have met with all of the stakeholders, which stakeholders he met with and over what periods of time over the two years?

Dr Robertson—Yes, Senator.

Senator CROSSIN—Given that there is now a renewed focus on the Northern Territory—in fact, I think Senator Heffernan is even suggesting we have a minister for northern development—is the CSIRO going to reconsider that decision?

Dr Robertson—I think CSIRO at any point in time considers the effectiveness of its work in terms of the impact that we are likely to bring to bear on Australia in total and the states in particular. If there is a reason to build our staff in the Northern Territory in the future, that would be a decision taken in the future. At this moment in time, our decision is that we are better to build our critical mass, because of the nature and the type of work that constitutes plant industries research these days, in centres where we have the infrastructure and the support staff.

Senator CROSSIN—At what level were the four staff that are to be relocated?

Dr Robertson—There were two research scientists, one of whom was on term appointment, and there were two technicians.

Senator CROSSIN—What was their area of expertise?

Dr Robertson—One is a plant physiologist with expertise in fungal metabolism, and that person has been offered additional work in another part of the organisation where we are working on fungal metabolism, and the other person was a plant physiologist. In that particular area, it is the plant physiologist that we need, but we need molecular biology skills associated with that, which was the reason for consolidating the work where those skills were available.

Senator CROSSIN—I could be fairly sarcastic and ask you how many banana trees and mango trees grow in Canberra, but what benefit will there be to a tropical horticultural industry if the staff are based in either Brisbane or Canberra?

Dr Robertson—CSIRO carries out its work in a number of major centres. The research and its application—

Senator CROSSIN—So is Darwin not a major centre anymore?

Dr Robertson—Not for plant industries at this stage. It was never a major centre in the sense that there were only four staff associated with plant industries, and that clearly was not critical mass. So it is quite possible to carry out the research and undertake the application in two different areas of Australia, and we do that all the time. As Mr Whelan explained earlier, we have consolidated our sites around Australia over a number of years, for similar reasons.

Senator CROSSIN—What sort of support can the plant growers in the Northern Territory expect if you are going to relocate your staff? It is hardly a forward-thinking, visionary step, wouldn't you have thought, given that the plant and horticulture industry is actually growing?

It has come as quite a surprise to people in that industry, I would have to say. What sort of day-to-day support can they now expect if the plant industry division is not there?

Dr Robertson—The day-to-day support that the four staff were giving them was for their purposes and for their funding, so one of the reasons for consolidating would be that the funding available was better used in Canberra to turn the research that they were doing into something more transformational that could help the industry transform and grow with its expectations. Four people in the Northern Territory were not able to do that, in our opinion.

Senator CROSSIN—No, but relocating 20 from Canberra or Brisbane to Darwin might have done that, rather than minimising the effort. Was there any thought to actually maximising and boosting an effort by assisting the industry to grow by relocating staff from the south to the north?

Dr Robertson—The nature of the research is that I believe that we need to have serious critical mass. Transferring 20 from Canberra to Darwin may at one point look good for Darwin, but it would probably end up with two sub critical mass groups, in Canberra and in Darwin. So our decisions are based on the most effective way of conducting research and getting research results out.

Senator CROSSIN—Given that the CSIRO undertakes research in Darwin into the nature of what happens with the burn-off, given that there is a tropical savannah CRC and given that the move seems to be anyone who is doing research in or in connection with the tropics is actually located in the tropics, what kind of analysis was made of the benefit to the industry before this decision was made?

Mr Whelan—We will have to take that particular question on notice, but your observation on Northern Australia and tropical sciences is an important one and one the organisation has been seeking to respond to. I think we have got roughly 900 staff who work in Northern Australia, across Queensland and the Northern Territory, and we have certainly been increasing our focus on tropical sciences in collaboration with a number of university partners, including the university in Darwin. As you are aware, we do a lot of work with the Desert Knowledge Precinct in Alice Springs. I think we have got about 20 staff there.

Senator CROSSIN—I understand that.

Mr Whelan—We take our science and the application of science in tropical areas of Australia seriously and have deployed some staff there. If I could go to the point that Dr Robertson was making, there is a risk in assuming that if we do not have a CSIRO scientist in a particular location then CSIRO science will not have an impact there. The organisation's commitment to translating its science into impact for industry remains. What Dr Robertson has indicated is that for us to sustain the impact to those industries we need to link those four people with other skill sets in the organisation so that we can have more impact. In the judgement of the chief of that particular division, he formed the view that it was best to collocate those people. Chiefs of divisions are making that judgement all the time around the capabilities they are managing for the organisation. I would not construe from that that the organisation is not committed to industry that is represented in Northern Australia. In fact, we work closely with them.

Senator CROSSIN—Again, I really want to go back to this. There has been no evidence that I can find that there has been an analysis and that you are not best supporting the industry by being in Darwin. Was there an analysis done that the industry was somehow not getting that support by having people there?

Mr Whelan—We have indicated we are happy to take on notice details of the analysis, but from what Dr Robertson has already said to you we did form the view that collocating that research capability with other capability in CSIRO would generate more impact than leaving it where it was.

Senator CROSSIN—Perhaps you might also take on notice, in very explicit detail, how you believe that that further support will be provided, given that these are experts in molecular fungal diseases in relation to tropical horticulture—mangoes and bananas—and they are going to be sitting in Canberra.

Senator SIEWERT—You can get high temperatures here!

Senator CROSSIN—You are kidding—it gets hot!

Mr Whelan—We will take that on notice.

Senator CROSSIN—You think 17 degrees is hot down here! The industry is quite upset about this and believes that this is a sign of the CSIRO—and the federal government, I have to say—walking away from the agricultural industry in the Northern Territory at a time when it wants to significantly boost its outputs given the current situation regarding agriculture in the southern states. It might be four staff to you, but it is a very serious matter in the Northern Territory to those people who are trying to push ahead in this industry. So I would appreciate those questions answered.

Senator SIEWERT—I have a series of questions. I do in fact want to return to oil and the issue of investment in renewables and non-renewables. In answer to question on notice E194_07 from the last estimates, you gave me a list of where moneys are being invested. It actually sounded slightly different to the figures we were just going through with Senator Wong. I specifically want to go back to the issue of oil exploration. Could you repeat to me the figure that is being invested in CSIRO for oil exploration?

Dr Morton—Senator, I cannot give you the precise amount being invested in petroleum exploration in this financial year. I undertook to provide a breakdown of that broad category currently listed as coal, gas and petroleum exploration and extraction on notice.

Senator SIEWERT—You have taken that on notice?

Dr Morton—Yes. I believe I have already committed to that.

Senator SIEWERT—Are you in partnership with Geoscience Australia for it?

Dr Morton—We are certainly close collaborators with Geoscience Australia. I do not know about any formal partnership.

Senator SIEWERT—It was my understanding that Geoscience had been given a substantial increase for exploration activities as well.

Dr Morton—I believe that to be true, but you would obviously have to ask that agency about the detail.

Senator SIEWERT—You do not have any joint projects with them?

Dr Morton—Mike has just pointed out to me that we have recently completed a joint project with them on seabed mapping of mineral resources. That map was launched early in October.

Senator SIEWERT—When was that project?

Dr Morton—Last month. That is one example. There may be more. They are not springing to my mind.

Senator SIEWERT—Could you therefore take on notice to give us an understanding of what projects you are working on with Geoscience Australia. Also, when you give us the breakdown, could you give us the specific projects that you are working on in exploration. I am particularly, at this stage, interested in the exploration projects that are being worked on. I am trying to get a picture of what Geoscience are doing and what CSIRO are doing in overall exploration science.

Mr Whelan—Certainly, Senator. We will give you a breakdown of what CSIRO is doing. To clarify, is that for oil, oil and gas, or all exploration?

Senator SIEWERT—All exploration.

Mr Whelan—All exploration?

Senator SIEWERT—Yes, in gas, coal and oil—as in the black stuff.

Mr Whelan—Gas, coal and oil exploration. Okay, we will do that.

Senator SIEWERT—Last estimates we were talking about solarthermal towers. You answered question on notice E195_07. It probably uses different words to the words I used, but I was following up on what the CRC on coal technology had been doing. If you remember, it was on the work that CSIRO had done for them. The newspaper article had said it was on line within about seven years and you were going to get back to me and tell me if that was right. In the information you have given me on energy sources, the answer does not jump out at me.

Dr Morton—Sorry, help me, Senator. What am I missing? The third point down states:

SolarGas reforming technology (for electricity production and gas to liquid transport fuels ...

Senator SIEWERT—That is what you are saying meets that?

Dr Morton—Yes. That is the principal use of the energy centre, to utilise solar energy in ways that allow re-forming of natural gas to increase its energy efficiency and to allow us to extract carbon dioxide from that gas and subsequently to sequester it. So the estimate of eight to 11 years for the effective deployment of that technology I thought was the answer that you were seeking.

Senator SIEWERT—I do not think it is specifically, but I will get back to you on that one. That is not what I thought some of that work was being done around, but I will check that and get back to you. I would like to go on to some climate change areas, following on from where Senator Ronaldson left off. You provided an answer from the last session about the south-east Australia climate change project initiative that you are working on. What do you define as the south-east?

Dr Morton—It is the Murray-Darling Basin.

Senator SIEWERT—It is the Murray-Darling Basin?

Dr Morton—Yes.

Senator SIEWERT—I wanted to be clear on that.

Dr Morton—I am sorry, which number is it? That would help me.

Senator SIEWERT—E197_07. You have given us the four research themes. I want to check how adaptation is being worked into this project.

Dr Morton—In essence, the whole point of the project is to determine what processes might best provide for adaptation, given the likelihood that these elements of climate change may be persistent.

Senator SIEWERT—It is not clear to me from those project themes that that in fact is what is being done. When Dr Bates appeared before the water inquiry a couple of weeks ago he made the point that he did not think enough money was being allocated specifically to adaptation. So I was wondering where money was being invested in adaptation in the south-east regional project.

Dr Morton—Let me have a try and see if what I am about to say begins to answer your question. It is difficult, in my view, from the scientific perspective on the system that we are trying to utilise effectively, to think about adaptation until one knows what the rainfall and the subsequent water supplies are going to look like in the Murray-Darling Basin. That is the principal point of the project: to provide that underpinning information about how water resources might change should climate change persist in the way that seems likely at the present time. That in itself is the information required; then to think about options for adapting to that ongoing change.

Senator SIEWERT—Yes. Dr Bates was also giving evidence about what happened in Perth in the nineties when they changed their decision making and how they were going to invest for climate change. They recognised the issue and did some research, but they started thinking about change before they got all the research in. That is the point I am trying to get to with the south-east issue. It is fairly obvious that change is happening now, so how do we deal with that in the shorter term while we collect this information? In other words, are we fiddling while Rome burns? I am sorry, that is probably too close to the mark! But the point is: change is happening now; we need to make some decisions now. We are too late for the precautionary principle—that is well and truly gone. What are we doing now about the issue while we collect this data?

Dr Morton—I am beginning to see where you are coming from. Two reactions from the CSIRO perspective. Yes, you are correct, this is a systemic challenge. Another major investment that CSIRO is making is in a water resources observation network, which would provide real-time analysis of how water supplies are changing, how water quality is changing, and adding into that short-term and longer term forecasts for water resources as a result of current and future climate conditions. The objective of that is to allow us to draw together currently disparate data sets on water in a way which allows anyone to access them and to

access the predicted future state. That is obviously one of the most important contributions that science can make to this task of ongoing adaptation. That is one response.

The second response is that we are thinking hard about how we can assist with these more integrative questions concerning what the options are for adapting, given that this might be the likely state of the water resource, and the likely impact on different industry sectors. That research is in the process of being thought through, I think in response to precisely the sorts of pressures that you have identified.

Senator SIEWERT—Where is that being fed in? I will give you some background. Senator Milne and I were asking ABARE and BRS about this yesterday, and the response we got from ABARE was that there is no modelling yet which puts the economics and the science together. I must say it staggered me that that work is not being done. Is CSIRO looking at putting those together?

Dr Morton—The answer is yes, but in ambition and vision rather than in concrete reality for tomorrow. I responded earlier to a question from Senator Ronaldson about the relationship we are building with the Bureau of Meteorology in developing what we believe is the necessary next generation modelling tools that link climate not only to the oceans but to the land surface, because incorporation of that feedback mechanism is the one that is going to allow us to become much more specific in our regional forecasts for ongoing climate change, and therefore the impact on water resources and therefore the impact on economic activity. So we have the ambition to build this Australian Community Climate and Earth Systems Simulator as the first step in producing an integrated analysis of likely physical and economic impact.

Senator SIEWERT—I realise it is an innovative thing, but what is the timing on it?

Dr Morton—We would hope within a three-year time frame, but that depends on flows of money, as you would anticipate.

Senator SIEWERT—Is that for all of Australia?

Dr Morton—Yes. At present the projections for climate change are at a continental scale, which does not actually help the adaptation task. Adaptation can only really begin to take place when you can convert that continental scale to a regional scale. So in the Murray-Darling Basin you could say, ‘This is what is likely to happen here over a five-year term and over a 10-year term.’ That then allows you to get serious about designing the adaptation programs.

Senator SIEWERT—Would you be able to provide details on the levels of investment that are being put into that and the partners in that project?

Dr Morton—The ACCESS initiative?

Senator SIEWERT—Yes.

Dr Morton—ACCESS being our acronym for the Australian Community Climate and Earth Systems Simulator.

Senator SIEWERT—Yes.

Dr Morton—Yes, we certainly could.

Senator SIEWERT—That would be appreciated. That is all I have on this particular area. I have another area that I can return to later.

Senator WONG—Consultancies, Mr Whelan: there is a long list of consultancies in your annual report.

Mr Whelan—Shorter than in previous years, Senator.

Senator WONG—I suppose that is good. Can you explain to me what the rationale is for the \$90,000 consultancy to Market Attitudes Research to ‘undertake the CSIRO national brand positioning and performance quantitative study’?

Mr Whelan—Is that the one on page 192—Market Attitude Research Services?

Senator WONG—Yes.

Mr Whelan—I have with me the material that underpins that. The reason for contracting it out was the need for independent evaluation. The criteria used were value for money and a comprehensive response from the consultants to the brief they were given, and it resulted from a tender and a request for quotes in 2004. It commenced in June 2005. It is expected to be completed by June 2006. That is the detail on that particular proposal.

Senator WONG—What about the Channel Financial Communication consultancy, which was about analysing and reporting on the causes and implications of a recent media activity on the CSIRO brand and reputation?

Mr Whelan—It is on the top of page 191.

Senator WONG—I have an extract.

Mr Whelan—I think we have the same copy. Again, the reason for contracting it out was the need for independent specialist advice. The consultancy was to analyse and report on the causes and implications of recent media activity on the CSIRO brand and reputation. The analysis was to include a review of the relevant media activity, its impact and the relevant CSIRO processes and protocols in this area. The report was to include recommendations of mitigating strategies.

Senator WONG—What was the recent media activity that is being referred to? What was the subject matter?

Mr Whelan—I cannot recall precisely but I think it was associated with a report on *Four Corners* and some associated reporting that followed that. Given the timing of this, I think it was something to do with that.

Senator WONG—Do you want the opportunity to confirm that?

Mr Whelan—If you would like me to confirm it I am happy to. That it is my understanding. The people behind me are nodding so let us regard that as confirmed.

Senator WONG—Then there is the review of communications capability within CSIRO, the recommendation of a best practice model and its implications, by Design Managers Australia. What is that?

Mr Whelan—What was the value of that?

Senator WONG—\$27,500.

Mr Whelan—The background to that was the need for independent evaluation in the preparation of recommendations and implementation planning to establish a best practice model for the CSIRO communications function.

Senator WONG—What does that mean? When people use words like ‘best practice model’ and ‘function’ and ‘communications’ in the same sentence I always wonder what they actually mean.

Mr Whelan—I will hazard a guess—I was not the individual who requested this. Typically, when we are looking at some process inside CSIRO and we ask someone to provide us with advice on best practice, we ask them to look at the systems and processes employed in other organisations who undertake that process and form a view as an expert consultant as to whether that is best practice, that is, leading practice in terms of its effectiveness or efficiency, and then provide us with information on that so that we can then make an assessment as to whether we could deploy that model in CSIRO. In my own field, for example, we have undertaken independent advice on procurement and we have looked at better models for that, and we have deployed that in CSIRO. I assume that is what the officer requesting this report on communication was seeking to do.

Senator WONG—Did the consultancy we were just discussing also deal with the fallout post the *Four Corners* program?

Mr Whelan—Not that I am aware of.

Senator WONG—So the recommendations about your best practice model on communications did not have regard to what occurred or led up to that *Four Corners* program?

Mr Whelan—Looking at this on the fly, the work on the best practice model was engaged prior to the work on the media—the one you were referring to earlier. It had taken place beforehand. It was not as a result of that.

Senator WONG—Was it applied?

Mr Whelan—I think it is being applied in the organisation’s communications strategy.

Senator WONG—What is the \$49,500 consultancy to Belinda and Peter Everingham and Angus Taylor which has as its purpose to: ‘Assess probability of success for projects and portfolio value at any point in time’?

Mr Whelan—This relates to one of the flagship projects, our Food Futures project. That particular flagship is looking at how CSIRO science might be applied to improve the value that Australia is able to generate from its food resources, be that the production of grain on farms through to the processes that turn that into food products that consumers consume to make them healthier, and to add more value to our natural resources. The flagship director was seeking independent support to help him develop a tool and processes for evaluating projects that would best lead to those outcomes. This was advice around evaluating project proposals in the Food Futures flagship.

Senator WONG—Have I asked about Transform ID Pty Ltd—the \$21,395? That was to: ‘Distil brand information from current qualitative research and assist with incorporating this brand information into a larger quantitative survey.’

Mr Whelan—This was requested by the corporate brand and marketing group within the communications function. This was advice to help design a broader quantitative brand survey.

Senator WONG—What is the total value of consultancies that the corporate brand and marketing group sought?

Mr Whelan—I will have to take that on notice. I do not have that readily available.

Senator STEPHENS—Were the findings of the Transform ID project which led to the larger quantitative survey incorporated in the MARS research?

Mr Whelan—I am not sure; I can take that on notice.

Senator WONG—There is \$55,000 for Port Jackson Partners for the strategic plan.

Mr Whelan—Dr Attila Brungs.

Senator WONG—What was the purpose of that?

Mr Whelan—He is the officer who is working on developing the organisation's strategic plan for 2007 to 2011.

Senator WONG—There is the evaluation of the performance of the CSIRO board by Competitive Dynamics. That was just under \$30,000. Tell me about that.

Mr Whelan—That would have been commissioned by the board secretary as part of the organisation's focus on good governance and making sure its governance practices are up to date and appropriate. The board undertakes from time to time a review of its own practices. This consultant worked with the board, interviewed board members, members of the executive and other stakeholders and provided advice to the board on its practices, and the board has taken that advice on board. I think in some instances that has led to refinement of the terms of reference for some of the board subcommittees and also to some suggestions for management to improve the quality of papers it presents to the board.

Senator WONG—What led to the requirement to commission that.

Mr Whelan—It is part of an annual cycle. We have a commitment to looking at our governance arrangements.

Senator WONG—Do you get a consultant in every year to look at whether the board is performing?

Mr Whelan—The board commissioned independent advice and management facilitated that. The board has not always got an independent person in to do that, but they do from time to time.

Senator WONG—You considered looking at the various consultancies that we have been referring to. How much money has been spent on public relations, communication and branding through these consultancies?

Mr Whelan—I do not have those details, but I think that is consistent with the offer to take that on notice earlier—to add that up.

Senator WONG—Is it a few hundred thousand? Would that be right?

Mr Whelan—Based on the ones we asked questions about this morning it is of the order of one hundred, but I have not done the maths yet.

Senator SIEWERT—I asked a series of G-bIRD questions last time which you gave me some answers for. I want to follow up a couple of them. Last time we were talking about whether the research was complete and the IP, if you recall. You gave me some answers in E202_07 and E203_07. My understanding from that is that you had the patent covered for the ground based technology and that you were confident that you could get the patents organised because you still had one of the inventors on staff. That is my interpretation of the answers you gave.

Dr Steel—I think that E200 probably makes it clear that the ground based version of the technology is covered by patent claims in the original patents. You were asking for confirmation as to whether we had technical capability to keep going forward with the present patent applications. That is our understanding and we will see how the process goes.

Senator SIEWERT—My understanding is that at least one of the inventors is no longer employed by CSIRO.

Dr Steel—Both of the inventors of the provisional patent applications of 2004 are, as I understand it, no longer employed by CSIRO. One of the inventors of the original patent application for the now granted patent continues to be in CSIRO's employment.

Senator SIEWERT—Going back to the bigger picture of patents and IP, what happens when employees leave CSIRO? Do they still have ongoing obligations to help CSIRO defend patents?

Dr Steel—I have to be precise about the wording here. You have used the word 'defend'. I assume you are talking about the two most recent patent applications as your case example. They are still in the application phase and as you go into an employment relationship with CSIRO you have an obligation to assist CSIRO to get patent application coverage if that is appropriate. That does persist after you leave the employment of CSIRO. So the answer in that sense is yes.

Senator SIEWERT—So it is ongoing until that patent is either successfully acquired or not.

Dr Steel—That is correct.

Senator SIEWERT—What happens if somebody decides that they do not want to help you defend their patent?

Dr Steel—I need to get my wording precise again: when you use the word 'defend' I assume you are referring to applying for patent application coverage in the first place?

Senator SIEWERT—Yes.

Dr Steel—So you have asked me a hypothetical question. This circumstance happens only very rarely. How it gets handled is a commercial call and a call in relation to the jurisdiction at the time. I am happy to help further if you want to tease out a specific example but that is the general answer.

CHAIR—It is now 10.45 am and the committee will break for morning tea. Before we break I would like to correct the record. In my opening statement I stated that answers to questions on notice are to be lodged with the committee by 16 December. That is a Saturday and I wish to correct the record. Answers to questions on notice are to be lodged with the committee by Friday, 15 December.

Proceedings suspended from 10.46 am to 11.01 am

Senator SIEWERT—How do you ensure that CSIRO's interests are protected as far as the IP and the patent but that staff interests, particularly staff who have been involved the development of the IP, are also protected?

Dr Steel—The example we have been building off in this discussion is the two patent applications around the G-BIRD technology. In that case, the two inventors have left CSIRO. To go to the general example, the expectation of CSIRO is that inventors will facilitate the patent application process as it goes forward even after they have left CSIRO. In the ordinary course of events, that usually just involves them signing various assignment forms in different jurisdictions as they are required. So when a patent application is lodged we get the inventors to sign the patent application rights to CSIRO. Sometimes the inventors leave CSIRO during the proceedings of the patent applications going before the patent offices. In some jurisdictions, an example being the United States, the patent office actually requires us to get further assignment documents executed.

Senator SIEWERT—Is that beyond what you would expect from other jurisdictions?

Dr Steel—The US is a bit different from other jurisdictions, but it does occur in other jurisdictions as well. We normally are looking for the inventors to sign those assignment forms even though they have left CSIRO. It is very rare that there is a difficulty with the inventor doing so when we have located the inventor. Much more frequently, it is the case that we have difficulty locating the inventor because they have left Australia and gone to live elsewhere in the world and we have not got their contact detail information. On rare occasions we do get the situation where inventors are disinclined to assist. In some jurisdictions, for example America, there is a fallback process with the patent office whereby, if CSIRO can demonstrate that it has an entitlement to assignment of the patent, then we can proceed with an alternative procedure. Our preferred way of doing it is obviously to use the normal procedure, but there are fallback mechanisms that can be used—for example, there is one with the US patent office.

Senator SIEWERT—The question that sprang to mind at the end of your answer is this: if an inventor is disinclined to sign not just because you have fallen out but because they disagree with what has been put forward in the application, how is that handled?

Dr Steel—Is it a hypothetical question?

Senator SIEWERT—Yes.

Dr Steel—No doubt. If the circumstances are that the inventor has a concern about the representation that they are making to the patent office as a consequence of signing the form—which is, I think, the question that your question is directed towards—then in that circumstance the CSIRO has to balance some things. It has to, obviously, determine in a

commercial sense what the value of the IP is and whether or not the IP needs to continue to be protected. It needs also to take into account the issues that the inventor has told CSIRO that they are concerned about. Thirdly, it needs to take into account what obligations the CSIRO, as the applicant or the potential assignee of the patent application, has to the patent office. We take those three things into account. In the way that we take them into account, we take into account a fourth issue, which is that we do not want to create any unnecessary, undue or inappropriate burden for CSIRO's former staff members. Obviously, we want to maximise the cooperative arrangement between ourselves and our inventors, whether they are employed by CSIRO or they have left CSIRO's employment.

Senator SIEWERT—If I understand your previous answer correctly, when people start with CSIRO it is written into their contract that they will need to defend patents.

Dr Steel—Correct.

Senator SIEWERT—Is that clearly pointed out to staff? Are they aware that they are going to have ongoing responsibilities?

Dr Steel—The answer to the question is that it is included in the staff employment contract. I am going to expand that answer, because your question went a little bit further and asked whether it is clearly pointed out to staff. In a formal sense, it is clearly pointed out to staff. If you were to ask another question, such as: 'Do staff come to work every day with that being the top of their mind and the first thing that they think about?' then it varies, depending on what the staff are actually doing. There may be advantages in making information readily available to staff that refreshes their recollection of that.

Senator SIEWERT—Just before the break we were touching on what happens if staff—in particular, staff who have already left—feel disinclined to sign the form. Did I understand that you said that you handle that on a case-by-case basis?

Dr Steel—Correct. We take into account those three issues that I have just been talking about: what are our obligations, what are the obligations of the inventor to the CSIRO and what are the obligations of CSIRO to protect its IP. Embedded in that is the issue of whether CSIRO has contractual obligations to a licensee to protect the IP et cetera. CSIRO must also make sure that its arrangements with its staff members are on a proper basis.

Senator SIEWERT—Thank you.

Senator WONG—The funding for the CRC for Renewable Energy ran from 1997 to 2004. Is there any extension to the funding in relation to that CRC?

Mr Whelan—I do not have a specific brief on that. I could follow that up for you.

Senator WONG—Are you aware of whether or not CSIRO contributed to that CRC for Renewable Energy?

Mr Whelan—It is not leaping out at me, but I can check that.

Senator WONG—Can you tell me, then, what CSIRO's role was, how much you contributed, if anything, and if the CRC was discontinued—as I understand it was—where that CSIRO investment has been redirected. Are you unable to give me that information?

Mr Whelan—I am not aware what the investment was, but I have undertaken to follow it up. Your questions are all a consequence of the first answer.

Senator WONG—The second thing is the Prime Minister's announcement today of \$60 million. Is there any CSIRO additional component of that funding?

Mr Whelan—Obviously I have been here this morning. It is my understanding that there are potentially two projects that CSIRO is associated with. One is the post-combustion capture of CO₂. I do not have the detail of the second one. I would have to take that on notice. When we finish here I will look at the press release and find out what is going on.

Senator WONG—Hasn't the announcement been made?

Mr Whelan—It has; I have been here. I do not have details of that.

Senator WONG—Does someone not know how much—

Mr Whelan—I am more than happy to find out for you. We do not have that detail here.

Senator WONG—No-one knows?

Mr Whelan—No CSIRO officer here knows.

Dr Morton—I cannot help you either, because until the announcement is actually made it is unwise to anticipate what the financial arrangements might be.

Senator WONG—I am sorry; I thought the announcement was being made this morning, before 11. That is why Dr Garrett is not here.

Mr Whelan—That is correct. We do not have those details.

Senator WONG—Is there any adjustment to the budget figures you have given me today for 2006-07 resulting from the announcement?

Mr Whelan—If additional resources are to flow to CSIRO, that will impact upon the level of external revenue.

Senator WONG—Have you been advised of any additional appropriation from government to CSIRO as a result of the announcement?

Mr Whelan—Just to clarify: as we have discussed previously, CSIRO gets money from government in two forms. Firstly, it gets a baseline appropriation figure. That is \$607 million in 2006-07. In addition to that, as part of external revenue it often receives money from government via other purposes. It is my understanding that any money that would have flowed to CSIRO this morning from those AP6 funds would have been of that second nature, not the first.

Senator WONG—Do you know what the quantum of the second nature component will be?

Mr Whelan—No, I do not. I will have to take that on notice.

Senator WONG—So you are not aware of whether or not there is additional funding?

Mr Whelan—My understanding is that there would be additional funding. I am aware of the funding associated with the post-combustion capture project. I am not aware of the second project and I do not have the figures for either of them.

Senator WONG—And no-one behind you knows.

Mr Whelan—We are seeking to follow that up. I will just clarify that the process was not run by CSIRO; it was run by the Department of Industry, Tourism and Resources. Today is the announcement of the outcome. We just do not have that data here.

Senator WONG—You have already invested \$1 million so far in the post-combustion capture. Is that right? Dr Morton, from memory, you and I had a discussion about this on the last occasion.

Dr Morton—It would be much more than that, because we have constructed a transportable pilot plant for the purposes of trialling this technology.

Senator WONG—Can you tell me what funding has been spent to date and what was projected to be spent over the forward estimates on that project?

Mr Whelan—We would have to take that on notice.

Senator WONG—Are you not able to give me that? This is a fairly straight question about your PBS.

Mr Whelan—There are 4,200 projects in the organisation. We do not have details of the budgets of all of them here with us. I am more than happy to follow that up for you.

Senator WONG—You do not have them here, Dr Morton?

Dr Morton—Mr Whelan is right: to give you adequate detail we would have to take it on notice. But I can confirm that the low emissions coal technologies group of projects, which I mentioned in answer to an earlier question, comprises some \$10 million in this financial year. The bulk of that work is directed towards the post-combustion capture work.

Senator WONG—So it is \$10 million for 2006-07.

Dr Morton—For that broad spectrum of projects, yes.

Senator WONG—Can you tell me what the current forward estimate is for that project over the 2007-08 year?

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

Senator WONG—You do not have that, Dr Morton?

Dr Morton—No, I do not have it either.

Senator STEPHENS—I want to follow up on some answers that you provided to me about the research support services review. Thank you for the responses that you provided on notice. Can you tell me whether or not the staff numbers that you projected to go are still correct?

Mr Whelan—In 2006-07 we projected a reduction in research support staff numbers of 61. Year to date, as at the end of October, they had reduced by 29, and our expectation is that they will be of the order of 61 by the end of the year.

Senator STEPHENS—What about the ones that were projected last year? Did they all occur?

Mr Whelan—We did not have any reductions in staff numbers forecast for 2005-06.

Senator STEPHENS—Sorry, you are right. It was 90 FTE to go in 2005-06. You just said 61.

Mr Whelan—Which question are you referring to?

Senator STEPHENS—The question is E1062_06.

Mr Whelan—Was that the estimates before last? Unfortunately I do not have a copy of that one with me.

Senator STEPHENS—The response you gave me was:

There will not be any staff reduction in 2005/06 as a result of the review of Research Support Services.

The current estimate of possible staff reductions is 90 in 2006/07 and 52 in 2007/08.

Mr Whelan—There may have been some adjustment since that time. The figures that I currently have for the project would see, as I have indicated, a reduction of approximately 61 in 2006-07, a further 44 in 2007-08 and a further 56 in 2008-09.

Senator STEPHENS—Have the budgeted savings for 2005-06 been achieved in this area?

Mr Whelan—We did not forecast any savings in 2005-06.

Senator STEPHENS—And you anticipate that for this year you will achieve those savings?

Mr Whelan—We estimated that at the gross level we would generate savings this year of \$5.7 million. There are some implementation costs associated with that. We did not budget for any net savings this year, but we expect we probably will get some net savings this year of the order of \$1 million.

Senator STEPHENS—Of the 61 staff that are targeted for this year, which you think you will achieve, how many have resigned to date?

Mr Whelan—I do not have any figures.

Senator STEPHENS—It would be helpful if you could provide us with the way in which people's employment has been terminated—whether people have resigned, been made redundant or not had their contracts renewed. Could you take that on notice?

Mr Whelan—I am happy to follow that up.

Senator WONG—The announcement of \$8 million for the post-combustion capture has been reported publicly.

Mr Whelan—You are ahead of me.

Senator WONG—I think it is on the front page of the *Australian* and the *Sydney Morning Herald* today.

Mr Whelan—I am sorry; I do not have those.

Senator WONG—In its involvement in the preparation of this announcement, was CSIRO asked to repackage any money from its existing allocation for low emissions towards this PCC project?

Mr Whelan—Not that I am aware of, no.

Senator WONG—Are you aware of where that \$8 million comes from—whether there is any proportion that comes from your existing budget or what proportion is additional moneys?

Mr Whelan—I can only speculate. I do not know that we are receiving \$8 million. Let us assume that we are; let us assume that your comments are accurate. Our assumption would be that that would be new money flowing to CSIRO.

Senator WONG—Chair, the announcement, as I understand it, has been made; I could be corrected. We are happy to move to ARC, but perhaps you could give CSIRO the opportunity to come back and give us the information about the impact on the CSIRO budget of the announcement, if the officers want the opportunity to look at the actual press release.

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

CHAIR—At a later time today, assuming we will be dealing with ARC in the period between now and the lunchbreak?

Senator WONG—Yes.

Mr Whelan—Are you saying you want us to come back as witnesses or do you simply want the answer?

Senator WONG—No, I would like to come back and ask you questions about a major announcement today which impacts upon your budget that you are unable to answer questions about because you do not have the press release.

CHAIR—I do not know what time would suit you, Mr Whelan—possibly after the afternoon tea break this afternoon, or would you prefer—

Mr Whelan—We will fit in with what the committee requires.

Senator WONG—I am in their hands in terms of timing. I can move to ARC now and deal with that from my perspective. Mr Whelan could perhaps clarify how long it might take him to get this information.

Mr Whelan—After afternoon tea might be the time. We still do not have access to the data. We will chase it up.

CHAIR—I would like to give you adequate time in which to follow that up. We will have 15 minutes at 4 pm when we can gain some further information from you.

Mr Whelan—We will get those details, hopefully.

Senator WONG—Thank you. I appreciate that.

CHAIR—Thank you very much, gentlemen.

[11.23 am]

Australian Research Council

CHAIR—I welcome Professor Peter Hoj, the Chief Executive Officer of the Australian Research Council, and other officers. Senator Stephens will start the questions.

Senator STEPHENS—Good morning. I wonder if we could start with a brief outline of how things have changed in the ARC since the implementation of the new act.

Prof. Hoj—We are operating under a new act where we no longer have a board, so the way that things have changed fundamentally is that the CEO, instead of referring both to a board and the minister, now reports directly to a minister. Recently that has given rise to a change in the procedures for how we recommend grants for funding to the minister. In the past our College of Experts would have considered the 5,000 or more grant applications we get each year. They would have made the recommendations to the board and the board would have considered those recommendations and in turn made a recommendation to the minister to fund or not fund various proposals.

What happens now is that the College of Experts process is unchanged but, instead of making recommendations to a board, they now make recommendations to the CEO, who in turn considers those recommendations and then forwards his—in this case, because at the moment it is me—or her recommendations to the minister for consideration. That is the main change at ARC.

Senator STEPHENS—How many people are on the College of Experts now?

Prof. Hoj—Currently 75, I think.

Senator STEPHENS—Can you advise whether the minister has appointed or established any designated committees since the amended act came into force?

Prof. Hoj—The minister has indicated to us that she wishes three committees to be designated. Those committees are: firstly, the College of Experts; secondly, our Quality and Scrutiny Committee; and, thirdly, the Advisory Council to the ARC. Our current College of Experts was established prior to the change to the act, so that remains a designated committee. The Quality and Scrutiny Committee is a designated committee which has ceased its work with the announcement of the discovery funding round this year, and we are yet to establish an advisory committee to the CEO.

Senator STEPHENS—So the Quality and Scrutiny Committee will be reconstituted again for the next round?

Prof. Hoj—For next year, it will be reconstituted.

Senator STEPHENS—When do you anticipate that the advisory committee will be established again?

Prof. Hoj—As soon as possible.

Senator STEPHENS—So you are in an active process of establishing that committee at the moment?

Prof. Hoj—We are in the process of responding to the minister with a statement of intent in response to the statement of expectations that we have received. In that, we will have to outline how we plan to establish our advisory committee, which is a committee that will have to be approved by the minister, because it is a designated committee.

Senator STEPHENS—What about the peer review advisory committee?

Prof. Hoj—With our peer review process, we attempt to keep each of the 75 members of our College of Experts on the committee for three years, and then we retire them. This means that, in order to have an orderly process, whereby we continue to retain know-how, we try to

retire a third each year. Therefore, this year we will also retire a third of our College of Experts members. We have run a public search for College of Experts members. The selection advisory committee has met very recently. They have agreed to the outcomes of that, and we will very shortly forward to the minister our recommendations as to who should replace the retiring College of Experts members so that they can be on board for our next funding rounds.

Senator STEPHENS—Speaking of the funding rounds, you gained a lot of publicity this year in terms of your comments about the successful applications. In your comment in the paper you implied that some of the applications were not up to scratch. You were quoted in the *Australian* as saying they were ‘perhaps not quite as good as they should have been’. Could you comment on that fact, given that there is concern from many academics that the ARC is reintroducing pre-vetting of the projects in round 1 applications?

Prof. Hoj—I should probably find the press clipping to see exactly what I was quoted as saying. From memory, what I said was: ‘Some people have said to me that perhaps a small fraction of the grants that we got this year were not up to the usual quality.’ I remind you that over the last three to four years we have gone from 3,250 or thereabouts applications per annum for discovery to this year having 4,045. So there has been an enormous increase in the numbers, and it is in that context that a couple of reviewers said to me that perhaps a small fraction of what we got extra this year was not quite as competitive as it should be. That was what was quoted to the journalist, and I stand by that quote from those referees. What I also was at pains to say is that, at a time when we can fund 20 per cent of the proposals in front of us, there is absolutely no danger that we are not funding high, high quality research. So I was not casting aspersions on the vast majority of grant applications that we were getting. You then mentioned the word ‘culling’.

Senator STEPHENS—The word I used is ‘pre-vetting’.

Prof. Hoj—Pre-vetting; I guess the context to that is that an efficient peer review process requires that grants are being considered by an array of peers. If the system gets flooded with an enormous amount of grants, that puts strain on the reviewers who are obliged to read both applications that can rightfully be considered to be competitive and applications that, perhaps at a very quick glance, can be considered to be not competitive. So in the interest of running a good peer review process, where worthy applications are getting a really good look by the peers, and recognising that we only have the finite resources of reviewers, it is important not to flood the system with things that really should not be considered. For that reason I said perhaps the peers, within their own host institutions, could either assist you to hone the application so it becomes a stronger application or assist you by saying, ‘Perhaps this is not the right year to put this application in.’ So it is really an attempt to maximise the use of the limited peer review source we have in Australia.

Senator STEPHENS—In parliament this year the minister made the comment that the ARC will retain the peer review arrangements of its College of Experts, but she has not made any statement about her intention to veto, reject or change any grant recommendations from the ARC. Has she given you any assurances like that?

Prof. Hoj—From memory, what the minister might have said half a year ago or so—but I stand to be corrected if this is not true—is that the minister was very keen to retain the peer

review process if it functioned well. I have no reason to believe that the minister believes it is not functioning well.

Senator STEPHENS—So she has not given you any assurances that she will not veto, reject or change recommendations from the ARC?

Prof. Hoj—I think you are now referring back to things that happened, which are a matter for the public record, under Minister Nelson. I have not had any reason to see a trend towards those occurrences that we saw last year. In other words, every single application that we have recommended that the minister approve for funding, she has agreed to approve for funding.

Senator STEPHENS—You talked about 4,800-odd applications, both for discovery and linkage grants, of which 1,150-odd projects were successful. For the discovery project success rate, that is a significant reduction in successful applications which you have attributed to both quality of applications and a massive increase in numbers. Despite the massive increase in numbers of applications, it seems to me from my reading of the annual report that less money has been awarded this year than last year. Is that correct? My reading of the report is that it is \$274 million in 2006 compared to \$297 million in 2004.

Prof. Hoj—There are two aspects to this. The grants that the ARC award are mostly multiyear grants. In other words, if we have a year such as 2004, where we had a success rate of 30 per cent, and we recognise that the average length of a discovery grant is between 3.1 and 3.3 years, we are actually still funding this grant this year and next year. So the totality of grants that are being funded is what we are really looking at. Whilst the \$274 million or thereabouts this year could have been smaller than what we awarded last year, that is because we are talking about new funding commitments.

The total funding commitments for the ARC have gone up. I understand that in 2007 the ARC will be able to shift out \$575 million, which is the highest ever on record. The low success rate is a combination of many things, as you indicate correctly—an increase in the number of applications, commitment being brought forward from multiyear grants that have been awarded earlier and a tendency for us to try to meet the inevitable increase in the cost of research. So the average grant size has also gone up. We make very strategic decisions about the extent to which we should be able to fund the full request of a grant at the expense of the success rate. All those factors play into the 20 per cent success rate. But I can assure you that in calendar year 2007 we will shift out \$575 million, or very close to that, and that is a record for the ARC.

Senator STEPHENS—Given that you have had this significant increase in applications, is the ARC considering introducing a first-round cull next year?

Prof. Hoj—I think this is a debate that has to be had in consultation with the university sector. It is correct that some deputy vice-chancellors are on the public record as saying that they would like to reintroduce a cull. Others that have had experience with that process believe that it is not a desirable thing to do. We have not made a decision about that. It is certainly not going to be introduced in the funding round that will commence with discovery applications and close on 2 March 2007. We have no plans to introduce culling at that stage. A careful debate has to be had because you can imagine that, when you run an exercise like we do, where you select from the probably very good researchers that even bother applying for

ARC and you then run at a 20 per cent success rate, you have to be very careful about introducing a culling exercise. In particular, if you are not very careful, I fear that a culling exercise can be disadvantageous to younger researchers that do not have a long established research record. So personally I would require considerable convincing before the ARC reintroduced a culling exercise, but I could be convinced.

Senator STEPHENS—Are you able to describe the other kinds of measures that the ARC is considering to improve eligibility for grants?

Prof. Hoj—Sorry; I did not quite get that question.

Senator STEPHENS—If you are not considering a first-round cull, what other measures is the ARC looking at to improve the eligibility for grants for next year?

Prof. Hoj—Various ideas have been floated. None of them have had universal appeal. So it is only speculation, but obviously you could think about a cull. You could think about an exercise where you introduce an application fee, which is a measure that the minister is on the public record as not being in support of, as I read it in the newspapers. Or you could limit an institution in terms of the numbers of proposals they could put forward based on their past success. But I hasten to say that all these measures have supporters and detractors, and we are nowhere near close to introducing any of those measures.

Senator STEPHENS—Has the application process for the next round closed yet?

Prof. Hoj—No. What will happen normally in the life cycle of the ARC is that in late November to early December we will publish the funding rules that are relevant for the next round. That funding round will be open until 2 March 2007. That is when we then start our peer review process again.

Senator STEPHENS—In the 2006 funding round the Group of Eight universities received a significant proportion of the grant funding. Would you like to comment on that fact?

Prof. Hoj—I do not have the stats from many years back. I think it is a well-established trend that the Group of Eight universities would get in the order of 70 per cent of the funding. That probably reflects the concentration of very good researchers that are employed by the Group of Eight universities; their long tradition for research excellence, research support and research infrastructure; and perhaps the choice of research area in which they wish to apply. There are many other research schemes in Australia that one can apply for—the Rural Development Corporation schemes, with funds of \$450 million; the CRC schemes. You cannot necessarily judge an institution's research prowess by just looking at what they get from the ARC. That is the commentary I will make on that question.

Senator STEPHENS—I am sure you are absolutely right: it is quite a significant trend, particularly given the universities that did not receive any funds in this funding round. Three in particular did not.

Prof. Hoj—Could I just make one comment here, and that is that the ARC will fund the best possible proposal irrespective of its institutional origin. We have no bias whatsoever against non-G8 universities. Indeed, we have a triennial cycle where we visit every one of the 40 or so universities in Australia. I can tell you that on virtually every single occasion you find something that you are very pleased to see happening in terms of research. People are

very strategic about what they choose to do. Seeing that, we would always want to adhere to the principle that we will judge the application on its merits irrespective of its institutional origin, so long as the institution is eligible for our funding schemes, obviously.

