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SENATE

STANDING COMMITTEE ON ECONOMICS

ESTIMATES

(Budget Estimates)

MONDAY, 28 MAY 2007

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BY AUTHORITY OF THE SENATE

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SENATE STANDING COMMITTEE ON**ECONOMICS****Monday, 28 May 2007**

Members: Senator Ronaldson (*Chair*), Senator Stephens (*Deputy Chair*), Senators Bernardi, Chapman, Hurley, Joyce, Murray and Webber

Participating members: Senators Adams, Allison, Barnett, Bartlett, Boswell, Bob Brown, George Campbell, Carr, Conroy, Eggleston, Chris Evans, Faulkner, Ferguson, Fielding, Fifield, Forshaw, Hogg, Kemp, Kirk, Lightfoot, Ludwig, Marshall, Ian Macdonald, Sandy Macdonald, McGauran, Milne, Nettle, O'Brien, Parry, Payne, Robert Ray, Sherry, Siewert, Watson and Wong

Senators in attendance: Senators Allison, Bernardi, George Campbell, Carr, Chapman, Chris Evans, Joyce, McGauran, Moore, O'Brien, Ronaldson and Webber

Committee met at 9.03 am

INDUSTRY, TOURISM AND RESOURCES PORTFOLIO**In Attendance**

Senator Brandis, Minister for the Arts and Sport

Senator Minchin, Minister for Finance and Administration

Department of Industry, Tourism and Resources**Executive**

Mr Mark Paterson, Secretary

Ms Patricia Kelly, Deputy Secretary

Mr Tim Mackey, Deputy Secretary

AusIndustry

Mr Bill Peel, Executive General Manager

Ms Judith Zielke, General Manager, Innovation and Collaboration Branch

Ms Robyn Foster, General Manager, Business Development Group

Mr Chris Birch, General Manager, Research, Development and Commercialisation Branch

Mr Sam Skrzypek, General Manager, Small Business and Tourism Branch

Mr Paul Sexton, General Manager, Customer Services Branch

Ms Mimi Mastrolemba, Manager, Finance and Administration Section, Business Development Group

Ms Wendy Launder, Manager, Low Emissions Technology Demonstration Fund, Research, Development and Commercialisation Branch

Corporate Division

Ms Janet Murphy, Head of Division

Mr Richard Byron, General Manager, Human Resource Management Branch

Mr John Dicer, General Manager and Chief Legal Counsel, Legal and Procurement Branch

Ms Cherie Ellison, General Manager, Business and Ministerial Services Branch

Ms Melissa McClusky, Chief Financial Officer and General Manager, Corporate Finance Branch

Mr Brad Medland, Manager, Budget Estimates Team, Corporate Finance Branch

Ms Donna Valenti, Manager, Budget Policy and Strategic Planning, Strategy and Communications Branch

Mr Clancy Yeates, Executive Support Officer, Budget Policy and Strategic Planning, Strategy and Communications Branch

eBusiness Division

Mr Ken Pettifer, Head of Division

Mr Steve Stirling, General Manager, ICT Infrastructure Branch

Mr Neil Kinsella, Acting General Manager, ICT Services Branch

Ms Trish Porter, General Manager, VANguard Branch

Mr Mike Sibly, General Manager, Online eBusiness Services Branch

Energy and Environment Division

Ms Sarah Clough, General Manager, Energy Futures Branch

Mr Brendan Morling, General Manager, National Energy Market Branch

Mr Tim Mason, Manager, Governance, National Energy Market Branch

Mr Peter Nicholas, Legal Unit, National Energy Market Branch

Ms Clare Walsh, Acting General Manager, Environment Branch

Ms Tania Constable, General Manager, Energy Policy Branch

Mr Demus King, Manager, Australian Energy Security, International Energy Branch

Geoscience Australia

Dr Neil Williams, Chief Executive Officer

Dr Chris Pigram, Deputy Chief Executive Officer and Chief, Geospatial and Earth Monitoring Division

Dr James Johnson, Chief, Onshore Energy and Minerals Division

Dr Clinton Foster, Chief, Petroleum and Marine Division

Dr Barry Drummond, Group Leader, Earth Monitoring, Geospatial and Earth Monitoring Division

Mr Stephen Blackburn, Chief Finance Officer and Acting General Manager, Corporate Branch

Mr Len Hatch, Director, Communications, Human Resources and Governance

Industry Policy Division

Mr Terry Lowndes, Head of Division

Mr Ken Miley, General Manager, Trade and International Branch

Dr Don Brunker, General Manager, Industry Analysis Branch

Mr Tony Greenwell, General Manager, Industry Policy Branch

Mr Kevin O'Brien, General Manager, Special Advisor Industry Policy

Innovation Division

Mr Craig Pennifold, Head of Division

Ms Tess McDonald, Executive Manager, Biotechnology Australia

Mr Michael Schwager, General Manager, Pharmaceuticals and Medical Devices Section

Ms Tricia Berman, General Manager, Innovation Policy Branch

Mr John Dean, General Manager, Australian Industry Productivity Centres Branch

Mr Richard Snabel, Manager, Policy Section, Australian Industry Productivity Centre Branch

Invest Australia

Mr Barry Jones, Chief Executive Officer

IP Australia

Dr Ian Heath, Director General

Ms Yvonne Laird, Acting Chief Financial Officer, Financial Management Group

Manufacturing Division

Mr Steve Payne, Head of Division

Mr Mike Balch, Deputy General Manager, Australian Building Codes Board

Mr Ivan Donaldson, General Manager, Australian Building Codes Board

Mr Jamie Bound, Manager, Administration and Coordination Section

Mr Peter Clarke, General Manager, Automotive, Textiles, Clothing and Footwear and Engineering Branch

Ms Cecelia Wood, Assistant Manager, Automotive, Textiles, Clothing and Footwear and Engineering Branch

Mr Alan Coleman, Manager, Textiles, Clothing and Footwear Policy Section

Dr Michael Green, General Manager, Advanced Manufacturing, Action Agendas and Building Branch

Mr Mike Lawson, General Manager, Global Opportunities Program

Mr David Luchetti, Acting General Manager, Aerospace, Defence and Industry Participation Branch

Office of Small Business

Ms Sue Weston, Head of Division

Mr Tony Weber, General Manager, Small Business Access Section

Resources Division

Mr John Hartwell, Head of Division

Mr Bob Pegler, General Manager, Offshore Resources Branch

Ms Margaret Sewell, General Manager, Projects and Taxation Branch

Ms Marie Taylor, General Manager, Fuels and Uranium Branch

Ms Melissa Jonas, Business Manager, Resources Division

Mr John Karas, Manager, Clean Coal Technology Section, Mining Industries Branch

Tourism Division

Mr Philip Noonan, Head of Division

Mr Wayne Calder, General Manager, Business Development Group

Ms Helen Cox, General Manager, Market Access Group

Dr Peter Tucker, General Manager, Industry Sustainability Group

Tourism Australia

Mr Geoff Buckley, Managing Director

Mr John Hopwood, Director, Corporate Services

CHAIR (Senator Ronaldson)—I declare open this public meeting of the Senate Standing Committee on Economics. The Senate has referred to the committee the particulars of proposed expenditure for 2007-08, the particulars for proposed supplementary expenditure for 2006-07 and certain other documents for the Industry, Tourism and Resources, and Treasury

portfolios. The committee is due to report to the Senate on 19 June 2007 and has fixed Friday, 27 July 2007, as the date for the return of answers to questions taken on notice. Today the committee will examine the Industry, Tourism and Resources portfolio, starting with the industry area and continuing in the order shown on the agenda.

Under standing order 26 the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates committee hearings: any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has the discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. The Senate has also resolved that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to the minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

If a witness objects to answering a question, the witness shall state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for the claim.

I welcome Senator Brandis, representing the Minister for Industry, Tourism and Resources, and officers of the department. Do you wish to make an opening statement?

Mr Paterson—No.

[9.06 am]

Department of Industry, Tourism and Resources

CHAIR—We will now turn to the first item on today's agenda, the industry area of the Department of Industry, Tourism and Resources.

Senator CARR—I indicate to the committee that to save considerable time, I have asked the department if it is possible to update certain tables and provide information with regard to the R&D tax concession, which I understand the secretary is able to assist the committee with. In that way it may well be possible to save many hours of proceedings. The hope is that, if we can get that material back by lunchtime, it will give us an opportunity to review those answers at lunchtime. I might propose, Mr Chairman, that we have an earlier lunch if we run out of material prior to that—it is always difficult to predict the course of these events—to provide the committee with time to do the relevant work.

CHAIR—Let's wait and see how we are travelling. I indicate to the committee that, as a result of some discussions we had at a committee meeting recently, the Tourism Australia officers will not be available before four o'clock, and I understand that Senator Evans, by arrangement with the committee, is not available until this evening. So we will work our way through the program and, if we need to break to facilitate the day's activities, we will.

Senator CARR—Thank you very much. I turn to the question of the Australian Building Codes Board. Mr Donaldson, the issue of disability access standards has been raised through this committee on a number of occasions by a number of senators, including Senator Campbell, Senator McLucas and me. The issue goes to some standards that have been developed since 2001 on the question of disability parking. Mrs Jan Cocks, of Hallett Cove in South Australia, has raised some concerns with me and has drawn my attention to the fact that this process has gone on since 2001. It goes to the question of standards for disability access to premises. As I understand it, there was some advice that went to the minister on 29 March 2006 about changes to the code. Is that the case?

Mr Donaldson—The board's final advice to the relevant Commonwealth ministers did go forward on that date, yes.

Senator CARR—Thank you. You said 'final advice'.

Mr Donaldson—Yes. We had in fact provided our preliminary advice in June 2005. We were asked to do some further work, which we undertook during the interim period, and we provided our final advice, as a Commonwealth-state board, to the responsible ministers. The responsibility that the Australian Building Codes Board had was to develop a set of technical provisions which could form part of a national standard under the Disability Discrimination Act. We have undertaken that task and it is now a matter for the Commonwealth to go forward on that issue.

Senator CARR—Am I right, though, that in 2001—six years ago—this process started?

Mr Donaldson—Yes, and between 2001 and 2005 we undertook an extensive process of consultation and development of a very comprehensive set of technical provisions which formed the technical advice that we provided.

Senator CARR—There was a draft standard issued in January 2004. Is that right?

Mr Donaldson—There was a draft standard put out for general public consultation which was based on a board committee called the Building Access Policy Committee. The committee was made up of representatives from a full range of interested parties, through from the property industry to state and Commonwealth officials and representatives of disability groups.

Senator CARR—Was there a regulatory impact statement associated with that draft advice in 2004?

Mr Donaldson—Indeed, and that was made public at the time.

Senator CARR—We now have the final advice. When do you expect a decision by the government?

Mr Donaldson—That is not a matter for the Australia Building Codes Board.

Mr Payne—The issue is under consideration by ministers. We cannot really say when that will be completed.

Senator CARR—What is the relationship between your final advice and the Jaguar Consulting access reports?

Mr Donaldson—They were one of a number of consultants that we used during the process to help us with our impact analysis. Our relationship with them was that they provided services to assist us in that analysis.

Senator CARR—And they provided services at the cost of \$87,000?

Mr Donaldson—I would have to go back and check. It is some time ago now.

Senator CARR—I am just referring to the annual report. Is that the total amount?

Mr Donaldson—I am not prepared to confirm that without checking. There was a significant amount of funding committed to this process in terms of both the amount of time involved by officials and people in the community and also the process of analysis that we needed to go through, including economic and social impact analysis.

Senator CARR—Yes. I understand that the board has provided a \$200,000 contingency fund for further work to be done on these standards in this current financial year. Is that correct?

Mr Donaldson—That is correct.

Senator CARR—How much of that money has been spent?

Mr Donaldson—Could I confirm that later in the morning? I have some information that can confirm that. I will confirm now that we have not let any further consultancies on that matter.

Senator CARR—Has the minister asked you for any further consultancies to be undertaken?

Mr Donaldson—No.

Senator CARR—No further information has been sought by the minister?

Mr Donaldson—None, other than the normal interaction between me and my officers and the department internally.

Senator CARR—My office tells me that your website has not been updated since May 2006. The ‘current situation’ section refers to events in April 2006. Has there been no movement since 2006 on this matter?

Mr Donaldson—We were asked to provide information and analysis and we have completed that work.

Senator CARR—How long does it normally take to get a decision on something of this nature?

Mr Donaldson—This is a very significant matter. As a point of reference, I understand that in the development of another DDA standard—the transport standard—seven years was involved.

Senator CARR—Seven years was involved?

Mr Donaldson—Yes.

Senator CARR—Is that because of the complexity of the issue?

Mr Donaldson—That is certainly a dimension. It is very complex.

Senator CARR—As I understand it, the present disability parking requirements were set in 1986 and require one per cent of spaces to be set aside for disability parking. Is that the case?

Mr Donaldson—I would have to confirm that. The issue of parking for people with disabilities was a matter that was looked at in the process of developing the standard. It was reviewed as part of the broader exercise.

Senator CARR—Mrs Cocks, who has written to me on this matter, tells me that there are 600,000 permit holders across Australia, which is about three per cent of the driving population. Do you have any figures on the number of people with disability parking permits?

Mr Donaldson—As part of our process, we did undertake some work with the ACT government. Parking permits are administered at a local level and are issued by the medical profession, as I understand it. They do not relate necessarily to people with a permanent disability, nor do they necessarily relate to people confined to a wheelchair. As you can imagine, discretion needs to be used in that area. Sometimes people are injured and at other times people have a disability that is associated with other aspects of their health—their heart, for example. It is a little difficult to extrapolate a three per cent figure back to those who would be affected by the building code and a disability standard.

Senator CARR—I see. How important was the issue of parking for people with disabilities in the recommendation that you have put to the minister concerning the new code?

Mr Donaldson—It was one of many recommendations that formed part of the proposal. It was important. Obviously, the opportunity for people to participate in the community is a key consideration and part of what needs to be addressed.

Senator CARR—Yes. Was it a particularly contentious issue?

Mr Donaldson—There were differences of opinion around the table. When we went out to public consultation, there were a variety of views, some supporting strongly the status quo and others supporting strongly an expansion of those provisions.

Senator CARR—As I understand it, in the department's reports there has been some \$337,000 spent on consultancies in terms of access to premises standards.

Mr Donaldson—No. My recollection is that that is an annual figure for 2005-06. The funding involved in this program would be far larger than that. I can provide it if you wish.

Senator CARR—How much larger would it be?

Mr Donaldson—It would certainly exceed \$2 million.

Senator CARR—Are you sure?

Mr Donaldson—I have not got the numbers in front of me, but I am happy to provide them.

Senator CARR—I appreciate the advice. What concerns me, though, is if over \$2 million has been spent on the development of this code and it has effectively been sitting on the minister's desk for 14 months—and I know you cannot answer this question, but I ask Senator Brandis—is there any way we could establish why this final advice from the board has been sitting with the minister for so long? It is a project which has taken six years, on which the government has now spent over \$2 million, and we do not seem to have had any movement on it for this length of time.

Mr Donaldson—Can I clarify one thing. The building code is a living document—

Senator CARR—It is pretty dead, by the sound of it. It has sat there on a desk for such a long time.

Mr Donaldson—It is a living document. Your reference to 1986 and 'there has been no change' is quite incorrect.

Senator CARR—No, I said 'revised standards in 2001'. That was the operative point I was trying to make.

Mr Donaldson—A number of changes occurred. Significant changes were made back in, I think, 1998—it might have been 1999—to a number of provisions. In addition to that, in early 2000, 2001, from recollection, changes affecting people with sight impairment issues were introduced into the building code. There have been changes over time. We have not just taken a photograph in 1996 and left it precisely there. That is not what has happened.

Senator CARR—Sure. But you have been working on these revisions and this particular project since 2001. The final advice has been with the minister for over a year. I ask the minister at the table whether he could give us any explanation for why it is that there has been no response from him in that length of time.

Senator Brandis—I do not think you should assume that there has been no response. As Mr Donaldson has pointed out, the document is a complex document and, apparently, the process of bringing it to finalisation—it is not something I personally have any knowledge of—as one would imagine with a complex document like a building code, is a time-consuming process.

Senator CARR—Mr Paterson, does the department provide advice to the minister on recommendations from the Building Codes Board?

Mr Paterson—We do.

Senator CARR—Is that the problem: the department has not provided advice?

Mr Paterson—No. Clearly, the evidence before the committee is that this is a very complex issue. A variety of perspectives need to be taken into account. This matter is subject to active consideration by government. The suggestion that you made of a report sitting on a desk is not a fair description of the government's consideration of this issue, but it is a very complex one. There are extensive consultations, not a uniform view, about how government should proceed and it is something that the government is actively considering at present.

Senator Brandis—Senator Carr, a document like a building code would also involve a great deal of technical material, not merely statements of generalities. I think you should expect that it is both a complex document and a technical document.

Senator CARR—I appreciate the point. Mr Donaldson, what was the date on which final advice was sent to—

Mr Donaldson—I will have to confirm that, but my recollection is 29 March 2006.

Senator CARR—There was clearly draft advice provided at an earlier date?

Mr Donaldson—June 2005.

Senator CARR—In fact, there was also advice provided for public comment prior to that date.

Mr Donaldson—February 2004, from recollection.

Senator CARR—This is a process that has been undertaken since 2001, so it is extraordinarily complex. Indeed, keeping a record of the number of times in which you have had draft advices would in itself be quite a complex exercise. Mr Paterson, can you advise the committee whether there was any other advice sought after the final advice from the board in March 2006? Was there further advice sought by the minister?

Mr Paterson—This is a matter that has been subject to ongoing and active consideration. As you are aware, the Disability Discrimination Act specifies certain acts which people need to comply with. The question is whether a disability standard that can be developed under the Disability Discrimination Act is developed for premises. The act continues to operate, so it is not undermining the operation of the act. The issue is whether a standard would be developed for premises, and that is the issue which is subject to both active consultation and then active consideration. It is a very complex issue.

Senator CARR—I have heard your use of the word ‘active’ now on a number of occasions. Can you describe the nature of this activity since the final advice was tendered by the board to the minister?

Mr Paterson—I have got nothing to add to what I have already indicated.

Senator CARR—Has the minister asked you for further advice from the department on the board’s final advice to him?

Mr Paterson—There have been ongoing interactions between the department, the minister and the minister’s office. As I have already indicated, it is subject to active consideration.

Senator Brandis—Senator Carr, I think you may perhaps, if I may say so, be falling into the trap of assuming that final advice from the board is the final step in the process. Acknowledging that this is not a matter of which I have any personal knowledge, it seems to me that your inquiries might be more fruitful if you did not make that assumption. The final advice from the board is not the end of the matter particularly as Mr Paterson and Mr Donaldson have been at pains to say. The document concerned is a very complex document and obviously a lot of stakeholder interests will be involved.

Senator CARR—What advice can I tender to Mrs Cocks about what other activities she can take to pursue this issue outside of this formal approval process, which is clearly likely to drag on for some time yet, is it not?

Mr Paterson—It is not clear to me what Mrs Cocks's issue is.

Senator CARR—Her issue is that there is no activity. Her concern is that nothing seems to be happening.

Senator Brandis—You have been told what the answer to that position is and that is that there has been a great deal of activity which is ongoing. You can tell her that, Senator Carr.

Senator CARR—I can tell her that they are very active in the department but we cannot be quite clear about what the nature of this activity is.

Mr Paterson—I think there is a pejorative inference there, Senator, which is inappropriate. The reality is that the development of a disability standard has to make judgements about application to existing premises and what existing premises might be affected by a standard and how that standard might be developed. The consequences of a decision in relation to the development of a disability standard can have major ramifications for the holders of property throughout the country. The Disability Discrimination Act continues to apply, and individuals who feel as though they have been inappropriately dealt with in those circumstances can continue to pursue their rights and entitlements under the Disability Discrimination Act. It is an issue of whether a standard will be developed under that legislation in the same way as there was a long and detailed consideration with competing interests and different views in relation to a transport standard.

Senator CARR—There has been appropriation of \$200,000 for activity in the current financial year in regard to the development of this new disability access standards code. How much of that money has been spent?

Mr Paterson—Mr Donaldson has already indicated to you, Senator, that he will respond to that question. He will check the detail and respond this morning.

Senator CARR—Has the department got any allocation of moneys for the development of this code?

Mr Paterson—No special allocation.

Senator CARR—So how much money have you spent on the development of the code since March?

Mr Paterson—The only detailed reference to money spent and committed in relation to the code is the expenditure of the Building Codes Board. We do not separately identify departmental activity in this area.

Senator CARR—I take it that most of that money will still be there.

Mr Donaldson—I want to clarify something there. The ABCB is a Commonwealth-state body. The work in relation to this matter is primarily within my office. The Commonwealth actually funds \$1 million of activity right across the board, so, when I provide you with information about what I have spent of that \$200,000 in relation to this matter, there is a Commonwealth dimension in that, as there is a state dimension.

Senator CARR—Yes. I am not complaining about you spending the money. I want to know how much you have spent. That will give me an indication of how much activity there is. Given that there has been so much activity since March, I am sure that you will be able to detail what work has been done.

Mr Donaldson—We have ongoing matters associated with the question of not only access to buildings but also egress from buildings. An example of where we might be working that might not be related to the standard but is nonetheless fundamentally important is the work that is being done in Washington in relation to the 9-11 terrorist attack and the impact it had on people escaping from those buildings.

Senator CARR—Particularly disabled people.

Mr Donaldson—Indeed. We have been working with one of the research agencies in Washington and with the Japanese on looking at that very issue. Some of my efforts in relation to the future have been focused on that particular matter.

Senator CARR—You have been spending the money on—

Mr Donaldson—I have a \$7 million program which deals with a whole range of issues beyond disability access. I am giving you an example—

Senator CARR—I appreciate that. What I asked you about before was the \$200,000 contingency fund that the board has allowed for further work on the standards in 2006-07. You have said to me that you will have to check how much has been spent. I am just trying to get an indication of whether my concern that this report has been sitting on the minister's desk since March of last year is valid. The secretary has told me that I have misunderstood this and that there is intense activity around this issue, and I would like to know who is funding it. What consultations are you aware of?

Mr Paterson—To clarify the evidence that I gave: I indicated that it was subject to active consideration by government. You are extrapolating from that answer to infer that the ABCB is necessarily taking action. I have said that it is under active consideration by government.

Senator CARR—I see. Who is the government now consulting?

Mr Paterson—I have indicated that I have nothing to add beyond saying that it is subject to active consideration by government.

Senator CARR—No further advice has been sought from the board on this matter?

Mr Paterson—No. No formal advice has been sought or provided since the final advice was given to the minister in 2006.

Senator CARR—Has the department undertaken any further consultations?

Mr Paterson—We have been involved in interagency negotiations and discussions on this issue on a regular basis since that time.

Senator CARR—Which agencies?

Mr Paterson—The predominant agency is the Attorney-General's.

Senator CARR—There have been discussions between Industry and Attorney-General's. Is that the nature of the activity?

Mr Paterson—And the Human Rights and Equal Opportunity Commission, as part of Attorney-General's.

Senator CARR—Is this interaction in the form of meetings? What is the nature of it?

Mr Paterson—There have been discussions on an ongoing basis.

Senator CARR—Over the phone?

Mr Paterson—Yes, and face-to-face discussions.

Senator CARR—How much money have you spent on this process? That is my point.

Mr Paterson—As I have indicated, these are not resources that we separately identify expenditure for.

Senator CARR—Have further consultants been asked to have a look at this?

Mr Paterson—Not that I am aware of.

Senator CARR—When do you expect there will be a response to the final—

Mr Paterson—I cannot go further than indicating that it is subject to active consideration.

Senator CARR—It is not imminent though, is it? Is there a cabinet process?

Mr Paterson—I cannot go further than what I have already said.

Senator CARR—Can you answer this?

Mr Paterson—I cannot go further than what I have already indicated.

Senator CARR—Is the normal response to a board's advice by way of cabinet decision?

Mr Paterson—It depends on the nature of the issue.

Senator CARR—In this particular case, does it require a cabinet decision or a ministerial sign-off?

Mr Paterson—I cannot go further than what I have indicated.

Senator CARR—I will ask Mr Donaldson. What is the normal—

Mr Paterson—I do not think Mr Donaldson can answer that question either.

Senator CARR—How do we measure whether or not the government is intending to do anything on this matter?

CHAIR—I do not think that is a question for this witness to answer.

Senator Brandis—Might I also point out—through you, Mr Chairman, to Senator Carr—that, under the test of relevance recited by the chairman, your questions may be directed to the operations and activities of departments. A question of the kind you have just asked—‘What might happen in the future?’—is really not within the remit of this committee.

Senator CARR—The question of whether or not a cabinet decision is required is within the remit of this committee. Whether the department is required to provide advice to such a process is within the remit of this committee.

CHAIR—Senator Carr, I think that Mr Paterson has told you he has nothing further to add. I do not think it is the responsibility of Mr Paterson to determine how this matter is going to be dealt with by the government.

Senator CARR—I appreciate the advice you have given me, Mr Chairman, but it would appear that there is very little activity. Contrary to what we have been told, there is very little activity that can be documented that has been going on.

CHAIR—I think I would view that as a statement from you, Senator Carr, and not the evidence given to the committee today.

Senator CARR—I do not think that I am going to get further on this. I am very disappointed that it has taken so long to get a response to the findings of the board.

Senator ALLISON—I want to ask about the energy efficiency ratings of buildings—the board's 3½-star energy rating system. As I understand it, Victoria and South Australia have introduced more stringent ratings systems for domestic buildings. Is the board now looking at increasing its 3½-star rating to another level? If so, what is the program?

Mr Donaldson—Actually, the board has already taken a decision, which has been implemented in a number of jurisdictions, to move the stringency from 3½ stars to the equivalent of a five-star level. That happened with the introduction of the 2006 Building Code in May last year, and has been operative in various ways in Western Australia, South Australia, Victoria and the ACT. A number of other jurisdictions, however, are reviewing the move from 3½ to five stars, and that is a subject of ongoing policy development by those jurisdictions. But the Building Code has already moved to the point that you have noted.

Senator ALLISON—So we wait until we have all the states on board with a particular star rating before we adopt it as a national code. Is that how it works?

Mr Donaldson—The national code has been changed. The star ratings reference that you make is one way of delivering an outcome which is about improving the level of energy usage in a house, but there are also provisions that apply to commercial buildings. Those star ratings that you refer to are not relevant to commercial buildings.

Senator ALLISON—Staying with domestic buildings for the time being: some would say that the problem with the Building Code is that it is not determining the footprint, if you like, and that houses may well be putting insulation into the roof and a water tank or a solar system on their roof, but they are still using more energy than previous buildings under previous codes. What do you say to that?

Mr Donaldson—I can say very little. I have seen the reports, as you have, in the press in recent days about this matter in Victoria. All I can tell you is that the Commonwealth and all of the state governments agreed that there will be an element of what is called the National Framework for Energy Efficiency to achieve, by 2006-07, a five-star level of energy efficiency performance for houses using the Building Code as the policy instrument. That is what we have delivered. The Building Code provisions go to fabric issues—things like the windows, insulation and that sort of thing. The Building Code does not dictate how large a house will be built. It does not determine even the particular way in which you respond to the requirement of delivering a five-star outcome for the performance of the building. There is

flexibility in the way in which you can go about that, consistent with the way in which the Building Code applies in the market. Apart from the press speculation that I have seen in Melbourne, I really have no comment about how large or small people build their houses. The Building Code is not relevant to that.

Senator ALLISON—Does the framework have a target for greenhouse emission reductions?

Mr Donaldson—The framework is not a matter for me; it is a matter for my colleagues. The National Framework for Energy Efficiency is the responsibility of another area of the department.

Senator ALLISON—In establishing this new five-star rating system, was there no consideration of what this would deliver by way of greenhouse emissions progressively?

Mr Donaldson—The metric for the measures was energy use. Depending, of course, on the source of energy, there would be CO₂ implications, but this is part of an energy efficiency framework at the demand end of the equation.

Senator ALLISON—There were no targets?

Mr Donaldson—No targets had been set sectorally by state or Commonwealth governments, to my knowledge. We were asked to lift the performance of buildings to improve the use of energy by households. That was our role in that process.

Senator ALLISON—How do we compare with countries like Germany in relation to star ratings and energy performance?

Mr Donaldson—I do not have information on that to hand. My observation is that comparisons internationally are quite difficult, given the climatic conditions that exist and the nature of the urban environment in various countries. Those sorts of comparisons are a little difficult. It is difficult to compare performance in Australia to elsewhere.

CHAIR—Presumably the method of rating, too, is different.

Mr Donaldson—The Building Code does not specify a particular way of achieving the energy efficiency performance. Rating tools are available in the marketplace. The so-called five-star element that you mentioned, Senator, is a product of a rating tool called NatHERS, which is a CSIRO developed rating tool that has been around for some time and is subject to major overhaul and review at the moment, I understand. The rating tools are not ABCB matters. They are delivered and agreed to by individual states or developed in the marketplace to assist designers and constructors of buildings to measure the performance of the building in various ways.

Senator ALLISON—Do you see a time soon when double glazing will become a prerequisite in building codes?

Mr Donaldson—That is a matter for government. I really cannot answer that question. If the market wishes to use double glazing as a response to a concern about the amount of energy being used or comfort of the occupants, individuals can choose to do that. Under the provisions that were introduced in the Building Code, that is one element that could be utilised to assist in delivering a more efficient energy performance—but it is not mandated.

Senator ALLISON—What star rating would dictate double glazing? Would it be a six or a seven?

Mr Donaldson—Double glazing can be used now.

Senator ALLISON—I know it can be used. What level of rating do we need to achieve before something like double glazing would be obligatory? Not that it is obligatory—but at what level would double glazing, amongst other measures, be a prerequisite?

Mr Donaldson—There are two dimensions to this. There is the question of cost associated with these things—

Senator ALLISON—I understand the cost question and I understand it is also dependent on circumstances such as a four- to six-year payback. I want to leave that aside for a moment and go back to my question: where would the star rating system have to go?

Mr Donaldson—I do not know the answer to that question.

Senator ALLISON—Is there currently no national building code on energy efficiency for commercial buildings which includes a star rating system?

Mr Donaldson—In commercial buildings the Building Code applies almost universally throughout Australia. It was adopted in almost every jurisdiction when it was proposed by the Australian Building Codes Board in May 2006. I think the only exception, from memory, is the Northern Territory at this point. The work that led to those changes was once again a part of the National Framework for Energy Efficiency, and the provisions we developed do not depend on star rating systems. The rating systems you are referring to are not mandated in the building code; nor are they necessarily completely relevant to the fabric changes that we proposed and were adopted by governments. They deal with wider issues, as I understand it, about the building in the built environment, as opposed to the building itself and its use of heating and cooling. They go beyond that. We need to draw a distinction between the Building Code and the provisions that it requires for commercial buildings, and how owners and designers of commercial buildings are responding to market demand to better identify their product as a more efficient building for their prospective tenants.

Senator ALLISON—What are you working on at the present time for commercial buildings?

Mr Donaldson—In relation to energy efficiency?

Senator ALLISON—In relation to building codes and energy efficiency, yes.

Mr Donaldson—This week, the Australian Building Codes Board will meet—it meets about once every quarter—and it will be reviewing next year's program. At this point the focus that we have will certainly need to take into consideration climate change issues, for example. The reason for that is that in April, COAG brought down a decision which requires the ABCB to have regard to climate change considerations in its forward work plan. So we really need to focus on that.

Senator ALLISON—I thought that is what the building codes were doing insofar as energy efficiency was concerned. Is that not climate change?

Mr Donaldson—The energy efficiency matter was initiated in 1997 and was part and parcel of the Commonwealth government's initiatives to address a range of things. One of them was the use of energy in buildings, and that is what we focused on. It is true to say that it was not necessarily a climate change issue—it was about the use of energy. But, in respect of energy efficiency, at the moment we have no program in place to address the question of further stringency. My understanding is that, as a result of a Productivity Commission report late in 2005, an evaluation of the measures already undertaken is coming. That is an evaluation not by the ABCB but by the Commonwealth. I also understand that the National Framework for Energy Efficiency comes forward in a number of stages, but you would need to speak to my colleagues about that. At this point we have not been asked to address any further issues to do with energy efficiency, but, as I said, as a consequence of a COAG direction we have been asked to take into account issues associated with climate change.

Might I also say on climate change that, when you think about building codes, you need to bear in mind that our primary focus is life safety. In the recent past—and it is my expectation that this will happen into the future—we have needed to pay close attention to extreme events. Issues such as the two significant cyclones that occurred in Northern Australia—in Queensland and Western Australia—in the recent past have been the subject of review and investigation by us and the Cyclone Testing Station in Townsville. In addition to that, on Thursday this week my board will be giving consideration to a request that has come to it from the Commonwealth to look into the costs and benefits of hot-water system energy efficiency. But that is a decision that has not been taken yet. It is a request that has come forward for the board to consider—remembering that it is a Commonwealth-state board and there would need to be a concurrence of views. So there are a range of areas where we have an interest and where we would continue to work in relation to things like extreme events—not just cyclones, but also bushfires. Once again, COAG has asked us to review the standards in relation to how we construct buildings in bushfire-prone areas. That is another matter that we are working on.

Senator ALLISON—I want to go back to your comments about heated water. Can you explain a bit more about what you have been asked to do.

Mr Donaldson—Yes. It is very simple. Remember that the Building Codes Board deals with a building code which is about minimum standards of life safety, health and sustainability. The federal environment minister has written to my chairman and he has asked us to look at whether there is any merit in a nationally consistent approach to introducing regulation or another approach—not necessarily regulation—in the future. A question has been put to us about national consistency in the way hot water systems are regulated. Hot water systems are regulated already around the country in various ways, and it is an issue that the board needs to look at.

Senator ALLISON—Is this for energy efficiency?

Mr Donaldson—As I understand it.

Senator ALLISON—I am sorry, I still do not quite understand the reason for the study and how hot water systems are regulated. Is this suggesting that there may be a regulation which requires a higher level of energy efficiency in hot water?

Mr Donaldson—Not necessarily. One of the problems we face with building regulations generally in Australia is that we do not always have a national approach. We do not always have agreement between state governments about the way things should be done. Indeed, we do not, sometimes, have agreement between councils about how some things should be done. There has been recognition in recent years that one of the ways that a more efficient regulatory system might be developed in some areas would be to approach these things nationally and to agree to deal with them in a way that provides a more efficient regulatory system. It does not translate necessarily into a more stringent set of regulations, but it might translate into something which makes more sense in the marketplace. There are 700 councils and eight jurisdictions in Australia, and, when it comes down to the detail, it must be rather difficult for people—particularly designers, manufacturers and practitioners—to work across borders in an efficient way and deliver a good product to the market.

Senator ALLISON—What is the time frame for that study?

Mr Donaldson—The board will consider that matter this week. We have not been given a deadline.

Senator ALLISON—I want to get back to commercial buildings. Have you or members of your board evaluated some of the six-star rated—if that is possible, since we do not have a rating system—buildings in Melbourne? I know these types of commercial buildings are in other capital cities as well—three come to mind. Have you done an evaluation of them? Can you advise why we should not move to a six-star rating, for instance, in commercial buildings?

Mr Donaldson—No. Again, at the direction of one of the COAG ministerial councils—the Local Government and Planning Ministers Council—we have been charged with the responsibility of addressing the question of rating tools in respect of sustainability. We have just begun that process. In fact, I let a contract on Friday for that purpose and will be briefing my board and the relevant Commonwealth-state committee about that on Wednesday this week. It is very much the beginning of the evaluation process that you mentioned, but we have not done any up until this point.

Senator ALLISON—When will you be visiting and doing an inspection of those buildings?

Mr Donaldson—We are based in Canberra and we are a Commonwealth-state body. We would be drawing on expertise from the likes of the CSIRO and others to undertake that sort of work. We would not be out there actually inspecting buildings ourselves.

Senator ALLISON—You would not even be interested?

Mr Donaldson—I am very interested, as a matter of fact. I think that our track record demonstrates that we have been able to put the analysis on the table and consider these matters in an appropriate way.

Senator ALLISON—Is there a so-called six-star rated building in Canberra?

Mr Donaldson—I do not know.

Senator ALLISON—Who do you deal with within the CSIRO on these issues?

Mr Donaldson—We deal with a range of people, not just the CSIRO. I was using them as an illustration. As a matter of fact, they are not involved in this particular project, but one of their competitors is. They did compete for the business. Who do we deal with in the CSIRO? Well, a range of people. None are coming into my head right at the moment.

Senator ALLISON—Okay, but no-one is giving the board advice at the present time about the latest innovation in commercial buildings which would achieve a six-star rating.

Mr Donaldson—No.

Senator ALLISON—That is amazing.

Dr Green—Might I add that the code is an instrument of minimum necessary regulation. The board, as Ivan has said, has minimum energy performance standards for residential and commercial buildings that are adopted nationally. Some analysis is still being undertaken by some states as to whether they want to move to those in the residential area. It is not an instrument that seeks to require everybody to have the leading edge type of ability. We are very pleased that there are some people out there, some clients in the building sector, who want to demonstrate leading edge practice—to push the envelope and have extremely high performance, energy efficient, sustainable buildings. That is a matter for them. We do not think at the moment—having just introduced these five-star residential minimum standards and commercial building standards last year—that it is appropriate to be mandating that for everybody.

Senator ALLISON—Whether or not we mandate was not my question. It is a question of leadership, I would have thought. Which agency, if not yours, takes a leadership role in this and understands innovation, what is out there and what is possible? Who do we look to?

Dr Green—My first comment is that I think the Australian Greenhouse Office does a fair bit of the work on analysis of what measures and/or technologies would be involved in pursuing and advancing greenhouse initiatives. Secondly, the department also has an interest in, and does look at, what technologies and practices are available for improving the performance of buildings.

Senator ALLISON—When was the last time the Greenhouse Office briefed the board about innovations in building energy efficiency?

Mr Donaldson—My office has regular interaction with the Australian Greenhouse Office. I do not recall a specific instance where we were briefed by them on that matter. We become aware of a whole range of things happening in the marketplace, both in conversations with them and indeed through our own board members—five of whom are from industry and a number of whom have a close involvement in these sorts of issues. We certainly are aware of these things, but as to a specific conversation with the Australian Greenhouse Office, I cannot recall. I am sorry.

Senator CARR—Mr Donaldson, do you have that information on the budget?

Mr Donaldson—Yes. Would you mind bearing with me for just a moment while I review it.

Senator CARR—Sure.

Senator ALLISON—I have one further question about the board. The board has nothing to do with energy market reforms, does it?

CHAIR—Senator, if this is being directed to Mr Donaldson, I think we should give him the opportunity to review—

Senator ALLISON—It has just been answered; it is okay.

Mr Donaldson—There was a \$200,000 contingency on expenditure on disability access for the year and it was \$162,000.

Senator CARR—What was that spent on?

Mr Donaldson—We engaged with the standards process in Australia. Australian Standards have ongoing work in this area and my people participate in that. The \$162,000 is captured by salaries. There were no consultancies in that time. No. 1 is engagement in Australian Standards committees. Like you, Senator, we receive representations on a regular basis on this matter. Indeed, it is another area where it is important that we maintain our relationship with stakeholders and the community. So we certainly commit some time to that.

We have also provided input into, and we are monitoring research on, egress for all occupants. Way finding for the blind is another area that we are working on that in time would bear on the building code. That includes the work by the Washington research body that I mentioned earlier—the National Institute of Science and Technology who are working on post 9/11 issues and evacuation of people, including people with disabilities. That is an area we have engaged on, and we have borne costs associated with it.

We have also been assisting the human rights commission in the development of guidance material to enhance industry understanding of disability access principles as they relate to the building code and to improve compliance with the current provisions. The building code already has extensive provisions for access for people with disabilities right across the range of disabilities. Hearing augmentation, sight impairment and mobility are issues that are dealt with and that have been dealt with for years in the code.

From time to time, we have also provided advice to the department. It was mentioned earlier that there had been engagement between Attorney-General's and the industry department. Our advice on technical issues has been sought from time to time. I think that pretty much covers the \$162,000 of my staff's time and engagement in those issues.

Senator CARR—With the exception of advice on technical issues, how much of that \$162,000 relates to the final advice that you tendered to the minister in March 2006?

Mr Donaldson—That is a very hard question to answer without going into more detail about this material. As I mentioned, the building code is a living document and an issue like egress is very difficult. Whether that gets picked up in time by a standard may well be relevant to your question and it may well be that this allocation of funding and our activity could be related to some future standard. So it is a little bit difficult to draw a distinction and break this down into individual time of staff in respect of specific matters. For example, the suite of standards that bear on disability access is an ongoing process and it has been for quite some time. It is directly relevant to the standard.

[10.04 am]

IP Australia

CHAIR—I welcome officers from IP Australia. Senator Allison has some questions in relation to energy market reform. Where is that best dealt with?

Mr Paterson—We were advised by the secretariat that the resources and energy questions were coming tonight, so we have scheduled officers accordingly. If there are specific questions that she can give us notice of, I am happy to try and get responses in the intervening period.

CHAIR—No, that is fine.

Senator CARR—I have some questions that have been raised with the department already by Nufarm and have been raised with me by Nufarm. I note that the Intellectual Property Laws Amendment Bill 2006 extended the springboard provisions relating to pharmaceuticals to provide an exemption to patent infringement for work aimed at gaining regulatory approval in Australia or overseas jurisdictions irrespective of whether the patent term was extended. I also understand that when it looked at the bill, the Senate Standing Committee on Economics recommended that IP Australia consult on the issue of extending the springboard to agricultural chemicals. What consultations have taken place with regard to the extension of springboarding to agricultural chemicals?

Dr Heath—As far as I am aware at this stage, no direct consultations have occurred on that topic.

Senator CARR—Is that on the question of the agricultural chemicals or springboarding more generally?

Dr Heath—It is in relation to agricultural chemicals.

Senator CARR—If there is no work being undertaken in that area, what work has been undertaken in the more general issue of springboarding?

Dr Heath—The issue of springboarding generally was work undertaken in relation to pharmaceuticals, and the government, as I think you said in your earlier introductory remarks, changed the legislation. I am not aware of any further work in that area.

Senator CARR—So there is nothing this year? Was that in 2006?

Dr Heath—Yes, my recollection is that it was 2006.

Senator CARR—Are you able to recall how many submissions were received by IP Australia with regard to the springboarding issue?

Dr Heath—No, I cannot.

Senator CARR—You cannot recall?

Dr Heath—No, I cannot recall.

Senator CARR—Are there no other officers here that have a better understanding of this issue?

Dr Heath—Not present.

Mr Pennifold—We were involved in the springboarding arrangements relating to pharmaceuticals, and I can provide some information in relation to that question. Of course, a parliamentary committee looked at that question and it received a number of submissions.

Senator CARR—Do you recall how many submissions were received?

Mr Pennifold—Not offhand. It was not a lot. It might have been a dozen or something.

Senator CARR—Were they primarily from the pharmaceutical companies?

Mr Pennifold—There was at least one from the originator companies, and I think there was at least one from the generics companies. As I recall, there was one from a company that was involved in agricultural chemicals as well.

Senator CARR—I take it that was Nufarm?

Mr Pennifold—I think that is correct.

Senator CARR—Do you recall any submissions opposing extending the springboarding provision for agricultural chemicals?

Mr Pennifold—My recollection is that the Nufarm proposal went to the question of agricultural chemicals. The other submissions were really on the point of the change that was being proposed which related to the pharmaceutical patents.

Senator CARR—That is my understanding as well—that there has only been one company that has raised issues in this regard. That is why I mentioned Nufarm up front. It is not necessarily something particularly complex to follow in terms of the numbers of representations. Are you able to advise the committee if IP Australia reached any conclusion to the extension of springboarding following the receipt of the submission from Nufarm?

Dr Heath—As Mr Pennifold said, the process was looking at pharmaceutical matters, and the issue of agricultural chemicals was raised in passing. As a consequence, the issue was looked at to see what sorts of matters would be raised by extending springboarding to other similar claimants. As I recall, at the time it was pointed out that, aside from agricultural chemicals, there were other potential things which might have to be considered if the principles which were being looked at were applied generally.

Senator CARR—What other issues?

