

Chapter 3

Industry, Innovation and Science portfolio

3.1 This chapter summarises certain key areas of interest raised during the committee's consideration of budget estimates for the 2017–18 financial year for the Industry, Innovation and Science portfolio. This chapter of the report follows the order of proceedings and is an indicative, not exhaustive, account of issues examined.

3.2 On 31 May and 1 June 2017, the committee heard evidence from Senator the Hon Arthur Sinodinos AO, Minister for Industry, Innovation and Science, and Senator the Hon Matthew Canavan, Minister for Resources and Northern Australia, along with officers from the Department of Industry, Innovation and Science (the Department) and agencies including:

- Anti-Dumping Commission;
- Australian Nuclear Science and Technology Organisation;
- Office of Innovation and Science Australia;
- IP Australia;
- Australian Institute of Marine Science;
- Commonwealth Scientific and Industrial Research Organisation;
- Office of the Chief Scientist; and
- National Offshore Petroleum Safety and Environmental Management Authority.

3.3 Senators present over the course of the day's hearing included Senator Hume (Chair), Senator Ketter (Deputy Chair), Senators Bushby, Carr, Chisholm, Ludlam, Ian Macdonald, McCarthy, Pratt, Rice, Roberts, Waters, Watt, Williams, Xenophon.

Australian Nuclear Science and Technology Organisation

Opening statement

3.4 Dr Adi Paterson, Chief Executive Officer of the Australian Nuclear Science and Technology Organisation (ANSTO), highlighted a number of the agency's recent achievements. In particular, Dr Paterson talked to the committee about collaboration between ANSTO and the Sri Lankan presidential taskforce for the prevention of chronic kidney disease. Together, they have been undertaking research into chronic kidney disease of unknown aetiology, which poses a 'major public health concern' in many countries and can be fatal.¹

1 *Proof Estimates Hansard*, 31 May 2017, p. 99.

3.5 Dr Paterson also talked about ANSTO's expertise and landmark research infrastructure, which includes the Australian Synchrotron and the Australian Centre for Neutron Scattering.²

National Measurement Institute

3.6 The committee asked ANSTO about the possibility of the National Measurement Institute (NMI) moving from within the Department of Industry, Innovation and Science to being a part of ANSTO.

3.7 Ms Glenys Beauchamp, Secretary of the Department, indicated that no decisions to relocate the NMI had been made but that any potential move would require consultation with staff and stakeholders. Ms Beauchamp further noted, however, that ANSTO and the NMI had some 'like issues' in terms of the skills and capability required.³

3.8 Dr Paterson added that:

ANSTO is responsible for a scientific standard of measurement—the becquerel; it is the measure of radioactivity. That is under an agreement that we have with the Chief Metrologist. ANSTO has for many years looked after the becquerel for Australia because of the competence that we have in that area. More broadly, if you oversummarise our scientific capabilities, we have physics capabilities, we have chemistry capabilities and we have biology capabilities. It is my understanding from the meetings that I have had over the years with NMI that there is a good alignment of physics, chemistry and biology activities, but that has not been studied in any detail by ANSTO.⁴

457 visas

3.9 The committee sought information from ANSTO in relation to the number of employees holding 457 visas. Dr Paterson noted that there are currently nine ANSTO staff on 457 visas.

3.10 The committee expressed concern that the recently announced changes to Australian visas might have an impact on ANSTO's ability to secure enough employees with the required expertise to satisfy ANSTO's requirements.⁵

3.11 Senator Sinodinos informed the committee that consultations were in progress to ensure that there are no 'unintended consequences' arising from the changes.⁶

2 *Proof Estimates Hansard*, 31 May 2017, p. 99.

3 *Proof Estimates Hansard*, 31 May 2017, p. 100.

4 *Proof Estimates Hansard*, 31 May 2017, p. 100.

5 *Proof Estimates Hansard*, 31 May 2017, p. 103.

6 *Proof Estimates Hansard*, 31 May 2017, p. 104.

Commonwealth Scientific and industrial Research Organisation (CSIRO)

3.12 The committee discussed a wide range of topics with officers of CSIRO including in relation to peer review processes, enterprise agreement negotiations, funding over the forward estimates, the centralisation of CSIRO staff in capital cities, and Data 61.