Senator STEPHENS—I have a series of other questions but I am conscious of the time so I will put many of them on notice. But I did want to ask you quite a specific question about climate change projects and whether the ARC received applications for climate change based or global-warming based research in the 2006 funding round. I am sure you will want to take this on notice. Given that this is a huge issue confronting Australian government and the Australian community, I am very interested to see what is being promoted and supported in terms of research in those areas. On that basis, thank you, I will finish there.

CHAIR—Gentlemen, thank you very much for your attendance.

[11.45 am]

Australian Nuclear Science and Technology Organisation

CHAIR—I welcome officers from the Australian Nuclear Science and Technology Organisation to the table. Good morning, gentlemen.

Senator WONG—Dr Smith, as I understand it, you are required to report licence compliance issues and other incidents to ARPANSA under the terms of the act and your licence.

Dr Smith—That is correct, yes.

Senator WONG—The *Quarterly report of the Chief Executive Officer of ARPANSA for the period 1 January 2006 to 31 March 2006* has been tabled in the parliament. There are a number of breaches. Can you tell me the total number of incidents reported in relation to the January to March quarter?

Dr Cameron—There were a number of breaches reported. These were to do with reporting issues, and in two of the cases ARPANSA have subsequently written to say that they were not breaches; they were just delays in receiving information.

Senator WONG—What is the net number if you discount for that?

Dr Cameron—We are not exactly sure of the number. I would say it is one or two such breaches.

Senator WONG—One or two.

Dr Cameron—These were all regarded by the regulator as minor issues to do with reporting or provision of information.

Senator WONG—Do you have the quarterly report of ARPANSA?

Dr Cameron—No, we do not, sorry.

Senator WONG—At page 23, the report deals with the breaches reported in respect of your organisation. It might be useful, for questioning purposes, if we could get a copy. I will try and ask a few questions that will not require you to look at the report while we are waiting for it. Do we have a language problem here? Is there a distinction between incidents and breaches?

Dr Cameron—Yes.

Senator WONG—Okay. How many incidents were there in the January to March quarter?

Dr Cameron—I think we would rather take that on notice to get the specific number. The major issue that we have dealt with over this estimates and the previous ones was to do with the overexposure of a worker who was cleaning out a hot cell. That is the major incident. We have also reported a number of minor incidents to do with radiopharmaceutical production and one more major incident to do with the rupture of a fission gas trap within the radiopharmaceutical production area.

Senator WONG—I will deal with another matter now; but, with respect, surely it is not too hard for ANSTO to tell the committee how many incidents which required a report to ARPANSA occurred during the January-March quarter.

Dr Cameron—We can certainly provide that information. We have a number of levels of reporting, and some things we just report for their information—

Senator WONG—What are the levels?

Dr Cameron—There is a requirement to report things which are major, in terms of exposure of people or possible breaches of our safety systems, within 24 hours. We have endeavoured to do that. We have other things that we report for which there is no particular identified impact on people or on the equipment we are using but which may have involved some degradation in our safety systems. We report those appropriately. Then there is another series of events which we report for ARPANSA's information in case it becomes an issue that is picked up in the media in any sense.

Senator WONG—Do you have titles we can ascribe to each of these levels? Would you call the first one 'major'?

Dr Cameron—The first one we would call incidents where there was some exposure to workers or some damage to plant. That would be regarded as being of safety significance to ARPANSA. The second case would be where there was an incident which had occurred. What we do with those—

Senator WONG—Hang on. Let's focus here. I asked you how you would identify the three levels. How would you call them? What is the identifier?

Dr Cameron—Let me try to put it in the context of the act and how we interpret that. Within the ARPANS Act and regulations it talks about things which are significant for safety, and that is what we have tried to interpret. It does not give an interpretation in the regulations of what that is; so what we now do is to use the International Nuclear Event Scale, which is a system that is used all around the world for indicating incidents and their severity. The INES system is well used. Generally we would regard a serious event as having an INES level 2 or above. At level 2 you would have an event that had some exposure of people or some potential for release. Generally we have extremely few of those events. Then we have INES level 1 and INES level 0. INES level 0 would be something that had a safety implication but for which there was no damage, no impact, no effect, but it had some potential. INES level 1 would be where there was some degradation of our safety systems or possibly some people contaminated as part of the event. INES level 2 would be what we would call the major ones.

Senator WONG—Okay. Presumably under the act you have interpreted INES level 2 as requiring a 24-hour notification?

Dr Cameron—Yes, that is correct.

Senator WONG—What happens at INES level 1? What is the time frame of reporting, as you understand your obligations under the act?

Dr Cameron—There is no requirement under the regulations for a reporting time, but as a matter of course we report those events as soon as we are aware of the details of them.

Senator WONG—For level 1 and level 0?

Dr Cameron—Yes.

Senator WONG—How many INES level 2 or above were there for the January-March quarter?

Dr Cameron—There were none. Senator, we have the report in front of us.

Senator WONG—Good. Could I take you to page 23.

Dr Smith—The report on page 23 refers to the matter we discussed at last Senate estimates.

Senator WONG—So there has been nothing in the January-March quarter at INES 2.

Dr Cameron—No.

Senator WONG—What about INES 0 or INES 1?

Dr Cameron—We cannot recollect any other events in that period, but we are certainly happy to go back and check that that statement is correct

Senator WONG—What do you say about the ARI, the Australian Radiopharmaceuticals and Industrials, breaches on page 33? It is a breach of regulation 46(2)(c)—

Dr Cameron—That relates to the same incident that we have just been talking about. That was the findings from ARPANSA on that particular incident mentioned on page 23.

Senator WONG—When did you report that to ARPANSA?

Dr Cameron—In September.

Senator WONG—I do not quite understand the receipt of quarterly report date there.

Dr Cameron—The incident occurred in September 2005.

Senator WONG—Yes, but if you look there at the receipt of quarterly report dates it is 27 January 2006 and 31 January 2006. Was there a subsequent report provided by you to ARPANSA?

Dr Cameron—We are just required under all our licences to provide quarterly reports, and we do provide quarterly reports. Those quarterly reports would, of course, mention any things which had occurred, even if they had been previously reported. And that is just a repeat of the same.

Senator WONG—On page 34, at F0044-8B, materials fabrication bay, it says ‘an incident involving unauthorised access and incorrect procedure’. Can you tell me what that was?

Dr Cameron—We are not clear on the full details. This would have been in relation to a staff member. The likelihood is that a staff member was not trained for entry into that particular area.

Senator WONG—You can provide some further information on that?

Dr Cameron—Yes.

Senator WONG—Have you provided your quarterly report for the March quarter to ARPANSA?

Dr Cameron—Yes.

Senator WONG—How many INES 2, if any, incidents were contained in that report?

Dr Cameron—There were certainly no INES level 2. As I said, INES level 2 is a very unusual event for us. I think I can probably count on one hand the number in 10 years.

Senator WONG—What about INES level 1?

Dr Cameron—I do not recall any INES level 1 events either during that period.

Senator WONG—How many incidents were reported to ARPANSA for the March quarter?

Dr Cameron—To guarantee that we got that question right, we would have to look it up. We report things which are reported for information purposes, but they relate to an event of some type—usually something that is not of enough significance to be reported to ARPANSA—but we do have a regular process by which we keep them informed. We could look those up. They would have been minor events.

Senator WONG—I do want to know how many incidents were the subject of a report to ARPANSA. How long will it take you to work that out? It is November now, and I presume the only reason that it has not been before the committee is that the quarterly report from ARPANSA has not yet been tabled.

Dr Cameron—Is your question whether we could produce that today?

Senator WONG—Yes.

Dr Cameron—I think it needs some collation among a number of different groups. As you can see by the way it is done here, we have to check each licence and the quarterly report on each licence to pull those out, and there are a number of such licences to do. But there were no significant events in that period.

Senator WONG—Was there not—and this has been in the public arena—an event related to the ANSTO cyclotron? There was some discussion about this. An apparent contamination on the outside of a canister vaporised during processing. Radiation alarms were not activated, but barrier alarms were triggered by the technician. The technician was scanned and found to have ingested radioactive iodine-123.

Dr Smith—A number of incidents like this gained more publicity than normal. Normally, when people leave a radioactive area, part of the process of leaving the area is to be checked. That these incidents were given prominence reflected the system working.

Senator WONG—I thought you told me before that there had been no incidents in which there was any effect on personnel. So you do not regard the fact that someone ingested radioactive iodine as having any importance.

Dr Smith—I do not think it said that they had ingested it. It said that they were contaminated, which probably means that it was on their gloves or clothing.

Senator WONG—Even if they were contaminated, you indicated to me that there was no effect on any personnel. Do you regard that—

Dr Cameron—If you have contamination, it is usually the case that you have been handling material and, in handling that material, you have picked up some on your lab coat or on your gloves. On leaving the area you will be checked and it will be identified. The glove is then taken away for decontamination. Contamination on clothing results in no dose to people. Likewise, even contamination on skin—as long as it is picked up quickly—results in insignificant doses to people.

Senator WONG—So you say that there was no ingestion in relation to this incident?

Dr Smith—Whenever there is any chance of ingestion, we do a whole body count on the person and check that. In these cases, there were very small amounts of radioactive material. In the normal course of events, these are detected as people leave the radioactive area and are usually removed by them washing their hands.

Senator WONG—Could you take on notice in relation to each incident reported to ARPANSA in the March quarter details including what occurred, the dates on which it occurred, whether staff were involved and whether there was any escape of radioactive substances into the environment? Can you also indicate when each incident was reported to ARPANSA—and you might want to relate that to the protocols that you have indicated to me as to the time frames for reporting; if and when each incident was reported to the minister; and what steps ANSTO has taken to avoid this in the future? If it is possible, could you do that in relation to all licences? That would include ARI, would it not?

Dr Cameron—Correct.

Senator WONG—Can we now go to your submission to the Uranium Mining, Processing and Nuclear Energy Review, dated 25 August 2006? Do you have a copy of that?

Dr Cameron—I have a copy on my laptop; I can pull it up very quickly.

Senator WONG—Who prepared that?

Dr Cameron—It was prepared by a group of people—

Senator WONG—Are you one of them?

Dr Cameron—which I took the responsibility of coordinating.

Senator WONG—So you can answer questions about this?

Dr Cameron—Yes.

Senator WONG—There was a bit of an analysis of the skill needs required to build a nuclear power plant in Australia. I do not know whether you want to take the opportunity to get a copy of the report, but I will put some numbers to you and you can tell me if I am

around the mark. A single power station would need 50 to 100 professionals during the preproject early implementation phases, around 5,000 people to manufacture and construct, 500 to operate and maintain and 100 staff at peak periods to perform supporting activities. Does that sounds about right?

Dr Cameron—Yes, that sounds right.

Senator WONG—It is on pages 64 and 65. That is up to 5,700 people who would be required at different stages of the planning, construction and operation of a nuclear power facility. Does that sound right?

Dr Cameron—That is correct, and that is very similar in numbers to any large power plant, whether it is coal or nuclear.

Senator WONG—I presume ANSTO has had some liaison with the Australian Institute of Nuclear Science and Engineering?

Dr Cameron—Yes.

Senator WONG—Are you aware of their submission to the committee?

Dr Cameron—Yes, we are aware of it.

Senator WONG—Did you have some consultation with them?

Dr Cameron—No, we did not.

Senator WONG—Are you a member of that organisation too?

Dr Cameron—I will explain. AINSE is the group that provides liaison between ANSTO and universities. It is a secretariat group that is set up to provide access to our facilities by universities. It has a very close linkage with universities and therefore obviously looks at what university researchers would need in terms of where nuclear science and technology is going.

Senator WONG—Their estimates are that Australia currently has around 105 to 110 undergraduates and 43 postgraduates studying both nuclear physics and nuclear medicine. Does that sound about right?

Dr Cameron—That sounds about right.

Senator WONG—Is that what underpins the following statement in your submission:

As many as 10 to 15 years may be required to establish the independent, national manpower development capability necessary to produce highly qualified manpower for a completely independent nuclear power program.

Dr Cameron—Partly. I think AINSE is talking about current researchers who are using nuclear techniques. They would not necessarily be the people you would use to operate a nuclear power plant.

Senator WONG—I am reading from page 65 of your report.

Dr Cameron—You asked me whether that had a relationship to the AINSE comment. Is that correct?

Senator WONG—Sure.

Dr Cameron—I was trying to say that the AINSE comment comes at it from the point of view of researchers who may want to be involved in using nuclear science and technology. We were trying to talk about the people required to actually operate and support a nuclear power plant.

Senator WONG—And you are looking at in excess of 5,000 people and saying 10 to 15 years before—

Dr Cameron—No. The majority of those 5,000 people are just trades and construction workers. The numbers we were talking about are 50 to 100. Those are the numbers we mentioned.

Senator WONG—That is pre project and the implementation. It needs 500 to operate and maintain.

Dr Cameron—Five hundred to operate and about 100 support staff are the sorts of numbers.

Senator WONG—What is the basis of your 10 to 15 years?

Dr Cameron—We were looking at the process. We would be required to set up an appropriate regulatory system and to provide a certain level of training. We were indicating that it takes a period of around four years to construct a nuclear power plant, and all of that needs planning for. When we have put together a team of people, we need to go through a process of looking at the reactor types that are available for us to buy. Then there is an assessment process of what capabilities that is going to require, which will take two or three years. All up we are talking about 10 years and a bit more before we would have an operational power plant. I think we talked about system in that case.

Senator WONG—Yes. Can we go back to the numbers. You said that most of these are construction workers.

Dr Cameron—Of the 5,000.

Senator WONG—Yes. But you are looking at 50 to 103 for project implementation. Operation and maintenance is a total of 500?

Dr Cameron—Yes.

Senator WONG—So if we consider these figures to be cumulative—

Dr Cameron—They are not.

Senator WONG—They are not?

Dr Cameron—No. Your construction worker would come—

Senator WONG—No, I am leaving those aside. There are 50 to 100 preproject early implementation qualified professionals and 500 needed to operate and maintain.

Dr Smith—These are not necessarily nuclear professionals. They are the total staff.

Senator WONG—You think the nuclear power plant should be operated by people who are not nuclear professionals?

Dr Smith—Some of the people will be security people. Some people will be running stores. There will administration. I think the arguments between the AINSE numbers and the ANSTO numbers will be AINSE talking about professional nuclear scientists and engineers and the fact that a nuclear power plant has many electrical engineers who are not different from electrical engineers who work in a coal plant.

Senator WONG—I did not understand there to be an argument between you and AINSE.

Dr Smith—No.

Dr Cameron—There is none.

Dr Smith—It is just a clarification if you are comparing the numbers in that way.

Senator WONG—I am not. I am saying I think they are consistent. It seems to me that you are saying, ‘We do not have sufficient people and we do not have’—as I quoted to you—‘significant infrastructure in place for the training of nuclear engineers required to support a nuclear program.’ That is consistent with the AINSE submission, is it not?

Dr Smith—It is.

Senator WONG—The comment made about 10 to 15 years in your submission, though, Dr Cameron, is not about how long it would take to build the plant. It is about how long it would take to establish the personnel capacity to construct and operate a nuclear power program. That is what your report says, is it not?

Dr Cameron—Yes. We are talking about the whole process from the preplanning to the choosing of the design, to the building and to the operation. That, we think, is about 10 years.

Senator WONG—No, we are at cross-purposes again. In your report, the 10- to 15-year time frame is not about the construction. It is about getting sufficient people to build, operate and maintain it.

Dr Cameron—I think we need to be clear. We were talking about the time at which you would have enough people to operate a nuclear power plant or a number of nuclear power plants from an Australian workforce.

Senator WONG—Your report stated:

As many as 10 to 15 years may be required to establish the independent, national manpower development capability necessary to produce highly qualified manpower for a completely independent nuclear power program.

Should I understand that to mean that you think it will take 10 to 15 years to get enough people trained domestically?

Dr Cameron—That is right—to have a fully independent nuclear capability.

Senator WONG—To do that we would have to significantly increase, would we not, the number of people training in this area now?

Dr Cameron—Yes, we would.

Senator WONG—Has that happened?

Dr Cameron—No, because no decision has been made to go ahead with any development of a nuclear power industry.

Senator WONG—Did you turn your mind to how easy it might or might not be to find 5,000 tradespeople and construction workers at the moment?

Dr Cameron—We have experience of building a research reactor which, although on a smaller scale, is a very similar type of event. What happens is that generally you go to a manufacturer that has the capability of building it. They will be essentially off-the-shelf power plants. The manufacturer will take over the process of constructing and commissioning. For example, in the case of the OPAL reactor they did a joint venture with John Holland and Evans Deakin, who provided the civil construction.

These overseas manufacturers have lots of experience of coming into a country and assembling a team of people. Many of them are their own staff on secondment for that process, but they do use local industry where possible. Finland is a perfect example of where that is going on. The French are building a reactor in Finland, but they are building up a Finnish workforce in doing that and providing local industries. We think that is a standard process that people will have done a number of times.

Senator WONG—There are a couple of things about that. The point I was making is that we do have a tradesperson skills shortage at least regionally in Australia, so getting 5,000 people to work in construction is not an easy task domestically. I am happy to move on if you disagree or agree with that.

Dr Cameron—I accept your comment. I am just indicating to you that for a smaller project we have handled that extremely well without any lack in skilled trade resources.

Senator WONG—The second point relates to the discussion at the last estimates. The report we were discussing before looked at a reactor type where you were suggesting, or the report writer was suggesting, that you would need to be not first cab off the rank to get the most reasonable cost. Was it that there needed to be eight ahead of us?

Dr Smith—Are you speaking about first-of-a-kind costing?

Senator WONG—Yes.

Dr Smith—There is no problem that Australia would have any chance of obtaining first-of-a-kind costing on any of the major reactor types, because many of them will be built before Australia would be in a position to—

Senator WONG—Remind me of the time frame that we talked about last time for that?

Dr Smith—The expectation in the United States is that AP1000, which was the one we were talking about, will be ordered within the next year or two.

Senator WONG—But we were not looking at second or third. Wasn't it a few down the track?

Dr Cameron—Yes. The Gittus report said there was a first-of-a-kind cost and then there was the next group, which was up to about seven, and then it was beyond seven. Dr Smith is indicating that the build already committed to around the world would mean that we would be nowhere near the first 10.

Dr Smith—We will be after No. 9, where we lose—

Senator WONG—That was my recollection. We had to be at least eight ahead, so we are talking quite a number of years before—

Dr Smith—I do not think we are talking about a number of years here.

Senator WONG—We had this discussion before.

Dr Smith—I think that the current world boom in the nuclear industry is such that those numbers will rise very rapidly.

Dr Cameron—I think there are currently 27 applications in the United States for new reactor build.

Senator WONG—If you are talking about 10 to 15 years to get a domestic capacity to build, operate and maintain, do we need to get there before we build the reactor—another 10 years on top of that?

Dr Cameron—That is generally not the process, because one of the great advantages of going to established reactor vendors with lots of experience is that they provide technology transfer as part of the construction process. Again, we have the experience of OPAL. We placed members of our organisation in their design teams, so they worked with them on design and learnt about design and design review. We then placed members of our team with the major contractor during the process where they were constructing it and constructing major components. We have had a significant amount of technology transfer, so in the course of building the reactor we have ended up with very well qualified and capable people. The two things have come together.

Senator WONG—The AINSE submission estimated that the requirements would be 1,500 engineers and managers and another 2,400 technicians if Australia were to set up a reprocessing plant similar in size to that at La Hague.

Dr Smith—We did not have a part in writing that submission.

Senator WONG—But are you aware of that suggestion? Do you disagree with it?

Dr Smith—ANSTO has not considered those details. We are aware of the benchmark numbers of professionals that are used around nuclear power stations, and it is of the order of 25 nuclear engineers per power station. Many of the other professionals are not specialist nuclear people, so I believe those numbers are likely to be an overestimate.

Senator WONG—How much of an overestimate?

Dr Smith—I am saying that the benchmark overseas is that you require about 25 straight nuclear engineers per operating power station. If you build the 50 to 70 that were spoken about as having the central expertise, these numbers are not enormous. We still do not have the capacity to train them, but we are not looking at having to train extremely large numbers, which I believe adds to the challenge of training them.

Senator WONG—Is it an ANSTO view, or is it your personal view, that the AINSE submission is incorrect?

Dr Smith—I did not say it was incorrect. I said that we had not considered it and we had not been talking about reprocessing plants—

Senator WONG—I am sorry, I thought you said it was an overestimation.

Dr Smith—The report is talking about a reprocessing plant. That is something that we have not considered and was not considered in our submission.

Senator WONG—I see.

Dr Cameron—But we would say that we believe the numbers we quoted for a reactor construction operation are based on world standards.

Senator WONG—The numbers you and I were talking about earlier?

Dr Cameron—That is correct.

Senator WONG—What proportion of the 600 operational maintenance preproject early implementation qualified professionals would be nuclear physicists, nuclear engineers or nuclear scientists? What proportion would be professionals in other categories?

Dr Cameron—In my understanding of the data that we looked at, in any operating nuclear power plant at any particular time—that is, on shift—you may have about 10 nuclear engineers.

Senator WONG—Ten out of the 600?

Dr Cameron—Ten out of the 500 or so.

Senator WONG—Six hundred; I am asking about pre project as well.

Dr Cameron—You need to remember that the 500 is the total workforce, so that would be over a number of shifts. So on any one shift there would be a third of that, maybe a half of that. But we are saying that, of that 200 or so people, you would have approximately 10 nuclear engineers. The rest would be electrical engineers, mechanical engineers, instrumentation and control engineers and people who have various skills related to nuclear power plants but who are not professional nuclear engineers.

Senator WONG—Given your 10- to 15-year time frame for developing a national—or, I suppose, what you would call indigenous—workforce for this, what are the assumptions around the need to bring in skilled professionals from overseas?

Dr Cameron—The assumptions are almost as I said to you earlier, Senator, that we would anticipate working with an experienced vendor of such reactor systems and having an agreement with them about technology transfer. In fact, many of them come in and set up training centres as part of what they do. So by the time you had constructed, you would have trained up sufficient people to be able to operate and maintain.

Senator WONG—You have given some indication of the staffing needs. Given how many people are working in this sector and how few people have been trained, I am asking you to give an indication of how many skilled professionals would be required in your estimation, given your submission, from overseas.

Dr Cameron—I do not know that we can say anything different than what we have said. The numbers we have quoted are the sorts of numbers that we have picked from overseas experience. Your project team in the preplanning would be about 50 to 100 people, and they would be doing all the planning, the identifying and the assessment of what to build. Then

you would be working with a vendor during the construction to make sure you were training up sufficient people. At the end of that time you would want a workforce of about 500 people. They would provide 24-hour cover to run and maintain such reactors. That would cover three shifts, so you would have approximately 200 people or so on each of those shifts. As I have indicated, about 10 of those would be professional nuclear engineers. There would be lots of other engineers and lots of other professional people, but they would not be specialist nuclear engineers.

Senator WONG—Of the 500, you are saying 50 would have to be nuclear physicists or nuclear engineers?

Dr Cameron—I think it is more like 30.

Senator WONG—So of the 470, how many other types of engineers would be required?

Dr Smith—If you look at the nuclear professions, there are obviously the health physics and radiation protection people, who are a special group of professionals who are nuclear trained.

Senator WONG—Can I be clear what I would like, because it might be quicker. You have given a figure of 500. Should I understand your evidence to be that you include the 100 preplanning professionals in the 500?

Dr Cameron—They could well be the same. That is typically—

Senator WONG—Are you able to give me an indication of how that 500 to 600 is broken up? How many are there in each of the specialist categories that we discussed?

Dr Cameron—It is probably easier if we just supply that to you.

Senator WONG—Is it footnoted in your submission? This is your submission, which was a few months ago, so presumably to come up with 500 you must have some backdrop figures to that.

Dr Cameron—Yes, we indicated in our submission in that particular table that even of those 500 there would initially be a number whom you would obtain from overseas industry—approximately 50—and about 450 of those operations and maintenance people would be Australian industry type people. We can give you a breakdown of how that 450 is made up. That is not difficult, but it will mean us going back to the original data. This is summary data which we have pooled up to summarise it. But we have indicated that the number of professional nuclear engineers in that is relatively small.

Senator WONG—And the assumption in the table is that you are going to bring in 4,000 people from overseas to build?

Dr Smith—No. Many of those people will simply work overseas, because some of the facilities for the construction of nuclear power plants exist overseas and do not exist in Australia.

Senator WONG—Is that what you mean by overseas industries?

Dr Smith—At the moment, for large nuclear reactors the Japan Steel company is absolutely crucial in making the very large steel forgings that are required for the reactor vessels.

Senator WONG—Dr Smith, in respect of your suggestion that AINSE's estimates of skills needed for a processing plant is an overestimate, could you on notice indicate to me what you think would be a more accurate estimate.

Dr Smith—We have not considered a reprocessing plant in detail. If we were asked to consider it we would look at the French plant as the benchmark plant. But it is not an issue that ANSTO chose to pursue in its submission.

Senator WONG—If you have not looked at it but you are of the view that it is an overestimation, how should I take that evidence? Is that an opinion?

Dr Cameron—We can provide you with some numbers if you would like us to, but in our submission we did not recommend the construction of a reprocessing plant and therefore did not go the next step and say what would be required to build one. However, we have significant experience with such plants, and we can provide you with the typical numbers out of the existing reprocessors. That would be a number to compare with those from AINSE.

Senator WONG—Have you done anything else in terms of assistance to the inquiry or input into the inquiry other than the submission?

Dr Smith—We seconded one of our staff to the secretariat and we have given evidence on one occasion.

Dr Cameron—We have also provided some supplementary information on a few particular topics.

Senator WONG—What are they?

Dr Cameron—There were a number of issues. One related to developments in physical protection of nuclear power plants. Another related to regulatory issues for nuclear power plants. I think the third related to issues of waste management. They were technical issues that the secretariat wanted further advice on.

Senator WONG—Are you concerned—given what you have said in your submission and what you have said today in relation to there not being any change to the current plans to train relevantly qualified people—that there will be a continual lack of qualified people to construct, operate and maintain a plant unless policy settings are changed regarding training?

Dr Smith—There are options that are in the ANSTO domain which we are pursuing.

Senator WONG—What are the options and how are you pursuing them?

Dr Smith—They are simply for us to ensure that our staff obtain training at overseas facilities, which will prepare them for a greater understanding of the nuclear power industry.

Senator WONG—You are already doing that?

Dr Smith—We have not started it yet but we have plans in place and we have spoken to various overseas operators to see if they would be willing to have some staff on secondment.

CHAIR—It is now 12.30 and I propose that the committee break for lunch. We will continue with ANSTO after lunch.

Proceedings suspended from 12.30 pm to 1.30 pm

Senator FIFIELD—Could you tell me what the role of the on-site operations safety supervisor is?

Dr Smith—He has to respond to emergencies and coordinate external emergency personnel onto the site.

Senator FIFIELD—Is someone in that category on-site 24 hours a day?

Dr Smith—Yes.

Senator FIFIELD—Is it just one person in that role?

Dr Smith—Yes.

Senator FIFIELD—It is one person, but there is always someone in that role?

Dr Smith—There is coverage 24 hours a day, seven days a week.

Senator FIFIELD—You are probably aware that Ms Macklin, the shadow minister for education, training, science and research, has claimed that there is no health physics surveyors on site between 11 pm and 7 am. Is that correct, and does that mean that the community is in any way at risk?

Dr Smith—Dr Cameron will respond to that in detail.

Dr Cameron—The comment arose from the fact some years back we introduced a health physics person on-shift in our reactor because we were doing a number of operations during the night. Previously, there had not been one because there would be no need for it, but because we were doing these extra operations we brought a person on. Now that HIFAR is closing down, we decided there was no need for this night-time person to be there. He was to cover fuel changes and things in the reactor, but our emergency response is still the same as it has always been. We have 24-hour coverage by these SOSS, as they are called. They are trained in health physics. They are trained in first response, confined space entry and wearing breathing apparatus. As well as that, we have a health physics person on call all the time who can be called in with one hour's notice. The emergency arrangements are the way that they have always been. For a period of time we had this extra health physics person on night-time shift, but that was really driven by operational requirements, not by emergency response requirements.

Dr Smith—The new arrangements were approved by ARPANSA.

Senator FIFIELD—So the practice has really never changed. That health physics position has always been directly related to the particular activity that might be taking place there at that site.

Dr Cameron—Correct—that was the need for such a person.

Senator FIFIELD—Can you say with confidence that there is no additional safety risk or any new risk exposure because this is a practice which has always been followed?

Dr Cameron—We certainly believe that our emergency response arrangements are fully capable of handling any incident that would occur.

Senator FIFIELD—I would like to touch on the incident that occurred at the reactor on the evening of 8 June and which may have been touched on earlier, regarding the pipe rupture inside a hot cell. Could you explain what actually—

Dr Smith—First of all, it occurred in a hot cell quite remote from the reactor—some hundreds of metres away. So it was not an incident at the reactor. It was an incident in a hot cell that was being used to produce molybdenum-99, which is one of the precursors of technetium-99, the most commonly used radioisotope for radiopharmaceuticals.

Senator FIFIELD—So it was within the boundaries of what is generally called the reactor—the physical boundaries of your land there—but it was not connected to the reactor?

Dr Smith—Yes.

Senator FIFIELD—Ms Macklin also claimed that this particular incident demonstrated problems with the safety of nuclear reactors, but, from what you are saying, this had nothing to do with the actual operation of the nuclear reactor.

Dr Smith—No; this was a radio pharmaceutical manufacturing operation which was occurring in a building completely remote from the reactor building.

Senator FIFIELD—So you categorically deny that this is in any way a reflection on the safety of nuclear reactors.

Dr Smith—Absolutely.

Senator WONG—You are clearly happy to give opinion answers, given your last answer?

Dr Smith—I am happy to give opinions on matters that directly concern operations at ANSTO.

Senator WONG—Before the break you were telling me that ANSTO had provided various other documentation to the inquiry. I am asking you to provide copies of that documentation to the committee.

Dr Cameron—We can do so.

Senator WONG—Thank you—all documents that have been submitted over and above the submission from which I was quoting. Were you asked to provide any advice to the committee on waste management?

Dr Cameron—Yes. Clearly, the whole area of waste management was a major part of our submission. The appendix to our submission also contains additional information on waste management. We have, as part of that additional response, provided some more information about different capabilities of dealing with waste. That is purely technical information.

Senator WONG—Were you asked to provide advice in the submission which we were discussing earlier?

Dr Cameron—Yes, a number of supplementary questions were put to us and we provided responses to those.

Senator WONG—Were you asked to provide advice which touched on the increased security concerns which might be associated with a nuclear reactor or nuclear power in light of the heightened national security environment we operate in now?

Dr Cameron—Yes, we did provide some additional information on the physical protection measures that have been taken following the 9/11 events for nuclear power plants around the world.

Senator WONG—I was a little distracted when Senator Fifield was asking questions. Is it the case that the NSW Fire Brigade advised ANSTO that they had issues coming on site until a health physics surveyor was present to tell them it was safe to do so?

Dr Cameron—No. We had assurances from the NSW Fire Brigade that their capability to respond to the site would be maintained. I know that they had some discussions with their unions, but in our direct interaction with the New South Wales Fire Brigade management they made it clear that they would continue to respond.

Senator WONG—So they have never indicated to you, or ANSTO has never become aware of, any concerns the fire brigade might have in attending to the site in the absence of a health physics surveyor to tell them that they could safely come onto the site?

Dr Cameron—We were aware that the management were having discussions with the union concerning those sort of issues—

Senator WONG—The management?

Dr Cameron—Yes. Obviously we deal with the New South Wales Fire Brigade. As a whole we do not deal directly with the unions. We deal with the people who have the responsibility of providing that response.

Senator WONG—Dr Cameron, I was just clarifying when you said ‘the management’ whether it was the fire brigade management or ANSTO management.

Dr Cameron—It was the fire brigade management. Because they are part of our emergency response we interact with them on a regular basis and they indicated that their emergency response capability would be maintained. We understand that they were having discussions with their unions centring on the perceived issue of the removal of the health physics person in the night shift.

As I indicated in my previous answer, we do not see that as having a relationship to our capability to provide the necessary response. In fact, the site operation safety supervisors are trained in health physics. If there was a need for escorting or providing information to people coming on site, these people are quite capable of doing that, from a health physics viewpoint. In addition, we have the ability to provide another health physics resource within about one hour.

Senator WONG—One hour?

Dr Cameron—Yes.

Senator CROSSIN—Dr Smith, I thought I would begin perhaps by enabling you to clarify for us on the record exactly what the security arrangements at Lucas Heights are.

Dr Smith—I thank you for the opportunity. There was a statement made in parliament by Senator Crossin that our site was protected by a single rusty lock or something like—

Senator CROSSIN—I think it emanated from an article in the *Weekend Australian*.

Dr Smith—That is correct. We took that article to the Media, Entertainment and Arts Alliance and in fact that was found in our favour. The journalist has been suitably admonished for the scurrilous way in which he reported something he knew to be untrue.

Senator CROSSIN—I understand it was the National Ethics Panel of MEAA. You did not actually take it to the broadcasting council or the ABA, did you?

Dr Cameron—No, because our intention was not to pursue the journalist. Our intention was to get on the record the fact that he had misrepresented information he knew to be the case in pursuit of a story.

Senator CROSSIN—In what proximity to Lucas Heights is the padlock on a gate he is talking about?

Dr Cameron—There is a major road that runs along Lucas Heights called New Illawarra Road that joins the Heathcote Road at the top. At that intersection there is a bushfire trail. This bushfire trail is used by emergency services if they need to. There is a boom gate across that and a padlock which locks that boom gate. That had nothing to do with entering into our property; in fact, he was sitting on a main road. There was no way, for example, that our security staff could have responded because he was not doing anything illegal. He indicated that that boom gate and padlock was the only defence between him and Lucas Heights when in fact a few days previously we had brought him onto the site and shown him the protection system, the fences, the guards, the sensor devices and the security we have in our buildings et cetera. That was scurrilous, we believe, in terms of journalism.

Senator CROSSIN—Is there access to Lucas Heights from either any of the sides or the back of the property?

Dr Cameron—Lucas Heights is surrounded by a fence and that fence is patrolled or controlled by cameras. We maintain that as part of the perimeter. In addition, the area our reactor is in is secured within another fence—in fact, that is a double fence with all the appropriate safety precautions. Those emergency arrangements are approved by ASNO, the Australian Safeguards and Non-Proliferation Office, who have the responsibility for physical protection. The emergency devices and arrangements are on the recommendation of ASIO. In addition, only recently we have had overseas visitors from the United States who said our security arrangements were far in advance of those that would pertain to other research granters.

Senator CROSSIN—From the United States?

Dr Cameron—Yes.

Senator CROSSIN—I am not sure if I would hold that up as a model. My question was: is there access to the site from the back? Can you get onto the site in any way?

Dr Cameron—You cannot get onto the site, no. There is one main entrance to the site and there are a number of other gates, but those gates are padlocked and controlled so there is no access.

Senator CROSSIN—Are the other gates that are padlocked controlled by a camera?

Dr Cameron—In most cases they are controlled by a camera; in the majority of cases, there is also a double fence and there is protection between the fences et cetera.

Senator CROSSIN—What are the cases where it is not ‘in most cases’? How many gates with a padlock are there which do not have a double fence?

Dr Cameron—What used to be the old main entrance, which we have now moved from, has a very substantial gate but also has an ability for staff to go out and in at lunchtime to go to the canteen. That process is controlled directly by AFP officers.

Senator CROSSIN—You need to be able to provide your identity to get in and out of that gate?

Dr Cameron—You need to swipe in and out and that is registered centrally and controlled centrally by the AFP.

Senator CROSSIN—Have there been any incidents, any breaches in the last 12 months, of security at Lucas Heights?

Dr Cameron—No.

Senator CROSSIN—I want to touch on a few issues with regard to some of the matters that Senator Wong went to. In relation to depleted uranium waste, you have probably looked at answers that we were given by ARPANSA. In a Senate estimates answer ARPANSA has said that Australia currently exports roughly 11,000 tonnes of uranium and if it were all enriched it would produce only 1,000 tonnes of exportable enriched uranium and 90 per cent, or 10,000 tonnes, would be depleted uranium waste.

ARPANSA’s answer also went on to say that the shallow ground burial facilities currently proposed in Australia are intended for the disposal of smaller quantities than this. In terms of tonnage, exactly how much are we intending to dump in the Northern Territory when it is built?

Dr Cameron—Do you mean in terms of depleted uranium?

Senator CROSSIN—No, I mean what is anticipated to be put there in terms of tonnage. Do we know? Have we done an audit of that around the country?

Dr Cameron—Yes. If you looked at the original EIS that was done for the planned repository in South Australia, it gives a very good listing of all the material that was intended to go there. Since that time, of course, we have extracted the states’ waste, because the repository planned for the Northern Territory is only for Commonwealth waste. It has also been offered to the Northern Territory for their waste.

Senator CROSSIN—But they have rejected that offer.

Dr Cameron—We are talking there of approximately 3,000 cubic metres of low level waste and about 400 cubic metres of intermediate level waste.

Senator CROSSIN—In terms of tonnes?

Dr Cameron—It is difficult to determine a tonnage because you do not tend to condition your material to send it to the repository until you need to do so, because in many ways the repository design will determine the criteria for acceptability of waste. Again, if you just take

the 3,000 cubic metres it is in 200-litre drums. The actual weight of those will change because our intention will be to super compact what we currently have and therefore reduce the amount of volume. So the volume will go down but the actual weight will not necessarily go down. Until we know the packaging—

Senator CROSSIN—The weight, after compacting what you have at Lucas Heights, would predominantly be in the drum rather than the waste material inside it. Is that correct?

Dr Cameron—As you know, nearly 50 per cent of the waste is already at Woomera and consists of soil, which is in drums which came from Fishermans Bend. That is just a 200-litre drum with soil in it. The other 50 per cent comes from a number of Commonwealth agencies, including ANSTO of course, and we are responsible for about 40 per cent of the total low-level waste. But the actual final form that we will send it in will depend on the acceptance criteria that are given to us from the repository.

Senator CROSSIN—ARPANSA, in a further answer to a question I put at estimates, said that disposal of waste from a uranium enrichment facility would require a disposal facility of a different type than those that have been proposed to date. Would that be correct?

Dr Smith—International practice of disposal of depleted uranium waste from an enrichment facility is mostly not as a radioactive waste site. In fact, the depleted uranium hexafluoride is stored in steel drums and they are simply located in a storage facility. The activity from these is very low indeed, of course.

Senator CROSSIN—Could uranium from depleted uranium that was enriched be stored at the site in the Northern Territory or are we looking at some sort of different engineering structure?

Dr Smith—There is no depleted uranium waste in Australia, to my knowledge.

Senator CROSSIN—I am saying if we had depleted uranium could it be stored at a site—

Dr Cameron—The current design of the repository and store is not for depleted uranium.

CHAIR—That is a relatively hypothetical question, is it not?

Senator CROSSIN—If you look at the number of speeches or press releases David Tollner has put out, it is quite a realistic view, in his mind. I am just trying to ascertain whether, if we had an enrichment facility and therefore we had depleted uranium from that, could it be stored at the facility that is being built in the Northern Territory or would a different sort of facility be needed?

Dr Cameron—You could design the building to store such waste, but currently no design has been put forward.

Senator CROSSIN—So we would need something different?

Dr Cameron—You would need a different design.

Senator CROSSIN—Have you undertaken any analysis or assessment to date regarding transport options or corridors that will actually move the material from Lucas Heights to the proposed Northern Territory dump?

Dr Cameron—No, we have not.

Senator CROSSIN—There have been no discussions or commencement about that whatsoever?

Dr Cameron—The process will be that after the site is selected then an environmental impact statement will be developed and that will have to look at transport routes.

Senator CROSSIN—At this stage there has been no work commenced on that, though?

Dr Cameron—Not by us.

Senator CROSSIN—Will the time line and the mechanism for that work be that you would not commence that work until the EIS has been completed and the minister has signed off on it? When would you start to commence that work?

Dr Cameron—As you are aware, this process is being handled by the department, not by ANSTO. If I could just give you advice on what is normally done rather than saying—

Senator CROSSIN—Surely they would not design a route to take your own material without you being involved?

Dr Cameron—Correct. And at some point in the development of the EIS you would look at transport as one of those things that have to be looked at in the EIS process. It would be done during the process of developing the EIS.

Senator CROSSIN—Have you done an analysis of what other security or safety assessments might also be required?

Dr Cameron—I think these issues were addressed in the original work done for the repository in South Australia. We do not think that there is a significant change that would be needed over what was proposed previously.

Senator CROSSIN—Have you been contacted by DEST to update that view or to provide supplementary advice about that?

Dr Cameron—No, we have not. As we understand it, the process of looking at sites is still ongoing and they have not got to this further stage.

Senator CROSSIN—In terms of that process, have you had any discussions with Parsons Brinckerhoff?

Dr Cameron—I do not know who the people are. Are they the ones doing the site assessment?

Senator CROSSIN—They are the consultants who are doing the site selection process.

Dr Cameron—Yes, I understand—

Senator CROSSIN—Have they contacted you at all?

Dr Cameron—We have a liaison person at ANSTO who liaises with the department and I believe that she may have had a meeting with them and the department as part of that process of understanding what is going on.

Senator CROSSIN—Could you take it on notice and inform me whether that has happened rather than giving an assumption that it has?

Dr Cameron—I am quite happy to do that.

Senator CROSSIN—Could you also take on notice what issues may have been raised in that meeting or what advice was given in that meeting?

Dr Cameron—Yes, I will take that on notice.

Senator CROSSIN—Have you had a visit from any other traditional owners in the Northern Territory to Lucas Heights since we last spoke?

Dr Cameron—Not since we last spoke.

Senator CROSSIN—The level of interest has declined, do you think? No one visited you from the—

Dr Cameron—Maybe the level of satisfaction has gone up.

Senator CROSSIN—Has no-one else from the Northern Land Council or the Central Land Council been to Lucas Heights?

Dr Cameron—No.

Senator CROSSIN—Has ANSTO been involved in any communications or public information materials or initiatives that have been instigated in respect of informing communities in the Northern Territory about what has happened?

Dr Cameron—I am not aware of us having conducted any public meetings or any individual meetings during this process. As far as we are aware, this is the process of site selection, and we have not been involved in other ones.

Senator CROSSIN—You have not been involved in any meetings or discussions about any communications or public information that might be produced about the dump for people in the Territory?

Dr Cameron—I will go and check, but my understanding is that we produce general information about waste management, and we have continued to do that, but those are ANSTO publications. They would, of course, make reference to a repository, or what was a repository, but that is part of our general process of providing information. I am not aware that we have provided any other information directly to the department that they would use in promotion or information sharing.

Senator CROSSIN—I understand 2011 is still the expected date of return of waste from the spent fuel rods from France. Is that correct?

Dr Cameron—As we have indicated, there is flexibility in terms of the actual date. We would consider that 2011 was a good date, but in fact we know that there is capability to withhold that transport until about 2015.

Senator CROSSIN—Could it come earlier than 2011?

Dr Cameron—There is always the possibility of some change in the law in France that would make that a possibility, but we do not think that is likely to happen and, in fact, contractually we have until 2015.

Senator CROSSIN—Are you aware of, or have you been involved in, any discussions or planning about how many shipments, and over what time period, will be required to bring this material back?

Dr Cameron—Yes, that has always been information we have provided over the last 10 years. We have always known that type of information because we know the volumes of this material that would be coming back.

Senator CROSSIN—Can I get an idea off you of what are we talking about—one shipload a month or one a year?

Dr Cameron—In total about one or two shipments from overseas.

Senator CROSSIN—A year?

Dr Cameron—No, in total.

Senator CROSSIN—So all of the spent fuel rods will come back in only two shipments.

Dr Cameron—As we keep saying, there is no spent fuel coming back. What comes back is waste after reprocessing of spent fuel. That comes back in vitrification from France and that is in large containers.