Dr Heath—Medical devices spring to mind.

Senator CARR—Are there many other issues?

Dr Heath—The issue that was being raised by about agricultural chemicals was that, in their view, the length of time it took to get approval to bring an agricultural chemical to market limited their ability to get commercial returns from their patents in the same way as occurs in relation to pharmaceuticals. That is a question in part of fact and, as far as I am aware, there is not a lot of work being done to have a look at how long it takes agricultural chemicals to get to market—whether there is comparable delay et cetera—and similarly with medical devices.

Senator WEBBER—As I understood it, there was a discussion about further consultation being done and anticipated time lines with other sectors. Are you saying we have not progressed this issue at all?

Dr Heath—As far as I am aware it has not progressed in relation to consultation with industry.

Senator CARR—That is really the point I am getting to.

Senator WEBBER—I will get someone to check the *Hansard*, but I have a clear recollection that there was an undertaking given about further consultations.

Dr Heath—I am happy to take that question directly on notice and get back to you today if I can.

Senator CARR—What Nufarm are saying to me—and I presume the reason Nufarm are raising it here is that they cannot get satisfaction through the normal communication processes—is that the issue was raised with IP Australia during an Advisory Council on Intellectual Property review of experimental use exemptions in 2004. Then the bill that came forward in 2006—the provisions broadening springboarding to the entire patent period and removing the link between springboarding and patent term extension—was the subject of a submission that Nufarm put to the Senate Economics Legislation Committee inquiring into the bill. The committee saw merit in the submission and recommended that IP Australia consult more widely on the issue.

Senator WEBBER—Absolutely. I think Senator Brandis was chair for that inquiry, in fact. We saw merit in some other intellectual property arguments that came from an academic in Queensland, as I recall.

Senator Brandis—Yes. I remember that discussion.

Senator CARR—It was further put to me that IP Australia did talk to other people about this issue of springboarding. What the company is saying to me is that you have been talking to other people and that a number of responses supporting the extending of springboarding have been received by the department, but the department and the board have shown little interest in the issue. If I might be so bold, I would suggest that that seems to be reflected in your answers so far today. A number of people believe that there ought to be a response from IP Australia to these issues, but it has not been forthcoming. How do you respond to that suggestion?

Mr Heath—Ultimately a response to this issue would come from government, not from IP Australia. I am not aware—

CHAIR—Senator Carr, I have some concerns with the question. You are asking this officer for a comment on policy, and I think that he is not able to do that.

Senator CARR—I will be more specific. Has the IP board responded to the submissions received with regard to springboarding?

Dr Heath—Are you referring to the ACIP advisory board?

Senator CARR—I am referring to the consultations that IP Australia undertook to facilitate. Do you agree with that proposition? Did you undertake to engage in a number of consultations with the Senate economics committee?

Dr Heath—Senator Webber has indicated that the report recommended that we do so. I do not have any direct knowledge as to whether we (a) accepted that recommendation and (b) undertook any consultations.

Senator CARR—So you are not able to tell me whether or not a consultation paper on springboarding was issued.

Dr Heath—On springboarding in relation to agricultural chemicals, no.

Senator CARR—No, it is actually springboarding provisions extending to agricultural chemicals. That is what the lobbying was about. The original consultations were about pharmaceuticals, but there were a number of submissions put concerning the issue of the effects on agricultural chemicals. Are you able to comment on that? Is that factual or not?

Dr Heath—As I understand the process, the inquiry was into the extension of springboarding provisions in relation to pharmaceuticals. That matter was—as Mr Penniford has indicated—taken through to its conclusion and the legislation was changed appropriately. There were other matters raised—agricultural chemicals—by the submission by Nufarm. The question that you are asking is whether there has been further action since then in relation to agricultural chemicals, and I am replying: to the best of my knowledge, no. But I am happy to go away and check that today if I can.

Senator CARR—If you would please, because it has been put to me that IP Australia has shown little interest in these questions, and I would like to know whether or not you would agree with that assertion.

Dr Heath—The matter was raised by one company in a submission to an inquiry into pharmaceutical matters. The parliamentary inquiry recommended that the matter be looked into further but, as I said, to the best of my knowledge there has not been much progress since then.

Senator CARR—And I will repeat: Nufarm are saying that IP Australia undertook a number of consultations late last year and that you received a number of responses supporting extending springboarding. I would like that information, if it is possible. Can you confirm whether or not that has occurred? I think I have the confirmation, in terms of the assertion about the response of IP Australia. Can you provide me with advice as to whether the minister has sought any advice from IP Australia on this issue?

Dr Heath—Again, I would rather come back to you with a fuller answer. You are giving me information which I am not currently aware of.

Senator CARR—Thank you. While you are there, could you establish whether or not you prepared any briefings for the minister? Is it the case that a foreign agricultural chemical company is able to gain regulatory approvals in Australia prior to a patent term expiring, on the basis of research and development work done in another country that does allow springboarding?

Dr Heath—Could I have that question again, please? We are in a very technical area here.

Senator CARR—It has been put to me—and I would ask you if this is true—can a foreign agricultural company operating in Australia gain regulatory approvals in Australia prior to a patent term expiring, on the basis of research and development work done in another country that does allow springboarding?

Dr Heath—My initial reaction to that is that I do not see how that can be so if that chemical is currently under patent here and there are no provisions here for that to occur. The point of springboarding is to allow a company to do what would otherwise be a matter of patent infringement while a patent is in force. If there are no springboarding provisions in Australia in relation to veterinary chemicals, which there are not, then I cannot see how a company coming from offshore, with whatever approvals they have from offshore, would be able to take such an action within Australia. The logic of it does not work for me.

Senator CARR—It was put to me—and I want to ask if you can confirm this—that, due to the lack of comparable provisions in Australia, Australian companies have to wait until after the patent has expired before they can commence work on gaining regulatory approval or go overseas to conduct this research prior to a patent expiring.

Dr Heath—Certainly the reverse is the case, which is what I thought the Nufarm issue was. Can I give you the hypothetical which I think is the Nufarm issue?

Senator CARR—Yes.

Dr Heath—If a patent is in force in another jurisdiction in relation to a veterinary chemical or an agricultural chemical, and the patent in force in Australia has a longer life—that is, for some reason its time periods are running longer—then the patent holder offshore can do whatever they need to do to get their chemicals into a third market faster than an agricultural chemical manufacturer in Australia could, because the patent here is stopping them from doing that, whereas springboarding would allow them to do that. That is their issue.

Senator CARR—How many comparable countries allow for springboarding for agricultural chemicals?

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

CHAIR—Are you are telling the committee that the reverse to Senator Carr's proposal can occur but that the proposition put by Senator Carr cannot occur? I am just a bit confused.

Dr Heath—As I understood Senator Carr's question, the proposition was that somebody who had some sort of springboarding approval from outside of Australia's jurisdiction could, because of that, do something in this jurisdiction. I cannot see how that, in law, could occur, because the patent would prevent them from doing anything inside Australia in relation to that chemical until that patent had expired.

Senator CARR—That is the nub of the issue. It has been claimed by Nufarm that that is what happens, and you are saying that it cannot happen. That is the thrust of what you are putting to the committee. Are you able to provide the committee with advice on how Australia compares with regard to springboarding for agricultural chemicals?

Senator WEBBER—I recommend that you go back and have a look at the inquiry that we did, because Nufarm gave us quite specific evidence about this happening in Israel, for a start. We are all going from memory here. I appreciate that it is technical, but—

Dr Heath—The issue which may be the proposal Nufarm was raising is: when an offshore manufacturer wishes to achieve marketing approval in Australia, they can get their regulatory approval running offshore in the sense that they can have all of the things they need to do, but they still need to be able to bring it into this jurisdiction. If they are competing with other jurisdictions, then that is certainly a disadvantage to our domestic ones.

Senator CARR—In terms of that international experience—I take it that you will need to refresh your memory—how many countries allow springboarding for pharmaceuticals and for agricultural chemicals?

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

Senator CARR—To what extent are Australian firms disadvantaged by the present regulatory arrangements vis-a-vis international firms that are able to rely upon research undertaken overseas to get around our IP laws? It has also been put to me that one of the reasons for extending the springboarding provisions for pharmaceuticals—to bring Australia's springboarding provisions into line with international experience—is particularly to allow Australian generic pharmaceutical companies to enter overseas markets shortly after the expiry of a patent. That is true, is it not?

Dr Heath—That is the basic proposition: that springboarding is there in relation to pharmaceuticals, yes.

Senator CARR—Can you explain why IP Australia does not believe a similar consideration is relevant to agricultural chemicals?

Dr Heath—The premise of the question is incorrect. The issue is whether there is a disadvantage there to the same extent or not. Springboarding is an advantage in the marketplace to a particular patent or non-patent holder. The question is this: when we wish to offer this is there a sufficient case to be made that it should be offered in these circumstances? As I mentioned, agricultural chemicals, veterinary chemicals, medical devices or anything under a patent that requires regulatory approval has at least a *prima facie* basis for making the same claim. The question is whether that claim justifies reducing the rights of the patent holder in the circumstances. IP Australia, at this stage, does not have a view on the answer to that question.

Senator CARR—Are you intending to develop a view?

Dr Heath—As I undertook before, I will go away and find out what in fact has been happening in relation to this matter and come back and inform you.

Senator CARR—Are you able to do that today?

Dr Heath—I would hope to do that today.

Senator WEBBER—Can I make a final point on this issue. When we had the initial inquiry, the department gave evidence that they had conducted no investigation at all into the net benefit to Australia of applying springboarding provisions to other industries. From what I can tell that is still the case. The evidence we got was that the mandate given to the IDC from the Prime Minister was to examine the impact of patent extensions and springboarding provisions to generic manufacturers only. So there has been no shift at all.

Dr Heath—I am undertaking to go away and find out the answer to that.

Senator WEBBER—If you could look at that specifically because, as I said, we did make quite a specific recommendation. The committee may be a little alarmed if it discovers that its recommendations were ignored.

Senator CARR—Was there a government response?

Senator WEBBER—There were some changes to the legislation. Senator Brandis was the admirable advocate on behalf of the committee.

Senator Brandis—That is very characteristically generous of you to say so, Senator Webber.

CHAIR—All right for a Monday morning.

Senator CARR—I have some other questions on another topic and I might turn to that now.

CHAIR—You have indicated you will try and have a response back today to Senator Carr—is that right?

Dr Heath—That is correct. Otherwise, I will come back and indicate when I will have a response.

CHAIR—Thank you.

Senator CARR—A media release was issued last Friday by the Hon. Bob Baldwin, Parliamentary Secretary to the Minister for Industry, Tourism and Resources, which announced that:

.... consultations have commenced on removing a regulatory burden faced by applicants for Australian patents.

Could the officers advise the committee of the main purpose of those consultations?

Dr Heath—Sorry?

Senator CARR—Is it the case that, last Friday, new consultations were announced in regard to removal of red tape on Australian patents?

Dr Heath—I am not aware of the release. I was out of my office on Friday.

CHAIR—Perhaps you could put the issue to the witness rather than referring to the press release.

Senator CARR—On 25 May 2007, the Hon. Bob Baldwin issued a press release entitled ‘Reducing red tape for patent applicants’.

Dr Heath—I now understand what this one is about.

Senator CARR—Do you have a copy of it now?

Dr Heath—I have a copy of it now.

Senator CARR—Can you please explain what led to the announcement of these consultations?

Dr Heath—Some time back in the Australian patent legislation, a requirement was put on all applicants to keep the patent office informed—if you like, a regime of constant disclosure—of all search reports in relation to their patent application that they had had undertaken by any office around the world. The reason for that policy was to try to make sure that we were not issuing patents in ignorance of work that had been done elsewhere where things had been found that might have gone to the validity of issuing the patent or not. That was a considerable burden on the applicants to have that level of constant disclosure, and there have been discussions with the applicants and their attorneys about this matter. We recently reviewed this issue again and put out a consultation paper suggesting that, given that we are now able to access search reports online from all of the major offices around the world, we could remove this burden from the applicants because we can now see them ourselves directly.

Senator CARR—Is that what is meant in the press release, where it states:

... with advances in the information that patent offices around the world are now making available over the internet, much of the information that applicants are providing is already available to IP Australia?

Dr Heath—That is right.

Senator CARR—Why do you need to consult about that if you have already made a decision?

Dr Heath—The point is made in the consultation paper that the purpose of the disclosure regime was to ensure to the best of our ability that, when we issue a patent, it is not being issued in ignorance of a negative report, if you like, being done by some other office. The burden on the applicant was high and the consequence of it was supposed to improve the quality of what we were doing. By removing the burden on the applicant we are essentially taking on that level of assurance ourselves—that is, we now have to find the things, whereas before we were obliging the applicant to do it. There will be people out there who, we would expect, might want to put the view back to us that the quality of patents is more important than the burden on the applicants and that we should maintain the regime that is in place.

Senator CARR—You are looking for someone to challenge your decision?

Dr Heath—The regime that was in place was as a result of two or three inquiries over a number of years going back a decade or so. That is the whole point of the disclosure. We are proposing to undo what had been strongly urged upon us by previous inquiries and had been in place for a number of years. We thought it appropriate to say that to the world in this way and to seek responses to it before we put forward a proposal to government to change the legislation.

Senator CARR—That is fair enough. I would have thought it is pretty straightforward what you are proposing. However, if you are saying that you are concerned that you may not have got that right then it depends on how adequate your assessment of the information available is, particularly since you mentioned the internet. I will give you one bit of consultation that has come to me. For instance, a concern that has been put to me just last week is that, while you are relying on patent offices around the world to provide information online, IP Australia have a pretty ordinary reputation when it comes to actually putting information online themselves. Is that the case?

CHAIR—I am sure this witness cannot comment on the reputation, but it is down to the issue here.

Senator Brandis—Nor, I might say, Mr Chairman, is it entirely appropriate, although perhaps not technically beyond the rules, for Senator Carr to conjure up an anonymous source of tittle-tattle and turn it into an accusation against the reputation of an Australian agency.

Senator CARR—I am putting to you a proposition, Dr Heath. Are you familiar with the Patent Search Strategy Project?

Dr Heath—Yes, I am.

Senator CARR—Does the web site say:

... it will deliver a new and improved search facility that will ultimately provide electronic access to all Australian patent data.

Is that what it says?

Dr Heath—That is correct.

Senator CARR—It has been put to me that the link to find out more about this project does not actually work. Would that be right?

Dr Heath—I personally have not tried it.

Senator CARR—That is the sort of tittle-tattle I am referring to.

Dr Heath—I personally have not tried the link.

Senator CARR—What is the time frame for the completion of the Patent Search Strategy Project?

Dr Heath—The Patent Search Strategy Project has a number of components. The expectation is, as I recall, that it will take about two years to deliver the full outcome of it. One component of it is that we are back-capturing all of the Australian patent literature going back to probably the 1920s in text searchable form. That is an achievement and an advance on what is currently available. We have developed and released for comment a public search window on our current databases to improve the functionality of that searching for users who search our databases a lot. Some of that is being rolled out this year, but it is in a couple of stages. Again, it will take us two years to complete the process. And I am sorry there is a broken link on our site. I will get it fixed.

Senator CARR—What other initiatives are being considered as part of this red tape reduction drive?

Dr Heath—You are now referring back to the press release?

Senator CARR—Yes.

Dr Heath—The press release was particularly about that change, stating that we would try to reduce the burden on applicants of putting before the office significant quantities of information. That was that particular—

Senator CARR—That is it? That is the red tape reduction drive, is it? That is the whole sum of the project?

Dr Heath—There is a particular project relating to that change, which we saw as having a benefit in relation to supporting the direction of reducing what is loosely called red tape on applicants. I thought it was a good example of that sort of activity.

Senator CARR—The annual report states that IP Australia would be conducting its biannual customer satisfaction benchmarking survey in late 2006. Is this red tape reduction drive a response to anything that has come out of that survey?

Dr Heath—In relation to that survey, as I recall, there was nothing in there in particular that would have pointed to red tape matters.

Senator CARR—So there is no question about red tape?

Dr Heath—It is a longitudinal survey, so the questions have remained largely the same every two years. It is about the quality, efficiency and timeliness of our services.

Senator CARR—In broad terms, what were the survey results?

Dr Heath—In broad terms, the users of our system across most of the different groups we surveyed rated our services very highly. We had satisfaction ratings up in the high 80 per cent mark, as I recall.

Senator CARR—Apart from the person who has contacted me about this site, which does not work.

Dr Heath—I am sorry there is a broken link on our web site, and I will check it.

Senator CARR—I am always interested in government's rhetoric.

Senator Brandis—And assuming the reliability of your source, too, Senator Carr.

Senator CARR—They seem pretty reliable, because they now have it right on the money here, haven't they? I am always impressed with governments with their red tape reduction drives when they are actually making comments about decisions that have already been taken about what are, I would have thought, fairly straightforward matters.

Mr Paterson—With respect, Senator, the media release does not say that.

Senator CARR—Doesn't it?

Mr Paterson—No, it does not. It says:

IP Australia is now considering removing the need for applicants to provide these search results and will commence consultations with interested groups.

That is the media release that you are referring to.

Senator CARR—Yes, it is.

Mr Paterson—It does not say the decision has been taken.

Senator CARR—No, but it should, because that is the fact. I am saying to you that the press release is grossly misleading.

Mr Paterson—On what basis do you assert that, Senator?

Senator CARR—On the basis that you have already made the decision.

Mr Paterson—On what basis do you assert that?

Senator CARR—From what the officers have said.

Mr Paterson—He has not said that.

CHAIR—No, I do not think so, Senator.

Senator Brandis—One thing we could be certain of, Mr Chairman, is that there would never be an announcement of reducing red tape were there to be a Labor government.

Senator CARR—You are, I hope, about to find that out, aren't you? Thank you.

Proceedings suspended from 10.43 am to 11.03 am

CHAIR—It is close to the appointed hour, so we will start.

Senator CARR—Dr Heath, do you have any indication of when you will be able to help us with the matters I raised before?

Dr Heath—In relation to Nufarm, I have people now putting together a chronology of all of those acts. As I said, they have probably had an hour to try and do that, so—

Senator CARR—Thank you. I do not have any further questions.

Senator BERNARDI—Before the break we talked about the broken link on the IP Australia website. Upon browsing through the website, I found numerous other ways to access the same information. Just for Senator Carr's benefit, I make the point that, upon browsing the ALP's website, we see that a link to your national platform appears vacant.

Senator CARR—That has been broken for some time.

Senator BERNARDI—Yes. You do not have a national platform. We are still waiting for it to come in.

Senator CARR—That is right.

Senator BERNARDI—I think that to attack any institution for having a broken link—

Senator CARR—I would not presume that IP Australia has done it deliberately.

Senator BERNARDI—No. Perhaps the ALP has tried to avoid displaying their—

CHAIR—Given that it is an ALP policy matter, perhaps Dr Heath should not respond to policy questions. If there are no further questions of IP Australia we will wait to see if this information comes back.

Senator CARR—Is the department or AusIndustry currently running any advertising campaigns using television, radio or general print advertising?

Mr Peel—I do not think we currently are. We have recently run some advertising campaigns for a number of our programs that have involved print and radio. We have featured on a television program that airs on Sunday mornings called *Your Business Success*.

Senator CARR—Do you pay to go on that?

Mr Peel—Yes. It is an advertorial sort of program.

Senator CARR—What does it cost you for *Your Business Success*?

Mr Peel—I think the last episode cost us \$16,500.

Senator CARR—Does it cost that amount on each occasion?

Mr Peel—We have been on the program on three occasions. It cost us \$16,500 on two occasions and just over \$19,000 on another occasion.

Senator CARR—How do they determine the rate? Is it the quality of the information you provide or is there some productivity and performance base?

Mr Peel—I am not quite sure but I would think it is probably the amount of time that we take up—whether the program is specifically devoted just to our things or whether it covers other things as well.

Senator CARR—What is the rate per minute?

Mr Peel—I do not know the answer to that.

Senator CARR—Are there any other electronic advertisements?

Mr Peel—We did some advertising recently for the Scottsdale fund which involved some newspaper advertising and some local radio advertising.

Senator CARR—How much was that for?

Mr Peel—Bear with me for a second.

Mr Paterson—Senator, was your question in relation to AusIndustry alone?

Senator CARR—No, to the department as well.

Mr Peel—For Scottsdale it was \$6,589.72.

Senator CARR—Thank you.

Mr Peel—A number of months ago we also had some advertising for the LPG program. This is the program that allows people to get a grant from the government if they convert their vehicles to LPG. The cost of that was around \$2,600,000.

Senator CARR—You are not planning any more; it is finished?

Mr Peel—We are planning more on the LPG program. Advertising for that goes out to about 2013-14.

Senator CARR—How much more are you planning to spend on the LPG conversion?

Mr Peel—We have a budget of \$13.355 million.

Senator CARR—How is that broken down?

Mr Peel—Our budget for 2006-07 is \$3 million; 2007-08 is \$2.388 million; 2008-09 is \$1.967 million; 2009-10 is \$1.5 million; 2010-11 is \$1 million; 2011-12 is \$1 million; 2012-13 is \$1 million and 2013-14 is \$1.5 million. That should add up to \$13.355 million.

Senator CARR—What was the final year?

Mr Peel—The final year was 2013-14.

Senator CARR—You are budgeting to spend \$1.5 million in 2014 on an advertising campaign?

Mr Peel—Correct. That will be close to the end of the program.

Senator CARR—I would hope so.

Mr Peel—There will need to be a final reminder, I guess, to people that they can claim grants under this program.

Senator CARR—Is it usual to budget your advertising campaigns seven years out?

CHAIR—Could I just make an observation? Senator, you asked a general question and the officers are responding to advertising placement activity as distinct from campaign advertising. The questions that they have responded to in relation to *Your Business Success* for Scottsdale and LPG are about advertising. The LPG program extends over a number of years but has a finite life. There is an advertising component of the promotion of that program in each of its lives.

Senator CARR—Thank you. Of the \$3 million you are planning to spend in 2006-07, how much has been spent to date?

Mr Peel—\$2.604 million.

Senator CARR—The remaining half a million or thereabouts—

Mr Peel—We are not planning to spend that, so we will not spend the full \$3 million this year.

Senator CARR—I see. Will that be carried over to the following year?

Mr Peel—I do not think so, I think we just do not spend it. We have funding for the following year.

Senator CARR—Between July this year and July next year, you are proposing to spend another \$2 million, is that right?

Mr Peel—Between 1 July this year and the 30 June next year, \$2.388 million.

Senator CARR—How much of that will be spent between now and the election?

Mr Peel—I do not know when the election is going to be.

Senator CARR—So the first six months of the financial year—

Mr Peel—I do not think we have actually determined as yet exactly when we will place the advertisements.

Senator CARR—When will you determine that?

Mr Peel—Closer to the start of next financial year.

Senator CARR—So over the next—

Mr Peel—We have not addressed it yet. We may address it over the next couple of months.

Senator CARR—Couple of weeks more likely.

CHAIR—I think the witness said a couple of months.

Senator CARR—I know what he is saying, but I am saying that the end of the financial year is fast approaching. When would you normally make decisions about the expenditure of money in the forthcoming financial year with regard to advertising?

Mr Peel—Probably early next financial year.

Senator CARR—So, rather than months—

Mr Peel—It is May now and next financial year is July, so it is a couple of months.

Senator CARR—Is that the entire amount that you are intending to spend?

Mr Peel—For advertising?

Senator CARR—Yes.

Ms Foster—For LPG.

Mr Peel—For LPG it is. Our budget for the current year for advertising in total is \$3.361 million of which, as I have mentioned, \$2.6 million is for LPG. So we have a remaining element of \$757,000 that we use to advertise the various rounds of the programs when we call them.

Senator CARR—So three quarters of a million—

Mr Peel—That is our normal budget.

Senator CARR—Yes, but is that between now and the end of the financial year?

Mr Peel—No, that is from the start of this year to the end of this financial year.

Senator CARR—But there is three quarters of a million—

Mr Peel—We have already spent \$603,000 of that.

Senator CARR—I see. Is the remainder likely to be spent?

Mr Peel—Probably, yes, because we have a couple of program rounds coming up.

Senator CARR—That is \$154,000 to be spent over the next month.

Mr Peel—Sorry, the figures that I gave you were as of the end of March, so some of that may have been spent already between March and May.

Senator CARR—How much remains, do you know?

Mr Peel—The only figure I have here is as at the end of March, and the remaining amount then was \$154,000. I can check to see if we have spent any more.

Senator CARR—Thank you. That is for program advertising.

Mr Peel—That is correct.

Senator CARR—Which programs will be advertised?

Mr Peel—A whole range of programs. The money that we have spent to date has covered such programs as the renewable energy program, the small business program, the tax concession, the ethanol distribution program and tourism program. So there are a whole variety of different programs and it depends on when we are calling for applications or doing things to publicise access to those programs.

Senator CARR—Are those the only amounts of money that you are spending on advertising?

Mr Peel—Yes, that is our advertising budget.

Senator CARR—Are the figures that you have given me placement costs?

Mr Peel—These are total costs excluding GST. They include things like art work, for example, and placement costs.

Senator CARR—That is all I need to know. So it is the total cost.

Mr Peel—Yes.

CHAIR—So that I am clear: the LPG program will only be placement costs—is that right?

Mr Peel—Yes. We have a budget. If we do not spend all of the budget we will not be carrying it forward to future years.

Senator CARR—In the new financial year, how much money is available to the department for advertising?

Mr Peel—I cannot give an answer for the department.

Senator CARR—For AusIndustry?

Mr Peel—As I have mentioned, for the LPG program we have \$2.388 million. We have not finalised our budget for next year yet but I think that it would be of a similar order to last year, which is about \$750,000. That would make it just over \$3 million.

Senator CARR—That is for program advertising?

Mr Peel—Correct.

Senator CARR—Mr Paterson, can you advise the committee how much money the department has available for advertising?

Mr Paterson—We do not maintain a separate budget line for advertising; it is done on a program by program basis. We are responding to questions in relation to AusIndustry. There is advertising placement work undertaken by Invest Australia, and we will get to that when we have finished with the AusIndustry questions. There is some work in the Office of Small Business, there is obviously recruitment advertising that is placed on an ongoing basis and there is a program in relation to collective bargaining which is in the Office of Small Business, and which they will respond to. But we do not keep advertising as a central budget line item. As I drew the distinction before, this is about advertising placement not campaigns per se, so they are done as part of the normal administration of those programs.

Senator CARR—You do not have an across portfolio figure available?

Mr Paterson—No.

Senator CARR—So I have to ask each of the agencies within the department the same set of questions. Is that what you are saying?

Mr Paterson—We do not centrally hold a dollar figure in relation to advertising; it depends on the nature of the program. The LPG program, for example, is a one off, newly introduced program that has a dedicated budget for advertising placement.

Senator CARR—We will go through each of the agencies and ask those questions, if that is necessary. But the department itself is not running any other additional advertisements?

Mr Paterson—We are not running any campaigns.

Senator CARR—You have your recruitment and program campaigns.

Mr Paterson—Yes. Invest Australia, which is responsible for marketing potential investments in Australia, has a significant marketing and advertising activity, and officers will respond directly to questions in that area. As I have already mentioned, there is an advertising program in relation to collective bargaining which looks at changes in relation to the Trade Practices Act for collective bargaining for small businesses.

Senator CARR—How much is that program, do you know?

Mr Paterson—It was over a number of years. The total for it in appropriation was \$2 million over three financial years, as I recall. It was first appropriated in 2004-05 with an amount of \$500,000 for that year; in 2005-06 \$750,000; and in 2006-07 \$750,000, but not all of that has been spent in accordance with the original profile.

Senator CARR—We will come back to that when the officers are here to establish what happens with the rest of it.

Mr Paterson—We can do that.

Senator CARR—Are there any campaigns that have gone through the MCGC from this department?

Mr Paterson—That are appropriated to this department, no.

Senator CARR—Is the department or any of its agencies currently undertaking any direct mail or other mail-outs to promote its programs?

Mr Peel—Generally we only mail out information kits in response to particular requests from customers. We also have an electronic bulletin that people can subscribe to through the internet that keeps them updated on the programs, but I am not aware of any specific mail-outs that AusIndustry has been involved in.

Mr Paterson—There is a mail-out component in relation to the collective bargaining campaign that I am happy to come to when we get to that issue.

Senator CARR—Are there any other agencies that are undertaking mail-outs to client groups?

Mr Paterson—I am not aware of them.

Senator CARR—Does the department or any of its agencies develop any novelty items—pins, mouse pads, those sorts of advertising?

Mr Paterson—I think we refer to them as merchandise.

Senator CARR—Any merchandising?

Mr Peel—Yes, we do that in AusIndustry. When we have seminars and things of that nature, we have pens with AusIndustry on them and various other items, such as mouse pads with the phone number of the hotline so that people can call us easily if they need to.

Senator CARR—How much is the department or any of its agencies spending on merchandising?

Mr Paterson—Once again, it is not a budget line item that we would maintain on a department wide basis. We are talking minor expenditures. There is a little bit of merchandise, as I recall it, in Biotechnology Australia, but we are talking very modest sums.

Senator CARR—That is all I am interested to know.

Mr Paterson—In terms of whole of department budgeting, it is not something that I focus attention on. That is a level of detail that we just would not get to in terms of the strategic direction of the department.

Senator CARR—I notice the departmental report suggests, in terms of its advertising, that the amounts are quite low and routine. There are a couple of items. For instance, it says here about ‘AusIndustry’s advertisements in various publications.’ What do they refer to? Is that only the matters we have discussed today?

Mr Peel—Essentially the program advertising that I have mentioned, and occasionally we will have seminars to get people together to inform them about the details of particular programs so there would be advertising to call people to seminars. But essentially, yes, it is all around the programs.

Senator CARR—I notice that HMA Blaze received a payment of \$144,513. What was that for?

Mr Peel—Was that for AusIndustry, Senator?

Senator CARR—I believe it was.

Mr Peel—We have used HMA Blaze as the design agency for a number of our advertisements, and they have received a number of payments from us so far this financial year. I would imagine that the figure that you are quoting is the total of what we placed with them for that particular financial year.

Senator CARR—And Universal McCann—\$108,000?

Mr Peel—We use Universal McCann as well for the same purpose.

Senator CARR—How was the take-up of the LPG program?

Mr Peel—Very good, if I can put it that way. As at 20 May, through Centrelink, we processed 47,957 grants under the program, valued at just over \$95 million.

Senator CARR—Is that what you expected?

Mr Peel—It is more than we originally expected. I think our original estimates were lower than that, so it has certainly proved to be quite vibrant in terms of demand for that program.

Senator CARR—I will come back to that.

Mr Paterson—Just a clarification: you asked a question earlier in relation to merchandising.

Senator CARR—Yes.

Mr Paterson—I have been provided with a number of \$28,014 for all merchandising activity for all programs across the department.

Senator CARR—I take it that each of the officers from the agencies will know that I am interested in their advertising expenses.

Mr Paterson—Do you want to go to that now?

Senator CARR—If you can; if that is possible. It is probably the quickest way to do it, isn't it? I would like to deal with the integration statement in more detail. If we can get the officers from each of the agencies to tell us what their advertising expenditures will be—

Mr Paterson—Why don't we start with Invest Australia?

Mr Jones—Our total print advertising spend for this financial year will be \$1.06 million. In addition we are spending \$100,000 on an online campaign. Almost all of that expenditure is on overseas publications or publications with an international circulation. Only about \$32,000 is spent on Australian publications.

Senator CARR—How much in the next financial year will you expect to—

Mr Jones—We are still finalising our budget, but I would expect about the same amount of money next year as well.

Senator CARR—At what point do you make decisions as to what advertisements you are going to place?

Mr Jones—We are currently going through that process. I would imagine that over the next month or two we would finalise both the amount of our spend for next year and the precise publications that we are going to advertise in over the next financial year.

Senator CARR—So that is total expenditure in terms of media buy?

Mr Jones—That is all of our expenditure in terms of media buy.

Mr Paterson—Just as a procedural question, Senator: from a departmental-wide perspective, we cannot give divisional allocations of expenditure of departmental resources until such time as the budget is handed down. We have to then have regard to the consequences of any budget decisions, and then individual allocation decisions to divisions operating within the department are made by the executive. Divisions are then provided with their allocation for the year ahead, with an indicative allocation for the year after that, and then the final decisions about allocation are made. The reason you are getting responses from both AusIndustry and Invest is that they have only relatively recently got allocations for the new financial year and they will be working through the details of those budgets now.

Senator CARR—That is why I am surprised, Mr Paterson, that you cannot tell me what the overall departmental expenditure will be on advertising.

Mr Paterson—That is because the focus of attention that we have is in relation to the resources required to deliver particular program activity or policy measures. We do not start with a position of saying, 'How much are we going to spend on advertising across the disparate array of things that we undertake?' We look at the programs that we are responsible for administering and then allocate resources accordingly.

Senator CARR—Are there any other officers able to assist me with the expenditure on advertising?

Mr Paterson—I mentioned the collective bargaining campaign which is administered through the Office of Small Business.

Ms Weston—You may recall that in 2004 there was an election commitment to spend \$2 million on collective bargaining awareness and, as Mr Paterson has mentioned, that money

was appropriated in additional estimates 2004-05 over three years. As you would also be aware, the trade practices amendments which brought in the collective bargaining reforms did not come into effect until January this year, and the additional regulations that relate to the thresholds being a bit higher for certain industries did not come into effect until March. The program was launched in March this year.

In respect of advertising and what we plan to do, we have some things happening in the short term. We are printing some promotional materials and doing some print advertising in the vicinity of \$750,000. We have some sponsorships happening this year—about \$54,000; direct mail-outs of about \$23,000; and there is some additional money—obviously we have not spent all of that \$2 million—in the following year. We have not quite worked out how that next phase of the education is going to work out. We had spent some \$300,000 or so in the earlier years doing some benchmark research and so on, but we put that on hold a bit because we were not sure when the trade practices amendments would be finally passed. They took a couple of years to finish.

Senator CARR—So it was three-quarters of a million for printing, \$54,000 for sponsorships and \$23,000 for direct mail.

Ms Weston—The printing includes print advertisements as well.

Senator CARR—How much for print advertising?

Ms Weston—I am just a little confused with my numbers here around the printing of promotional materials and print advertising. I thought the promotional materials would have been a bit more, but the numbers I have are around \$12,000 and \$750,000 for print advertisements. I would need to get back to you. In any case, with the two of those together, I should imagine that the print advertisements would be the larger portion of that.

Senator CARR—But the total is \$750,000.

Ms Weston—Around \$762,000 or \$763,000.

Senator CARR—When will that money be spent?

Ms Weston—We expect that part to be spent before the end of the financial year. We are in the process of negotiating with placement people.

Senator CARR—So over the next month you will spend three-quarters of a million dollars.

Ms Weston—Yes.

Senator CARR—On collective bargaining.

Ms Weston—The election commitment was around making sure there was awareness. There are journals, newspapers and things like that.

Senator CARR—Is that daily press advertisements?

Ms Weston—I do not have the details with me. I should imagine there will be some in wider circulation. There will also be things like some of the newspapers and journals that relate to specific industries that are targeted in particular for this.

Senator CARR—There will be some trade magazines and things.

Ms Weston—Yes.

Senator CARR—Would three-quarters of a million dollars in a month get you an advertisement in the daily newspapers or not?

Ms Weston—I will have to take that on notice; I am not familiar enough. But the advice I have is that that money will be able to be spent.

Senator CARR—I have no doubt you will be able to spend it. I am interested to know on what.

Ms Weston—My understanding is that there will be some of the more broad print advertisements and journals, and some of the other newspapers that get to the specific sectors that are of interest.

Senator CARR—When will the placements be made?

Ms Weston—We are talking with those people in the next week, I understand.

Senator CARR—They have not been made yet?

Ms Weston—Not to my knowledge, but I will take that on notice. We are talking with those people.

Senator CARR—So in the last three weeks of June you will spend three-quarters of a million dollars?

Ms Weston—Yes.

Ms Kelly—We can get back to you and give you details of where the print campaign will be spent. If you would like us to take that on notice, we could get back and give you further information.

Senator CARR—Is it possible to get that today?

Ms Kelly—Yes, we will try and get it to you today.

Senator CARR—That is the collective bargaining advertisement—are there any other advertisements that you are proposing?

Ms Weston—Not the Office of Small Business.

Ms Kelly—Minister Macfarlane announced last Thursday that there would be applications called for interest in applying for a grant to build operate a mammalian cell facility. There is \$10 million worth of Commonwealth funds available for that, and advertising for that opportunity will be done over the next couple of weeks. I do not have with me the exact amount—it would be a small amount, a set of advertisements in daily newspapers—but I can get you that figure if you would like me to.

Senator CARR—If you wouldn't mind. How much was the total advertising spend for that project?

Ms Kelly—The advertising for that mammalian cell facility within Australia will take place on Wednesday, 29 May and the total cost is \$6,152.90. We also undertook some advertising internationally in January of this year trying to attract overseas interest from,

overseas partners in building and operating this facility. The total cost of that advertising was \$A10,984.

Mr Peel—Senator, you asked me earlier about whether we had done any mail-outs and I said I was not aware of any. I have since been advised that we did do a mail-out to service stations for the ethanol distribution program. We also did a mail-out to universities for the renewable energy program and to LPG installers for the LPG program. Each of those I am told cost less than \$10,000, but I do not have the exact figures with me.

Senator CARR—You cannot tell me how many items of correspondence?

Mr Peel—For example, for the ethanol distribution program, I think there are around 6,000 service stations in Australia; for the renewable energy program there was a mail-out to each university, so however many there are of those.

Senator CARR—Just one letter?

Mr Peel—A similar letter to all of them, and for the LPG program there are a number of thousand installers of LPG tanks, so it would have gone to them.

Senator CARR—Thank you very much. I just want to be clear: the Office of Small Business is spending \$763,000 in June for print advertising, \$54,000 for sponsorship and \$23,000 in terms of direct mail; is that right?

Ms Kelly—Yes.

CHAIR—When was that campaign first planned?

Ms Weston—As I said, it was an election commitment in 2004, and the funding came as part of additional estimates in the budget 2004-05. It was spread over three years but, as we have mentioned, the TPA amendments took a while to come through, and we are now trying to meet that election commitment since the regulations have come into effect.

CHAIR—Had the TPA matters been dealt with earlier, would this advertising have started earlier?

Ms Weston—Yes, we did as much as we could ahead of those amendments. When the TPA amendments looked like they were stalled for a while, we stopped doing that because we were not sure of the timing and—I think the amendments were passed in December 2006 and came into effect January 2007—as soon as they did we moved into action to try and meet the commitment.

Senator CARR—Do you have any examples of these advertisements? Has the art work been done for them?

Ms Kelly—I do not think we have examples of the advertisements. We do have the printed collective bargaining kit that has been developed and printed up and is available, and the advertisements will be based on the same material.

Senator CARR—Are they politically sensitive advertisements do you think?

Ms Weston—We have been spoken with the Government Communications Unit to make sure that they did not need to—

CHAIR—Senator Carr, I do not think this witness can possibly comment whether something is or is not politically sensitive.

Senator CARR—Obviously we have established the answer.

CHAIR—Senator Carr, if that is your interpretation of my comments it is an inappropriate interpretation.

Senator CARR—The ministerial communications group?

Ms Weston—No, this is the Prime Minister and Cabinet's Government Communications Unit.

Senator CARR—You do not have any art work on this yet?

Ms Weston—I can take that on notice.

Senator CARR—Can you come back to us this afternoon with that?

Ms Weston—Yes.

Senator CARR—Are there any other officers able to help me with advertising?

Mr Paterson—There is one minor component I think in the e-Business Division.

Mr Pettifer—We have a budget this year essentially to promote the business.gov.au website—it is \$120,000 this year. On top of that we have \$80,000 to promote a new component of that website, the business consultation portal. That adds up to \$200,000. Most of that is for print advertising. There is a small amount of that—about \$5,000—for promotional items like pens that you mentioned earlier, and there is a small component of about \$14,000 which is being spent at various expositions to set up a stand to promote business.gov.au and buy space and that sort of thing.

Senator CARR—How much of that \$200,000 has been spent?

Mr Pettifer—It would be about \$160,000.

Senator CARR—You spent \$160,000 and there is \$40,000 to go this financial year?

Mr Pettifer—Yes.

Senator CARR—Will that be spent?

Mr Pettifer—Yes, it will.

Senator CARR—In the next financial year how much money do you intend to spend?

Mr Pettifer—We have not settled our budget for that exactly at this stage, but I think it would be about \$150,000, covering both the business.gov.au site and the business consultation portal.

Senator CARR—How much will be on print?

Mr Pettifer—The great bulk of that, but we have not worked through that detail.

Senator CARR—There are no other advertisements that you are proposing?

Mr Pettifer—No.

Senator CARR—Is that the sum total of it, Mr Paterson?

Mr Paterson—It is, as far as I am aware.

Senator CARR—I am just trying to get an aggregate figure out of all of that that we could agree on that you are likely to spend, but you do not have—

Mr Paterson—I was not jotting the numbers down.

Senator CARR—We will do that and no doubt we will have an argument about that later on. Thank you very much.

Senator ALLISON—Is there a budget in the department's advertising budget for the Uranium Mining and Nuclear Energy: A Way Forward for Australia proposal?

Mr Paterson—I am not aware of one. We were advised by the secretariat that the energy and resources issues would be coming on schedule tonight.

Senator ALLISON—This is advertising.

Mr Paterson—Yes, I accept that, but I have already indicated to Senator Carr that our advertising is done on a program by program basis. So as to whether there is an element of the budget for the resources or energy and environment areas in relation to advertising, I cannot give you an explicit answer at this stage.

Senator ALLISON—Until this afternoon?

Mr Paterson—Yes, or this evening. This evening was when officers were scheduled. We have a conflict. The APEC energy ministers meeting is being held in Darwin.

Senator ALLISON—That is all right. As long as we do not get to that point and then you say, 'No, advertising was this morning and we cannot answer those questions.'

Mr Paterson—No.

CHAIR—The committee agreed to this process, Mr Paterson, so there is no problem.

Senator CARR—I have some questions with regard to the global industry statement. Was there a last-minute decision, or at what point in the process was the decision made to make it a 10-year statement rather than a standard budget statement of four or five years?

Mr Paterson—The decision was taken either on the Sunday or the Monday prior to the budget. So we are talking either the 29th or the 30th—something like that.

Senator CARR—Obviously the decision to make it a 10-year statement on that day affected the costings.

Mr Paterson—It did not affect the costings per se. As you are aware, many budget announcements are for the forthcoming year and the forward estimates period. The initiatives which comprise part of the industry statement were developed as part of the most recent budget process. They went through the normal budget processes with original bids back in about October of last year and worked through the various budget review processes. Then there was agreement in relation to individual measures. Those individual measures were brought together in the statement. We required clearance of the 10-year number prior to announcement.

Senator CARR—On what date was that 10-year number approved?

Mr Paterson—As a technical response to your question, there were individual program initiatives which formed part of the industry statement which had been approved through the budget process. The out year funding for those activities was part of the normal budget process. Each of those was approved as it went through. Then it was a question of aggregating the initiatives and the out year funding and just getting agreement from central offices or central agencies on what the total of all of the initiatives was over a 10-year period. That was endorsed on the morning of the day it was announced, which was a Tuesday.

Senator CARR—On the morning?

Mr Paterson—Yes.

Senator CARR—I want to be clear about this. When the global integration statement was being prepared and being put through the normal budgetary processes in October of last year—

Mr Paterson—That process starts in October with the senior minister's review, then the expenditure review committee. It goes through the revenue parts of the cabinet process, then budget cabinet.

Senator CARR—That was done on—what—a four-year cycle?

Mr Paterson—No.

Senator CARR—A five-year cycle?

Mr Paterson—It depended on the initiative. Some of those initiatives are four-year funded; some of them are five-year funded; and some of them are 10-year funded.

Senator CARR—So whether it was four-year or five-year funding that was the original arrangement and then a decision was made to extend the program to a 10-year cycle.