3.13 The committee sought an update on CSIRO's enterprise agreement (EA) bargaining process, noting that the previous agreement expired in 2014. Officers from CSIRO noted that significant progress had been made in negotiations with staff, moving from only five to 79 agreed clauses. Officers informed the committee that the proposed agreement had been lodged with the Australian Public Service Commission (APSC) and that, subject to APSC's approval, the proposed EA would be released for formal consideration and that a vote would take place subsequently.⁷

3.14 The committee also discussed how the recently announced changes to Australian visas might impact on staff at CSIRO, pointing to the possibility that certain expertise may no longer be as readily available.⁸

3.15 CSIRO currently employs 198 individuals on 457 visas, who are recruited due to their specialist knowledge and skill in certain scientific fields.

Office of the Chief Scientist

3.16 The committee discussed a number of topics with Dr Alan Finkel AO, Chief Scientist, including the independent review he has conducted into the Future Security of the National Electricity Market, the national STEM partnership, public investment in R&D, and climate change data and policy.

Finkel review

3.17 The committee asked Dr Finkel for a progress update on the independent review he is conducting into the national electricity market. Dr Finkel informed the committee that the inquiry had attracted approximately 390 submissions, and that as part of its work, the review had modelled various scenarios for the operation of the electricity system 'over the next three decades'. Dr Finkel noted that the report was due to be presented to the Council of Australian Governments (COAG) in June 2017.⁹

3.18 The committee pointed out that consultations conducted during the review had revealed that many organisations felt there was a lack of clear policy in this area.

3.19 Dr Finkel responded noting that:

I am certainly agreeing with the statement that the submissions are indicating that, and there is a lot of reason to agree with the sentiment there. What we are hearing, loud and clear, is that the lack of clarity in the future policies around the electricity sector is giving great concern to investors,

7 *Proof Estimates Hansard*, 1 June 2017, p. 33.

8 *Proof Estimates Hansard*, 1 June 2017, pp. 12–13.

9 *Proof Estimates Hansard*, 1 June 2017, p. 40.

and that discourages them from making the necessary investment that will bring on the new generation for low emissions and reliability that we require. That is a key consideration in our minds as we are formulating our recommendations.

[...]

We are certainly going to recommend a blueprint which is a framework for securely, reliably and affordably running a low-emissions electricity system into the future.¹⁰

3.20 Dr Finkel further noted the Australian Competition and Consumer Commission (ACCC) were also undertaking an inquiry into the retail aspect of the electricity market and suggested that 'the combination of a predictable, well-designed electricity system for the future will intrinsically lead to price impacts that are lower than they would otherwise be. It is very hard to say exactly what prices will be'.¹¹

Paris Agreement on climate change

3.21 The committee discussed the impact of the possible decision of the United States to leaves the Paris Agreement on climate change, noting that it may have an effect on the future of the commitment.

3.22 Dr Finkel indicated that if the United States left the agreement, it would be a 'blow to the accord, but it is not fatal'.¹² He further noted that:

The other countries have indicated that they are absolutely committed because of the evidence-based logic of the accord. All people who I have spoken to are not mixing with the presidents of European countries and other developed countries—well, of any countries—other than ours as a leader. Most of them say: 'It is one president for one or two terms. Things will change.'¹³

3.23 The committee then asked Dr Finkel more specifically about Australia's role in the Paris Agreement, noting that Australia produces less 1.3 percent of global carbon emissions.

3.24 Dr Finkel acknowledged this fact, however, pointed out to the committee that although the reduction of less than 1.3 per cent of the global emissions would not have an effect on the climate, Australia is a well-respected country and that it has to show leadership in this field.¹⁴

10 *Proof Estimates Hansard*, 1 June 2017, p. 41.

11 *Proof Estimates Hansard*, 1 June 2017, p. 42.

12 *Proof Estimates Hansard*, 1 June 2017, p. 52.

13 *Proof Estimates Hansard*, 1 June 2017, p. 52.

14 *Proof Estimates Hansard*, 1 June 2017, p. 53.