Senator CROSSIN—We know all that.

Dr Cameron—We have given all those details and we could easily put that in one ship.

Senator CROSSIN—Yes, I know all about that now.

Dr Cameron—We may then also have another shipment from the United Kingdom and have that process. These are small amounts of material after 40 years worth of reprocessing.

Senator CROSSIN—I understand. And it is not just our waste; it is also going to be waste from any countries in the European region.

Dr Cameron—No, they are an equivalence. You cannot, unfortunately, follow an atom all the way through a cycle. We have to take an equivalent amount.

Senator CROSSIN—Yes, we know all that. I am really just trying to ascertain here—

CHAIR—Senator, if Dr Cameron is giving an answer, I think we should do him the obligation of letting him finish.

Senator CROSSIN—We are having a bit of banter, I think. We have been through all of this and we have probably read more than we can synthesise.

CHAIR—Nevertheless, he should be able to answer the question.

Senator CROSSIN—I am really just trying to get a handle here on the shipments. So we are just talking about one shipment from France and possibly one from the UK?

Dr Smith—Yes.

Dr Cameron—That is correct. As we have said a number of times, the amount of waste that Australia has generated after 40 years by world standards is very small indeed. As an example, we have 4,000 cubic metres of low-level waste after 40 years and the United Kingdom generates 21,000 cubic metres every year. So we are talking about a small amount of material.

Senator CROSSIN—We might get to the United Kingdom in a minute. Have we got a shipping company in mind at all?

Dr Cameron—Yes. These would be dedicated ships because all they carry is the waste and nothing else. There are only a certain number of these ships around the world. Our experience with sending material from this end is that it is better to use the companies that do this as a routine part of their operations. Certainly the expectation would be that the material coming from France would be organised by the French themselves, and they have great experience in doing that.

Senator CROSSIN—Can you provide me with a list of perhaps those companies that have these dedicated ships? Can you take it on notice?

Dr Cameron—There are only a few dedicated ships that all the companies use, but there are only a small number of companies as well. We can give you a list of the sort of companies that we considered for our shipments.

Senator CROSSIN—You have mentioned the UK. Have you read the latest committee report on the storage of nuclear waste that the United Kingdom has just released?

Dr Cameron—We have certainly read bits and pieces of it, yes.

Senator CROSSIN—As you have not read it in total, it would be unfair of me to ask for an opinion from you about that.

Dr Cameron—The United Kingdom is a unique place for waste. They have followed a process that is different from what happens in the rest of the world. They have had a number of false starts in terms of reactor programs and waste programs. They have a situation to deal with that is quite different from what happens in the rest of the world. They are also a small island. They are not blessed with the excellent geology that Australia has in terms of storage of such material. They would find it much more difficult to locate a site in the United Kingdom than we would here in Australia. There are unique circumstances in the UK that do not pertain to the majority of countries in the world.

Senator CROSSIN—There are aspects of the report I would like to discuss with you, but I will leave that for DEST this afternoon. I am sure you have found it interesting reading.

Dr Cameron—We are happy for you to do that.

Senator CROSSIN—Can I ask about nuclear power station waste. Have you provided any advice to government on the storage of waste from a nuclear power station?

Dr Cameron—With respect to waste, there is low-level waste, which we have talked about. Stuff coming out of a nuclear power plant would be no different. We have discussed intermediate-level waste a number of times. That is typical of the waste that would be returned to Australia. Then we have the spent fuel rods and any high-level waste that might be generated by the actions of a nuclear power plant. Most countries go through a process of reprocessing such spent fuel. They end up with waste which would be stored in a very similar way to our intermediate-level waste.

Senator CROSSIN—Are you suggesting that, if we have a nuclear power station in this country, we should reprocess the rods before we store them?

Dr Cameron—That is considered best practice around the world. I think we would be recommending that that should occur.

Senator CROSSIN—Have you provided any advice to the government about such matters?

Dr Smith—We have pointed out the fact that the once-through fuel cycle for a uranium-fuelled reactor uses one to two per cent of the potential energy within the uranium. By going to a reprocessing or recycle cycle, you can use up to 70 per cent of the energy. It is actually quite wasteful of resources to use a once-through cycle in a reactor.

Senator CROSSIN—I put it to you, then, that if your position is that best practice is that we would reprocess the spent fuel rods, I am assuming that the dump proposed for the Northern Territory could be the site in which those reprocessed rods are also stored.

Dr Cameron—All I can say to you is that the design of the current facility is not to deal with waste from a nuclear power plant or any sort of waste other than that which Australia currently holds.

Senator CROSSIN—But it is designed to actually bring back the waste from France and the UK.

Dr Cameron—It is indeed.

Senator CROSSIN—That is reprocessed spent fuel rods; is that correct?

Dr Cameron—That is reprocessed spent fuel rods.

Senator CROSSIN—Technically, if in the future we have a nuclear power station here and you are suggesting that the best way to deal with that is to reprocess those spent fuel rods, theoretically we could store our own reprocessed fuel rods at that dump in the Territory. If it is good enough for France's and Britain's spent fuel rods, it must be good enough for our own.

Dr Cameron—The only complication is that high-level waste is in fact heat-generating waste. The difference between high-level and intermediate-level waste is that high-level waste produces heat. If you are going to store high-level waste, you must have a way of getting rid of the heat. The design is different from what we are currently proposing to build.

Senator CROSSIN—You get rid of the heat when you reprocess the rods, don't you?

Dr Cameron—No. When it is encapsulated, it still produces heat. It produces about two kilowatts a metre. When you build a store for it, you must have some way of taking away that heat for a period of time until it can—

Senator CROSSIN—So we would be looking at a different facility?

Dr Cameron—Yes.

Senator WONG—Just on notice, if you could perhaps provide us—because we are very short of time and we need to move on—details on the overseas visits in relation the inquiry and increasing the capacity from your perspective of being able to utilise a nuclear power facility in Australia. I wonder if you could provide us on notice with details of those visits.

Mr McIntosh—Are you talking about visits by ANSTO staff?

Senator WONG—Yes.

Dr Cameron—We have no specific visits with regard to that issue. As part of other visits—

Dr Smith—The UMPNER group visited—

Senator WONG—No, I know what it was. You have an interaction with overseas.

Dr Smith—Yes, correct. The training we were talking about was to increase the skill of our current staff.

Senator WONG—Dr Smith, if you could take it on notice, I actually just want details of the organisations with whom you are having those arrangements. We have nothing further for the ANSTO. Thank you.

CHAIR—Thank you very much, gentlemen. We will now move on to the department proper and I will call the Higher Education Group.

[2.07 pm]

Department of Education, Science and Training

CHAIR—Welcome, Ms Paul and other officers from the department. I understand Senator Wong has some questions and other matters.

Senator WONG—You release each year—and I think we might have had a discussion about this on the last occasion—a statistical publication called *Students 2004* or 2005, 2006 et cetera, which contains statistics relating to students enrolled in higher ed courses in each of the Australian higher education providers et cetera. The 2004 year release was a 244-page hard copy version with Excel spreadsheets et cetera. The 2005 is a much shorter document, as I understand it, so I am wondering when there will be a similar version released for the 2005 student statistics report as has been released in previous years.

Mr Walters—We have posted the initial results for 2005 up on the website and I believe that the fuller publication is on the way. I will ask Dr Perkins to confirm that.

Dr Perkins—That is correct. We are in the final stages of actually finalising the 2005 annual report and we expect that it would be published on our website shortly.

Senator WONG—When you say ‘annual report’, is that the document to which I am referring?

Dr Perkins—I believe so.

Senator WONG—‘The final stage of finalisation’: could you translate that for me.

Dr Perkins—We are just checking some figures. As you are probably aware, this was the first year that we used the new higher education information statistics collection. We had some operational difficulties in getting the data through, checked and validated. We did publish the high-level data on our website in September but since then we have been checking some more details of the figures, validating with the universities that the figures are correct and that the way they have coded data is correct.

Senator WONG—Was the decision to only release initially a significantly reduced selection of the information made by the department?

Dr Perkins—Because we had operational difficulties in getting the data through the new system we thought that the high-level data was at a satisfactory stage to release but we still wanted to do additional checks on the more detailed data.

Senator WONG—I think my question was whether that decision was made by the department.

Dr Perkins—By the department, yes, and agreed by the minister.

Senator WONG—It was agreed by the minister. When was that communicated to the minister?

Dr Perkins—Towards the end of August.

Senator WONG—Was it at the minister's suggestion that the less detailed information be released?

Dr Perkins—No, I do not believe so.

Senator WONG—Is the department producing a higher education report for 2005-06?

Dr Perkins—For 2005, it is the first year of the annual statistics collection, so we have changed from the previous arrangement, which was—

Senator WONG—The triennium.

Dr Perkins—Yes, the data collection was September to August. Now we are on calendar years. This is the first year we have an annual report which coincides with the calendar year, and that is calendar year 2005.

Senator WONG—When?

Dr Perkins—When?

Senator WONG—Has it been produced?

Dr Perkins—The report?

Senator WONG—Yes.

Dr Perkins—Yes, it is in the final stages of drafting now.

Senator WONG—Of drafting?

Dr Perkins—We have the report almost ready. We are just checking some figures and we expect it will be published on our website shortly.

Senator WONG—Can we get some indicative time frames? When is this likely to be published?

Dr Perkins—I would guess in the next couple of weeks.

Senator WONG—What was the time frame for the one we were referring to before?

Dr Perkins—2004-05?

Senator WONG—No, the student statistics.

Dr Perkins—Once again, I think all the detailed statistics will be on the website in the next couple of weeks.

Senator WONG—Two weeks?

Dr Perkins—Yes.

Senator WONG—I have some questions about HELP loans and the budget. Someone was having a very interesting discussion with me about doubtful debts on the last occasion. Was that you, Mr Manns?

Mr Manns—Yes.

Senator WONG—I am not an accountant so you will have to—

Mr Manns—Me either, more an actuary.

Senator WONG—While I think of it, Dr Perkins, are you publishing those reports in hard copy as well?

Dr Perkins—Yes, I believe we will be.

Senator WONG—At the same time?

Dr Perkins—The hard copy will take a little longer to be printed.

Senator WONG—Are they tabled documents?

Dr Perkins—There is no requirement to table them, no.

Senator WONG—Should I put on notice a request for the hard copies of both those documents?

Dr Perkins—Yes.

Senator WONG—Mr Manns, I am trying to work out the way in which changes in the HECS rates affect the agency budgeted statement and the overall fiscal position. When I was looking back at our discussion about doubtful debts, as you explained it to me, there is a cashflow impact of a change in debt levels, or the amounts and/or doubtful debt—whatever. However the debt changes, there will be an impact in terms of revenue to the Commonwealth. Also, there is a change to the fiscal balance. I want to explore how that works.

Mr Manns—I am not entirely sure I understand the question. But I will begin, and we can take it from there. Changes in the amount of student contribution—which is the new term for HECS—really have three primary impacts on all of the figures we produce. Firstly, they affect our cash outlays, because we advance and pay moneys to the universities to effectively pay them for the amount that we are lending to students. So that is obviously affected by any changes in the level of student contributions.

Senator WONG—So, cash outlays to the universities?

Mr Manns—To the universities.

Senator WONG—Why is that affected by the changes in the student contribution? Because it flows through—

Mr Manns—Because it affects the amount of money we are paying to the university on behalf of the student who has taken out the loan.

Senator WONG—Second effect?

Mr Manns—The second effect is in relation to the accumulated debt level, obviously. As the amounts of student contributions change, that affects the total amount of debt that students

have and will therefore flow into the accumulated outstanding debt, which is also of course affected by other factors such as the repayment arrangements, but—

Senator WONG—Such as the—?

Mr Manns—repayment arrangements. For example, the government increased the income threshold for repayment as part of the BAF reforms by about \$10,000. That means that debt potentially is repaid more slowly, because compulsory repayments are not required until people earn higher incomes.

The third primary effect is on the estimation of doubtful debt, because again the level of debt, which is affected by the amounts students are charged, flows through into the estimates of doubtful debt.

Senator WONG—Is there not also a potential effect on revenue coming back to the Commonwealth? If you increase the level of contribution, you not only increase your accumulated debt level but also I presume in future increase the return back to government.

Mr Manns—That is really the accumulated debt, net of the doubtful debt. We have a new term for it: ‘debt not expected to be repaid’; I think that is the new term. Those two things broadly affect how much money the government will expect to get back ultimately from students, and the valuation of that amount is also affected by, effectively, the deferral cost of the loan, so it brings it into current price terms.

Senator WONG—I need to understand the accumulated debt level and how that is treated in the budget papers, so maybe Mr Storen can explain that to me. My recollection from when we did the international accounting standards on another committee is this: is it akin to an accounts receivable, which is actually accounted for as an asset?

Mr Storen—It is probably best if I refer you to some pages in our annual report that may help draw a distinction. The introduction of the Australian equivalent of the International Financial Reporting Standards has made a change in how we account for what we call concessional loans, which includes the HELP debt, the SFSS scheme and the Abstudy loan scheme. We will talk generally about HELP, because it is the largest one and the easiest one to talk about, but it does flow onto the others.

Senator WONG—Take it as given that this applies to everything—all the other concessions.

Mr Storen—Probably the page to focus on is page 314.

Senator WONG—You see: it is a receivable.

Mr Storen—It is a receivable

Senator WONG—And it is a financial asset; so I was half right.

Mr Storen—That is correct. It is a financial asset and it is a receivable. The question of the new accounting standards is how do you value that receivable—that is what has changed between the 2004-05 financial year and the 2005-06 financial year. If you look at the right-hand column of that page, which is the 2005-06 financial year—

Senator WONG—It is much higher.

Mr Storen—you will see HECS-HELP loans at \$11.5 billion, which is what I would call the gross or face value. That is the total amount of debt with students to be repaid to the government. You will see in the next line of that column what we call ‘allowance for doubtful debts’ at \$2.4 billion. That is the assessment of how much will not be repaid. That gives a net value of the \$9.1 billion. With the introduction of the new standards, AASB 139 provides a series of methodologies which financial instruments are to be valued at. We spent substantial effort in working through the implications of that standard and its application to these particular financial instruments. They are all fair-value methodologies. If look at the facing page, which is page 315—

Senator WONG—That is where you explain what you have done.

Mr Storen—That is the new treatment. The HECS debt of \$12.9 billion at the top is the gross or face value of the debt to be repaid at the end of the 2005-06 financial year, less an amount expected not to be repaid, which is very similar to the doubtful debt we previously used. It is not a terminology used in the new standards, so we have adopted that terminology. Then we have a line called ‘less accumulated deferral cost’. If you take the \$12.9 billion and remove the amount not expected to be repaid of \$2.5 billion, you have an amount of \$10.4 billion expected to come back to the Commonwealth. That \$10.4 billion will come back to the Commonwealth over 30 years and approximately 96 per cent of it will come in within the next 20 years. The accounting standards require us to discount that expected cash flow back to current prices. The cost of discounting, if you like, is what we are terming the ‘deferral cost’, which gives you the fair value of the debt at \$8.2 billion.

Senator WONG—I might unpack some of the assumptions under the accumulated deferral cost. The assumption is 96 per cent of the debt will be repaid over 20 years. What about the remaining four per cent? What proportion of that is doubtful, no longer doubtful or accumulated amount not expected to be repaid and what proportion is expected to be repaid outside of that timing envelope?

Mr Storen—Of the remaining four per cent, it is all expected to come back.

Senator WONG—Because you have already taken the doubtful debt out?

Mr Storen—That is correct.

Senator WONG—So the four per cent is outside that time frame, is it?

Mr Storen—That is right.

Senator WONG—Is the discounting simply—I suppose I am reversing back on inflation—trying to get a real-dollar analysis of what the repayment will actually be worth?

Mr Storen—That is correct. It is factoring the time value of money into the calculation.

Senator WONG—Hence you end up with the net fair value of \$8.184 billion.

Mr Storen—That is correct.

Senator WONG—This is a financial asset—is that correct?

Mr Storen—That is correct.

Senator WONG—Will we call it ‘debt receivable’? Help loans are a financial asset. Has the change in value of just under a billion dollars—

Mr Storen—That is correct.

Senator WONG—been reflected elsewhere in the budget papers or will it have an impact elsewhere? I cannot remember what happens when assets are valued downwards in terms of the Commonwealth budget.

Mr Storen—The answer to that is yes, it will be. At the time of the 2006-07 budget we had not yet adopted the Australian equivalent financial reporting standards in respect of financial instruments. It was one standard where there was a 12-month period to have a close look at it. You will find that, in the next budget, we will be using this methodology.

Senator WONG—That was not actually my question. Yes, I understand that—so we will see it—but how will it be accounted for? If there has been an effective billion dollar reduction in the value of this asset, is there some other expense item somewhere? What is the balancing item?

Mr Storen—Yes, it goes to the profit and loss statement, if you like, and gets written down there. I can probably find the reference.

Senator WONG—Can you just show me how that would work?

Mr Storen—There are a number of lines that get affected. The first one is on page 276, called ‘Other financing costs’.

Senator WONG—It would be listed as an expense?

Mr Storen—That is correct.

Senator WONG—Against the asset write-down—is that how it works?

Mr Storen—That is right. The terminology is a bit tricky, but there is a \$422 million expense against other financing costs. I am just checking the note to see if it actually just describes it against the loan types. In the note on page 313, it is called ‘HECS/HELP—write-down on initial recognition of fair value for new loans’.

Senator WONG—That will be increased, though, won’t it? That does not reflect the difference that we have been discussing on 314, does it?

Mr Storen—The difference on 314—with the introduction, there are two write-downs that I need to talk about. There is initially the introduction of the new standard, which is the reduction. It is around \$2 billion.

Senator WONG—That is the \$11.5 million to \$8.184 million? Is that what you are talking about, or was there a step in between?

Mr Storen—There are a number of steps in between, because what happens during the year is that new loans come on and some loans get paid off, which muddies the numbers. The initial adjustment relates to adopting a new standard, which means a reduction in the fair value.

Senator WONG—That is the \$422 million?

Mr Storen—No, the \$422 million relates to new debt coming on and writing down the new debt coming on, down to a fair value.

Senator WONG—It is only the incoming component there?

Mr Storen—That is right. The actual adjustment in the counts appears in a restructure note on page 297, and it is a \$2 billion reduction.

Senator WONG—It is \$12.2 billion to \$10.8 billion—is that the one you are talking about?

Mr Storen—That is the total assets, if you like. We have other assets in the department that are affected by the standards, but that is the big one there: the \$2 billion receivable with the note against it that refers to HECS-HELP, SFSS and SFSS Abstudy.

Senator WONG—Does that mean there will be an effective \$2 billion expense as the balancing item there?

Mr Storen—If you like, I could come back. My initial reaction is no, because it is a restatement of how the balance sheet looks and an adjustment to equity, and, when you adopt new accounting standards, the standards allow you to restate it only for those purposes, so the expense occurs when we take on new debt and write it down by this fair-valuation methodology, but when we adopt the new accounting standard we adjust equity and the asset.

Senator WONG—I thought the point of our previous discussion was that, when you adjust the value of the asset, you need the balancing item, which is written in as an expense.

Mr Storen—Normally yes, but when you adopt a new accounting standard it is different.

Senator WONG—You get a little out. You are glad about that, aren't you, Ms Paul?

Ms Paul—I am impressed.

Senator WONG—You might have to find \$2 billion; that would be worrying. Can you explain to me how the asset value is arrived at? Can you tell me how, under the new accounting standard, we get to \$8.184-odd billion as the total value of the asset? Let us leave aside the provision for doubtful debt or debt not expected to be paid, because I think I understand what that is—that is a discount on people who are not going to pay—but presumably it is not the totality of debt outstanding.

Mr Manns—If you look at the table on page 89, effectively what you have is the bottom line figure being made up of the new debt that has been reported, net of the repayments to the tax office. Ultimately that is what gives you the value of the accumulated debt outstanding. Then, as Mr Storen has explained, applied to that is the doubtful debt—we will keep calling it that—and then the bringing of the resulting figure into the current fair value amount. It is as simple as that, really.

Senator WONG—Let us take a snapshot in time so I understand this. Let us take the 2005-06 actuals on page 89; it has \$11 billion plus. Is that the actual nominal amount that is owed by Australian students?

Mr Manns—Correct, yes.

Senator WONG—Without any adjustment downwards at this stage. Is that right?

Mr Manns—Yes. These are the amounts that the tax office reports back to us as the amount of debt on the books for students. You will see there are two components there to cover the two halves of the financial year.

Senator WONG—I understood that.

Mr Manns—Obviously the main bit of the larger number is old debt plus the first half of the new debt added in the financial year. Then we add the second half of the financial year's new debt and take off the repayments.

Senator WONG—You take off the debt paid, which is PAYG—\$665 million. So that is the total nominal value; there is no adjustment downwards in that. That is exactly as at the snapshot of how much the ATO sees as owing on the books. Is that right?

Mr Storen—I will clarify to make sure we are talking the same language. You are looking at the middle column, which is the actual for 2004-05.

Senator WONG—I can do it with the other table if you would prefer.

Mr Storen—If you want to use the right-hand column, which is 2005-06 on the same table, it is a bit easier to explain. The \$12.4 billion at the top of the table is the actual amount the tax office has on what we call tax certificates, which has gone through the tax reporting cycle and is the amount that students owe as per the tax record.

Mr Manns—There is a table on page 88 which tells you how that starting figure is arrived at during the course of the year.

Senator WONG—That is clear.

Mr Storen—That is what we call the tax certificate record of what is owed, but because the tax system works, if you like, 12 months behind—

Senator WONG—Yes, I understand. Then you have to make a six-month provision for 30 June.

Mr Storen—That is the next two lines of adjustments.

Senator WONG—I understand that.

Mr Storen—That number is down to the \$12.924 billion, which is where we started on the accounting page.

Senator WONG—So that is the tax certificate debt; is that what you called it?

Mr Storen—The tax certificate debt plus the department's estimate of the amount of new loan—

Senator WONG—for the six month period?

Mr Storen—for the six months—

Senator WONG—Less the repayment?

Mr Storen—less the assessment of how much has come in to the Commonwealth but not yet been assigned as HECS repayments because we have not had a tax return cycle.

Senator WONG—So the \$10.42 billion figure at the bottom, which is after you deduct doubtful debt, is the net asset value?

Mr Manns—Before you do the fair value—

Senator WONG—Before you do your fair value—

Mr Storen—Before the discounting.

Senator WONG—AASB139 or whatever it is.

Mr Manns—Yes.

Mr Storen—That is correct.

Senator WONG—How does it flow on when you have an increase in the level of debt? I cannot recall the announcement but we have had one announcement where there has been an increase in the HECS debt associated with certain degrees—correct?

Mr Manns—I think you are referring to the increase in the FEE-HELP loan limit for medicine, dentistry and veterinary science courses, so that is the maximum that a student is able to borrow.

Senator WONG—What I am trying to work out is the relationship between the level of projected debt—that is, when you adjust it in a particular year by saying, ‘Okay, we’re now going to let students borrow more, so we can adjust our estimates as to what the debt levels will be.’ How is that reflected in the asset value?

Mr Manns—It affects almost all of the elements of the grand equation we have been referring to. That particular measure that you referred to has an effect on expenses, the related revenue items—

Senator WONG—What are you looking at?

Mr Manns—I am looking at my own notes, but many of these figures were in fact in the PBS, at least at summary level, when that measure was announced. So there is an impact on expense and related revenue, on the fiscal balance and on headline cash.

Senator WONG—I am trying to work out how you calculate that so I can understand it. With respect to your \$8.1846 billion, which is your fair value valuation of the asset, let us say that there is a 10 per cent increase in the HECS rates. How does that flow through to the asset valuation? You have already had various increases, so can you explain it to me.

Mr Manns—The short answer is that it will over time because what the asset is reporting is the actual amount of debt that students have. It is not a prediction or an estimate in that sense. The asset is really the value of debt.

Senator WONG—But don’t you project the value of the asset through the forward estimates? I thought you did that.

Mr Storen—That is correct. In the PBS you will find a projection of the receivables into the forward estimates.

Senator WONG—Could you tell me where?

Mr Storen—You have got the 2006-07?

Senator WONG—Yes.

Mr Storen—It is at an aggregate level, Senator; it does not help us.

Senator WONG—That is not unusual when it comes to PBSs these days. Where should I be looking, Mr Storen?

Mr Storen—On page 110 there is a line for receivables.

Senator WONG—It is included in receivables?

Mr Storen—It is included in receivables. In the first line, 2005-06, estimated actual is \$20.8 billion. There are two elements in that line. Unfortunately they are not unpacked here, but I will take that forward for the 2007-08 PBS. There are two halves. Half of it relates to the receivable we are talking about—\$10 billion to \$12 billion—and the other half relates to appropriation receivable.

Senator WONG—Let us not worry about that. Can you give me what the component of this asset would be over that forward estimate period for that line item?

Mr Storen—It is not with me.

Senator WONG—Really?

Mr Storen—Bear with me.

Senator WONG—I can wait.

Mr Storen—I have unpacked expenses down to quite a low level, but I do not have unpacked assets. But you will find that the value of it rises in the order of a billion dollars to half a billion dollars a year. I think the source of your question, and Mr Manns went to part of the answer, is that the way actuaries work is largely based on historical data. We are looking at, over the repayment period of HECS loans ever since the scheme existed, the pattern of students' repayments as they repay the loan. You are asking how, when we put in a budget measure which may increase the level for X hundred students, that ripples through into the assumptions of the repayment over the period.

Senator WONG—No. I am actually asking how that ripples through into the assumptions which underpin your fair value of the asset.

Mr Storen—That is correct. This year, 30 June 2006, was the first time we have fair valued it using the international accounting standard. It has been largely based on the experience to date of the annual repayments of students and their debt.

Senator WONG—I understand that.

Mr Storen—At this stage we have not been sophisticated enough to be able to project debtor behaviour in how they will repay their debt with the measures that increase it.

Senator WONG—Maybe I am misunderstanding the issue, but, as I understood it, the fair value of the asset is largely predicated on what your assumption is about repayment patterns, et cetera. I understand what you are saying about that, but I am talking about your actual debt level increasing. Potentially the value of the asset increases. I am trying to work out, if the debt levels increase, what happens to the value of the asset. How does that translate through? For example, if the government said, 'We're going to put all the HECS levels up by 10 per cent,' would that equate to a 10 per cent rise in the fair value of the asset or would you have it at eight per cent because you have to adjust it for your repayment patterns and present value

of future earnings et cetera? How does that work? You must have done it at some point, because you have had changes to your HECS levels.

Mr Manns—I think the short answer to your question is that, yes, we model the forward estimates of accumulated HELP debt, which are affected by a whole range of factors, one of which clearly is policy change. It is a learning model in the sense that it picks up changes in observed behaviour of persons' repayment propensities and actual repayment levels. I guess we could give you, perhaps on notice rather than now, an outline of the things that feed into our estimation model—

Senator WONG—Of fair value?

Mr Manns—No. It is the starting point, which is the accumulated debt. That is really the key thing, to which then the doubtful debt and the fair valuations—

Senator WONG—That is fine. I would be very happy to receive that. If you would like to take it on notice, that would be great. But I am actually talking about something different. If you assume that the variable of repayment rates and repayment behaviour remains the same—I am not asking you to readdress that—but your debt level increases because the government say they are going to put it up by 10 per cent, what is the effect on the value of the asset? All other variables remain the same, so do not change your actuarial analyses, do not change your behavioural assumptions about repayment behaviour et cetera. Mr Storen is nodding. I think he understood what I asked.

Mr Manns—All other things being equal, the accumulated debt will rise faster than it would otherwise have risen, but it can be quite complex because typically there are grandfathered students in the system who are still accumulating debt under the old rules—and we have some of those in the system at the moment—so you have to make assumptions of when and how many students will be affected and so on. Yes, that is a policy change. Those policy changes are in fact taken into account in our estimation model. I think what we do not have with us just at this precise moment is the amount of the impact on our estimates of accumulated HECS debt, which is the starting point for the asset, as a result of that particular measure you asked us. We have the expense and revenue numbers but not the—

Mr Storen—If I can have a go at a hypothetical. The question is: if the HECS level was \$1 billion higher at face value, what would our assessment be of the increase in the fair value? If everything else is equal—that is the type of debt, the behaviour of students and the repayment trends—my best assessment is that it would be a similar proportion to what we have here. If you look at the amount not expected to be repaid—which is \$2.5 billion over a gross debt of \$12.9 billion—that is in the order of 18 per cent or 19 per cent. It would reduce the \$1 billion by that amount and then I would reduce the \$1 billion again by the \$2.2 billion over the \$12.9 billion. On these rough numbers for that hypothetical example, with everything else being stable, my quick maths is \$1 billion would turn into about \$500 million to \$600 million in fair value.

Senator WONG—With an adjustment downwards for present value.

Mr Storen—That includes—

Senator WONG—That includes that?

Mr Storen—It would probably go \$1 billion down by about \$200 million very roughly and down by about another \$200 million to the \$600 million fair value.

Senator WONG—Assuming that the 18.9 per cent is the fair value.

Mr Storen—Assuming behaviour stays the same across a range of factors.

Senator WONG—Yes, I understood all your caveats. I am just trying to work out how you process that. So if it is \$1 billion more you would say—was it 18.9 per cent? What was that component related to?

Mr Storen—That is what I call the amount not expected to be repaid, previously termed ‘doubtful debt’.

Senator WONG—And then?

Mr Storen—What I called the deferral or the cost of discounting.

Senator WONG—Which was what proportion approximately?

Mr Storen—It was \$2.2 billion over \$12.9 billion, just shy of 20 per cent.

Senator WONG—Where do we get the \$2.2 billion?

Mr Storen—Off page 315.

Senator WONG—So you are applying the same proportions?

Mr Storen—Yes. If you are dealing with very large numbers at a gross level—

Senator WONG—I understood; I get it. That is very helpful. Therefore, if you have a decrease you would do the same? If you had a 10 per cent reduction in debt level; say there is a policy decision there.

Mr Walters—If you had a 10 per cent reduction in the student contribution rate?

Senator WONG—Yes.

Mr Walters—Yes. That would take quite a long time to translate into a 10 per cent reduction in the actual outstanding debts.

Senator WONG—Yes, but presumably that is contemplated in the \$2.2 billion over \$12.9 billion variable that you talked about before, Mr Storen?

Mr Storen—That does not anticipate a reduction in the debt level.

Senator WONG—How would you then deal with a reduction?

Mr Walters—It would depend on whether you grandfathered the reduction—whether it applied to all existing students or only new ones. That would make a big difference.

Senator WONG—If you did grandfather and say you said only new ones?

Mr Manns—It would still take quite a long time to flow through because most of the debt in the system is old debt.

Ms Paul—It would be quite long time until you saw a significant effect.

Senator WONG—But there would be some form of reduction of the asset value that you would have to impute; correct?

Mr Manns—It would begin to come down compared to what it would otherwise be, all other things being equal.

Senator WONG—When would that happen?

Mr Storen—It would be a reduction in the growth of the asset.

Senator WONG—Because these are snapshot figures and your starting point for the value of the asset is the certified debt, is that the phrase you use, tax certificate debt?

Mr Storen—Yes, tax certificate.

Senator WONG—Tax certificate debt—that is your starting point for the fair value is it not?

Mr Storen—That is the starting point for—and it has been the starting point for our valuations

Senator WONG—and then you work back. If we go to page 110 of the PBS I am assuming therefore that the tax certificate debt—you cannot give me disaggregated figures on the receivables line item here? That is okay. But the starting point for that—the component which is the HELP debt receivable in that line item—is the tax certificate debt?

Mr Storen—The starting point for the number in here?

Senator WONG—Yes

Mr Storen—That is correct.

Senator WONG—Before we do all the things that we have discussed?

Mr Storen—That is correct

Senator WONG—So the only reduction over the forward estimate period would be to the assumptions that would be in here as to growth in the asset value?

Mr Storen—That is correct. If I am understanding you correctly Senator—yes.

Senator WONG—At what point, if there is a reduction in the asset value, do you have to have the expense balancing item that you are going to get out of, in your case because of the introduction of a new accounting standard?

Ms Paul—Just to clarify. Mr Storen, you are saying you would not anticipate a reduction in the value of the asset, you would anticipate a reduction in the rate of growth of the asset.

Senator WONG—But it is projected value because there is a forward estimate projection in the growth of the value of the asset?

Mr Storen—That is right—yes

Senator WONG—So there is no real reduction in everyday terms in a snapshot—

Ms Paul—That is right.

Senator WONG—but there is a reduction against your projections as to growth and value of the asset. Have I got that right?

Mr Storen—That is right. If you graphed it the gradient would decrease.

Senator WONG—At what point under the IFRS, do you have to actually indicate that change as an expense?

Mr Storen—Because it is forward years you would not recognise the change as an expense on an annual snapshot basis. What would occur, would be in moving forward when you looked at the new debt provided for a new year. Instead of expensing \$400 million to reduce it to fair value if there were assessed reductions in total debt, you would be, for example, maybe reducing it to a \$350 million or \$300 million expense for the new debt.

Senator WONG—So you actually reduce the expense?

Mr Storen—The annual expense would reduce in respect of new debt if the parameters around that debt changed.

Senator WONG—Reduction in expense, reduction in the value of the asset?

Mr Storen—Yes

Senator WONG—Projected value.

Mr Manns—Size of the asset.

Senator WONG—He is thinking. That is why I was pausing. I was letting him think.

Mr Manns—That is possibly the distinction. It is not the value of the current asset that is changing—in a sense—and those are the things that you would typically expense. For example if there was a big change in the estimation of doubtful debt that affects the value of the current asset, so you typically expense those sorts of things. Whereas what you are talking about is the future size of an asset rather than a change to the value of something that you already have.

Mr Storen—That is right—because the first assumption that we started with was that current debt stays the same.

Senator WONG—To go back to what you and I were talking about—if you are saying, okay over the forward estimate this is the projected growth of the asset, like that, that is saying there is a policy decision which actually does this. Does that difference there have to be accounted for as an expense?

Mr Storen—No because the accounts are based on the historical period as at 30 June each year and what we are talking about is something in the forward budget that may or may not occur depending on what else is occurring.

Senator WONG—I think I understand that. I have had some discussions actually today with CSIRO as well about the difference between IFRS and the accounting standards. Is it GFS—government financial statistics/standards, something like that anyway?

Mr Storen—Yes.

Senator WONG—As I understand it, the budget papers do not use IFRS but the annual reports for a number of agencies—certainly you and CSIRO—do. Is that correct?

Mr Storen—That is correct. There are a number of acronyms around this.

Senator WONG—International Financial Reporting Standards.

Mr Storen—AEIFRS, yes, that is correct. The annual financial statements as at 30 June 2006 reflect the adoption of AEIFRS. The budgeted statements do not; they are basically compliant with GFS—government finance statistics.

Senator WONG—It is ‘statistics’? I did not know what the ‘s’ stood for.

Mr Storen—There are some differences in presentation.

Senator WONG—Is there any difference in terms of the treatment of asset valuations?

Mr Storen—Not of the valuations themselves.

Senator WONG—What about in the accounting treatment of reduction in the projected value of assets—the example you were using before?

Mr Storen—Not in that instance. There is some difference in relation to the annual recognition of expensing, but not in relation to the value of the asset moving forward.

Senator WONG—Annual recognition of expensing?

Mr Storen—Expenses. The accounting way of recognising this is what we call AAS31 compliant, which is traditional accounting. GFS has some slight differences. Some of those go to, in this area, the way doubtful debt is recognised. There is a nice explanation in the back of one of the Treasury documents.

Senator WONG—About expensing or about asset valuation?

Mr Storen—About GFS and AAS. For the purposes of the numbers you have in front of you, the financial statements provide a good breakdown of the elements that relate to the asset itself.

Senator WONG—Referring to increases or movements in HECS rates, presumably there is a cash flow effect in addition to or apart from the issue we have been discussing?

Mr Manns—Yes. I think, as I said in the first part of my answer, to the extent that students are being charged more or less, that will affect how much we advance the universities and ultimately pay them for the value of those deferred tuition costs.

Senator WONG—Going back to 314, or it might have been 89, would it also affect your tax certificate debt level, which is the starting point? If we go back to 89, if your HECS receipts payments through PAYG are reduced, how do you factor that in?

Mr Manns—Sorry, I am not quite sure of the question. The PAYG receipts have to do with the repayment arrangements in place at the time. They are affected by the repayment thresholds and so on as much as they are, in a lag sense, affected by the rate at which students accumulate debt based on the charging arrangements in place over their lifetimes, potentially.

Senator WONG—What is the cash flow impact in terms of your outlays to universities?

Mr Manns—For us, for the year in question, if the students are charged more or less as a result of a policy change, then we will pay the universities more or less for the value of those loans and, in relation to HECS-HELP students, the value of the discount for up-front payments as well.

Senator WONG—Presumably, the revaluation which had to occur as a result of the application of IFRS is something Finance worked with you on, Mr Storen. Was there a

disagreement, or were you all in perfect accord about how IFRS should be applied in the fair valuation you came to?

Mr Storen—We do not have disagreements with the department of finance.

Senator WONG—I am going to remind you of that one day.

Mr Storen—There was a substantial amount of work done largely by the department, as the asset is administered by the department on behalf of the government. It is a material asset for whole of government; therefore the Department of Finance and Administration were involved. We worked with the Australian National Audit Office, who audit what we are doing against the standards. We also worked with the Australian Government Actuary, who does the financial forecasting and modelling. At the end of the day, the treatment is the department's call, but it is quality assured and verified by the audit office. They signed the accounts with no qualifications or findings in relation to that. I consulted with the department of finance throughout the process to ensure that, with whole of government, they were aware of and comfortable with where we ended up.

Senator WONG—I am sure we will come back to this.

Mr Storen—It is a very difficult accounting standard to apply to what is a very difficult loan arrangement. Accounting standards are largely driven by the private sector for private sector arrangements. This arrangement is not easy.

Senator WONG—The mutual society said the same thing to the parliament. The treatment of debt and equity changed and had a significant impact on their bottom line. They did not say it was designed for the private sector or the public sector; they said it was designed badly for them.

Ms Paul—That was very important to us because, in being able to sign off on the financial statements, we needed to work very closely, particularly with the ANAO. That worked well, but it has been a new thing for us and quite complex.

Senator WONG—It is supposed to make it easier to access international capital. I think that is the rationale.

Ms Paul—Is that right?

Senator WONG—But I guess you are not in that market.

Ms Paul—Possibly not.

Senator WONG—We went into a bit of detail about the doubtful debt last time. Has there been any shift in the assumptions applying?

Mr Manns—Broadly speaking, no, in terms of the model the actuary uses. I think we spoke last time about the fact that the actuary had done a major reworking of their model. That has not occurred again in relation to the most recent figures. They have done some of what they call recalibration within the model. Essentially, there has been no fundamental change. We provided you with the actuary's report.

Senator WONG—Yes, you did. I did not understand it all. Do you remember the doubtful debt to outstanding debt ratio in the question on notice E050_07? Could you explain that to

me in layperson's language? It shows 18 per cent and 19.6 per cent. Does that mean women have a higher doubtful debt?

Mr Manns—Yes. That is essentially based on the income profiles for women that the AGA has. The whole model is really based on looking at the income profile historically of those with debt and trying to project that forward over, as Mr Storen said, a long period—30 or 40 years—to work out a lifetime probability, if you like, of repaying the entire debt.

Senator WONG—So women find it marginally harder to repay it than men.

Mr Manns—No, I think that is not—

Ms Paul—It is a reflection of lifetime earnings. I think that is what Mr Manns is saying.

Senator WONG—I agree.

Mr Manns—I think couching it in terms of 'harder to repay' implies that somehow women are not doing the right thing in relation to their debt.

Senator WONG—No, not at all—absolutely not. It is the other way around. It is more difficult for us to pay because generally women earn less and earn less for longer, as it were.

Ms Paul—That is right.

Mr Manns—The important point is that the scheme by design is intended to provide a subsidy to women precisely on that basis. In other words, you are only expected to repay if your income reaches a certain level. It is not as though—

Senator WONG—We could have a long discussion about whether that design is actually achieving that outcome, but I do not think that would be helpful. I understand that is your view.

Mr Manns—It is not a view. It is a fact, in a sense, because—

Ms Paul—It is a fact of the model, of course.

Mr Manns—it is an income contingent repayment system.

Senator WONG—I am saying we could have a long discussion about whether that in fact is sufficient to achieve the objective.

Ms Paul—I think we are in agreement. I think we are simply saying that, because of the lower lifetime earnings projection, the actuarial model assumes there will be a higher incidence of women not repaying.

Senator WONG—Not being able to pay.

Mr Manns—Not being required to repay—I think that is a better way of putting it.

Ms Paul—Not being required to repay because of the threshold.

Mr Manns—I think that is the subtle distinction I am making.

Senator WONG—That is what you are trying to say.

Mr Manns—Yes.

Senator WONG—I want to move on to enrolment allocations. Thank you very much, Mr Storen, you have been very helpful. If there is anything, because we have had a fairly lengthy

discussion, that you feel that you need to clarify, I am sure you will avail yourself of the opportunity.

We had a discussion last time, Mr Manns, about the reallocation of certain places. I think CQU was the subject of the discussion at that point. Can you tell me, now that we are in November, which universities, if any, sought a reduction in their allocation of Commonwealth supported places in 2006?

Mr Manns—That has not changed since the last time we spoke. We are in the process of allocating, and agreeing on the number of, places with universities for 2007. The number of places for 2006 was agreed with the universities probably a little earlier than this time last year.

Mr Walters—Senator, are you asking whether we have had any further discussions over the allocations for next year?

Senator WONG—No, unless this question is wrong. I am trying to remember what you told me about 2006 places. I am going to go to underenrolment shortly. I am asking which universities, in the year of 2006, sought a reduction in their allocation of Commonwealth supported places.

Mr Manns—As I say, I think that was answered previously. From memory, because this is casting back more than a year now, it was Central Queensland University, and Charles Darwin sought a deferral of some of its pipeline, and that was it.

Senator WONG—That was it?

Mr Manns—That is my recollection, but I am a bit hazy on that now.

Senator WONG—I am talking about 2006.

Mr Manns—Yes but these were allocations made a year ago.

Senator WONG—Yes, I know. Have any universities who failed to fill their 2006 places been penalised for not meeting their target financially?

Mr Manns—No, not at this time. The way the potential adjustments work is with a lag. Potentially, a provider that does not fill its places in 2006 may have a reduction in its grant for 2007.

Senator WONG—How about 2005?

Mr Manns—In 2005 those who did not fill all of their places will not be subject to any adjustment of their 2006 grants.

Senator WONG—I will come to that. Are you able to update EO80_07? It states, ‘Which higher education providers did not have their student enrolments meet their target load during 2005?’

Mr Manns—We have gone through a process of verifying with each provider because—as Dr Perkins said earlier—2005 was the first year of the new data collection. Once we got the numbers out of the data collection we went back to each provider to make sure they were happy with those. That process has literally only just finished. We have not yet briefed the minister on the outcome of that. I expect we will be in a position to do so within the next

week or two. I would prefer to make sure the minister is briefed on the issue. I have not yet myself seen the absolute final results of the reconciliation.

Ms Paul—We have already taken this on notice, so we will do so.

Mr Manns—So the answer will be probably no more than a couple of weeks away.

Senator WONG—A couple of weeks? That is three things we are going to get in a couple of weeks.

Mr Manns—A lot of things have been collected by the data collection process.

Senator WONG—I am trying to work out whether I have an argument with you about that answer or whether I just accept the fact that you want to brief the minister before you tell me.

Ms Paul—I do not think we have finished our internal process either. But we will certainly meet our commitment to the committee.

Senator WONG—How many universities would not have met their enrolment targets, if you do not want to tell me who they are?

Mr Manns—I would prefer to take it on notice because now I would like to be confident that I have the figures in a form that I can sign off to the minister before I give them to you, Senator. That is not very far away.

Senator WONG—You have already said nobody will be penalised. I am not an expert in this area, but the act sets a band—under-enrolment, over-enrolment. They can face financial penalties under the act if they do not come in within the band; is that how it works?