Mr Paterson—No. Each of the measures were considered in their own right and decisions were taken in relation to the programs. Some of those programs went through, for example, to 2016-17 and funding was approved through that process. Individual measures formed part of the industry statement—some of them are 10-year funded, some of them are five-year funded, some of them are four-year funded. There was no decision taken to extend these programs. They were decisions to fund the programs over that period of time. The question was: in preparing the statement, was it presented as a 10-year statement or over a shorter period? The decision was taken to present it over 10 years, and that is what was done.

Senator CARR—The decision was taken on the morning the statement was released?

Mr Paterson—No. It was a final clearance in relation to an agreement on all the numbers we were proposing—that comprised \$1.4 billion—and central agencies agreed with the compilation of those numbers. No new decisions were taken in relation to the initiatives on that day.

Senator CARR—I understand the point now. The final approval was made on 1 May and that was the day on which the statement was issued.

Mr Paterson—It was not an approval. There was no approval on that day; there was merely a clearance of the numbers that made up the \$1.4 billion, which is what was in the announcement.

Senator CARR—However, the decision to move from the normal budget round to a 10-year statement was made on 29 or 30 April—is that right—on the Sunday?

Mr Paterson—That is correct.

Senator CARR—So, it was the day before.

Mr Paterson—Two days before. I think it was in evidence last week before the committee. Most measures appear in the budget and are released on budget night. There are always questions raised inside government as to whether some measures may be released before the budget, and this was one of those where a decision was taken that it would be released in the lead-up to the budget. Then, in a reasonably compressed time frame, we pulled the material together and it was released on that Tuesday rather than the following Tuesday.

Senator CARR—I can understand why you say ‘reasonably compressed’. In the way the figures are presented, there does not appear to be any adjustment for the out years in terms of indexation.

Mr Paterson—Yes. That is in relation to some of the measures.

Senator CARR—Is that because the decision to extend it to a 10-year program was made so late in the process?

Mr Paterson—It was not. Once again, I repeat the point—I do not want to have to keep doing it: there was no decision taken to extend the program.

Senator CARR—To present the program as a 10-year program?

Mr Paterson—That decision was taken relatively late in the piece.

Senator CARR—That was taken on 29 or 30 April?

Mr Paterson—Correct.

Senator CARR—Is that reason why there is no inclusion of indexation for out years in some of these programs?

Mr Paterson—Normally the funding is agreed over the forward estimates period. Any calculation in relation to indexation is an estimation. We have presented the material to you in a way that those out years from 2011-12, I think it is, to 2016-17 have not yet been indexed and that would be an estimate of indexation on those numbers over that period of time. That will occur at some point in time but it just has not occurred at this stage.

Senator CARR—So, it still has not been done?

Mr Paterson—No.

Senator CARR—Who did the costings on the statement?

Mr Paterson—The costings are agreed through the normal process.

Senator CARR—Was it Treasury?

Mr Paterson—The costings for measures are decided as part of the normal budget process. As I keep saying to you, Senator, these decisions were taken as part of the normal process—some of them are funded over 10 years, some are funded over five and some are funded over

four. All costings are agreed by Finance because they do not go forward without agreement in relation to costings. The costed measures were undertaken through the normal budget process.

Ms McClusky—When we create the next forward estimate period, the standard practice is that we will index the measures. When we do the next budget update we will create another forward year and then we will index those elements out to that forward year.

Senator CARR—Was there any additional modelling required when you were extending these programs?

Mr Paterson—Senator, I have made the point a times: this program was not extended; none of the measures were extended.

Senator CARR—You just added on a couple of years to the calculations.

Mr Paterson—No, I said—and I have said this a number of times; I must be choosing the wrong form of words—the measures were approved as part of the normal budget process. Some of them were approved for 10, some for five, some for four years.

Senator CARR—I have got that, but what you have—

CHAIR—I think Mr Paterson has made this very, very clear.

Senator CARR—Yes, he has. I would like to know, in terms of the decision, in terms of the presentation to present this as a 10-year program on 29 or 30 April, what effect did that have on programs that had not been calculated over a 10-year period?

Mr Paterson—None.

Senator CARR—Why?

Mr Paterson—Because they were not decided over that period of time. For example, the Intermediary Access Program is a five-year program through to 2011-12; the niche manufacturing national research flagship program in CSIRO was a four-year program to 2010-11. The decision to present the material over a 10-year period did not affect those decisions at all; they had already been taken.

Senator CARR—If you were to announce it as, say, a five-year program, what would have been the aggregate figure?

Mr Paterson—It would have been different depending on which one of those questions you asked.

Senator CARR—Let us take it over five—the normal program in terms of the budget processes, the forward estimates—what was the additional amount of expenditure required to go from a five-year to a 10-year program?

Mr Paterson—We will add it up for you. At no stage were we planning a five-year program; it would have been either the forward estimates period or 10 years. But the numbers on a per annum basis—and you have got these numbers, Senator—are \$138.9 million plus \$183.3 million plus \$164 million plus \$166.6 million plus \$134 million. You do have all the numbers.

Senator CARR—Let us just take, for instance, the tax concession measure: did Treasury calculate the tax concession measure in the out years?

Mr Paterson—Yes.

Senator CARR—What is the impact if we go from a four-year to a 10-year program for the taxation concession?

Mr Paterson—The out years, as you are aware from the material that has been provided to you, are a continuation of the estimate that was provided by Treasury, and it has not been adjusted in the out years from 2011-12 to 2016-17.

Senator CARR—There was no modelling undertaken?

Mr Paterson—We work on the estimates that are provided by Treasury in relation to the tax concession. We have given that evidence time after time in relation to these hearings, and there was no adjustment to those numbers through for 2011-12 to 2016-17—and that is in the material that you have.

Senator CARR—Yes, it is, and that is why I am asking the question. In the February estimates on another matter you indicated to me, Mr Paterson, that the department does not have a modelling capacity, and if the department is required to undertake particular modelling exercises you need to commission expertise.

Mr Paterson—That is on some exercises, but the R&D tax concession is a matter that the numbers are provided to us as estimates by Treasury. They are revenue foregone, so they are not measures that we can model, and we cannot commission someone to model that for us. They are estimates provided to us by Treasury.

Senator CARR—That is right.

CHAIR—There is nothing revolutionary about this process, Mr Paterson, is there?

Senator CARR—What is revolutionary is that the day of the announcement you get a tick-off on it being a 10-year program rather than a four- or five-year program.

CHAIR—Mr Paterson has already explained that.

Mr Paterson—Senator, that is not revolutionary. The reality is in a budget process all the numbers from all of the elements of the budget have to come together in the budget numbers, so it is merely a clearance from the central agencies that the numbers that we were presenting were reflective of the numbers that they had in the system.

Senator JOYCE—They were reconciled.

Senator CARR—The Secretary of the Department of Finance and Administration, Dr Watt, has said that he looked at the costings on the morning of the announcement. That cannot be right, surely. He would have had more time than just the morning of the announcement to look at the numbers that you sent across to him.

Mr Paterson—I think that you have rightly indicated that the secretary of Finance has indicated what he did. I do not question him in the evidence that he gave. As he indicated in the evidence, he was not going into the detail of individual measures; he was merely indicating that the total for the measures over the period specified was correct.

Senator CARR—When did you send the costings over to the department of finance?

Ms McClusky—The costings for the industry statement were costed as per the normal budget process. We commenced the costing discussions and negotiations with the department of finance through the normal timetable, and that happens in January.

Senator CARR—That is for the normal budget process. Since we have this confusion, how many years does a normal budget process cover?

Ms McClusky—I do not think that there is a definition of a normal budget process. It would depend on the program status.

Senator CARR—The global integration industry statement—which was \$1.4 billion—was announced on 4 May. But on 28 April it had another figure attached to it, did it not?

Ms McClusky—No.

Senator CARR—Why not?

Ms McClusky—The measures that we had agreed costings on depended on whether it was a program over five years or a four-year program. It depends on the life of the program.

Senator CARR—I see. But on 28 April what was the figure you were using?

Mr Paterson—Over 10 years, \$1.4 billion.

Senator CARR—But that was not the figure that was in the printed documentation, was it?

Mr Paterson—To the extent that we made reference to 10-year numbers—as I understand it—we always made reference to \$1.4 billion over 10 years.

Senator CARR—Was there a change to the printing of the documentation for the global integration statement?

Mr Paterson—There were some changes to the printed documentation. We had a small print run done early which had some typographical errors in it.

Senator CARR—What was the small print run?

Mr Paterson—I think it was 1,000.

Senator CARR—What were these typographical errors?

Mr Paterson—They were textual errors.

Senator CARR—Just textual, were they?

Mr Paterson—Yes. They were not changes in relation to particular measures.

Senator CARR—What was the aggregate figure used in that document?

Mr Paterson—The aggregate number is the same number that I have mentioned to you on a number of occasions—\$1.4 billion over 10 years.

Senator CARR—I see. What was the date on which this document was printed?

Mr Paterson—I think that it was printed on that weekend.

Senator CARR—Was that 28 April?

Mr Paterson—I do not have a calendar with me; whatever the Sunday was. I think the Sunday was 29 April.

Senator CARR—So 29 April is the first date at which you said a change was made—29 and 30 April are the two dates that you have given me. Sunday was 29—

Mr Paterson—I said 29 or 30 April. The Sunday was 29 April.

Senator CARR—But on Saturday, 28 April you had a document printed.

Mr Paterson—I think we printed it on 29 April.

Senator CARR—It was printed on a Sunday, was it?

Mr Paterson—I think it was.

Senator CARR—And it had some errors in it.

Mr Paterson—It did.

Senator CARR—There were no other print runs, nothing to be sent to the printer—

Mr Paterson—Prior to that date, for this statement?

Senator CARR—Yes.

Mr Paterson—Not that I am aware of.

Senator JOYCE—There is nothing unusual in there being errors in a certain print run. I mean, that is part of the process generally of how things work, isn't it?

Mr Paterson—I would hope to be able to say that it is unusual for us. We try not to have any errors in there, but the reality is there were some errors. We picked them up and we corrected them.

Senator CARR—Yes. The error was whether it is a four-year or 10-year program.

Mr Paterson—No, that was not an error, and I did not say that.

Senator CARR—That print run on 28 April—

Mr Paterson—I said 29 April.

Senator CARR—Alright, 29 April, then. What was the duration of the program on 29 April?

Mr Paterson—There was not a duration in it.

Senator CARR—So why did you have to make a decision to change—

Mr Paterson—We corrected inaccuracies in the document—typographical errors and the like.

Senator JOYCE—Just commas, full stops, typographical errors and that sort of thing? Did you change the structure or the intent of the document?

Mr Paterson—We did not change the programs.

Senator CARR—On the 29th or the 30th you moved from the standard budget statement that the program would run over four or five years to the statement that the program would now run over 10 years.

Mr Paterson—That had already been approved. For example, the industry productivity centres—one of the initiatives—had been approved to run over a 10-year period. The funding had been approved for a 10-year period.

Senator CARR—Okay. Of the \$1.4 billion program, how much of it prior to the 29th had been approved on a 10-year cycle?

Mr Paterson—All of what was announced.

Senator CARR—The whole \$1.4 billion?

Mr Paterson—Yes, it was approved prior to that time.

Senator CARR—Which programs moved from a four- or five-year cycle to a 10-year cycle?

Mr Paterson—I have said this a number of times: none moved from a four- or five-year cycle to a 10-year cycle. The Australian industry productivity centres initiative was funded over 10 years. Global Opportunities was funded over 10 years.

CHAIR—Senator Carr, I think you are searching for a conspiracy that is simply not there. I think that Mr Paterson has now answered this question on at least a dozen occasions.

Senator JOYCE—Did you make any of those permutations from the grassy knoll?

Senator CARR—That must be Country Party humour.

Senator JOYCE—No, it is not.

Senator CARR—Have you provided the figures for the Global Opportunities program? I am told that some answers to questions on notice arrived in my office this morning.

Mr Paterson—Yes, we have.

Senator CARR—Is that what arrived today?

Mr Paterson—Yes. I think it arrived last week.

Senator CARR—It was received in my office today. Have the answers been provided in relation to the Australian industry productivity centres?

Mr Paterson—Yes. We have provided you with a table—

Senator CARR—Where is the table? Do we have a copy of this stuff? Who has it?

Mr Paterson—It was sent to you, Senator, in response to a question on notice.

Senator CARR—The point is that it is normally done through the secretariat.

Mr Paterson—No, it was a question on notice that you put to the minister.

Senator CARR—I understand that. I want to know the number of it so I can get a copy of it.

Mr Paterson—3189.

Senator CARR—Could I have a copy of that, please? Thank you. I will move on. The global integration brochure appears to be inconsistent with the department's fact sheet. The brochure says:

The Global Opportunities programme will target more than 30 large international projects each year ... Consortia of Australian businesses will be formed to pursue these opportunities ...

But the fact sheet says the program will:

- Identify and assess the feasibility of Australian firms bidding for work on major international projects;
- Provide market intelligence ...
- Facilitate trade missions ...
- Support databases and directories of Australian capabilities and global opportunities;
- ...
- ... work with multinationals ... encouraging increased investment ...

What does this program actually do?

Mr Lawson—The GO program aims to facilitate greater participation of Australian firms, including small to medium firms, in global supply chains and major projects. The focus on the program is to build a consortia of firms to develop their capability to win work. You asked about the numbers. The nature of the process is that business case analyses are done for some 33 projects. Not all of those projects are likely to go ahead, so the facilitation will be for a subset of those projects. Some business case analysis is done in conjunction with industry and then there is an agreement to go ahead and pursue those projects.

Senator CARR—What is the relationship between this program and the SAMP Global program?

Mr Lawson—The SAMP Global program was approved in the previous budget. That is a \$1 million a year program that is run through the Industry Capability Network Ltd. It was one of the precursor successful programs for the sorts of activities the department had been doing with industry that led the government to decide that they wanted to increase the resources in this area. They are not the same program—it is a precursor.

Senator CARR—Is the funding rolled in, or does the SAMP program continue?

Mr Lawson—The SAMP program continues.

Senator CARR—This is a chamber question which has arrived only this morning. Mr Paterson—I am sorry—this is the question I asked before about these funding arrangements. When did the department send question 3189 through?

Mr Paterson—We sent 3189 through last week.

Senator CARR—It went through the minister's office last week, did it?

Mr Paterson—It was sent to the tabling office on the 24th.

Senator CARR—I repeat that we have received this only today. So it is not a problem with you, it is with the tabling office.

Mr Paterson—That is why I said that the material you were questioning me on is all reflected in the table that is attached.

Senator CARR—Yes. You would understand, since it had not actually got up to here, why we might be asking the questions. With regard to the market intelligence role for Global Opportunities, is this a new function the department is taking on, or is this work Austrade would normally do?

Mr Lawson—We will be doing it in conjunction with Austrade and other entities.

Senator CARR—Which other ones?

Mr Lawson—They are all yet to be determined. Some work will be done by the department and some work will be outsourced, including to Austrade. We intend to partner with industry associations and so on which have activities in this area of building Australian industry consortia and identifying the relationship between overseas opportunities and capabilities and capacities in the country.

Senator CARR—Will there be any grants as part of this process—a grants program?

Mr Lawson—It is not a grants program per se, in the sense of something that is managed by AusIndustry and run through to individual companies. As I said, we are outsourcing some part of the program and that in essence becomes grants.

Senator CARR—What size payments will be made?

Mr Lawson—We are currently in the process of finalising the ministerial guidelines which would be approved by government process. I think that, in a sense, that goes to policy advice to ministers to be determined.

Senator CARR—That has not been determined yet?

Mr Lawson—Correct.

Senator CARR—How much money are we talking about here in total?

Mr Lawson—Over the 10 years \$254.1 million for the Global Opportunities program. That includes a number of aspects.

Senator CARR—How much in the first four years—\$100 million or thereabouts?

Mr Paterson—\$96 million. I should clarify, though. If you go to the table you have in front of you, the four-year totals are on the second-to-right column for each of the measures and the 10-year totals are in the last column on the right.

Senator CARR—So if it was a four-year program—

Mr Paterson—It would be \$652.9 million, which is the total at the bottom of that column.

Senator CARR—Yes. So, in fact, that is the effective difference between making the program over 10 years or four years—from \$652 million to \$1.4315 billion.

Mr Paterson—It does not make the program any different.

Senator CARR—No, but that would be the difference in the bottom line. It moves from a \$652 million program—

Mr Paterson—Over four.

Senator CARR—over four years—to a \$1.4 billion program over 10. That is the effect of the decision taken on 1 May.

Mr Paterson—No. It was not a decision taken on 1 May—I have already indicated that—it is merely, that the total numbers making up the \$1.4 billion were cleared by Dr Watt on 1 May. You will note on the left-hand side, the status of the various programs—Global Opportunities, the Australian productivity centres, for example—are ongoing. So the decisions that were taken through the budget process mean that those are continuing programs.

Senator CARR—How much of this money has actually been expended or committed? Global Opportunities—none of that has been committed as yet, has it?

Mr Paterson—Correct.

Senator CARR—The productivity centres—none of that money has been committed yet?

Mr Paterson—To the best of my knowledge, none of the money that is presented here has been committed.

Senator CARR—So that includes Commercial Ready?

Mr Paterson—This is Commercial Ready Plus, so this is a new—

Senator CARR—I want to be clear about that.

Mr Paterson—So that is all new measures—

Senator CARR—All new measures—

Mr Paterson—All new money—

Senator CARR—Okay, and \$652 million in the forward estimates has yet to be committed?

Mr Paterson—Correct.

Senator CARR—Finally, on Global Opportunities you have said that there will be further discussions with Austrade and Invest Australia. Will the Industry Capability Network be involved in those discussions?

Mr Lawson—Yes.

Senator CARR—I understand they already have a database on managing Australian capabilities. Are you drawing on that?

Mr Lawson—We have got the opportunity to draw on their database—it is a database of Australian industry capabilities. They have 40,000-odd firms primarily in the manufacturing sector on their database. We hope that that will provide a good and useful tool for the Global Opportunities Program.

Senator CARR—If we turn to the Intermediary Access Program, on 7 March there was a pilot announced of \$4 million; is that right?

Mr Peel—There was an earlier pilot program for the Intermediary Access Program, so there was some funding already available for that program.

Senator CARR—The pilot program was \$4 million; that is right, isn't it?

Mr Peel—Correct.

Senator CARR—Within two months, it moved from a pilot program to a \$20 million program over four years.

Mr Paterson—\$15 million over four in the material you have got in front of you.

Senator CARR—Where did the pilot get to in the two months? Whether it is \$15 million or \$20 million, it has moved very quickly, hasn't it?

Mr Peel—The pilot program was \$4 million in funding from December 2006 to December 2007.

Senator CARR—How much money was spent between December and, I take it, April?

Mr Peel—As at 30 April, we had not expended any funds on the program.

Senator CARR—None at all?

Mr Peel—That is right.

Senator CARR—So the \$15 million that you are now referring to includes the \$4 million?

Mr Peel—Sorry, I will just correct what I just told you: as at 13 April we had spent \$848,000 on the program.

Senator CARR—Okay. I come back to my point: did the remaining \$1.7 million from the pilot program get rolled into the other program?

Mr Paterson—No, it did not.

Senator CARR—What has happened to that \$1.7 million?

Mr Peel—There was \$1.3 million available for the pilot program and that remains available.

Senator CARR—Where has that gone?

Ms Zielke—The \$4 million was appropriated as follows: \$2 million in 2006-07 and \$2 million in 2007-08.

Senator CARR—I have it all wrong. So there is \$3.3 million left.

Ms Zielke—Less than \$3.2 million is left.

Senator CARR—Where has that gone?

Ms Zielke—It has gone to the intermediary service providers that have been contracted under the program to provide services.

Senator CARR—But the program has been rolled into something else. What are they doing?

Ms Zielke—No, under the pilot program, we have entered into two contracts to provide intermediary services to companies. The new program will commence with new moneys in the new financial year.

Senator CARR—You entered into contracts worth a total value of \$4 million—is that correct?

Ms Zielke—Just under \$4 million.

Senator CARR—That was in December last year?

Ms Zielke—Yes.

Senator CARR—In April you announced the pilot is no longer a pilot; it is a full-blown program of some \$15 million on top of the \$4 million?

Mr Pennifold—If I could clarify this for you. The pilot program will continue. So \$4 million was allocated to the pilot over two financial years and that will continue. The new money for the Intermediary Access Program will commence probably in the second half of the next financial year.

Senator CARR—Why should I not regard this as a \$20 million program?

Mr Pennifold—Because we will utilise the \$4 million and the \$20 million is on top of that.

Senator CARR—When are you going to start spending the \$20 million?

Mr Pennifold—We will be developing the program and we expect to start rolling that out in the second half of the next financial year.

Mr Paterson—You will note that, on the table you have before you, the profile for that program is \$1.1 million in 2007-08; \$3.6 in 2008-09; \$4.5 million in 2009-10; \$5.8 in 2010-11; and \$5.1 million in 2011-12.

Senator CARR—But you have already spent \$4 million.

Mr Paterson—That is not taken into account in those dollars.

Mr Peel—We have committed \$4 million. We have spent \$848,000 as at 30 April in grant funding.

Senator CARR—What are you doing with the \$1.1 million extra?

Ms Zielke—Sorry?

Senator CARR—You committed \$4 million to the pilot program in December. In April you announced a further program. I am surprised about this. I thought pilot programs just gave you an idea of how things were working; you do not normally pour money on top of them. Was there an evaluation of the pilot?

Ms Zielke—The pilot builds on previous contracts that were provided under the Innovation Access Program to both the Australian Institute for Commercialisation and the InnovationXchange group. The additional \$4 million builds on those contracts which will complete the pilot, and then the new program has been announced on top of that.

Senator CARR—But it is doing exactly the same work?

Ms Zielke—It is doing very similar work, yes.

Senator CARR—What is the difference?

Ms Zielke—There are some differences in relation to the expenditure that can be claimed under the program, but they are very minor differences.

Senator CARR—Is that part of the evaluation of the pilot; is that what has led to these changes?

Mr Pennifold—Under the new program, we are looking at moving away from a model of just two providers to trying to grow the number of providers of intermediary access services in Australia. But we would be making the service available to a larger number of Australian companies. There will be some minor changes in moving from the pilot to the major program, but it is still going to be operating in the same sort of business space.

CHAIR—But with an expanded potential access base.

Mr Pennifold—It will expand both the ability to fund more companies accessing the service, but also we would be opening it up to other providers of such services, whereas the contracts that make up the \$4 million are just with the two providers that we mentioned.

Senator CARR—Who are the two again?

Mr Pennifold—The Australian Institute for Commercialisation, TechFast, and the InnovationXchange.

Senator CARR—And now you want to get in another nine companies. How many more companies do you think will do the—

Ms Zielke—We are looking at two rounds under the program, of which we would look to have approximately four service providers brought in from each of those rounds. So, potentially, nine but around eight is what we are working on at the moment.

Senator CARR—I see. Are they there at the moment?

Ms Zielke—No, we only have the two in the program.

Senator CARR—Do these providers exist at the moment?

Ms Zielke—There are other firms providing these services or looking to provide these services.

Senator CARR—Which firms are they?

Mr Pennifold—I do not have a list of who the firms are, but since we have started the pilots we have been approached by some in the consulting community claiming that they can provide such services.

Senator CARR—I have no doubt that you would be. I just noticed in a statement the minister made considering the initial \$4 million that he said that there will be 50 eligible companies assisted over nine months. In the new program you say that it will move to 150 each year with about the same level of funding per year. How did you move from 50 to 150 at the same level of funding; how was that calculation made?

Ms Zielke—You will have at least an additional two service providers in the market. At the moment you only have two service providers, whereas in future rounds you will have about four.

Senator CARR—What evaluation have you undertaken of the pilot?

Mr Pennifold—There was an evaluation done by TechFast, which was an in-house evaluation. It was required to be done under the original contract that we had with them.

Senator CARR—Who is TechFast?

Mr Pennifold—It is the Australian Institute for Commercialisation.

Senator CARR—That is what I thought you said, so you got TechFast to evaluate themselves.

Mr Pennifold—Under the terms of the original contract, not the \$4 million, there was a requirement that they undertake an evaluation, that they commission an evaluation. We have since had further evaluation done.

Senator CARR—By whom?

Mr Pennifold—I would need to check on that.

Senator CARR—So from December last year until April this year you did a further evaluation.

Mr Pennifold—That is my understanding—I will check on that for you. I will need to take that on notice and I should be able to get back to you over the course of the day.

Senator CARR—Thank you. But at this point, no contracts have been issued for the expenditure of moneys detailed in this table—is that right, Mr Pennifold?

Mr Peel—The only grants that have been made to date are for the two pilot organisations, which is the \$4 million that was mentioned earlier—\$1.3 million to the InnovationXchange and \$2.1 million to the Institute for Commercialisation.

Senator CARR—When will you issue tenders for the expenditure of the additional monies?

Mr Peel—We have not finally determined that yet, but we think it will probably be towards the end of the calendar year.

CHAIR—So the great bulk of the money on this program will be spent in the second half of the next financial year, as in January to July of 2008.

Mr Peel—More than likely, yes. As I said, we have not finally determined when we will do that, but our current thinking is that it will be later this calendar year.

Mr Pennifold—If I can come back to that point, I have found the material and we engaged a consultant called Howard Partners to do a study for us. It was done through an open tender. That work has just been completed and it identifies the nature and extent of the impact of intermediaries on the sustainability and growth of small and medium sized enterprises in Australia. That report has not been made public, but we will consider making public a version with the commercial-in-confidence material removed.

Senator CARR—Thank you very much. When did you receive the evaluation from Howard Partners?

Mr Pennifold—The information I have is that it was completed at the end of October 2006—that was the contract period. I would have to check exactly when we received the report.

Senator CARR—So you were not able to evaluate the pilot because that was completed before the pilot contract was issued.

Mr Pennifold—That is correct. The pilot has been running since December.

Senator CARR—So has there been any evaluation of the pilot—I know I asked questions similar to this before; I thought you said there had been.

Mr Pennifold—I apologise if I left you with that impression. We had earlier pilot programs before the \$4 million where we had funded both the AIC and the InnovationXchange to provide these services, and they were the pilots that had been evaluated. The \$4 million pilot which commenced, as we mentioned, in December has not been evaluated.

Senator CARR—I might move on to industry productivity centres—do you handle those? Have any decisions been made yet as to where the productivity centres will be located?

Mr Dean—There will be a centre in each of mainland capitals.

Senator CARR—Will they be physical centres or virtual gateways?

Mr Dean—The centres will be small. The detail of this has not been resolved yet, so I am only indicating what our thinking is. I would expect that there will be three or four people involved in each centre, and the intention is that there will be placement of advisers in industry associations and like groups.

Senator CARR—What facilities will be required?

Mr Dean—In that sense, I think it is probably more likely that they will be virtual. I do not think the intention is to set up new facilities that are going to do testing or other things. The intention is to plug into resources that are already available. The intention with the centres is to reduce the costs and risks of accessing expertise external to firms, so the belief is that that expertise is already there, not that that needs to be supplemented.

Senator CARR—Which particular industries do you intend to concentrate on?

Mr Dean—Trade exposed manufacturing services.

Senator CARR—Can you be more specific?

Mr Dean—I cannot be any more specific than that, because the government's intention is to have them broadly available to a wide range of sectors.

Senator CARR—Trade exposed manufacturing is what you said, so what other sectors—

Mr Dean—In services, it would be around the property and business services sector, consulting, project management and possibly some areas of tourism.

Senator CARR—What advice can you provide to the committee about how each of these centres will provide the range of expertise needed across each of these sectors?

Mr Dean—The model is that there may be a number of business diagnostics that firms can access. That will lead to identification of where firms will have opportunities to improve their business operations, and a subsidy will be available to go to a specialist consultant to get that advice. There is also a technology element in the centres. Depending on the nature of the technology problem, we would find the solution to that.

Senator CARR—These are referral agents to consultants. Is that what you are intending?

Mr Dean—The intention is that a small percentage of the diagnostics, perhaps 10 per cent or so, will be done by staff in the centres. The bulk of them will be done by advisers placed in industry associations. Beyond that, it is largely referral.

Senator CARR—How many advisers do you intend to have in industry associations?

Mr Dean—I cannot say yet. There will be a process for inviting expressions of interest and once we have those we will have an idea of the number.

Senator CARR—How will they be linked to these centres? Will they be linked to other services such as Austrade, state government innovation services and public research agencies? What is the process by which you intend to link them?

Mr Dean—With Austrade probably the greater link is through Global Opportunities that you have already talked about, although I think it would be more likely that Austrade would be referring people to the productivity centres. We have set up a series of meetings with state governments. As you would be aware the provision of services varies from state to state quite considerably, so our intention is to go and discuss with each state how we will have a good interface between what they already operate and how their services will be put in place.

Senator CARR—Do you intend to have a joint approach with the states on these matters?

Mr Dean—What do you mean by joint?

Senator CARR—For example, QMI Solutions in Queensland. What is the relationship likely to be with agencies such as that?

Mr Dean—QMI may be a provider of services to us. We may take referrals from QMI. I think largely we are operating in a space that states are not really in at the moment.

Senator CARR—Apart from QMI?

Mr Dean—Apart from QMI.

Senator CARR—Were the states consulted about these arrangements?

Mr Dean—Not specifically.

Senator CARR—Is it your intention now to consult with them?

Mr Dean—States are invited to put submissions in to the industry statement process and most did. I think what has been devised is in line with what most states were looking for. Now the intention is to see how we will get a good interface between what states are already doing and what the centres will provide. The intention is not, obviously, to duplicate what states are doing but the bulk of states—and I generalise across the states because they are different—focus a lot on the smaller end of town. The support that we are providing is generally not provided by the state governments.

CHAIR—It seems to me a good time to break for lunch.

Proceedings suspended from 12.39 pm to 1.45 pm

CHAIR—We will resume the hearings.

Mr Mackey—Can I report on a couple of the earlier questions that Senator Carr has raised?

CHAIR—Please.

Mr Mackey—Firstly, I need to ask Dr Heath to return to the table, because he has found out the information that Senator Carr was seeking.

Dr Heath—You were asking questions about the issue in relation to agricultural chemicals. Can I briefly outline the sequence of events as I understand it and where we are up to at the moment?

Senator CARR—Yes.

Dr Heath—There was the inquiry by the Australian Advisory Council on Intellectual Property on experimental use and patenting, and it issued an issues paper in 2004 that Nufarm made a submission to relating to the issue of agricultural chemicals and experimental use. The ACIP inquiry recommended to government in October 2005 that, among other things, it undertake a review. It said:

The government to consider reviewing the impact on Australian industry of the absence of an exception from infringements for activities undertaken prior to the end of the initial patent term relating to the obtaining of regulatory approval.

So that is a wider one than for chemicals. The Senate Economics Legislation Committee in August 2006 received a submission from Nufarm relating to agricultural chemicals. The Senate Economics Legislation Committee, as I understand it—I could not find the direct quote, but Senator Webber probably knows it—recommended that the government consider initiating an IDC to examine whether springboarding should be extended to other industries and in particular the agricultural chemical industry. That is according to my records.

Senator WEBBER—Yes, paragraph 2.56 of the report.

Dr Heath—Thank you. At about the same time, in September 2006, Nufarm met with the Parliamentary Secretary to the Minister for Industry, Tourism and Resources on the same matter. The upshot of that meeting was that the parliamentary secretary indicated to Nufarm that the government had set up an interdepartmental committee to look at the experimental use of patenting recommendations, which included one on the topic that they were interested in, and that until that process was finished he was not going to do any other process. The IDC did put out an issues paper on this topic and asked the question:

Has your industry been impacted by the absence of an exception from infringement for activities undertaken prior to the end of the initial patent term relating to obtaining regulatory approval? If so, please provide details.

My understanding is there were 10 submissions that touched on that topic. Five of them were in favour of the government changing the legislation to allow, in broad terms, springboarding for a range of things, including agricultural chemicals. Four of those were from the agricultural chemical industry. Four submissions indicated, in their view, there was no evidence of any impact or problem to industry in this area and one argued against making any changes at all. The IDC has finished its work and has put its information before government and we are awaiting government agreement to issue a response to that report, which I would expect to come out soon, but I cannot speak for government any further than that.

You also asked questions about countries that have similar arrangements to this. To the best of the information that I could find in the time available, I can give you information about five countries. Israel, which is one of the examples that Nufarm uses, has a very broad exception for springboarding: it allows springboarding in relation to a wide range of patent matters, including agricultural chemicals. The US has springboarding in relation to pharmaceuticals for humans and for veterinary biological products. The EU has springboarding for pharmaceuticals and veterinary biological products. New Zealand has a very broad springboarding arrangement similar to Israel's, as does Canada. So there is mixed activity out there in the environment.

Senator CARR—Thank you. When did the IDC provide advice to government?

Dr Heath—I do not have that date in front of me. Certainly it has been in this calendar year.

Senator CARR—We are running out of time, so we will keep going.

Mr Mackey—I would like to mention a couple of other matters. Senator Carr tabled a series of questions at the start of the hearing. We are still working on the answers to those questions, but we expect to have them ready before the end of today. So Senator Carr can ask further questions on them if he wishes. Finally, I know that Senator Allison is not here, but she asked a question this morning, you might recall, about government funding for advertising in relation to PBDA. I can report that the department has received no funding from government for that advertising and the government has not decided at this stage what to do on that issue.

Senator CARR—There was a question on artwork and the Office of Small Business?

Mr Mackey—That is coming, too.

Senator CARR—Are you in a position to take further questions on the tax concession other than what I have asked?

Mr Mackey—We are working on some further information on the tax concession.

Senator CARR—I understand that, if you are working on questions, it might be hard to have the officers here as well.

Mr Mackey—Yes.

Senator CARR—Do you have them or not?

Mr Mackey—Yes, we do have the officers on tax concession here.

Senator CARR—So, we can proceed?

Mr Mackey—Yes.

Senator CARR—In February we were discussing the evaluation of the new elements of the tax concession. The department had stated previously that the evaluation was in its final stages last year. I do not know who will handle these questions.

Mr Mackey—Ms Berman can start.

Ms Berman—That is correct. We talked about the evaluation of the new elements—the premium and the offset. That evaluation has been finalised and, at this very moment, we are

seeking final steering committee sign-off. The report is being completed. When that sign-off is complete, which was sought last week, we will then be forwarding it to our minister.

Senator CARR—Are you able to indicate what the evaluation considered?

Ms Berman—We can certainly provide you with the terms of reference. In summary, we looked at all the data leading up to 2001, when the new elements commenced, and then looked at the years following the introduction, and analysed the changes in expenditure, the number of customers and sought to identify the impact of the two changed elements on expenditure by business.

Senator CARR—Are you able to outline what the main findings of the committee were?

Ms Berman—I do not believe I am in a position to do that until the minister sees the report.

Senator CARR—Is it the intention to release that report once the minister has seen it?

Ms Berman—That is the minister's decision.

Senator CARR—I take it that you will appreciate this is a formal request to have a copy of that report?

Ms Berman—Certainly.

Senator CARR—The table of consultancy services commissioned by the department for 2005-06 on the website indicates that Douglas Cumming was commissioned to undertake a data analysis and modelling of the R&D tax concession. Was that report commissioned as part of this evaluation?

Ms Berman—It was. When the evaluation commenced, one of the analyses we sought was an interpretation of the data alone without any comment from the people using it. We put that data together in a number of years and provided it to Mr Cumming, who did some analysis for us. That was only one of the inputs in terms of analysis. We had several other inputs as well, which were done within the department, and together they are referred to in the final report, and the findings are according to what the data found.

Senator CARR—The report is not on the research page of the department's website?

Ms Berman—The report of Mr Cumming?

Senator CARR—Yes.

Ms Berman—It was probably the previous financial year.

Senator CARR—So it may well still be there?

Ms Berman—It was paid for in the previous financial year, and not the financial year we are in.

Senator CARR—How much was that?

Ms Berman—I would be guessing, but it is probably in the order of about \$30,000.

Senator CARR—So you think it might well have been published in the previous financial year?

Ms Berman—Registered in the previous financial year; is that correct?

Mr Pennifold—My information is that the report did cost us \$30,000. It was a direct engagement. It provided baseline data. My information is that it has not been published but indeed formed an input to the review that you were referring to.

Senator CARR—Is it the intention to provide a copy of that report to this committee?

Mr Pennifold—That would be the minister's decision. It was commissioned as an input to this review of the new elements of the tax concession.

Senator CARR—Does the department have any advice now in terms of the trends identified and the take-up on the R&D tax concession?

Ms Berman—Do you mean following the introduction of the new one?

Senator CARR—Yes.

Ms Berman—Certainly there is a very obvious increase in the number of firms that have taken advantage of the premium. I will find you some figures here. There is also the same outcome for the offset. I believe that there have been over 1,000 firms over the three years that are now using the offset in addition to what was anticipated. There has been considerable take-up. In fact, the report shows those various elements, and how the numbers and the expenditure have increased over that time.

Senator CARR—But in general terms you would have to say that there has been a bigger increase in the level of usage than you anticipated?

Ms Berman—Definitely, yes.

Senator CARR—In that context, how was there a downgrading of the estimate of the cost of the concession?

Ms Berman—Estimates of the cost of the concession to government are done by our colleagues in the Treasury. I would not be able to comment on how and why they are downgraded.

Senator CARR—Yes. I anticipated that you would answer in those terms. In the current financial year the figure for 2006-07 was downgraded from \$520 million to \$380 million, yet you seem to be suggesting that there has been an increase in use of the concession. Could provide us with any advice as to why it is that we have more people using it and why it actually costs less?

Ms Berman—I am using the numbers that you have given me at the moment but, if there is a suggestion that it cost \$380 million, I think that might be one of the components.

Senator CARR—What is this; the \$125 million?

Ms Berman—The \$125 million.

Senator CARR—Like for like. It was downgraded from \$520 million in terms of revenue foregone?

Ms Berman—Which year was the \$520 million?

Senator CARR—The previous estimate was \$520 million. It has now been listed as \$380 million; I am just wondering how that occurred.

Mr Peel—The figures that we have on the tax concession are that in 2004-05 it was \$410 million; in 2005-06, \$425 million; and in 2006-07, \$435 million. They are similar figures to the last time.

Senator CARR—The 2005 tax expenditure statement had it listed for 2006-07 as \$520 million and the current statement lists it at \$380 million. I am wondering how we got the difference. Do you agree with those figures?

Mr Peel—Are you talking about 2005-06?

Senator CARR—In 2006-07 it was downgraded from \$520 million to \$380 million.

Mr Peel—The 2006-07 figures would be for the 2005-06 financial year, and those figures are not yet complete in terms of people submitting their claims for that particular year or their registrations.

Senator CARR—The estimate for the current year of 2006-07 has been downgraded from the previous estimates that we have seen?

Mr Peel—I am not aware of any change in the figures since the last estimates. As Ms Berman suggests, it is a matter that you will need to take up with the Treasury.

Senator CARR—I will come back to that. In the recent industry statement the beneficial ownership test was changed. Can you confirm the cost of those changes is estimated at \$50 million per annum?

Ms Berman—That is the costing that Treasury gave us.

Senator CARR—How did they calculate that it was \$50 million per annum?

Ms Berman—I cannot answer that. Just as you do not know, I do not know.

Senator CARR—Not only that but, despite what you have said about increasing usage, it is listed at \$50 million for the next four years. Is it anticipated that there will not be an increase in take-up?

Ms Berman—Treasury agreed to that figure, so you would have to explore that with them.

Senator CARR—You have no advice for us as to why we could have a flat-line expenditure when all of the data suggests that there has been an increase in use of the concession?

Ms Berman—No, I cannot help you.

CHAIR—I take it that you are not commenting on the figures that Senator Carr is putting to you but you are asking for all of those questions to be referred to Treasury?

Ms Berman—Any estimates of costings are done by Treasury, and that is what is provided in the budget context.

Mr Mackey—Where the costings are revenue foregone, that is the case; that applies to all departments, not just to ours.

Senator CARR—In the industry statement your minister said that the measure would cost more than \$500 million to extend the eligibility for the premium concession. I am wondering

where the more than \$500 million fits in? Is it expected that there will be an increase in the revenue foregone? Is that why you are using the term 'more than'?

Mr Mackey—That would have referred to a 10-year figure at \$50 million a year, but it is an ongoing program.

Senator CARR—This is my point. In the table I have before me you have listed it as a flat-line \$50 million for 10 years, and your press release says more than \$50 million. This is your press release. You cannot blame Treasury for this one. I am just wondering what the reason is for the discrepancy?

Mr Mackey—I do not think there is a discrepancy. The \$50 million figure is revenue foregone. In addition to that, there will be departmental expenses which will be incurred in running the new program. When you take those into account, that would bring a 10-year figure up to it.

Senator CARR—Are they administrative costs?

Mr Mackey—Yes, they are.

Senator CARR—Can you tell me why for 10 years there is an estimate of only \$50 million per year—no increase, no decrease—but for 10 years there is \$50 million each year?

Mr Mackey—As we have explained, the Treasury is responsible for those estimates.

Senator CARR—The global integration brochure from your department, issued on 1 May, states that there will be 300 more companies that will use the concession annually as a result of this change; is that correct?

Mr Mackey—They are the estimates that we believe are accurate.

Ms Berman—Again, they were figures that Treasury provided.

Senator CARR—The brochure tells us that this will have an additional business R&D investment of \$222 million per annum. Have I quoted that correctly?

Ms Berman—Yes.

Senator CARR—We have 300 more companies and \$220 million extra per annum, yet there is a flat-line assumption on the cost of the program. How do I resolve that discrepancy?

Mr Mackey—I can only suggest you put that question to the Treasury.

Senator CARR—Did you not put it to them? It is published in your documents. What did they tell you?

Mr Mackey—As I have said now several times, we have to accept the estimates for these costs provided by the Treasury.

Senator CARR—Even when they are patently ridiculous?

Mr Mackey—I do not agree that they are patently ridiculous. They are your words.

Senator CARR—Yes, they are my words. Would you not acknowledge that there is a discrepancy there: 300 extra firms, \$220 million extra a year? It is the same amount of expenditure. There would appear to be *prima facie* a discrepancy?

Mr Mackey—There are factors that are taken into account—

Senator CARR—That is what I am asking you. What are the other factors that I need to take into account?

Mr Mackey—I think you need to address those questions to the Treasury.

Senator CARR—You have not addressed those to Treasury? Do you just publish the documents?

Ms Berman—There are other questions that could be taken into account. For example, there is a history required for these firms. They need a three-year history. Some firms may go up and down, so that may be a reason why over time the amount is pretty steady. Other questions relate to the groupings between firms. There are a lot of factors such as those which make it very difficult to estimate into the future. But we did not do those; we simply put down a number—

Senator CARR—We would both agree it is difficult to estimate into the future—

Ms Berman—Very difficult.

Senator CARR—let alone 10 years out. But to come up with exactly the same revenue forgone for 10 years, each year at the same amount, is a remarkable calculation. Did no-one from your side ask any questions when you were given those figures?

Ms Kelly—I think the only thing we could assume was that those figures were not going to go down and that we would need some experience of the program to work out the extent to which they may change. Really, it is something that Treasury does give us figures on. They do calculate them themselves and they provide them to us, and we utilise them.

Senator CARR—This is a fascinating process. As I understand it, there is a requirement to have a three-year history of activity—is that right?

Ms Berman—The 175 premium has a three-year history, yes.

Senator CARR—For the next three years you have allocated exactly the same amount of money for firms who do not have that three-year history; ipso facto, you cannot have the three-year history until the three years is up.

Mr Pennifold—We are actually looking at some design elements with the program which would enable firms which perhaps do not have a three-year history with the R&D taxation concession to be eligible from when this new initiative actually starts.

Senator CARR—You have slotted in \$150 million for the next three years. How do I assume that that is an accurate figure? Would it not be fair to say that you are making this up as you go along?

Mr Mackey—No, I do not think that would be fair. We accept the estimates provided by the Treasury.

Senator CARR—What is the \$150 million over the next three years for then, given there is a three-year requirement at the moment?

Mr Pennifold—The three-year requirement for the 175 at the moment is based on the existing beneficial ownership provisions. A firm working on Australian owned IP need to access the 125 per cent concession for three years to qualify for the 175 per cent. This change

by the government to amend the beneficial ownership provisions will now bring into play a number of firms which have not been able to access the tax concession at all, or for that bit of their R&D portfolio where the IP is owned offshore. So the design of the program is such that a number of these firms, some of which are already doing some R&D in Australia could well be eligible from the beginning of the next tax year.