Department of Industry, Innovation and Science—Programme 2

Northern Australia Infrastructure Facility (NAIF)

3.25 The committee sought information from NAIF in relation to existing processes for dealing with a conflict of interest of a member of the NAIF Board. In particular, the committee inquired as to whether any current board members were being investigated in relation to a potential conflict of interest.

3.26 Ms Laurie Walker, the Chief Executive officer of NAIF indicated that she was not aware of any such investigation and further noted that:

[Board members] understand their duties and obligations, particularly regarding conflicts of interest under both the PGPA and the NAIF policy. Various conflicts have been declared by various directors. I have absolute confidence that those board members have declared conflicts in compliance with the act and the policy, which require disclosure of material personal interests. The NAIF does not publicly disclose which directors have recused themselves, because we are obliged under Privacy Act provisions to maintain that information as personal information and not disclose it. Directorships are publicly disclosed. The other reason that we do not disclose publicly which directors have recused themselves is (1) that it is done as part of board deliberations, which are commercial in confidence and (2) a conflict arising could disclose particular projects that are before the board for deliberation. That would reveal commercial in confidence.¹⁵

3.27 The committee put a further series of questions to Ms Walker regarding conflict of interest. In this instance, Minister Canavan interceded taking the questions on notice as they related directly to the NAIF.¹⁶

3.28 The committee also asked NAIF about when any announcement in relation to project funding might be made. Ms Walker indicated that there were four projects in the due diligence stage, noting that the first deal should be closed in the third quarter of 2017.¹⁷

3.29 The committee also asked questions around the NAIF's Indigenous engagement strategy. Ms Walker noted that NAIF would be publishing its Indigenous engagement strategy online soon and that this document would outline the agency's policies relating to employment, participation and procurement.¹⁸

National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA)

3.30 The committee asked NOPSEMA about an offshore oil and gas well leak that occurred off the coast of Australia over two months. The spill, which was reported in

15 *Proof Estimates Hansard*, 1 June 2017, p. 114.

16 *Proof Estimates Hansard*, 1 June 2017, p. 121.

17 *Proof Estimates Hansard*, 1 June 2017, p. 123.

18 *Proof Estimates Hansard*, 1 June 2017, p. 129.

an Annual offshore performance report by NOPSEMA in April 2016, is estimated to have released 175 litres per day over 60 days, totalling 10 500 litres.¹⁹

3.31 The committee inquired as to whether any investigation or punitive action had taken place in response to the incident. Mr Stuart Smith, Chief Executive Officer of NOPSEMA indicated that no investigation had been commenced nor any fines issued. He further noted that:

Because the leak itself had no material environmental impacts. It posed no safety impacts. The company acted in accordance with the permissioning documents. When they discovered the leak, they stopped it immediately. They then changed their practices to ensure that it could not be repeated in future events, and there simply were not grounds for prosecution. The company, in fact, had done everything it is required to do and, in the absence of material impacts, it is hard to see what action could be taken against them if we had sought to pursue an enforcement action.²⁰

3.32 Mr Smith also commented that this type of leak was not a common occurrence.

Other topics raised

3.33 The committee discussed a wide range of topics during the two days of hearings with the Industry, Innovation and Science portfolio. The above reporting of discussions is not complete. Other topics discussed by the committee included:

- Dumping of products on the Australian market including tomatoes, cement, copy paper, aluminium and steel
- Impact of 457 visa holder restrictions on ANSTO's workforce
- ANSTO—proportion of isotopes produced and used domestically vs internationally
- Research and Development tax incentive
- AIMS's Great Barrier Reef Long Term Monitoring Program
- CSIRO's operating loss in the previous financial year and funding over the forward estimates
- CSIRO's peer review process
- Closure of the Hazelwood power plant
- De-centralisation of government agencies
- Data manipulation by the Goddard Institute for Space Studies within NASA
- Procurement processes of the Department of Industry, Innovation and Science
- Country of origin food labelling

19 *Proof Estimates Hansard*, 1 June 2017, pp. 145–46.

20 *Proof Estimates Hansard*, 1 June 2017, p. 145.

- Cooperative Research Centres
- Advanced Manufacturing Growth Fund
- Progress update of the commerciality review of the North West Shelf
- Health and Safety incidents within NOPSEMA

Senator Jane Hume
Chair