Mr Manns—The act sets a default mechanism, if you like, but it also provides that the minister may make guidelines—as part of the Commonwealth Grants Scheme guidelines—to provide for a different arrangement. The minister has made guidelines under the CGS to say that the automatic clawback beyond the one per cent margin will not apply in relation to 2005 under-enrolments and that we needed to couch it in terms of the minister having discretion. It is my expectation—as Dr Nelson had previously advised the sector—that there will not be any such adjustments. Again, the minister will need to sign off on that and that will be part of the brief that we will be giving her shortly. Those guidelines have been tabled in parliament.

Senator WONG—So you will provide an update to EO80_07 after you have briefed the minister and finalised them.

Mr Manns—Yes.

Senator WONG—When were the guidelines you referred to tabled?

Mr Manns—I do not have that date; it is some little time ago now.

Senator WONG—These indicate that the automatic penalty—

Mr Manns—Does not apply.

Senator WONG—does not apply. Can you do that?

Mr Manns—Yes.

Senator WONG—Does the act say, here is a penalty but the minister can—

Mr Manns—Yes, as I say, in fact, the section of the act says—

Senator WONG—I will accept that, Mr Manns.

Mr Manns—It is all about what happens in the absence of guidelines.

Senator WONG—Okay, so it is a default?

Mr Manns—Yes, it is a default.

Senator WONG—What led to the introduction of the guidelines?

Mr Manns—Again, I think this goes back to earlier discussions. Primarily, it was in recognition of the fact that 2005 was the first year of the new Commonwealth Grant Scheme system. It was a reasonable thing to do to give providers some time to adjust to that, and that is basically it.

Senator WONG—Was it also because there actually were a range of universities which were potentially going to be penalised?

Ms Paul—No, it was decided quite early. I think Dr Nelson announced it quite early after the initial announcements of Backing Australia's Future, and it was part of the set-up of the scheme that that first year would be dealt with in that way.

Senator WONG—No, these are new guidelines just recently tabled.

Ms Paul—Yes, but I think the intention has been known for some time, which has then been realised through the guidelines which were required to realise that intention, but he made his intention known quite early on.

Senator WONG—Okay. Can you also tell me in relation to the discussions currently for the 2007 year, have any universities asked DEST for a reduction in places for 2007?

Mr Manns—Yes, they have.

Senator WONG—Can you tell me which ones they are?

Mr Manns—At this stage—and I preface my answer by saying we have not actually signed off funding agreements with any provider at this stage, so it is all subject to final signing on the dotted line by both parties, but that caveat aside—Southern Cross University has requested fewer places next year than they would otherwise have received.

Senator WONG—Can you tell me the numbers?

Mr Manns—It is a net reduction of 326 in EFTSL in 2007.

Senator WONG—Effective full-time student—?

Mr Manns—Load, or a place in common parlance. But part of that is intended to be temporary, so they want some of those places to return to them in 2008, the bulk to be returned, and some of it is the result of what we call cluster shifts, so moving places to some higher cost clusters so they get a net reduction within the same amount of funding.

Senator WONG—This is within Southern Cross?

Mr Manns—This is within the university itself, yes. There are no places freed up for permanent reallocation as a result of that arrangement with Southern Cross.

Senator WONG—You said that is a net reduction and you said some of those they wanted back, but not all, but you are not reallocating the places in excess of the ones they want back?

Mr Manns—No, there is only a very small permanent reduction, if you like, and the way the funding system works is that to have a new place to allocate to somebody else, we have to have enough places to cover the pipeline for that, so not quite four times as many places, more like nearly three times as many places, so that we have got the funding to meet the pipeline. When a provider simply gives up places for one year, or a very small number of places on a permanent basis, it does not really provide any capacity to reallocate on a permanent basis.

Senator WONG—Okay, you were going through.

Mr Manns—Yes, we have not absolutely finalised the arrangement with James Cook University, so I am reluctant to say where that will end up just at the moment. There is a very minor one with the Australian Maritime College of 30 places deferred just for one year because of some delays in developing their Point Nepean campus, and the University of Canberra, again, a one year only reduction of 200 EFTSL in 2007 but they want those places back in 2008.

Senator WONG—Which particular disciplines are the 200 at the University of Canberra in?

Mr Manns—I do not have that detail with me.

Senator WONG—What about Southern Cross?

Mr Manns—Likewise. In most cases they are a fair mixture across the clusters, but I do not have all of the detail with me—I am sorry.

Senator WONG—Please take on notice the details about that, their numbers and where they are coming from for the University of Canberra, Southern Cross and the Australian Maritime College. Then perhaps also provide on notice the information for James Cook, if that occurs within the period for answering questions on notice. I think that is 16 December, so presumably you will have resolved it by then.

Mr Manns—With your indulgence, as you would like to have final figures, I would prefer to give you an answer to all of those once we actually have the funding agreements signed off with the relevant providers. All of the ones I have mentioned, with the exception of James Cook, are with the providers at the moment for signature.

Senator WONG—I just did not want to hold up the provision of the answers in respect of the other three because of any delay on James Cook—that is what I was clarifying.

Mr Manns—Okay. Mr Walters has reminded me of Edith Cowan University, which I had on a different page—I beg your pardon. Edith Cowan has given us 1,412 places back next year, of which 799 will be available for permanent reallocation to others. In light of what I explained to you earlier with pipeline effect, that probably means something like about 290 commencing places will be able to be reallocated. The process of reallocating those to other providers is still underway.

Senator WONG—Just to confirm: 1,412 places of which 799 are available for permanent reallocation, which obviously you allocate at a discounted number for the reasons you have outlined.

Mr Manns—That actual number will depend on the clusters in which the places are reallocated to fit within that—

Senator WONG—Are clusters like degree sequences or study areas or something?

Mr Manns—Broad discipline clusters.

Senator WONG—Just remind me: are any of the places from the University of Canberra and Southern Cross available for permanent reallocation?

Mr Manns—No. I think I said no to that.

Senator WONG—We have previously discussed Charles Darwin University; I think there was a request for a deferral for a number places from 2006 to 2007. Is that right?

Mr Manns—Yes. Charles Darwin sought not to have the full pipeline of its growth places in 2006 but to have that returned in 2007 and there has been no change to that.

Senator WONG—So they are taking them all up at this point?

Mr Manns—Yes.

Senator WONG—What about overenrolments?

Mr Manns—In relation to 2005 the position is the same as I explained to you with underenrolments in terms of where we are up to, getting that completely finished and being able to put it over to the minister.

Senator WONG—So you can provide that data to me at a later stage.

Mr Manns—For 2005?

Senator WONG—Correct.

Mr Manns—Yes. For 2006 we will not have actual data on overenrolments until the middle of next year. At the moment we have obviously been concentrating on asking providers if they are underenrolled, because that raises the potential of reallocating places.

Senator WONG—Apart from the universities you have outlined in your previous answer, are there any other universities of which DEST is aware who are unlikely to meet their enrolment targets in 2006?

Mr Manns—No, I am not aware of any others at this stage.

Senator WONG—Under the new guidelines—

Mr Manns—I beg your pardon; we did only go through part of the list in terms of the ones that were potentially going to give back places. There are others that are underenrolled or potentially underenrolled this year but are not seeking to have that flow through to any change to their number of places for next year.

Senator WONG—Shall we summarise what I am seeking on notice?

Mr Manns—I can give you broad numbers for those now.

Senator WONG—What can you give me now?

Mr Manns—The ones who have told us that they are likely to be underenrolled this year but are not seeking any change to their allocation of places for next year.

Senator WONG—Okay.

Mr Manns—Obviously we already talked about the ones who are seeking to have a reduced number of places. The other ones who flagged potential underenrolments in 2006 are the University of New England, the University of Ballarat, Central Queensland University, the University of Queensland, Murdoch University, the ANU and Charles Darwin University.

Senator WONG—Are these the ones you do not want to give me specific figures for as yet?

Mr Manns—No. We were talking about actuals for 2005 in the earlier question. These are the indications that the providers themselves have given us, given that we do not have any 2006 actual data at this stage.

Senator WONG—Are you able to give me the numbers they have indicated?

Mr Manns—In broad terms, yes, I can. Again, these figures are the EFTSL. For the University of New England, the figure is 230 to 300; for Ballarat, 170; for Central Queensland University, 100 to 200; for the University of Queensland, around 525; for Murdoch University, about 200; for the ANU, about 200; and for Charles Darwin University, about 100.

Senator WONG—Thank you.

Mr Walters—These are all provisional figures because the universities are still adjusting, for example, for the second semester enrolments and they will not give us the final figures until May.

Senator WONG—I understand that. I have not read the guidelines but they have been tabled. Do they remove any default penalty in respect of both underenrolments and overenrolments?

Mr Walters—No. It is in relation to underenrolments for 2005 only.

Senator WONG—So the penalty for overenrolments for 2005 would remain?

Mr Manns—The adjustment, yes—potentially.

Senator Wong—How many universities are looking like having to require that adjustment?

Mr Manns—None at this stage.

Senator WONG—How many would have, but for the guidelines, been adjusted?

Mr Manns—There has not been any change to the default mechanism in HESA in relation to overenrolments.

Senator WONG—I understood that, but you are saying nobody falls within the factual circumstances which would require it. Is that correct?

Mr Manns—That is right, the arrangement in HESA gives the five per cent overenrolment tolerance, in addition to which a number of universities have been given what we call transitional overenrolments because they were the ones that were heavily overenrolled before the new arrangements were brought in. They were allowed to have that level of overenrolments before even looking at the five per cent. On the preliminary information I

have been given, when they and the actual overenrolments are taken into account, no institution in 2005 should be in the territory of having a penalty applied for overenrolment.

Senator WONG—In 2006?

Mr Manns—In respect of numbers in 2005.

Senator WONG—The guidelines remove the default position, as it were, for 2005 only?

Mr Manns—And only for under-enrolments.

Senator WONG—But your evidence is that no-one would meet the circumstances that would in fact require the imposition of the adjustment for over-enrolments in respect of 2005?

Mr Manns—The penalty adjustments.

Senator WONG—I was using your language. I used penalty and you said adjustments. I was trying to be good. You called it a penalty adjustment. The penalty adjustment will not apply to over-enrolments in '05. There is not one.

Mr Manns—Yes.

Senator WONG—How many universities, but for the introduction of the guidelines, would have been penalised for under-enrolment in '05?

Mr Manns—That goes back to the earlier question about the actuals for '05.

Senator WONG—Which you are taking on notice.

Mr Manns—Yes.

Senator WONG—Just to clarify: it only relates to '05, so presumably this time next year or earlier next year the minister will have to make a decision about whether that transitional relief is extended if there are in fact under-enrolments or over-enrolments.

Mr Manns—The minister has already signalled that, in relation to potential under enrolments in '06, she is interested in working with universities on a mechanism by which they would be able to keep part of what would otherwise be the adjustment and use that retained money for purposes, that are agreed with her, that go towards repositioning the university, building up its strength and so on. She has already written to vice-chancellors flagging that.

Senator WONG—To how many universities has she written?

Mr Manns—She wrote to all those chancellors, flagging that approach. In fact, those numbers that I gave you about potential under-enrolments this year were provided by the universities in response to that letter.

Senator WONG—What is the funding impact of the reallocation of 799 permanent places at Edith Cowan?

Mr Walters—While Mr Manns is looking that up, I make the point that, in terms of reducing the EFTSL which is allocated to the university, that also means there are cost changes for the university in that they will not be servicing that number of students.

Mr Manns—The value of the 799 places is \$5.9 million. The value of the total number of places Edith Cowan will not be receiving next year, which it otherwise would have received—that is, 1,400—is \$9.2 million.

Senator WONG—The \$9.2 million relates to the 1,412 and \$5.9 million to the permanent reallocation of 799. Is that right?

Mr Manns—That is correct, yes, in 2007.

Senator WONG—But you are not going to give it back to them?

Mr Manns—No. The \$9.2 million is an amount that Edith Cowan will not receive next year. I should reiterate that the reason for the difference between the two figures—799 and 1,400—is that Edith Cowan is going to build back up.

Senator WONG—Yes, I understood that.

Mr Manns—They will get some of that money in future years.

Senator WONG—Can you give me the same figures for Southern Cross for '07?

Mr Manns—No, I am sorry, I do not have that with me.

Senator WONG—Are you able to get it?

Mr Manns—Yes.

Senator WONG—I would like that information for Southern Cross, the University of Canberra and the Australian Maritime College. James Cook University, as I understand your answer, is not finalised so you are not able to provide me that information. It would be useful if you could get that for me today.

Mr Manns—Yes, that should not be hard to do.

Senator WONG—I know I asked you not to read that section of the act, but I would like to have a look at that. Is the basic grant adjustment the mechanism by which any adjustment penalty is implemented?

Mr Manns—Yes, these are adjustment to the basic grant amount.

Senator WONG—By what date does a determination of a basic grant adjustment have to be made?

Mr Manns—That is not specified.

Senator WONG—Not even in the guidelines?

Mr Manns—No.

Senator WONG—So it is section 30.25, 'Adjustments that apply in the absence of guidelines'?

Mr Manns—Yes, that is the section I was referring to.

Senator WONG—So if there are no guidelines this applies, and if there are guidelines which are inconsistent, they apply?

Mr Manns—Yes.

Senator WONG—I turn now to the number of full fee Australian students. How many full fee Australian students—both the actual number and the EFTSL—were enrolled by table A providers in 2005, excluding Notre Dame, Bond and private providers?

Mr Manns—I might have to rely on Dr Perkins for the more detailed aspects, because I think that is in the published figures. I have some headline numbers of students only, not EFTSL. I do not have table A for 2005. I wonder if Dr Perkins does.

Senator WONG—Dr Perkins, do you track both undergraduate and postgraduate?

Dr Perkins—Undergraduate and postgraduates who are doing course work, not research.

Senator WONG—Can you give me undergraduate first?

Dr Perkins—In 2005, three per cent of all domestic undergraduate students in an award course at public universities—that is, table A providers—were fee paying. So that is 15,611 fee paying students, including 2,310 in summer/winter semesters, out of a total of 523,327 students.

Senator WONG—So 15,611 is the head count?

Dr Perkins—Correct.

Senator WONG—So what is the EFTSL?

Dr Perkins—I do not actually have that figure in the brief. We might have to take that one on notice.

Senator WONG—That is undergraduate?

Dr Perkins—Domestic undergraduate.

Senator WONG—Do you have the figures on postgraduate by coursework, which is the other data you said you tracked?

Dr Perkins—I do not have the breakdown of that figure. We will have to take that on notice.

Senator WONG—Are you able to tell me how many of these enrolments were regular semester award courses?

Dr Perkins—Of the 15,000, there were 2,310 in summer/winter semesters.

Senator WONG—What does a summer/winter semester mean?

Ms Paul—Summer school.

Senator WONG—The accelerator thing—a short course, in effect?

Ms Paul—Yes.

Mr Walters—The number of fee-paying postgraduates is 111,102, including 2,684 in summer/winter semesters, which is 64.4 per cent of the total of 172,428 postgraduate students.

Senator WONG—Thank you. Dr Perkins, the 2,310 figure was a subset of the 15,611?

Dr Perkins—Yes, that is correct.

Senator WONG—You previously released a table in your student statistics outlining students by liability status. Is that intended to be released for the '05 year?

Dr Perkins—Yes, that will be released.

Senator WONG—Will that be part of the student stats publication we talked about earlier?

Dr Perkins—That data will be put onto our website and it is in the publication.

Senator WONG—Are you able, on notice, to provide for me a breakdown of the 15,611 figure by university?

Dr Perkins—Yes, I believe we can do that.

Senator WONG—Are you able to tell me the average fee paid by a domestic fee paying student at a table A provider?

Dr Perkins—I do not have that figure.

Mr Manns—Perhaps we could take that on notice. It is certainly not something we have on hand.

Senator WONG—And on notice, perhaps to disaggregate the data a bit, are you able to provide us with information on the fee ranges?

Mr Manns—The fee ranges are all published on the Going To Uni website. They are all available public information.

Senator WONG—I am after the number of students within each of those. You are coming back to me with the average fee. I am asking you to also give the various fee ranges and what percentage and number of each population is in each category.

Dr Perkins—We will do the best we can.

Senator WONG—Thank you. Dr Perkins, I asked for the 15,611 to be identified by university. Can that also be done for the 2,310?

Dr Perkins—Yes.

Proceedings suspended from 3.44 pm to 4.02 pm

Commonwealth Scientific and Industrial Research Organisation

CHAIR—The committee will reconvene. We are having a 15-minute interview with CSIRO and I understand Senator Stephens is going to begin.

Senator STEPHENS—Thank you, gentlemen, for getting back to us. I hope that you have had a chance to look at the announcement, and to consider what is in it for you as much as anything else. Perhaps you might like to begin by explaining to us what you have discovered are the implications of the announcement today for the CSIRO.

Mr Morton—Senator Stephens, before we go to that I think I need to add some information to the comments I made this morning about our renewables investments.

Senator STEPHENS—Yes.

Mr Morton—At the time, in answering questions about renewables research investment I noted that I would like the opportunity to confirm my understanding of the nature of our

investments. I have now had the opportunity to check our figures, and it is clear that when I commented upon a \$1 million reduction for the water splitting work, I did not include the extra funding that was committed on 18 October through our Flagship Collaboration Fund to the National Hydrogen Materials Alliance. So, in fact, the investments in renewables R&D through CSIRO is stable from 2005-06 to 2006-07.

Senator STEPHENS—Are you saying that that \$1 million reduction has been countered by an increase in investment in—

Mr Morton—It is a further investment, yes. The National Hydrogen Materials Alliance is a collaborative program involving about 11 universities and ANSTO. It has undertaken work in hydrogen storage, in materials based on lithium, magnesium and carbon; hydrogen storage in porous materials; the development of new catalyst materials for hydrogen generation from hydrocarbon fuels; the development of materials for electrolysis systems; the development of photocatalytic materials for hydrogen production by water splitting; and the development of materials for advanced hydrogen fuel cells. So of that \$1 million at least 80 per cent will be applied to work through our university and ANSTO collaborators in renewables R&D.

Senator STEPHENS—Are you able to direct me to where I can find that information? Is that on the website?

Mr Morton—Yes, there will be a website and we are certainly prepared to advance that to you afterwards.

Senator STEPHENS—If you could that would great. Thank you very much.

Mr Morton—Thank you.

Senator STEPHENS—When I went back looking at that information this morning and our discussion, I noticed that you had not invested anything in wind. Is that right?

Dr Morton—We do some wind research but it is my understanding that it is all externally funded. There is a small cadre of people in CSIRO, but the work is entirely externally funded.

Senator STEPHENS—Could you provide on notice details of the external funding for wind energy?

Dr Morton—Certainly.

Senator STEPHENS—Thank you.

Mr Whelan—Senator Stephens, you were asking whether we have had the opportunity to look at the implications. Based on the material that I have seen subsequent to the Prime Minister's announcement, it is my understanding that this morning the Prime Minister released eight AP6 task force action plans at a media conference. He announced 42 projects that the government had agreed to fund in principle. The details of those are contained in a brochure; I am not sure if you have a copy of that.

Senator STEPHENS—Not yet.

Mr Whelan—I am happy to make a copy available.

Senator STEPHENS—Thank you.

Mr Whelan—It details the projects. It is our understanding that the CSIRO will be involved in up to nine of those 42 projects. I have the names of the nine and the funds that have been set aside in principle by the government for those projects, if you would like me to go through those.

Senator STEPHENS—Yes, could you just work through those nine? I can mark them on the list.

Mr Whelan—As I understand it, the first of the nine projects is the management of fluorocarbon emissions. The announcement by the Prime Minister set aside \$200,000 for that. I understand that \$600,000 was set aside for the management of bauxite residues or 'red mud'. High silica bauxite processing had \$1 million set aside. I understand that \$8 million was set for assessing post-combustion capture for coal-fired power stations in AP6 countries.

Senator STEPHENS—Which task force is that one in?

Mr Whelan—That would be in the Cleaner Fossil Energy Task Force. In the same task force, the CO₂ enhanced coal bed methane project had \$5 million set aside. Under the Coal Mining Task Force, \$1 million has been set aside for thick coal seam extraction. The coal mine safety strategy had \$6.25 million set aside and the integrated coal production and methane extraction had \$2.2 million set aside. Under the Renewable Energy and Distributed Generation Task Force, a project called solar-enhanced fuels for electricity and transport has \$2.9 million set aside. It is my understanding that the government's funding remains contingent on the finalisation of detailed project specifications and funding arrangements, so at this point in time we do not know what proportion of those funds that have been set aside may flow to CSIRO; that will be subject to the further development of the project plans.

Senator STEPHENS—The point of Senator Wong's question this morning was whether or not your involvement in these projects represented any new moneys for the CSIRO or whether you were going to be expected to fund your participation through reallocation of existing resources.

Mr Whelan—It is my understanding, based on the opportunity that I have had to review the proposals and talk to my colleagues who work in this area, that the proposals that we are likely to be involved in are in areas where CSIRO already invests resources. There is not an expectation that we would redeploy further resources onto these projects. My understanding is that these resources, if they do flow to CSIRO, would be allocated on top of the investment we already make and therefore we would see a net increase in the resources available to CSIRO.

Senator WONG—Have you had any indication from government up to or as a result of this announcement that there will be any additional funds flowing to CSIRO in order to fund the programs which you have outlined?

Mr Whelan—No, Senator. The programs I have outlined are the programs the government announced this morning. Based on work that we have done with the group within the Department of Industry, Transport and Resources coordinating the AP6 project, it is our understanding that CSIRO may be involved in up to nine of the 42 projects but, as I said in answer to Senator Stephens's question, at this point in time no commitment has been made to

provide CSIRO with any money. Any money flowing to CSIRO, or indeed any money allocated, is dependent on the finalisation of project specifications and detailed project plans.

Senator WONG—So there is no commitment to extra funding?

Mr Whelan—Based on this announcement today, not directly to CSIRO, other than to note that, in the Prime Minister's press release, I think he referred to the post-combustion capture project. That is part of the Cleaner Fossil Energy Task Force and the \$8 million set aside would be about demonstrating the post-combustion capture technology developed by CSIRO.

Senator WONG—That is already announced funding?

Mr Whelan—The Prime Minister's press release referred to \$8 million being allocated to carry out testing of CSIRO's mobile post-combustion capture plant under various conditions to develop the technology for commercial application. His press release does not say that money will flow to CSIRO. It is our understanding, at this point in time, that moneys will flow to CSIRO at some point but we will need to work through detailed plans with DITR and others before that happens. There is a governance process DITR are putting in place for this expenditure.

Senator WONG—Yes, I understand that. Was it \$2 million that we previously discussed you were already operating on for carbon capture?

Mr Whelan—Yes. As part of our Energy Transformed Flagship, as part of the low emission electricity theme in that flagship, we invest approximately \$2 million per annum.

Senator WONG—Have you been advised that that \$2 million is included in the \$8 million announcement?

Mr Whelan—No. It is our understanding that the \$8 million would be on top of the \$2 million.

Senator STEPHENS—Can you give us any indication of why you are drawing that conclusion, given that the announcement is all in principle dependent upon commitments from the other participants?

Mr Whelan—That opinion is drawn upon the conversations I have had with the CSIRO scientists who have been involved in the development of the AP6 proposals. I spoke to them between the time we met this morning and this afternoon to clarify specifically that issue and I was informed that the money set aside in AP6 was in addition to the resources already provided by CSIRO.

Senator WONG—Has PCC money gone to CSIRO previously?

Mr Whelan—CSIRO currently invests, as part of the Energy Transformed Flagship, \$2 million.

Senator WONG—Yes, but I am asking whether that is out of your budget appropriation or whether it is out of special funding.

Mr Whelan—It is out of CSIRO's budget appropriation.

Senator WONG—Existing budget appropriation?

Mr Whelan—Yes, but it is probably worth noting that in Backing Australia's Ability 2 CSIRO received \$305 million over seven years to establish its six flagships. The \$2 million I am referring to is for one of the themes in the Energy Transformed Flagship. In that sense the \$2 million relates to the additional money that CSIRO received as part of BAA 2 and is now part of our core funding.

Senator STEPHENS—When you went off to investigate this for us today did you get any indication of when there might be some finalisation of the funding arrangements for these projects, so that you would have some certainty? Is it going to be in this financial year?

Mr Whelan—I certainly asked the same question. At this point in time we have not been advised by DITR but we will stay in close contact with them.

Senator WONG—There is no indication as to the time line of when this money will actually be available?

Mr Whelan—I think those questions are probably best directed at DITR, who are responsible for this program. We expect to be a recipient of some resources associated with the nine projects I have indicated, but at this point in time I am not in a position to say how much or when those resources will flow, other than that if they do they will be in addition to the resources we already invest and they will enable us to expand and accelerate our research in these fields.

Senator WONG—Can I go back to one issue, which was your correction of the record, Dr Morton. As I understand from my colleague, you are saying the answer, which I think you gave three times, about a million-dollar cut did not include the National Hydrogen Materials Alliance. Is that right?

Dr Morton—That is correct.

Senator WONG—Which is a funding amount of how much?

Dr Morton—In this current year it is \$1 million but it continues for a three-year period, in my understanding. That program was announced and launched just two weeks ago.

Senator WONG—Can I just say, Dr Morton, I gave you the opportunity—I think on three occasions if you check the *Hansard*, or perhaps it was Mr Whelan as well—to confirm the net reduction of \$1 million in investment in renewable research. How is it that you could on a number of occasions get that incorrect, particularly given that the fact that your answer was incorrect was subsequently used in the House today to criticise the opposition?

Dr Morton—I do not have *Hansard* in front of me but my recollection of what I said is something like: 'I think the answer is yes. I would like the opportunity to confirm that it is in this vicinity.'

Senator WONG—I then went on to say:

But there is a net reduction of \$1 million in investment in renewable research.

Dr Morton: Of that amount for this financial year, yes.

Senator Wong: Of \$1 million.

Dr Morton: Yes.

Dr Morton—In the light of my earlier comment, I would like the opportunity to confirm, and it is fortunate that I am able to do so.

Senator WONG—So you got it wrong?

Dr Morton—I neglected to mention the \$1 million that was allocated two weeks ago, yes.

Senator WONG—And the effect of the \$1 million is basically to keep the renewable research at a level comparable to 2005-06?

Mr Whelan—That is correct.

Senator WONG—But still at one-third—was it one-third?—of the investment in research in relation to coal, oil and petroleum?

Dr Morton—Yes, but keep in mind that over the last three years our investments in renewables have ramped up dramatically by 300 per cent since 2003-04.

Senator WONG—That is off a very low base.

Dr Morton—Four million dollars, yes, but in light of the portfolio approach that we are taking I think these are sensible growth patterns.

Senator WONG—When did you tell Minister Bishop or her office that you had made a mistake?

Dr Morton—I indicated after we left Senate estimates that the flagship collaboration fund had not been included in the 2006-07 figures that I prepared, and I spoke to her this morning.

Senator WONG—You spoke to her after you had finished the estimates hearing?

Dr Morton—To her office, yes.

Senator WONG—Did they contact you?

Dr Morton—Mike, can you tell me how it came about?

Mr Whelan—I am not sure. Yes, I think we had a call from the minister's office.

Senator WONG—Okay. And at that stage you realized it was incorrect?

Dr Morton—At that stage I realized I had neglected to mention that National Hydrogen Materials Alliance, yes.

Senator WONG—And you did not seek to inform the committee at that point but you informed the minister's office?

Dr Morton—I knew that I was coming back to speak with the committee.

Senator WONG—But you informed the minister's office before you informed the committee?

Dr Morton—That is correct.

Senator WONG—Do you think that is appropriate?

Dr Morton—Given that I was returning here at four o'clock, that seemed sensible to me.

Senator WONG—Given that CSIRO has been put into a political game here where the opposition in good faith has relied upon your evidence and the minister, who has information

that was not provided to the committee in estimates and contradicts evidence in estimates, has now utilized this to criticise the opposition, do you think it is reasonable for you to have withheld information from this committee but provide it to the minister's office when it directly contradicted your evidence?

CHAIR—I think Dr Morton is taking the first available opportunity to correct the record and give us the appropriate information.

Senator WONG—The committee reconvened, Dr Morton, at 1.30 pm. Didn't you think it might have been appropriate to advise the committee secretary then that you had actually made a mistake and that you had advised the minister's office accordingly?

Mr Whelan—In light of Dr Morton's evidence this morning that he wanted the opportunity to confirm this, no.

Senator WONG—He actually confirmed three times, as recorded in the *Hansard*, that it was a \$1 million cut.

Dr Morton—In light of the earlier comment—

Senator WONG—You did not put that caveat in, Dr Morton. I asked you on two occasions subsequently to confirm the figure and you did.

Dr Morton—I am reading from my record, which says: 'I would like the opportunity to confirm that it is in the vicinity.' I have now done that.

Senator WONG—Which I re-asked on two occasions and you confirmed.

Dr Morton—The qualification was pretty clear, in my view.

CHAIR—You also replied in that earlier paragraph, as I read it: 'I think the answer is yes.'

Senator WONG—What time did you inform the minister's office of the mistake?

Dr Morton—Approximately one o'clock.

Senator WONG—So you had the opportunity at 1.30 pm to come in and advise the committee and you chose not to do that.

Dr Morton—I am happy to take advice from you, Senator—if you think that is the appropriate course of action then in future I will attempt to do the same.

Senator WONG—Perhaps if you are advising the minister who is going to then use it politically, that is probably a good idea, don't you think?

Dr Morton—I am in your hands, Chair.

CHAIR—Dr Morton, I think you have taken the first opportunity to inform the committee of the correction that you wanted to make and I would consider that the committee is satisfied with that.

Dr Morton—Thank you.

CHAIR—Are there any further questions for CSIRO?

Senator WONG—Just give me one moment.

CHAIR—We are now over the 15 minutes that we allocated.

Senator WONG—Yes, I know, but we were not aware that there had been a correction to the evidence, Chair.

CHAIR—I am not prepared to allow much more time because I want to go on with higher education. We have another five minutes.

Senator WONG—Is it a \$2 million turnaround you are now asserting? That there was a \$1 million cut and now there is a \$1 million increase?

Dr Morton—No, that is not correct. It is \$1 million applied to that National Hydrogen Materials Alliance in this current financial year.

Senator WONG—So it is the same?

Dr Morton—Yes, it comes from—

Senator WONG—About one-third of non renewable energy research—is that right?

Dr Morton—You mean the sum total of around \$13 million?

Senator WONG—Yes.

Dr Morton—That figure stands, yes.

Senator WONG—Just to clarify again, Mr Whelan, your expectation. You have gone through nine programs that CSIRO might be part of that are listed in the Prime Minister's press release. You have indicated that there is no finalisation as to whether that is additional money, et cetera to CSIRO.

Mr Whelan—I said in an earlier answer that our expectation is that some new money will flow to CSIRO. I cannot quantify what that is at this point in time. I understand it will be subject to the preparation and review of detailed project plans and submissions.

CHAIR—Thank you gentlemen. Could I ask the higher education group to return and we will resume.

Department of Education, Science and Training

Senator WONG—Would you like to correct the record about anything.

Ms Paul—No, we have nothing to correct on the record but we do have the additional information which you asked of Mr Manns, if you would like us to offer that now.

Mr Manns—You asked me the value of the places that the universities were not taking up next year. For Southern Cross University, where I mentioned a number of 326 EFTSL, it is \$1.5 million; for the University of Canberra, where I mentioned 200 EFTSL, it is \$1.3 million; and for the Australian Maritime College, where I mentioned 30 EFTSL, I have now been advised there was a slight offsetting number as a result of other cluster shifts the college made, so it is a net 26 EFTSL at \$107,000.

Senator STEPHENS—Can we move now on to the HELP loans. Just looking at the record from the June estimates where we had this discussion with Senator Wong, Mr Manns, you said that the department no longer distinguishes between HECS and other sorts of loans. Is that right?

Mr Manns—I would not have put it as broadly as that. In terms of the accumulated HELP debt, that is the case. From 1 June this year all debts, regardless of which component of the scheme they have been acquired under, become part of a person's accumulated HELP debt. We are not able to distinguish between the various components of a person's accumulated HELP debt, or indeed the overall accumulated HELP debt.

Senator STEPHENS—That would be useful information. Why has the department taken that decision?

Mr Manns—It is not really a matter of the department taking the decision as such, it is more a reflection of the way the schemes work—that all of the schemes now have the same repayment arrangements. A person who pays back through the taxation system or makes voluntary repayments simply makes a payment towards their accumulated HELP debt. It is not that they specify, 'I want to pay off this amount towards the bit that I took out under HECS-HELP, this bit out of FEE-HELP and this bit out OS-HELP,' for example. It is simply the natural consequence of the scheme really.

Senator STEPHENS—Fair enough. Is there a limit on how much HELP a student can get?

Mr Manns—Yes, there are different limits that apply to the different components. For HECS-HELP the limit is applied by virtue of the mechanism called the student learning entitlement, where students have an entitlement to a certain number of years of Commonwealth support. This goes to both whether the Australian government will subsidise the place at the institution and also whether the student has access to HECS-HELP assistance; and that, in general terms, is seven years of equivalent full-time study. There are some variations that I can go into if you would like me to but, broadly speaking, that is the rule. So that puts a constraint on how much a student can ultimately borrow because it is the equivalent of consuming seven years of equivalent full-time study.

FEE-HELP works in a different way. There is a lifetime borrowing limit which—as a result of legislation that passed through the parliament very recently, which I think will probably get royal assent shortly—will be \$80,000 for most courses from the beginning of 2007 and will be \$100,000 for medicine, dentistry and veterinary science. Those amounts will be indexed up from 2008 onwards. For OS-HELP a student basically has the capacity to have two OS-HELP loans, and the actual value of the loan is determined by the university within the notional amount we allocate to the university, but they get two hits basically for an OS-HELP loan.

Senator STEPHENS—What would be a typical OS-HELP loan?

Mr Manns—I might even have some data here. The maximum in 2007 per six-month period, which is the loan period, will be \$5,196.

Senator STEPHENS—Is that maximum limit set by the department or by the university?

Mr Manns—The maximum is set in the legislation, but the university is allocated a number of notional loans. It can allocate those at various levels but cannot exceed that maximum.

Senator STEPHENS—In terms of the department's outstanding estimates for the HELP debt, what proportion would be outstanding HECS debt from before the new system came in?

Mr Manns—We are getting into the timing lags here in terms of when students' payments are credited and so on, but it would be the vast majority of the accumulated debt reported for 2004-05 because that only includes the first half-year of the new arrangements. That figure is in our annual report. We had some discussion with Senator Wong about that previously.

Ms Paul—It would be difficult to know the precise degree of accuracy of that because of this lag effect. You do not know when some of these debts accrue because the person has to be earning a certain level before, as you know.

Senator STEPHENS—Yes, of course.

Mr Manns—It is worth mentioning too that the formerly reported HECS debt included debt under the precursor loan schemes for postgraduates, so PELS—the Postgraduate Education Loan Scheme, which has now been rolled into FEE-HELP—and so on were included in that. It was all called HECS debt.

Senator STEPHENS—It is all the same.

Mr Manns—Yes.

Senator STEPHENS—Your forward estimates for the outstanding debt for 2006-07 is \$14.9 billion. Is that still what you are expecting? Has there been any change?

Mr Manns—It is \$14.9 billion at the end of 2006-07.

Senator STEPHENS—Under the new arrangements, how long will it take for those time lags to roll through? This is a very complicated system you are operating here.

Mr Manns—Yes. I think we had most of this discussion with Senator Wong earlier. The table in our annual report, on page 89, explains how we take the starting point accumulated HELP debt at the beginning of a financial year and then make adjustments to that to come to an estimated amount of outstanding debt and then debt likely to be repaid at the end of the next financial year. The table on the preceding page, page 88, explains how we go from an accumulated HELP debt as of 1 July in a year to the accumulated HELP debt as of 30 June of that financial year—all of the ons and offs in terms of new debt reported, payments made and so on. Those two tables are the basic explanation of those.

Senator STEPHENS—I will have to go and do my homework.

Mr Manns—I agree with you: it is quite complicated.

Senator STEPHENS—Let us keep moving. I am sorry, Chair—I know that we are very tight for time. Just moving on to the associate degrees, is this the same group?

Mr Walters—I am happy to try and answer the questions. It has not been raised with us recently.

Senator STEPHENS—I am interested in getting a picture about how the associate degrees are operating. I wonder if the department can advise of the current number of students who are studying for associate degrees in universities and TAFE.

Mr Walters—I will see if our statistical expert has that information handy. If not I suspect we will have to take it on notice. We certainly would not have the numbers studying in vocational and technical education institutions. We only have higher education statistics here.

Senator STEPHENS—Perhaps if I could just flag the other information and you might want to take it all on notice. Firstly, about the students studying for associate degrees, how many of those are Commonwealth supported, what is the level of Commonwealth funding per place and are they eligible for HECS help?

Mr Manns—I can probably answer some parts of the question. All places that are Commonwealth supported are funded on the basis of the discipline funding cluster that they fall into, and those funding clusters are specified in the Higher Education Support Act. So, provided they are Commonwealth supported places for which the university has load, we do not distinguish between associate degrees and bachelor degrees. The university may use its total allocation of undergraduate load across all forms of undergraduate provisions, so that would include associate degrees and degrees, and each place is funded at the relevant discipline rate specified in HESA. The same basically applies to eligibility for HECS-HELP. If the student is in a Commonwealth supported place and it is an award course, which an associate degree is, then they are eligible for the relevant amount of HECS-HELP and, of course, are charged the relevant student contribution amount.

Senator STEPHENS—What is the students' rate of contribution?

Mr Manns—Again, that depends on the band—again, on broad disciplines.

Senator STEPHENS—It all fits within the discipline funding arrangements?

Mr Manns—Yes.

Mr Walters—Just to make an obvious point, the difference is the length of the course, so typically an associate degree would be a couple of years full time instead of say four years for an ordinary bachelor. I am told that in 2005 there were 2,855 students all-up, of whom 2,799 were domestic students, so the others were international—and that is student numbers.

Senator STEPHENS—Thank you. To keep things moving now, Chair, we will move to the issue of workplace relations requirements in the higher education institutions. Since the last estimates hearings, has Ballarat university submitted an application to be certified as compliant with the higher education workplace relations requirements?

Mr Walters—Ballarat did not submit an application for eligibility for the workplace relations requirements in 2006, which required them to claim eligibility as at 30 November 2005, but I believe that they have in respect of 2007, for which the eligibility date was the end of August.

Senator STEPHENS—When you had this conversation with Senator Wong in June, there was a discussion about the 2.5 per cent funding for compliance. Senator Wong asked you: 'Was that required to be returned?' and Ms Baly said: 'No.' What has happened in 2006?

Mr Walters—In respect of Ballarat?

Senator STEPHENS—Yes.

Mr Walters—Ballarat did not qualify at 30 November, so they did not get paid.

Senator STEPHENS—They did not get anything at all?

Mr Walters—No, they did not get the supplement for compliance with the HEWRs and the governance protocols.

Senator STEPHENS—So for 2006 it did not get the supplement and you believe that they have put in an application to be compliant in 2007?

Mr Walters—Yes, I think all the institutions did and they are currently being assessed.

Senator STEPHENS—Can you quantify what the five per cent represents in dollar terms?

Mr Walters—I think Ms Baly might be turning up the figures at this precise moment.

Mr Manns—I have the figure. The amount that Ballarat did not receive was \$1,240,165.

Senator STEPHENS—That is what they missed out in 2006?

Mr Manns—Correct.

Senator STEPHENS—What about Bachelor institute?

Mr Walters—Batchelor Institute was eventually assessed as having been compliant as at 30 November 2005, so they qualified for their funding.

Senator STEPHENS—Have they received their five per cent? How much was that?

Ms Baly—It was \$167,410

Senator STEPHENS—Going to an answer that was provided to question on notice EO58_07, which was about the total cost of legal advice provided by Clayton Utz on the Higher Education Workplace Relations Requirements(i) up to 31 May, it was \$279, 862, I understand. Can you advise if there have been any additional costs for legal advice by Clayton Utz or any other external lawyers on that program to date?

Ms Baly—Up until September 2006 the total amount paid to Clayton Utz is \$286,957.

Senator STEPHENS—Any other lawyers

Ms Baly—No.

Senator STEPHENS—One of the requirements of the new system is to offer AWAs to university staff as a condition of funding. Is the department aware of how many staff in Australian universities are on Australian Workplace Agreements at the moment?

Ms Baly—I cannot give you the number of staff that are on Australian Workplace Agreements at the moment, but I do have the number of agreements that were lodged with the OEA for the 12 months between March 2005 and March 2006. That number was 805.

Senator STEPHENS—Is there a way of telling how many of these were for academic staff and how many were for general staff?

Ms Baly—I do not have that information here. I do not know if there is a way of finding that out, but I can take that on notice.

Senator STEPHENS—That would be great.

Senator MARSHALL—How many of those are renewals to existing AS WELL AS, or are they new ones.

Ms Baly—They were new ones that were made in that 12-month period but I do not know how many would have been on AWAs prior to having negotiated these ones.

Mr Walters—We have a little more information on the associate degree issue, which Mr Manns has managed to unearth for you.

Mr Manns—For 2005, in regard to the EFTSL of students who received HECS-HELP assistance for an associate degree—bearing in mind we are talking about only in the higher education sector—726 received loan assistance and 304 paid upfront and received the assistance of the discount that is available under HECS-HELP as reported in our 2005 student statistics, or will be when the final version of those is published.

Senator STEPHENS—Did I hear you say, Dr Perkins, that you anticipated that would be published on the website within about two weeks?

Dr Perkins—Yes, the liability data will be published within the next couple of weeks.

Senator STEPHENS—Can we now go to the issue of the University of Melbourne's proposed changes to their degree structure? I understand the university is aiming to launch the first of their new graduate schools in 2007 and to enrol the first students into the new generalist undergraduate course in 2008. What changes need to be made to Commonwealth legislation and policies so that the University of Melbourne can implement their Melbourne model? Are there any implications for the legislation?

Mr Walters—The Commonwealth is not anticipating any changes in policy or programs at the moment.

Senator STEPHENS—The university has not asked the Commonwealth to consider changing HECS or FEE-HELP or the allocation of places or youth allowance—any of those issues?

Mr Walters—I think you said policies or legislation. Certainly, the university has raised the issue of youth allowance for master's degrees, but that is a budget issue; it is a matter they have raised with the government. In order to facilitate the changes within the forward estimates period the university has raised with us some cluster shifts and some shifts of places from long undergraduate degrees into shorter undergraduate degrees and master's degrees. It is worth bearing in mind that the Melbourne model envisages a transformation over a long period. The phasing in time for this goes to something like 2016 and one looks at the issues under the funding arrangements in fairly short term. They have raised with us some changes for next year. We understand they will be coming along and asking the government to look at some more developed models for the next few years some time in 2007. That is when the next phase of discussions with them will be taking place. At the moment we have agreed a few minor shifts for next year, which Mr Manns could describe for you.

Mr Manns—Yes, but none at this stage that bear on any net movement of undergraduate places to postgraduate places. For 2007, although we have not yet finally signed off on the university's funding agreement, there should not be any net movement in the number of Commonwealth supported undergraduate and postgraduate places. The university has signalled that over time it will seek agreement to move more of its undergraduate loans to postgraduate load, and over time potentially to reduce its total undergraduate numbers. As Mr Walters says, we will deal with these on an annual basis in the annual funding agreement process as the university's model develops and it has discussions with us.

Senator RONALDSON—Is the Melbourne model replicated anywhere else in Australia?

Mr Walters—There are aspects of it which do appear elsewhere. The concept of the Melbourne model is to have a smaller number of bachelor degrees and to shift the basic entry level professional education to a master's level. For example, in some professional areas one would have a long bachelor degree. In some areas there is a bachelor degree followed by another bachelor degree. There are lots of different patterns. The idea is to have the more vocational degrees at the master's level. This already exists in a number of forms in various different universities. In terms of the conceptualisation of that as a way forward for the whole university, this is very much something that Melbourne have come up with.