Senator CARR—Correct me if I am wrong here. Under the present arrangements, you actually have to be registered with the R&D board, do you not?

Mr Peel—The current arrangements require a three-year history of registration for the R&D tax concession or, alternatively, a record of receiving grants for R&D through the IR&D board's programs.

Senator CARR—That is a commercial-ready grant, for instance?

Mr Peel—That is correct. It is commercial ready.

Senator CARR—Are you thinking about changes to that arrangement?

Mr Peel—I think Mr Pennifold has mentioned that the department is currently looking at the design features of this new element of the tax concession.

Senator CARR—What are the processes for new companies registering for the premium concession rate that have no history of claiming the concession or have not received a commercial ready grant?

Ms Kelly—Can I just point out that we are at the moment working on some of these design elements. We have not yet finalised the drafting instructions for these elements. I would, for example, point out that on our P3 program we also establish a base above which companies have to perform additional research and development before we provide payments under P3, but those companies are not necessarily companies that are registered for the 125 tax concession. We have got an example, if you like, of a program where we use other methods of establishing a base for R&D other than just looking at the 125 tax concession. Mr Pennifold could give you some detail of that.

Senator CARR—I take it from your brochure that, given it is \$50 million per annum for 10 years, you are expecting the 300 firms to come on board this year?

Ms Kelly—That is the basis of the estimate, yes.

Senator CARR—So it will be static; you will have 300 firms for the next 10 years. Is that the plan?

Ms Kelly—I do not think we have any experience yet of this program, but that is the base estimate. You are suggesting that that might grow. When we get some experience of the program we might be able to better predict that, or Treasury might be able to better predict that.

Senator CARR—From what you have told me and from what appears in these documents, I am puzzled as to how it is that you have accepted these cost estimates of an immediate take up of 300 which remains static for 10 years in a program where we know there have been fluctuations, particularly where there is a three-year registration process up to this point.

Ms Kelly—I think, as we have explained, we are doing drafting instructions at the moment for these changes. We are looking at mechanisms whereby we would have means other than a three-year registration process for establishing a base for calculating additionality.

Senator CARR—Can you tell me what design elements you are looking at?

Mr Pennifold—I think one of the key design elements is just the basis of eligibility for the program—the one we mentioned about how you establish a three-year history.

Senator CARR—That is one. You are thinking about changing the eligibility criteria?

Mr Pennifold—Only for this new element. The existing elements of the R&D tax concession—

Senator CARR—For the premium?

Mr Pennifold—For this particular part of the premium where the IP may be owned offshore; all the other elements of the tax concession will remain unchanged.

Senator CARR—What particular matters does that go to in terms of this design feature? What specific measures are you looking at?

Mr Pennifold—The design features would include who is eligible, accounting of offshore R&D and who actually does get paid.

Senator CARR—You are accounting offshore R&D? Are you going to pay them to do the work offshore?

Mr Pennifold—Under the existing tax concession, a registrant is allowed to account up to 10 per cent of the R&D that they do offshore on a project where the IP is held here in Australia.

Senator CARR—You are thinking of changing that?

Mr Mackey—At the moment, the 175 is available to companies but they also have access to the 125.

Senator CARR—Yes.

Mr Mackey—The new proposal will apply to MNEs who do not currently have access to the 125, so therefore some design features will be necessary to address that fact at least.

Senator CARR—Including doing the work offshore, or doing a higher percentage of the work offshore?

Mr Pennifold—Or a change in the amount that you are allowed to do offshore.

Senator CARR—What other factors are you considering?

Ms Berman—Obviously, we are maintaining the labour focus; it is just for labour. In order for these people to claim, they have to put their complete R&D in, and it should be eligible R&D as opposed to some which might be eligible and some that is not. In other words, it has to fit into the definition of what is regarded by the R&D tax concession as eligible and we have to talk to—

Senator CARR—I am sorry, of course it has to be eligible.

Ms Berman—Yes, but people who do not currently claim the tax concession may regard things that they do as R&D which they would see as being eligible because they have not been aware of the definition, because the R&D they have done has not fitted into being able to be accessed.

Senator CARR—You are changing the criteria for what is eligible?

Ms Berman—No, we will make it very clear to the MNEs who wish to use it that the R&D that they are bringing forward must fit into the definition of what is eligible under the remainder of the tax concession. I might just go back to your earlier question. You showed considerable surprise that there was a flat figure for this new element. When we introduced the offset and the premium, we were very fortunate in that we had data over many years of how many firms did not have a profit each year, so we had some estimation of how many firms would be able to use the tax concession. We also had data on changes in tax concession expenditure from year to year by firms so we could probably predict how much additionality would happen and therefore what the increment might increase by.

In the case of this foreign-owned IP we have no data whatsoever. We do not collect that data. The tax concession has never collected it because it has never been eligible R&D. You can see therefore it is very difficult to go out and predict what the changes might be and what the figure might be, as opposed to the offset where we had non-profitable firms from year in, year out, and we could look at any one time and see how many firms were there. It is the same with firms over time who increased from year to year their R&D expenditure, so I think you appreciate that, in two cases, we had good data and therefore we could estimate, or at least Treasury could. In the case of beneficial ownership where the IP is owned overseas, we do not collect and have not collected that data.

Senator CARR—That is what makes me all the more surprised, that you have got a flat-line assumption and you have also simultaneously made claims of increasing usage by 300 firms at an increasing rate of \$220 million, or whatever you have said, per annum. How can those possibly fit together?

Ms Berman—You would have to ask Treasury that because we do not have any data to assist us there.

Senator CARR—I see.

Mr Mackey—We have been talking about the possible design features for this new part of the scheme, but at the moment they are just matters being discussed within the department. They have not even been put to our minister and he has not in turn put his final views on what the final elements should be to his colleagues in the Treasury.

Senator CARR—I see. He finds out things at estimates as well?

Mr Mackey—I am not saying he does not know anything about them.

Senator CARR—I take it that you are increasing this benefit with a view to leading to cultural change in the operations of international firms in Australia? Is that the purpose of this exercise?

Mr Mackey—Yes.

Senator CARR—What are the assumptions that you have built into this program to effect that?

Mr Mackey—One of the assumptions is that there is a cadre of international firms doing R&D here that are unable to access any government assistance through the tax concession or many of the granting programs.

Ms Kelly—I think it is fair to say that this was something that came up in the consultations that the minister held around the Global Integration Program. Many of the multinational firms suggested that there was not enough incentive for them to undertake R&D in Australia, that their IP was often owned at headquarters, and therefore this was an attempt to address that issue.

Senator CARR—How many international firms or subsidiaries of international firms operating in Australia could potentially benefit from this change?

Ms Kelly—The estimate is the number of firms you quoted.

Senator CARR—Three hundred.

Ms Kelly—Three hundred, I think it is.

Mr Pennifold—These would be international firms or subsidiaries of international firms. They would be Australian companies or they would be Australian companies that are working on intellectual property that is owned offshore, where they are not currently the beneficial owner.

Senator CARR—How much R&D expenditure do these companies currently account for?

Mr Pennifold—I do not have that information.

Ms Berman—I have some figures. In 2004-05 there were 593 MNEs who used the tax concession. The total expenditure by MNEs was \$2.5 billion, and 178 claimed the R&D 175 per cent premium and 43 claimed the 125 per cent offset.

Senator CARR—Yes. Now you are saying that the 593 that currently are registered will now increase to 893? Have I correctly understood you?

Mr Mackey—No, that does not necessarily follow because some of those firms could be undertaking R&D in Australia where the IP is owned overseas and therefore they do not currently have access.

Senator CARR—Only 178 currently apply for this 175, so are you looking at that going up to 478?

Ms Berman—Yes, but do not forget, the current 175 per cent premium is only for R&D where the IP is owned or controlled in Australia.

Senator CARR—I understand that, but if you are changing this, do you expect that figure now to be changed? You said 300 are coming on board straightaway?

Ms Berman—We said 300 people are anticipated to use it.

Senator CARR—That figure should go to 478?

Ms Berman—Except that—

Mr Peel—More than 300 companies will use the concession annually.

Senator CARR—Yes, I know.

Mr Peel—I did not say it was going to increase by 300.

Senator CARR—I know, I asked this question before. That was the assumption that has been built into these costings, that 300 firms are going to come on board immediately and stay on board for 10 years?

Ms Kelly—Yes, I think some of those firms may already be able to claim for other projects, but they are not able to claim for projects where the intellectual property is owned overseas, so you will not get an increase of quite that magnitude.

Senator CARR—Were there any funding assessments made extending this same provision, removal of the beneficial ownership test to the 125?

Ms Berman—No.

Senator CARR—No assessment was ever made?

Ms Berman—No.

Senator CARR—How much does this scheme cost to administer at the moment, prior to these changes? What was the annual figure?

Mr Peel—Sorry, I do not have the exact figure with me, but for AusIndustry's costs, which are a part of the department's costs—probably the major part of the costs—I think the figure is around \$5 million per annum.

Senator CARR—Yes. That is the cost of administering the scheme. I am sorry. The revenue forgone is approximately about a third of the estimated cost—that is, \$50 million. One third of the estimated cost of the premium for 2007-08 without the change was \$140 million in the last set of figures I saw. That comes from page 101 of the figures.

Mr Peel—The figure for 2007-08 is \$510 million and that includes the \$50 million.

Senator CARR—So what is the premium cost at the moment in terms of revenue forgone?

Mr Peel—The Treasury estimate for the premium for 2005-06 is \$115 million.

Senator CARR—You have now allocated \$50 million to it. Is that on top of the \$115 million?

Mr Peel—The premium would only come in from the 2006-07 and that figure was 125, so if you add the 50 to that you get 175 for 2006-07.

Senator CARR—Yes, so it is a third of it. The cost of the premium by Australian companies is expected to continue increasing by \$15 million per annum, according to the Treasury's tax estimate statement. Is that so?

Mr Peel—The estimate for Australian firms in 2005-06 was \$115 million and in 2006-07 it is \$125 million. Their estimate there is an increase of \$10 million.

Senator CARR—Is it \$50 million for this and \$10 million for the Australian firms? Do you think that estimate is accurate as well?

Mr Peel—That is an estimate of the increase whereas the \$50 million is an estimate of the total. The total for Australian firms, of course, is \$125 million.

Senator CARR—Why do you think the additional expenditure multinational subsidiaries is not expected to increase at the same rate? Why is there a discrepancy in terms of the rate of growth?

Mr Mackey—That is a question for the Treasury.

Senator CARR—You do not have answers to that? When I asked you these questions about activity levels in February you told me it was almost impossible to estimate. Are those the words you used, ‘almost impossible’?

Ms Berman—To estimate future—

Senator CARR—You said that it was ‘almost impossible’ to estimate activity levels generated by removing restrictions on foreign ownership in virtual property? Do you remember I asked a question about Minister Macfarlane advising newspapers that the department was doing work on this? You said it was almost impossible to do that ‘because we do not have data of this nature; we collect the tax concession data from eligible firms’. Given that in February it was almost impossible to estimate these figures, how come on 1 May you were able to have these figures published in this way?

Ms Berman—I think that goes back to what I said a short while ago, which is that in this department we do not keep data on what we have regarded as non-eligible R&D, which is where the IP has been owned by a foreign owner.

Senator CARR—Okay.

Ms Berman—I can only reiterate that.

Senator CARR—I can see your point there. You can see why I am a little puzzled though? Did this department provide advice to the minister, which is the basis I presume of his statement, that there would be an increase in business R&D investment of \$222 million per annum?

Ms Berman—There is a relationship between what the additional R&D expenditure is and what the cost is, because if you are only paying for the 75 per cent it works out that you are paying 22.5 cents.

Senator CARR—I can understand how they get the calculation. What I am asking of the officers at the table is: did you provide that estimate of \$222 million, which is the figure that the minister has used, to the minister?

Mr Mackey—I believe that was provided by the Treasury.

Senator CARR—The first time you saw the figure was when it came from Treasury, is that right?

Mr Mackey—I cannot recall—

Mr Pennifold—The Treasury provided that figure. It is based on the \$50 million estimate and revenue—

Senator CARR—I can see how it works. You get a figure and then you estimate how much you get for the \$50 million—

Mr Pennifold—So they came from the same source?

Senator CARR—Is that how it works? Is there any other way to look at it? You do not actually estimate the amount of activity because it is impossible; you pick a figure out of the air and then you say, well, this is how much it gets you. Fifty million dollars worth of expenditure gets you this much investment? Is that how it really works?

Mr Pennifold—You would need to go to the Treasury to find out how they made that estimate.

Senator CARR—Thank you for that. It has been extraordinary. Are you saying that there is no money available this year for the project because you are saying the figures are only available from next year?

Ms Berman—That is correct.

Senator CARR—The 300 firms are going to be found between now and the end of the next financial year; is that how it works?

Mr Mackey—Perhaps Mr Peel could explain how it works now?

Mr Peel—The way the tax concession works—

Senator CARR—I am just trying to find out when I come back to you and say, ‘Look, where are the 300 firms?’ At what point do you say to me, ‘Based on these estimates we have found 300 firms’?

CHAIR—I think you did ask the question and Mr Peel was going to answer it.

Mr Peel—This change comes in from 1 July 2007, so it is effectively the 2007-08 financial year. The way the tax concession works is that companies register for the concession after the end of the financial year and they have 10 months to register. The first indication we will have of actual numbers will be 10 months after the end of that financial year, which would be in April 2009—I think that is where it would take it to. Then there are other companies that operate on financial years at the end of December, not the usual one of 30 June, so there would be some more coming in after that. But the bulk of the numbers would be in by 10 months after the end of the financial year.

Senator CARR—When are going to tell them about these new design features?

Mr Pennifold—We are planning some consultations in early June with industry and other stakeholders on some of these design features.

Senator CARR—When will a decision be made? Consultations are not decisions, are they?

Mr Pennifold—There will need to be legislative change to bring this into effect and so there will be advice to the government in that context.

Senator CARR—When are you anticipating legislation being ready?

Ms Berman—The legislation has T status, which means it will move relatively quickly. I believe it is going to first be viewed in either August or September. We have already advised

in the announcement that details of guidelines and other information will be made available in the next several months to industry.

Senator CARR—Can I be clear about this: you are proposing legislation be debated in the chamber in September or that it be introduced in September?

Ms Berman—I think it is to be introduced in August or September, but I would have to confirm that. But that is the intention, that it is very soon.

Senator CARR—And the 10 months ends in April?

Ms Berman—April of the following year.

Senator CARR—Will it be 10 months from the time the legislation is changed or 10 months from the first—

Mr Peel—Ten months from the end of the financial year. I believe the plan is that the legislation will actually be retrospective to cover the whole of the financial year.

Senator CARR—What happens if there is an election? In respect of your legislative program will it affect the timelines?

Mr Peel—If there were to be an election before the legislation was dealt with it would be a matter for the incoming government to decide what to do.

Senator CARR—It is possible that these legislative changes will not be in place before an election?

Mr Mackey—That would just be speculation on our part.

Senator CARR—Of course, but it is possible, isn't it? The legislation will not have been carried by the time—

Mr Mackey—The government's intention is to introduce and pass the legislation in August and September.

Senator CARR—Is it August or September?

Ms Berman—We would have to take that on notice. I believe it starts in August, but I—

CHAIR—I think Mr Mackey said August-September.

Mr Mackey—That is the government's intention, to have it not just introduced but also passed. That is what T category—

Ms Berman—Yes, that is what T category stands for.

Senator CARR—The Productivity Commission's final report *Public support for science and innovation* raised the issue of the beneficial ownership, particularly in relation to the requirement that the premium concession should be relaxed. It also made recommendations in regard to the taxation concession and the offset. Do I assume from the fact that these other items were not in the industry paper that those questions in regard to the taxation concession and the offset have been rejected?

Mr Mackey—No, you cannot assume that. Mr Penniford can talk in more detail about the government process responding to the Productivity Commission report.

Mr Pennifold—It is a research report, which means that there is no formal government response required. The government has announced in the industry statement this change to the beneficial ownership on the 175, but it has not developed any formal response to the range of other findings in the Productivity Commission report.

Senator CARR—Has the department undertaken any assessment of the Productivity Commission's final report?

Mr Pennifold—We have prepared briefing for the minister on it.

Senator CARR—Has a view been reached within the department as to the commission's finding that the extent on which the 125 concession stimulates additional R&D is low—that is, the claim they have made—particularly for large firms?

Mr Pennifold—We have not come to a particular public view on that. Whatever advice we have was that which was provided to the minister.

Senator CARR—The commission provided advice in regard to the appropriateness of the other industry R&D programs, the Commercial Ready program, and it referred to an evaluation that had been undertaken within the department on that program. Are you familiar with that passage in the commission's report?

Ms Berman—Yes.

Senator CARR—It said that 60 per cent of the expenditure would have been undertaken anyway?

Ms Berman—That was the claim, yes.

Senator CARR—Has that report been released?

Ms Berman—That is the report that you have referred to and I think a copy has been made available to you.

Senator CARR—That is the CIE report?

Ms Berman—Yes, that is correct.

Senator CARR—That is the same one?

Ms Berman—That is the same one.

Senator CARR—From my reading of the report it did not actually deal very much with the behavioural questions. It spoke more of the arguments for and against the tax concession without actually going into the behavioural questions.

Ms Berman—We have two reports. One was the R&D Start report and the other was the tax concession one and you—

Senator CARR—I have got both of those now, have I?

Ms Berman—You have, or you certainly can have them if you have not, but I believe you have them both.

Senator CARR—I have the CIE one?

Ms Berman—They are both CIE.

Senator CARR—So there is a second one?

Ms Berman—There is one on the tax concession and there is another on R&D Start, not on commercial—

Senator CARR—Can I have a look at the second one, please, so that I can check to see if I have not already been provided with it, because I do not think I have seen that?

Ms Berman—Certainly.

Senator CARR—Is there any further work being undertaken in response to the commission's finding regarding the current expenditure and turnover limits for the tax offset?

Ms Berman—Not at the moment, there is not.

Senator CARR—In terms of the legislation that has been proposed for August, will it cover other issues other than just the premium rate?

CHAIR—I think it was August or September, wasn't it?

Ms Berman—Yes. At this point it is focused on the beneficial ownership changes only.

Senator CARR—But is there a potential that it could cover other issues?

Ms Berman—I would not anticipate that.

Senator CARR—Thank you very much.

[2.40 pm]

Senator CARR—Could I turn to the TCF Structural Adjustment Package? Previously we have discussed the recommendations that arose from the TCFUA concerning changes to the SAP program and at the time we discussed these questions it was indicated that the department had referred these matter to DEWR for consideration. Has there been any progress since our last discussions?

Mr Payne—Yes, DEWR has considered some of the findings of the TCFUA report and has made some changes to the way the program is administered and knowledge of the program is conveyed to workers in the industry.

Senator CARR—Have they been announced?

Mr Clarke—I am not sure that they have been announced, but I understand the improvements have been made.

Senator CARR—They have been made administratively, I take it?

Mr Clarke—They have made administrative improvements both due to the TCFUA comments and due to their own desire to improve the quality of the delivery of the scheme.

Senator CARR—Has the TCFUA been advised?

Mr Clarke—I am not sure if formal advice has gone to the TCFUA.

Senator CARR—When were the changes made to the program?

Mr Clarke—I think they are an ongoing change, but the changes that we are aware of include better community language disclosure, promotional material to the job network

managers, and meetings. We are trying to improve the servicing of those people. As far as that goes I believe it has been going on for the last few months.

Senator CARR—The TCFUA contacted the department in October last year. You referred them to DEWR but you are not certain there has been anything further?

Mr Clarke—DEWR has been looking at it for some time and is highly desirous of ensuring that the program is delivered well. It has made some improvements.

Senator CARR—I am advised that as of March there had been no communication with the union?

Mr Clarke—As I say, I am not sure of what form of communication there has been. DEWR might be able to answer that.

Senator CARR—Is Mr Robert Underdown with you or with—

Mr Clarke—He is an advisor to the Minister for Industry, Tourism and Resources.

Senator CARR—So, he is with the minister's office?

Mr Clarke—Yes.

Senator CARR—I find this extraordinary. I have been advised in late May that you have made these changes but have not told people in the industry?

Mr Payne—As Mr Clarke said, DEWR have placed advertisements in community language newspapers and provided materials to the Job Network members to get the information about the program out to workers in the industry.

Senator CARR—Can you provide me with an update on how much assistance has been provided under each element of the program? Do you have that information there with you for the TCF workers?

Mr Clarke—This is part one, which is the Job Network. We are advised that as at 11 May, 687 ex-TCF workers had registered with Job Network and that 451 workers had been placed into employment.

Senator CARR—DEWR are responsible for the placement of workers, but you are responsible for assistance to individual firms?

Mr Clarke—That is correct. That is part 2.

Senator CARR—Part 2?

Mr Clarke—This is part 2; this is the restructuring initiative grants. The minister has publicly announced \$2.8 million worth of assistance this year, and any further announcement would be for the minister to make.

Senator CARR—In May, did you say?

Mr Clarke—He has advised of \$2.8 million of RIG grants this year.

Senator CARR—Are you expecting any more to be announced?

Mr Clarke—It is for the minister to advise that.

Senator CARR—How much is there through the regional program?

Mr Clarke—The regional program is not funded under this program, unless there is an overcall on funds under the Regional Partnerships program. It is funded within the Regional Partnerships program, which falls under the DOTARS portfolio. As far as I know, nothing has gone out.

Senator CARR—I take it you are aware that Blundstone's application was rejected on 15 May?

Mr Clarke—Yes.

Senator CARR—Do you know the reasons for that?

Mr Clarke—I have some understanding of the reasons. They were advised it was not of sufficient merit to justify funding.

Senator CARR—Is that the only proposal that you are aware of that has come forward under that package?

Mr Clarke—Yes, to the best of my knowledge.

Senator CARR—Was it the case that the department was consulted on several occasions with regard to Blundstone's proposal?

Mr Payne—Consulted by whom?

Senator CARR—By Blundstone?

Mr Payne—Yes, we did have discussions with them before they put in their proposal.

Senator CARR—On several occasions?

Mr Clarke—I am not aware of the extent to which we had discussions. We were certainly aware of the proposal.

Senator CARR—Was it the case that the proposal was in fact fast-tracked through the consideration process?

Mr Payne—I am not aware of that. That is for another department to administer, so we are not sure what the exact process would have been in that case.

Senator CARR—Let me remind you that DOTARS officials have already said back in February that they do not have the funds for this program:

We do not have funds appropriated to the portfolio for this package. We provide an assessment service as required for the DITR portfolio.

Is that you?

Mr Clarke—I am not sure what you are quoting from.

Senator CARR—I am quoting from *Hansard*.

Mr Clarke—I do not have, obviously, what DOTARS said, but the element that you are talking about is funded, if the Regional Partnerships program is oversubscribed—and I do not believe that is the case—from the structural adjustment program.

Senator CARR—One of the stated reasons that the application was rejected was that it was claimed that the application did not demonstrate that the project did not substantially duplicate services provided by an Australian government agency, primarily the Job Network. I

also understand that DEWR officials were involved in the development of the proposal and specifically stated with meetings of DOTARS officials that they did not consider there was an issue with duplication. Were you aware of those discussions?

Mr Clarke—I am not sure what you are reading from.

Senator CARR—I am reading from my notes. The advice that I have been given is that, when the issue of duplication was raised with the department of workplace relations officials, they said it was not a problem. Did you state a similar view?

Mr Clarke—I am not sure that is the case; I cannot speak for that.

Senator CARR—So you advised that there was a problem—the duplication?

CHAIR—I do not think that is what the witness said.

Senator CARR—No, I am asking the question: did your officers advise that there was a problem with duplication with respect to the Blundstone's application?

Mr Payne—The advice that our department gave fed into a decision by a ministerial committee, so we are not at liberty to say what our advice was since it flowed to—

Senator CARR—Did you say a ministerial committee?

Mr Payne—It makes decisions on that program, yes.

Senator CARR—This is a Regional Partnerships program?

Mr Payne—Yes.

Senator CARR—But officers make recommendations in regard to the approval of funding.

Mr Payne—But that is in the form of advice to the government. You would understand that we are not at liberty to disclose the content of that advice.

Senator CARR—Can you advise the committee as to whether or not Mr Macfarlane sought any advice from the department on options for consideration of this application?

Mr Payne—We did provide advice to our minister on the issues raised, or on Blundstone's application. So, yes, we did provide advice to him.

Senator CARR—Can you tell me the date on which that advice was provided?

CHAIR—Again, it is within the confines of that advice to government.

Senator CARR—No, I can ask whether advice has been sought and the date on which that was sought.

CHAIR—I think that advice and the date it is given is advice to—

Senator CARR—I am not asking about the nature of the advice.

CHAIR—Let me finish, thank you: I do not think that is a question they should be required to answer.

Senator Minchin—I do not recall it being normal practice to keep dates on which internal advice is given to ministers.

Senator CARR—Yes, it is.

Senator Minchin—It may have been proffered on particular occasions, but it is not normal.

Senator CARR—Dates on which decisions are made, dates on which advice is sought—that sort of thing—is not an uncommon feature of these committees. Obviously, there is clearly a question about the content of that advice, but the date on which it was provided—

Senator Minchin—No, I do not think that is usual. It is not unusual to acknowledge advice was given, but never to go to the content of it—

Senator CARR—No, it is not the content; the date on which it was provided.

Senator Minchin—No, that is not normal. Anyway, the minister can consider that, if you accept it on notice.

Senator CARR—Are there any further meetings planned between this department and DOTARS, given that this is the only application for funding under this program and it has been rejected? Has there been any further—

Mr Clarke—My understanding is that DOTARS intends talking further to Blundstone, at least to explain to the individual parties the requirements of the Regional Partnerships program. I understand there is that intention to meet.

Senator CARR—Are you involved in that?

Mr Clarke—No.

Senator CARR—Are there any proposals to meet with representatives of the workforce?

Mr Clarke—By us?

Senator CARR—By you, by this department?

Mr Clarke—In the context of the Blundstone application to the Regional Partnerships program?

Senator CARR—Yes, this particular SAP program.

Mr Clarke—The Regional Partnerships program is delivered by DOTARS, and the Job Network element is delivered by DEWR. We are responsible for the restructuring initiative grants under that.

Senator CARR—I have a further question on Commercial Ready. On page 29 of the PBS, the department's budget statement, there appears to be a reduction of \$25 million in the Commercial Ready program for the current year, 2006-07. Is that right?

Mr Peel—That is correct.

Senator CARR—What is the cause of the underspend there?

Mr Peel—The \$25 million is our estimate of the amount by which companies will underspend their grants this financial year. I think, as I have mentioned to you before, Commercial Ready grants are made available over a number of years, and grant recipients are to provide us with estimates of when they think they will spend the money. In this particular year they have obviously estimated they will spend the money earlier than they are now likely to, so the \$25 million is an estimate of that underexpenditure for this financial year.

Senator CARR—What happens to that money? Is it being returned to consolidated revenue?

Mr Peel—It is being returned to the budget.

Senator CARR—To the department's budget or consolidated revenue?

Mr Peel—No, to consolidated revenue, I guess, yes.

Senator CARR—That has already been done, has it?

Mr Peel—No, it has not been physically done yet, but the Department of Finance is in discussions with us about arranging it.

Senator CARR—When are those conversations concluded as a rule?

Mr Peel—The normal process that we go through is that we have an estimate of how much it will be that we will underspend the program by, and then the reduction is the actual amount that we underspend the program by. We will not know the answer to that until the end of the financial year. That is the normal process that we follow. At this stage it is an estimate of \$25 million.

Senator CARR—The Commercial Ready Plus announcement, an industry statement, allocated \$32 million over the forward estimates and \$90 million over ten years. Is that money targeted at innovative small business and public sector spin-off companies?

Mr Peel—That is correct.

Senator CARR—Will there be grants of up to \$250,000?

Mr Peel—That is correct.

Senator CARR—The minister's statement announcing these changes said that there would be a more streamlined application process. Can you explain to the committee what that means?

Mr Peel—That means that the idea of this element of the program is to provide companies/businesses with grant assistance more quickly than we currently do under the Commercial Ready program, recognising that these are relatively small amounts of money that we are providing compared with other Commercial Ready grants, which can go up to \$5 million. We are in the process now of determining just what that process will be. Certainly we will be looking to streamline the application forms, but the other thing that we need to do is to look at the application process.

Currently under Commercial Ready, as you know, committees of the IR&D board review applications that are received and make recommendations as to who should get a grant. Those committees meet about every six weeks, so depending on when you put in your application and your application is reviewed by AusIndustry, it could be as long as six weeks before the committee looks at the application. What we would be seeking to do in Commercial Ready Plus is to reduce that six-week period as far as possible. We have not yet determined the process that we will actually follow, but that is the sort of thing that we are looking at.

Senator CARR—Why would you confine that streamlined process just to Commercial Ready? What about the other \$200 million worth of the program?

Mr Peel—We are constantly reviewing the other elements of the program, streamlining the forms and so on. But the nature of the grants that are being asked for and the amounts of money involved require that we get expert advice as to whether or not a particular application should be approved. We do not have the technical knowledge in AusIndustry to be able to do that. We need to refer those to expert committees, and the expert committees are people who do this work part time; they have other jobs and generally they are only available on about a six-week turnaround time. It is not possible for us really to have any more committee meetings than we already do, given the demands on the time of the people that make up the committees. We may do Commercial Ready Plus in a different way.

Senator CARR—With a different committee structure?

Mr Peel—Possibly a different committee structure or possibly have applications approved by officers of AusIndustry in the state capital where they are lodged. We are looking at a range of options.

Senator CARR—When will there be decisions made about that?

Mr Peel—We are anticipating in the next three to four months.

Senator CARR—I take it that you have drawn upon the report of the House of Representatives Standing Committee on Science and Innovation *Pathways to technological innovation* for this initiative? Is that the case?

Mr Pennifold—We were aware of that. A number of groups have identified this proof of concept area, spinouts coming from public research; that was one. Also, the IR&D board provided advice for the minister in the context of the industry statement that they thought it was worth while doing something in this space. That was one of the sources of this.

Senator CARR—Is this the end of the changes that you are proposing, or are there other initiatives that are being currently considered in this field? For instance, in that same report, recommendation 17, which related to this particular matter, there was a further proposal to extend eligibility of Australian based subsidiaries of foreign owned companies. And there was a proposal to reduce the co-contribution requirements and increase the turnover thresholds.

Mr Peel—The turnover threshold was increased some time ago from \$50 million to \$100 million.

Senator CARR—When was that?

Mr Peel—That was in September last year.

Senator CARR—The Group of Eight universities are also proposing further changes in terms of proof of concept. Are you considering those changes?

Mr Pennifold—Not specifically. These were changes that were proposed in the context of the industry statement rather than in direct response to that report. But, as I said, there are a number of reports and advice the minister had received that something was necessary in this area.

Senator CARR—Similarly, the CSIRO has made recommendations, and the parliamentary committee considered whether the growth through partnerships program be engaged for small and medium-sized enterprise collaborations. Are those initiatives being considered?

Mr Pennifold—It is not something that we are considering.

Senator CARR—So there are no other changes being proposed other than what we have here in front of us?

Mr Peel—That certainly is correct.

Mr Pennifold—That is correct.

Senator CARR—Has there been any consideration of changing the repayment mechanisms in the Commercial Ready program, as the Productivity Commission has highlighted?

Mr Peel—There is no repayment arrangement currently in the Commercial Ready program.

Senator CARR—An introduction of a repayment proposal?

Mr Peel—No, no consideration has been given to that.

Senator CARR—Mr Mackey, has there been any progress on the other questions?

Mr Mackey—We are still working on them; we are doing so as fast as we can.

Senator CARR—Can I turn now to the defence industry policy statement. Who handles that?

Mr Mackey—We can bring some officers to the table, but of course the defence industry policy statement is primarily the responsibility of the Department of Defence. May I ask what the nature of your question is, please?

Senator CARR—Mr Luchetti, was the department involved in the development of the defence industry statement?

Mr Luchetti—Yes, the department did have some involvement and provided input to the Department of Defence.

Senator CARR—Were you a member of the IDC or something like that? How did you have that input?

Mr Luchetti—No, it was not through a formal IDC as such. It was through participating in meetings and also providing input on a number of matters relating to the policy.

Senator CARR—I take it that you would be aware of the potential for crossover and duplication of effort between the defence department and the industry department where businesses are involved in broader than just defence industry—for example, electronics. I take it that the industry department has an ongoing role in terms of the implementation of the Defence and industry policy?

Mr Luchetti—That is right. We continue to work with Defence to deliver that policy.

Senator CARR—The statement says:

Defence will monitor the health and sustainability of priority local industry capabilities and formulate responses where necessary to ensure that those capabilities are maintained.

Is that where, for instance, your facilities come into play?

Mr Luchetti—That is one area, and we have met with Defence recently to discuss their progress in that area.

Senator CARR—Would the Industry Capability Network be used there?

Mr Luchetti—The Industry Capability Network is one option. Other options are along the lines of the JSF industry capability teams.

Senator CARR—In terms of the Global Opportunities program, is there an intention to develop links between your work and the defence department?

Mr Payne—There well could be such links, and defence industries could also take advantage of the Global Opportunities program.

Senator CARR—How advanced are you in terms of making sure that does happen?

Mr Lawson—We have been meeting with the head of the industry division of the Defence Materiel Organisation to ensure that the programs are fully integrated. You have to understand that the defence department is setting up a Defence Export Unit, so there is clear opportunity for collaborative processes between the Global Opportunities program and the Defence Export Unit, and we fully intend to exploit all of those.

Senator CARR—How will you be involved with that? How does that materialise?

Mr Lawson—Through meetings at a senior level and an ongoing interaction between officers of that area engaged in these processes. My colleagues mentioned the Joint Strike Fighter project, where the industry development team for the Joint Strike Fighter is made up of Defence Materiel staff and DITR staff; they work as a team. People are co-located in each department—cross-co-located—to make sure that the team is fully engaged.

Senator CARR—How many people do you have over in the defence department?

Mr Luchetti—In regard to the JSF industry team, the New Air Combat Capability team is probably the size of a division. But within the JSF industry team is a team of 10 officers; three from this department and roughly seven from Defence. And we have a number of people in the US also.

Senator CARR—How many officers, in terms of the Global Opportunities program, are likely to be added to that sort of effort?

Mr Lawson—That would depend on the opportunities that we, together with industry, decide to pursue. The program starts next year; it has not been determined exactly in what areas we will be working. We would expect there are opportunities to extend the work that has already been done in the Defence area.

Senator CARR—Let us just look at one specific matter. Defence says it:

... will take steps to improve the flow of information—

this is point 11 of its plan—

on opportunities for local firms and their capabilities, and will publish an *Australian Industry Capability* manual during 2007.

What involvement has the department had in the production of that manual?

Mr Lawson—Defence have spoken to us about their objectives and intentions, and we work with them.

Senator CARR—When you say ‘work with them’, I would have thought that ICN would have that. How much additional work would be required?

Mr Lawson—ICN are likely to be part of that process. As I mentioned earlier, ICN’s capabilities are mainly in the manufacturing sector. They are less strong in some other areas. It is yet to be determined by Defence how they best achieve the objective that they wish to achieve, but they certainly have met with ICN and were talking to the ICN about what the ICN could provide for them.

Senator CARR—Is it expected that the manual will be published?

Mr Lawson—I am sorry; you are going to detail of Defence, which would be best asked of Defence.

Senator CARR—Point 16 states that there is an objective to further boost defence exports by Australian firms and that the Defence Export Unit will be created and will reinforce a whole-of-government approach. How many people will you have in the Defence Export Unit, as distinct from the Joint Strike Fighter?

Mr Luchetti—That question is probably best asked of Defence at this stage. We have spoken to them about the Defence Export Unit. They are still working on the actual nature of that unit and how many people would be involved. I am not in a position to give you a confident answer.

Senator CARR—It does say whole of government. I am wondering: wouldn’t the department of industry be a lead agency here?

Mr Lawson—We are certainly working with them. The advertisement for the head of the Defence Export Unit appeared in last weekend’s press. I think they are hoping to make sure that the head of that unit, when he or she is appointed, is involved in determining the structure of that unit. We are working very closely together as they move forward, but they have not finalised the structure of their unit.

Senator CARR—What involvement does the industry minister have in the Defence Industry Advisory Council, which is at point 20 of the plan?

Mr Luchetti—I would probably need to look at the detail just to see the context at that particular point, but I am not really in a position to answer that question at the moment.

Senator CARR—It says here that there will be a reconstituted ministerial-level Defence Industry Advisory Council, which will meet annually. I take it that the Minister for Industry, Tourism and Resources is on that council?

Mr Luchetti—The minister is involved in a range of major Defence acquisition decisions, participating in the NSC for those key decisions, so I would expect he would have an involvement.

Senator CARR—Can you come back to me on that? Surely it would not be hard to find out whether or not your minister is on the council?

Mr Luchetti—Yes.

Senator CARR—There was a recent Senate inquiry into naval shipbuilding. Are you familiar with that work? Mr Lawson, you seem to be right on top of this; is that right?

Mr Lawson—DITR made a submission to it.

Senator CARR—Unfortunately, the government has not responded to the report. It was tabled last December. The committee recommended that Defence conduct a full analysis of and identify how the mobile shipbuilding industry and the commercial shipbuilding industry and heavy engineering activities can be better integrated to produce increased efficiencies and productivity gains for these sectors. Can you tell me what action is being taken to implement that recommendation?

Mr Luchetti—The government's response is actually under consideration by government at the moment, and we probably could not comment any further on that.

Senator CARR—I take it that you would have a major role in improving this?

Mr Luchetti—We have been involved and our minister is being or will be consulted.

Senator CARR—Thank you for that. I understand Mr Paterson is a member of the Prime Minister's emissions trading task group?

Mr Mackey—That is correct.

Senator CARR—I am sure that Senator Evans will be asking questions later on about these matters, but I am particularly interested in the industry perspective.

Mr Mackey—I am sure those questions are best put to Mr Paterson. He will be back before the end of the day and will be available to answer questions then.

Senator CARR—Do you not know how long he will be?

Mr Mackey—He told me he would be back before six o'clock, and then he will be here tonight. We can also provide some answers on the collective—

Senator CARR—I have one final question, and it relates to the COMET program. There was supposed to be an evaluation of the COMET program undertaken, and you were looking at the terms of reference. Have there been terms of reference for the COMET program and could I have a copy of them? I am speaking about the evaluation of the COMET program.

Mr Pennifold—Yes, we can get you a copy of the terms of reference. They are publicly available. We are just in the process now of selecting from the tenders from those who applied to undertake that review.

Senator CARR—Will you get me a copy of those?

Mr Pennifold—We can get you a copy of those. They are on the public record.

Senator CARR—Are they on the website?

Mr Pennifold—They would have been published because we have gone out to tender. So the tenderers would have—

Senator CARR—Will I find them on the website?

Mr Pennifold—Yes. I will just check where they are and give you that information.

Senator CARR—Thank you very much.

Ms Kelly—They are here. I will just get a copy.

Mr Pennifold—We can give you a copy now.

Senator CARR—Thank you. That would be very helpful. You had some other information you wanted to provide?

Mr Mackey—We had some information on that.

Senator CARR—Thank you very much.

Mr Mackey—We can pass over to you a couple of items. One is what the material will look like in print, and the other is a list of the ways in which the funding will be spent. That is exactly what will be spent.

Ms Kelly—I want to emphasise that the media plan is a draft media plan at the moment. We are meeting on Wednesday with our media placement agency, and they might suggest some changes to that media plan. But what we have provided you with is the plan for spending that \$750,000. It probably adds up to a little bit less than that. We have not committed every final dollar. But there is \$740,000-something suggested there in various media placement proposals.

Senator CARR—Thank you very much. I need time to have a look through these questions they have provided. Mr Mackey, do you have any indication of how long it will take to get the other matters back?

Mr Mackey—No, I cannot give you that.

Senator CARR—Why don't we have a break now?

CHAIR—What do you have left?

Senator CARR—I am just about done. I just want to get back to these R&D questions.

CHAIR—We will have a break now and we will resume at 25 to four.

Senator CARR—We will probably need a little longer than that. We are waiting on them. We were due to finish at four. If we resume at a quarter to, that will give them a chance to get the stuff together. Is that enough time?

Mr Mackey—We expect to have at least some material available by a quarter to, yes.

Senator CARR—Yes, why don't we do that?

CHAIR—If there is no other business, then as long as we can finish by four o'clock—

Senator CARR—Yes, that is the intention.

CHAIR—We will resume again at a quarter to four.

Proceedings suspended from 3.20 pm to 3.48 pm

Mr Mackey—Senator Carr, we are still working on the more general questions that you gave us earlier. I am not sure exactly when we will be finished those. Tourism will be on later and Resources and Energy are scheduled to come in tonight. Are there any other areas of the department you might have questions for?

Senator CARR—I have a few short questions on the Office of Small Business. I have obviously raised with you my concern about one of the tables.

Mr Mackey—Yes, we will talk about that in a minute.

CHAIR—As soon as Senator Carr is finished we will go straight to Tourism.

Senator CARR—There is a larger table that you are producing?

Mr Mackey—Yes.

Senator CARR—Are you able to provide me with some advice on that?

Ms Kelly—That is not completed at the moment. We are still working on that. In addition, of the R&D tax concession questions that you asked us, we have completed all the ones that we could in the time. The ones we are still working on are 1(d), 1(e) and 2. We have given you 1(a), (b), (c) and 3 and 4. So there are a couple of elements of your R&D tax concession sheet of questions that we are still working on.

Senator CARR—Do you anticipate that we will get some more this evening?

Mr Mackey—Yes.

Senator CARR—Thank you.

Ms Kelly—Do you want Ms Berman to address the issue of the table?

Senator CARR—If she can have another look at it; I do not think there is much point in going around in circles but an average R&D intensity of 760 per cent is difficult to sustain.

Ms Berman—So is the 2,644, yes.

Senator CARR—Yes.

Ms Berman—It is a bit ridiculous when you might have a turnover of 1, 1, 10, 15. That is why that first one is ridiculous but then, when you average them, you get the average of 760. So if we can remove the first one—

Senator CARR—Can you?

Ms Berman—Yes.

Senator CARR—That will give us a more accurate figure.

Ms Berman—Yes, we can do that.

Senator CARR—Presumably the final version will be tabled. Is that how you will do it tonight?

Ms Kelly—Yes.

Senator CARR—I just want to make sure we have got the bureaucracy right here in terms of our processes.

Mr Mackey—Do the rest of the committee have the information as well as Senator Carr?

Senator CARR—They are tabled documents. I would like to finish this in 10 minutes, if I could, so if the Small Business people are available that would be helpful. In regard to the global integration statement the additional funding for the Building Entrepreneurship in Small Business program has been extended for two years. Is that right?

Mr Peel—That is correct.

Senator CARR—This is an additional amount from that provided in the 2005-06 budget for the three programs that preceded this one. Is that the case?

Mr Peel—Yes, it is additional to the previous amounts.

Senator CARR—In the previous programs there was funding in 2005-06; however, there was a sharp decline in the funding through to 2008-09. Was that correct?

Mr Peel—The figures that I have in front of me at the moment show that there is funding of \$14.194 million in 2005-06 for the Building Entrepreneurship in Small Business program to which we need to add \$2.391 million for the Mentoring and Succession Planning program. In 2006-07 it increases to \$15.586 million for the Building Entrepreneurship in Small Business program and \$2.42 million for the Mentoring and Succession Planning program. In 2007-08 the Building Entrepreneurship in Small Business program is \$13.3 million and the Mentoring and Succession Planning program is \$1.4 million. In 2008-09 the Building Entrepreneurship in Small Business program is \$12.079 million and the Mentoring and Succession Planning program is \$1.141 million. In 2009-10 the Building Entrepreneurship in Small Business program is \$1.882 million and the Mentoring and Succession Planning program is \$495,000. They are all the administered funds, so that is what is available for grants under the program.

Senator CARR—Is it anticipated that there will be a review as the program is due to lapse at that 2008-09 period?

Ms Weston—We have been reviewing that program from time to time over its life. It has been going on for quite some time and we are planning to do a review in the next financial year in relation to this program.