Senator STEPHENS—I understand that the university has set up a policy and advocacy taskforce to develop some policy options around the issues of affordability and the widest possible access and support for talented students. Some of the things we have been discussing have been part of the options they have been providing. Has the department met with that policy and advocacy taskforce representatives?

Mr Walters—We have met with the vice-chancellor and with the head of administration, Ian Marshman. Whether they are part of that taskforce I would not like to say. I dare say they are.

Senator STEPHENS—In the discussions with the vice-chancellor did they quantify the progressive shift in numbers from undergraduate to graduate programs? Have they given you numbers of how they intend to move to this model?

Mr Walters—They have done some modelling. Some of this takes place over a long period. For example, the new graduate programs would not kick in until 2010 or something like that, so it is very much a question of modelling how far they want to go. This is not a single stream. The new master's degrees would be a number of different programs and their content would need to be negotiated with different professional associations. It is a complex operation. They are anticipating coming back with some more modelling in the middle of next year, probably in the late autumn.

Senator STEPHENS—You provided an answer to question E340_07 about market research, where the consultancy was off-tender, select tender of off-government communication arrangements for Worthington Di Marzio, the value of which was \$157,740. What kind of market research was undertaken?

Mr Walters—This finished in 2005. That is a lot of water under the bridge for us, so we might to have to take that on notice.

Senator STEPHENS—What was involved in that market research? What kinds of activities were undertaken? If there was a report to the department, what were the findings of the report? It would be helpful if you could take that on notice. The title was 'Provision of market research for the education reforms campaign'.

Mr Manns—It may have been provided because the period was a while back.

Senator STEPHENS—I will check.

Ms Paul—I imagine we have provided it and we can refer you to it.

Mr Manns—It was about the higher education campaign advising the community of the changes that BAF was bringing in. That was its broad focus.

[4.56 pm]

Senator CARR—I take it my questions on the skills training councils would go to Mr Davidson. You are the new deputy secretary I read about in the annual report who handles that matter? Are you the officer responsible for the skills councils?

Mr Davidson—Yes, they fall within my area of responsibility.

Senator CARR—There are 10 skills councils; is that right?

Mr Davidson—That is correct.

Senator CARR—Are they all tripartite?

Ms Cross—The industry skills councils are bipartite. They have employers and unions but no government membership.

Senator CARR—No government at all?

Ms Cross—The government is not on the board of any ISC.

Senator CARR—What is the total budget for the 10?

Ms Cross—It is around \$15 million as direct funding for their activities as ISCs. They can access other funds if they compete in tender processes.

Senator CARR—Do you have a budget breakdown for each of them?

Ms Cross—Yes, we do; we have a contract with each ISC.

Senator CARR—Can you tell me how much each of them receives of the \$15 million? Agri-Food Industry Skills Council?

Ms Cross—The amount varies according to the industry coverage of each ISC. An ISC with a larger number of industries would have a larger contract. The contract value for Agri-Food is \$1.53 million.

Senator CARR—Community services?

Ms Cross—It is \$1.07 million.

Senator CARR—Construction?

Ms Cross—Construction is \$1.327 million.

Senator CARR—Electro coms and energy utilities?

Ms Cross—That is \$1.021 million.

Senator CARR—Government and community safety?

Ms Cross—That is \$1.5 million.

Senator CARR—The Innovations and Business Industry Skills Council?

Ms Cross—I might have to take that one on notice. I believe it has a larger budget than most of those, so it is probably in the order of \$2 million. It is one of the larger ISCs.

Senator CARR—Manufacturing?

Ms Cross—It is \$1.786 million.

Senator CARR—Resources?

Ms Cross—It is \$1.582 million.

Senator CARR—Services industry skills?

Ms Cross—It is \$2.042 million.

Senator CARR—Transport?

Ms Cross—Again, I would have to take that one notice.

Senator CARR—You do not have a table there that has these figures on it?

Ms Cross—We can produce one for you, but we do not have one with us.

Senator CARR—Would that be easily produced?

Ms Cross—Yes, very easily.

Senator CARR—Innovation may be more than \$2 million then?

Ms Cross—It would probably be the same size as services, which was \$2.04 million.

Senator CARR—Would it be fair to say that each of the councils has between eight and 10 employees?

Ms Cross—Employees or board members?

Senator CARR—No, employees. They employ people, don't they? They are private companies?

Ms Cross—It varies.

Senator CARR—Do you have the information on how many people are employed by each of these?

Ms Vandermark—Yes.

Senator CARR—Is it a readily available table?

Ms Cross—We can go through them individually or we can provide a table to you outside of the meeting.

Senator CARR—How long will that take?

Ms Vandermark—It might be easier to provide you with a table.

Senator CARR—Would you be able to do it quickly? I may need to come back to that figure.

Ms Cross—We can have that provided while we are talking.

Senator CARR—Do each of the councils have a different board structure? You say they are both companies and unions, but are they the same size or do they vary in size?

Ms Cross—It varies from ISC to ISC.

Senator CARR—Are you able in another table to provide me with a breakdown of who is on those?

Ms Cross—Yes, that will take slightly longer, but we can give you a list of all of the board members.

Senator CARR—If you can refresh my memory, these are the bodies that replaced the ITABs, aren't they?

Ms Cross—That is correct.

Senator CARR—Do you recall roughly how much used to be spent on ITABs?

Ms Cross—No.

Senator CARR—Was it about \$15 million a year?

Ms Cross—It used to be managed by ANTA so it is not a figure that springs to mind.

Senator CARR—As I recall, the function of the ITABs used to be to provide advice on the various training packages?

Ms Cross—That is correct.

Senator CARR—Do they provide advice on the training packages?

Ms Cross—They are responsible for reviewing and developing training packages.

Senator CARR—It is the same function?

Ms Cross—Yes.

Senator CARR—You say reviewing and developing?

Ms Cross—Yes, so if there is a new industry area that does not have a training package, they would do the development.

Senator CARR—There are no professional officers who provide that curriculum anymore?

Ms Cross—The ISC may contract people who have been writing curriculum.

Senator CARR—They used to be provided by public servants, didn't they?

Ms Cross—Not for a number of years in the training sector.

Senator CARR—Not since they got rid of the ITABs?

Ms Cross—I think the ITABs operated under similar arrangements and contracts.

Mr Davidson—I think public servants would have last written them in pre-ANTA days, early ANTA days.

Senator CARR—There were no ANTA officials involved in writing training packages?

Ms Cross—They provided advice to the ITABs and managed the review and endorsement process.

Senator CARR—They did not construct any?

Ms Cross—It would have been highly unusual for ANTA to have constructed training packages.

Senator CARR—This is neither here nor there, but my recollection is that they were involved. The Industry Skills Councils also, as I understand it, provide a forecasting role. Is that true?

Ms Cross—When the department took over the responsibilities of ANTA, the department took on the role of developing industry skills reports. We certainly work with Industry Skills Councils in doing that. We work with other government agencies as well.

Senator CARR—That is a forecasting role?

Ms Cross—It is not forecasting, but it is looking at the future skill needs of each industry and what implications they have for training requirements.

Senator CARR—How can you look at the future skills needs of industry without forecasting?

Ms Cross—Forecasting is a more technical term about projecting specific growth targets. This is looking more broadly at the sorts of skills the industry will require in future. It does look at demographics of the workforce and so on, but we would not describe it as forecasting.

Senator CARR—Would there be some consultation with the department of employment on skills needs?

Ms Cross—We look at ABS data, we look at DEWR data and we look at the data from the National Centre for Vocational Education and Research.

Senator CARR—Does the department provide any assistance with regard to this particular function of the skills council?

Ms Cross—The function is now managed by the department. When the responsibilities of ANTA came to DEST we took on that function.

Senator CARR—Yes, I understand that, but do the industries skills councils have the predominant role or is it a role shared with you—

Mr Davidson—They do not have that role.

Senator CARR—They do not have it at all?

Ms Cross—It is our responsibility now. We certainly consult with them and make sure that the data and the analysis presented in the reports make sense in terms of their own knowledge of the industry, but it is a function that we undertake.

Senator CARR—I see. It is just that I read on your website:

Industry Skills Councils have the two key roles of:

- providing accurate industry intelligence to the Vocational Education and Training sector about current and future skill needs and training requirements ...

Surely that fits within what you have just told me.

Ms Cross—Because of that role they are able to provide input to the industry skills reports that we develop. As I said, we work very closely with them on the content.

Senator CARR—So we could probably strike that out then.

Ms Cross—No, I think they still do that. In looking at developing and reviewing training packages they talk to employers about what the future skills requirements will be.

Mr Davidson—The responsibility for industry skills reports that you were referring to specifically as a function of the ITAB shifted to the department.

Senator CARR—Has the review into the skills councils that you indicated to this committee you would have completed by the end of June been concluded?

Ms Cross—Yes, it has.

Senator CARR—Has there been a report prepared?

Ms Cross—Yes.

Senator CARR—Has it been released?

Ms Cross—No, not as yet.

Senator CARR—Has a copy of the report been provided to the minister?

Ms Cross—Yes.

Senator CARR—Has a copy of the report been provided to the Prime Minister?

Ms Cross—Not that I am aware of.

Senator CARR—Can you check with any of the other officers here as to whether or not that is right?

Ms Paul—I am not aware of it either.

Senator CARR—You are not aware that it has been sent to the Prime Minister?

Ms Cross—No.

Ms Paul—No, we are not aware of that.

Senator CARR—Can you confirm that copies of the report have been provided to stakeholder groups?

Ms Cross—The minister has sought feedback on the report from a number of sources and that includes stakeholder groups.

Senator CARR—Which stakeholder groups?

Ms Cross—The minister has sought independent perspectives on the report and he has sought feedback from members of the Australian Chamber of Commerce and Industry.

Senator CARR—Who else?

Ms Cross—Independent perspectives—one from Tom Barton, the former Queensland Labor minister for training, and one from Steve Balzary, who previously was education and training executive officer with ACCI.

Senator CARR—Do they have copies?

Ms Cross—Yes.

Senator CARR—Does AiG have a copy?

Ms Cross—Not that I am aware of.

Senator CARR—The National Farmers Federation?

Ms Cross—Not that I am aware of.

Senator CARR—Do any of the current state and territories ministers have copies?

Ms Cross—Not that I am aware of.

Senator CARR—Has the ACTU been given a copy?

Ms Cross—Not that I am aware of.

Senator CARR—Did the state and territory ministers request a copy?

Ms Cross—The state and territory ministers did ask that they be consulted on the outcomes of the evaluation of ISCs and my understanding is that the minister intends to do that.

Senator CARR—So would I be incorrect if I were to say that state and territory ministers actually requested a copy at the last ministerial council meeting and were told they could not have one?

Ms Cross—I think we would have to look at the formal minutes and resolution from that meeting, but I believe the wording was that they would be consulted. I can check that.

Senator CARR—You have officers at the meeting, do you not?

Ms Paul—Yes.

Ms Cross—We attend, but I would have to check the record.

Senator CARR—So you could tell me if I had it wrong or right?

Mr Davidson—Our recollection is that they asked to be consulted.

Senator CARR—That is your recollection. Have there been any concerns expressed by industry representatives about the delay in releasing publicly the outcome of the review?

Ms Cross—Yes, and I believe you would have seen the press reports.

Senator CARR—It is a pretty straightforward question. There were three or four articles in the *Financial Review* where they trumpeted their concerns. I am wondering if they have spoken to you about it, because they have clearly spoken to the *Financial Review*.

Ms Cross—Yes, we have had representations from industry.

Senator CARR—What is the nature of their concerns?

Ms Cross—We have had various representations from different stakeholder groups and the representations they have made have varied. Certainly a number have expressed concern that they would like a decision to be announced quickly.

Senator CARR—Which ones have expressed concerns?

Mr Davidson—I think all of them have expressed various kinds of views about the issue of industry skills councils. What we have found is that there is not a consensus view amongst various industry associations as to what industry skills councils should do and how they should do it. We have had a variety of opinions from different sources.

Senator CARR—When you briefed the education and training committee of ACCI, were they provided with a copy at that point or was it later?

Ms Cross—It was later.

Senator CARR—Why was ACCI provided with a copy of the report and other industry groups were not?

Mr Davidson—I went to the meeting with the ACCI employment, education and training committee. They asked whether they could be provided with a copy of the report in order to provide some advice and that request was conveyed to the minister.

Senator CARR—Were the requests from the other industry groups conveyed to the minister?

Mr Davidson—We were not approached by any other industry group directly, or I certainly was not, with a request that the report be provided to them.

Senator CARR—So AiG have not asked you for a copy of the report—is that what you are saying?

Mr Davidson—They certainly have not asked me for a copy of the report.

Ms Paul—No.

Senator CARR—I probably put that badly. Those who know me well know that when I say ‘you’ I am talking about the department. Mr Davidson, the department has not had any request from AiG to have a copy of the report?

Ms Cross—Not that we are aware of.

Mr Davidson—No.

Ms Paul—No.

Senator CARR—Have any of the industry skills councils requested a copy of the report?

Ms Cross—I think it would be fair to say that they have asked if they can see the report once it is finalised and they understand that at this stage it has not been finalised; it is still under consideration. Beyond that they have not specifically requested to see it in advance.

Senator CARR—So ACCI has been given a draft, has it?

Ms Cross—They have seen the report that was provided to the minister.

Senator CARR—Was it a final report or was it a draft report?

Ms Cross—From the department’s point of view it was a final of our report to the minister. The ISCs understand that they will see that once the minister has taken a decision. They have not, to my knowledge, requested a copy of the report in advance of that decision being taken.

Ms Paul—That report comprises only one part of the input for the policy consideration to the minister. Our review covered a review of ISCs against their contracts. It was a limited review. The minister will also take a range of other input, including obviously from some of the other industry groups, from these independent perspectives that we mentioned and so on, in making his considerations about the fullest range of issues, which of course go to issues broader than covered in this review. Basically, the status of the review is an input to a policy consideration by the minister and the government.

Senator CARR—What exactly did ACCI get?

Ms Cross—They got a copy of the report that DEST provided to the minister.

Ms Paul—That input that I am talking about there, the one you have been asking about.

Senator CARR—Yes, that is right. I would like to know why ACCI gets a copy of the report and the industry skills councils do not or the other bodies who are heavily involved in these councils do not get copies of the report. What is so special about ACCI?

Ms Paul—The minister is currently considering a range of inputs, and he has obviously decided to seek some input from this source. He is able to do that, just as he sought that from Tom Barton. So that is the status of it. The status does not go beyond that at that point. It is still being considered. It is still a matter for policy consideration by government.

Senator CARR—What are you telling me, that the minister has not agreed to accept the report?

Ms Paul—Correct.

Senator CARR—Is that the point you are making?

Ms Paul—That is correct. The government is still considering the issues raised in that input to policy consideration and a range of other inputs.

Senator CARR—When do you expect the minister to actually make a decision?

Ms Paul—That is a matter for government obviously.

Senator CARR—Yes, I know, but you are surely able to advise the committee, given that the minister has made repeated statements that he would have made an announcement by yesterday. I presume he did not make one yesterday, or did I miss something? Did he make an announcement yesterday?

Ms Cross—No.

Senator CARR—He has repeatedly said he would make an announcement by yesterday, and he did not do so. Are you able to advise the committee as to when the minister is likely to make an announcement?

Ms Paul—Clearly, I am sure the minister would like to be able to make an announcement as soon as possible, and I am sure that is what he is working on, but I cannot say precisely and I do not know precisely at this stage.

Senator CARR—Are you aware that the Prime Minister has received correspondence from any of the skills councils in relation to the delay in the release of this report?

Ms Cross—We understand that the Prime Minister has had correspondence from the chair of the Agri-Food Industry Skills Council and a copy of a letter from AiG, I believe. I am not aware of any other correspondence.

Senator CARR—Does that letter from the Agri-Food Skills Council refer to the fact that he has already received a copy of the report?

Ms Cross—Agri-Food? I do not believe the Agri-Food—

Senator CARR—Yes, that the Prime Minister has received a copy of the report?

Ms Cross—Not that I am aware of. I have not got a copy of it.

Senator CARR—Is that the only skills council that has written to the Prime Minister?

Ms Cross—That is the only one that I am aware of.

Senator CARR—You might want to check with the Prime Minister's office.

Ms Paul—We are not aware of any others.

Senator CARR—Are both of those letters seeking an urgent release of the report?

Ms Cross—I understand they are seeking clarification of the outcomes of the evaluation.

Senator CARR—Are both of those letters seeking a decision in terms of the future of the skills councils?

Ms Paul—They would be. I have not seen them, but I imagine that is the case.

Senator CARR—You would not need to be blind Freddy to understand that that is exactly what they want. You do not write to the Prime Minister about a junior minister that has delayed for this length of time on such an important matter unless you are very concerned, and I note particularly the concerns that have been raised with me about the prospect of insolvency.

Ms Cross—The department is working with all industry skills councils to ensure that they can remain open and trade to the end of their contract, and that will ensure that they are still—

Senator CARR—So their contracts ran out last night?

Ms Paul—No, their contracts are through until the end of December.

Senator CARR—So you have extended their money until the end of December?

Ms Cross—Yes.

Senator CARR—That is right?

Ms Cross—Yes.

Senator CARR—But their money actually ran out last night; without the bailout they would have run out last night?

Ms Cross—There is one ISC that had considered whether it would continue to be financially viable and the department has worked with that ISC, so it will continue trading under 30 December, when its contract runs out.

Senator CARR—Can you refresh my memory on who that ISC is?

Ms Cross—Agri-Food.

Senator CARR—What was Agri-Food's concern?

Mr Davidson—I met with the chair and the CEO of Agri-Food—I think it was last week. They raised with me their concern that they needed to be sure that they could meet their responsibilities as a company in terms of not trading while insolvent.

Senator CARR—It is a legal responsibility.

Mr Davidson—Yes, it is a legal responsibility. They were having to deal with a number of issues: some contracts that they had let with people to do some work on, contracts that were let by the department. They also raised the issue of staff entitlements and their ability to meet

those. They raised the issue that on the premises they rent they have rental arrangements through until about October of next year. What was expressed to me by the chair of the board was that, considering all of those obligations, as a board they had taken some legal advice as to their status and felt that—

Senator CARR—The legal advice was?

Mr Davidson—As conveyed to me by the chair or the CEO at the meeting it was that, if they were to meet all their obligations, they would be probably having to close their doors in terms of ceasing the employment of staff from yesterday.

Senator CARR—Would that same concern reasonably be applied to all of the 10?

Ms Cross—No, it would not.

Mr Davidson—I do not believe so, no.

Senator CARR—Why is that?

Ms Cross—A number of ISCs have sources of funds other than their contract with DEST and therefore they are in a completely different—

Ms Paul—Plus, of course, each of them is constituted differently and their liabilities would fall in very different ways. They would have staff who have been there for a shorter time or a longer time—there are a whole range of factors. Our understanding is that none of the others is in the same position.

Senator CARR—No others are facing insolvency?

Mr Davidson—Not to our knowledge. None have certainly advised me or approached me individually to say—

Senator CARR—Is the innovations council secure?

Mr Davidson—I have had no approach from the innovations skills council.

Ms Cross—They are one of the industry skills councils that undertake—

Senator CARR—They have additional sources of income—

Ms Cross—They undertake a range of activities outside their DEST contract.

Senator CARR—They have not expressed any concern about their ongoing viability?

Ms Cross—No.

Mr Davidson—Certainly not to me.

Ms Paul—Not to me either.

Senator CARR—When was the decision taken to extend the funding through to 31 December?

Ms Cross—That decision was taken at the time that we announced the timing of the evaluation, so it would have been around February or March.

Senator CARR—Why was there a concern that Agri-Food close its doors by last night?

Mr Davidson—Because of the reasons I outlined. When they looked at the funds that were available to the company and the obligations that they had as company directors, the advice that they conveyed to me they had received legally was that—

Senator CARR—Have you provided additional funds to agribusiness now?

Ms Cross—No. We have a deed with Agri-Food that underwrites the liabilities. We have not provided them with any additional funds.

Senator CARR—Does the deed underwrite redundancies?

Ms Cross—It underwrites the potential expenses related to staffing, lease costs and those sorts of items.

Senator CARR—So you have gone guarantor for their accounts, effectively.

Ms Cross—For the liabilities that they have identified, yes.

Senator CARR—What is the exposure of the Commonwealth with regard to that?

Ms Cross—In the order of \$260,000. The Commonwealth expects that they will continue to operate through to 30 December under the contract.

Senator CARR—How many staff have Agri-Food lost so far?

Ms Cross—We have heard informally that they have lost four staff but that has been an informal communication.

Senator CARR—That is two prior to Tuesday and two today—is that right?

Ms Cross—I do not know the exact timing.

Mr Davidson—As Ms Cross has indicated, we have only been advised informally. That advice is that staff have elected to take other positions that have been offered to them.

Senator CARR—Does the four you are referring to include the two who resigned today?

Ms Cross—I would expect so if two resigned today, yes.

Senator CARR—It could be six, that is all I am saying.

Ms Cross—We had the informal advice today.

Senator CARR—Were your briefings from yesterday or today?

Ms Cross—Today.

Senator CARR—What about other councils? Can you confirm the manufacturing skills council has retrenched five of its 10 staff?

Ms Cross—That is what they have advised us.

Senator CARR—What is the situation with regard to the other councils?

Ms Cross—We are not aware of any other councils that have taken that sort of action.

Senator Carr—I take it a number of the councils are able to employ staff between now and the end of the year.

Ms Cross—They are able to employ staff if they have the funds.

Senator CARR—Assuming that the manufacturing council, Agri Council, is able to continue after this review is released and the minister's decision, would it be fair to say that the replacement cost for each of the staff would be at least \$10,000, the actual tranche?

Ms Cross—I do not think we could comment on that.

Ms Paul—I do not think we could speculate at this stage. It is a hypothetical.

Senator CARR—I take it you saw the reports in the press that the CEO of Blundstone, Mr Steve Gunn, has described the minister as exhibiting incompetence in not clarifying the future of the councils.

Ms Paul—I haven't.

Mr Davidson—I haven't either.

Senator CARR—I will have to find them.

Blundstone Australia's CEO, Steve Gunn, who sits on the board of Manufacturing ISC accused Mr Hardgrave of incompetence for failing to announce a decision on the future of the ISCs.

That is today's *Financial Review*. I would have thought you would have seen that.

Ms Paul—I think I have been here all day.

Senator CARR—With all these officers there, I would have thought they would have drawn to that your attention. You have seen it?

Ms Cross—I have seen it.

Senator CARR—That is good. He states that:

The worst of all situations is to have no decision being made. It is irresponsible.

You would have to agree with him on that, wouldn't you?

Ms Paul—We could not possibly comment. It is a matter for government as you know.

Senator CARR—He goes on to say:

It is he, Hardgrave, decides the Skills Councils have to go, which I think would be a bad decision, at least it is a decision, but this is just poor governance.

Did you see those comments?

Ms Paul—I have not seen them and, of course, we could not possibly comment on them.

Senator CARR—It says here:

Mr Hardgrave had replied that there should be an announcement within the timeframe.

What is the timeframe for the announcement that Mr Hardgrave is referring to in the *Financial Review* today?

Ms Paul—I imagine he is referring to the fact that the contracts last until the end of December and that a decision will be made earlier than that, obviously.

Senator CARR—I see; so we have to wait until the end of December?

Ms Paul—No, I did not say that.

Senator CARR—Is the department aware that Mr Gunn is not the only senior business executive saying that this uncertainty is having a serious detrimental effect on the councils' status and their fiduciary duty?

Ms Paul—I think we answered your question previously about what representation we had received.

Senator CARR—So you are aware of that.

Ms Paul—You had asked us about representations from industry and I think we gave you those details to the best of our knowledge.

Senator CARR—Are you aware that the CEO of the Construction and Property Services Industry Skills Council, Mr Alan Ross, said that the council was in the process of reviewing the security industry training package but was hampered by the current uncertainty. He even said that the US Pentagon had shown an interest in the council's work, and they have been adversely affected. He said it was now affecting their capacity to combat terrorism. Would the minister be aware of that?

Ms Cross—That is reported in the press report?

Senator CARR—He would be aware of that, would he?

Mr Davidson—We could not possibly comment.

Senator CARR—On what the minister is aware of or not.

Ms Paul—I imagine he is aware of the media report.

Senator CARR—Does the government already have any definite plans to close down any of the councils?

Ms Paul—No, the government has not made its decision. It is a matter for government at this stage.

Senator CARR—It has been put to me that the recommendations of this report go to the question of the immediate closure of the ElectroComms and Energy Utilities Industry Skills Council: is that right?

Ms Paul—I do not think we could comment because it is of the nature of policy advice at this stage.

Senator CARR—Is it the nature of policy advice?

Ms Paul—It is part of our policy advice.

Senator CARR—But ACCI knows about it. ACCI has been provided with this report. What is so special about ACCI that they can get a report that the Senate committee cannot get?

Ms Paul—Nonetheless, we are in that zone of policy advice now in this conversation.

Senator CARR—Was it policy advice when ACCI got a copy of this report that suggested the closure of the ElectroComms and Energy Utilities Industry Skills Council?

Ms Paul—I am just commenting on your question about our policy advice.

Senator CARR—Have you received representations from ACCI saying that the skills councils have exceeded their respective briefs?

Ms Cross—Certainly, ACCI on a number of occasions has talked about the core role of ISCs, which should be around training package development and review, and has expressed a view, which I think has also been reported in the press, that some ISCs may be working in areas beyond that core role.

Senator CARR—Is it true that ACCI is concerned that there are too many union representatives on the skills councils?

Ms Cross—I am not aware of that.

Mr Davidson—I do not believe ACCI expressed that view.

Senator CARR—They have not.

Mr Davidson—Then you would need to ask them.

Ms Paul—I do not think it is something we would have evidence about, particularly.

Senator CARR—The concern they have expressed, according to their minutes of 1 February, is that some ISCs had tendered for national industry career specialists without the knowledge of their board. They had a range of other governance issues.

Ms Paul—That sounds like a matter for ACCI.

Senator CARR—Has that concern been relayed to you?

Ms Paul—Not to me, no.

Senator CARR—To the department?

Ms Cross—That advice from ACCI has not been relayed to me.

Senator CARR—What about the advice from ACCI that the program guidelines should have made them ineligible to tender for work?

Ms Paul—Once again I think you are drawing on a view of ACCI.

Senator CARR—But they have made that advice known to you?

Ms Paul—Not that I am aware of.

Senator CARR—Surely that is part of the report. It is one of the recommendations of the report, is it not, that the program guidelines be changed to make them ineligible to apply for national industry career specialist work?

Ms Cross—I believe ACCI would be referring to RICA's and NICS guidelines. There are no ISC guidelines, so that would not have been covered in our evaluation of the ISC's performance.

Senator CARR—DEST and DEWR are using the ISCs as sources of advice on areas outside training packages and training materials. Has that advice been tendered to you?

Ms Paul—Not to my knowledge.

Ms Cross—Not specifically. We are aware that ACCI has a view on whether or not ISCs are operating in their core area of business.

Senator CARR—I am surprised. If I were on the ACCI board I would want to know why the representatives on these bodies were saying these things and you were not aware of it.

Ms Paul—We are aware of ACCI's views in the broad. You have come to some specifics there, some of which we are aware of, some of which we are not, and some of which appear to refer to other things. It is hard to say on an issue-by-issue basis but we are broadly aware of some of their views, although possibly not all of them. That is a matter for ACCI, obviously.

Senator CARR—DEST is managing the ISCs under public contracts. These contracts are due for renewal by the end of June 2006, which provides a logical timeline for change, although the awarding of the NICs contract to some ISCs could mean that there is a reluctance to close them down. An alternative model would see the ITSE performing two major functions—a star rating system and the development and maintenance of training packages. Under this model the funding for training packages would flow to the industry reference committees. There would be an issue resulting in those industries that do not have an industry association and would have membership of these companies, but this was not seen as a major impediment. Members agreed to document these issues with the ISCs and to provide these to ACCI. ACCI would develop a position for the review of the ISCs, which would be covered in the alternatives for performance of ISCs functions by the end of March, with a clear position on the replacement of ISCs by the end of June. That is what the report says, does it not?

Mr Davidson—Senator, we do not have access to the minutes.

Ms Paul—We cannot comment on the report because it is by way of nature of being policy advice, as I said before. I am not familiar with that; I have not heard that before, but it actually refers to a range of different things. It refers to NIC, which was a new program—a different thing to what we are talking about here and so on—so I am not quite sure where that takes us. There are quite a number of different aspects there.

Senator CARR—Yes, but it does reflect the nature of the report that you have been keeping secret, doesn't it?

Ms Paul—Not necessarily. I have said it is of the nature of policy advice—

Senator CARR—You are quite right; I apologise. You are quite right, because you have provided ACCI with a copy of the report and you have provided a range of other people with a copy of the report. But most of the other people who are actually interested and directly involved have been deprived of the right to see that report.

Ms Paul—What I said before was that we are in the stage of government considering a range of inputs into policy consideration, one of which was our review and some of which came from other sources which we have mentioned. That matter is still to be decided.

Senator CARR—I am taking a bit of a liberty here, because ACCI has asked that members keep these discussions confidential and someone has been good enough to provide me with a copy of their work—

Ms Paul—You said that was from February this year, so it is going back quite a long time.

Senator CARR—Yes, I did. I said it was from February. I would like to go to the question of one of the persons who did receive a copy of the report, a Mr Balzary. Is that the name of the man you said—Mr Steve Balzary?

Ms Cross—Yes.

Senator CARR—Now he was a former director of employment and training for ACCI, wasn't he?

Ms Cross—Yes.

Senator CARR—Sorry, he is a former director but he was the director of employment and training at the time when these positions were developed. That is right, isn't it?

Mr Davidson—He was the director of employment and training in February.

Senator CARR—He also runs a consultancy firm called Business Group Australia Pty Ltd, doesn't he?

Ms Cross—That is correct.

Senator CARR—Is that right?

Ms Cross—Yes.

Senator CARR—And this is a company that operates out of his home address. I will not give that address but it is in Campbell, in the Australian Capital Territory, isn't it?

Ms Cross—I understand that is the case.

Senator CARR—He is the sole and principal shareholder of the company?

Ms Cross—I have no idea.

Senator CARR—Actually records show that this is the case. He is a director of the company, Business Services Training Australia Ltd, isn't he?

Ms Cross—I am not aware of that.

Senator CARR—It also operates from the same address. He is also a company director of WorldSkills Australia, which is also registered at that address.

Mr Davidson—I do not believe that WorldSkills Australia is registered at that address.

Ms Cross—There is a WorldSkills organisation that he certainly was a director of but it would not have been registered.

Mr Davidson—He certainly was a director. I believe he was a director while he was the director of employment and training at ACCI, but I am not aware whether he has continued as a director since he finished that position.

Senator CARR—I see, so he is no longer a director of WorldSkills. Is that what you are saying?

Ms Paul—We do not know.

Mr Davidson—We are not aware of whether he is currently a director of that body or not.

Senator CARR—Because all I can do is rely on the ASIC record which I have in front of me. It talks about 'a current director' of WorldSkills in Campbell.

Ms Cross—It is quite possible he has continued in that position and we are just not aware of that.

Senator CARR—He is the current secretary, in fact. I take it that Mr Balzary has no formal contacts with or connections with ACCI at the moment. Is that the case?

Mr Davidson—We would not be aware of that.

Senator CARR—I understand that in fact he was dismissed by ACCI because he was extending way beyond his brief.

Ms Paul—We could not comment on that obviously.

Senator CARR—Do any of the companies that I have listed—or any other companies that I have not listed—that are owned by Mr Balzary have any contracts with the Commonwealth?

Ms Cross—They have a contract with the Commonwealth to provide an independent perspective on the ISC evaluation.

Ms Paul—Sure, but nothing other than that.

Mr Davidson—No other contract.

Senator CARR—So they have a contract with you—sorry, with the Commonwealth department?

Mr Davidson—I believe it does have some subcontracts with other organisations.

Senator CARR—Sorry?

Ms Cross—There are some other organisations that the department contracts with that subcontract with this company, but our contract is with—

Senator CARR—Is one of these organisations the National Retail Association?

Ms Cross—That he has a subcontract with?

Senator CARR—Yes.

Ms Cross—I am not aware of that. We could check that for you.

Senator CARR—Wasn't he involved with the Australian Technical College at Queanbeyan?

Ms Cross—I am not aware of that.

Mr Davidson—I believe he has had some involvement at an early stage with the Australian Technical College.

Ms Paul—I do not think we are talking about work at DEST's behest though. We are talking about associations with other organisations. I think the work that has been funded directly is this single piece of work.

Senator CARR—But the Australian Technical College at Queanbeyan was a DEST project, wasn't it?

Mr Davidson—I believe that as a citizen of the ACT he has been involved and interested in the—

Senator CARR—So he had a look around, wandered down and had a look at the drawings—that sort of thing. Is that what you mean? Was that as a citizen or are you saying he had a commercial interest in it?

Mr Davidson—I am not aware of a commercial interest.

Senator CARR—You are not?

Mr Davidson—No.

Senator CARR—So you are not aware that he has a contract with the National Retail Association?

Ms Paul—No.

Senator CARR—So how did you know he was involved in the Australian Technical College at Queanbeyan?

Mr Davidson—Because he has told me.

Senator CARR—Sorry?

Mr Davidson—Because in discussions with me he has informed me that he was interested in that body.

Senator CARR—So it was just a casual conversation as distinct from any commercial—

Mr Davidson—It was a casual conversation.

Senator CARR—It is always dangerous having casual conversations at estimates I have found but—

Ms Paul—I am assuming his involvement—unless I am corrected, as I am not familiar with it—in this ATC is similar to that with most of the other ATCs that have had a range of local businesses, employee organisations and all the rest of them interested in forming a consortium, so it would not surprise me.

Senator CARR—I see.

Ms Paul—They would have come together in a voluntary sort of way.

Senator CARR—I could see how that would work.

Mr Davidson—We are aware that Mr Balzary's company has a contract with the National Retail Association.

Senator CARR—I just wanted to get that clear. I was having a bit of trouble following your line.

Mr Davidson—I personally was not aware of that but I am advised by one of my officers—

Senator CARR—I used the term 'you'. I will repeat it again: when I use the term 'you', I am referring to the department. Mr Davidson, I have never met you before so I would not be referring to you personally. I have got a feeling that I might meet you a good deal more by the sound of this.

Mr Davidson—I am clarifying for you that the department is aware that there is a contract.

Senator CARR—Thank you very much. Mr Davidson, can you advise the committee as to what the relationship is between Mr Balzary and a Mr Patrick McKendry?

Mr Davidson—Would you ask the question again, please?

Senator CARR—Yes. Are you aware of any relationship between Mr Balzary and a Mr Patrick McKendry?

Mr Davidson—I would need some clarification from you about what you mean by ‘relationship’.

Senator CARR—Has he provided advice to Mr McKendry, who I understand is the putative chair of the new National Quality Council?

Mr Davidson—I am not aware that he has provided advice to Mr McKendry. I know that they are acquainted—I am aware of that.

Senator CARR—How are they acquainted to your knowledge?

Ms Paul—I think they are acquainted because of their involvement in this sector. Historically, both of them have been involved in this sector.

Senator CARR—Just friends, do you think?

Ms Paul—I do not think we could comment. If you would like us to investigate whether there is some formal relationship we would need to take that on notice.

Senator CARR—Yes.

Senator Vanstone—If I may say this, Madam Chair: in any matter it may become relevant who has any interaction of a business sort or otherwise with another person. But I question general questioning about who is aware of who has had a relationship of some undefined sort. If there is a question to be put specifically as to a concern, then that is perfectly valid and should be pursued, but questioning of a general nature about what one is aware of may lead to areas that might not be appropriate.

CHAIR—I agree, Minister.

Senator CARR—Yes, that is fair enough. I will ask about the issues that go to contracts between the department and Mr Balzary’s companies. You have indicated that there is at least one that you are aware of.

Mr Davidson—There is only one that we are aware of.

Senator CARR—And what is the nature of that contract?

Ms Cross—It was a contract to provide an independent perspective to the minister on the report on the evaluation of ISCs.

Ms Paul—It is the same request that was given to Tom Barton as well. It is the same brief.

Senator CARR—When was that contract let?

Ms Cross—We commissioned the contract on 14 September.

Senator CARR—It was on 14 September this year?

Ms Cross—Yes.

Senator CARR—It is very recent. How much was that for?

Ms Cross—The contract was \$10,000.

Senator CARR—It was a short-term contract?

Ms Cross—It was a very short-term contract to deliver a report to the minister within a short time frame.

Senator CARR—A report to the minister on the report?

Ms Cross—An independent perspective on the report.

Senator CARR—Is that why he got a copy of the report?

Ms Cross—So he could provide a perspective on it.

Ms Paul—So did Tom Barton.

Senator CARR—He got the contract on 14 September after he was sacked by ACCI for working on the same project—is that the situation?

Ms Paul—We could not comment on that.

Senator CARR—I just want to get this clear. So he was ACCI's representative on this project, ACCI sacked him and the minister has given him a special contract of \$10,000 to give him an independent assessment?

Mr Davidson—There was no representative nature of any kind in relation to the original piece of work that went out.

Ms Paul—When you say 'representative' on a project, Senator, I do not think that is how it would be characterised. He played a particular role with ACCI, that role ceased and this independent perspective was sought, I think, through his company presumably.

Senator CARR—Was he a member of an ISC or something?

Ms Cross—No.

Ms Paul—He has been, as you know, in the education role with ACCI for a long period of time.

Senator CARR—Yes, he has.

Ms Paul—He was expert in this sector from the employer perspective in particular.

Senator CARR—So he had no direct involvement with any of the ISCs?

Ms Cross—He was not on any ISC board.

Senator CARR—At what point did he cease to be the director of employment and training for ACCI?

Ms Cross—I do not know the date.

Senator CARR—Surely he would not have been given a contract as an independent adviser while he was still working for ACCI.

Ms Cross—No, it was well before the 14 September date, but I could not even tell you what month it was.

Senator CARR—What other contracts have been let in regard to this report?

Ms Cross—There is that for the independent perspective of Tom Barton.

Senator CARR—What is he—your token Labor person?

Ms Paul—We would not characterise it like that. He was the former minister for training in Queensland.

Senator CARR—I am sure he did a magnificent job.

Ms Cross—He had recently reviewed the industry advisory arrangements in Queensland and gone through a similar process there.

Senator CARR—Who else is there?

Ms Cross—As part of the evaluation we did commission work from the Ithaca Group. That was part of the department's evaluation.

Senator CARR—How much was that for?

Ms Cross—The contract was \$61,000.

Senator CARR—So it is 61 grand plus two lots of 10 grand. Is that all?

Ms Cross—There has been a contract for some financial analysis. That was for \$13,420.

Senator CARR—Who was that by?

Ms Cross—That was by RSM Bird Cameron.

Senator CARR—So we have got \$94,500 for the minister to sit on the report.

Ms Paul—As you can hear, the minister has sought a range of inputs to a policy consideration. Some of those inputs only began in September.

Senator CARR—That is because he had to get a berth for ACCI's reject. That is the only reason why September is significant.

CHAIR—But those are your words, Senator.

Senator CARR—That is what happened.

CHAIR—You choose to term it like that.

Senator CARR—That is a fair representation of the evidence.

CHAIR—You choose to term it like that. The officers are unable to respond.

Senator CARR—That is true: they can't. It is most unfair of me to—

CHAIR—Choose your words carefully is what I want to say.

Senator CARR—Of course, I always do. Can I ask then if \$94,000 is the total cost so far, on evaluation of a report that has basically been shelved?

Ms Paul—I have not said the report has been shelved—not at all. The report has been one of a number of policy considerations which are still currently being considered.

Senator CARR—So it is still active?

Ms Paul—Yes. They are all still active. The process timing goes like this: this report including some of these consultancies in the middle of the year, the two independent perspectives in September/October, some financial work around a similar time and the policy considerations still underway.

Senator CARR—So when did the minister actually get the final report?

Ms Paul—On 26 July.

Senator CARR—26 July; so he has had a fair while to sort it out.

Ms Paul—As I said, he sought a range of inputs.

Senator CARR—All right. Well, I asked you about Mr Balzary's companies and I ask you now: has Mr Patrick McKendry actually been appointed as the chair of the National Quality Council?

Mr Davidson—No.

Ms Cross—We cannot comment on that process.

Mr Davidson—The current chair of the National Quality Council is Stella Axarlis.

Senator CARR—So when is Mr McKendry going to be appointed to the chair of the National Quality Council?

Ms Paul—I think that is still a matter under consideration, isn't it?

Ms Cross—We could not even comment as to whether he was the person who would be appointed at this stage.

Senator CARR—I would be wrong, would I, to say he is going to be appointed?

Ms Paul—We could not comment.

Ms Cross—We could not comment, obviously.

Senator CARR—Mr McKendry is an ACCI board member, isn't he?

Ms Cross—I am not aware of that.

Mr Davidson—I am not aware exactly of his status with ACCI.

Senator CARR—He can correct me if I am wrong. I thought it was pretty hard to get a job with the government unless you had some association with ACCI, so I figured he would be.

Ms Paul—I do not know.

Senator CARR—It is a bit of a closed shop these days, isn't it? Unless ACCI agrees you are in trouble and, of course, the trouble is that with ACCI sometimes—

CHAIR—Senator, these are comments, not questions.

Senator CARR—That is true. Mr McKendry is the current secretary of the National Retail Association though, is he not?

Mr Davidson—I believe he is the CEO of the National Retail Association.

Senator CARR—So secretary is wrong; he is CEO.

Mr Davidson—Well that is my understanding; you could be correct but I understand that he is the CEO.

Senator CARR—I am often wrong; I acknowledge that. I just wondered if you have got that clear—that he is the CEO. He did accompany the minister, Mr Hardgrave, on his delegation to China and Vietnam in 2005, didn't he?

Mr Davidson—He did.

Senator CARR—Is the National Retail Association still a large RTO?

Ms Cross—We would have to check that on the National Training Information Service.

Senator CARR—You do not know? You do not know if the National Retail Association is an RTO or are you quibbling with the word ‘large’?

Mr Davidson—Well, there are in excess of 4,000 RTOs in Australia, and I am not aware of each individual one.

Senator CARR—That is fair enough. You are new in the job; I accept that. I put it to you that they have a contract with the Commonwealth, of \$3.8 million. There is some state money in there so they would have a substantial contribution from the Commonwealth to set up a skills centre.

Mr Davidson—I believe that is correct. I am not aware of the exact amount, off the top of my head, but I believe that there is skills centre funding recommended by the Queensland government that the Australian government has supported.

Senator CARR—So in your deliberations about the appointment of Mr McKendry as the National Quality Council chair, I suppose the question would have arisen about the conflict of interest.

Ms Paul—That would be part of our advice, potentially, and we could not comment on it.

Senator CARR—But you would acknowledge that there is an appearance of a conflict of interest about a person whose company is in receipt of a large amount of Commonwealth money and who is also being proposed as the chair of the National Quality Council.

Ms Paul—I do not think we could comment on that.

Senator CARR—Yes, but it would appear to be so. It certainly would to me.

Senator Vanstone—Chair, really, we have been very patient here with these questions which have been beating around the bush. It really does appear that Senator Carr has been allocated a period of time which he would like to use up. Now that is fine but it would be much more interesting for everybody if he could have a bit more variety in his questions instead of repeating the same ones in different ways—

Senator CARR—I thank the minister for her advice.

Senator Vanstone—and, if I may say, putting the same questions to witnesses time and time again amounts to badgering.

CHAIR—Not only that, Minister, when the officers are unable to respond and he then puts his own construction and uses somewhat pejorative language I think the committee is not particularly pleased.

Senator CARR—Which one? The question about being sacked by ACCI is pejorative? How could that be pejorative? I am sorry, I do not think that is pejorative at all.

CHAIR—Those are your words and you cannot expect the officers to confirm or deny that. Those are your words.

Senator CARR—Thank you, very much.

CHAIR—Are those the end of your questions?

Senator CARR—They are indeed, thank you very much.

Senator MARSHALL—I just had one question following up on one of Senator Carr's very early questions. I know you did not like to use the word 'forecasting' about the training, but I am just wondering when this department actually took over that responsibility from the old ITAB structure. What date was that?

Ms Paul—This is part of the transition of ANTA and ANTA's responsibilities into the department.

Senator MARSHALL—When did that actually take place?

Ms Paul—The transfer of ANTA's functions into the department was announced in October 2004 and it took effect from 1 July 2005.

Senator MARSHALL—Your department has been responsible for skills planning in effect since then.

Ms Paul—We took over all of the functions previously the responsibility of ANTA on 1 July 2005.

Senator MARSHALL—The role that used to be played by the ITABs now simply is an input into your overall skills—

Ms Paul—Just going slightly broader than the forecasting question, some of those responsibilities were already starting to change and shift with ANTA's guidance. Then, as Mr Davidson and Ms Cross have said, some of the forecasting functions—I forget how you were describing it—were kept in the department.

Mr Davidson—I do have a table. The senator requested a table with grants provided to each of the industry skills councils so I am happy to table that for the committee.

CHAIR—It is the committee's wish that that be tabled. Thank you, Mr Davidson.

Mr Davidson—I can clarify the precise wording of the resolution of the ministerial council too. I have had to draw on my recollection. The resolution of the Ministerial Council on Vocational and Technical Education on Friday, 9 June 2006, noted a report from the National Quality Council on the operation of the national skills framework, noted that the review of industry skills councils was underway, and requested the review be undertaken in collaboration with states and territories with any outcomes to be considered by the ministerial council.

Ms Cross—We have also been advised by other staff in the department that Mr Balzary was at one time a member of the Innovation and Business Industry Skills Council board, but that membership has been terminated.

Senator CARR—Yes. I understand that what actually happened there—if I could help you, because it is a bit of a problem, obviously—is that he was a member of the Innovation Council and they asked him to stand down and he would not.

Ms Cross—I could not comment on that.

Senator CARR—When he lost his job with ACCI he would not stand down, and so you actually had to replace a whole range of directors. Could you take that on notice to establish whether or not that is right?

CHAIR—Senator, I do not think you could expect the department to comment on that in any way and, once again, you are overstepping the bounds.

Senator WONG—Can I just clarify something? Ms Cross said the membership was terminated—was that the phrase?—on that particular council.

Mr Davidson—We understand that he was a member of the Innovation and Business Industry Skills Council, and that his membership terminated when he left the Australian Chamber of Commerce and Industry.

CHAIR—Yes, that is a better explanation. So you may now leave in peace.

Senator CARR—I am going to be encouraged to come back to this.

CHAIR—It is a very robust committee, Senator, as you should know.

Senator WONG—This is less robust than tomorrow will be. I can almost guarantee it. I had two questions, which you may have answered; I just want to follow up. Were you going to provide the number of staff employed by each skills council?

Ms Cross—We have just tabled that.

Senator WONG—Is that the tabled document?

Ms Cross—Yes.

Senator WONG—Can I have a quick look at that before we move on? Where not otherwise indicated, are they full-time positions in the right-hand column?

Ms Cross—I expect so.

Senator WONG—You have indicated for the ElectroComms and EnergyUtilities Industry Skills Council, two full time one part time. Do I make the assumption that—

Ms Cross—Yes, I think that is a safe assumption.

Senator WONG—I may come back to that later. The other question was in relation to the deed underwriting the Agri-Food Industry Skills Council's operations. I think you have previously advised you signed a deed underwriting their operations until the end of the year. Is that right?

Ms Cross—Yes.

Senator WONG—Was the value of that \$260,000?

Ms Cross—A maximum amount of \$264,000.

Senator WONG—\$264,000 to cover liabilities, expenditure et cetera to 31 December?

Ms Cross—Yes.

Senator WONG—Who signed that?

Ms Cross—I did.

Senator WONG—Ms Cross, you are not personally liable, I presume.

Ms Cross—I hope not.

Senator WONG—I bet you hope not! What is the expenditure to date against that?

Ms Cross—Nothing.

Senator WONG—Prior to authorising it, what led to the signing of the deed?

Ms Paul—I think Mr Davidson described a meeting that he had had with Agri-Foods and went in to some detail about the nature of that meeting. That would have led to this approach to underwriting.

Ms Cross—And we got legal—

Senator WONG—Senator Carr was asking about this before, wasn't he?

Ms Paul—Yes he was.

Mr Davidson—Yes.

Senator WONG—That is fine; I missed that. I am sorry if I have retraversed an area, but was this discussed with the minister's office?

Ms Cross—Yes, the minister's office was aware that we were entering into the deed.

Senator WONG—Was it at their instigation or suggestion the deed was entered into?

Ms Cross—It was certainly something that we were looking into and when we spoke to the minister's office they agreed that it would be important to keep the ISCs operating until the end of their contract.

Senator WONG—Ms Cross, just on that Agri-Food, was there any discussion with the Prime Minister's office in relation to the deed?

Ms Cross—Not by me.

Senator WONG—By anyone in the department?

Ms Cross—Not that I am aware of.

Ms Paul—No, we would not normally be discussing these issues with the Prime Minister's office.

Senator WONG—With PM&C?

Ms Paul—I do not think we discussed this with PM&C, no.

Ms Cross—I may have had some general discussion with them about the capacity to have a deed in place but it was not anything specific.

Senator WONG—Were those conversations at their instigation or did you contact them?

Ms Cross—I think I contacted them but it was in the course of a general discussion on a number of issues.

Senator WONG—Why would you have raised this sort of issue with Prime Minister and Cabinet?

Ms Cross—Only because we keep in touch with them on issues which are in the press and other issues like the Prime Minister's skills package.

Senator WONG—What is the value of the deed?

Ms Cross—The value of the deed is \$264,000.

Senator WONG—Would it be normal to discuss a potential expenditure of \$264,000 with PM&C?

Ms Cross—No. I think there would be any number of contracts that we enter into of that value and higher that we do not discuss with PM&C.

Ms Paul—Also, as we know, this was an underwriting and those liabilities may not be realised.

Senator WONG—Yes, I understand that but maybe Ms Cross you did not hear my question. I said would it be usual to discuss a contract of \$260,000 with Prime Minister and Cabinet?

Ms Paul—No it would not.

Ms Cross—No.

Senator WONG—So why was this one discussed?

Ms Cross—I do not think the amount was discussed; I think in a general discussion on a number of issues I may have mentioned that we were looking at working with one of the ISCs through some sort of arrangement like this. It had been in the press—

Ms Paul—It had been in the media.

Senator WONG—So it is discussed with PM&C when it is in the media, is it?

Ms Paul—In this instance, yes.

Senator WONG—When was the discussion? Perhaps you can relate it to when it was in the media.

Ms Cross—I think it would have been Monday evening of this week.

Senator WONG—It was in the media this week?

Ms Cross—The discussion was this week. Sorry, no, it would have been late last week.

Senator WONG—With Prime Minister and Cabinet?

Ms Cross—Yes.

Senator WONG—Were there any personal staff members of either your minister's office or the Prime Minister's office at that discussion?

Ms Cross—No, it was a phone conversation.

Senator WONG—When was the deed signed?

Ms Cross—I think it was this morning, senator.

Senator WONG—This morning?

Ms Cross—I think so.

Senator WONG—So hot off the press, as it were.

Ms Paul—Well all these issues have arisen since the end of last week.

Senator WONG—Senator Carr might have touched on this. When you have that kind of underwriting arrangement—which, as Ms Paul pointed out, differs from a tender or contract—what are the guidelines? Are there any probity guidelines associated with that type of arrangement, or do the guidelines which would otherwise apply to contracts et cetera apply to an underwriting arrangement?

Ms Cross—None of the procurement guidelines apply so far as I am aware but we cleared the deed with our legal branch before entering into it.

Mr Kriz—My colleague Rebecca Cross is quite correct. No procurement issues arise here. One of the things that does arise, which was dealt with, is the issue of a contingent liability for the Commonwealth when it goes into an undertaking like that and there are rules that operate under the financial management act, and the regulations under that act, to get appropriate approvals to commit the Commonwealth into the future for contingent liability. They are the rules that apply, and they were followed.

Senator WONG—From questions and answers at previous discussions, you might have different levels of scrutiny, depending on the value of the contract. Is it the same terms of contingent liabilities—that up to a certain amount has a lower level of scrutiny—or something similar? Do you apply the same criteria to, say, a contingent liability of \$2 million as you do to one of \$260,000?

Mr Kriz—These are unusual. One of the requirements in relation to contingent liabilities, which differs from procurements, is that all of them have to be settled in the legal area. All of them have to get appropriate legal advice and all of them have to get approval through the department's chief financial officer—Mr Storen is here—who has the delegation to do this. So that is what has happened in this case.

Senator WONG—In answer to question E149-07, it was indicated that there was no provision in the forward estimates for Australian Apprenticeships advertising. Is that correct?

Ms Cross—Yes, Senator.

Senator WONG—There appears to be a new advertising campaign on Skills for the Future. Breakfast advertisements.

Ms Paul—There are three components to the campaign. One is the Skills for the Future package announced by the Prime Minister recently. One is on the Career Advice Australia network, which has not been promoted before. It is a new network of career advisors across Australia for young people aged from 13 to 19. The third element is on Australian technical colleges. So it is a campaign that covers three different areas including the recent announcements.

Senator WONG—Do you have figures available on the expenditure related to those three campaigns?

Ms Paul—Yes.

Senator WONG—Can you table those?

Ms Pearce—At this stage we do not have final figures, obviously. I can only give estimates at the moment.

Senator WONG—Can you tell me, before we get to the actual expenditure to date and the projected, where the money is coming from in terms of your budget estimates statements?

Ms Paul—The money will be dealt with in the additional estimates. It represents a new decision and will be dealt with then.

Senator WONG—So you have to go back and ask for it?

Ms Paul—It will have to be dealt with in that context.

Senator WONG—But there has been expenditure to date, so where is that coming from?

Ms Paul—The expenditure to date comes from outcome 1, which is for the initial part of the campaign. Mr Storen can give the full details.

Senator WONG—Where is the money coming from?

Mr Storen—The expenditure at this stage is coming from both outcome 1 and outcome 2 annual appropriation bills. You would appreciate that it is an integrated information campaign that covers the ANICA arrangements and the Australian technical colleges, which are in outcome 1 and the Australian Apprenticeships, which are outcome 2. At this stage, we are using annual appropriation money from both outcomes, and to the extent that additional money will be provided it will be covered off at additional estimates times.

Senator WONG—So the three components, Ms Paul, were the career advice, the Australian technical colleges and the Skills for the Future package.

Ms Paul—Yes.

Senator WONG—Mr Storen, can you tell me how much out of each outcome is being allocated at least provisionally until you, Ms Paul, can hopefully win the argument through the additional estimates process—not hopefully from my perspective, but from yours?

Ms Paul—Thank you, Senator.

Mr Storen—Provisionally, it is up to \$3 million from outcome 1, with the balance from outcome 2.

Senator WONG—What is the balance then?

Mr Storen—Of the advertising costs, it is in the order of \$13½ million.

Senator WONG—\$13½ million on top of the \$3 million?

Mr Storen—That is correct. That is for the advertising cost.

Senator WONG—So \$3 million comes from outcome 1 and \$13.5 million comes from outcome 2. Is that right?

Mr Storen—That is correct.

Senator WONG—You said that covers the advertising costs. What other costs are there?

Mr Storen—With a campaign of this nature, there are other costs, which I am sure Ms Pearce can explain the nature of.

Ms Pearce—I can.

Senator WONG—Thank you, Ms Pearce.

Ms Pearce—A key element of the campaign is Australian Apprenticeships. I do not know whether that came through in the description.

Senator WONG—Is that part of Skills for the Future?

Ms Pearce—Yes.

Senator WONG—That is the component. When Ms Paul was talking of three components, I presume Australian Apprenticeships was a subcomponent of Skills for the Future. Is that right?

Ms Pearce—That is right. The other elements of expenditure on a campaign are usually the creative and the research components, and there may be some printed materials in that sort of thing as well.

Senator WONG—What are the provision allocations for each of those three components?

Ms Pearce—As you might imagine, at this stage they are only estimated costs.

Senator WONG—I appreciate that.

Ms Pearce—We are looking at roughly \$3 million for the creative and the market research components and about \$600,000 for printed materials.

Senator WONG—Are there any other estimated costs? We have got \$3 million, \$13.5 million, an additional \$3 million and \$600,000.

Ms Pearce—They are the key elements.

Senator WONG—I am asking if there are any other components?

Ms Pearce—I am not aware of any other components.

Senator WONG—Thank you. What is the expenditure to date?

Ms Pearce—I do not have the expenditure to date. I would have to take that on notice.

Senator WONG—You do not have actual expenditure? All right: not to today. What is the most recent actual expenditure figure you have?

Ms Paul—The campaign only just launched.

Ms Pearce—It was only launched a week ago.

Senator WONG—But you would have had to do a media buy.

Ms Pearce—I do not have that figure. I can get that for you.

Senator WONG—Can we get the media buy at least?

Mr Storen—As I understand media buy, you actually make the payment about a month after the campaign commences.

Ms Pearce—Because they may not get particular slots et cetera. It is always that way.

Senator WONG—What about expenditure—I cannot remember what the accounting term is—that is actually committed? So you are in a contract but you have not been billed, such as a media buy where you have not been billed for the—

Ms Paul—We can get that for you. We can get what has been spent to date and what has been committed.

Senator WONG—That would be useful. Are you able to get that later today?

Ms Paul—We may be able to; we will give it our best shot.

Senator WONG—How long is the campaign expected to run?

Ms Cross—The campaign will have three major bursts of activity. The first is in October-November, there will be a further burst in January-February and then a third one in June-July. That ties into some of the key decision-making points for, in particular, young people looking at career options.

Senator WONG—So there is October-November, which we are currently in. What is anticipated in January-February?

Ms Cross—I believe the January-February run will be similar to October-November with television, print, radio, internet and also cinema advertising.

Senator WONG—Are the \$13.5 million, \$3 million et cetera—these figures you have given me—only for October-November or are they for all three bursts?

Ms Pearce—The \$13.5 million is for the first two bursts. We would not have any plans for the third burst yet, which would give us slots et cetera and you just—

Senator WONG—So they relate to October-November and January-February; is that correct?

Ms Pearce—That is right.

Senator WONG—In relation to all the figures you have given me?

Ms Pearce—No, in relation to the media buy only, because once the creative is made it is made.

Senator WONG—So do we have any projected expenditure yet for June-July?

Ms Pearce—No, we do not.

Senator WONG—You were saying that in January-February you are looking at internet, television, radio, print and cinema. Is that right?

Ms Paul—Probably similar to what you are seeing now, I think. The same creative, I think, is what we are anticipating.

Ms Pearce—It is the same creative and they may run more modified expenditure into various publications et cetera. I do not have the details of that, but it would not be evenly divided into the three bursts.

Senator WONG—Who has been engaged in the creative and research component?

Ms Pearce—Campaign Palace Batey—sorry, Campaign Palace/Red Cell they call themselves these days. It is a joining of two companies, I believe.

Senator WONG—Did that go to tender?

Ms Pearce—Yes, it went to select tender.

Senator WONG—Select tender means—

Ms Pearce—Off the GCU list. I think there were originally four companies involved. It got down two and then one was selected.

Senator WONG—Is that for both research and creative?

Ms Pearce—No, the creative agency is separate from the research.

Senator WONG—How much was the value of that contract?

Ms Pearce—The contract at this stage, as I mentioned, was estimated to be about \$3 million.

Senator WONG—Sorry, I thought you combined creative and research.

Ms Pearce—I am sorry, yes, I did. I do not have the exact figures for that. I have a combined figure.

Senator WONG—The \$3 million is a combined figure for the creative component and for research?

Ms Pearce—That is it.

Senator WONG—So you will come back to me on the value of that contract? Who did the research?

Ms Pearce—Worthington Di Marzio.

Senator WONG—How were they chosen?

Ms Pearce—They were chosen on the basis of pre-eminent expertise. There was only one company involved.

Senator WONG—Pre-eminent expertise? So it did not go to select tender or open tender? What do you call it when it is a pick—pre-eminent expertise?

Ms Paul—They had done similar research for previous similar campaigns.

Senator WONG—What was the nature of the research?

Ms Pearce—It is the normal research that is done prior to an advertising campaign—what the messages should be. It helps formulate the campaign.

Senator WONG—When the Campaign Palace team did the creative aspect, did they actually design the ads and that kind of thing or did someone else do that?

Ms Pearce—That is right.

Senator WONG—Ms Cross, in answer to an earlier question you said that June, July, January and February were key decision-making points for young people. Can you just explain to me what you meant by that?

Ms Cross—They are decision points for young people in particular who are considering what subjects to enrol in at school or who have finished school and are looking at further career options. That is the time when we are targeting them. As we have pointed out, the initiative has Career Advice Australia, technical colleges and Australian Apprenticeships.

They are just points of time where people would find it useful to have information on these options.

Senator WONG—Ms Pearce, with the Worthington Di Marzio work, presumably there was a report provided to DEST?

Ms Pearce—That is correct.

Senator WONG—One, two, three or more?

Ms Pearce—I think there are several, yes.

Senator WONG—Are you able to provide those to the committee?

Ms Pearce—I will take that on notice, senator.

Senator WONG—They are not commercial in confidence?

Ms Paul—We are happy to take that on notice.

Ms Pearce—I will take it on notice, yes.

Senator WONG—Is there a problem, Ms Paul?

Ms Paul—I do not think so. But we would not have them with us.

Senator WONG—From which bit are you allocating the schools allocation of \$3million from outcome 1?

Mr Storen—Output group 1.4 and the program name is careers transitions partnerships. It contains the funding that covers Careers Advice Australia.

Senator WONG—Can you take me to where that is in the PBS?

Mr Storen—Page 50 is probably the better page. At the bottom of the page, you will find output 1.4.

Senator WONG—Is that an administered appropriation?

Mr Storen—That is correct. That is an administered appropriation.

Senator WONG—Can you take it out of an administered appropriation?

Mr Storen—As long as it is consistent with the purposes for the appropriation. Previous communication campaigns have been funded from administered appropriations. The previous New Apprenticeship campaign was funded from outcome 2 from memory—that was two to three years ago.

Senator WONG—It is a while since I looked at this. It was a different department when we were having this argument. But my recollection is that the rules applying to the use of administrative appropriations are somewhat more restrictive than those applying to departmental appropriations. Is that right? There is more flexibility in the latter.

Mr Storen—That is correct. There are probably three layers of flexibility: departmental appropriations have significant flexibility; administered annual appropriations have less flexibility but still some as long as the money is being used for the purposes of the appropriation, which is the outcome title; and special appropriations have the next level of flexibility. They are quite tightly legislated and what the spend can be for is tightly articulate.

Senator WONG—Perhaps on notice you can explain to me why the funding of the research et cetera is consistent with the administered appropriation in output 1.4. Where is the \$13.5 million out of outcome 2 coming from?

Mr Storen—Page 67. It is output group 2.2, which is towards the top of the page.

Senator WONG—That is again an administrative expense?

Mr Storen—It is an administered appropriation as well.

Senator WONG—Which of those is being funded from output 2.2?

Mr Storen—It is in the ‘support for new apprenticeship’ line.

Senator WONG—So it is coming out of that—

Mr Storen—\$615 million.

Senator WONG—So the figures you gave me did not include June-July expenditure?

Ms Pearce—No. None of the ads are booked. It is unknown at this point.

Senator WONG—So can someone explain to me why you are spending out of output 2.2 on ads when you gave me a response in E14907 that the forward estimates did not provide any funds for Australian Apprenticeships advertising?

Ms Paul—Because the government has taken this decision since we answered that question.

Senator WONG—That is a different issue; that is a policy question about where the funds should be spent. What you have told me is that the forward estimates do not provide any funds for Australian Apprenticeships advertising, but your evidence today is you are spending funds out of the same appropriation that I asked about. I asked about 2.2, and you are now telling me that out of 2.2 you are now spending \$13.5 million.

Ms Paul—Mr Storen can no doubt can give you a more eloquent answer, but our answer goes to whether we have a particular line on Australian Apprenticeships advertising, and there is not a line.

Senator WONG—No, there is not. I asked what the estimate is for spending on advertising for new apprenticeships in the forward estimates. You are now spending money in a context where you have said previously that there was no forward estimate provision for advertising.

Mr Storen—At the time of answering your question there was no advertising campaign budgeted for in the estimates. Subsequent to answering the question, the government made a decision for an advertising campaign, pending additional estimates.

Ms Paul—That is what I was trying to say when I said this decision was taken in between the time of us answering this question—

Senator WONG—Yes, I understand that.

Ms Paul—and that we will now go into an additional estimates process. That is the proper way to go.

Senator WONG—Mr Storen, what are you moving money from in each of those outputs, or did you ask for more money than you needed?

Mr Storen—It is an issue for additional estimates for us. At this stage there is sufficient available appropriation to fund the information campaign. We review the estimates three to four times a year to have a look at what factors are affecting the use of the estimates. In this case, one of the factors will be the decision by government to have a campaign. If there are no other factors affecting that estimate, there would be an additional estimate provided.

Senator WONG—Have you allocated money for expenditure which was not approved by the parliament, in effect, by allocating expenditure to advertising out of the administered expenses?

Ms Paul—No. The point, of course, is to ensure that expenditure is appropriately made within the bounds of the appropriation which we are certain of.

Senator WONG—You are certain?

Ms Paul—Yes, it is legal expenditure.

Senator WONG—I presume the amounts of money you have indicated to me are on top of the advertising indicated in answer E501_06; that it is cumulative.

Ms Cross—We are just looking for a copy of that answer.

Mr Storen—That answer relates to a series of financial years—is that correct?

Senator WONG—Yes, I assume so. I just wanted it confirmed.

Ms Paul—You must be right by the sound of it—that it is in addition. However, we will confirm that.

Ms Cross—I am not sure of the question you are referring to.

Senator WONG—Could the secretary provide a copy of question E501_06 for the officers. It is from the supplementary estimates. To save time, Ms Paul, could you cast your eye over my copy. I don't think I have written anything incriminating on it. Could I have it back, though.

Ms Paul—Of course. You have beaten us to the draw. I have a copy now and will get the secretary to give you back your copy. Looking at it, yes, you are correct, Senator. This only goes to 2004-05, by the look of it.

Senator WONG—There is a lot of advertising, is there not?

CHAIR—Perhaps we could go on with this after the dinner break.

Proceedings suspended from 6.29 pm to 7.30 pm

CHAIR—The committee will now reconvene. We are still on vocational education and training with the Industry Skills Development Group.

Senator WONG—I did have a couple of questions regarding question No. 340-07. I am awaiting you having the answer, Ms Cross. Do you have it?

Ms Cross—I do not think we have a copy of that question.

Senator WONG—It is question No. 340-07. It has an attachment, does it not?

Ms Paul—It does. I do not have it but I believe Ms Cross may.

Senator WONG—It is relation to two contracts—PRN10744 and PRN10687, which both appear on the first page. Was 10744, which has a start and finish date of 3 May and 31 July respectively, a contract associated with the new Australian Apprenticeships branding?

Ms Cross—Sorry, Senator, what was your question?

Senator WONG—PRN10744 is about halfway down of attachment A to that question on notice.

Ms Cross—Yes, we have found it.

Senator WONG—Is that the contract for design work associated with the new Australian Apprenticeships branding—that is, the announcement that they are now Australian Apprenticeships?

Ms Cross—Yes.

Senator WONG—That finished on 31 July. On 16 May there is a contract, 10687, in relation to New Apprenticeships branding market testing. Is that correct?

Ms Cross—Yes.

Senator WONG—So that is in relation to the old brand New Apprenticeships?

Ms Cross—I think they are actually looking at quite separate issues.

Senator WONG—Yes. I would have to say that, from the title, it looks like you are putting a contract out for design work associated with the new brand at the same time as you have got a contract to market test a superseded brand.

Ms McLaren—The contract for the market research for the New Apprenticeships branding market testing was to test whether or not the brand still had recognition and whether or not it was appropriate to look at moving to a different brand. So it was testing a number of possible names for the new branding. At the same time, we had someone coming up with some possible names and concepts that could be tested in that market testing.

Senator WONG—Approximately, when was the decision to go to Australian Apprenticeships announced?

Ms McLaren—It was approximately June.

Senator WONG—While the contract to brand market test New Apprenticeships was still on foot?

Ms McLaren—That is correct.

Senator WONG—I am wondering about the value for money in continuing to pay under a contract to test a brand name where there has been a policy decision that you are not going to use it anymore.

Ms McLaren—The market testing was completed before the decision was made.

Senator WONG—How much expenditure related to the post-announcement period? You can take that on notice. The contract period was 11 October 2006.

Ms McLaren—The contract end date was beyond the time of the actual work taking place, and that was to deal with acquittal issues.

Senator WONG—Was any work done under the contract after the decision to go to Australian Apprenticeships?

Ms McLaren—Not that I can recall.

Senator WONG—Ms Paul, I would now like to move to New Apprenticeships centres. You might recall that I asked some questions in relation to NACs of Ms White on the last occasion in relation.

Ms Paul—Yes.

Senator WONG—I think there was a subsequent question on notice.

Ms Paul—That is right.

Senator WONG—It was in relation to conflict of interest management plans.

Ms White—That is correct.

Senator WONG—Ms White, as I recall, your evidence on the last occasion was:

The staff cannot work on Job Network and be in the New Apprenticeships centre, for instance. They have to have different phone lines and so on.

Is that right?

Ms White—That is correct.

Senator WONG—Are there any New Apprenticeships centres, NACs, which are co-located with a Job Network?

Ms White—I do not know the answer to that. I would have to take that on notice.

Senator WONG—Perhaps we should go back to the conflict of interest management process then. You have outlined some parameters—different phone lines; that they cannot be the same staff; and there has to be a conflict of interest management plan in place. How many conflict of interest management plans have you required of New Apprenticeships centres?

Ms White—Every Australian Apprenticeships centre has to have a conflict of interest management plan.

Senator WONG—How many are also Job Network centres?

Ms White—I am sorry but I do not have that information with me—but several of them are.

Senator WONG—Have you audited any New Apprenticeships centres?

Ms White—They only started their contract from 1 July 2006; so we have not audited them as yet.

Senator WONG—So DEST staff have not visited any New Apprenticeships centres?

Ms White—DEST staff will have been out to some of the new centres, but at this stage we have not officially audited them.

Senator WONG—So this is official visits as opposed to unofficial visits, is it?

Ms White—I cannot imagine that they have looked at conflict of interest management plans, other than through the tender process.

Senator WONG—Which centres have been visited in Victoria by DEST staff?

Ms White—I would have to take that on notice.

Senator WONG—Do you have any issue with an apprenticeship service and a Job Network service being located in the same location?

Ms White—No, we would not have an issue with that.

Senator WONG—I understand that there is an office which is co-located. So you do not have any conflict of interest concerns about that?

Ms White—No.

Senator WONG—Are you confident as to the level of service being provided by apprenticeship centres which also trade as Job Network members?

Ms White—Yes.

Senator WONG—How many audits have you done?

Ms White—We have not audited any of them this contract round.

Senator WONG—None at all?

Ms Paul—We are confident because we have just been through an extremely rigorous tender process. It is the largest tender we run in the department. In that context we have had regard to not only conflict of interest management plans but also to every other aspect of their tendered application against our criteria. As we have said, they only started about three or four months ago.

Senator WONG—They have started, haven't they?

Ms Paul—Yes, they started their operations in the new contract period on 1 July.

Senator WONG—Since 1 July, what visits have been made to any New Apprenticeships centres which are also operated by or have a relationship with Job Network providers?

Ms White—I will take that on notice. The day-to-day operations are handled by our state officers. I would need to go to them for the details.

Senator WONG—So since 1 July 1 you have not conducted any formal audits but you might have visited the sites? Is that correct?

Ms White—That is correct.

Senator WONG—So you will tell me how many site visits there have been?

Ms White—I will.

Senator WONG—The ones I am interested in are co-located or ones which have a close relationship in terms of the entities providing both services. In relation to the unofficial visits, are the apprenticeship centres informed ahead of time of the visit?

Ms White—Yes. I have actually been to a few of the centres.

Senator WONG—And you tell them first?

Ms White—Those visits would have been arranged by our state office.

Senator WONG—What about audits? Are NACs given advice as to when an audit will occur?

Ms White—That is usually the case.

Senator WONG—We have been advised—and it may not be correct—that an audit was being conducted in an office in Victoria recently. Is that not correct?

Mr Baker—I understand there have been some visits in recent months to some Australian Apprenticeships centres or New Apprenticeships centres. I have not got the information of any particular visits in Victoria, but I understand there have been visits to Queensland organisations. I am not sure if they relate to organisations that are both Job Network providers and Australian Apprenticeships providers.

Senator WONG—Are these audits or unofficial visits?

Mr Baker—They are part of the Australian Apprenticeships employer incentives and support services audit.

Senator WONG—So it was an audit visit?

Ms Paul—That may be an audit which the ANAO is undertaking. I am not sure.

Mr Baker—No, these are by departmental officers.

Senator WONG—Ms White, I am sorry, but Mr Baker's evidence seems to be quite different to yours. I appreciate you may not have had the opportunity to take advice but, from my perspective, if an officer gives me an answer and I really do not think there is anywhere to go, I try and move on. So, if you give me an answer which says there is nowhere else to go but there clearly is, it is obviously problematic from my perspective.

Ms White—I apologise, Senator. I was thinking of audits that would be done by staff in my branch and in our state offices. Mr Baker is from our actual audit division.

Senator WONG—Nobody suggested to me that it might be a good idea to ask him about this.

Mr Baker—Sorry, Senator; I was a bit slow coming to the table. I was trying to find some more information.

Senator WONG—So you work in the audit division, do you, Mr Baker?

Mr Baker—Yes.

Senator WONG—Can you tell me what has been happening there since 1 July.

Mr Baker—What I am aware of at the moment is that we have had some audit activity in relation to an organisation in Queensland. Some of our staff visited an organisation the week before last. I am afraid that I do not have any further information and I will have to take that on notice.

Senator WONG—You have no information other than that?

Mr Baker—I am afraid not.

Senator WONG—You cannot tell me what prompted it?

Mr Baker—It would have been a component of our annual audit plan. I am pretty sure it would be related to a 2005-06 audit that commenced then and is ongoing.

Senator WONG—What is the 2005-06 audit? I did not understand that answer, Mr Baker. Could you explain that?

Mr Baker—Every year our audit and business assurance committee approves an annual audit plan. The 2006 annual audit plan was approved in August this year. There is still some work outstanding from previous audit plan for 2005-06 period that may have fallen into the 2006 audit plan. The point I am trying to make is that any visits by DEST officers to organisations in Queensland could be related to the previous audit plan.

Senator WONG—Does the particular organisation still have offices in Victoria as well as Queensland?

Mr Baker—I am not aware of that from the information I have got in front of me.

Senator WONG—Does anyone in the room know anything more about this audit?

Ms Paul—I think we will have to take it on notice.

Senator WONG—Are you aware of any allegations that apprenticeship centre staff were specifically coached by management on how to pass a DEST audit which had previously been advised to them?

Mr Baker—No.

Senator WONG—Is DEST aware of any circumstances which gives rise to concern in the department that an apprenticeship centre is not undertaking their role independently and at arm's length from its Job Network function?

Mr Baker—Not that I am aware of.

Senator WONG—Ms Paul, you mentioned the ANAO process. Can you tell me about that?

Ms Paul—They have a regular program. I think there is one aspect that touches on this area. Ms White could probably provide more information.

Ms White—The ANAO is auditing New Apprenticeships at the moment.

Senator WONG—New Apprenticeships?

Ms White—The New Apprenticeships program.

Senator WONG—Does that comprise the centres plus everything else?

Ms White—It includes the Australian Apprenticeships centres as well.

Senator WONG—So what are the NACs now going to be called—AACs?

Ms White—That is correct.

Senator WONG—So it will audit the NACs come AACs. What else will it audit?

Ms White—There are three parts to their audit. One is a broad picture audit of New Apprenticeships in general. The second part is an audit of our contract management of the

Australian Apprenticeships centres. The third part is an audit of the Australian Apprenticeships Incentives Program.

Senator WONG—What is the time frame on that audit?

Ms White—My understanding is that they are going to have a report ready around May next year.

Senator WONG—Are you aware of what precipitated the Audit Office scrutiny of this program?

Ms White—I do not think there was anything in particular. I think they have a regular plan of audits.

Ms Paul—It is part of their normal program. That is my understanding of it.

Senator WONG—In the answer to my question on notice on this point, you talk about the conflict of interest management plan. Was that adjusted in any way in respect of those organisations where the same entity or a related entity was providing Job Network services, or is it a standard conflict of interest management?

Ms White—The organisation has to tender their conflict of interest management plan. So we would have expected that, if they were a Job Network member, they would include that in their plan.

Senator WONG—Perhaps on notice, could Ms White and Mr Baker advise me about what audits and/or visits have been undertaken in respect of New Apprenticeships centres or Australian Apprenticeships centres since the commencement of the current contract where there is a relationship with a Job Network provider?

Ms White—That is fine.

Senator WONG—Is that clear?

Ms White—Yes.

Senator WONG—I will now turn to E138-07. One of the things I asked for was New Apprenticeships and related workers in each ASCO category by federal electorate. You have not answered that. The answer provided was:

Where that publicly available data does not support the provision of the answer by requested categories, the answer has not been provided.

This format of question has previously been asked and answered—provided by the minister in the House and provided in response to my supplementary estimates question of E802-06. What is the problem with providing it now?

Ms McKinnon—My apologies. The problem was I was fairly new in the job. It was not until I spoke to Ms White after my question had been submitted that I realised that you could ask NCVER for the data to be searched by my staff. I am happy to find that.

Senator WONG—Presumably, I will get that pretty soon?

Ms McKinnon—Yes.

Senator WONG—Thank you. In any of the various contracts or in its own work, has DEST conducted an assessment on the effectiveness of its skills training and apprenticeship programs?

Ms Paul—That is a broad question. If I understand you correctly, we would have had a range of orders and so on, but I am not quite sure which programs or which types of analyses you are interested in.

Senator WONG—For example, have you reviewed, assessed or evaluated the success of the New Apprenticeships scheme?

Ms Paul—Yes, we have.

Senator WONG—What about the skills training need? In other words, have you reviewed, assessed, evaluated and reported in respect of the need to improve skilled training in Australia and any shortfall in government funding?

Ms Paul—I am not sure it would be covered by that.

Senator WONG—I think it is a skills shortage or skills needs analysis?

Ms Paul—We do a range of analyses about skills needs and we work with DEWR on that aspect as well. There is not a particular program, I do not think, that we are talking about there. I stand to be corrected.

Senator WONG—So these would be things that you would think you would do reasonably routinely?

Ms Paul—These would be analytical pieces of work that we might undertake. I think we mentioned some of them before.

Senator WONG—Would any of these have been done in the last 12 months?

Ms Paul—Probably. I think we have probably done a range of work in these sorts of areas. The evaluation of the New Apprenticeships program was a formal evaluation required in the financial cycle. That happened a little while ago—a couple of years ago, I think. But this other set of work that you are talking about is more a normal sort of analytical function in an ongoing way. We could describe some of it or take it on notice.

Senator WONG—I am actually going to ask a specific question. Is Mr Rob Mason an officer of the department?

Ms Paul—Yes, I think so.

Senator WONG—There was a freedom of information request from *The Australian* newspaper which sought access to essentially the sorts of documents I have just outlined. I will quote from the letter from DEST refusing to supply anything. Access was sought to:

... any review, assessment evaluation or report completed in the last 12 months on (a) the success of the New apprentices scheme and (b) on the need to improve skilled training in Australia and any shortfall in government funding or support in order to improve the number of skilled workers in Australia.

The refusal of the FOI request was on the following basis:

Thorough searches of the Department's records have been undertaken and these have failed to locate any records covered by your request. I have therefore concluded that the information you have requested is not in the possession of this Department.

Ms Paul—Clearly, Senator, it depends on the precise nature of your request. I know you read it but I do not know the full limitations on the request nor the consideration undertaken.

Senator WONG—I am happy to give you a copy so we can talk about this.

Ms White—I am not aware of the actual response that Mr Mason would have provided, but the evaluation of New Apprenticeships, which was called 'Skills at Work', was done in 2004. So I would say that it fell outside the 12-month period of the request.

Senator WONG—I appreciate, Ms Paul, that you did not have that in front of you, but I think it would seem clear from your answers—and also, one would think, in terms of the work that public servants do—that that would be the sort of thing that would be done reasonably often by the department overseeing skills and training in New Apprenticeships.

Ms Paul—I really need to see your request. An FOI request needs to be defined quite precisely, and there would have been some considerations made about the definition of what was in the scope.

Senator WONG—I am happy for you to take on notice a response as to why that FOI request was rejected.

Ms Paul—Yes, I am happy to take that on notice and give you a response. I can see a couple of limitations. One, of course, is the 12-month issue and the other one is the precise nature of your second point—that is, 'the need to improve skilled training in Australia and any shortfall in government funding'. That may not have been something that we precisely had documents on.

Senator WONG—If you could have a look at that I would appreciate it. I would like to follow up on something that I think Ms Cross was talking to me about at the last estimates. It was indicated that the department was looking at the quality arrangements on vocational and technical education. This was in the context, I think, of the discussion about the Institute for Trade Skills Excellence. Do you recall that discussion?

Ms Cross—Yes.

Senator WONG—You went on to say that you were looking at quality arrangements more broadly in relation to accreditation and registration of training providers. Can you tell me what the nature is of the department's examination of quality arrangements in the VET sector?

Ms Cross—The project has actually been undertaken by the National Quality Council, which is one of the councils of the ministerial council—

Senator WONG—Sorry; what was the name of the council?

Ms Cross—The National Quality Council, which is a council of the Ministerial Council for Vocational and Technical Education. The NQC has reviewed the Australian Quality Training Framework, and come up with a new framework that they are recommending to ministers at the November ministerial council meeting.

Senator WONG—Is that publicly available yet or is that available to the committee?

Ms Cross—I believe there are versions of the new framework that have been put on public websites for the purpose of consultation. Until it is signed off by ministers, there is no approved version. My understanding is that even now consultations are occurring and there is some fine tuning of the wording of different standards and different elements of the new quality framework. But certainly it will be a public document and all RTOs will be informed of the new quality arrangements as soon as they are finalised.

Senator WONG—Did DEST provide funding to the NQC?

Ms Cross—The NQC is funded under the Commonwealth-state funding agreement. It has a work plan that it submits annually, and that is the source of funding for this project.

Senator WONG—So no additional funding?

Ms Cross—DEST has been involved in the project, and certainly we have covered the costs of our own staff involvement and participation in the range of meetings and so on. But the project itself is funded by NQC.

Senator WONG—Thank you very much. I will move to Australian technical colleges. I will try and go through these reasonably quickly. Is it correct that five technical colleges are currently open?

Ms Wall—That is correct.

Senator WONG—Can you give me updated figures of students enrolled in each college?

Ms Wall—Yes. Currently there are 305 students enrolled in those colleges.

Senator WONG—Is that 305 in total?

Ms Wall—That is correct.

Senator WONG—Can you take me through the breakdown of the 305?

Ms Wall—There are 16 in eastern Melbourne, 29 in Gladstone, 39 in the Gold Coast and 196 in Port Macquarie.

Senator WONG—Are any or all of the students both enrolled at a college and under a training contract as a school based apprentice?

Ms Wall—Yes. Currently 77 of those students are in school based apprenticeships.

Senator WONG—Did you give me five—16, 29, 39 and 196?

Ms Wall—I left out Tasmania, sorry. That figure is 25.

Senator WONG—What colleges are expected to be open as at first semester 2007?

Ms Wall—We expect another 15 colleges. They will be Adelaide south, Bendigo, Darwin, Geelong, Gippsland, Hunter, Illawarra, north Brisbane, north Queensland, northern Adelaide, Perth south, the Spencer Gulf and outback, Sunshine in Victoria, Warrnambool and the Pilbara.

Senator WONG—Was that 15 cumulative? Is it 10 more or 15 more?

Ms Wall—It is 15 more, so we expect 20 colleges to be open.

Senator WONG—So presumably funding agreements have been signed in relation to 20?

Ms Wall—Funding agreements so far have been signed with 19. We expect to sign for the 20th one, which is the Pilbara, very shortly.

Senator WONG—How much has been committed to the technical colleges program?

Ms Wall—The commitment to date has been \$290.1 million.

Senator WONG—And actual expenditure to date?

Ms Wall—Actual expenditure has been \$53.5 million.

Senator WONG—Which of the 25 locations do not have a funding agreement? I could go back and tick off the ones you did but I did not write all of them down, I am afraid.

Ms Wall—As I said, we do not have one for the Pilbara but we expect to have one soon. We do not yet have funding agreements for the Central Coast, Queanbeyan, Dubbo, Western Sydney, Ballina and Lismore.

Senator WONG—What is happening in Lismore and Ballina? I think we have had a bit of a discussion about that previously.

Ms Wall—We are certainly still talking with interested parties, but as yet we have not had a suitable proposal.

Senator WONG—So there is still no announcement on the preferred tenderer there?

Ms Wall—No, but we are still talking with interested parties in the area.

Senator WONG—Of the \$290 million commitment, how much has been allocated towards advertising?

Ms Wall—Nothing, Senator.

Senator WONG—As I recall, Ms Paul said that the components of the campaign were the advertising campaign, careers advice, skills for the future, Australian Apprenticeships and Australian technical colleges. Is there any allocation out of the ATC budgeted funding going towards the advertising?

Ms Wall—No, not towards that campaign. I should say, though, that most of the funding agreements with the colleges would probably contain some funds for marketing which the colleges would do at the local level in order to attract students and employers.

Senator WONG—What proportion of the allocated \$290 million is for advertising or marketing?

Ms Wall—I would not have that figure as a total. I would have to go back to each of the individual funding agreements to see what the colleges have identified.

Senator WONG—Would that be the only marketing component in the funding agreement?

Ms Wall—That is right.

Senator WONG—Typically, what proportion is it? Is it a small amount or a big amount?

Ms Wall—It is quite small.

Senator WONG—Less than five per cent? I am just trying to get a sense of it.

Ms Wall—I would need to check this but, from memory, it might be anything from \$20,000 to \$500,000.

Senator WONG—Maybe you could take that on notice and perhaps you could indicate in relation to which funding agreements.

Ms Wall—Certainly.

Senator WONG—Has an agreement been signed with Western Sydney technical college?

Ms Wall—No, there is no agreement with Western Sydney.

Senator WONG—Is a company known as Austool involved in the proposed technical college or the technical college there?

Ms Wall—No, not that I am aware of.

Ms Johnston—I believe Austool was involved in the original expression of interest process. I do not believe that it has been a partner in any consortia that we have been dealing with subsequently.

Senator WONG—Sorry?

Ms Johnston—I believe Austool may have put in an expression of interest at the very early stages of the process. I do not believe it is a participant with the consortium that we have been dealing with.

Senator WONG—So, as far as you are aware, they are not part of that?

Ms Johnston—As far as I am aware, but we will double check that and make sure.

Senator WONG—Are you aware of any financial difficulties faced by that organisation?

Ms Johnston—The expression of interest stage was not a formal tenderer process or proposal process, so there would not have been any investigations of those sorts of financial things.

Senator WONG—The minister's press release of September 2005 mentions Austool, the Australian Centre for Tool Making Innovation, as a member of the winning consortium.

Ms Johnston—I stand corrected, if it was a member of the consortium.

Senator WONG—I just want to clarify this. Is it correct that, to your knowledge, this is the winning consortium, and there has been no change to the members of it?

Ms Johnston—We have not been advised of that.

Ms Paul—It sounds like we need to check.

Senator WONG—So you are not aware of any financial difficulties faced by that particular company?

Ms Johnston—No, we are not.

Senator WONG—Is it correct that the Inaugural Australian Technical Colleges Strategic Directions forum is to be held tomorrow?

Ms Wall—That is correct.

Senator WONG—There will be 22 Australian technical colleges. Who is not coming?

Ms Wall—Ballina-Lismore will not be coming, because we do not have a proponent there, and Queanbeyan and Western Sydney will not be coming.