Senator CARR—The annual report in 2005-06 stated that a new small business field officer service had been approved for funding for the Mandurah area of Western Australia, Illawarra in New South Wales, on the Gold Coast and in Brisbane metropolitan areas. Have I understood that correctly?

Mr Peel—That is correct.

Senator CARR—Have these services actually commenced?

Mr Peel—Most of them have. We might not have quite finalised all of the contracts, but most of them have commenced.

Senator CARR—Which ones do you think may not have commenced?

Mr Peel—We are just checking that. The contracts have been signed but there are three small business field officers still to be recruited by some of those organisations.

Senator CARR—Were they net additional services or were they transfer of services?

Mr Peel—They were additional.

Senator CARR—There was no reduction overall to fund these places?

Mr Peel—No.

Senator CARR—Has there been any further expansion of the field officer service since 2005-06?

Mr Peel—No. There were some additional field officers provided in the North Queensland area at the time of the cyclone.

Senator CARR—Will that be ongoing funding for those regions?

Mr Peel—There is an extra one for continuing on.

Senator CARR—I am not sure that I have understood those figures you read out before. You are saying that the total funding for 2007-08 will be \$19.4 million and \$13.1 million for 2008-09. Is that right?

Mr Peel—For 2007-08 the administered funding is \$13.3 million for the Building Entrepreneurship in Small Business program and \$1.47 million for the Mentoring and Succession Planning program. That is 2007-08. So that would be \$14.7 or \$14.8 million.

Senator CARR—Are you saying it rises slightly?

Mr Peel—In 2007-08 it drops slightly from 2006-07 for the Building Entrepreneurship in Small Business program and drops slightly as well for the Mentoring and Succession Planning program.

Senator CARR—Can you explain to me why it drops?

Mr Peel—It is just the way the funds have been profiled over the years. We do have the ability to call forward funds from future financial years if we get sufficient applications, but it is just the way the funds have been profiled. There is no particular reason for it.

Senator CARR—If there is an additional demand can you call forward moneys?

Mr Peel—Yes, depending on when we sign the contracts for the application.

Senator CARR—Thank you very much. That concludes my questions.

CHAIR—Mr Mackey, those officers who are not involved in energy or tourism can be excused. My thanks to your officers for their contribution today.

[3.59 pm]

Tourism Australia

Senator O'BRIEN—Two questions remain unanswered from the previous round of estimates. I will come back to you with the numbers if you are not aware of those.

Mr Mackey—Yes, please. I am not aware of them.

Senator O'BRIEN—I have left the questions back in my office. I will get the details and come back to that.

Mr Mackey—I have been told that all the answers were tabled by the end of last week. Is it possible that they may have been tabled and have not got to you yet?

Senator O'BRIEN—That may be possible.

CHAIR—We did have an issue with some of Senator Carr's answers.

Senator O'BRIEN—I am sorry, I was not occupied with the answers here earlier in the day.

CHAIR—It is not your fault. It is just that they have not got through from the Table Office.

Senator O'BRIEN—In relation to the Australian Tourism Development program, in early December the minister for tourism announced the successful applicants for the third round of the Australian Tourism Development Program and subsequent media reports in the *Financial Review* suggested that there was a political bias in the funding process. Does Tourism Australia have any influence in the funding guidelines that govern the Australian Tourism Development Program?

Mr Peel—AusIndustry actually manages that program.

Senator O'BRIEN—Is the answer no?

Mr Peel—We are involved in administration of the guidelines for the program. Tourism Australia does not have any role except I think we consult them from time to time on particular applications.

Senator O'BRIEN—Were they consulted over which projects were successful under the Australian Tourism Development Program in the last round?

Mr Peel—I do not think so in the last round. The main consultations were with state governments.

Senator O'BRIEN—In the latest agency budget statement, on page 188, there is a list of consumer marketing activities, including the visitor journalist, Aussie specialist travel agent and Aussie enthusiast trade support programs. Can you provide a complete list of all marketing programs that Tourism Australia is involved in?

Mr Buckley—A complete list?

Senator O'BRIEN—Yes.

Mr Buckley—At what level would you like that?

Senator O'BRIEN—I would like a list of the programs and the costings of each of the programs broken down to include staffing costs, recurrent costs and administrative costs.

Mr Buckley—I can do that.

Senator O'BRIEN—Are you taking that on notice?

Mr Buckley—Yes, I will.

Senator O'BRIEN—In the latest agency budget statement on page 192 it states:

Tourism Australia required approximately \$0.3 million in both 2005-06 and 2006-07 through cost recovery arrangements.

Can we be supplied with a list of programs that include some cost recovery and how much each program brought in through cost recovery measures?

Mr Buckley—We can do that.

Mr Noonan—You asked about Tourism Australia marketing programs before. There was a list of marketing programs provided in response to estimates questions from February. I have

the *Hansard* of 16 February, pages E47 to E48, question No. AI46, which lists the programs and also provides the financial breakdown against areas of expenditure for Tourism Australia.

Senator O'BRIEN—Can that be updated? I am not sure of the relevant date of that document?

Mr Noonan—This was for the 2006-07 financial year, so that would have been projections at that stage and it would still be projections at the moment.

Mr Hopwood—Also on pages 207 onwards in the portfolio budget statements there is a reasonable amount of detail in this cost recovery arrangement. Are you are looking for more than that detail?

Senator O'BRIEN—Is that a complete answer as at the current date?

Mr Hopwood—Yes, they detail both the areas of cost recovery outlining the objectives and components et cetera and they are valid as of today.

Senator O'BRIEN—Is that an across-the-board measure? In other words, wherever you can, do you cost recover?

Mr Hopwood—Yes, we do. We have reviewed our full operations and we have identified those two areas which are suitable for cost recovery and that is where we do follow those rules.

Senator O'BRIEN—Do the words 'which are suitable for' mean?

Mr Hopwood—An example of a revenue item which would not be suitable for cost recovery would be a joint cooperative marketing arrangement with another supplier. They fall outside the guidelines. That is what I meant.

Senator O'BRIEN—Where would I be able to access a list of programs, current expense and revenue and cash forward estimates for the current financial year and the next three financial years?

Mr Hopwood—They are in these pages in our section here. We have the total dynamics of our income and revenue. We have not presented anything to date which has a breakdown of that any further. Are you looking at the types of programs going out for the next three years?

Senator O'BRIEN—Out to 2009-10 inclusive, yes.

Mr Hopwood—We will take that on notice.

Senator O'BRIEN—How much of the funding allocation since 2002-03 has been spent on establishing Tourism Australia as a new tourism agency?

Mr Noonan—That question was answered in questions on notice taken from last time. The question reference is AI49 and it sets out the amounts involved in establishing Tourism Australia.

CHAIR—This might be quite a quick session.

Senator O'BRIEN—It could be. Can you point to me where the costings associated with establishing Tourism Events Australia and the Australian Experiences Unit can be found?

Mr Noonan—Yes. Question No. AI50, I think.

Senator O'BRIEN—How much has been spent on rolling out the revitalised Brand Australia campaign in 14 key overseas markets?

Mr Noonan—I think the reference is AI53. There was an initial \$40 million allocated to the international campaign in 2006 and a further \$140 million has been allocated to international activities, including campaign activities, over this financial year and next financial year.

Senator O'BRIEN—So how much in 2006-07?

Mr Noonan—I do not have a split between those two years for the \$140 million figure.

Mr Buckley—I can do that.

Senator O'BRIEN—Can you get that for us?

Mr Noonan—Yes.

Mr Buckley—Yes, we can.

Senator O'BRIEN—How much of the expenditure for the campaign in 2007-08 would be spent in the first half of the year and how much in the second half of the year; or is that a concept at this stage and the subject of—

Mr Buckley—We are fairly close to the end of the 2006-07 year, so we can give an estimate of what that split would be. There is a significant amount of the activity in the second half of the year. We can come back with a—

Senator O'BRIEN—Is any of the spending projected for 2006-07 going to be rolled forward into 2007-08?

Mr Buckley—Not anticipated.

Senator O'BRIEN—Are there any markets in which you believe it is likely that you will change emphasis from 2006-07 to 2007-08?

Mr Buckley—Not significantly. We are looking at the Japan market and the activity there, but the amount of spend is potentially around the same level. We have not finalised our 2007-08 budgets yet.

Senator O'BRIEN—What are the costs for the rolling out of the domestic tourism campaign?

Mr Buckley—There was a response to a question on notice on 27 March 2007, PQON 3078. There is a response to that in part D of that question on notice.

Senator O'BRIEN—What was the response? I do not have that here.

Mr Buckley—It states: 'Tourism Australia has developed a domestic content strategy to create national media platforms to lift the profile and awareness of what an Australian holiday has to offer, whilst also allowing the Australian industry to speak directly to these consumers. The strategy aims to showcase domestic tourism experiences which appeal to the target group in a way that will compel them to choose to take their next holiday in Australia. The activities are focused on delivering opportunities that would otherwise not have happened without Tourism Australia's involvement. The domestic content strategy includes partnerships with Publishing and Broadcasting Limited, PBL, Fairfax, News Limited, the Australian

Broadcasting Corporation, Channel 7 and the Federal Publishing Company to feature Australian holiday content.'

Senator O'BRIEN—What was the cost?

Mr Buckley—The total cost for domestic was just over \$8 million. We have not concluded the year.

Senator O'BRIEN—Is that for 2006-07 or is that just the total—

Mr Buckley—That was for 2006-07.

Senator O'BRIEN—What is the projected for 2007-08?

Mr Buckley—It is still to be finalised.

Senator O'BRIEN—Do you not have a budget for that yet?

Mr Buckley—No, we have not finalised the budget.

Senator O'BRIEN—The last answer we got about the costs of tourism development was up to the end of 2005-06; the expenditure in the first two rounds was \$13.4 million. Is there a later figure that you can point me to?

Mr Noonan—You are referring to the Australian Tourism Development Program?

Senator O'BRIEN—Yes.

Mr Peel—Sorry, would you mind repeating the question?

Senator O'BRIEN—You have advised us that, up to the end of 2005-06, the expenditure on the first two rounds of the Australian Tourism Development Program was \$13.4 million. Can you give us details of any further expenditure?

Mr Peel—In round 3 of the program, \$8.3 million in grants were awarded.

Senator O'BRIEN—Over what period were those grants awarded?

Mr Peel—Round 3 closed on 28 June 2006. The announcement date was 1 December 2006.

Senator O'BRIEN—They were announced last December?

Mr Peel—That is right.

Senator O'BRIEN—Is another round pending?

Mr Peel—Yes. We called applications for round 4, which closed on 27 April, and we would anticipate announcements for those in the next few months.

Senator O'BRIEN—How much is available in that round?

Mr Peel—\$4 million.

Senator O'BRIEN—Is that the last expected round?

Mr Peel—No, the government announced in the budget an extension of the program. The program now runs out to 2010-11.

Senator O'BRIEN—In 2007-08 what rounds are expected?

Mr Peel—It is normally one round a year for the tourism program.

Senator O'BRIEN—A calendar year or a financial year?

Mr Peel—Financial year.

Mr Noonan—There would be \$5 million available in that financial year to run around, and the budget announcement indicated that that \$5 million and \$5 million which will be available in 2008-09 will be focused on projects in drought declared areas.

Senator O'BRIEN—So there will be \$5 million in the 2007-08 financial year?

Mr Noonan—That is right; there is \$5 million in 2007-08 in the budget, and then \$5 million on drought declared areas in 2008-09, but then the regular program is also extended, starting in 2008-09. The exact number is \$8.3 million in 2008-09. So there is a total of \$13.3 million.

Senator O'BRIEN—What is the total in 2007-08?

Mr Noonan—It is \$5 million, and I should say that that takes account of the \$4 million that is currently the subject of deliberations under round 4.

Senator O'BRIEN—‘Takes account’—what does that mean? Is it included in the \$5 million or will it be added to the \$5 million?

Mr Noonan—It will be added to the \$5 million.

Senator O'BRIEN—So you expect that \$9 million would potentially be announced in 2007-08?

Mr Noonan—It depends on the announcements for round 4, but it would be paid out during that time, if you like.

Mr Peel—For round 4 there is \$4 million available for grants. I think Mr Noonan was saying that, in addition to that, in 2007-08 there would be a round for the drought affected areas, which could be up to \$5 million.

Senator O'BRIEN—The \$4 million could be announced in 2007-08 and applications closed on 27 April?

Mr Peel—They closed on 27 April, and I would anticipate that they would be announced early next financial year.

Senator O'BRIEN—Then there is a \$5 million program in 2007?

Mr Peel—Which we have not called a round for yet.

Senator O'BRIEN—Is there anything else in the year 2007?

Mr Peel—In the following year there would be another \$5 million.

Senator O'BRIEN—No, in the year 2007-08.

Mr Peel—Not at this stage.

Senator O'BRIEN—Of the \$4 million—

Mr Peel—\$4 million is available for grants for the round that we have just closed. Then there will be \$5 million available in 2007-08 for drought affected areas and another \$5 million

for drought affected areas in 2008-09, and the program has been extended for three years with an additional \$24.9 million.

Senator O'BRIEN—In 2008-09 there will be \$5 million for drought affected areas and \$8.3 million from the general program?

Mr Noonan—That is right.

Senator O'BRIEN—But that \$8.3 million does not apply in 2007-08?

Mr Noonan—No.

Senator O'BRIEN—Can I have an update on the tourism conservation partnerships initiative up to the end of 2005-06? The expenditure for the first two rounds was \$2 million. What is expected for the years 2006-07, first, if anything?

Mr Noonan—The budgeted figure for 2006-07 is \$1.153 million.

Senator O'BRIEN—What about for 2007-08?

Mr Noonan—The funding for that component of the white paper ceases this year, so there is nothing for 2007-08.

Senator O'BRIEN—There has been one round of the Business Ready program for Indigenous Tourism with expenditure of \$1.4 million up to 2005-06. From the beginning of 2006-07 what other rounds have been progressed or are proposed to be progressed?

Mr Peel—No further rounds are proposed.

Senator O'BRIEN—Is that program at an end?

Mr Peel—The program is due to complete in 2007-08.

Senator O'BRIEN—How much is left to spend?

Mr Peel—In 2007-08 there will be an additional \$947,000 available for grants.

Senator O'BRIEN—When will applications be called for those grants?

Mr Peel—They are payments to the existing mentors. There was only one round to select the mentors, and their contracts go out until then.

Senator O'BRIEN—The payment is already committed?

Mr Peel—Yes.

Senator O'BRIEN—Are they milestone based payments or activity based payments?

Mr Peel—The payment arrangements are quarterly payments subject to satisfactory reporting by the mentors on their activities.

Senator O'BRIEN—Has there been an assessment of the Australian Tourism Development Program?

Mr Noonan—Yes, there has been an assessment of that program. It was conducted in the middle of last year.

Senator O'BRIEN—What was the outcome of the assessment?

Mr Noonan—The assessment found that the program did add value in the sense that the value to the communities where the grants were being implemented exceeded the dollar value. I should also say that, because this evaluation was conducted last year, it had to draw a lot on the previous program, the Regional Tourism Program, because most of the projects that were completed at the time of the evaluation were under that earlier program. It was looking at a mix of the Regional Tourism Program and the Australian Tourism Development Program and found that there was value added—that there were investments happening that would not otherwise have occurred.

Senator O'BRIEN—Was Tourism Australia consulted about the program in that review?

Mr Noonan—Tourism Australia is not directly involved in the administration of the Australian Tourism Development Program. I cannot recall at this stage whether they were a consulted party. But, as Mr Peel indicated, it is the Commonwealth department and we consult with the state officers in the administration of the program.

Senator O'BRIEN—Their view of the program is irrelevant—is that how I should understand your answer?

Mr Noonan—Not at all, but it is a program that deals with grants in localised areas, where we have found that consulting with state and territory tourism bodies is important. Also, AusIndustry involves its regional officers, so people who are closer to the subject of the grant than a national body can be.

Senator O'BRIEN—In terms of the assessment of that program as against the programs run by Tourism Australia, is it the government's view that the program as it stands is more beneficial than if the program moneys were integrated into the national priorities being set by Tourism Australia?

CHAIR—I do not think the witness can comment on policy.

Senator O'BRIEN—Can the minister answer?

Senator Minchin—Sorry, could you ask that again?

Mr Noonan—I would only comment here that you are comparing apples and pears: the marketing programs of Tourism Australia against the infrastructure development objectives of the Australian Tourism Development Program. It would be very hard to compare those two objectives.

Senator O'BRIEN—Is that not a criteria used in the review?

Mr Noonan—The essence of the review was to look at whether the Australian Tourism Development Program was achieving its objectives by stimulating tourism in the areas where the grants were located—so that, where a facility was established as a result of a grant, did that attract tourism and would some of the investments that took place as a result of the program moneys, that is, the matching funds that were contributed by other parties, have taken place if the program had not been available? At least in some cases the evaluation found that they would not have taken place, so in that sense the program was stimulating more tourism investment than just the dollars that were being contributed by the government.

Senator O'BRIEN—On the subject of questions on notice, Mr Ferguson has asked questions 5560 and 5592 in the House of Representatives. Have those been the subject of an answer yet? I think they are overdue.

Mr Mackey—I will have to check on that. I do not know the answer immediately. I will get back to you on that as soon as I can.

Senator O'BRIEN—You do not have a reference to them at all?

Mr Mackey—No, not in the material immediately in front of me, but we can find out.

Senator O'BRIEN—How long will it take you to get that?

Mr Mackey—Sorry, I have just been given a piece of paper which I think answers the question. Could you give me the numbers again, please?

Senator O'BRIEN—They are 5560 and 5592.

Mr Mackey—Neither of those questions has been answered yet.

Senator O'BRIEN—When will we be able to see answers to those questions?

Mr Mackey—I cannot give you a definite date. Both replies are currently being drafted.

Senator O'BRIEN—What is the reason for the delay?

Mr Mackey—I am advised that 5560 is with Tourism Australia for drafting and 5592 is with Minister Bailey's office for processing at the moment.

Senator O'BRIEN—When did it go to Minister Bailey's office?

Mr Mackey—I am not sure.

Ms Kelly—I do not have a date, sorry.

Mr Mackey—I can undertake to give you the exact date—

Mr Noonan—I think I do have a date for these. Number 5592 was submitted on or shortly after 18 May.

Senator O'BRIEN—To Minister Bailey?

Mr Noonan—That is right.

Senator O'BRIEN—And when did 5560 go to Tourism Australia?

Mr Noonan—I do not have any information about 5560, I am afraid.

Senator O'BRIEN—Can you help me, Mr Buckley or Mr Hopwood?

Mr Buckley—I understand the answer has gone back to the ministerial coordination unit of ITR.

Senator O'BRIEN—So it is with the department?

Mr Buckley—Yes.

Senator O'BRIEN—When did it go back to the department?

Mr Buckley—We will have to check. I am sorry; I do not have that information at hand.

Senator O'BRIEN—Perhaps you could check that and we will come back to that. Is there an environmental assessment criteria in the ATDP?

Mr Peel—There are two categories of grant under ATDP which have different eligibility criteria. I do not believe that there are any environmental criteria in either of those.

Senator O'BRIEN—Do you know why that is the case?

Mr Peel—No.

Senator O'BRIEN—From the \$8.3 million under ATDP, of the round 3 payments about \$5 million went into electorates with sitting coalition members. Is there an explanation for the distribution of around 60 per cent of the program to those electorates?

Mr Peel—The applications for the program are assessed by the department and approved by the department. We assess them strictly against the merit criteria. We pay no attention whatsoever to what electorate they might be in, so the outcome is purely a reflection of the merit ranking of those grant applications through our assessment processes.

Senator O'BRIEN—The merit ranking is determined entirely within the department?

Mr Peel—Correct.

Senator O'BRIEN—What role does the minister play in the process?

Mr Peel—The minister announces the outcome of the selection process.

Senator O'BRIEN—Some of the projects funded under the last round included \$100,000 to renovate the Dracula's Haunted House multilevel thriller entertainment walk-through attraction in Mr Ciobo's electorate. How was this considered a worthwhile investment of taxpayers' dollars?

Mr Peel—It was assessed against the selection criteria for the program, compared against other applications and considered to be meritorious enough to warrant a grant.

Senator O'BRIEN—Does the department publish the details of applications that do not succeed?

Mr Peel—No.

Senator O'BRIEN—How would one make an assessment of the merit of that on a transparent basis other than from the department's point of view?

Mr Peel—AusIndustry makes these assessments. We do not publicly provide details of the assessments we undertake. Like any of the programs that AusIndustry administers, we are subject to audit by the audit office and are accountable for what we do, but we do not publish details of the assessments that we undertake.

Senator O'BRIEN—Does the audit office make its own assessment or does it simply look at process?

Mr Peel—The audit office has not done an audit of the tourism program, so I am speaking generally, but it develops terms of reference for each of its audits. In relation to grant programs it checks that we have followed all of the rules and appropriate procedures in assessing applications and awarding taxpayers' money to particular companies. If it thought

that we had not assessed something in line with the provisions that we were required to apply, it would highlight that in its audit report.

CHAIR—I remember the sports rorts affair where the audit office looked at the matters very closely.

Senator O'BRIEN—What, the one from the last election campaign?

CHAIR—The Ros Kelly sports rorts affair.

Senator O'BRIEN—I was thinking of the one from the last election campaign. That was a bigger rort campaign; if indeed the first was anything other than a media described rort campaign. Is \$100,000 to a learn to swim school eligible funding under the program?

Mr Peel—In order to be eligible for funding under the program certain criteria have to be met. First of all there are eligibility criteria that need to be met. It needs to be a private sector business, a not-for-profit organisation, a regional tourism or regional economic development organisation, a peak or national tourism industry association, or a local government agency. It has to be one of those categories of organisation. Then the application is assessed on merit. The merit criteria include the ability to meet the objectives of the program and meet unmet demand, the compatibility with local regional and state tourism strategies, value for money and the capacity of the organisation to deliver the project. If such an application met those criteria then it would be eligible for the program.

Senator O'BRIEN—It must be fairly broad if a learn to swim school at Kurrimine can get \$100,000 under the program?

Mr Peel—I cannot comment on individual applications, except to say that they are all rigorously assessed against the criteria. If that organisation was awarded a grant under the program it would have been tested against all of those criteria that I have just mentioned.

Senator O'BRIEN—Are you saying it is purely coincidence that the minister's electorate of McEwen in Victoria received the maximum amount of \$500,000 for a marketing program?

CHAIR—I do not think that is a reasonable way to put that question. I think you can phrase that differently.

Senator O'BRIEN—I am not sure why I would need to phrase it any differently. What is being suggested is that this is all done in accordance with the guidelines and criteria for the program. I am asking: is it therefore purely a coincidence that the minister's own electorate gets the maximum amount of \$500,000.

Mr Peel—I can say—

Mr Mackey—He has already said that the electorate is not a relevant factor and it is not taken into account in the decision making process.

Mr Peel—But I could also say that no grants were made to the electorate of McEwen in the last round of the program.

Senator O'BRIEN—Round three?

Mr Peel—Sorry, senator. Which minister were you referring to?

Senator O'BRIEN—Minister Bailey.

Mr Peel—You are speaking about Minister Bailey's electorate?

Senator O'BRIEN—Yes.

Mr Peel—No grants were made to Minister Bailey's electorate in the last round of the program.

Senator O'BRIEN—What about the previous round?

Mr Peel—I think the grant that you are talking about was awarded to an organisation in the neighbouring electorate to the minister's electorate but it included activities that crossed the borders. Category two grants under the program typically involve interregional cooperation in promoting tourism initiatives.

Senator O'BRIEN—The entity resided outside of the electorate but conducted work within it?

Mr Peel—Yes, and within other electorates as well.

Senator O'BRIEN—The answer to question 3079 asked by Mr Ferguson was provided late last week. Is that a complete list of the marketing activities and events and PR-related activities conducted by Tourism Australia?

Mr Buckley—That is the range of programs, yes.

Senator O'BRIEN—Is that the list of the activities or is that the range of programs?

Mr Buckley—It is the range of programs that includes the launch and the global campaign, including our consumer marketing activities for 2005-06.

Senator O'BRIEN—What would a complete list of the marketing activities look like?

Mr Buckley—They would break down under those areas.

Senator O'BRIEN—Are each of those areas marketing programs?

Mr Buckley—Yes, they all are.

Senator O'BRIEN—Are there any other marketing programs?

Mr Buckley—I cannot see any gaps in that list.

Senator O'BRIEN—The question asked for a breakdown across the programs. You were suggesting that is not possible. Why not?

Mr Buckley—We believe that this is a commercial activity where we do not want that sort of information going out to competitors. We do not want them to know the sorts of individual amounts that go to certain marketing programs for certain markets. We do not publish that to that level of detail.

Senator O'BRIEN—This is public money you are talking about, isn't it?

Mr Buckley—We provide a breakdown in our annual report which provides a comprehensive view of how we market and where we market.

Senator O'BRIEN—How much did the launch of the new global campaign 'A uniquely Australian invitation' cost?

Mr Buckley—Again, I think that has been answered in a previous question on notice.

Senator O'BRIEN—Why is it not in the answer to question 3079, or identifiably so? Indeed, the answer in 3079 says the figures are budget figures, not actual figures.

Mr Buckley—The answer to question 3078 gives a breakdown of the costs that were incurred by Tourism Australia in formalising the new entity. You are after the costing of the launch of the new campaign?

Senator O'BRIEN—That is what the question asked for and the answer that we are given says:

The figures provided below are budget figures for the 2006/07 financial year and are allocated against the outputs assigned to Tourism Australia ...

Presumably you are giving us what is in the PBS for that year?

Mr Buckley—In answer to 3078 our response was that in 3A, in line with the additional funding granted to Tourism Australia, an initial \$40 million was allocated to the international campaign in 2006. Then it went on to say that \$140 million had been allocated for international activities, including campaign activities over 2006-07 and 2007-08.

Senator O'BRIEN—How much did the launch cost?

Mr Buckley—I would need to take that on notice.

Senator O'BRIEN—Where will I find the list of marketing activities for 2006-07?

Mr Buckley—A detailed list?

Senator O'BRIEN—Yes.

Mr Buckley—At this stage they will come out in our next annual report.

Senator O'BRIEN—That was what question 3079 asked, and what was provided was a list of activities in 2005-06.

Mr Buckley—That was because 2005-06 was the only finalised year. We are still part of the way through 2006-07. We do not have final numbers for 2006-07.

Senator O'BRIEN—As of now do you know what the activities are? That is part one of the answer which was also activities—

Mr Buckley—The activities we do, yes. We do not know the individual dollars because we are still part way through the expenditure process. I will say that the activities will not change significantly between 2005-06 and 2006-07. That is the range of activities we undertake across the marketplace. There may be a couple of minor changes. Things like 'G'Day LA' may be broadened out to 'G'Day USA', which is a slightly broader program.

Senator O'BRIEN—In 2006-07 were any moneys expended on leveraging activities around major events such as the 2006 Commonwealth Games and the Queen's Baton Relay?

Mr Buckley—Some dollars were spent on that program, yes.

Senator O'BRIEN—How much?

Mr Buckley—I would need to take that on notice.

Senator O'BRIEN—What about the global programs including activities with National Geographic and Discovery Channel such as the Great Australian Outback Cattle Drive and similar activities? Were any of those activities performed in 2006-07?

Mr Buckley—Yes, but they are ongoing.

Senator O'BRIEN—How much has been expended to date in 2006-07?

Mr Buckley—I have not got that with me at this point.

Senator O'BRIEN—How long will it take to get that information?

Mr Buckley—Do you want the year-to-date spend on those activities?

Senator O'BRIEN—Yes.

Mr Buckley—I think that it would take a couple of weeks to check it through.

Mr Noonan—In the answer I referred to earlier, AI-46, to Senator Stephens's questions last time, the answer provided by Tourism Australia drew attention to the fact that a lot of the resources for these programs—perhaps not all but a lot of them—are split across projects, teams and indeed across regions, so it was very difficult to provide a breakdown of expenditure of budget across every program. Mr Buckley also referred to the commercial sensitivity of some aspects of it, particularly where we are competing with other national tourism organisations' marketing activities.

Senator O'BRIEN—This is about expenditure of public money. There is nothing in the estimates process that allows for the refusal to answer questions without a very clear statement about it failing the public interest test. I hear nothing in your comments that indicates it is the subject of public interest immunity.

Mr Noonan—I was not suggesting that. I was just referring to an answer to what seems to be a similar question to the one that you are now asking. There was a breakdown of expenditure given in that answer. It was under the output structure rather than by reference to particular programs, presumably for the reasons that the answer advanced.

Senator O'BRIEN—It may be that there is an endeavour not to answer the question directly, but I do not think that is acceptable. That is why I am raising this issue now. The answer to question 3079 does not answer the question in either of its parts. As I have indicated, part one was about activities in 2006-07 arising from the portfolio budget statement of 2006-07, and the answer contained a range of events recited for 2005-06.

Mr Noonan—I cannot comment on answer 3079, but it looks as if all we could do would be to take on notice the question that you now raise and do what we can to answer it.

Senator O'BRIEN—It is taking on notice a question on notice that has already not been answered. What assurance can we have that we are going to get an answer? I am hearing about another question that has been sitting in the minister's office since March.

Mr Mackey—I recall you started off by asking if all the questions arising out of the last additional estimates had been answered. All of the questions from the last additional estimates have been answered, and one of those questions is the one to which Mr Noonan is currently referring.

Senator O'BRIEN—They were in the last week, outside of the dates required, weren't they?

Mr Mackey—They were tabled by the end of last week.

Senator O'BRIEN—So they were outside of the date required. They were late.

Ms Kelly—The answer to question AI-46 does contain projected expenditure for 2006-07 and, if it would assist, we can table that for your information.

Senator O'BRIEN—Thank you. Again, funnily enough, it is very similar to the answer to 3079. In other words, it certainly does not answer the questions that were asked in 3079. I cannot speak for the questions put on notice in the additional estimates hearings. But, if you are saying that assists, then the answer is that it does not, because it still does not answer the question. For example, it still refers to the programs which Tourism Australia undertook in 2005-06.

Mr Buckley—I am reading estimates for the financial year 2006-07 in that table.

Senator O'BRIEN—Yes, it gives some figures for 2006 allocated against the outputs assigned to Tourism Australia in the 2006-07 agency budget, not allocated against the activities as requested.

Mr Buckley—No. It was difficult to actually bring that together in those activity descriptions, and we have presented them around the major programs within the output areas.

Senator O'BRIEN—Are the numbers known? Are you not telling us because you do not know them?

Mr Buckley—No. This is the way in which we capture summaries of the major expenditure of our program. Tourism events, partnership marketing and trade events are all key activities for Tourism Australia conducted around the world, and this is the way in which we can provide an accurate estimate of the programs which are currently being expended.

Senator O'BRIEN—Are you saying that Tourism Australia does not have a budget for the sorts of activities that are listed in both of those answers, AI-46 and 3079?

Mr Hopwood—We have budgets for projects which deliver those activities. We have separate budgets for the cost of running offices, which have a multitude of these projects. In order for us to go down a level we have to effectively do a matrix of share of staff costs, allocate the staff to the premises, et cetera, to get an answer to these particular questions. That is point one. Point two is that we believe this is public information. If we got down to that level our competitors would see, for instance, the cost of a particular cooperative activity in any given market, and that gives them quite a large amount of information. What we have here is a higher level summary, which is quite generic. This does give us an indication of the type of allocation for this activity but does not go down to the subsets below this, which I think I am hearing is what you are wanting.

Senator O'BRIEN—If there is a budget, for example, for the Caravan Safari Trails pilot program, are you saying that there is not one budget but several budgets for each program?

Mr Hopwood—It would be one budget for that particular program. There would be a separate budget for the share of staff whose time has been allocated to that and then their

share of resources, given their time allocated to that particular project, because they are not dedicated staff to that; they are also involved in significant other projects as well.

Senator O'BRIEN—It is not unusual within government departments for officers to be engaged on a variety of projects, but for there to be even in the PBS allocation of moneys to the department for administration of a program and for administered items, which seems to be on all fours with what you are saying. In other words there are components of a program which are listed in other agencies in the PBS. What I am asking in relation to these programs is for the same level of information. Surely it is not so hard to find for your financial managers that you have got to delve into the bowels of the organisation's records to get this information out.

Mr Buckley—I feel that the Caravan Safari Trails example is a fairly simple one. It is when you move into cooperative marketing programs where we market in 23 markets around the world and we have 14 offices around the world. When you try to break those down by activity it is a very hard thing to do. That is not the way in which we manage the projects.

Senator O'BRIEN—What about by program?

Mr Buckley—You have got the overarching programs in that list. Basically they are the broad programs that Tourism Australia currently operates under. So in those three output areas they are our key programs. If you are equivalent to a department those are the program areas, and activities fall underneath those.

Senator O'BRIEN—The total costs, the staffing costs, administration costs and corporate program costs are separate items that can be broken down as well, can they?

Mr Buckley—Yes.

Mr Hopwood—In the information provided we have separated those for each of our outputs. My understanding is that that would be the equivalent of what you see for a department. It is the next level down below that which we are saying gives a lot more detail.

Senator O'BRIEN—You have given me 'Sydney corporate expenses support' as a single item, not allocated across programs, which you just said you do.

Mr Hopwood—Yes, and you will see above that 'In region for us', which is our terminology, so that would be the share of the cost of the marketing environment overseas. That means within the marketplace, within each individual overseas country. In addition to that, Sydney is the only place where we have a corporate environment which we allocate costs out for. That is why we have called it that.

Senator O'BRIEN—You would have budgets for things like the Caravan Safari Trails, the National Landscapes program, the Aussie Specialists Program and Aussie Enthusiasts Program?

Mr Hopwood—Correct.

Senator O'BRIEN—G'day USA, as it is now called?

Mr Hopwood—Yes.

Senator O'BRIEN—The Visiting Journalists Program?

Mr Hopwood—Yes.

Senator O'BRIEN—No Leave, No Life?

Mr Buckley—Yes. It is as a single project.

Senator O'BRIEN—Why can we not have those?

Mr Hopwood—Again, the accumulation of the costs that were allocated for the staff and the share of overheads for each one of those is not readily identifiable. To try and find you a grouping which matches the way we do our accounting, we have got outputs 1, 2 and 3.

Senator O'BRIEN—Are you saying that there is not a document for each program that sets out a budget for each program?

Mr Hopwood—There is for an individual marketing cost but not for the allocation of staff and overheads for each one of those individual programs.

Senator O'BRIEN—How do you know what each program costs, or don't you?

Mr Hopwood—We know the direct costs.

Mr Buckley—That is what we are struggling with in responding to the answer. What we do have is a project-by-project costing, but that does not include remuneration or overheads that we might allocate to that particular project. They are only the discretionary costs, if you like, of that project. That is the challenge. We can give you a list of those dollars but cannot split back to a proportion of remuneration or a proportion of overhead costs for each project. That is not the way in which we run the accounts.

Senator O'BRIEN—You have a global budget for staff costs and administrative costs and you do not allocate any of those costs to individual programs? Is that what you are saying?

Mr Buckley—We do not allocate it to individual projects. You are getting down to a project level.

Senator O'BRIEN—No, I am talking about programs, because that is the word you used in your answer.

Mr Buckley—We can deliver it for programs, but you are talking about projects like Caravan Safari Trails or VJP, which is not a program in our terms.

Senator O'BRIEN—Minister Minchin signed off an answer to this and said that they are programs, so who is right? That is the word you used in the document.

Mr Buckley—Maybe that is the terminology that I am using which is different to yours. What we have is the ability to be able to give the expenditure by project. We cannot link out the remuneration or the overheads for a specific project.

Senator O'BRIEN—So you do not know what these projects cost then?

Mr Buckley—We do know the project costs up to a program level, if that makes some sense.

Senator O'BRIEN—I understand your answer, but your answer means that you do not know the cost of these programs or projects, or however you want to describe them, because

you say that you do not attribute costs from your global administration budget to those programs. That seems to contradict what you said earlier.

Mr Buckley—We do to a certain level, and we have provided that in those outputs that you have in front of you. We do not when it gets down to an individual project like the Caravan Safari Trails project. It is only part of a person's time. It is part of a rental cost and part of our individual overheads.

Senator O'BRIEN—Did Tourism Australia draft the answer to 3079 and 3081?

Mr Buckley—Yes, we did.

Senator O'BRIEN—In that answer, unless it has been changed since you drafted it, there is constant reference to programs. You keep talking about projects instead of programs. I am completely baffled as to how you have now described what were programs as projects and about what you are saying about cost attribution.

Mr Buckley—If you took Tourism Events as an example, that is a program in our terminology. If you talked about the 'tourism event campaign launch', that is a project under that program, which would use the staffing from Tourism Events Australia; it would use the overheads for that program to deliver that project. So it is a series of projects that actually sum up to a program.

Senator O'BRIEN—So the 'trade and business events program' is a program or a project?

Mr Buckley—Where are you referring to that?

Senator O'BRIEN—That is the seventh dot point on the first page of 3079. It is also the dot point in about the same position on AI-46.

Mr Mackey—I understand your question. Tourism Australia is saying that in that particular case the word 'program' is in the title but by their definition it is in fact a project.

Senator O'BRIEN—So the 'trade and business events program' is a project or a program?

Mr Buckley—Unfortunately it is one of the activities that we took. We were trying to answer the question specifically. We listed a range of activities that Tourism Australia undertook. That was in 2005-06 and then what we tried to do was provide the expenditure, if you like, under what we would call a program summary. We were attempting to answer your question in that first part, which was about activities—what was the range of activities? We can do that but I cannot give you the dollars at that sort of level in the way you want it. I can do it under a program/project type structure, which is the way in which we manage our finances.

Senator O'BRIEN—So you have a series of programs and under those programs sit a number of projects? Is that how I should understand it?

Mr Buckley—Correct.

Senator O'BRIEN—And your administration costs are attributable to the program and not the project?

Mr Buckley—Yes.

Senator O'BRIEN—How many programs have you?

Mr Buckley—How many programs?

Senator O'BRIEN—Yes. Could you identify the programs that you have? Let us start with that.

Mr Buckley—The list that you have has that answer, which is under outputs 1, 2 and 3.

Senator O'BRIEN—So is 'strategy and research' a program?

Mr Buckley—A program.

Senator O'BRIEN—And is 'corporate expense and support' a program or attributable to 'strategy and research'?

Mr Hopwood—That is an allocation of the expenses and support to output 1. If you look at your outputs, we have three outputs and the first one relates to strategic insights, strategy research et cetera. In this particular answer we wanted to balance to the outputs which are recorded in the portfolio budget statements, so we are showing you the allocation of that cost to that output. In an output such as No. 2 that has several programs, we have given you the breakdown of the programs and the allocation of the corporate expenses. Again, it balances through to the portfolio budget statements. I think what I am hearing from you is that you would like that allocation down one more level, and we can certainly look at that and provide that.

Senator O'BRIEN—So you can tell me the projects that sit under these programs and the attributable costs, excluding the corporate—

Mr Buckley—Excluding the overheads.

Senator O'BRIEN—'Corporate expenses/support' is the overhead that you are describing?

Mr Buckley—That is right.

Mr Hopwood—Yes.

Senator O'BRIEN—And you are telling me that when you do a budget for a project you do not attribute costs to the project. Is that right?

Mr Buckley—We do not attribute remuneration or some of the overhead costs like a support cost. Everything else gets—

Senator O'BRIEN—Rolled in.

Mr Buckley—Yes, because basically staff will be working on many projects, not just one project.

Senator O'BRIEN—For those programs did you have a projection of expenditure over the out years?

Mr Buckley—No, we do not budget that way. At this level it is in our annual operating plan. That has not been signed off yet for 2007-08; it is close to it. We do not project out by program.

Senator O'BRIEN—You have a global budget for 2007-08, I presume?

Mr Buckley—We have a global budget for 2007-08; that is correct.

Senator O'BRIEN—Is it in any way allocated to these programs at this stage?

Mr Buckley—In draft it is. It has not been signed off by the board. It has not been endorsed by the minister.

Senator O'BRIEN—When will that happen?

Mr Buckley—During June.

Senator O'BRIEN—Where you show a gross and a net figure, can you explain that?

Mr Hopwood—The net figure is the apportionment of the appropriation we receive from government. To that we add any particular revenue we receive, and I gave the example for a cooperative marketing activity. When you add that extra revenue into the appropriation we have a higher level of spend that we actually incur. We call that the gross expenditure.

Senator O'BRIEN—Are those figures known for 2007-08?

Mr Buckley—We do an estimate of revenue for 2007-08 as part of the operating plan process. I stress that it is an estimate, because some of those are based around cooperative marketing initiatives that would not be put in place until 2007-08, when we can then negotiate with co-op partners.

Senator O'BRIEN—Can you update this schedule at the completion of your budget process?

Mr Mackey—Yes.

Mr Buckley—Yes.

Senator O'BRIEN—In relation to the projects that sit under each program, I take it that you can give us the detail of which projects sit under which program—and identifying which one?

Mr Hopwood—Yes.

Senator O'BRIEN—Can you identify the project cost for each one of those projects?

Mr Buckley—Yes, we do that.

Mr Hopwood—Yes.

Senator O'BRIEN—Can you do that for this committee?

Mr Buckley—We can. It is a lot of detail.

Senator O'BRIEN—I would appreciate it if you would. I think we have been trying to get that information for a little while.

Mr Buckley—That is for 2007-08?

Senator O'BRIEN—Yes, and, if it exists, for 2006-07 as well. I am taking it from your answers that you have not yet made any decisions about 2008-09 or 2009-10?

Mr Buckley—That is correct.

Senator O'BRIEN—But you would be able to tell us what your global budget is for those years?

Mr Buckley—Which budget?

Senator O'BRIEN—Global.

Mr Buckley—Global budget, yes, certainly. We have an allocation for that, although we have not done estimates in terms of gross. We have not taken the revenue out that far.

Senator O'BRIEN—So it will be the net figure only?

Mr Buckley—Yes, it would be the net figure only.

Senator O'BRIEN—In relation to the corporate expenses and support, can you give us an insight as to why the attribution is as it is? For example, \$6.074 million for output 1 net, and \$7.251 million for output 1 gross. For output 2, \$5.143 million and \$5.755 million. Output 3 is \$6.675 million and \$7.465 million.

Mr Hopwood—Yes. Again, these are based on share of total costs, which we allocate to these programs, or outputs in this case. In this particular area we are talking about support costs, which include rental income in offices overseas. We share our premises with various state tourism organisations, and we incur the total cost, which is the gross, of that rent and we pass on and bill the various states for their share. We get a revenue item, and that would be the difference between the gross and the net figure. Because this is an allocation process through the various outputs, that sharing of the costs or the revenue would be allocated out to the outputs.

Senator O'BRIEN—It is just that obviously output 3 is boosted by PR and international media, but the costs are similar, or in the same ballpark, as the other outputs. So it is not as intensive a program to manage; is that how I should understand that?

Mr Hopwood—For output 3, are you saying?

Senator O'BRIEN—Yes.

Mr Hopwood—Because of the size difference?

Senator O'BRIEN—Yes. In-region marketing is the big number difference in terms of program size, I suppose, compared with the other two outputs.

Mr Hopwood—That is right. That is effectively of our core operations in the marketing, output 3, correct.

Senator O'BRIEN—So about a third of your costs are spent on your core operation and two-thirds on those outside the core?

Mr Hopwood—That is correct. Could you say those figures again?

Senator O'BRIEN—Output 3 totals \$102 million.

Mr Hopwood—That is correct.

Senator O'BRIEN—Or \$118 million. Output 2 is \$14.8 million and \$20.1 million. Output 1 is \$16.3 million and \$19.7 million. But the administration or corporate expense support costs range between \$5.1 million and \$6.6 million net or \$5.7 million and \$7.4 million. So there is not a great variation.

Mr Hopwood—The thing to note is that in output 3 there is a significant expense for the cost of our media placement for our advertising. That does not, of course, involve a huge amount of staff to do media placement, but there are just the staff who run the programs, just as we had staff running output 2 and output 1.

Senator O'BRIEN—But you describe output 3 as your core business?

Mr Hopwood—Yes. Core business principally, plus also where the majority of the dollars are spent, but not necessarily where there is the predominance of staff time.

Senator O'BRIEN—Mr Buckley, you are quoted in the *Financial Review* on 15 May this year—this month—in an article titled 'They sure aren't coming to Australia', which says that that is your first interview since you succeeded Scott Morrison in November. That is a long time between interviews with the chief executive officer of Tourism Australia. Why is that?

Mr Buckley—It might have been my first *Australian Financial Review* interview, not interview per se.

Senator O'BRIEN—They took it that because you were talking to them it was your first interview, did they?

Mr Buckley—Yes.

Senator O'BRIEN—Have you had a number of other media interviews?

Mr Buckley—I have.

Senator O'BRIEN—There have been five media releases from Tourism Australia this year; is that right?

Mr Buckley—I would have to check. I do not have the numbers with me.

Senator O'BRIEN—Does Tourism Australia have to seek permission from Minister Bailey before you can give an interview?

Mr Buckley—Yes, they are all coordinated through the minister's office.

Senator O'BRIEN—Is Tourism Australia satisfied with the amount of media coverage it receives?

Mr Buckley—It is difficult to answer. You would always like more exposure of the goods things the organisation is doing.

Senator O'BRIEN—You are not unhappy with the level of coverage?

Mr Buckley—No, not at all.

Senator O'BRIEN—Does the minister's office have to approve media releases from Tourism Australia?

Mr Buckley—Yes, they do.

Senator O'BRIEN—How long does it take from the time of submission to get a media release approved by the minister's office?

Mr Buckley—There is no set time. It is quite quick.

Senator O'BRIEN—Have any media releases proposed to be released not been released because the minister did not approve them?

Mr Buckley—I am sure there are some, but we are constantly putting up ideas, as everyone does, and it is about the appropriate timing and opportunities.

Senator O'BRIEN—Could you let us know how many you put up and how many have actually been released?

Mr Mackey—I think, with respect, you are getting close to asking us to comment on the policy advice we give to the minister. It is a more iterative process, I think, than you are implying there.

Senator O'BRIEN—I do not think we are getting to policy advice at all. I am asking for the number of proposed media releases and how many are approved. That is not asking the content of any of them, and certainly not of ones that were not approved.

CHAIR—Senator O'Brien, if those press releases or draft press releases are part of that process then I think—

Mr Mackey—If I was asking—

CHAIR—Mr Mackey, let me finish.

Mr Mackey—If I was asking about content—

CHAIR—Let me finish. If that is the situation then I think Mr Mackey's comment has some justification.

Senator O'BRIEN—Frankly, I am not asking about the content. I am asking about the number, and that therefore completely removes it from the area of advice. I could not possibly know what was in the ones that have not been released. I have not asked. I am asking for the number.

Senator Minchin—It is legitimate for Senator O'Brien to ask any question he likes about what the government, through the tourism agency, says on tourism. To ask about internal draft press releases that are not released seems to me going way beyond the bounds of normal inquiry by this committee. He is entitled to ask questions about what is released and how it is released and the content of material that is released, but not about things that are internal that may or may not have been approved.

CHAIR—Mr Mackey's request was that these form part of advice between Tourism Australia—

Senator O'BRIEN—That is absolute, arrant nonsense.

CHAIR—Would you please let me finish?

Senator O'BRIEN—You are repeating what you said before. It is nonsense.

CHAIR—Please do not interrupt the chair when I am addressing a matter that has been raised with me with respect to the minister. It seems to me that if it is forming part of that advice then it is legitimate for Mr Mackey not to answer that question.

Senator O'BRIEN—That is an abuse of the process of chairing this committee, because I have asked for activity—the number of activities—not the detail. If that precedent is going to stand then the estimates process will be a farce.

Senator WEBBER—That is nowhere near the detail.

CHAIR—Senator O'Brien, I think I have given you ample opportunity this afternoon—

Senator O'BRIEN—This is just another cover-up.

CHAIR—I object to that comment and I ask you to withdraw it.

Senator O'BRIEN—You would not do that if you were not intending to cover up.

CHAIR—I ask you to withdraw that, please.

Senator O'BRIEN—The refusal to answer is a cover-up.

CHAIR—Would you please withdraw it?

Senator O'BRIEN—I have not made any reflection on you.

CHAIR—You have. You have reflected on my role as chairman. I ask you, please, to withdraw it.

Senator O'BRIEN—I have not done so, but if you believe that I have I am happy to withdraw any reflection that you believe—

CHAIR—Thank you.

Senator O'BRIEN—But I persist that it is a cover-up in terms of the refusal to answer those questions. In terms of any ruling that these matters form advice, that is bizarre.

Senator WEBBER—We have not even gone to the area, and were not intending as far as I am aware, of what it was about. It is just a number. If from now on we are told that how many press releases a government agency may or may not draft goes to policy advice to government, I think, Chair, you need to think very carefully about that ruling.

CHAIR—What I have said—if you would listen closely—is that if Mr Mackey is saying that some of these draft press releases form part of advice to the government then he does not believe it appropriate to do so. Senator O'Brien, I would have thought, could quite easily ask: 'Are there any press releases that were not in the category of forming part of advice to government?' and he would then get the response as to whether there were or were not any. And if they were not part of it then the question is quite legitimate.

Senator WEBBER—So we are not allowed to know how many? Is that what you are saying?

CHAIR—I think Senator O'Brien has heard what I have said.

Senator O'BRIEN—I heard what you were saying. Does Tourism Australia normally advise the minister by way of draft media release?

Mr Buckley—We had a constant interaction with the minister's staff on those matters. There is daily interaction.

Senator O'BRIEN—You interact with the minister to provide the minister with information about the activities of Tourism Australia?

Mr Buckley—It goes both ways.

CHAIR—Senator O'Brien, I was not suggesting that those press releases are the advice. I think what Mr Mackey was saying is that there are occasions where advice from Tourism Australia to the minister includes some draft press releases. If that is right, it is legitimate for the officer to not answer the question. If you were to ask the witness whether there are any

press releases that did not form part of advice that were not released, I think that would be quite a legitimate question.

Senator O'BRIEN—Perhaps I will phrase my question a different way. Does Tourism Australia submit media releases to the minister that the minister releases as her own?

Mr Buckley—We submitted advice to the minister's office on a whole range of issues, which might or might not include the opportunity to do a media release on that issue.

Senator O'BRIEN—In the process of drafting media releases and submitting them to the minister, does the minister take that media release from time to time and release it as her own?

Mr Buckley—I cannot answer that.

Senator O'BRIEN—In providing advice to the minister, are you saying that you provide that advice from time to time in the form of a draft media release?

Mr Buckley—Advice might or might not also include a draft media release.

Senator O'BRIEN—A draft media release?

Mr Buckley—Ideas on a draft media release. We constantly have issues and opportunities and there is a constant interaction. It is a two-way process by which media releases are developed.

Senator O'BRIEN—Going back to your earlier answer, that you need to seek the permission from the minister before Tourism Australia can issue a press release, is the submission of a draft media release for approval of the minister's office something that you would categorise as advice to the minister?

Mr Buckley—Invariably it is part of a briefing process; that is correct.

Senator O'BRIEN—So everything you send to the minister is part of a briefing process, even your draft media releases?

Mr Buckley—Usually it forms part of a briefing exercise; that is correct. We do not ever send a draft idea of a press release without a briefing process that gives the minister some understanding of where it fits.

CHAIR—I think that was the answer. That is the ultimate answer to the question.

Senator O'BRIEN—I am not sure that it is. In terms of the process, is it fair to say that when you submit a draft media release, you submit that with a brief of advice?

Mr Buckley—It is fair to say that is the case.

Mr Mackey—Yes.

Senator O'BRIEN—So they travel together to the minister's office?

Mr Buckley—They might or might not travel together.

Senator O'BRIEN—They usually travel together?

Mr Buckley—What I am saying is that it might fall out of the briefing process that an opportunity arises then for the minister to issue a press release from that advice.

Senator O'BRIEN—I am not asking about the minister's press releases so much as the draft media release proposed to be issued by Tourism Australia that you submit to the minister.

Mr Buckley—Absolutely; it would be briefed as well.

Senator O'BRIEN—There would be a brief with that as well?

Mr Buckley—Yes.

Senator O'BRIEN—So the brief would be the advice?

Mr Buckley—The brief would be the advice.

Senator O'BRIEN—In the context of that answer, I think we are entitled to know how many media releases are not approved by the minister, because the advice—

Mr Buckley—Advice to the minister?

Senator O'BRIEN—No, media releases, not advice. If you are choosing not to answer, I think this matter needs to be referred to the Clerk of the Senate.

Senator Minchin—Chairman, I think the position is clear. As to the issue of whether a statement made about a subject either by the minister or Tourism Australia would constitute advice from Tourism Australia to the minister, and the nature of any public statement to be made on that matter and who might or might not make that statement, whether it is Tourism Australia or the minister, this goes to a decision to be made ultimately by the minister. It clearly constitutes internal working documents between an agency of the government and the minister's office, and the convention in these committees is that such material is not made available.

Senator O'BRIEN—The convention is that the subject matter is not, but often the detail of the activity, in this case an approval process, is.

Senator Minchin—Yes. The process has been detailed to you, but you do not get advice on how many briefs of recommended action to a minister are approved and not approved in any portfolio. It is a nonsense, and that is really what this amounts to.

CHAIR—Are you asking to take this matter on notice?

Mr Mackey—No.

Senator Minchin—I do not think it should be taken on notice at all, because I do not think it is appropriate to be pursuing it.

Senator O'BRIEN—Refer it to the clerk.

CHAIR—You are asking for this question to be pressed, are you?

Senator WEBBER—Yes.

Senator O'BRIEN—I would like an answer. I do not believe it falls within the realm of advice as we know it. If it does, it is a very unusual precedent and that is why I would like the assistance of the clerk in relation to the matter.

Senator WEBBER—As a member of the committee, I am happy to refer it to the clerk.

CHAIR—It is actually a matter that can be referred straight to the committee for decision now. If that is what is being requested, then I think we ought to do that.

Senator O'BRIEN—I am not asking for the committee to break and consider it. I will write to the clerk myself.

Senator WEBBER—That is right.

CHAIR—You will do that as a separate part of this process.

Senator O'BRIEN—Absolutely.

CHAIR—But if you are pressing this witness to answer the question, this committee can meet now and decide whether we are going to press the witness for an answer. We will adjourn temporarily and we will have a private meeting.

Proceedings suspended from 5.32 pm to 5.42 pm

CHAIR—I will resume the hearings. The committee has resolved that Mr Buckley will not be pressed to answer that particular question. Senator O'Brien?

Senator O'BRIEN—I think I have already said I will write to the clerk about this. What is Tourism Australia's proposal in relation to a solution to our problem of the ailing Japanese market?

Mr Buckley—It is threefold. The first is to work very closely with the key partners and major wholesalers and airlines that are involved in the Japan market. We have formed an advisory group to look at ways in which we might work together. The second is that we are very much looking to evolve a coordinated campaign that will ensure there is integration and coordination across Australia to market to the Japan market. We need to bring together the industry for Australia rather than be marketing in separate pieces. Clearly the market is a significant challenge at the moment due to a number of economic factors making it quite hard in which to be able to grow that market.

Senator O'BRIEN—Namely the currency rate?

Mr Buckley—That is one of the major ones. We have had a 16 per cent increase in the exchange rate over 12 months. One of the critical issues, we understand, about the Japan market is that a lot of the market is the group market; it is based around tour packages and brochures. Brochures are in the marketplace at a certain price going back almost 12 months. In the Japan market you are unable to change that price; you must fulfil that. With a 16 per cent increase in the cost, if you like, we at least suspect that both the wholesales and the airlines are struggling to make a profit in that area.

Senator O'BRIEN—Does that mean the wholesalers and the airlines are withdrawing product?

Mr Buckley—No, they are not. But it is a challenge for them.

Senator O'BRIEN—So the prices have not gone up despite the currency—

Mr Buckley—The prices in the packaging have not gone up; that is right. They will go up very shortly. Again, the new brochures will be out. For the FIT market—just if you wanted to

buy a straight airline seat—yes, the prices go up, but not in the package area, where a lot of the challenges are.

Senator O'BRIEN—Is there a 12-month period for packages, and how long have they been running for?

Mr Buckley—They are just about to change now. There are two selling periods in Japan, two seasons.

Senator O'BRIEN—The minister is quoted in the *Herald Sun* as saying that she conceives of a proposal that would get funding from Tourism Australia's \$193 million marketing budget. Is that right? Is that going to happen?

Mr Buckley—Can you repeat that statement? Our annual marketing budget is about \$134 million or \$135 million.

Senator O'BRIEN—Sorry, this is for the show—

Mr Paterson—I think you will find that the comment that was attributed to the minister was referring to the \$193 million additional funding that was provided for in the recent budget.

Senator O'BRIEN—So it was funding from the additional \$193 million?

Mr Paterson—You made reference to a comment that was attributed to her in the press, and I think it referred to 193—

Senator O'BRIEN—I can tell you what it said. It said:

Ms Bailey could not say how much the show would cost, but it would get funding from Tourism Australia's \$193 million marketing budget.

Mr Paterson—I think you will find that the comment should have been attributed to the additional funding that was provided to Tourism Australia in the most recent budget.

Mr Buckley—Yes.

Senator O'BRIEN—That was not an accurate reference, is that what you are saying?

Mr Paterson—That would be correct.

Senator O'BRIEN—This is for a Mr Yoshino Kimura to star in a new taxpayer funded Australian soap opera?

Mr Buckley—I think it is very early days in the development of that concept.

Senator O'BRIEN—That is Ms Bailey's concept, according to this article.

Mr Buckley—It was certainly an idea stimulated by the minister, which we are now starting to explore further.

Senator O'BRIEN—How much of the marketing budget has been considered for putting towards such a project?

Mr Buckley—None at this point. We will look at it when we have better numbers.

Senator O'BRIEN—Is it true to say that the Tourism Australia advertising campaign in Japan was failing so badly that all ads relating to the campaign were pulled in December last year?

Mr Buckley—That is incorrect. In fact, we have been in the marketplace with TV advertising over this current period with the ‘So where the bloody hell are you?’ campaign.

Senator O’Brien—When you say the ‘current period’, do you mean the entire year or part of the year?

Mr Buckley—No, I am talking about in the April/May period. We had some scheduled—

Senator O’Brien—Were there ads in December or January?

Mr Buckley—I would have to have a look at the schedule. We normally do them in two bursts. There was some advertising, I know, in the September-October period. I would have to look and see what our program was, but we are certainly in the marketplace now with advertising.

Mr Buckley—I have a schedule at the moment and it talks November-December advertising.

Senator O’Brien—Was there any in January?

Mr Buckley—No.

Senator O’Brien—February?

Mr Buckley—No.

Senator O’Brien—March?

Mr Buckley—No. April, yes. And that is typical of adverts around key buying times—planning times for the consumer.

Senator O’Brien—What is the significance of April?

Mr Buckley—We will start to stimulate the market for the next buying period, which is called the Shimoki period, when you start to get people exploring opportunities for Australia.

Senator O’Brien—Who makes the decision on those campaigns?

Mr Buckley—It is a combination of our marketing team in Japan with our media buying agency. Its name is Carat. We have a branch of Carat in Japan that provides media advice on the planning and the communications mix.

Senator O’Brien—Do they make the final decision?

Mr Buckley—We make the final decision. They put up a proposal.

Senator O’Brien—Do you have to get the approval of the minister?

Mr Buckley—Not for the individual campaigns. Once we have approved the campaign budget, not for the individual timing or flighting of the campaigns.

Senator O’Brien—Was the November-December campaign approved specifically by Tourism Australia in Australia?

Mr Buckley—Yes, that is correct. And in Japan.

Senator O’Brien—They made a proposal and you approved it?

Mr Buckley—That is correct. So the management signed that off.

Senator O'BRIEN—The April-May campaign, again, was approved by Tourism Australia in Australia on a recommendation from Japan?

Mr Buckley—That is correct.

Senator O'BRIEN—That is in the lead-up to the marketing year, but you do not know what the price structure will be for packages?

Mr Buckley—No, they are in development now—the brochures for the next selling period.

Senator O'BRIEN—Have you got any idea? Surely you would not go into a marketing campaign without knowing what sorts of price increases might be—

Mr Buckley—No, I do not. The wholesalers do not confide with their pricing, because it is around both the ground and air costs. They do not give us an idea, because it is obviously very competitive, and we have got four or five major wholesalers that sell Australia.

Senator O'BRIEN—Will the budgeting for this Japanese soap come from your marketing program?

Mr Buckley—It possibly will come from the marketing budget—at least a component. We would look at ways in which we will form partnerships to make this happen. It is not something that we would do on our own, but we are not at a point yet where we have any idea what the cost of that idea will be. We will bring that back.

Senator O'BRIEN—So there are no formative numbers?

Mr Buckley—Not yet, no.

Senator O'BRIEN—Who is doing that work?

Mr Buckley—Part of it is occurring in house, and then we have some proposals coming in from producers and others with ideas. Then the next step would be to actually go into Japan to negotiate with the TV stations.

Senator O'BRIEN—There are a number of TV stations?

Mr Buckley—Potential stations that you would go to to pitch a proposal like this.

Senator O'BRIEN—It is not just about the Yoshino Kimura soap opera?

Mr Buckley—No. You have got a concept that you take to a network. You pitch that concept to the network and they either take that on or do not take that on.

Senator O'BRIEN—What is the budget for that sort of conceptual work?

Mr Buckley—We have not formed a budget for that yet.

Senator O'BRIEN—When would you be doing that?

Mr Buckley—In the next month to two months as we work through the ideas that are on the table at this stage.

Senator O'BRIEN—That is part of the work that output 3 is doing under the current financial year?

Mr Buckley—That who is doing?

Senator O'BRIEN—Output 3.

Mr Buckley—Output 3. At this stage we have no major expenditure in that process. It is an idea/concept.

Senator O'BRIEN—Who is doing the work on it? You keep talking about work being done.

Mr Buckley—Our media agency, Carat, is looking at it. Our in-market consumer marketing person is looking at the opportunity, and our marketing team here in Sydney will play a role in that process.

Senator O'BRIEN—In the future?

Mr Buckley—In the future. We are picking up those ideas. It is very early days in the development of it.

Senator O'BRIEN—It is not something the minister is looking for a cameo role in, is she?

Mr Buckley—No comment.

Senator O'BRIEN—In February the minister launched for Tourism Australia the Reenergise in Australia campaign/project?

Mr Buckley—Yes, that is right. The Business Events campaign/Business Tourism campaign, depending on which term you use.

Senator O'BRIEN—Is that a campaign that you can give us a breakdown of the costs on—marketing, for example?

Mr Buckley—I can give you that breakdown. It is approximately a \$2.6 million campaign, which we indicate.

Senator O'BRIEN—That does not include administrative costs, or does it?

Mr Buckley—That would include some production costs, yes.

Senator O'BRIEN—Production costs, but not staff of Tourism Australia costs?

Mr Buckley—No, not within that cost. It is the straight campaign.

Senator O'BRIEN—Are there any outcomes as yet?

Mr Buckley—No, it is too early. We launched it in February. It was primarily a direct marketing campaign, so it takes a while for it to be placed with all the intermediaries and potential decision makers.

Senator O'BRIEN—Was that the program where a colour diary was provided to the world's top decision makers?

Mr Buckley—We certainly provided an iPod.

Senator O'BRIEN—An iPod?

Mr Buckley—It had a whole range of motivating images that connected through to our website—a dedicated Business Events website. We used that as an incentive piece to get them interested. These are the major companies around the world; we potentially would look for them to be running incentive programs in Australia.

Senator O'BRIEN—There was not a diary; it was an iPod?

Mr Buckley—I cannot remember a diary as part of the process. Sorry, I am wrong there. There was a diary involved in it as part of the collateral that went out.

Senator O'BRIEN—There was a diary and an iPod?

Mr Buckley—Sorry?

Senator O'BRIEN—A diary and an iPod?

Mr Buckley—The iPod was only to the decision makers and—

Senator O'BRIEN—The diary was more widely distributed?

Mr Buckley—That is correct.

Senator O'BRIEN—How many diaries did we distribute?

Mr Buckley—I cannot tell you off the top of my head.

Senator O'BRIEN—Can you take that on notice?

Mr Buckley—I can.

Senator O'BRIEN—And how many iPods?

Mr Buckley—I can get those figures to you.

Senator O'BRIEN—They are all within the \$2.6 million figure?

Mr Buckley—They are part of the cost.

Senator O'BRIEN—Is there much left?

Mr Buckley—It is a direct marketing campaign, so it is very much about getting that sort of material into the hands of the consumer. It is not like a TV.

Senator O'BRIEN—I am just trying to get an understanding of whether that is substantially the campaign or is there a lot more to it?

Mr Buckley—No, there is a lot more to it than that, because there is database marketing, and there are several direct mail follow-up pieces. I can give you a breakdown of the nature of the campaign if you desire.

Senator O'BRIEN—Yes, please. What about G'day USA? What has happened this financial year with G'day USA?

Mr Buckley—G'day USA ran in late January 2007. Tourism Australia was a key investor in Australia Week. We ran a range of programs in both Los Angeles and New York; an Australia Week in LA and an Australia Week in New York—for the first time this year in New York. It was an extension of the G'day LA event program and very successfully got a huge amount of media attention for Australia and for Australian tourism.

Senator O'BRIEN—Was the minister involved in the program in the United States in January?

Mr Buckley—Yes, she attended.

Senator O'BRIEN—How many events did the minister attend?

Mr Buckley—Can you repeat that? How many?

Senator O'BRIEN—Events. I assume there was a program of events?

Mr Buckley—I do not know the exact number off the top of my head, but most of the events.

Senator O'BRIEN—That was over how many days?

Mr Buckley—There was two weeks. It was not quite a full two weeks. It was about 12 days in total.

Senator O'BRIEN—Twelve days.

Mr Buckley—She was there the whole time.

Senator O'BRIEN—Did the minister's travel come out of Tourism Australia's budget, the program budget, the project budgets or departmental costs?

Mr Paterson—None of the above.

Senator O'BRIEN—Who paid those costs?

Mr Noonan—Ministerial travel expenses are under the department of finance.

Senator O'BRIEN—Would the department of finance have covered all of the costs associated with the minister's visit?

Mr Noonan—All of the ministerial travel costs.

Senator O'BRIEN—Accommodation?

Mr Noonan—Yes. If an event is organised by Tourism Australia, then Tourism Australia would carry those costs.

Senator O'BRIEN—I am not sure what that means. The event presumably—

CHAIR—Sorry, how is this relevant to this particular—

Senator O'BRIEN—G'day USA program, Tourism Australia.

CHAIR—You have already been advised that the department did not pay for this. I am just wondering—

Senator O'BRIEN—Yes. I am asking whether there were other matters that they did cover. I am not asking about the department of finance matters. I am trying to disseminate those that might still be here. I just want to get an idea of which of the minister's costs, if any, have been borne by the department or by Tourism Australia in relation to this 12-day event?

Mr Noonan—I am not aware of any costs that would be borne by this department or by Tourism Australia. Perhaps I should check on the question of ground transport costs. I am just not sure where the boundary line lies between DOFA responsibilities and Industry, Tourism and Resources responsibilities.

Senator O'BRIEN—If there has been ground transport, can you get us a breakdown of the costs—

Mr Noonan—Yes.

Senator O'BRIEN—for each item?

Mr Noonan—If there have been ground transport costs I can tell you what they are.

Senator O'BRIEN—For each ground transport event presumably?

Mr Noonan—I am not sure whether such detailed records would be available, but I will certainly provide what can be obtained.

Senator O'BRIEN—You will provide whatever is available?

Mr Noonan—Yes, I will provide what it is possible to obtain.

Senator O'BRIEN—If the department has paid for it. I am not asking you for something that you have not paid for. But if you have paid the bill you will know, will you not?

Mr Noonan—I understand.

Senator O'BRIEN—Question on notice 3947 asked the Minister for Small Business and Tourism about the minister's travel. An answer was provided as to airfares, travel advances, accommodation, ground transport and incidentals. Is there a reason why in this case we would need to ask the department of finance?

Mr Noonan—Can you give me the context of that question?

Senator O'BRIEN—It was in relation to a ministerial trip to London in March 2006 concerning Britain's Broadcast Advertising Clearance Centre's difficulties with the Tourism Australia 'So Where the Bloody Hell Are You' campaign.

Mr Noonan—We would have obtained that information from the department of finance to answer that question.

Senator O'BRIEN—It was not clear from the answer that that was the case, and nor does the answer make that clear, I might say. In this case the department does not have that information, it is all held in the department of finance? Sorry, this is in the case of the G'day USA trip?

Mr Noonan—I am aware that there has been a question asked about G'day USA, and I am just not sure where we are up to as far as getting that information and preparing it goes. But we would follow a similar way to before. We would endeavour to answer that question by asking the department of finance if they were able to help us.

Senator O'BRIEN—I see. Thank you for that. In March this year the British Advertising Standards Authority ordered the removal of a 'So Where the Bloody Hell Are You' billboard from its location on a motorway as it was deemed offensive, which I guess is the second time the campaign has come under review by British authorities. What actions were taken by Tourism Australia following the controversy surrounding the possible ban by British regulators of 'So Where the Bloody Hell Are You' campaign early last year?

Mr Buckley—With respect to the outdoor decision?

Senator O'BRIEN—With respect to the campaign generally—because, as I said, that is the second occasion. The billboard thing is the second big fence we have come to in relation to that campaign. What actions were taken following the February 2006 altercation?

Mr Buckley—February 2006 was the original, and we voluntarily moved it to a post 9.30 timeslot, which was acceptable.

Senator O'BRIEN—That was all that was required?

Mr Buckley—That was all that was required. The billboards had already completed their time up after the decision was made. We would need to go back to the authority to get approval for any further outdoor, but there are no other concerns by the authority on other mediums.

Senator O'BRIEN—It is just strange that a year after this first ban we strike a second one about the ad being offensive.

Mr Buckley—It was in a different medium. We used outdoor. The thinking was that that was outdoor on roads, where there were adult drivers.

Senator O'BRIEN—Yes, but you cannot restrict them until after 9.30, can you?

Mr Buckley—That was the point that they made, and it was based on 32 complaints.

Senator O'BRIEN—Did you have to take the ads down?

Mr Buckley—The ads were already gone.

Senator O'BRIEN—The advertising period had been paid for and finished?

Mr Buckley—That is correct.

Senator O'BRIEN—They ordered them removed after they were removed?

Mr Buckley—They were responding to the complaints, yes.

Senator O'BRIEN—Did you tell them, 'We've taken them down; you're too late'?

Mr Buckley—I think they knew exactly what the situation was.

CHAIR—Were they complaints from any particular group?

Mr Buckley—We did not get that information; only the number of complaints.

Senator O'BRIEN—It might have been some strange religious group.

CHAIR—With 32 signatures.

Senator O'BRIEN—When the first problem occurred in February 2006 did Tourism Australia undertake communications with the British Advertising Authority regarding what was and was not acceptable?

Mr Buckley—We did and got guidelines from them and, as I said, we voluntarily pushed the advertising to a timeslot that was acceptable to them and they were quite comfortable then.

Senator O'BRIEN—Did you ask them about the billboards?

Mr Buckley—Not at that stage, no.

Senator O'BRIEN—Why not?

Mr Buckley—There seemed to be no reason to do that at the time.

Senator O'BRIEN—When you had the discussion with Advertising Standards Authority—

Mr Buckley—You do not take the advertising to them on an approval basis.

Senator O'BRIEN—No, but you had one problem. You did not run through the rest of the campaign to ensure that you were not going to have another?

Mr Buckley—We looked at those issues. We thought this would be acceptable given where it was placed and—

Senator O'BRIEN—So we did not ask?

Mr Buckley—We did not ask them, no. They do not provide that sort of advice. They respond to complaints and other issues. They are not an advisory body in that sense.

Senator O'BRIEN—Are you saying that you cannot get advice from them as to what would or would not be acceptable, particularly in circumstances where they found an advertisement unacceptable in a particular time slot?

Mr Buckley—We might be able to seek that but I would suggest it would be the circumstances around it that would make the difference. I do not know that to be case.

Senator O'BRIEN—It seems strange, if you know what the structure of your campaign is going to be and you have had a problem, that you do not check each step to ensure that there is not going to be another major problem along the way. Are you saying you did not do that?

Mr Buckley—No, we did not do that in the case of this output.

Senator O'BRIEN—What about anything else? Did you check anything else?

Mr Buckley—No, we used our media agency to advise us on where is the most appropriate place to actually place our media around those issues.

Senator O'BRIEN—So there was always a possibility that the authority could ask you to withdraw an advertisement, take a billboard down or cease publication in newspapers or the like if they found something unacceptable?

Mr Buckley—That is true of every piece of advertising in Great Britain.

Senator O'BRIEN—Was it possible for you to check with the authority before the campaign commenced as to what was acceptable and what was not acceptable?

Mr Buckley—I cannot answer that. I would have to check what role they might or might not have been willing to play in that process. I do not know the UK advertising environment well enough to be able to answer that.

Senator O'BRIEN—Does Mr Hopwood know?

Mr Hopwood—No, I am sorry, I do not.

Mr Buckley—I can find that out as to what role they play and whether they do provide that sort of service. Our media agency provides us with the recommendation.

Senator O'BRIEN—I would be happy if you found out because it would help all of us. Have the advertisements in their various contexts been banned in any other country or required to be changed in any other country?

Mr Buckley—They are adjusted in a number of countries, yes.

Senator O'BRIEN—Does that involve consulting with the regulator?

Mr Buckley—In some cases that is true. There has been some consultation.

Senator O'BRIEN—Which countries?

Mr Buckley—Malaysia and Singapore.

Senator O'BRIEN—Is it fair to assume that Tourism Australia or its agents in those countries would have consulted before the placement of advertisements?

Mr Buckley—The agency?

Senator O'BRIEN—Yes, the agency.

Mr Buckley—We would have worked off the advice of our media agency in that region to give us advice on what would be acceptable and not acceptable to the authorities.

Senator O'BRIEN—Are Malaysia and Singapore the only other countries where you have had to change advertisements?

Mr Buckley—We have adapted the advertisements in language terms.

Senator O'BRIEN—I mean to accommodate cultural differences or sensitivities.

Mr Buckley—They are the only two that I am aware of off the top of my head. I would have to check to see whether there were any others that we knew of for that particular reason.

Senator O'BRIEN—Does that mean a reshoot of the advertisement?

Mr Buckley—No.

Senator O'BRIEN—It is just the voice over?

Mr Buckley—And the tag line.

Senator O'BRIEN—Does that mean the omission of some images?

Mr Buckley—Yes, in some cases. In cases like Malaysia you cannot show a beer.

Senator O'BRIEN—Beer?

Mr Buckley—Yes.

Senator O'BRIEN—B-E-E-R?

Mr Buckley—Yes. Alcohol. Strong Muslim countries carry those sorts of issues.

Senator O'BRIEN—Can you show some of the beach scenes from the advertisement?

Mr Buckley—We can. We have got to be careful with girls in bikinis.

CHAIR—Ain't that the truth.

Mr Buckley—That is standard. You adjust to the cultural nuances in each country. That is always the case in everything you do.

Senator O'BRIEN—You might want to review the *Hansard*.

Mr Buckley—Thank you, I will.

Senator O'BRIEN—Is there any indication that you can give us as to the costs of modifying advertisements for these cultural sensitivities or differences?

Mr Buckley—It would be a challenge to do that. It was always planned that we would adjust these in different markets as we did the research, so it was not as though it was an added production cost; it was part of the production of the advertisement for that market.

Senator O'BRIEN—Did you have to show them an iteration of the advertisement and get their approval before it was shown?

Mr Buckley—In some markets that is true. You send it for approval.

CHAIR—As we should be, we are very aware of those cultural and religious sensitivities. If you 'do the right thing', for want of a better term, in relation to that do you get a greater response to those advertisements—I mean, if you go through all the right processes?

Mr Buckley—If it is culturally connected. If you are at odds with the culture you get a lesser response than if you do if it is culturally aligned. Is that what you mean?

CHAIR—Yes.

Mr Buckley—That is certainly the case and we are always trying to make sure, without losing the Australianess and the unique Australian invitation process, that we are able to get that across, but it needs to be within the cultural boundaries of the country.

CHAIR—If you push it too hard do you get some negative responses?

Mr Buckley—That is a potential outcome.

Senator O'BRIEN—This question is for the department. I wanted to ask about the tourist refund scheme.

Mr Noonan—Yes.

Senator O'BRIEN—Four years after a review was foreshadowed and followed a press release on 9 August 2005 by the Assistant Treasurer and the Minister for Tourism announcing a review of the administrative arrangements for tourist shopping, we have heard nothing further. Can you tell us what has happened? Can you give us an update of the review?

Mr Noonan—The review has been completed and in the budget papers relating to the Treasury portfolio some of the outcomes were announced in terms of a measure. The changes that are foreshadowed there are enabling private providers to provide tourist refunds with approval for refunds and compliance to remain a government function, extending the period during which travellers can purchase goods and be eligible to claim a refund of GST and wine equalisation tax through the tourist refund scheme from 30 days to 60 days, and a number of other measures.

Senator O'BRIEN—Does that require state cooperation?

Mr Noonan—Yes, it does. Amendments to the GST will require the unanimous agreement of the states and territories.

Senator O'BRIEN—Has that been obtained?

Mr Noonan—No. It has been sought.

Senator O'BRIEN—When was it sought?

Mr Noonan—The letter was from the Assistant Treasurer. I cannot give you the exact date, but from recollection it was earlier this year and discussion with the states are continuing.

Senator O'Brien—Have any states responded?

Mr Noonan—Yes, a number of the states and territories have responded.

Senator O'Brien—Have any agreed?

Mr Noonan—I am not sure I should indicate that at the moment. Discussions are continuing and it would be too simplistic to answer yes or no to that question. Most of the states and territories are seeking further discussions and information.

Senator O'Brien—So there is no agreement to date. We cannot categorise the situation that the states have yet agreed?

Mr Noonan—Certainly not.

Senator O'Brien—How much did the review cost?

Mr Noonan—I do not have a costing for the review. A number of agencies participated in it, which included us, Treasury, Department of the Prime Minister and Cabinet, Customs and the Australian Taxation Office.

Mr Paterson—I do not want to interrupt the flow of the questions. I know the anticipated break is 6.30 pm. My colleagues from Tourism Australia have the Australian Tourism Exchange, which is our largest global tourism event that is scheduled years in advance and which is on this week, and they would like to be in a position to get a 6.55 flight to Brisbane tonight if that can be arranged.

CHAIR—Thank you for raising that matter. I must say the committee has accommodated the request for a four o'clock start today and I have no intention of determining when Senator O'Brien does or does not finish.

Mr Paterson—I understand that.

CHAIR—I appreciate the position but we have accommodated a four o'clock start, and I do not think it is reasonable for Senator O'Brien's questioning—

Senator O'Brien—I understand we are breaking at 6.30 and I am not certain that I will need to go past 6.30 with Tourism Australia. I will put the rest of those questions that are unanswered on notice so that they can get back to their minister and the exchange, which is very important.

Mr Paterson—Absolutely.

CHAIR—What time is the flight?

Mr Paterson—6.55.

Senator Minchin—There is no way that you will make it.

Mr Paterson—With accommodation by people at Canberra airport it can be achieved.

CHAIR—You had better send me their names and address.

Senator O'Brien—Good luck. So the budget papers make provision for this process but not all the states have yet agreed to it?

Mr Noonan—The budget papers foreshadow that it requires state and territory approval and say that the changes are to be implemented as soon as practicable after that agreement is achieved.

Senator O'BRIEN—The budget impact is notionally dependent upon those responses?

Mr Noonan—That is right.

Senator O'BRIEN—Who does the advertising work for Tourism Australia in Australia?

Mr Buckley—M&C Saatchi, if there is any need for creative; they are a very different program.

Senator O'BRIEN—Who does market research, public opinion polling, strategic counselling campaign and communication services?

Mr Buckley—There are a wide range of suppliers. Our brand tracking is Taylor Nelson Sofres—that is global brand tracking. We have ACNielsen doing some of the work for our national visitors survey and international visitors survey, so there is a wide range.

Senator O'BRIEN—Are they the main ones?

Mr Buckley—Yes, they would be the two biggest suppliers. We tender out every project.

Senator O'BRIEN—Do you have a list of acceptable tenderers?

Mr Buckley—We use the government panel of market research providers.

Senator O'BRIEN—Do you draw widely from that list?

Mr Buckley—Yes, we do.

Senator O'BRIEN—Can you give us on notice details of expenditure on that range of issues by firm?

Mr Buckley—By the company?

Senator O'BRIEN—Yes.

Mr Buckley—Yes.

Senator O'BRIEN—For 2006-07?

Mr Buckley—Yes. It would be a bit of an estimate in 2006-07 because we are not finished. The year 2005-06 or 2006-07?

Senator O'BRIEN—Both, please. What has the latest brand tracking of the 'Where the Bloody Hell Are You' campaign revealed?

Mr Buckley—We provided that at the last estimates.

Senator O'BRIEN—Has it been updated since?

Mr Buckley—No.

Senator O'BRIEN—Are there any individual countries where you have done any updated research—for example, China or New Zealand?

Mr Buckley—No, not in recent times. We use the brand tracking to help us understand the changes there.

Senator O'BRIEN—What is happening with the 'No Leave, No Life' campaign at the moment?

Mr Buckley—We are finalising a report on that program right now and we have consulted with all the partners involved and tried to do a survey on effectiveness. That has been a process of gathering all of that information. It is close to completion in terms of the report and that will then provide a recommendation to the board and they will give it to the minister on where to next.

Senator O'BRIEN—Is Tourism Australia considering any other options to encourage domestic tourism?

Mr Noonan—That is a question more for the department. There is a domestic action plan being produced for the Tourism Ministers Council and that involves the Commonwealth department. It also involves Tourism Australia and all the state and territory tourism bodies.

Senator O'BRIEN—Is that a matter that is before the ministerial council?

Mr Noonan—That is right. The plan is being drafted at the moment and will be submitted to ministers for their consideration.

Senator O'BRIEN—Is there a committee of officers doing that?

Mr Noonan—That is right.

Senator O'BRIEN—How much has been spent to date on work on the 'No Leave, No Life' campaign?

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

Senator O'BRIEN—Is it fair to say that the detail on the number of hits on your website plays an important role in making assessments about marketing campaigns by country?

Mr Buckley—It is one key indicator of action taken from the campaign, but also understanding what the consumer is looking for.

Senator O'BRIEN—There was a previous answer by Minister Bailey regarding the Tourism Australia website which stated that in the 12-month period from 1 February 2006 to 1 February 2007 there were 6.9 million hits to australia.com and also 1.5 million visits to the dedicated campaign website, but it then concluded that the total number of visits to Tourism Australia websites over the period was 7.4 million. Those figures do not add up, so I was hoping you would explain them for me?

Mr Buckley—I would have to look at that and try to understand those two areas. One could be about whether you measure it in unique visitors or whether you measured it in total visitation. I am not sure. I would have to look at those numbers and try to explain that.

Senator O'BRIEN—I take it Tourism Australia has the numbers of hits by countries?

Mr Buckley—Correct. And we have a separate section in the website which is dedicated to having a look at the campaign and then we have a section where you can send off postcards, so it is a kind of viral extension of that campaign. It is quite separate or is a subset if you like of the australia.com site.

CHAIR—Thank you for that. Senator O'Brien, do you require the Tourism Australia officers to be back at eight o'clock?

Senator O'BRIEN—No.

CHAIR—Thank you. You are excused.

Mr Paterson—I will table two documents.

CHAIR—You can go Mr Buckley.

Mr Buckley—Thank you.

Mr Paterson—I would like to table two documents. One is a replacement response to a question that Senator Carr asked earlier in the day, which is a table on questions in relation to the R&D tax concession. He also sought this morning some detailed responses to questions dealing with project management services and I table a response to that question on the information we have available. Both of them have been prepared quickly on the basis of the best evidence that we have available to us at the moment but they are tabled on an 'errors and omissions excluded' basis and we will correct them if we find them.

CHAIR—I understand. Thank you. They will be circulated to committee members. As it is 6.30 we will resume at eight o'clock.

Senator O'BRIEN—I will put other questions on notice.

CHAIR—I thank the tourism officers for their attendance and we will do resources at eight o'clock.

Proceedings suspended from 6.31 pm to 8.02 pm

CHAIR—We will resume these hearings with the officers from Resources and Energy.

Senator CHRIS EVANS—There are a couple of things in the budget measures that I was not quite clear about. One is the wind turbine industry assistance package and its relationship to ethanol production. On the face of it, it seemed a bit counterintuitive. It is the ethanol production and the wind turbine industry assistance.

Mr Peel—Towards the end of last year a company called Vestas in Tasmania announced that it was closing its wind assembly facility in north-west Tasmania. As a result of that the government received representations from two parties that were affected by the closure asking if the government could provide some assistance to them. The level of assistance that they required was around about \$700,000. The government agreed to look at their requests and that \$700,000 was taken from savings in the ethanol program, as you pointed out.

Senator CHRIS EVANS—Is it usual to organise your finance like that? I know Senator Minchin always takes a keen interest in these things, but a program to fund wind turbine industry assistance—

Mr Peel—It is not unusual to move money around between programs and between needs if a particular area is likely to underspend in that year, rather than seek new money.

Senator CHRIS EVANS—What were these two organisations that you funded?

Mr Peel—One of them was a company called Aus-Tech Composites based near Burnie, which received a grant of \$47,000.

Senator CHRIS EVANS—What do they do?

Mr Peel—They are using the grant to assist in the development of new fibreglass components for the caravan sector, which allowed the company to continue with its operations without any loss of jobs.

Senator CHRIS EVANS—They were a supplier to the wind turbine operation?

Mr Peel—They were.

Senator CHRIS EVANS—And the other one?

Mr Peel—The other one did not proceed, so the only expenditure will be the \$47,000.

Senator CHRIS EVANS—Who was the applicant?

Mr Peel—We do not usually give out details of the applicant, particularly if grants do not go ahead.

Senator CHRIS EVANS—You have asked us to approve expenditure. You put a proposal under a program that has got nothing to do with it and then you do not want to tell me who you want to pay the money to. It seems a little unusual.

Mr Peel—We are not going to pay it.

Senator CHRIS EVANS—Why are you seeking budget approval?

Mr Peel—At the time that it was put there we thought we were going to require it.

Senator CHRIS EVANS—Has this happened since the budget?

Mr Peel—That is correct. It is since it was put together.

Senator CHRIS EVANS—You are not prepared to tell us to whom you were likely to make the grant?

Mr Peel—I could ask the company if they would be prepared for their name to be released.

Senator CHRIS EVANS—I take it they were a supplier also to the wind turbine operation?

Mr Peel—They were seeking to use the facility to create another business and employ the people that worked there.

Senator CHRIS EVANS—I see. So they were not a supplier as in the other company?

Mr Peel—No.

Senator CHRIS EVANS—This was an alternative—

Mr Peel—It was an alternative use for the site to retain employment in the area which did not proceed.

Senator CHRIS EVANS—And you were going to fund them for the balance?

Mr Peel—\$620,000, yes. That was the idea.

Senator CHRIS EVANS—So where will that money turn up next year?

Mr Peel—It will just go back to consolidated revenue.

Senator CHRIS EVANS—Senator Minchin will be pleased to hear that.

Senator Minchin—Are you sure of that?

Senator CHRIS EVANS—You might want to take a check on that. So basically why did you have the underspend on the wind turbine industry funds?

Mr Peel—Do you mean the ethanol production?

Senator CHRIS EVANS—Yes. Sorry, I meant under the ethanol production.

Mr Peel—Simply because the companies that are getting funding under that program did not produce the amount of ethanol that they estimated they would produce during the year so we revised the estimates on that.

Senator CHRIS EVANS—What is the global view on what has happened with the ethanol budget?

Mr Sexton—In the 2006-07 year to date we have paid out \$24,507,277, which represents about 64.251 million litres. That compares with 40.324 million litres in the previous financial year as a whole.

Senator CHRIS EVANS—Production is up by a half. So you have spent \$24 million in 2006-07. What is the budget for the year?