Senator WONG—Were they invited?

Ms Wall—We do not have a consortium yet in Lismore-Ballina, so they have not been invited. We are currently in negotiations with interested parties in Western Sydney. That is why they will not be present.

Senator WONG—I will come back to that. What about Queanbeyan?

Ms Wall—Queanbeyan were announced only this morning. They have yet to pull together their steering committee, which is going to guide their development of a proposal.

Senator WONG—I am a bit confused about your comments about Western Sydney. The press release I have got talks about the winning proponents in relation to the Western Sydney technical college. So I am confused about why you say there is not a consortium that you could invite.

Ms Wall—We have been negotiating with the consortium that was announced previously for Western Sydney for about 12 months now. They recently advised that they were unable to develop a plan which could be implemented next year, as originally indicated. Therefore, we have ceased negotiations with Western Sydney and we are working with other interested parties in the area.

Senator WONG—So you are no longer working with the consortium that was announced in September 2005?

Ms Wall—That is correct.

Senator WONG—So they won it but then they backed out? Is that how it works?

Ms Wall—As I said, we worked with them for 12 months, but they just reached a point where, for various reasons, they indicated that they were not able to proceed.

Senator WONG—When did they indicate that?

Ms Wall—They wrote to us on 15 September.

Senator WONG—This year?

Ms Wall—Yes, this year.

Senator WONG—They wrote that the consortium with the people I have identified in it no longer wish to proceed?

Ms Wall—They did not say that they no longer wished to proceed, but they indicated that there were no longer in a position to open a college next year, which was the original agreement.

Senator WONG—I do not know if it is that I am getting tired and I am missing what people are saying, but I am confused about what Ms Johnston said and then what you said, Ms Wall, about the status of the Western Sydney consortium. Are they in or out? What is the status of it? Are you renegotiating with them? Are you actually looking for a different proponent for the project, or are you doing both?

Ms Johnston—We are continuing to try and identify a successful proponent for the Western Sydney one. There may be elements of some parties to the original consortium who are still interested in proceeding, but at this stage we do not have a formal proposal from them. The previous consortium, as Ms Wall has indicated, were unable to come to an agreement on a suitable model.

Senator WONG—So, Ms Wall, the advice of 15 September this year was, ‘We don’t think we can get it up and running by 2007.’ Is that right?

Ms Wall—They said they could not get it up and running by 2007.

Senator WONG—Does that mean that they will continue to negotiate with respect to the future technical college there? What was the sentence after that? Did they say, ‘We can’t get it up and running next year but we want to keep talking’? Or did they say they are not interested?

Ms Paul—On the whole, each of these are quite complex consortia. As Ms Johnston said, some parties to that consortium may be able to continue talking to us about the potential for a college. In other words, it would be a different consortium but possibly with some elements from the original consortium.

Senator WONG—Do we have a contract yet with the Institute for Trade Skills Excellence?

Ms Cross—Yes, we do.

Senator WONG—Are you going to give me one now?

Ms Cross—Yes, we would be happy to table a copy of the contract.

Senator WONG—When was it signed, Ms Cross?

Ms Cross—The funding agreement was entered into on 14 September.

Senator WONG—It has been a busy September. Thank you very much for this. It is already for me to read. Does this have a conflict of interest provision in it?

Ms Cross—In the first stage of the contract with DEST the institute is required to develop conflict of interest protocols. The institute has developed those protocols and submitted them to DEST for approval and we have approved them.

Senator WONG—You have approved them?

Ms Cross—We have.

Senator WONG—Are they annexed as an appendix?

Ms Cross—No, but we could provide you with a copy of them.

Senator WONG—Is the contract value \$7.3 million?

Ms Cross—The contract value is \$8 million.

Senator WONG—\$8 million? Minister Hardgrave indicated a funding agreement of \$7.317 million in an answer to question number 4111. Has there been a slight upward provision?

Ms Cross—At the time that we signed the contract I believe we rolled forward some funds from the previous financial year; so that lifted the value of the contract.

Senator WONG—DEST funds?

Ms Cross—The funds that had been appropriated for the Institute for Trade Skills Excellence.

Senator WONG—This is for the period of nine and a half months?

Ms Cross—That is correct.

Senator WONG—I think the same answer indicated \$76,600 or thereabouts had been spent to date. Are you able to briefly explain to me what it has been spent on?

Ms Cross—I think we have that information.

Senator WONG—I am happy for you to take it on notice if you like Ms Cross.

Ms Cross—The bulk of that funding is for the contract with Ithaca Group Consulting, which we have mentioned to you before is the contract for Professor Rod McDonald. To date around \$97,000 has been paid to the Ithaca group.

Senator WONG—Ithaca?

Ms Cross—That is the company.

Senator WONG—As you said, we have discussed it before. So That is \$20,000-odd since 19 September?

Ms Cross—To Ithaca Group. Also, to date, \$936,000 has been paid to the institute.

Senator WONG—Did you just say \$900,000?

Ms Cross—Yes, paid to the institute. That would have been shortly after the signing of the contract, to undertake the first stage of work.

Senator WONG—Shortly after this contract was signed or after the funding agreement was signed?

Ms Cross—After the funding agreement.

Senator WONG—Are they different things?

Ms Cross—They are different things. There is a separate contract with Ithaca Group.

Senator WONG—Do the conflict of interest provisions deal with preferred provider status, or has that been dealt with separately?

Ms Cross—No. There is another requirement in the contract that the institute develop arrangements for preferred provider status. I believe that they have to be submitted to DEST by December.

Senator WONG—So we can talk about them in February, or are you going to make them public at some point then?

Ms Cross—I will correct that. It is 30 March. That is to ensure that the new quality arrangements have been finalised so that the institute's own preferred provider arrangements dovetail with those.

Senator WONG—In light of the time, I do not think I have anything further for the vocational education group. Thank you.

CHAIR—We will now move on to the Schools Resourcing Group—both the resourcing group and the outcomes group.

Senator NETTLE—I have questions in relation to the government's announcement on school chaplains. Do you have any figures on how many schools currently have a chaplain?

Ms Paul—I do not think we have comprehensive figures. We know which states, for example, at the moment have some chaplaincy programs, but I am not sure whether we have precise figures. I will ask my colleagues Mr McDonald or Mr Burmester to answer that.

Mr McDonald—No, we do not have exact figures.

Senator NETTLE—What sorts of figures do you have?

Mr McDonald—We are aware that chaplaincy services are in place in a number of states other than New South Wales.

Senator NETTLE—In all states except New South Wales?

Mr McDonald—In terms of chaplaincy services, yes. I will ask Mr Powell.

Mr Powell—All states and territories have some form of chaplaincy services. In some cases they are not actually called chaplaincy services. In New South Wales people who fulfil that function are known as volunteers. A distinction is made, in that situation, between services provided around pastoral care versus those who provide religious instruction. There is quite a distinction in that situation.

In South Australia there is another title that I cannot recall right now, but there are certainly chaplaincy services in other states—Western Australia, Queensland, Victoria, Tasmania and here in the ACT.

Senator NETTLE—In South Australia I think they are called something different too, are they not?

Ms Paul—They are.

Mr Powell—Yes. In fact, they are Christian pastoral support workers in South Australia.

Senator NETTLE—Will you be gathering a list of which schools have chaplains as part of the implementation of the program?

Ms Paul—We will not necessarily need to do that because the nature of the program is such that schools will be invited to join. It is completely voluntary. It is up to the school community to work out whether they want to support an existing chaplain or a new chaplain and apply to us. We do not really need to know what is out there now. We will be receiving the expressions of interest from those school communities that wish to be involved in the program.

Senator NETTLE—How many schools have requested a chaplain, either since the announcement was made or prior to that?

Mr McDonald—The application process is not yet open. The announcement from the Prime Minister on Sunday indicated that those guidelines would be developed over the next

month or so and released in December. The development of those guidelines will be done in consultation with a reference group.

Senator NETTLE—You said that the process for application will be released in December.

Mr McDonald—The guidelines will be released in December and applications would then follow the release of those guidelines.

Senator NETTLE—How will the reference group be made up?

Mr McDonald—The reference group is not yet determined. However, the parameters that have been announced in the program through the Prime Minister's statement and the supporting material that is available on the website indicate that the reference group will be made up of parent and other interested groups.

Senator NETTLE—How many people will be on the reference group?

Mr McDonald—That has not yet been determined.

Senator NETTLE—What section of the department will be responsible for the establishment of the reference group?

Mr McDonald—The reference group, in terms of where administration around the reference group will sit, will be in the schools outcomes group.

Senator NETTLE—Nothing more specific than that?

Mr McDonald—No. It will be within one of the branches within that group.

Senator NETTLE—But it has not yet been determined where.

Ms Paul—At the moment, the responsibility lies with Mr Powell.

Mr Powell—That is in the students and access branch, as we develop the program from here.

Senator NETTLE—As to how schools will apply for a chaplain. Will they apply to the reference group? How will that work?

Mr McDonald—No. The applications will be to the Department of Education, Science and Training.

Senator NETTLE—How will they be assessed?

Mr McDonald—They will be assessed against the guidelines.

Senator NETTLE—Which are?

Mr McDonald—The guidelines are not yet determined or finalised. They will be finalised in December. When the applications are put forward by schools, they will be assessed against those guidelines.

Senator NETTLE—The Prime Minister and the minister have talked about reserving the right not to support particular appointments. How will that process be determined?

Mr McDonald—As I said, the guidelines are yet to be finalised. However, we would expect that applications will come in from schools after considering those guidelines.

Therefore, we expect most applications will be in alignment with those guidelines. Once the guidelines are finalised, the schools will be able to assess how those applications should be put forward. Therefore, our expectation is those applications will be in alignment with the guidelines.

Senator NETTLE—So you are not anticipating there would be any other checks beyond that?

Mr McDonald—The guidelines will have quite a number of checks in them. For example, there will be checks around child protection arrangements currently in place in states in relation to people having access to schools and children under 18 years. There will be other checks around the definition of what a chaplain is. There will be requirements around consulting broadly across the school community, being able to provide evidence that that has occurred and that there is support within the school community for what is proposed. There will be a range of checks and balances around the parameters outlined in the documentation already that the applications will be assessed against.

Senator NETTLE—Will they be assessed by the department?

Mr McDonald—The applications, when they come in, will be assessed against the guidelines, and there will be a decision made within the department.

Senator NETTLE—So the issue that the Prime Minister and the minister have raised about being able to vet or veto particular people will be on the basis of the application and assessing that against the guidelines. Is that how that will work?

Mr McDonald—Yes. The applications will come in and be assessed against the guidelines. Where a particular application is not in accordance with those guidelines, as you have indicated, the minister will have the final decision-making power in relation to that.

Senator NETTLE—Is that planned to be delegated to the department or left with the minister?

Mr McDonald—Again, that is not yet determined. In quite a range of our programs, that is delegated to within the department. My expectation is that where the application is consistent with the guidelines, then that delegation would be within the department.

Senator NETTLE—So the application would need to name a particular person—the school could not apply for funds and then seek to find the person? In order for you to be able to assess it in that way, I imagine it would need to work that way.

Mr McDonald—At this stage the guidelines are not finalised, so it is hard to give definitive answers around the questions you have asked, other than the parameters we have outlined. Those parameters indicate that a chaplain will need to be consistent with the definition in the guidelines. We have indicated in the frequently answered questions, which are currently available on the web, what the definition of a chaplain may be, but that is not yet finalised.

Senator NETTLE—Will that be determined by the reference group?

Mr McDonald—No. The guidelines will be finalised by the minister and the department. What the reference group will do is provide a mechanism for consultation around that set of guidelines and provide advice to the department in relation to their development.

Senator NETTLE—So the definition of the chaplain will be finalised by the minister. Is that right?

Mr McDonald—The guidelines will be finalised and approved by the minister. Those guidelines will have a definition of a chaplain for the purposes of this program.

Senator NETTLE—Did any consultation occur with the states about their various different chaplaincy programs prior to the announcement made on Sunday?

Mr McDonald—Not that I am aware of.

Senator NETTLE—My office has been receiving correspondence since the announcement on Sunday about this issue, indicating that a number of school governing bodies are already in turmoil as a result of religious minorities within the school pushing for a particular chaplain to be appointed in their community. Others have been objecting; others have been saying they do not want one at all. Was this part of the consideration about what would be the consequences of the policy announcement?

Ms Paul—I think the bottom line here is that it is completely voluntary. So, if a school community is well able to come to a view within itself of the type of this sort of support it might be interested in—for example, that may encompass a range of faiths being represented—it may include sharing with other schools. All those aspects would be supported but, at the end of the day, it is all voluntary so, if a school does not wish to enter into this new program, there is no obligation whatsoever. It is really for a school community's consideration.

Senator NETTLE—The question was about whether there had been consideration of the potential divisiveness of the establishment of the program on the school communities, as is currently occurring.

Ms Paul—I think the answer would be that our consideration went to the range of possibilities. I do not think we would say that we were considering divisiveness; we were considering the range of combinations and possibilities that might arise, and I have named some of those. We have also received representations which have been very positive about the program, so I suppose it depends on how you look at it partly too.

Senator NETTLE—You mentioned that schools will have the capacity to support, if they have a chaplain, an existing chaplain. Is that envisaged to be a part of the way it would work as well?

Mr McDonald—The program would be available to all schools. Again, their proposals would need to be in accordance with the guidelines, so it could be, for example, that schools that have a chaplain already wish to enhance those existing arrangements.

Senator NETTLE—As in get \$20,000 extra to pay them. Is that what you mean?

Mr McDonald—No. The guidelines are not yet finalised. However, the program is available to all schools and, for example, there could be a case where a school wishes to enhance existing arrangements they have in place.

Ms Paul—Say, more hours—that would be an example. Schools will often have access to a few hours a week, or a half a day a week or something. Or perhaps it would be to have access to someone from a different faith who is shared by arrangement with local schools—that sort of idea.

Senator NETTLE—Okay. I think that is probably all my questions on that matter.

Senator STEPHENS—Can I just follow up on that issue, if I may. In thinking about things as you are developing these guidelines, which I understand from the website are now going to be available by December, I am wondering where you have got to on the quality insurance issues, child protection process, police checks and who will meet the costs of all that.

Mr McDonald—We have thought about that. In that same documentation that refers to the reference group you will also find some information around some of those checks and balances that we have already thought about. In terms of the provision of the service, it is a contribution towards the establishment of a chaplaincy arrangement; it is not to fully fund a chaplain. There is a requirement for the schools to also provide some support—in-kind support or funding—as part of that process. So this is about assisting schools who wish to participate to have a greater opportunity to access those services.

Senator STEPHENS—Do you envisage an arrangement that operates for school counsellors now, whereby a school counsellor could be servicing several schools—a cluster of schools? Do you envisage an arrangement where several schools might be able to apply for funding to fund a chaplain around a cluster of schools?

Mr McDonald—Yes. In the documentation we talk about that. One opportunity would be where there are particularly small schools that might wish to access chaplains on a part-time basis or less than a full week, for example. They may wish to go in a cluster with another set of schools in relation to establishing that chaplaincy position.

Senator MARSHALL—Did I hear you right earlier when you said that all states and territories already have a similar type of existing arrangement in place?

Mr Powell—No.

Senator MARSHALL—What did you say then?

Mr Powell—It is not a similar arrangement in terms of a grants program that is proposed here.

Senator MARSHALL—In terms of the service?

Mr Powell—Yes, where there is access to chaplaincy services in one form or another.

Senator MARSHALL—So you have done an analysis of that?

Mr Powell—We have done a preliminary analysis of that.

Senator MARSHALL—Can you provide that to the committee?

Mr Powell—I do not have that with me.

Senator MARSHALL—As soon as you can, that would be good. Also in answer to Senator Nettle's question you talked about consultation with states. I think you said you had not consulted with the states. Is that right?

Mr Powell—The program was only announced on Sunday. The minister has indicated that she will be writing to state and territory ministers shortly after that announcement. We will also be writing to the heads of the education departments in the states. We would like, as we have said in the documentation, to consult with the states around the implementation of this program.

Senator MARSHALL—Have you done any analysis of the compatibility of your proposed scheme with existing state laws and existing state guidelines?

Mr Powell—In terms of the establishment of the program, as we have indicated, it is a voluntary program, and there are existing arrangements in place in most states that are in accord with this program so that they can access those programs. We will be doing the analysis that you have talked about as part of the development of the guidelines in relation to the implementation of this program.

Senator MARSHALL—Will you seek to override any state laws or state guidelines that exist presently if they do conflict with your scheme?

Mr Burmester—If, in our consultations with the states, a state government took the view that they did not want their schools involved in this program then that would be a decision for them. But we would be encouraging them all to make it available to their school communities where they wish to enter into the scheme.

Senator MARSHALL—That was not my question.

Mr Burmester—At the end of the day, if a state government takes that view, that is a decision for the state government.

Senator MARSHALL—No.

Ms Paul—In other words, we do not seek to override, which goes to your question. I think that is what Mr Burmester said.

Senator MARSHALL—That is a better answer to my question; thank you. You talked about it being voluntary for schools. What about it being voluntary for individuals within schools?

Ms Paul—Yes, absolutely. It is voluntary, in both directions.

Senator MARSHALL—How is it going to be communicated? An individual parent or an individual student will be able to not participate?

Ms Paul—Of course. It is about pastoral care and support. Clearly that is a voluntary business between the student and the person delivering that service.

Senator MARSHALL—I would hope so.

Ms Paul—That is our intention.

Senator MARSHALL—But if a school community is making the decision to do it, how will we protect individuals from having this sort of arrangement put upon them by the school community?

Ms Paul—This is not an arrangement for instruction; it is an arrangement for personal pastoral support. So it is not very likely that there could be anything imposed through this arrangement. Our envisaging is that it is voluntary both for schools and for participants. But you raise a good point, and it may be something which we need to consider in building up the guidelines.

Senator MARSHALL—As a parent of school aged children it interests me. Are you telling me that a student would have to request the service, or would a student have to refuse the service?

Ms Paul—I think that is very hard to say, depending on what each school comes to, but my imagining is that students would be requesting support and pastoral care. Similarly, you could think about it as being in a way similar to a school counsellor, for example. It is that type of one-on-one support, and possibly chaplains may offer group support and so on. The Prime Minister, for example, mentioned supporting grieving times. Those arrangements are very personal and normally have a voluntary aspect to them. It is the characteristic of that sort of—

Senator MARSHALL—That is nice in theory, and that is what I want to ensure. It is one thing for a school community or someone within the school to determine that someone needs pastoral care; it is something for that individual to ask for pastoral care. So you have not determined arrangements or guidelines around those—

Ms Paul—It would not be in our thinking to have this as an imposition sort of approach. The points you make are good ones, and we should consider them in our consideration of the guidelines.

Senator STEPHENS—Just on that question, is it envisaged that the chaplain will also be available to staff of the school?

Mr McDonald—Yes, it is. The chaplain will be available to the school community, students and staff.

Senator STEPHENS—Parents and carers?

Mr McDonald—Well, we have not determined that. We certainly have considered whether it would be available to staff and the answer to that is yes.

Ms Paul—Often, on a practical basis, these things are involving of parents. If you think of an example around grief that a school faces you may well involve parents. But that will be a matter within the school community and within the family, I should imagine.

Senator NETTLE—Would the chaplains be able to hold religious services?

Mr McDonald—The role of the chaplain will be spelt out in the guidelines. The chaplain will be providing general religious and personal advice and also comfort and support. Those things have been determined. At this stage, that is the sort of service the chaplain will be providing.

Senator NETTLE—Going back to the capacity for the minister to veto a decision, how will the minister be able to veto a decision if they do not have the name?

Mr McDonald—I am not saying that the minister would not have the name. I would imagine that the name would be provided as part of the application as to who would undertake the role of the chaplain. But, again, that sort of detail is not yet finalised within the guidelines.

Senator NETTLE—That was my question before, whether the name would need to be in the application—whether a school could apply for the money without a name?

Mr McDonald—I would imagine they would need to provide the name of the chaplain although—

Mr Powell—The alternative could be that a name might be provided before a funding agreement was signed and that name satisfied certain checks or what was required under the guidelines. That is one other approach to that.

Ms Paul—Our answer to you earlier on stands, which is that this is one of the components that has not been settled yet—as according to our first answer to your question.

Senator STEPHENS—Just on that point, Mr Powell, you are saying that the name might be provided as part of the funding agreement. Therefore, the school community would have to bear the costs of the security checks and those things prior to receiving any funding.

Mr Powell—That is yet to be determined through the guidelines.

Senator NETTLE—Would there be national security vetting of proposed names?

Mr McDonald—The checking arrangements will be the same as apply currently within the state education arrangements for children under 18 where people are entering that school—so police checks et cetera would be in place.

Senator NETTLE—Has any consideration been given on the process of determining this proposal of giving the \$90 million to school councils?

Mr McDonald—The Prime Minister indicated in his statement on Sunday that this service is in addition to the council arrangements in place currently in schools. This is a contribution towards chaplaincy services for those schools who wish to access those in a voluntary way.

Senator NETTLE—Are the names of any other staff currently provided by way of a similar process as proposed here so as to be able to veto particular staff members?

Mr Burmester—Not that I am aware. I think that the distinction in this program is that this is funding a service in a school with Commonwealth money, and the Prime Minister made it clear that in that circumstance the Commonwealth would reserve the right to not fund in appropriate appointments because they were being funded by the Commonwealth. That is not normally the case. There is no direct funding of individuals in other circumstance so I think there is a distinction between this and other funding arrangements.

Mr Burmester—Not that I am aware. I think the distinction in this program is that this is funding a service in a school with Commonwealth money, and the Prime Minister made it clear that the Commonwealth would reserve the right to not fund inappropriate appointments. That is not normally the case; there is no direct funding of individuals in other circumstances, so I think there is a distinction between this and other funding arrangements.

Senator NETTLE—So it would not be usual for the minister to be provided with the names and veto staff?

Mr Burmester—No, but in a number of cases we require people working in schools or associated with schools to undergo police checks and other standard arrangements. When we ran the tutorial voucher scheme, the people who employed the tutors, which in some cases were the state governments and in other cases contractors, they had to provide evidence that police checks had been performed for all the tutors they employed. In other cases we have, at least one step removed, ensured that people have been through some vetting before they have been allowed to work on Commonwealth programs.

Senator NETTLE—Has there been any consultation in the development of this program with the teachers' unions?

Mr Burmester—No, not as yet.

Senator NETTLE—But there is intended to be?

Mr Burmester—It may well be part of our consultations. We have not thought of that yet.

Senator NETTLE—Or any other unions in relation to pay levels?

Mr Burmester—I am not sure that we would be consulting about that, because this is to fund school communities to employ or to contract with chaplains. It would be up to the school community to determine those matters.

Senator NETTLE—The minister proposes to have a veto or vetting process because this is Commonwealth money. Schools currently receive Commonwealth money, which is used for a whole range of things including employing teachers, but the minister does not currently have a veto over any of those people, does she?

Ms Paul—I think Mr Burmester was making the point just a minute ago that this is a different program, which goes directly to school communities, which not all of our funding does.

Mr Powell—I have further advice. We ask for police checks of people under the Non-Government School Term Hostels Program as well. So it is consistent. Clearly they work with young people as well.

Senator NETTLE—And the tutors program is Commonwealth money as well.

Ms Paul—Yes.

Senator NETTLE—On local ABC radio on Monday, the minister was being interviewed about this and talked about the school community making the decision. The journalist asked her who makes the final decision as to who is acceptable or not. The minister said that the school community will make the decision. How does that work with the answers you have been given in relation to the department or the minister making that decision?

Mr Burmester—That gets back to the comments Mr McDonald made earlier about the numbers of checks and balances in this program—that before we would assess an application, the school community would have to demonstrate that there was broad support in the community for the type of service and the people involved in the service. Until that was made, we would not see an application. I think the minister was talking about satisfying the

community, and the community making the choice of the type of service they would be seeking funding for.

Senator NETTLE—In her answer, the minister said:

... in the event that there were a controversy, for example, then the Government would reserve the right. Who would determine whether or not there was a controversy?

Mr Burmester—In the application process, we would require some evidence that there had been broad community consultation and that they notify us if there is dissent. That may well form part of our assessment of the application—whether the sort of support was evident in the application or from the community. Certainly if there was dissent, we would have to look at that application in a particular way to ensure that the interests of the community were being served. As we said, it is a voluntary program. It is not that school communities have to resolve these matters. If it is not resolved, then they are not in the scheme. It is a voluntary process.

Senator NETTLE—Are you suggesting that they can just deal with any tension created from the process?

Mr Burmester—I think the Prime Minister made the same comment publicly that school communities do this all the time. A number of chaplaincy programs and volunteer programs are already running in schools, and they are accepted by and resolved by the school community.

Senator NETTLE—Are there any other precedents for a minister having the capacity to veto staff in any other service funded by the Commonwealth?

Ms Paul—Putting it in context, for an application to reach a point of ministerial consideration, we would imagine that the application would be outside the guidelines. The guidelines would cover off all these points. With most funded programs, the minister ultimately has a decision-making power. In terms of whether that goes to individuals depends on the nature of the program. We do not have many programs in this portfolio that go to individuals in this way.

Senator NETTLE—Do you have any other programs administered in the same way?

Ms Paul—Not in precisely the same way. We certainly have parallels. The tutorial voucher scheme also had a process of checking, which quite possibly could be similar—but we have not determined that yet. Because it involved our funding individual tutors it required the relevant police checks and so on to be made. Also we would have similar arrangement for our Indigenous tutoring scheme.

Senator NETTLE—So the minister would have the power to veto tutors?

Ms Paul—Under those programs that power would be delegated, but my point is that if the tutor was going to be employed did not pass those tests, then they are outside the guidelines and the delegate would probably exercise the right not to fund that individual for that tutoring role. So I suppose that it is probably a parallel we can draw on for this program.

Senator NETTLE—Would the minister get the names of the tutors in the same way that has been proposed—

Ms Paul—Those programs are delegated. I would imagine the department does, but I would have to get the details for you. The question of whether the decisions in this program are to be delegated, as we said earlier on, has not been yet determined.

Senator NETTLE—I will leave my questions there.

Senator MARSHALL—The money that has been announced for this program is \$90 million over three years, is that right?

Mr McDonald—Yes.

Senator MARSHALL—Is that inclusive of the administration costs, or is that the value of the grants to the schools?

Mr McDonald—My understanding is that that is the value of the grants to the schools, that they are up to \$20,000, and they are a contribution towards the establishment of a chaplain, should schools wish to do that.

Senator MARSHALL—How much do you expect it to cost to administer the program?

Mr McDonald—In some cases, as we have said previously, a number of schools may already have chaplaincy services in place.

Senator MARSHALL—But you are not administering them, though, are you?

Mr McDonald—Sorry, administering within the department?

Senator MARSHALL—Yes.

Mr Powell—The final figures will come through the additional estimates process, hopefully.

Senator MARSHALL—How many officers do you have working on that now, and what level are they?

Mr McDonald—The program was announced on Sunday.

Senator MARSHALL—I know you have done some work, because you have been able to answer some questions.

Mr McDonald—We have done some consultation leading up to that announcement, obviously, around some of the parameters for the program. It is within Mr Powell's branch, so Mr Powell has been working on this amongst other responsibilities he has.

Senator MARSHALL—Can you take that on notice? Can you provide to the committee with what you expect it to cost, how many officers will be involved and over what period of time?

Ms Paul—We can tell you what we expect. Obviously the administration load goes up, particularly when the applications first come in, and we can lay that out for you too.

Senator MARSHALL—Thank you. In terms of the people that are ultimately employed to do this with the \$20,000, is your department going to impose employment arrangements on them? Will they be required to be employed under AWAs, for instance? Will there be minimum pay, or will there be maximum pay? Will they be independent contractors? Could someone technically be employed for the \$20,000 for a single week, for instance.

Ms Paul—That is not an issue that we have discussed yet. The issue here is that \$20,000 is a contribution. It is probably not the full cost. We may well be interested in spelling out some expectation for the amount of support that is offered from that \$20,000, picking up on your point about whether it could be for a week, but those are the things that we are thinking about in the guidelines. In terms of industrial arrangements, similarly to some previous questions it is not so much a matter for this program, because the proposal itself is actually coming up from the school community. So the responsibility lies with them.

Senator MARSHALL—But there are lots of examples of the government actually attaching strings to this sort of money on the basis that employment arrangements have to be of a particular sort. So, given the policy directions you are working under, will that be a condition of employment for the chaplains?

Ms Paul—That has not been an issue so far, but it is a matter which obviously will be settled as we do the guidelines.

Senator MARSHALL—Could you take that on notice and advise the committee accordingly?

Ms Paul—It will be part of what we consider in the guidelines, so in the same sort of time frame as the question on notice. I am very happy to do both, but you will be seeing the guidelines too.

Senator MARSHALL—My point is that it may not be a matter for the guidelines. You may well be under a policy directive to apply to this sort of money, these sorts of employment conditions, as has been the case in many other instances. If it is a matter for the guidelines, yes, answer it that way. But if you find that you are bound by other policy directions before that, I would appreciate your advising the committee as soon as you know.

CHAIR—Will this be the subject of legislation through the parliament, or will it be done through regulation?

Mr Burmester—It would be a program for which funds are appropriated, but it would not have its own legislation. There will be an annual appropriation to fund this program of government.

Ms Paul—Under administered guidelines.

CHAIR—Thank you.

Senator NETTLE—It may need to be on notice, but it would be appreciated if you could let us know of any other program where, in order to apply for funds, you have to provide a list of staff that the minister gets to veto.

Mr Burmester—We will take that on notice, but there is a standing provision in our normal contracts where we can request specific personnel, so that could cover an awful lot of our contracts in the department. I am not sure that you wanted to extend your question that far.

Senator NETTLE—That was a question about your answer. You said, ‘We have got lots of examples of contracts where people have to provide staff.’ My question was about contracts where the minister gets to veto the staff.

Mr Burmester—In contracts, we would request specific personnel for two reasons. One is to look at the quality of the individuals who would be undertaking the work of the contract. That would be a normal provision. For example, if you were employing a consultant, you would want to know the credibility of the consultant. Secondly, if the personnel changed, then we would have a right to say that that was not what we originally contracted for. I think I am trying to say that that is separate to the question you were actually asking.

Senator NETTLE—It was, thank you.

Proceedings suspended from 9.03 pm to 9.19 pm

CHAIR—The committee will reconvene. We will go on with schools.

Senator WONG—Can I go to the non-government schools funding review that we were discussing at the previous estimates. On the last occasion I think you told me that there were no terms of reference for the review. Are there any terms of reference now?

Mr Burmester—There is a description, if you like, of what the review is about, but there are no public terms of reference because it is not a public inquiry.

Senator WONG—Where is the description written down?

Mr Burmester—I think it has been provided.

Mr Evans—The objectives of the Australian government's funding arrangements for non-government schools are that they be based on a sound empirical framework underpinned by transparency, fairness and equity. The committee will assess the robustness of the SES funding arrangements—

Senator WONG—If you are reading from No. 4015, I have that. Is that what you are referring to?

Mr Evans—That is what I am referring to.

Senator WONG—There is nothing other than that answer to a question on notice?

Mr Evans—Nothing more, other than that we have actually progressed the review to a certain extent.

Senator WONG—I understand that a number of submissions have been obtained from various relevant entities to this review. Is that right?

Mr Evans—That is correct.

Senator WONG—Could you give me the names of those who provided submissions?

Mr Evans—We have received submissions from Christian Schools Australia; William Carey Christian School; Australian Association of Christian Schools; the King's School; the Wauchope branch of Country Labor; Adventist Schools Australia; Lutheran Education Australia; Association of Independent Schools of the Northern Territory; Eltham College of Education; Association of Independent Schools Queensland; Bold Park Community School; the Australian Coordinating Committee of Jewish Day Schools; the Association of Independent Schools of Victoria; Australian Network of Anglican Schools; Independent Schools Council of Australia; the Association of Independent Schools of Western Australia;

the Association of Independent Schools of South Australia; the Independent Education Union of Australia; and the Council of Catholic School Parents. That is the list.

Senator WONG—Is the National Catholic Education Commission included there?

Mr Evans—There is not a submission; there is actually a document that I would not call a submission. It is slightly at variance with that.

Senator WONG—And state and territory governments or departments?

Mr Evans—No.

Senator WONG—What was the process for seeking submissions?

Mr Evans—We did not actively seek them. People were aware that the department was doing a review and took it upon themselves to provide submissions.

Senator WONG—How were they aware?

Mr Evans—They became aware through discussions we had had with various groups on the way through.

Ms Paul—We have consulted with the groups affected. We are focusing on enhancements to the existing framework, so we have consulted with the relevant bodies. Through that, we would have received these submissions from them and their members.

Mr Evans—I recall also that the minister had been in the press about the fact that there was to be a review. In that sense it was made public.

Senator WONG—Can you give me a list of the groups affected with whom you have consulted, please, on notice.

Mr Evans—I can hand them to you now.

Senator WONG—Thank you. When was the decision made to have a submission deadline of 30 September 2006?

Mr Burmester—We undertook the consultations that Mr Evans has outlined. That was at a time that we were wrapping up our consultations. Basically, the group in the department that was looking at this thought that was an appropriate time to receive information. But there was not a strict deadline in that it was not a public submission process, if you like.

Senator WONG—When was the decision made that submissions would be accepted until 30 September?

Mr Burmester—I think when people contacted us as we were starting the process and sought some guidance on that, we indicated that that would be the period over which we would be—

Senator WONG—I do not know if you are having trouble understanding the question. When was the decision made for 30 September to be the deadline for submissions?

Mr Burmester—I could not tell you the specific date on which a date of 30 September was nominated. I think it emerged, as I said, from the process that we were undertaking.

Senator WONG—When did it first emerge?

Mr Evans—Sorry, I was just preparing that advice for you.

Senator WONG—This is the advice?

Mr Evans—Correct.

Senator WONG—Why don't you just give me the document?

Mr Evans—I have responded to the question you have asked me.

Senator WONG—What else is on the document? Tell me what questions I should ask, so I at least get a whole piece of paper, Mr Evans. I know it is 9.30 pm at night, but this is very funny. I have got a scrap of paper here.

Mr Evans—I was careful not to tear it on the way through.

Senator WONG—What is on the rest of the document, please?

Mr Evans—I do not think I can answer that question.

Ms Paul—It really goes to the process which we have actually advised you of verbally. But you asked the people consulted, and that is who it is. We probably could have just read them, but any way you have got it in a more amusing form now.

Senator WONG—Did the minister ever advise that 30 September was the deadline prior the house question being answered?

Mr Evans—I do not believe so.

Senator WONG—Can you just tell me the logic of a question on notice answer filed in the house on 11 October that advises of a closing date for submissions of 30 September?

Mr Evans—In part, if you look at what we were trying to achieve here, it is to actually get a review conducted around October/November, so in that sense you had to have a cut-off date a bit before that to actually allow for any inputs to be able to feed into that process of review.

Senator WONG—That is fine, Mr Evans. I understand what you are saying. But your minister has advised 11 days after the deadline of the deadline as well as indicating in a very welcoming sense that any person is welcome to provide written comments to a review that is actually closed.

Mr Evans—We were told that the answer to the question had to be as at the date that it was asked, and that is the answer.

Senator WONG—When were the groups consulted with advice of 30 September?

Mr Evans—I think it was actually when we met with them, but then others did put submissions in outside of the process of meeting with us.

Senator WONG—When will the review be completed?

Mr Evans—I expect it will be completed this calendar year.

Senator WONG—When will the results be made public?

Mr Evans—That is a matter for government. Really, I would see that that fits in with the arrangements as they might operate for 2009 to 2012, so I think it will be a matter for government to make a decision on that.

Senator WONG—Will they be made public prior to the next budget?

Ms Paul—It depends on how the government decides to take its decision about the arrangements for the new quadrennium.

Senator WONG—Is it intended that the ‘funding maintained’ category be continued?

Mr Evans—That is a matter for government to take in the context of the review report.

Senator WONG—Is there any active consideration of the removal of that category?

Mr Evans—There is active consideration of the features of the SES funding arrangements.

Ms Paul—And that is one of the features.

Senator WONG—No. The SES funding, as I understood it—

Ms Paul—It is one of the features of the arrangements.

Senator WONG—Of the arrangements. But isn’t the ‘funding maintained’ and ‘funding guaranteed’ a kind of a stopgap, as it were, for the non-application of SES to those schools?

Mr Evans—‘Funding guarantee’, of itself, leads you to be on your SES score.

Senator WONG—All right. What about ‘funding maintained’?

Mr Evans—‘Funding maintained’ at the present time does not lead you to move onto your actual SES score—but it is a form of SES arrangements, so you are on a score.

Senator WONG—Is there active consideration of ending the ‘funding maintained’ category?

Mr Evans—That would make me have to speculate on what the decision of government was, and I do not speculate that way.

Senator WONG—Was that one of the issues under consideration in the review?

Ms Paul—We will consider all the issues around the SES arrangements. That is one of them. But whether there is consideration about taking any particular directions is probably getting into the area of policy advice.

Senator WONG—Is the review considering the continuation of ‘funding maintained’?

Ms Paul—That is one of the things that we should be looking at, yes.

Senator WONG—And ‘funding guaranteed’?

Ms Paul—Yes, those are the features of the arrangements.

Senator WONG—Can I just follow up one question, which is No. E303_7, which was my request previously to update the data and tables previously provided? In your answer you indicated that you would need to do so later in 2006.

Mr Evans—The reason for that answer is that an announcement on the supplementation arrangements that are to apply for 2006 has yet to be finalised, so in that sense the figures are correct as at the time.

Senator WONG—I understand that. But you have indicated that you could update it later in 2006. It is now many months later. We are in November. Are you able to provide an updated answer?

Mr Evans—I am not expecting the supplementation for 2006 to be announced until probably mid-November. If you like, I can take it on notice.

Senator WONG—Yes, that would be good, because 16 December is the cut-off date, so you will have a month. Is that all right?

Mr Evans—Yes, thank you.

Senator WONG—Do we have to have the argument about the Excel format issue again or can we take the parameters of what we have previously dealt with? I understand we got to somewhere—

Ms Paul—We did.

Senator WONG—Will it be the same arrangement?

Ms Paul—I presume so. We got to a good arrangement, didn't we?

Senator WONG—Yes. I am asking whether the same arrangement will apply or whether we will have another argument in February.

Ms Paul—No, I would say we have gone past our arguments there.

Senator WONG—I do not want to spend too long on this. Mr Evans, 'funding maintained' means a school where you have your SES score, but because that would result in a lower level of funding, you get a higher level of funding in a 'funding maintained' category. Is that a simple way of explaining it?

Mr Evans—A simple way of explaining it is that their SES score might have delivered them a funding level of \$2,000 a student, and they might be on a funding level of \$2,200 a student, and they also get the schools supplementation arrangements on that \$2,200 each year, so it maintains them against the average government schools recurrent costs movements.

Senator WONG—So it is essentially another category that sits alongside SES?

Ms Paul—It was part of the transition to introduce the SES in the first instance—that is right.

Mr Evans—You could almost say that they are funded on an SES amount up to this level, and then they get a supplement on top of it.

Senator WONG—A top-up. Now this supplementation will occur in mid-November. Is that usually when it occurs and when it is finalised?

Mr Evans—No, it usually occurs a little bit earlier than that. It usually occurs in September or October. Unfortunately, the actual calculation relies on data that is provided by the states, and two states had to correct their data. That has delayed the process, so it has meant that it took longer and we were not able to make the announcement as we would normally do. That said, government and non-government schools will not be disadvantaged. The supplementation will be paid from 1 January 2006, so it is backdated to 1 January. When we made the October payment to, in particular, non-government schools, they were advised that their October payment did not include the supplementation, but they would be receiving it as a subsequent payment.

Senator WONG—So it is mid-November?

Mr Evans—In mid-November it will be announced, and I expect we will be making the payment before Christmas to government and non-government schools.

Senator WONG—Can I turn now to student reporting. As I understand it, the schools assistance regulations require schools in the system in receipt of Commonwealth grants to provide reports to parents that include the A, B, C, D and E levels or equivalent for student achievement. Is that correct?

Mr McDonald—That is correct.

Senator WONG—Is this a requirement of funding? How does this work?

Mr McDonald—Yes, it is a requirement of the legislation, the regulations and the guidelines to provide plain English reports, A to E or equivalent, to parents.

Senator WONG—Can you update us on the responses from each state and territory in relation to these reporting requirements?

Mr McDonald—The responses showed that all states and territories are implementing the requirements under the act in relation to plain English reporting.

Senator WONG—All of them?

Mr McDonald—Yes, all of them.

Senator WONG—Do you actually get a formal response, like a written response, against the requirements in the regulation?

Mr McDonald—I will hand over to Ms Weddell, who knows better than me.

Ms Weddell—Thank you, Mr McDonald. There are a number of ways we monitor how education authorities are implementing the requirement to provide reports with A to E for students in years 1 to 10. We have written to education authorities asking for some of the details of their implementation. We are satisfied that implementation is on track. Amongst our certification of requirements in the act, education authorities will also have an opportunity to certify that they have provided reports to parents that include A to E for students in years 1 to 10.

Senator WONG—Educational authorities have to provide a form of certification. Is that right?

Ms Weddell—Yes.

Senator WONG—How many of those are there?

Ms Weddell—In terms of education authorities?

Senator WONG—Yes.

Ms Weddell—We have agreements with the government education departments in each state and territory, the Catholic education authorities in each state and territory and independent schools.

Senator WONG—About how many responses would you have received?

Ms Weddell—In terms of the certification, we have not received those responses yet. But in terms of responses in relation to monitoring how implementation is going so far, we have

probably received responses from government, Catholic and independent authorities in each state and territory.

Senator WONG—As a result of that, has the department formed a view that any are at risk of failing to meet these requirements?

Ms Weddell—I do not think any have said to us that they are at risk of failing to implement requirements.

Senator WONG—No, as a result of their responses, has the department formed a view that any of these educational authorities are at risk of failing to meet these requirements?

Ms Weddell—From the information that we have received, we understand that all education authorities are committed to implementing the plain English report cards.

Senator WONG—So you do not believe any are at risk of not meeting the requirements?

Ms Weddell—Certainly the information that they have provided to us indicates that they are fully committed to implementing the requirements. We will find out next year. The report cards will come at the end of this school year and we will be monitoring education authorities in terms of how they have gone in providing reports as required to parents. That monitoring exercise, as part of certification, will be picked up at the beginning of next year.

Senator WONG—Just remind me of the certification process again. That will occur next year, so it is post facto?

Ms Weddell—Yes. The certification process is one where education authorities provide information to us as to whether they have been able to implement the requirements.

Senator WONG—Are there any independent schools refusing to implement?

Ms Weddell—Not as far as I know.

Senator WONG—Very briefly, just take me through the certification? You get this report, you get their response from them and you then monitor the report cards. Is that right, essentially?

Ms Weddell—In terms of monitoring, as I said, we have written confirmation from education authorities that implementation is under way, and that they are, indeed, committed to providing these reports to parents. The certification is a separate exercise, if you like. As part of the certification of the requirements in the act, we ask that schools provide information that they have, indeed, provided this information to parents. We have worked with school communities to make sure that that certification is as streamlined as possible, and schools will have an opportunity to provide that information to us at the beginning of 2007. But I can certainly provide more information about that, if you would like that.

Senator WONG—We might do some written questions on notice on that to identify it more clearly, if that is all right.

Ms Weddell—Yes, of course.

Senator WONG—What is the consequence if you do not meet regulation 2.3?

Mr Burmester—The certification process is to provide compliance with the requirements of the act and the regulations. If, in that certification process, a school or school authority

indicates that they have not met the full requirements then it would be a matter for the minister to consider how that matter may be resolved or what penalties may be imposed. There is no automatic sanction and, of course, the minister would have to take into account the particular circumstances applying to that particular situation.

Senator WONG—‘Particular circumstance applying to the particular situation’—that is a very good Public Service answer, Mr Burmester. Is there anything in the act—

Mr Burmester—It is shorthand for administrative law.