Mr Peel—The 2006-07 budget is \$50.278 million, so there is likely to be a significant underspend.

Senator CHRIS EVANS—Is the 2006-07 figure up to the end of April?

Mr Sexton—It is up to 27 April.

Senator CHRIS EVANS—What is your estimate for the year? Would it be around 30 million?

Mr Sexton—In litres it will be around 82 million to 83 million litres.

Senator CHRIS EVANS—And in dollars?

Mr Sexton—About \$32 million.

Senator CHRIS EVANS—You are going to have an \$18 million underspend?

Mr Sexton—That is what we expect.

Senator CHRIS EVANS—That is an expected underspend on the ethanol production measure. You sought to move \$600,000 odd of that into other measures but you have only used \$47,000. What happens to the \$18 million if you do not spend it on wind turbine projects?

Mr Sexton—It gets returned to consolidated revenue.

Senator CHRIS EVANS—Do you have a budget for next year?

Mr Peel—The budget for 2007-08 is \$63.4 million.

Senator CHRIS EVANS—I will ask a couple of quick questions before Senator Boswell comes in because I got a bit lost last time on all of this. I read the *Hansard* and it did not help. I am not blaming the officers or Senator Boswell but it did seem to go around a bit. What does that tell us about what is happening with the ethanol?

Mr Peel—According to the estimates that we have received the companies are telling us that they are expecting to produce more next year.

Senator CHRIS EVANS—More importantly, what is the underspend telling us?

Mr Peel—The underspend is telling us that their estimates last year were more than they actually did.

Senator CHRIS EVANS—Is there any reason why we would think that they would be on track next year if there is a significant underspend this year? I am trying to get a sense of what is happening? Do we think that there is going to be less happening than anticipated or is this a one-off 2006-07 problem?

Mr Sexton—I do not believe so. The low point under the scheme was 2004-05 where they only produced 22.667 million litres, so it has been rising strongly since then and we are about to go into a round of new grants contracts. They operate under three-year grant contracts. We are about to go into a new round of contracts and their forecasts are more bullish than this. It looks like we will continue to see a rise in their ethanol production.

Senator CHRIS EVANS—But not at the sort of paces that you budgeted for?

Mr Sexton—They are telling us at the moment that a figure of \$63.4 million in 2007-08 is probably sufficient. They are talking about large increases.

Senator CHRIS EVANS—Despite not being close this year, you are still confident that the budget will—

Mr Sexton—We are expecting it continue to rise strongly.

Senator CHRIS EVANS—Would it require that budget or not?

Mr Sexton—At this stage I believe so.

Senator CHRIS EVANS—That is quite a significant increase. This year it looks like it is going to cost you \$32 million and you are still confident that effectively it is going to double next year?

Mr Sexton—It has doubled between 2005-06 and 2006-07. It has gone from about 40 million litres up to in excess of 80 million litres.

Senator CHRIS EVANS—I know I am being critical, but clearly this year's forecast is not close and I am trying to understand why not and why you are confident that next year's will be, not in terms of the dollars but in terms of what is going on.

Mr Sexton—Their projections for this year were made about three years ago, so it has taken some time for these people to ramp up.

Mr Hartwell—I can add a little to the broad picture on ethanol. Essentially it is a combination of the fact that the retail outlets for ethanol blends are rolled out by the various petroleum retail companies and as a result of the Ethanol Distribution Program and the Biofuels Capital Grants Program where some of the ethanol assisted projects come on stream. We would expect over the next two years that there would be a significant increase in the amount of ethanol available to the market.

Senator CHRIS EVANS—This should not be seen as reflecting some of the concern that has been expressed about the barriers to getting ethanol onto the market?

Mr Hartwell—No. I think you would see that, while there is always an element of consumer confidence around ethanol, the fact that major petroleum retail companies have increased the number of outlets as I mentioned and are prepared to now put this more actively into the market, it would lead you to the conclusion that we will have much more ethanol in the market.

Senator CHRIS EVANS—What about the suggestion that they are dragging their heels and that their commitment is not what it should be?

Mr Hartwell—We would expect over the next 12 months at least, on the information available to us, that there is something like 500 retail outlets which will either be selling ethanol or biodiesel blended fuels, and that is a significant increase on the number of retail outlets that were doing this two years ago.

Ms Taylor—Minister Macfarlane held an ethanol roundtable last week at which each of the oil majors gave a bit of an update on what they were doing in terms of rolling out ethanol. Shell indicated to the government that it was rolling out two to three sites per day and had a target of 250 sites by Christmas. BP indicated that it was hoping to put out another 80 to 100 sites in New South Wales. Mobil for the first time indicated that they were looking at retailing ethanol blends in Queensland. Woolworths indicated they were expecting to have 10 ethanol retail sites by the end of May and Caltex indicated that it has got over 100 service stations selling ethanol blend petrol and is rolling out its new generation diesel, which is the diesel with two per cent biodiesel in it. Generally the mood was fairly buoyant in terms of production and sales of ethanol for the coming year.

Senator CHRIS EVANS—Did I see one report where they were characterising it as the minister calling them in to give them a kick up the pants basically about this, or is the department happy with the progress?

Ms Taylor—Essentially in terms of the production targets the biofuels production figure for 2006 was 106 megalitres and that was well within the interim milestones which were announced by the Prime Minister in December 2005. That was part of the biofuels action plan, which was put forward by oil majors, retailers and independents.

Senator CHRIS EVANS—What was the benchmark figure set then?

Ms Taylor—There was a range with a low and high growth scenario of 89 to 124 megalitres of biofuels for 2006 and the actual number was 106 megalitres, with a forecast for that to double in 2007, so by all accounts it appears that those targets will be met by 2010.

Senator CHRIS EVANS—Thank you for that. I have another budget related question. Can someone explain to me the HIsmelt rephasing of administered funds?

Mr Hartwell—This goes back to April 2002 when the government announced \$125 million grant payable in three tranches to HIsmelt for multiuser infrastructure in Kwinana. The project has had some start-up difficulties and a number of the payments have been rephased during the course of the project. At this point in time the government has paid out \$80 million of that \$125 million and essentially the department had earlier extended the time

to qualify for the production payment to end in 2005. That led to a movement of moneys into 2005-06, which was then expended. The movement to administered funds, if you are talking about page 28 of our portfolio budget statement for 2007-08, essentially is because while HIs melt still might meet the milestones in the payment they are not going to meet it this particular year, so it is being rephased into next year.

Senator CHRIS EVANS—I have not followed this before. Can you take me through how much we have paid them and when?

Mr Hartwell—We have paid two amounts. The first amount was \$50 million. That was paid on 22 November 2005 and the second amount was paid—I will check my figures here—

Senator CHRIS EVANS—Was it \$30 million in 2006-07?

Mr Hartwell—Yes, on 28 July 2006.

Senator CHRIS EVANS—I have got two or three different versions of this obviously as you have changed the funding. So how do we get to the \$125 million?

Mr Hartwell—Essentially that was the figure originally announced, but there was a series of three tranches and a couple of component parts within one of those tranches. In terms of the payments, they could only be made during the life of the project depending on certain milestones being met and, because there have been some technical difficulties with the project, it has been rephased a few times from one financial year to the next. But at this point in time, as I have said, we have paid \$80 million of the \$125 million.

Senator CHRIS EVANS—I will come back to the benchmarks. Is it still the case that you intend paying them another \$45 million?

Mr Hartwell—That depends on them meeting certain milestones. The intention was to pay out \$125 million but, as I have said, there were milestones to be met.

Senator CHRIS EVANS—Putting the milestones to one side, though, is the global budget still \$125 million?

Mr Hartwell—Yes, the global budget is still \$125 million.

Senator CHRIS EVANS—Providing they meet the milestones, do you intend to pay them the \$125 million?

Mr Hartwell—That would be the intention consistent with the contractual arrangements.

Senator CHRIS EVANS—You have a contract but you keep revising the phasing. Is that right?

Mr Hartwell—That is correct.

Senator CHRIS EVANS—Have they met their obligations to be entitled to the first two payments?

Mr Hartwell—Yes.

Senator CHRIS EVANS—Did they meet those prior to them being paid?

Mr Hartwell—Yes.

Senator CHRIS EVANS—What is the impact of us having paid and then the progress having been delayed? Does that mean only the third tranche is a problem or are we concerned that we have not actually got value for money from the money we have already expended?

Mr Hartwell—We would suggest that we have got value for money. Certainly there has been production from the HIs melt facility and there has also been work done to license this technology overseas. So in terms of what was implied in the contract, I would suggest to this point in time we have got value for money, yes.

Senator CHRIS EVANS—What is the third tranche benchmark?

Mr Hartwell—We are taking some of this on advisement because some of the details of the contractual arrangements in relation to the third tranche of payments are confidential.

Senator CHRIS EVANS—Looking at the answers that you have given to various people on notice over the last couple of years, there are a lot of inconsistencies in the answers. You have clarified for me the first two. Mr Tanner and somebody else asked some questions but we have had trouble working out just what is going on. When have you budgeted for the remainder of the HIs melt money to be allocated? Where is it in the budget papers, and in which year?

Ms Sewell—Under the conditions of the contract we still have two lump sum payments potentially available to HIs melt to call upon. The figure that you started off with is the request that \$20 million of that be rephased to next year. The other money has potentially up until the end of this year. It is currently sitting in this year's budget, so it potentially has up to 30 June for HIs melt to call upon that amount.

Senator CHRIS EVANS—There was \$20 million in the 2006-07 year allocated?

Ms Sewell—We paid \$30 million in July 2006. We potentially have another \$25 million this year to pay out.

Senator CHRIS EVANS—What year did the \$20 million that was rephased come out of?

Ms Sewell—That has been rephased from this year, 2006-07, to 2007-08.

Senator CHRIS EVANS—You paid them \$30 million in July 2006. You were supposed to pay them another \$25 million in 2006-07?

Ms Sewell—They have up until the end of this financial year to call upon that amount.

Senator CHRIS EVANS—Have you now rephased that?

Ms Sewell—No. The amount that has been rephased is \$20 million, which relates to another milestone payment.

Senator CHRIS EVANS—So the three tranches are four tranches?

Ms Sewell—The first tranche is \$50 million, which has been paid. The second tranche was split into two amounts of \$30 million, which has been paid, and \$20 million which we are now rephasing. The third tranche was \$25 million.

Senator CHRIS EVANS—The \$20 million is actually part of the second tranche that was not paid?

Ms Sewell—That is correct, but under the contract the conditions against which the first \$30 million of the second tranche was to be paid were different from the conditions against which the second instalment of that second tranche payment was to be made.

Senator CHRIS EVANS—Are you telling me that it was always anticipated that they would be paid in two parts?

Ms Sewell—Yes.

Senator CHRIS EVANS—But they were called the same tranche?

Ms Sewell—Yes.

Senator CHRIS EVANS—Is that just to confuse people trying to work it out at estimates or is that a cunning plan?

Mr Paterson—That was never our intention.

Senator CHRIS EVANS—So there is a second tranche part 1 and a second tranche part 2?

Ms Sewell—That is right.

Senator CHRIS EVANS—What is wrong with four tranches? This is really hard to follow. We had the \$20 million that was rephased. When will that be paid over?

Ms Sewell—Rephasing takes it into next financial year, which means that the timeframe against which HISMelt has to meet the next milestones is within the next 12 months.

Senator CHRIS EVANS—But the other \$25 million is theoretically still in the 2006-07 budget?

Ms Sewell—That is right.

Senator CHRIS EVANS—But you do not expect to pay it out in that period?

Ms Sewell—I would not like to comment on that. HISMelt still has the remainder of this financial year to make a claim for that payment.

Senator CHRIS EVANS—That is the third tranche, not part B of the second tranche?

Ms Sewell—That is right.

Senator CHRIS EVANS—I assume these are sequential?

Ms Sewell—No, the contract did not envisage that HISMelt would not be able to call upon tranche 3 before tranche 2. They are related to different goals in terms of the HISMelt progress.

Senator CHRIS EVANS—So we have \$25 million left in this financial year that may or may not be called upon. If it is not, it gets rolled over into next year's budget?

Ms Sewell—No. That would then go back into consolidated revenue.

Mr Hartwell—There is no provision for that at this point in time. As we have indicated, the part being rephased is the second part of tranche 2.

Senator CHRIS EVANS—So it is 'use it or lose it' for them by 30 June?

Mr Hartwell—I am not sure that we put it in those terms.

Senator CHRIS EVANS—If they have not met the benchmark by 30 June the money goes back into consolidated revenue?

Mr Hartwell—Yes, unless a decision was made at that point in time to consider whether that component could also be rephased, but that is not a point that we have reached at this stage.

Senator CHRIS EVANS—How do we characterise that? There is no automatic rollover. There is no decision to roll over so theoretically it goes back to consolidated revenue unless there is a decision in the alternative.

Mr Hartwell—Yes.

Senator CHRIS EVANS—The \$25 million is not contingent on the \$20 million in any respect?

Ms Sewell—No.

Mr Hartwell—No.

Senator CHRIS EVANS—What is the benchmark for the \$25 million to be paid?

Ms Sewell—I am sorry, I do not think those details have been revealed before. That is part of the contract between the Commonwealth and the HIs melt partners.

Senator CHRIS EVANS—How does the taxpayer work out what we are paying them for?

Ms Sewell—The announcement of the \$125 million grant to HIs melt described it as being used in support of multiuser infrastructure and that included things like a water recycling system and oxygen separation from the process. So it was for the provision of multiuser infrastructure.

Senator CHRIS EVANS—How does the taxpayer work out what the money is being used for?

Mr Hartwell—I can add a little bit there. HIs melt has produced and shipped in excess of 100,000 tonnes of pig iron. The plant is capable of producing at a thousand tonnes per day. HIs melt was recently listed in *BRW* in conjunction with the Institute of Engineers as one of the seven wonders of Australian engineering. Now I am not sure that we would necessarily put it in those glowing terms but, all of that being said, you can see going forward that this does provide a significant breakthrough in the whole area of iron ore processing and steel making.

Senator CHRIS EVANS—Yes. One is not criticising the project. I am just trying to work out what we are paying for, whether we are getting value for money and what else we are going to have to pay. I am not at all clear from this what it is we are paying for, but equally what else has to be done for us to pay out the other \$45 million. It may be one of the seven wonders of Australian engineering but which part of the wonder are we paying for?

Mr Hartwell—As we have indicated, we are not at liberty to reveal the milestones that have to be met for these payments to be made, because it is a part of the commercial-in-confidence contractual arrangements between the Commonwealth and the HIs melt entity. All we can say to you is there is a visible project there and, as I have said, it has produced and it has provided to this point in time significant demonstration of a new technology.

Senator CHRIS EVANS—Does the Commonwealth get any return apart from satisfying themselves about the benchmarks in terms of intellectual property or is there anything else contained in the contract as a return to the Commonwealth?

Ms Sewell—This grant was made under the strategic investment coordination process. It assisted in securing the HIs melt technology in Australia rather than overseas and it therefore assisted in promoting Australia's iron ore refining and steel making capabilities. It is something that we have pointed to as being leading edge in terms of trying to reduce CO₂ emissions from the steel making process. While the contract does not include anything in relation to Australian government ownership of any IPs around the project. It was instrumental in ensuring that the plant was built at Kwinana rather than elsewhere.

Senator CHRIS EVANS—I am all for industry being built in WA, so that is fine. I am just trying to work out what the benchmarks were and whether there was any other part of the contract. Effectively we pay at the benchmarks and that is the satisfaction of the contract?

Mr Hartwell—Yes.

Senator CHRIS EVANS—I wanted to ask some questions about the Prime Minister's announcement about nuclear energy and the department's role in implementing those. I suppose I am jumping around, but I know it is all covered under the one output; I am never quite sure how we ought to proceed. You have changed, anyway, Acting Chair.

ACTING CHAIR (Senator Chapman)—I am glad you noticed.

Senator CHRIS EVANS—You obviously just got dragged in, so it is no good asking you. We will just progress through. The chairman did a quick change while I was not looking. Was the Prime Minister's announcement on 28 April as a result of a cabinet submission from your department?

Ms Constable—Yes, that announcement was as a result of the three reports that were delivered late last year.

Senator CHRIS EVANS—Yes, but the House of Representatives report was not your work. I know they are referred to, but obviously they are separate pieces of work initiated under separate initiatives. Was there a cabinet submission that was the basis of the Prime Minister's announcement about taking the whole thing forward?

Ms Constable—It was as a result of the cabinet decision that was made at the end of March. The terms of reference were also put together by the Minister for Industry, Tourism and Resources, so we were required to report back in that process.

Senator CHRIS EVANS—I am not used to that. The Senate is much more independent about determining the references. I do not know that I like this idea of the minister determining the references. But we are getting more used to it, aren't we, Senator Minchin?

Senator Minchin—It is a very democratic process in this parliament.

Senator CHRIS EVANS—Yes, I know. I gather we are going to get a copy of the bill soon that we have been inquiring into for a couple of weeks?

Senator Minchin—You should find that useful.

Senator CHRIS EVANS—Having a copy will certainly assist the process. Was that a joint cabinet submission with PM&C or did you run it?

Ms Constable—The cabinet submission was put together by the Department of Industry, Tourism and Resources in consultation with a number of other departments through an IDC process.

Senator CHRIS EVANS—Are you chairing the IDC?

Ms Constable—Yes, we are.

Senator CHRIS EVANS—I would like to work through the strategy announcements contained in the Prime Minister's statement. Firstly, I will start with the question of 'removing unnecessary constraints impeding the expansion of uranium mining, such as overlapping and cumbersome regulations related to the mining and transport of uranium ore'. This says that action should be taken immediately. Is this growing out of the work of the uranium producers group?

Mr Hartwell—Yes. As you have referred to, there is a uranium industry framework, which was a part of the government's consideration of matters related to uranium and nuclear—the three reports, as they have often been referred to. The minister has announced the establishment of the Uranium Industry Framework Implementation Group. That was announced in January of this year. They met for the first time last week and have set up a number of working groups to go forward. But one of them does deal with streamlining regulation pertaining to the uranium industry.

Senator CHRIS EVANS—Could I just slow you down there. Is this the UIF?

Mr Hartwell—Yes, that is the UIF.

Senator CHRIS EVANS—What does that stand for?

Mr Hartwell—It is the uranium industry framework.

Senator CHRIS EVANS—Is this effectively a consultative body?

Mr Hartwell—The uranium industry framework is a generic title. It was a report prepared on the uranium industry put together by the strategic leaders group to prepare a uranium industry framework. Since that time the minister has established a Uranium Industry Framework Implementation Group to take the work of that strategic leaders group forward and, in doing that, that group has established four working groups, one of which deals with regulation.

Senator CHRIS EVANS—What is the overarching body now called?

Mr Hartwell—The Uranium Industry Framework Implementation Group.

Senator CHRIS EVANS—Who is on that?

Mr Hartwell—Essentially representatives from each of the three operating uranium companies in Australia. It also includes a number of Commonwealth and state government and territory representatives. It includes representatives of the Indigenous Land Group and representatives from the Uranium Industry Association. There are quite a number of people on it.

Senator CHRIS EVANS—That is the membership that we discussed previously?

Mr Hartwell—Yes.

Senator CHRIS EVANS—That was for when they did their earlier work; this is ongoing now?

Mr Hartwell—Yes. Essentially the membership is much the same, although a few people have been added and a few have been dropped off.

Senator CHRIS EVANS—I will get you to take on notice for me who has been added and who has been dropped off, unless you have that to hand.

Mr Hartwell—I am not sure that I have a list of all the individuals, but I can essentially run through the bodies or agencies that are represented.

Senator CHRIS EVANS—I am happy for you to take that on notice so that we get it right. It is not germane to what I want to ask now, anyway. What are the four working groups that they formed?

Mr Hartwell—As I mentioned, one will deal with regulation. One will deal with the transport issues. One will deal with skills and training, and the fourth one will deal with Indigenous issues.

Senator CHRIS EVANS—These are not by any means limited to the terms of reference or the strategy outlined by the Prime Minister? I am sorry, when you talk about training I am not sure you are talking about Indigenous.

Mr Hartwell—No, I am dealing with the uranium issues here, because you are talking about the implementation of the uranium industry framework.

Senator CHRIS EVANS—Is it fair to say that there is an agenda for this group that is broader than the agenda announced by the Prime Minister?

Mr Hartwell—The agenda for this group deals with uranium mining and the issues that were raised in the uranium industry framework. The group announced by the Prime Minister talked about four working groups, one of which said skills and training, but that was related to nuclear.

Ms Constable—The nuclear strategy IDC that we have is a broader group than the uranium industry framework.

Senator CHRIS EVANS—I understand that and I understand that the skills thing has been chaired by DEETYA, is it not?

Ms Constable—The skills and training for the nuclear strategy is being chaired by the Department of Education, Science and Training.

Senator CHRIS EVANS—These purely relate to the uranium industry, but does the regulation subgroup have the task of taking forward the Prime Minister's strategy in relation to unnecessary constraints regarding regulations?

Ms Constable—It depends. If you are talking about within the context of uranium, the uranium industry framework covers that particular issue. If you are talking about the prohibitions that are referred to, then that belongs to the nuclear strategy group.

Senator CHRIS EVANS—I am referring to the Prime Minister's announcement, where he states:

... removing unnecessary constraints impeding the expansion of uranium mining, such as overlapping and cumbersome regulations relating to the mining and transport of uranium ore.

Who has been tasked by the Prime Minister to take forward that work?

Mr Hartwell—The way to respond to that is that the Uranium Industry Framework Implementation Group as referred to has taken on those issues in relation to streamlining uranium regulation and dealing with some of the transport issues; if you like, the impediments seen to uranium mining developing in Australia. But it will be dovetailed in with the work that is going on in the broader uranium nuclear strategy announced by the Prime Minister.

Ms Taylor—I would add a comment on work the regulation working group for the uranium industry framework is progressing. Essentially that group identified regulation as a broad impediment and the need to streamline state, territory and Commonwealth government regulations where possible. One of the early actions of that group will be to undertake a consultancy to identify specific changes in regulations that could be progressed. That working group has only convened as of the start of this year, so it is really in the early stages of a two-year work plan to identify what regulations could be streamlined. Those recommendations would then need to go through the Ministerial Council of Mineral and Petroleum Resources to get government approval.

Senator CHRIS EVANS—The identification of the regulations and the changes is based on a two-year work plan?

Ms Taylor—That is right. There are some areas that have already been identified. For instance, with respect to incident reporting, South Australia and the Northern Territory have different regimes in terms of incident reporting, so part of that process will be to identify a national approach to that.

Senator CHRIS EVANS—How does that sit with the Prime Minister's announcement that this will involve a number of actions that can be taken immediately?

Ms Taylor—That really refers to the fact that the group is established and is already working on progressing those proposals.

Senator CHRIS EVANS—We have not as yet identified which are the regulations are overlapping or cumbersome relating to the mining and transport of uranium ore?

Ms Taylor—There are also a number of transport related regulations where there is an international best practice but different states and territories apply higher than international best practice. So it is a matter of identifying that and seeking some agreement from those states to adhere to best practice, but not necessarily go further.

Senator CHRIS EVANS—One of them is to look at reducing the standards of some of the states?

Ms Taylor—To international best practice.

Senator CHRIS EVANS—That is right. But the starting point is that you are in the process of identifying those—

Ms Taylor—That is correct.

Senator CHRIS EVANS—those so described ‘overlapping and cumbersome regulations’?

Ms Taylor—That is correct.

Senator CHRIS EVANS—Is the two-year work plan run by the regulation subcommittee of the Uranium Industry Framework Implementation Group?

Ms Taylor—That is right.

Senator CHRIS EVANS—And they are charged with that work?

Ms Taylor—That is right.

Senator CHRIS EVANS—That is how you are dealing with the first point. Just before I finish on that point, how are the states participating in this task?

Ms Taylor—The Northern Territory and South Australian governments are part of the uranium industry framework. The other states are currently not part of that framework. However, given the recent change in ALP policy, I expect the government will be seeking to invite those states to participate in the framework should they wish to. Also, this issue is addressed through the ministerial council on a regular basis.

Senator CHRIS EVANS—No-one takes any interest in ALP policy in any other area but this. It is obviously so influential in government circles. We should work on some other policies to influence the government. It is amazing that the government responds to a change in ALP policy. The second point the Prime Minister makes concerns a firm commitment to Australia’s participation in the Generation IV advanced nuclear reactor research program. Who is taking that forward and what does that mean?

Ms Constable—The Generation IV program is the responsibility for the Department of Education, Science and Training through ANSTO. I will give you a brief summary of the Generation IV International Forum. It was initiated in 2002. It consists of a consortium of 10 countries plus Euratom—Argentina, Brazil, Canada, France, Japan, South Africa, Switzerland, the Republic of Korea, the United Kingdom and the United States. Just recently the forum has also agreed to admit Russia and China to its membership. This particular forum has identified six advanced reactor designs that are future designs—Generation IV designs. That will probably come into effect in around about 2020 onwards. Those designs are for very high temperature reactors, sodium fast reactors, gas fast reactors, super-critical water reactors, lead fast reactors and molten salt reactors. There are different designs in Generation IV nuclear reactors. ANSTO is at the moment seeking membership of that particular program.

Senator CHRIS EVANS—I know it is not your primary responsibility, as you have said, but what does membership mean—paying a membership fee?

Ms Constable—We do pay a membership fee. It is about \$125,000 per annum. It is being funded through the DEST portfolio and ANSTO initially will be paying that membership fee if we are admitted as members.

Senator CHRIS EVANS—How do you get into the club?

Ms Constable—You need to be sponsored by another member of the forum. There are a number of countries that have agreed to sponsor Australia to join the forum at this stage.

Senator CHRIS EVANS—Who is going to sponsor us?

Ms Constable—It is likely to be the United States after it makes an assessment of our potential to join the forum.

Senator CHRIS EVANS—It is likely to be it but only after it makes an assessment?

Ms Constable—The sponsor is required to make an assessment of the potential of the applicant. It will be required to come to Australia and do that assessment before we are granted membership to the forum.

Senator CHRIS EVANS—On what criteria are we to be examined for this sponsorship?

Ms Constable—The potential that we offer the forum itself, that is, any specific expertise that we have in relation to the forum and anything that we might be doing on research and development in Australia.

Senator CHRIS EVANS—What do we claim as our qualifications?

Ms Constable—We have particular expertise in high-temperature issues regarding nuclear energy, and we of course developed the Silex enrichment technology. That is something that they will probably look at.

Senator CHRIS EVANS—It is not a question of having some sort of experience in the industry itself? It is more in the research and development capacity?

Ms Constable—Yes, it is a research and development capability.

Senator CHRIS EVANS—When would our membership be considered if we had the USA sponsor us?

Ms Constable—There is no time limit on it and the process does take quite some time, but we expect that the membership will be granted probably within the next 12 months.

Senator CHRIS EVANS—Is this, what, a vote of the members or does it have to be unanimous?

Ms Constable—By consensus.

Senator CHRIS EVANS—If we get to join, what do we do then?

Ms Constable—In terms of learning and contributing to the Generation IV technologies, the program is ongoing. It is very forward looking and Australia can learn a lot and contribute to the research and development in that area.

Senator CHRIS EVANS—What are we looking to learn?

Ms Constable—We will be involved in the research and development of the Generation IV technologies themselves.

Senator CHRIS EVANS—When is it anticipated that the first Generation IV reactors will become available?

Ms Constable—After 2020.

Senator CHRIS EVANS—Someone gave me a 2030 figure. Is there some dispute about that or have I just got the wrong figure?

Ms Constable—It is somewhere from 2020 onwards. It would not be before that. It might be 2030 for some of the technologies, but it will definitely not be before 2020 and it will be some time after that. It will not occur for the next 20 years or so.

Senator CHRIS EVANS—The reactors that are built over the next 20 years or so are likely to be third generation; is that right?

Ms Constable—Certainly third generation.

Senator CHRIS EVANS—Do we have any engagement with that through this group or is it purely focussed on the Generation IV?

Ms Constable—My understanding is that it is focused on Generation IV technologies.

Senator CHRIS EVANS—You spoke to me about learning and what expertise we might bring that might qualify us to join the group, but what do you have to do having paid your membership? Do you just contribute the research you are doing otherwise?

Ms Constable—The \$125,000 grants you membership and it is payment for the services of a small secretariat. Then ANSTO, through personnel, would participate in study groups and projects they might have, and make assessments on technologies. That is how we would normally participate in such a program.

Senator CHRIS EVANS—Do all the other members have established nuclear industries?

Ms Constable—Yes, they do.

Senator CHRIS EVANS—We will be the only member that does not have as yet an established nuclear industry?

Ms Constable—Yes, that is the case.

Senator CHRIS EVANS—That is obviously not a prerequisite to joining?

Ms Constable—That is right.

Senator CHRIS EVANS—When will the Americans be visiting to make the assessment?

Ms Constable—My understanding is that they will be visiting this year.

Senator CHRIS EVANS—When the Prime Minister's statement said 'making a firm commitment to Australia's participation', what does that mean?

Ms Constable—That means that the government has decided to join the Generation IV program and will formally make an application.

Senator CHRIS EVANS—It is a bit like a regulation. It seems like cumbersome language. It basically means that we are going to apply to join. The Prime Minister goes on to say that his government will also develop four major work plans mapping out a way forward. I just want to run through each one. The first is an 'an appropriate nuclear energy regulatory regime, including those to govern any future potential nuclear energy facilities in Australia'. Can you tell me how you are advancing that commitment?

Ms Constable—We have two streams to that particular program. One is to look at current regulations that we are involved with in Australia, in the Commonwealth, and to consider whether there is any overlapping and cumbersome regulation that needs to be streamlined.

The second component of that is to look at, if Australia were to have an expanded nuclear industry in Australia, what would that regulatory framework need to have? ITR is the lead on that particular regulatory framework working group.

Senator CHRIS EVANS—Is this a subset of the IDC?

Ms Constable—Yes, it is.

Senator CHRIS EVANS—Are you chairing that particular working group?

Ms Constable—Yes, we are.

Senator CHRIS EVANS—You said that there were two aspects to this. Do they both come under that role or is it a separate role?

Ms Constable—They both come under that particular working group.

Senator CHRIS EVANS—What was the second aspect?

Ms Constable—It is, if we were to have an expanded nuclear industry in Australia, what would that framework need to include?

Senator CHRIS EVANS—So it is the current regulations and what additional regulatory framework we would require?

Ms Constable—That is correct.

Senator CHRIS EVANS—Is that limited to Commonwealth or does it include state regulations?

Ms Constable—At the moment it involves the Commonwealth.

Senator CHRIS EVANS—What have you identified as being the main area where Commonwealth regulations prevent the development of nuclear energy facilities in Australia?

Ms Constable—I am not at liberty to discuss what we will be looking at in the course of the framework. It is an ongoing work program and we will not be reporting until September.

Senator CHRIS EVANS—The next question is: what are the Commonwealth acts that restrict it? Surely that cannot be a state secret.

Ms Constable—There are two Commonwealth acts. The EPBC Act is one and the ARPANSA Act is the other—the Environment Protection and Biodiversity Conservation Act 1999 and the Australian Radiation Protection and Nuclear Safety Act 1998.

Senator CHRIS EVANS—Are they the two that you have identified at the moment or are you confident that those are the two?

Ms Constable—That is correct. Those are the two acts that we are currently looking to repeal.

Senator CHRIS EVANS—Both have been passed by the current government. What about regulations? I presume there is a whole set of regulations under those acts that have an impact as well.

Ms Constable—There are regulations under those acts.

Senator CHRIS EVANS—Would they fit into this category that you are looking at?

Ms Constable—The regulation program that we are generally looking at is across a broad range of issues. My colleagues talked about some of the uranium regulations in the context of areas such as transport, for instance. We are also looking at the environment regulations, as I have just suggested, with the EPBC Act. There are a number of regulations that could be considered cumbersome and overlapping that will be addressed in this course of work.

Senator CHRIS EVANS—What do you have to do by September—just identify them or propose amendments to them?

Ms Constable—There are two parts to the work plan. For anything involving Commonwealth legislation and regulation we are required to present a work plan in which the government can consider making a decision. If there are any changes that are required, they might make a decision to make appropriate amendments. The second part of the work plan is a forward work plan. If there were an expanded nuclear industry in Australia, that could not be done overnight. Some serious decisions would need to be made in relation to an expanded nuclear industry. It is purely a work plan as opposed to requiring specific decisions to make changes.

Senator CHRIS EVANS—That future work plan is a plan for the development of a regulatory or legislative framework; is that right?

Ms Constable—It is.

Senator CHRIS EVANS—It is not a plan for the development of the industry; it is a plan for the development of the legislative framework.

Ms Constable—That is exactly right.

Senator CHRIS EVANS—There two legs: The first is what you would have to amend what is currently there; and the second is what would be needed to get people in place.

Ms Constable—That is right.

Senator CHRIS EVANS—What do you achieve by doing one if you do not do two?

Ms Constable—The first one involves our current legislation and regulation. The second is a new framework that would need to be put in place if Australia were to have an expanded nuclear industry; for example, nuclear power.

Senator CHRIS EVANS—That is what I am saying: One is a small step down the road, but without the second aspect it does not take you anywhere. Is that what you are saying to me?

Ms Constable—That is right. One can be done without the second component, and the second component is a much longer process.

Senator CHRIS EVANS—But there is no suggestion that purely removing or altering the current regulatory framework or removing unnecessary regulation or whatever would be sufficient for you to be able to then move to expanding the nuclear industry in Australia?

Ms Constable—Not by itself, absolutely not.

Senator CHRIS EVANS—So you come back in September with a work plan for the longer term, but more concrete suggestions as to what the government could do if it wanted to in respect of the existing Commonwealth legislation?

Ms Constable—That is right.

Senator CHRIS EVANS—What about existing state legislation?

Ms Constable—At the moment we are focusing on Commonwealth legislation.

Senator CHRIS EVANS—There is a whole raft of state legislation that would have an impact. Have you identified state legislation?

Ms Constable—Some of that state legislation has been identified through the uranium industry framework. Perhaps my colleagues can talk about that.

Ms Taylor—That is certainly the case through the uranium industry framework. In respect of uranium mining and transportation, those issues will certainly be identified by the regulation working group.

Senator CHRIS EVANS—Yes, but that is purely related to uranium mining. What about state regulations that would act as an impediment to the development of a nuclear industry in Australia?

Ms Constable—There is certainly state legislation in that regard. That state legislation and regulation has to a large degree been identified.

Senator CHRIS EVANS—Where do we find that? Are your conclusions about the particular state legislation publicly available?

Ms Constable—We have not made that sort of information available.

Senator CHRIS EVANS—Who did that work?

Ms Constable—Some of that work has been conducted through the uranium industry framework. In the process we are undertaking with the work plans at the moment, that work has not been finalised and will not be finalised until September.

Senator CHRIS EVANS—Who is doing the work plan in relation to state legislation?

Ms Constable—There is no work plan on state legislation. The work plan is in relation to regulation for an overarching expanded nuclear industry. Of course, state regulation and legislation would need to be taken into account in terms of the impediments for an expanded nuclear industry. Any discussions with the states certainly have not occurred at this time.

Senator CHRIS EVANS—So you are not engaged with the states about their legislative and regulatory frameworks?

Ms Constable—Only in relation to the uranium industry framework specifically with South Australia and the Northern Territory.

Senator CHRIS EVANS—Has the Commonwealth sought advice as to whether it has the power to override those state legislative provisions?

Ms Constable—We are looking at those issues in the context of the work plans we are currently undertaking.

Senator CHRIS EVANS—You told me the work plan relates only to the Commonwealth legislative framework.

Ms Constable—Part 1A of the work plan of the current regulation relates to the Commonwealth legislation and regulation. Anything we do in an expanded nuclear industry would need to be considered on a national basis.

Senator CHRIS EVANS—So you are telling me the work plan for 1B is about whether or not you can override state legislation as well as the new framework you would have to put in place?

Ms Constable—I did not exactly say that. We would need to consider that in terms of anything we did on regulation. But in the very first instance in dealing with states we would need to discuss their current legislation and regulatory frameworks and their desire to participate in an expanded nuclear industry going forward, and hope to receive bipartisan support if that were required. Certainly, in relation—

Senator CHRIS EVANS—With all due respect, I would like to know what drugs you are on if you think that is going to happen. They will not even agree to uranium mining, so I cannot see how they will agree to selling to a nuclear industry. It seems to me that sooner or later you run straight into whether you are going to use Commonwealth powers to override the states. Is that not so?

Ms Constable—Using Commonwealth powers to override a state is never a desirable position.

Senator CHRIS EVANS—Yes, but it is an undesirable option much in vogue these days from a supposedly federalist government.

CHAIR—Senator, we are heading into hypotheticals, which the witness is not required to comment upon.

Senator CHRIS EVANS—That is why I go back to the start of the question. Has the Commonwealth sought legal advice about its capacity to override the states' legislative and regulatory framework in relation to the nuclear industry?

Ms Constable—As I said, they are issues that we will consider in the context of the work plan.

Senator CHRIS EVANS—Sure, but have you sought legal advice about that capability?

Ms Constable—I think I have answered that question.

Senator CHRIS EVANS—With respect, I do not think you have. It is a quite simple question: Has the Commonwealth sought legal advice as to its options?

Ms Constable—Not formal advice, no.

Senator CHRIS EVANS—Who has been providing the advice, the Attorney-General's Department or someone outside?

Ms Constable—Our advice on any issue related to this matter is sought through the Australian Government Solicitor.

Senator CHRIS EVANS—What about local government regulations and by-laws preventing passage of nuclear products or the development of nuclear industries in their areas? They have been much in vogue in recent years. Is part of your work plan to look at how you override those?

Ms Taylor—I might answer that in respect of the work on transport that is being conducted. In terms of the local councils' decisions, for instance, to have nuclear-free zones, the transport working group is developing a brochure outlining how uranium is transported safely from mine to port. It is seeking to influence local councils and transport operators by providing them with information about how uranium is transported and to reassure them that there is no need to have regulations that prohibit the transport of uranium. Essentially, it is a matter of working with those local councils rather than overriding any regulations and seeking to change their minds.

Senator CHRIS EVANS—It might just do the opposite on the basis that most of them probably do not know that it is already moving through their council areas. I am sure your raising it with them will create the problem. It is an interesting strategy. I was more interested at this stage in the nuclear issue. If you have a council with a nuclear-free zone, clearly building in a nuclear plant in that council area will be an issue. What is the legislative impediment? Do local government by-laws pose any impediment to the Commonwealth in that sense?

CHAIR—Again, we are really getting into hypothetical areas. I do not think this witness can comment on those scenarios.

Senator CHRIS EVANS—With respect, Mr Chairman, the witness has told me that the department is chairing a group that is looking at a new Commonwealth legislative and regulatory framework for allowing the expansion of the nuclear industry in Australia.

CHAIR—I understand.

Senator CHRIS EVANS—One of the aspects of that debate is whether or not that impacts on state and local government legislation and regulation. We had a discussion about the state regulation and the witness is very helpful, but I am trying to understand what would need to occur if one were seeking to influence or overturn a decision of a local government, for instance, of a nuclear-free or whatever regulation they had, that might impinge upon the development of a nuclear industry. What is your advice about that?

Ms Constable—We are right at the start of developing work plans. Considering issues in that level of detail certainly we have not done that at this stage.

Senator CHRIS EVANS—So there is no conversation or engagement at this stage with the local government people?

Ms Constable—No, Senator.

Senator CHRIS EVANS—What sorts of issues does a nuclear regulatory framework throw up? What sorts of things that we currently do not regulate will we have to look at? It is a broad question about the sorts of issues that you think the Commonwealth will have to deal with beyond those that are currently dealt with in those two acts you mentioned.

Ms Constable—They would consider how we might regulate a nuclear installation, such as a nuclear power station, just as an example. But, as I said, the work program could throw up a number of things. I am not at liberty to discuss what might be involved in a work plan or not be involved in a work plan at this stage.

Senator CHRIS EVANS—I am not asking that—

CHAIR—If there is anything in particular that refers to future policy as well, this witness cannot be commenting on that.

Senator CHRIS EVANS—No, I am only interested in the breadth of issues. Maybe my limited imagination has not dealt with the whole breadth of these sorts of things. I am sure that there is a whole range of things that the Commonwealth would have to deal with in air quality. There is a whole raft of things. Is there much beyond the normal environmental approval stuff?

Ms Constable—Most of these issues were outlined in the regulatory chapter of the Uranium Mining, Processing and Nuclear Energy Review, or UMPNE report. I would commend that report to you to find that level of information.

Senator CHRIS EVANS—All right. I will go back and have a look at that. Thank you for that. The skills and technical training to address any identified gaps and needs to support a possible expanded nuclear energy industry, Education has been given the lead on that. Are you involved in the working group of the interdepartmental committee on those skills development issues?

Ms Constable—Jointly between the Department of Industry, Tourism and Resources and the Department of Education, Science and Training. Both departments are involved in the working groups and with a number of other specialists relating to the specific areas of lead.

Senator CHRIS EVANS—Is there more than one working group on the skills and training issues, or just the one?

Ms Constable—Just one working group.

Senator CHRIS EVANS—All right. What sort of contribution are you making, or what are the sorts of things you are looking to identify? Obviously, we do not have a lot of people, or we do not have people working in the industry currently, so there are obvious skill gaps. What other sorts of issues arise?

Ms Constable—What sorts of skill levels would be required, who and how many people we would need to have in an expanded nuclear industry, largely, and how those people would be trained in Australia, or overseas for that matter.

Senator CHRIS EVANS—But there is obviously a whole range of questions before that. First, whether it is a government-run or privately-run nuclear industry and the size of the nuclear industry.

Ms Constable—That is correct.

Senator CHRIS EVANS—You only have one reactor versus 30 reactors, so how do you do that sort of work without some basic understanding of what you are trying to come to terms with?

Ms Constable—Potentially, the scope of such a work plan would be based on a scenario, as you said, if you had one nuclear power station in Australia, or if you had a number of nuclear power stations in Australia. Again, page 131 of the UMPNE report is a page that discusses skills and training.

Senator CHRIS EVANS—But have you been asked to model the work plan on any particular scenario?

Ms Constable—Again, it is too early to go into the detail of the work plans and we certainly will not be making any sort of report to the government until September. So I am not at liberty to discuss what will be in or out of the work plans.

Senator CHRIS EVANS—No, I am not asking about the content; I am just wondering whether you have been asked to do a work plan based on an identified assumption. Have you been given direction as to the basis on which you ought to make that work plan?

Ms Constable—The IDC certainly has made it clear what sort of level of detail we may want to have in each of the work plans. So we have been provided with some direction at this particular stage.

Senator CHRIS EVANS—All right. What about your engagement with the enhanced research and development work plan?

Ms Constable—Again, that is being led by the Department of Education, Science and Training. They are considering the current research and development capability we have in Australia and what would be required if we were to have an expanded nuclear industry.

Senator CHRIS EVANS—And that, too, has a September reporting date?

Ms Constable—That is correct.

Senator CHRIS EVANS—And are you just represented on the working party?

Ms Constable—We are, Senator.

Senator CHRIS EVANS—The last one, communications strategies so that all Australians and other stakeholders can clearly understand what needs to be done and why. Who has responsibility for that?

Ms Constable—This department has responsibility for that.

Senator CHRIS EVANS—And how are you progressing that?

Ms Constable—Any sort of communication strategy, particularly with an industry that we do not have a lot of experience in, requires a long-term strategy. So, with any sort of communication strategy there are key components—awareness and understanding—before you have behavioural change, so it is a long-term commitment.

Senator CHRIS EVANS—So you are seeking to get behavioural change from the Australian public?

Ms Constable—In terms of understanding, and potentially so that Australians can make up their minds based on the facts related to nuclear energy.

Senator CHRIS EVANS—There is quite a difference between understanding and behavioural change, isn't there? They might understand and confirm their current behaviour.

Ms Constable—I was purely explaining it in the context of any communication strategy. It is not something that we are looking at for the very short term. Nuclear energy for Australia is something that has not been discussed for quite some time. So Australians can understand what nuclear energy is all about, we have to provide them with the facts on nuclear energy, and that will take a reasonably long period of time.

Senator CHRIS EVANS—How are you going to do that?