Senator WONG—So there is no default position in the act like there was in relation to the Higher Education Act. Is there any restriction or indication about the range of penalties or actions the minister could take, or is it a completely unfettered discretion, or is it silent?

Mr Burmester—I think it is silent.

Senator WONG—Can I just ask one question about IOSP, the Investing in Our Schools program. Is it the case that IOSP is not available for schools with a transient student population?

Mr Evans—Possibly you are referring to hospital schools.

Senator WONG—Really? Yes.

Mr Evans—That is correct.

Senator WONG—So hospital schools do not have access to this funding?

Mr Evans—The rationale here is—

Senator WONG—If you could answer yes or no to start with before you justify it, it would be good.

Mr Evans—No, they do not have access.

Senator WONG—Thank you. If you want to justify it, go ahead.

Mr Evans—Essentially, the students in those hospital schools are recognised against their main schools. In a hospital you might have students from government and non-government schools attending. So, in essence, the IOSP assistance in respect of those kids is actually money that is provided back to their government or non-government primary or secondary school.

Senator WONG—I understand that at the Children’s Hospital at Westmead, for example, there are students who are in the school for up to three years. Has the department taken that into account?

Mr Evans—There have been some recent representations to us. The other issue, though, is that under our legislation at the moment we can only recognise a mainstream school, whether it is a government school or a non-government school. So our legislation has not envisaged this. It might be an issue that we have to look at but, at the moment, there is a legislative impediment as to how we could provide assistance.

Senator WONG—So the current legislation does not actually permit you to fund the hospital schools?

Mr Evans—I do not believe so because basically they are not of the same sort of schools that you and I are a bit more familiar with.

Senator WONG—You might be more familiar with them; it is a while since I was at school. I do not know much about it.

Mr Evans—Senator, I have noticed you are becoming increasingly familiar with it.

Senator WONG—No, it is like parrot stuff. How long have you been aware of this restriction in the legislation?

Mr Evans—I have only been aware of the issue of the hospital schools in recent times. That is my interpretation of how the legislation operates from my familiarity with the legislation.

Senator WONG—Has that advice been provided to government?

Mr Evans—Only semi-informally. I have not put a formal brief, I do not believe, to the minister.

Senator WONG—Even Mr Burmester is grinning at that response.

Mr Burmester—Semi-informally sounds pretty good.

Senator WONG—Can some tell me what semi-informally means? Is it like passing in the corridor?

Ms Paul—The answer is we have not briefed them.

Mr Evans—I think it is called an email.

Senator WONG—Will the department look at this? Obviously this is an issue that has been raised with a number of members of parliament. It does seem there are children in these schools for this length of time. It would seem pretty unfair that they do not have access to this additional funding. It is for a very worthy cause.

Mr Evans—No, we are not having a difficulty with the cause; it is just the ability. Yes, we can look at it. But, as I say, if the government were so taken to do something, it might require legislative amendment.

Senator WONG—Can I go again to the funding agreement for schools? Does the Commonwealth funding agreement with schools require education authorities to collect data from parents such as language background, socioeconomic and location?

Mr Evans—I will say no, but if, when I am checking up, I find it is, then I will take it as a question on notice.

Senator WONG—Are you aware, for example, of additional information being required under the Australian government's Schools Assistance (Learning Together—Achievement Through Choice and Opportunity) Act and the 2005-2008 triennial funding agreement that requires additional information in relation to languages spoken at home, parental education levels and occupations?

Ms Paul—I do not think that is a requirement of the act, but we will take it on notice.

Senator WONG—Why would some educational authorities or states and territories be of the view that that was required?

Ms Paul—I do not know. We will have to take it on notice I think.

Senator WONG—Can you cast some light on this, Ms Weddell?

Ms Weddell—I will need to check this a little further, but some of that information could be being put forward as part of student variables in relation to assessment data. I will certainly check that one and provide information if it is relevant.

Senator WONG—Are you talking about ‘Educational accountability—performance information’ under regulation 2.4?

Ms Weddell—Yes. It could be in relation to collecting literacy and numeracy assessment data in terms of state and territory standardised literacy and numeracy assessment, against national benchmarks. But I would have to go back and check that for you.

Senator WONG—Regulation 2.4, which I have referred to earlier, in ‘General provisions relating to grants—government schools’, is linked to the act, I presume. Regulation 2.4, ‘Educational accountability—performance information’, says:

For paragraph 19 (1) (b) of the Act, performance information for the performance measures mentioned in items 101 to 112 ... must be in a form that enables the publication of the information for the relevant program year, for Australia, disaggregated—

for the following characteristics of students: sex, Indigenous status, socio-economic background, language background and geographic location. Under that regulation, has the department ever indicated to educational authorities that that requires parents to provide data relating to language background, socio economic status etcetera?

Ms Weddell—Under the auspices of MCEETYA, that information is collected as part of student background characteristics that become part of the data that is published for literacy and numeracy against literacy and numeracy benchmarks.

Senator WONG—Is it compulsory for states and territories to require parents to provide this information under the act?

Ms Weddell—Certainly states and territories or education authorities are encouraged to provide that information. In the reporting of that information, which is done through MCEETYA, where that information is not available the caveats are provided.

Senator WONG—You said ‘encouraged’. I am asking: is it compulsory? Does DEST regard it as compulsory under that regulation to require education authorities to collect that information, or seek to collect it, from parents?

Mr Burmester—I believe it is, as part of our involvement with MCEETYA national assessments, in that, even though the state authorities would agree through MCEETYA to provide such information, we would probably require it under our act so that is applied uniformly across all school authorities—government and non-government.

Senator WONG—Perhaps the answers you provided earlier were superseded?

Ms Paul—Not necessarily. I am not convinced that we would require certain actions by parents, which was the nub of your question. So, if we need to, I would like us to clarify how the act works for you.

Senator WONG—If I had more time I would explore what I would suggest is a potential conflict between what Mr Burmester has said about what is required under the act and what you have said. Ms Paul, you have picked exactly the point that I am raising—that it is one thing to say, ‘We want to get this data for students’; it is quite another to require education authorities to say to parents, ‘You have to give us this data.’

Ms Paul—That is right.

Senator WONG—Is the latter a position that DEST has taken?

Ms Paul—Not that I know of, but that is what I would like to check. I am saying that I would be surprised if we have required certain actions by parents.

Senator WONG—Actually, it is by—

Ms Paul—By states—from parents. You had a chain there which had a requirement from us on both parties, whereas I think that the testing regime is as agreed by all jurisdictions. I am not sure that it goes to precisely how it is collected, but I am happy to clarify that.

Senator WONG—Could you take that on notice? I think I have finished with schools. Thank you.

Ms Paul—Chair, could I make a comment before we leave schools?

CHAIR—Yes.

Ms Paul—I want to note that Mr Chris Evans has now finished with this committee. Mr Evans goes on leave at the end of this calendar year, towards retirement, and has provided evidence before this committee since 1995—

Mr Evans—1992.

Ms Paul—consistently in the schools area for all of that time—

Mr Evans—And employment.

Ms Paul—and so I would like to acknowledge that for the record, Senator, if you would give that indulgence.

CHAIR—Yes, thank you, Ms Paul—I was about to do the same thing. On behalf of the committee, Mr Evans, I would like to wish you all the very best in the future and thank you very much for your long and meritorious service to the department and to this committee. I recognised you from my earlier stint on this committee between 1993 and 1996. You have certainly been a familiar face at the table, giving us frank and full answers, and for that I thank you very much. We certainly wish you all the best.

Mr Evans—Thank you.

Senator WONG—Of course, you are going to finish the updated data before you go on leave!

Ms Paul—Wasn’t it due by mid-December.

[9.58 pm]

CHAIR—We will start with questions for the Science Group.

Senator STEPHENS—I will start with the National Collaborative Research Infrastructure Strategy.

Ms Paul—That is under the Innovation and Research Systems Group.

Senator STEPHENS—We will leave that and go straight to CRCs then.

Ms Paul—Yes, sure.

Senator STEPHENS—We talked about the CRCs at the last estimates and you told me there were 16 fewer CRCs in 2006-07, and that there was a trend towards CRCs getting larger. Can you tell me where the CRCs are up to. Is the government preparing to fund fewer CRCs as Backing Australia's Ability is starting to finish? Can you just explain where that is all up to.

Mr Cook—We are getting towards the end of the 2006 selection round, which is the process we have been going through during the course of the year to fund another batch of CRCs. That process will complete in December. During the course of December our expectation is that the minister will make an announcement about the successful applicants. At this stage we cannot foreshadow how many may be successful. It really depends on the size of the bids and who is successful as to the number of successful applicants that may be funded.

Another complicating factor is that some CRCs have what we call supplementary applications as opposed to a full CRC application; those supplementary applications being for top-ups on top of existing work that they are doing. They are for a much lower amount than a full CRC. I might ask Ms Emery to give you the numbers as they currently are. She is more familiar with them.

Ms Emery—There are actually 15 fewer CRCs this financial year as compared to last year. It has gone from 72 down to 57.

Senator STEPHENS—Mr Cook can I go back to your response to my question. You said that there may be supplementary funding?

Mr Cook—No, I am sorry—let me be clearer. In a CRC selection round we provide for two different types of bids. One is for a full CRC.

Senator STEPHENS—Yes.

Mr Cook—That could be an existing CRC bidding for another round of funding or it could be a totally new consortium bidding for a full CRC. In addition to that, we allow for existing CRCs to bid for supplementary funding to undertake some further research and commercialisation type work which is over and above what they are currently doing but fits with their core business. So those supplementary bids are for much lower amounts of money because we are just topping up an existing CRC as opposed to funding a full new CRC.

Senator STEPHENS—Can you go through the selection process for me? Is there an expression of interest process first and then, based on those expressions of interest, people are invited to go to a second stage application? Is that how it works?

Ms Emery—There are two stages to the selection process. There is no expression of interest stage. There was one in the 2004 selection round. For this selection round we have an application. People put in a preliminary business case—I think that is what it is called, or something along those lines—and those applications closed on 31 March 2006. Out of that process the CRC committee, which is an independent advisory committee, looked at each of those applications and decided which were the most competitive and invited those applications through to stage 2. That is basically when they put in their full business case. Those applications closed on 18 August 2006.

Senator STEPHENS—How many applied in the first stage?

Ms Emery—Thirty.

Senator STEPHENS—How many were invited to go through to the second stage?

Ms Emery—Twenty.

Senator STEPHENS—Thank you.

Senator CROSSIN—Can you give me an update on where the site selection process is at?

Ms Borthwick—The site selection process is proceeding with the Parsons Brinckerhoff assessment of those sites, which is running to schedule.

Senator CROSSIN—What does that mean? Which sites have they been to, who have they taken and what has been the expertise of the people they have taken there?

Ms Borthwick—Parsons Brinckerhoff has considerable expertise within their firm. They are an international engineering firm of some repute so they have a lot of expertise on their team. My understanding is that they have been to all three sites so far.

Senator CROSSIN—How many times have they been to each site?

Ms Borthwick—I am not sure exactly how many times they have been to each site. I might ask Mr Irwin or Mr Hesterman to give us the details of that.

Mr Hesterman—I believe they have been to all three sites at least three times. I do not have the details of every specific visit but I understand they have been there at least three times so far.

Senator CROSSIN—I am sorry I am a bit rushed, but there are still a couple of sections to go. I am not rushing you because I am anxious; I am rushing because we want to get through it. Can you take on notice for me, please, the dates that they visited the sites and how long they were there for?

Mr Hesterman—Certainly.

Senator CROSSIN—If you cannot tell me now, could you also tell me who went to those sites and who they may have spoken to?

Ms Borthwick—We will take it on notice.

Senator CROSSIN—Thank you. Do you have from Parsons Brinckerhoff a list of the types of people going to these sites and the expertise that they have?

Ms Borthwick—Ware aware of the team involved, but again I will hand it over to Mr Hesterman.

Mr Hesterman—Yes, that is correct. We have a schedule of the personnel that will be working on this contract for us with Parsons Brinckerhoff.

Senator CROSSIN—Can you provide that to the committee as well, please?

Mr Hesterman—Certainly. I will take that on notice.

Senator CROSSIN—Thank you. Have any additional sites been nominated to date?

Ms Borthwick—No.

Senator CROSSIN—Is there a revised time line for completion?

Ms Borthwick—No, not at this stage.

Senator CROSSIN—At what stage are you expecting Parsons Brinckerhoff to provide a recommendation to you?

Ms Borthwick—Parsons Brinckerhoff will not be providing recommendations, but we expect them to finalise their advice to us in the next five to six months.

Senator CROSSIN—Obviously then it will be passed to the minister for further progress. Is that correct?

Ms Borthwick—Yes.

Senator CROSSIN—That is a little bit behind schedule, isn't it, because you were hoping to perhaps get some advice to the minister before the end of this year?

Ms Borthwick—I do not think it is substantially behind. Mr Irwin might be able to correct me if it is.

Mr Irwin—It may be a bit behind where we might have originally liked to have been some time ago, but certainly that is consistent with more recent scheduling that we have been working on in relation to the project.

Senator CROSSIN—In answer to question E389_07 you itemised the expenditure over the forward estimates. Is there any change in those figures?

Ms Borthwick—Not that I am aware of, but again I will turn to Mr Irwin.

Mr Irwin—Not that I am aware of.

Senator CROSSIN—Can you provide me with a breakdown of the communications expenditure to date on this process in relation to the Northern Territory?

Mr Hesterman—Certainly. In 2005-06, the expenditure on public information materials was approximately \$67,000. This year we have expended a bit less than that on communications. We had some consultations with stakeholders and so forth. It was something less than \$130,000.

Senator CROSSIN—That is in this financial year, from 1 July.

Mr Hesterman—Yes, this financial year to 30 October.

Senator CROSSIN—Does that include the cost of the consultations you had in Darwin and Alice Springs?

Mr Hesterman—Yes, it does.

Senator CROSSIN—There is a \$511,000 budget for this financial year for the communications section. Is there any projected further expenditure in that area?

Mr Hesterman—I imagine that we will expend further amounts on further public consultations or material to be produced, but I do not have a detailed estimate of that at this stage.

Senator CROSSIN—So there is not a detailed itemised expenditure for that area?

Ms Borthwick—It depends a little bit on what requests are made to us as to the exact amount that we would expend this financial year.

Senator CROSSIN—But are there no plans at this stage to expend any further money?

Ms Borthwick—No specific plans.

Senator CROSSIN—Do you receive monthly reports from Parsons Brinckerhoff?

Ms Borthwick—We have had I think two or three face-to-face meetings with Parsons Brinckerhoff, so we have regular reports from them. I do not think it is on a monthly basis, though. Mr Hesterman has more detail on that.

Senator CROSSIN—Are they written?

Ms Borthwick—No, they are not.

Senator CROSSIN—You just meet with them?

Ms Borthwick—Yes.

Senator CROSSIN—What is the total amount of the contract with Parsons Brinckerhoff?

Ms Borthwick—It is in excess of \$1 million.

Mr Hesterman—That is correct, it is \$1.65 million including GST.

Senator CROSSIN—Is there an introductory payment or further payments based on performance? How is that \$1.65 million paid?

Mr Hesterman—It is paid on activities to date. They provide reports indicating what activities they have undertaken on the technical assessments, and the invoices are paid according to that.

Senator CROSSIN—Can you take on notice for me a detailed breakdown of what money has been paid to date and for what purpose?

Ms Borthwick—Certainly.

Mr Hesterman—I can provide information about the amounts paid to date, if that would be helpful. This financial year to 30 October, approximately \$200,000 has been paid to Parsons Brinckerhoff for technical assessments, and in the previous financial year the amount paid was in the order of \$150,000.

Senator CROSSIN—That is the only expenditure to date?

Mr Hesterman—For Parsons Brinckerhoff, yes.

Senator CROSSIN—In your forward estimates there is also a figure of around \$900,000—\$597,000 for this financial year—labelled as ‘other’. What would ‘other’ describe?

Mr Hesterman—That was a provision for costs associated with any potential issues with land acquisition or dealings with land that might be involved with the project.

Senator CROSSIN—Can you give me a further description of that, given that these three sites are three defence sites.

Mr Hesterman—Yes. In dealing with three defence sites, it might involve obtaining information about the interests in the land, legal advice about the land et cetera.

Senator CROSSIN—Is there a breakdown on how that money will be expended?

Mr Hesterman—Not a detailed one. It was a provision.

Senator CROSSIN—Is there any breakdown on how that money will be expended?

Mr Irwin—Some of these are provided on a contingency basis to deal with possible eventualities, so on that basis there are not any detailed costings.

Senator CROSSIN—Has there been any amount paid out out of that \$597 budget item?

Mr Hesterman—Not to date.

Senator CROSSIN—Has there been any TV buys or newspaper ads in relation to any of these expenditure items?

Mr Irwin—No.

Senator CROSSIN—Only the ads with the community consultation, I assume. Is that correct?

Mr Irwin—Yes.

Senator CROSSIN—Will the new contractor actually do work on the joint environment assessment and siting licence process or will Parsons Brinckerhoff do that? This is from your radioactive waste management site under ‘What’s new’.

Mr Irwin—At this stage we would expect to tender for that particular project, but one would assume that Parsons Brinckerhoff would be a potential tender in that context, given their expertise and past involvement with the project.

Senator CROSSIN—Would there not be a conflict of interest there if they are the people who have already done a site assessment and will be providing a report to you on which site would be the preferable one? Would there not be a conflict of interest if they then won the contract to undertake the environmental impact assessment?

Ms Borthwick—As I said earlier, they will not be providing a recommendation on the site so they will be providing technical advice on the site’s appropriateness.

Senator CROSSIN—For appropriateness?

Ms Borthwick—Yes.

Senator CROSSIN—Well, again, I ask: would there not then be a conflict of interest if they won the contract to provide the EIS?

Ms Borthwick—In both instances they are providing technical advice. But, in any event, no decision has been made to contract Parsons Brinckerhoff for the task.

Senator CROSSIN—They would have some degree of interest, would they not? How impartial would the EIS be if they are also the company that has done the initial site assessment?

Ms Borthwick—As I said, we have not made any decisions that they will be the successful contractor. I also said earlier that they will not be making any recommendations on the site; therefore, I would think they would be in a position to give technical advice in response to both issues.

Mr Cook—Could I add something by way of clarification? The EIS process has to be conducted in accordance with Commonwealth legislation, so it is not a process that whoever wins the contract for technical advice is responsible for it. At the end of the day it is the responsibility of the department to get that EIS work done in an appropriate way which meets the requirements of the Environment Protection and Biodiversity Conservation Act and all the other necessary specifications. I do not see there is an issue around the actual firm or firms, whoever they might be, that will assist us in that process.

Senator CROSSIN—We might have to beg to differ there, Mr Cook, if it is the same firm doing the initial site assessment process which does the EIS. There may well be some conflict, I would assume. We might have to beg to differ there, but we will wait and see how it washes out—whether you award it to them or not and whether they tender. Can I ask whether DEST facilitated a joint agreement between the Department for the Environment and Heritage and ARPANSA to work together?

Mr Irwin—I would not suggest that we facilitated it. We had discussions with both regulatory parties on the basis that we would be subject to regulatory processes both in terms of the Environment Protection and Biodiversity Conservation Act and also the ARPANS Act. The question of how that might be handled by those two regulatory parties was then discussed bilaterally between them. They came up with the proposed arrangement whereby the siting licence would potentially be undertaken in conjunction with the environmental impact assessment process.

Senator CROSSIN—You did not facilitate getting the two parties together?

Mr Irwin—Not in any meaningful sense.

Senator CROSSIN—In some nonsensical sense then?

Mr Cook—It would have been inappropriate for us to have done that. They are independent regulators. They are very conscious of that role and they would not allow us to facilitate such a process.

Senator CROSSIN—Are you saying ARPANSA initiated a discussion then with the department of environment?

Mr Cook—No, what Mr Irwin was saying was that we raised the issue with them about how the different regulatory processes would fit together because we need to understand what the requirements on us will be now under the two different sets of legislation. The regulators then indicated that they would talk to each other about all that and this is the process that they came up with.

Senator CROSSIN—Your website says, ‘This is expected to reduce the time required for these processes by around six months’. Then your next sentence says, ‘There will be no overall shortening of the project timeframe’. Can you just clarify those two sentences for me?

Mr Hesterman—As you aware, earlier on we were expecting that the contract for the technical assessment process would be let a bit earlier than it was. It was in fact entered into in March this year, when we were hoping that would have occurred later in 2005. So the shortening of the six-month period for environmental assessment basically cancelled out the slight delay in commencement of the technical assessment process.

Senator CROSSIN—The environmental assessment will be occurring at the same time as the technical assessment—is that correct?

Mr Hesterman—No. The technical assessment process—

Senator CROSSIN—I am talking about ARPANSA’s assessment.

Mr Hesterman—ARPANSA’s assessment and the environmental assessment by the Department of the Environment and Heritage would occur at the same time.

Senator CROSSIN—They will be occurring at the same time—is that correct?

Mr Hesterman—That is correct, yes.

Senator CROSSIN—What does this mean in terms of your time line that is also on your website?

Ms Borthwick—The 2011 time line?

Senator CROSSIN—Yes.

Ms Borthwick—We are expecting that to be maintained, and that is the nature of the second sentence that you read out in relation to the overall length of the project. We are still working to that same time line.

Senator CROSSIN—Is there some suggestion that ARPANSA obviously will now not wait for the EIS to be completed before they commence their work?

Mr Cook—My understanding is that the reason the two regulators have agreed on the process is that they require similar information in many cases. The information and analysis that is required can serve both their purposes, but they will come to their own judgements in accordance with their own legislation. Exactly how that pans out I am not sure, but that is the broad principle.

Senator CROSSIN—Will you have a role in the joint assessment?

Mr Cook—In the sense that we have to provide all the documentation, but the assessment will be done by the regulators independently of us.

Senator CROSSIN—Do you know if they are going to be sharing the same space or the same team, or do they work independently of each other but just coincidentally at the same time?

Mr Cook—My understanding is that they have to form their own independent conclusions about the information before them. My understanding of the way the process will run is that they will share the data and some of the analysis which is common to both their needs, if you like.

Senator CROSSIN—Is there any particular written memorandum of agreement about this?

Mr Cook—I cannot answer that.

Ms Borthwick—Not at this stage that I am aware of.

Mr Irwin—We have not seen one. We merely had it communicated to us that they would be seeking to run those processes concurrently. How they do that—

Senator CROSSIN—Is that in the form of a letter?

Mr Hesterman—I think it might be.

Ms Borthwick—Can we take that on notice and confirm that with you?

Senator CROSSIN—Yes. If it is in the form of written communication, can you provide that to this committee. Are you aware of a report that has come out of the United Kingdom in relation to management of their nuclear waste facility? Have you seen that recent report?

Ms Borthwick—I am aware of it; I have not actually read it.

Senator CROSSIN—Has the department made any assessment or analysis of some of the recommendations of this report?

Ms Borthwick—We have had a look at it, but I have not read it personally. My understanding from advice is that it is not central to our considerations because it deals with high-level waste rather than intermediate- and low-level waste.

Senator CROSSIN—One of the key recommendations of this report is that an equal partnership between government and potential host communities be based on the willingness to participate. There are a number of recommendations here that go to consultation and building trust and confidence in the long-term management of such facilities by continuing community involvement. Has there been any reconsideration by DEST to actually communicate with the three communities involved in this site selection process?

Ms Borthwick—I believe we have made ourselves as DEST officials available to all three communities on a number of occasions through our consultation process.

Senator CROSSIN—We might beg to differ about the level of that involvement. I am wondering if there has now been any reconsideration about informing those communities about exactly what is happening. Since Parsons Brinckerhoff started their site selection process, there has been no communication whatsoever between DEST or this government and the traditional owners at Harts Range or the people in Katherine. I am asking if you are

reconsidering the level of information and transparency that might occur with the three communities.

Ms Borthwick—We have always said that we would be available to meet with any community at any time they wished to do so and we have not had any communications to that effect.

Senator CROSSIN—I am asking if you have reconsidered your communications attempts. Has there been a reconsideration of informing those communities on a regular basis about where this site selection process is at, when Parsons Brinckerhoff might be coming to their community, who they are bringing or who what they might be doing there?

Ms Paul—We are always happy to do more, but we are satisfied with the processes that we have undertaken. The communities have been receptive and we have been out there. If you are asking whether we have reconsidered it in the light of the UK report, as Ms Borthwick said, that is a different issue; that is about high level waste. We are satisfied with the approach we have taken but we are always very willing to do more if communities wish us to do so.

Senator CROSSIN—Who has to take the lead here? It is not any of these three communities who want this dump in their backyard; it is actually your project. We had another occasion of the Utleys discovering Parsons Brinckerhoff at their back door one morning without having been aware they were coming. I am asking you if you have reconsidered your level of engagement with these communities in terms of keeping them involved in this process.

Ms Paul—From our point of view we have not had cause to reconsider our approach, but if there is cause we are happy to consider it.

Senator CROSSIN—Why do you say that? This is now the third estimates where I have raised with you whether or not you have thought about even communicating with people who live in Tennant Creek for example, or in Alice Springs. At this stage, apart from the public meetings, people in Alice Springs, for example, have not had any literature in their letterboxes about what this is all about from this government—there is only a website. With all due respect, not a lot of people out in the two Indigenous communities would have access to a website.

Ms Borthwick—As you would be aware, originally, before Parsons Brinckerhoff started the site assessment process we had intensive consultations around all three sites and all the communities involved. I believe at that point we made it reasonably clear what the process would be and what it would involve.

Senator CROSSIN—I understand what you are saying, and people are aware of the process you outlined. What I am now saying is: obviously you are saying to me that, no, you have not reconsidered and, no, you are not going to be proactive about informing those communities about each stage of this process or what Parsons Brinckerhoff is up to.

Ms Paul—We believe we have been proactive. You are suggesting that maybe we need to get out there again, and we are very happy to take that on. I do not want us to sound particularly reactive; I think we have been very proactive in getting out there in the first instance and trying to explain the various stages and so on.

Senator CROSSIN—When did you appoint Parsons Brinckerhoff as the holder of this contract?

Ms Borthwick—March this year.

Senator CROSSIN—What public meetings have you held in Katherine or Alice Springs since March of this year?

Ms Borthwick—I do not have the dates.

Mr Hesterman—None.

Ms Borthwick—We have not had any since that time.

Senator CROSSIN—What newspaper advertisements have you put in newspapers since March of this year?

Ms Borthwick—I am not aware that we have put any in.

Senator CROSSIN—Have you sent any letters to the traditional owners of either of the two Indigenous communities or Mr and Mrs Utley at Katherine since March of this year?

Ms Borthwick—I do not believe that we have sent any additional information during that period, but we have not done anything during that period which we had not flagged earlier.

Ms Paul—Yes, we were quite clear in the consultations about exactly how it would unfold and that we would have people doing site assessment and all the rest of it. Presumably, if we were approached by the Utleys or anyone else, of course, we would be very keen to respond, including getting out there again if need be.

Senator CROSSIN—I think the point I am making though is that these people are not mind readers. They knew that a contractor was going to be appointed. I do not even think they have actually been actively informed that they have been appointed. They only know that because of my questioning or press releases I put out. The lack of ongoing communication about exactly what is happening is not proactive, I do not believe, from the department. I have raised a number of times now the issue of people wanting to know information about it.

Ms Paul—We are happy to take it on, but we are very keen to give as much information as people want, so we are very happy to take it on.

Senator CROSSIN—Can I ask about Muckaty Station. Has there been any activity that DEST is aware of to advance the nomination of other waste sites in the Northern Territory?

Ms Borthwick—We have had no advice on nominations at all.

Senator CROSSIN—You have had no communications from the Northern Land Council?

Ms Borthwick—I believe we have had conversations with the Northern Land Council, but certainly not on the issue of nominations and, as I think we have raised at the last hearings, the Northern Land Council has actually asked us to keep confidential our discussions with them.

Senator CROSSIN—That situation has not changed?

Ms Borthwick—No, it has not.

Senator CROSSIN—Have you actually sent any Commonwealth agency or contractor to do any analysis or initial assessment on the Muckaty Station?

Ms Borthwick—As I said, we have been asked to keep the subject of any nomination from the Northern Land Council confidential, but I can say we have had no nomination.

Senator CROSSIN—I did not ask that question. I asked whether you sent an official to the Muckaty Station?

Mr Cook—The answer to your question is no. We have done no assessment of Muckaty Station.

Senator CROSSIN—You have sent nobody there at all at this stage?

Mr Cook—No.

Senator CROSSIN—I will put all of the rest of the questions that I have on notice.

[10.33 pm]

CHAIR—We will now deal with any cross-portfolio matters.

Senator WONG—Can I first deal with unanswered questions on notice. As I understand it, whilst you have now answered I think all of the questions, as at Friday of last week there were 89 outstanding of the 519 asked. None of the answers were submitted by the date set by the committee. Is that right?

Ms Paul—No, that is not true.

Senator WONG—I have a list here. What was the date set?

Ms Paul—The date set was 28 July.

Senator WONG—There are five out of 519 that were received by that day.

Ms Paul—On behalf of the department, we had that 86 had been received by that stage, which was 28 per cent—not that I am wanting to be proud of 28 per cent.

Senator WONG—I have just indicated to you I have a printout here that has five as at that date, but I may be wrong and you may be right. Let us take your 28 per cent. I just want to indicate to you, Ms Paul, that I do not actually think that is an acceptable percentage. I appreciate that there are a lot of questions taken on notice, but obviously the committee is a committee of the Senate and it is requesting information on behalf of the parliament in accordance with the procedures of the Senate. Is there a likelihood that we might have a slightly better response rate the next time?

Ms Paul—I am fully aware, of course, of our responsibilities, Senator, and we attempt to meet them. We actually had a record number and a record number of parts this time. For the whole portfolio there were 519, comprising 1,656 parts. So even that 86 by the date may represent hundreds of parts. Of course we attempt to try to maximise the number that come through by the due date and we will continue to do so.

Senator WONG—Or at least closer to the due date than Friday.

Ms Paul—Yes.

Senator WONG—Can I go to the annual report, which was tabled late yesterday. Is that right? What day are we in? Today is Wednesday.

Ms Paul—It would be yesterday.

Senator WONG—It does not give us a lot of time for an estimates hearing.

Ms Paul—It does not, and the reason for that this year largely was the financial statements.

Senator WONG—Is that your fault, Mr Storen?

Ms Paul—No, I would not say that at all. But we did discuss some of the issues, which made it more complex than usual.

Senator WONG—I will leave that for an argument another time. On page 164, you have budgeted for an operating deficit previously of 8.8. Is that right?

Mr Storen—That is correct.

Senator WONG—And you actually came in at 15.6?

Mr Storen—At 15.7, yes, senator.

Senator WONG—At 15.686, okay. What is the reason for the operating deficit? I have read the notes but maybe you can briefly tell me.

Mr Storen—The reason for the increase from the forecast deficit to the actual deficit?

Senator WONG—Yes.

Mr Storen—There are two key reasons behind the 8.8 to 15.7. The largest reason was a revaluing of our long service leave liability. We had an actuarial study undertaken. There are a number of factors that lead into the valuation of long service leave.

Senator WONG—So what amount of the operating deficit is attributable to the revaluation of that component.

Mr Storen—Four million dollars.

Senator WONG—Thank you.

Mr Storen—The balance relates to expenditure from our special accounts, which is an additional \$3 million. In our loss, we were anticipating using special account balances which had revenues received in previous periods. Using that revenue incurs a loss. In two special accounts we used up the cash balance. One of them was for the value of \$1 million in relation to our international education activities and the second one was \$2 million in relation to a financial arrangement that was left over from the ANTA transition, where we had \$2 million banked in a special account from revenue in a previous period. We used it in this period, which incurred a loss.

Senator WONG—Okay. I would like to explore that more but I do not think I am going to be able to in the time. Ms Paul, I have just one issue about the questions on notice. I think there were some that came in very recently which were very short.

Ms Paul—Very short?

Senator WONG—Yes.

Ms Paul—I have looked through them all—I read them all before coming here—and I felt that they were consistent. Those are the department's. Some of the ones you will have received were from CSIRO and the other agencies. I cannot comment on those.

Senator WONG—You did not put any in that said, 'We can't answer this'?

Ms Paul—I do not recall any this time, no. Sometime we cannot because the information is not available or because of the complexity of the task.

Senator WONG—How do you deal with the operating deficit, particularly in relation to the special accounts?

Mr Storen—Because that is cash that we have received in previous accounting periods and we use it in this accounting period, the special accounts do not have a direct impact on the general operations of the department.

Senator WONG—Do you have to seek an additional appropriation to make up the difference? Is this a cash balance in a special account that you are using to fund the operating deficit?

Mr Storen—For instance, with our international education activities we have a special account whereby funding for services we provide offshore, some funding from the higher education sector and some funding from the TAFE sector get paid into the special account. We carry that balance from year to year and undertake activities from year to year out of that account. It does not necessarily have to be that if we get a \$9 million credit one year and we have \$6 million worth of activity that we carry \$3 million to the next year. If we use that \$3 million in that next year, we incur a loss.

Senator WONG—Can I turn now to the departmental staffing levels. Ms Paul, you have fewer DEST graduates—fewer by one.

Ms Paul—Fewer by one between years, if you are on page 181.

Senator WONG—Yes.

Ms Paul—Possibly somebody knocked us back, I don't know.

Senator WONG—Can you explain the reasonably significant rise in SES numbers from 68 to 81 in one year.

Ms Paul—It is due to a range of factors; it does not change the percentage enormously. The range of factors include the integration of ANTA, for example, which of course had a CEO, deputies, 3ICs et cetera, and some other restructuring to deal particularly with new initiatives that flowed through year-on-year. Mainly it relates to restructure and I think it also relates to who is counted year-on-year. I think the way we count means that—and Mr Storen can clarify this—if we have people temporarily in the SES they are not counted. I think that is one of the reasons we have more being counted as ongoing employees now—but Mr Storen might want to clarify that.

Senator WONG—You can if you want, but I was not going to follow it up.

Ms Paul—That is fine.

Senator WONG—Mr Storen, when I was talking to CSIRO last estimates about their operating deficit, they said they had to get permission from DOFA to run a deficit. Have you had to do that?

Mr Storen—Yes. The \$8.7 million base deficit was approved by the minister for finance.

Senator WONG—Have you sought and obtained permission for an increased deficit?

Mr Storen—It is an interesting proposition to obtain permission for something that has occurred in the past, but we have—

Senator WONG—But it is something that is not unknown in the public sector, I am sure.

Mr Storen—The minister has written to the minister for finance and advised him of the outcome.

Senator WONG—Could you briefly explain to me the increase in total staffing levels on page 181.

Ms Paul—The reasons for the increase?

Senator WONG—Yes.

Ms Paul—They relate to two things: machinery of government change, particularly ANTA that had about 80-plus positions, and budget funded new initiatives. They are the reasons.

Senator WONG—Sorry; what was the second?

Ms Paul—Budget funded new initiatives—new initiatives arising from the election and the budget.

Senator WONG—What component relates to each of them?

Ms Paul—I would have to take that on notice.

Senator WONG—That is fine. On page 167 of the report there is a reference to proceedings in the South Australian Supreme Court. Have they been concluded?

Ms Paul—Was that the Youth Allowance matter?

Senator WONG—At the bottom of page 167. It regards the incentive payments of \$481,000.

Mr Kriz—No, that has not been concluded. I think that is still continuing.

Senator WONG—Has it been set for trial? Is it at the appeal stage or are we still at the first instance?

Mr Kriz—We are at the first instance. We filed a statement of claim on 26 April. There was a directions hearing on 20 September.

Senator WONG—So you are the applicant, the claimant.

Mr Kriz—Yes.

Senator WONG—What does the alleged breach relate to?

Mr Kriz—We are seeking recovery of incentive payments.

Senator WONG—On the basis of what—breach of contract?

Mr Kriz—Yes, in relation to the New Apprenticeships Incentives Program.

Senator WONG—Who is the defendant or respondent?

Mr Kriz—AFL SportsReady.

Senator WONG—Presumably there were discussions prior to the matter being litigated. When was the concern or the problem relating to the 180,000 first picked up by the department?

Mr Kriz—It relates to a number of years of claims, between 1998 and 2004.

Senator WONG—When was the department first aware of a problem?

Mr Kriz—I do not think I have that information in front of me.

Senator WONG—Perhaps on notice you can get me a time line of the department's involvement in this matter—when departmental officers first became aware there was an issue and when there was an investigation or audit, if any.

Mr Kriz—Obviously the matter is sub judice and I do not want to—

Senator WONG—I can go to the court and have a look at your statement of claim.

Mr Kriz—Of course. I can tell you about the statement of claim issues and so on. But in terms of anything that has not been put before the court—

Senator WONG—It is only a problem if it prejudices the court proceedings. I am simply asking about the process of investigation. When did you first become aware of it? You do not have to say every detail. Maybe you can do that on notice.

Mr Kriz—Certainly. I can do that.

Senator WONG—Can you tell me how many staff are currently posted to the minister's office, in total, firstly?

Ms Paul—There is a range of staff.

Ms Pearce—There are two staff in Minister Bishop's office.

Senator WONG—Currently?

Ms Pearce—Currently.

Senator WONG—Are they DLOs?

Ms Pearce—They are DLOs.

Senator WONG—Are there any DEST staff members that are engaged on a different basis to—

Ms Pearce—No, not at present.

Senator WONG—Have there previously been?

Ms Paul—Yes, on occasion there have been temporary placements.

Senator WONG—How many temporary placements?

Ms Paul—I will probably have to take that on notice. There have probably been two over the course of the year.

Senator WONG—Approximately how long for?

Ms Paul—A month or two at a time. A recruitment action has been going on.

Ms Pearce—I think there were three people.

Senator WONG—So there have been three, in addition to the two DLOs, over the course of the calendar year. Would that be correct?

Ms Paul—I think so.

Senator WONG—There have been three DEST—

Ms Paul—Over the calendar year.

Senator WONG—There have been three separate DEST staff members—

Ms Pearce—Three separate DEST staff members.

Senator WONG—who have been seconded there for a—

Ms Pearce—Temporary arrangement.

Senator WONG—Can you advise the dates of those periods of secondment? Would you have to take that on notice?

Ms Pearce—I will take that on notice.

Senator WONG—Are you saying it is about a month for each secondment?

Ms Paul—Pending recruitment action in each instance.

Senator WONG—I understand it is pending recruitment action.

Ms Paul—My recollection would be between one and two months in each case, but we can take that on notice.

Senator WONG—Is this where a personal staff member left and you have filled the gap, as it were?

Ms Paul—Yes. We also have departmental liaison officers with the other minister and the parliamentary secretary.

Senator WONG—Is it usual to have departmental officers not just being DLOs but on three—

Ms Pearce—There is a departmental officer who is a DLO in Mr Hardgraves office.

Senator WONG—I was actually referring back to the previous answer. Is it usual, in addition to departmental liaison officers, to have departmental staff on three occasion filling personal political staff positions?

Ms Paul—No, I do not think it is not very common. I think it represents, for Minister Bishop, the transition into the portfolio and the need to acquire staff, so that was the situation. But it is not unheard of either. I am sure it has happened in other places.

Senator WONG—How long have you been in your position, Ms Paul?

Ms Paul—Since 2004.

Ms Pearce—There is provision under the MOP(S) Act for this to occur.

Senator WONG—Yes, I am aware of that. I am just asking how often you have seconded three staff to what are essentially personal political adviser positions.

Ms Paul—I would have to think back over time.

Senator WONG—Have you ever done it before?

Ms Paul—Possibly, within that timeframe, but I would have to take it on notice.

Senator WONG—Is there another secondment coming up for another political position?

Ms Paul—I think that is a matter for the minister.

Senator WONG—Have you been approached?

Ms Paul—I would prefer not to talk about things that have not happened. There is an arrangement under the MOP(S) Act and I am more than happy for one of our people to help out if that bridges a gap in that way.

Senator WONG—You say you do not want to talk about things that have not happened, but presumably if somebody is going to be asked to fill a political advisers position next week, that staff member would have already been advised. Have you indicated to or requested that any officer in the department fill a position in Minister Bishop's office within the next few weeks?

Ms Paul—Yes, I have had discussions.

Senator WONG—You have?

Ms Paul—Yes.

Senator WONG—And what is the timeframe for the secondment?

Ms Paul—I am not sure at this stage, but it would be quite soon.

Senator WONG—For how long?

Ms Paul—Once again, it is probably during a recruitment process, so not too long.

Senator WONG—Are you aware of the transfer of any member of the Prime Minister's staff to the minister's office for any period of time this year?

Ms Paul—Yes. There has been a transfer or a placement recently. A MOP(S) Act adviser has filled the position of higher education adviser to Minister Bishop. Previously, he was in the Prime Minister's office.

Senator WONG—When did that happen?

Ms Paul—I think he started this week.

Ms Pearce—It was last week.

Ms Paul—Last Wednesday.

Senator WONG—So we have a PM staffer filling a position—is that temporary as well?

Ms Paul—No, my understanding is that it is a permanent appointment against the MOP(S) Act.

Senator WONG—So you have those two DLOs. Do you currently have anyone else on secondment other than the individual we have identified—

Ms Paul—No.

Senator WONG—then we will have another person on secondment from the department in a personal adviser position?

Ms Paul—Yes.

Senator WONG—On notice are you able to provide me with any details of any further advertising campaigns about which I have not asked already in the context of our previous discussion?

Ms Paul—Certainly.

Senator WONG—And the funding allocation including estimated and actual to date?

Ms Paul—I do not think we have anything else, but I am happy to take it on notice.

Senator WONG—Going very briefly back to Mr Donnelly: has Mr Donnelly or the company with which he is associated been awarded any additional contracts subsequent to the answers to previous questions?

Mr Burmester—Not that I am aware of, but I will take that on notice and check.

Senator WONG—Has he approached the department in relation to any potential contracts?

Mr Burmester—Not that I am aware of.

Senator WONG—In the answers to me to questions E821_06 and E873_06, the answer says, in italics, 'Dr Kevin Donnelly' and then it has a typewritten answer. I am a little bit confused. Is that just the title?

Mr Burmester—Yes, we were just clarifying the question. I have not got it in front of me, but I think on that occasion we added that so it was clear what the following statement referred to.

Senator WONG—You did not give it to him to answer or anything like that?

Mr Burmester—No.

CHAIR—Welcome back, Minister.

Senator Vanstone—I want to thank senators, including those who are not here, for their civility during the day. We have had some minor raising of shackles but, all in all and tonight particularly, I think the cooperative and sensible way it has been done has allowed everybody to get on with their work, and it seems to be a pretty sensible outcome.

CHAIR—Thank you. We will now deal with the Innovation and Research Systems Group.
[10.57 pm]

Senator STEPHENS—I am very interested in understanding where the National Collaborative Research Infrastructure Strategy is up to at the moment. I understood that the timeframe was for March until September 2006 for the preparation of funding proposals and

then the proposals would be assessed late this year and funding agreements, business plans negotiated and funding would be approved? Are we on track for all of this to happen?

Dr Arthur—Yes. The process has been going through those stages and is at a very advanced stage of consideration. Advice for the minister to make a decision on will be available shortly.

Senator STEPHENS—Are you able to tell us about the specific proposals?

Dr Arthur—There are not so much proposals but, as has been published, development of a number of capability areas for investments. Ms Lansdown can provide you with details of those if you would like that.

Senator STEPHENS—Yes, that would be helpful.

Ms Lansdown—Would you like me to just go through the list of capabilities that are being considered at the moment? There are nine of them.

Senator STEPHENS—I think I have them. Are you saying that they are on track and they will be funded by the end of the year?

Ms Lansdown—The investment plans have been considered by the committee, but we are in the process of briefing the minister and making recommendations for her approval.

CHAIR—Perhaps you might like to place the rest of your questions on notice, Senator Stephens.

Senator STEPHENS—I will. Thank you for waiting for those very brief questions, but this is an important area of interest to me.

CHAIR—Thank you very much, Ms Paul. I thank you and your officers very much for what has been a long but, I believe, productive day. Thank you very much indeed.

Ms Paul—Thank you very much, Senator.

Committee adjourned at 11 pm