Ms Constable—Again, we are considering it in the context of the work plan. We will not be reporting until September on that particular issue either.

Senator CHRIS EVANS—You are considering a work plan for a communications strategy?

Ms Constable—That is correct.

Senator CHRIS EVANS—Do you have the expertise inside the department for communication strategies to elicit behavioural change on these issues from Australian citizens, or are you having to get someone from outside to help you with that?

Ms Constable—Certainly within our team we have a number of people that have communication degrees. We have a communication area in the department that specifically acts on a whole range of communication activities. So we have a large base of expertise in the department.

Senator CHRIS EVANS—Do I take it, therefore, that you are not using anybody from outside the department in progressing this strategy?

Ms Constable—The work plan has not been finalised on communication, so I am not at liberty to say whether we will purely use internal people for a communication plan or whether we will use external people.

CHAIR—Senator Evans's question was whether you were using any external people now.

Senator CHRIS EVANS—In developing the plan.

Ms Constable—To develop a communications strategy on nuclear, no, we are not.

Senator CHRIS EVANS—You talk about it being long term, but I see that Mr Macfarlane is a bit more gung-ho about that. He wants it done tomorrow. He would have the problem, of course, at the moment of getting the advertisement space on television because they are all being used by current government campaigns. But he wants to see it kick off later this year. Is that a statement of policy, or just a statement of the minister's opinion?

Mr Paterson—That is not an issue that we are going to cover. We are not here to provide commentary on ministers' observations.

Senator CHRIS EVANS—I guess I am asking whether there is a policy decision to kick off a campaign this year.

CHAIR—Irrespective of whether it is commentary or a follow-up question, these officers are not able to comment on government policy.

Senator CHRIS EVANS—They are allowed to tell whether there is a government policy or not, which is the only question. I accept the secretary's point that they are not here to

comment. That is why I rephrased and redirected the questions. Is there a government policy decision to commence a communications campaign this year?

Mr Paterson—Not that I am aware of.

Senator CHRIS EVANS—So, the communications strategy will be another work plan that will go to government in September. Will these work plans go only to your minister, to a subcommittee of cabinet or full cabinet; who are you reporting to?

Mr Paterson—To government. We do not determine the process that government may wish to take to consider the report that comes forward.

Senator CHRIS EVANS—No, but—

Mr Paterson—We will provide advice to government. How that is dealt with by government in its processes is not something for us to comment upon.

Senator CHRIS EVANS—It is an IDC that is launched by the Prime Minister. I presume it goes back to him.

Mr Paterson—You can presume many things. I am indicating that we are not commenting on the process that government may take to consider the advice that comes out of these work plans.

Senator CHRIS EVANS—Who does the work plan go to?

Mr Paterson—Government.

Senator CHRIS EVANS—Is it headed up by the PM&C task force?

Ms Constable—No. The Department of Industry, Tourism and Resources and the Department of Education, Science and Training are jointly leading the IDC. The IDC is chaired by the Department of Industry, Tourism and Resources.

Senator CHRIS EVANS—What is Washington's global nuclear energy partnership and what is the link to the Generation IV International Forum?

Ms Constable—The partnership is different from the Generation IV program. This partnership is aimed at global nonproliferation. It establishes a framework for an expanded use of nuclear energy while limiting the further spread of enrichment and reprocessing capability. It is one such partnership. There is a range of them that different countries involved in the nuclear fuel cycle around the world participate in. This is a United States initiative.

Senator CHRIS EVANS—So this is about growing nuclear energy while enforcing a nonproliferation objective. Is it like a club; do you join, or is it a concept?

Ms Constable—It is a concept at this stage.

Senator CHRIS EVANS—A concept for what? You told me the sorts of things they are interested in, but is it a concept to form an organisation?

Ms Constable—It is to form a partnership.

Senator CHRIS EVANS—A partnership between whom?

Ms Constable—A partnership of interested parties and nations involved in enrichment and reprocessing, for example.

Senator CHRIS EVANS—So it is a partnership of nation states that are involved in nuclear processing?

Ms Constable—Potentially. That does not prohibit others from joining the partnership.

Senator CHRIS EVANS—But this is not in existence yet?

Ms Constable—It is a proposal at this stage.

Senator CHRIS EVANS—Is it a proposal by the United States government?

Ms Constable—That is correct.

Senator CHRIS EVANS—What is our engagement with this proposal?

Ms Constable—We are keeping a watching brief on the proposal.

Senator CHRIS EVANS—A watching brief?

Ms Constable—We are interested. That is what I mean by ‘watching brief’.

Senator CHRIS EVANS—So, have we been invited to join by the United States?

Ms Constable—At this stage Australia has not made any decisions regarding a global nuclear energy partnership.

Senator CHRIS EVANS—You helped me earlier with the Generation IV thing: You pay a membership fee, you join the club and you have obligations as a result of that sponsorship. How does the global nuclear energy partnership work; do you know?

Ms Constable—It is a long-term proposal that has only recently been launched. It is expected to evolve over time. But that is all it is at this stage.

Senator CHRIS EVANS—So, who has responsibility inside the Commonwealth government for dealing with that: is it DFAT?

Ms Constable—That is correct; it is the Department of Foreign Affairs and Trade.

Senator CHRIS EVANS—So DFAT will be doing our lead work in terms of responding to anything that comes forward. I assume they will consult you about that?

Ms Constable—They do from time to time.

Senator CHRIS EVANS—But we do not have anything specific before government at the moment?

Ms Constable—No.

Senator CHRIS EVANS—Can you tell me whether the department has received any firm proposals from companies to establish nuclear energy inside Australia?

Ms Constable—Not that I am aware of.

Senator CHRIS EVANS—Have people been talking to you about those prospects? They might not be formal, but is there a level of interest in that proposition?

Ms Constable—My understanding is that they have not spoken to the department. There are a number of submissions within the UMPNE review that raise the potential for something like that. I refer you back to those submissions.

Senator CHRIS EVANS—If I wanted to get into the nuclear industry in Australia, who would I talk to about the prospects?

Mr Webb—We do not have a nuclear industry in Australia.

Senator CHRIS EVANS—But what about if I want to start one? I am pro-uranium now; I have changed my policy.

Ms Constable—Have you changed ours, too?

Senator CHRIS EVANS—I have lost some mates along the way. I am welcome in all sorts of company I do not like to be welcome in and unwelcome in others. Putting that to one side, Senator Joyce and I are in partnership and we want to get a nuclear plant going somewhere in Queensland. Who would we talk to; how would we progress that?

Ms Constable—Did you say a nuclear plant?

Senator CHRIS EVANS—Whatever—any sort of step into the nuclear industry.

Senator JOYCE—We will call it a banana plant.

Ms Constable—At the moment there are prohibitions against any sort of nuclear installation in Australia.

CHAIR—So you are going to jail.

Senator CHRIS EVANS—No, I read the Prime Minister's release and he is open for business. I want to know who I should go to see to do business. Seriously, the Prime Minister has opened up the possibility and the minister keeps saying he wants to have a debate, although I thought we were having one. Are you the first point of contact for people looking to engage in the development of the nuclear industry in Australia?

Ms Constable—That is a matter for government.

Mr Paterson—As a matter of course, we would expect industry with an interest in energy in all its aspects to have some conversation with the department. As Ms Constable has already indicated, there is a job of work that needs to be done to remove current legislative impediments prohibiting that industry developing in Australia. Then there is another job of work that she has outlined in some detail that would look at what was necessary to facilitate or to accommodate the development of such an industry. But I would expect if conversations were going to take place that they would take place with the portfolio.

Senator CHRIS EVANS—That is what I would have thought, and that is why I asked the question.

Mr Paterson—That is my expectation, too.

Senator CHRIS EVANS—It was not totally frivolous. It seems to me that the Prime Minister—

Mr Paterson—I think the fact that you were proposing the establishment of one came as a surprise to us, because we have not previously had that conversation.

Senator CHRIS EVANS—Now I know it is you, I will call you later. Senator Joyce, you and I will have lunch and see what we can do. Senator Minchin is a bit of a sceptic about the prospects.

Senator Minchin—Maybe you can persuade me.

Mr Paterson—Maybe the four of us could have lunch.

CHAIR—While we are talking about food, we might break until 9.45 pm.

Proceeding suspended from 9.30 pm to 9.45 pm

Senator CHRIS EVANS—Just before we finish on matters nuclear and uranium, obviously quite a deal of work is going on inside the department. Have you taken on extra staff for this function, or are you just meeting it from your current staff resources?

Ms Constable—In relation to the staffing within the department, we have mostly operated within current resources.

Senator CHRIS EVANS—So has anyone been employed in addition to meet the peak workload, or is it intended to?

Ms Constable—Because we are required to finish these work plans by September, there have been a couple of additional people but, as I said, it is mostly within the current departmental resources that we are funding this.

Senator CHRIS EVANS—And have you seconded anybody from outside organisations?

Ms Constable—Not at this stage.

Senator CHRIS EVANS—Is there an intention to?

Ms Constable—Not at this stage.

Senator CHRIS EVANS—One final matter on this stuff. There have been a number of press reports about Australia's role in the Nuclear Suppliers Group, indicating that Australia will be supporting a United States push to include the group making a decision to sell uranium to India. Has any policy decision been taken to support such a decision?

Mr Hartwell—On that issue, I really cannot comment on those press reports. That is really a matter for the Department of Foreign Affairs and Trade.

Senator CHRIS EVANS—I only ask you because the minister has been waxing lyrical on it.

Mr Hartwell—I can only answer in a similar vein, that I cannot comment.

Senator CHRIS EVANS—No, that is fine. I just want to be clear, though, that any decision about policy positions adopted within the Nuclear Suppliers Group is a policy decision taken within Foreign Affairs, Defence and Trade?

Mr Paterson—It is a policy decision of the government.

Senator CHRIS EVANS—But Foreign Affairs, Defence and Trade has the carriage of issues.

Mr Paterson—The carriage of nuclear nonproliferation issues, which is at the heart of the question you are asking, are matters in the Foreign Affairs and Trade portfolio.

Senator CHRIS EVANS—Do they provide the representation at the suppliers group meetings?

Mr Hartwell—That certainly has been the case in the past, as I understand it.

Senator CHRIS EVANS—So your department is not represented at those meetings?

Mr Hartwell—Not that I am aware of.

Senator CHRIS EVANS—Okay, thank you for that. Have there been bilateral meetings regarding uranium or nuclear matters arranged as part of the APEC meetings in Darwin, in addition to the APEC agendas?

Mr Hartwell—I can only answer that question on the basis that obviously there will be a number of bilateral meetings between energy ministers at the APEC meeting in Darwin. Some of those countries we are presently uranium suppliers to, but whether that issue is part of the agenda, I could not comment at this point in time.

Senator CHRIS EVANS—Are we having a bilateral with South Korea?

Mr Hartwell—I do not have the bilateral list before me, so I could not really comment on that.

Senator CHRIS EVANS—But these bilateral meetings would be involving your minister; is that right?

Mr Hartwell—That is correct.

Senator CHRIS EVANS—Is there someone here who can help us with the bilaterals that he is holding as part of that conference?

Mr Paterson—The minister's schedule is not something that we would comment on as a matter of course. Certainly, as Mr Hartwell has indicated, a number of bilaterals are expected to take place between the minister and visiting ministers, but we cannot comment either on who will be participating in those bilaterals or on whether or not they will take place.

Senator CHRIS EVANS—We do not publicly confirm whether we have bilaterals?

Mr Paterson—We do not publicly comment on the minister's schedules.

Senator CHRIS EVANS—I am not asking about schedules; I am asking whether, as part of the conference, we are having bilateral meetings with other countries.

Mr Paterson—Bilateral meetings are not a part of the formal conference. There is an expectation that there will be some bilaterals between the minister and visiting ministers and there were some scheduled and others being worked on, but I cannot comment on the minister's schedule in relation to bilaterals.

Senator CHRIS EVANS—Aren't bilaterals a bit more formal than just sitting down and having a cup of tea with them? I thought they were—

Mr Paterson—They take a variety of forms.

Senator CHRIS EVANS—All right, but the normal understanding of bilaterals involves some sort of prearranged meeting between government representatives to work on issues that are agreed, on agreed agendas?

Mr Paterson—They take a variety of forms. As I have indicated, I am not in a position to comment on matters associated with the minister's schedule in relation to this meeting.

Senator CHRIS EVANS—So you are telling me that the question of whether or not our minister is having a bilateral with another country as part of that conference is confidential information?

Mr Paterson—No, I am saying that I am not in a position to comment on it.

Senator CHRIS EVANS—I am not asking you to comment; I am asking you whether any bilaterals are occurring and, if so, with whom?

Mr Paterson—There are bilaterals occurring. I have already indicated that.

Senator CHRIS EVANS—So you will not tell us with whom?

Mr Paterson—I cannot tell you with whom because I do not know.

Senator CHRIS EVANS—I am sure that someone inside your department who is here can tell us that.

Mr Paterson—I expect that the people who might be able to answer that question are probably in Darwin.

Senator CHRIS EVANS—Let us be clear what we are saying about this matter. Are you telling me that you will not tell me or you cannot tell me?

Mr Paterson—I am telling you I cannot tell you.

Senator CHRIS EVANS—And there is no officer here who can tell me?

Mr Paterson—Not that I am aware of.

Senator CHRIS EVANS—Perhaps you will take that question on notice for me, then. Can I just ask a couple of questions about the emissions trading task force? Are they still on schedule to report on 31 May?

Mr Paterson—Yes, Senator.

Senator CHRIS EVANS—When was their last meeting held?

Mr Paterson—I do not think it is appropriate to comment on the deliberations of that group.

Senator CHRIS EVANS—I think PMC actually told me, Mr Paterson. They are obviously more helpful than you. I am just trying to refresh my memory.

Mr Paterson—If they have already answered the question then I do not need to, Senator.

Senator CHRIS EVANS—I was just trying to refresh my memory, Mr Paterson. I think you will find that they told us the dates of the meetings. Has a draft been circulated outside the working party or the task group?

Mr Paterson—Not that I am aware of.

Senator CHRIS EVANS—Was there any intention to provide a draft for comment beyond the membership of the working group?

Mr Paterson—Not that I am aware of.

Senator CHRIS EVANS—So does that mean no, or just that you do not know?

Mr Paterson—I am a member of it and I am answering it to the best of my knowledge. I said not that I am aware of.

Senator CHRIS EVANS—I am just trying to clarify it for the record.

Mr Paterson—The report is a report of the working group, or of the task group, to the Prime Minister.

Senator CHRIS EVANS—I saw somewhere some suggestion about key stakeholders being consulted. It was not the impression I got from our earlier discussions about it.

Senator JOYCE—Before you go off the emissions trading I wish to ask a question.

Senator CHRIS EVANS—All right. So that has to be handed in by 30 May and that goes straight to the Prime Minister. Are they to brief him when handing over the report?

Mr Paterson—That is not something I would comment on.

Senator CHRIS EVANS—Have all the members of the task force lasted the distance? You have not had any withdrawals?

Mr Paterson—None, Senator.

Senator JOYCE—You are a member of the emissions trading working group, Mr Paterson. Are you able to tell us whether in those discussions people were aware of, or did they discuss, aspects of vegetation on properties and what the effect would be with that—whether or not it would be a tradeable asset?

Mr Paterson—I cannot comment on what took place within the task group. The task group published an issues paper, sought commentary from interested parties and citizens on the issues paper, and received a variety of submissions. Those submissions were actively considered by the task group. But I cannot comment on the internal deliberations.

Senator JOYCE—I will restructure the question. Were peak farming bodies involved in that emission trading working group and did they have input into the discussions?

Mr Paterson—There were no peak farming groups represented on it, because it was personal membership on the committee. But peak farming groups commented to the working group in response to the issues paper.

Senator JOYCE—With your knowledge of trading in other parts of the world, is there the capacity for timber and vegetation on properties to be a tradeable asset where the benefits go back to the individual farmer or landholder?

Mr Paterson—There is some conversation and debate about carbon sinks and the extent to which they can be taken into account or not taken into account in trading regimes. That is part of the broader commentary in relation to emission trading regimes. There are differences in view.

Senator JOYCE—Has there been any instance in the world where the vegetation asset on a property is traded but the benefit does not go back to the farmer; that is, the benefit is traded by a government and deemed to be an asset of the government?

Mr Paterson—I am not aware of detail that would enable me to respond to that.

Senator CHRIS EVANS—For your information, Mr Paterson, PM&C said the last meeting was on 21 May. If they are wrong, you had better correct them. Last time, we talked about the approvals for funding under the LETDF. I think at that stage we had six approvals with one more likely. I have not noticed any announcement. Are the six we talked about the only ones announced at this stage?

Mr Peel—Six have been announced, and that is the extent of the approvals.

Senator CHRIS EVANS—Do we expect any further announcements?

Mr Peel—No.

Senator CHRIS EVANS—But you have money left over, have you not?

Mr Peel—Yes, \$410 million of the \$500 million has been committed. When the government announced the program, it indicated there may be future rounds. But at this stage, one is not—

Senator CHRIS EVANS—So you have \$90 million left over and no budget provision for a further round at this stage?

Mr Peel—Not at this stage.

Senator CHRIS EVANS—What is going to happen to the \$90 million: will it be rolled over, or will it go back into consolidated revenue?

Mr Peel—That is a matter for the government to decide.

Senator CHRIS EVANS—But there is at the moment a decision that it will not be allocated in the current round of grants.

Mr Peel—At this stage, the allocations that have been made are the total of the allocations that will be made.

Senator CHRIS EVANS—You told me last time that this is the subject of negotiations between the parties prior to funding, and they have to provide two-to-one matching on this program. Have you been able to complete any of the negotiations on these projects?

Mr Peel—We have not signed any contracts at this stage. We are not expecting any payments to flow until next financial year. We extended the negotiation period for most of the grantees. They do have arrangements that they need to put in place in terms of their other funding requirements that they have to get from other sources, environmental approvals and that sort of thing. We are working with them through the contractual requirements that they will have with the Commonwealth. Our expectation is that we will probably sign four of the six contracts in the next six months.

Senator CHRIS EVANS—I think you were a little more optimistic last time.

Mr Peel—I think last time we said the deadline for signing a contract was 90 days from the grant offer, but it has not proved to be the case.

Senator CHRIS EVANS—So you have not signed up any contracts yet, and you are expecting to get four within what period?

Mr Peel—Within the next six months.

Senator CHRIS EVANS—What has that meant for the budgetary arrangements?

Mr Peel—The budget is actually appropriated to the Department of Environment and Water rather than to this portfolio. My understanding is that they have rephased \$50 million allocated for 2006-07 to next financial year as a result of those delays. That would have been in their portfolio budget statements.

Senator CHRIS EVANS—So, is there any realistic prospect of us having to make outlays in the 2007-08 year?

Mr Peel—I think that is a very realistic prospect.

Senator CHRIS EVANS—Even though you might not have signed up—

Mr Peel—I think we will have signed up a number of these contracts by early in the financial year. So I am fairly confident there will be outlays next financial year.

Senator CHRIS EVANS—And will they have an initial benchmark? I do not want you to take me through all the contracts; I am not asking for the details. How will it typically work?

Mr Peel—Each contract will have benchmarks in relation to the progress with payments attached to particular milestones in those contracts.

Senator CHRIS EVANS—But are those milestones necessarily related to construction, or could they relate to organisation of finance? It seems to me that some of these will be quite a way down the path before they dig a hole or build something, and you are talking about making milestone payments this financial year. I am trying to understand what the trigger might be.

Mr Birch—You are quite right. The individual arrangements will be made to suit the particular project. In some cases we may provide an initial payment. But, generally speaking, the subsequent payments will be on milestones, and those milestones in some cases will relate to things such as construction points or major capital purchases.

Senator CHRIS EVANS—Typically, will we be making two or three payments?

Mr Birch—The details of those payments will be in the schedules of the funding deeds, and they are being worked through. There will be a number of payments.

Senator CHRIS EVANS—But the thinking is of two, three, four; is that the sort of thinking? We are not talking about monthly payments—

Mr Peel—It depends on the nature of the project. The projects range from \$50 million to \$100 million in grant amounts. Obviously, a \$100 million grant would probably have a few more milestones than a \$50 million grant.

Senator CHRIS EVANS—I am just trying to get a sense of it. So, you are unlikely to be paying them all up front.

Mr Peel—Certainly not.

Senator CHRIS EVANS—I would like an update of expenditure on the REDI scheme and how it is likely to develop.

Ms Zielke—The payments to date for the program have been for 2005-06, \$3.83 million, and for 2006-07, \$7.29 million, which is a total of \$11.12 million paid out under the program so far.

Senator CHRIS EVANS—How much do you expect to spend in 2006-07?

Ms Zielke—We expect to spend another \$4.83 million before the end of the financial year.

Senator CHRIS EVANS—That takes you to about \$12 million in total.

Ms Zielke—Yes.

Senator CHRIS EVANS—And what is your budget for 2007-08?

Ms Zielke—For 2007-08, there is not exactly a separate allocation for the renewable energy development initiative. It is funded from within the Commercial Ready allocation of funding, so \$100 million from within that allocation will be provided for the REDI program.

Senator CHRIS EVANS—So \$100 million is notionally set aside to fund the Renewable Energy Development Initiative, is it?

Ms Zielke—The program runs over a seven-year period, so it is \$100 million over seven years from that allocation, yes.

Senator CHRIS EVANS—So if you take out the \$3 million and the \$12 million, you have \$85 million left? Is that right, or is there \$100 million left?

Mr Peel—No, we have already approved—well, \$47.1 million is committed at the moment to grants that have been approved.

Senator CHRIS EVANS—Is that in addition to the expenditure—

Mr Peel—I am sorry, \$52.24 million has already been committed, so we have \$40.76 million left to commit.

Senator CHRIS EVANS—Right. And the \$52.4 million includes the money that was already expended during the previous two years?

Ms Zielke—It does.

Mr Peel—It does.

Senator CHRIS EVANS—When will that approved money be expended? Will that all go out in 2007-08, or will it be progressive?

Ms Zielke—The commitments against 2007-08 are \$20.61 million, against 2008-09, \$12.73 million, and against 2009-10, \$2.58 million at this stage.

Senator CHRIS EVANS—But they are subject to increase as you look to allocate the remaining \$50 million. Is that right?

Ms Zielke—As new approvals are made, yes.

Senator CHRIS EVANS—When do the seven years end—in which financial year?

Ms Zielke—In 2010-11.

Senator CHRIS EVANS—Do you have a list of the projects that you have approved so far?

Mr Peel—Yes, we do.

Senator CHRIS EVANS—Can I get that on notice, or if you have it here, perhaps now?

Mr Peel—I cannot give it to you here because it has my notes all over it.

Senator CHRIS EVANS—That would be even better!

Mr Peel—But it is on our website. It is on the AusIndustry website and certainly we can provide it to you on notice.

Senator CHRIS EVANS—And the AusIndustry website includes those that have been approved but not yet funded?

Ms Zielke—Yes. However, I suggest that payments have been made against all projects to date that have been approved, other than for one particular case where an offer was not accepted. But, yes, they are all listed on the website.

Senator CHRIS EVANS—Thanks for that. Can I ask about the Commercial Ready Program? I get confused between them. There is some sort of change in the financial management or the timing of this program as well, is there not?

Mr Peel—No, a new element to the program was announced in the industry statement.

Senator CHRIS EVANS—This is the carbon capture storage thing?

Mr Peel—No. The allocation has been adjusted.

Senator CHRIS EVANS—The \$25 million?

Mr Peel—The \$25 million we discussed this morning with Senator Carr. The \$25 million is our estimate of how much the program will underspend this year, the Commercial Ready Program.

Senator CHRIS EVANS—In 2006-07?

Mr Peel—In 2006-07.

Senator CHRIS EVANS—What is the reason for the underspend?

Mr Peel—The reason for the underspend is essentially that the businesses to which we have provided grants are not spending the money in line with their original expectations. They will be spending that in future years rather than this year, which means we will underspend the allocated amount by \$25 million this year, or up to \$25 million this year.

Senator CHRIS EVANS—So it is a question of those businesses not gearing up at the rate expected, is it?

Mr Peel—Well, yes. But the sorts of projects that we are funding include, for example, research and development. They are inherently unpredictable in terms of timing. We usually manage the program with sort of an expected slippage in projects, but some of them are slipping more than we expected that they might.

Senator CHRIS EVANS—That \$25 million has just been rolled over into next year?

Mr Peel—No. It will be returned to the budget, or to consolidated revenue.

Senator CHRIS EVANS—How does that work if you have allocated for—

Mr Peel—There is plenty of money left. The program is now an ongoing program. It does not actually end at any point in the future. The allocation is approximately \$200 million a year for that program. There are funds still available to pay for those projects.

Senator CHRIS EVANS—You have made the decision that you do not need the \$25 million; that the global budget will more than cover—

Mr Peel—The global budget can cover the shortfall.

Senator CHRIS EVANS—What is the total budget in the out years? Does that include the \$100 million for the REDI?

Mr Peel—It includes \$50 million of the \$100 million for the REDI program. The other \$50 million is still to be provided by government, but that will be done in future years.

Senator CHRIS EVANS—That is not in the out years already?

Mr Peel—Not at this stage. Our total budget for this program for the period 2004-05 to 2010-11 in administered funds is \$1.35 billion.

Senator CHRIS EVANS—Yes. And how much of that has been committed?

Ms Zielke—Just bear with me a moment, senator. I can give you commitments, against future years in the program at this stage. I am afraid I do not have a total of those figures though. In 2007-08, commitments are \$150.44 million, in 2008-09, \$46.33 million and in 2009-10, \$6.83 million at this stage. That is on top of commitments that have already been made since the program commenced of approximately \$4.85 million.

Senator CHRIS EVANS—Do those figures include the figures for the REDI program?

Ms Zielke—They do, yes.

Senator CHRIS EVANS—How much are you allocated each year to meet these commitments?

Ms Zielke—Approximately \$200 million a year is provided for grants each year.

Senator CHRIS EVANS—Right.

Ms Zielke—That will continue, as the program has been made ongoing into future years.

Mr Paterson—Senator Evans, just a point of clarification. I am sorry to interrupt. Ms Zielke has just responded to some questions about commitments. Just to overcome any uncertainty, we provided in response to a question that we were given this morning from Senator Carr—some questions as of today. I think Ms Zielke's numbers probably concluded at the end of the previous month.

Mr Peel—30 April.

Ms Zielke—30 April, yes.

Mr Paterson—We tabled today some responses to Senator Carr's question.

Senator CHRIS EVANS—Right.

Mr Paterson—There are slight variations. It is of the same order of magnitude in terms of the commitments going forward, but the numbers are slightly different because what we tabled this afternoon were commitments to today.

Senator CHRIS EVANS—Thanks for that. As you can see, Senator Carr and I are not swapping notes in preparation for this. The \$25 million goes back. Can someone tell me what happens with this carbon capture storage implementation?

Mr Peel—In terms of commercial ready, \$8.237 million has been transferred, I supposed you could call it, from the Commercial Ready Program to fund the Carbon Capture and Storage Program, \$7 million in 2008-09 and \$1.237 million in 2009-10.

Senator CHRIS EVANS—How does that work? How do you authorise payment for a different purpose out of that fund?

Mr Peel—It was authorised by the government in the budget.

Senator CHRIS EVANS—Effectively you said you wanted to do something and they said you had to take the money out of that fund. Is that about right?

Mr Peel—Effectively, yes.

Senator CHRIS EVANS—It is not intended to be seen as something under the Commercial Ready Program?

Mr Peel—No. We reduced the appropriation for this program by that \$8 million, and it gets counted against the carbon capture and storage program, which will appear separately in the budget papers.

Senator CHRIS EVANS—How do people apply under the commercial-ready programs?

Ms Zielke—Companies can apply at any stage throughout the year under the program. They generally deal with one of our customer service managers, receive an application form, complete that form and then submit it. Applications are considered by the Industry Research and Development Board and its committees approximately every six weeks, and decisions are taken at that time, noting that, of course, if a company submits an application and misses the cut-off for one meeting, it will wait until the next meeting to be considered.

Senator CHRIS EVANS—But it is a continuous process?

Ms Zielke—It is a continuous process.

Senator CHRIS EVANS—And you have a committee that considers those applications?

Ms Zielke—We have four committees that consider those applications, yes.

Senator CHRIS EVANS—Is that because they cover certain portfolios?

Ms Zielke—We have an information technology and telecommunications committee, an engineering and manufacturing committee, a biological committee, and another committee that considers small grants of less than \$250,000.

Senator CHRIS EVANS—Do they include members from those particular industry backgrounds?

Ms Zielke—Yes.

Senator CHRIS EVANS—Can I ask about the development of the carbon capture legislative framework? I saw some press about that and I understand that there have been some discussions with the states?

Mr Hartwell—Yes. Legislation for the storage of CO₂ in geological structures in Commonwealth waters is currently being drafted and should be completed shortly. In terms of your reference to the states, we have developed this legislation consistent with some guiding principles for carbon dioxide capture and geological storage endorsed by the Ministerial Council on Mineral Petroleum Resources ministers in November 2005.

Senator CHRIS EVANS—2005?

Mr Hartwell—Yes. These were the broad overarching principles.

Senator CHRIS EVANS—Do you have a draft of the legislation?

Mr Hartwell—Not at this point.

Senator CHRIS EVANS—What has been circulated to the states at this stage?

Mr Hartwell—Essentially, we have circulated to the states the intent of the legislation. We have had agreement with the state and territory governments through the ministerial council on the broad principles which would provide the drive for the legislation.

Senator CHRIS EVANS—What is the next stage and what is the time frame for progressing this? Obviously there is a lot of interest in it now.

Mr Hartwell—Yes, indeed. We have had drafting instructions with parliamentary counsel for some time now. We have got a fair way through that process. We were hoping to get a draft bill shortly. Unfortunately, there have been other pressures on parliamentary counsel—other legislation that has been required. We would still hope to receive a draft bill sometime in the next two to three weeks, and then we will send that exposure draft legislation out for comment by a number of stakeholders, including state and territory governments.

Senator CHRIS EVANS—I heard evidence the other day that parliamentary counsel has been a bit busy on the industrial relations front. But they have a turnaround of nine days, so if you used your influence you could probably get things done. But obviously theirs was a higher priority. Hopefully, there will be a draft in two to three weeks. Will that be made public or just go to state governments and key stakeholders?

Mr Hartwell—No, it will go to key stakeholders, and key stakeholders include interested industry groups and others who have an interest in this legislation. This legislation is quite path breaking in a way. As far as we are aware it is the first attempt to have a detailed legal and regulatory framework which would enable carbon capture and storage. There are examples around the world where CO₂ is injected into underground geological cavities, but it is really normally part of a process of enhanced oil recovery. So what we are doing here is something which is quite path breaking, to use that term again.

Senator CHRIS EVANS—As I think my cynical colleague suggested, it has been sent to the states and it has been made public, so I suppose I should not have needed to ask the second part of the question.

Mr Hartwell—The stakeholders do include industry groups and industry associations who have an interest in this. So, essentially, I think it is public, yes.

Senator CHRIS EVANS—So we will have the draft legislation. As I understand it from talking to industry, the key dynamic here though is the sort of contest between using the

acreage for oil or gas exploration versus using it for sequestration. What is at the heart of that dynamic, or the policy challenge of that, if you like?

Mr Hartwell—Indeed, that is one of the issues that surrounds the legislation. We have chosen to amend the Offshore Petroleum Act to allow for offshore carbon storage. In doing that, of course, a lot of the acreage which has already been released for petroleum exploration—some is already in production—is of interest to the carbon storage proponents as well. We are trying to create a framework which would enable both to happen, but we are very conscious of the existing property rights that petroleum title holders have, and that will be one of the issues that we will need to work through. That is a central part of the framework, the interaction between existing petroleum titles and the carbon storage proponents.

Senator CHRIS EVANS—Do the state onshore legislative frameworks provide any lessons or guidance? I know that it is a different environment, but the states have been moving on this front, haven't they?

Mr Hartwell—We are aware of some state legislation which enables the injection of CO₂ into underground geological storage. But so far as we have seen from the legislation it is essentially a part of, as I said, enhanced oil recovery, not a part of CO₂ storage per se, and it is not detailed to the extent that we will be going through in our own legislation. We will be, as a part of the legislative and regulatory framework, not only developing the broad legislation to enable this to happen, but detailed regulations in relation to that. So, in that sense, while you are correct—it is facilitated to a certain extent by some state legislation—we believe that what we are doing as a part of our legislative and regulatory framework is something that goes the next step in providing quite an amount of detail in relation to the broader framework to enable this to happen.

Senator CHRIS EVANS—Have you released any principles or any guidance, or will the draft bill be the first?

Mr Hartwell—As I said, there are some regulatory guiding principles which are of a reasonably high order that have come out of the Ministerial Council on Mineral Petroleum Resources, the ones I mentioned that were released in November 2005. We have been in consultation with a number of stakeholders and have released one or two small publications, which essentially signal the intent of the direction that we were going to go. But certainly the legislation, when we receive it and then put it out for public exposure, will be the most detailed information that we have made available.

Senator CHRIS EVANS—Is it the case that basically no offshore geosequestration program will be able to go ahead until that legislative framework is in place?

Mr Hartwell—That certainly would be our view of the matter, in the sense that a carbon storage proponent would need the legal framework, the certainty, to enable that proponent to do that. So I think it is a fair conclusion to say that it would not happen without that framework.

Senator CHRIS EVANS—What is the best forecast as to when one would think the legislation would be in place?

Mr Hartwell—We have said, and the minister has said this publicly a few times, that we would hope to introduce the legislation. The minister is hoping to introduce the legislation in the spring sittings of parliament this year. We would hope that, all things being equal, if the legislation was to pass and we also completed the regulations surrounding it that we would be in a position to release some acreage for carbon storage maybe in the first half of next year.

Senator CHRIS EVANS—In the first half of next year?

Mr Hartwell—Yes.

Senator CHRIS EVANS—Thanks for that. We will follow that with interest. What engagement has the department in a couple of the rail infrastructure issues that are sort of live at the moment? The question about the multiuser issues in the iron ore industry in Western Australia and the problems with the coal export log jams in Queensland and New South Wales: is the department engaged in any way with those issues or involved with them?

Mr Hartwell—While there are many processes and many agencies involved in addressing some of those issues that have emerged in terms of our export infrastructure, whether it is at our coal loading ports or whether it is issues surrounding rail from our iron ore deposits in Western Australia, yes, the department has had a role. We would have been consulted in relation some of the government's deliberations on those issues.

Senator CHRIS EVANS—But is that beyond providing advice to the minister? Do you have a hands-on role in assisting the parties? These are obviously both pretty major infrastructure resource issues: particularly at the moment, there is a lot of heat in the coal-loading issues. Are you sort of hands-on in that, or only providing advice to the minister?

Mr Hartwell—In advising the minister, and given his responsibilities in the resources area, obviously he would take a great interest in what is happening at our major coal-loading ports, in particular Newcastle and Dalrymple Bay in Queensland. As a part of that, going back some time, we worked with our colleagues in the Department of Foreign Affairs and Trade and the Department of Transport and Regional Services to prepare a report on some of the issues that were important in trying to come to some sort of solution and address some of the issues that emerged around coal in relation to our ports and our rail and shipping. To answer your question, in general terms, yes, we would have been involved. We do not always have a lot of what you might call the legislative leaders. Often they lay with state governments and such, but in terms of advising the minister of the day, yes, we have provided him with advice.

Senator CHRIS EVANS—Are you involved in any working parties? Is there any structured engagement with the coal-loading issues?

Mr Hartwell—As I mentioned, we were engaged in an exercise with our colleagues from the Department of Foreign Affairs and Trade and the Department of Transport and Regional Services on the coal infrastructure issues. That was delivered to the three ministers some time ago. Since then of course we have continued to monitor the situation and provide the minister with advice.

Senator JOYCE—Is there really much that you can do? I mean, they are good points, but Dalrymple Bay is now owned by Babcock & Brown and they want a return on investment. That has been sold to Babcock & Brown by the state Labor government. There is not a hell of

a lot you can do. You cannot really march in there and start telling Babcock & Brown to build the coal-loading facility, can you?

Mr Hartwell—I think that is a fair point, but all that governments can do is address some of the regulatory issues that might surround that investment, but as well try to facilitate and bring the parties together. This is a complex issue. There are port issues, there are rail issues, there are shipping issues, and the whole coal infrastructure which leads from a mine to a port needs to be addressed. But I accept the point you make.

Senator JOYCE—And on another issue, if you are talking about coal, what about rolling stock? In your discussions, have you discussed how there has been no real investment in rolling stock so there is no capacity to move the coal to port? We cannot go in and start buying rolling stock for the state Labor Government—or can we?

Mr Hartwell—No. That is correct. We have noted the comments by some participants in the coal chain infrastructure. If you are talking about Dalrymple Bay—you pointed to the Queensland rail issues and such forth. We note that.

Senator JOYCE—It is true that this year we will be moving less coal than we did three years ago by reason of their incapacity to buy rolling stock and their incapacity to walk headlong into a deal with Babcock & Brown where they have completely tied up one of their major port infrastructure facilities. Unless we buy the darn thing back off them, we have not got a hope.

Mr Hartwell—I am not sure that we would agree with you that we are going to move less coal this year than three years ago. There have been significant investments at both the ports that tend to get the most headlines, that is, Newcastle and Dalrymple Bay, which have considerably increased their capacity to actually load coal. But they still are dependent on other aspects.

Senator JOYCE—They are building new infrastructure at Newcastle and the only thing that is happening at Dalrymple Bay is that they have to agree to an increase in return on investment to Babcock. Babcock & Brown have a virtual monopoly on Dalrymple Bay, do they not? Not virtual, absolute!

Mr Hartwell—I am not sure I am in a position to comment on that.

Senator JOYCE—I can help you out. There is no other bay near there. It is the only one there. That was set up by Mr Beattie, in his infinite wisdom, selling it to a consortium that can demand its return on investment, and that is it.

Mr Karas—There are two ports or coal terminals operating out of Hay Point. One of those is Dalrymple Bay coal terminal and the other is the Hay Point terminal, operated by the BHP Billiton Mitsubishi alliance. Both of those ports are undergoing major expansions. The Queensland government manages the rail tracks going into those ports and servicing the coalmines in that region, and also is the major servicer of the rolling stock. The work of the department has really been focusing on providing transparency in terms of the demand and supply and working with the participants to increase their awareness of the opportunity costs and the losses associated with not meeting those transport costs.

Senator JOYCE—Do you think it is a smart move to sell what would be a virtual monopoly in such a thing as Dalrymple Bay to a private consortium? In hindsight, do you think that is a clever move economically for our nation?

Senator Minchin—That is clearly not a question for an official, Senator Joyce, through you, Mr Chairman.

Senator JOYCE—Fair enough.

Senator Minchin—We will treat it as rhetorical.

Senator JOYCE—On the weekend I was talking to coal people, and this is their eternal frustration. They are locked up because we have Babcock & Brown, who run Dalrymple Bay, and we have a state Labor government that is two years behind in buying rolling stock. These are all issues, none of which you really have any control over whatsoever.

CHAIR—I think in fairness to my Labor colleagues, that is a comment on policy. While I might want to hear the answer, I think in fairness it should be treated as a question on policy.

Senator JOYCE—Put it on notice and send it in a letter to Mr Beattie.

Senator CHRIS EVANS—Thanks for that. I know the officers do not comment on policy, so I did not bother interjecting. I am more interested in what the department is doing rather than who is blaming whom. You talked about work you had done previously, Mr Hartwell. Is it fair to say no ongoing work has been done on this issue other than the provision of advice to the manner?

Mr Hartwell—I think we continue to work with some of our Commonwealth agencies who have been looking at some of the regulatory issues through the COAG process, if that is an impediment to future investment at our ports, whether that is Newcastle, Dalrymple Bay or even some of the issues that surround our ports in Western Australia. We continue to look at the issue and keep the minister informed. I think it is fair to say that there are processes under way to address some of these issues. If you look at the planned increase in capacity of some of these ports, provided all the investment takes place, there will be a significant increase in capacity over the next two to three years. At most of our coal-loading ports in particular you would see the capacity, should all the present plans go forward at Dalrymple Bay, rise from around the mid-55 million tonnes or thereabouts to about 85 million tonnes.

At Port Waratah, the Newcastle port, at the moment the capacity is around about 105 million tonnes. Admittedly the throughput is not as great as that, but planned capacity increases will take that up to 120 million tonnes in the next five to 10 years. I could replicate that story in other places around Australia. There is a considerable amount of work going forward and we continue, as you have mentioned, Senator, to advise the minister on that. I think it is fair to say that the expansion in demand for coal—and hindsight is always a wonderful thing—was a little underestimated by many people, if you go back. But I think there was considerable work, led by the government, to address these issues.

Mr Karas—We have also commissioned the Australian Bureau of Agriculture and Resource Economics to do a major demand study going out to 2025, looking at the demand at five-year intervals and looking at the infrastructure requirements that would be needed to support that demand which would feed into long-term investment decisions.

Senator CHRIS EVANS—Is that nationally?

Mr Karas—That is focusing on the export coal industry. That report was released toward the end of last year. Some of the things that are coming out of that work are supporting alternative port options to the port of Hay Point, developing the missing link to Abbot Point and developing that port as an alternative or major export terminal option to the Northern Bowen Basin. It is also about developing the Gladstone port and the railway linkages going into Gladstone to accommodate the Southern Bowen Basin. You are taking off some of those pressures that are on the Hay Point and Dalrymple Bay terminals.

Senator JOYCE—Do we have any further rail capacity for an expansion? Are we limited in our rail capacity? Do you have the capacity to move the product to the port that matches the capacity of the port? Is that possible, or is there a lag in the rail capacity to get it to the port?

Mr Karas—The combined capacity of the coal terminals will expand to 130 million tonnes, or to around about that sort of level with the current expansion plans. Queensland Rail has come through and has said that it can change its operational arrangements to support and sell capacity that matches that port capacity. It will sell that capacity to support that 130 million tonnes operation.

Senator JOYCE—Have you investigated their capacity to back up their guarantee? Have you investigated the reality of their rolling stock capacity to their stipulations of what they say?

Mr Hartwell—We continue to monitor that situation. Of course, our portfolio does not have a quintessentially hands-on role in relation to rail. Much of that, of course, is with state governments, but we bring this to the notice of our colleagues in the Department of Transport and Regional Services. I think the issue is understood. Just to pick up on what Mr Karas has said, the ABARE report that we commissioned said that, provided the existing infrastructure plans are put in place, there will be sufficient infrastructure in Australia to accommodate up to a 70 per cent increase in exports of coal to about 400 million per annum by 2020. I understand the point you are making about the rail issue. Companies have commented on it, but I can only suggest to you that there is a lot of activity happening.

Senator JOYCE—Where are these locomotives going to turn up from? I would be fascinated to get my hands on some, if they have some spare.

Mr Hartwell—I am not an expert in rail locomotives, but I understand the point you are making.

Mr Karas—In the Hunter Valley rail system, new locomotive and rolling stock have been on order. Those orders have been linked in with the planned capacity expansion. The expansion work at Newcastle, at the port itself, has been brought forward six to nine months ahead of that planned schedule. You are in a situation where you cannot bring the order of the rolling stock forward. It was there to match when the capacity would be available. That rolling stock will be available on the tally system in the third quarter of this year.

Senator JOYCE—What is your knowledge of the current lag between ordering and receipt of rolling stock, especially locomotives?

Mr Karas—That is very dependent on different situations and circumstances. We are not in position to know that one in any detail.

Senator CHRIS EVANS—I will leave it at that, chair.

CHAIR—You accept that. You are done?

Senator JOYCE—Yes. There are lots of questions on capacity of rolling stock and port capacity in Queensland, believe you me.

CHAIR—I thank officers of the Department of Industry, Tourism and Resources portfolio. It has been a long day. We have three days remaining whereas you can go home. I thank the officers most sincerely. I know I should not pick anyone out, but Mr Peel has been up and down all day and has done a mighty job, along with other officers. I thank them most sincerely for their contribution. We will adjourn until 9 o'clock tomorrow morning. Thank you, Minister.

Senator Minchin—Thank you. Mr Chairman.

Committee adjourned at 10.41 pm