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SENATE

STANDING COMMITTEE ON ECONOMICS

ESTIMATES

(Budget Estimates)

MONDAY, 2 JUNE 2008

CANBERRA

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SENATE STANDING COMMITTEE ON**ECONOMICS****Monday, 2 June 2008**

Members: Senator Hurley (*Chair*), Senator Eggleston (*Deputy Chair*), Senators Mark Bishop, Bushby, Joyce, McEwen, Murray and Webber

Participating members: Senators Abetz, Adams, Allison, Barnett, Bartlett, Bernardi, Birmingham, Boswell, Boyce, Brandis, Bob Brown, George Campbell, Carol Brown, Chapman, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Ellison, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Heffernan, Hogg, Humphries, Hutchins, Johnston, Kemp, Kirk, Lightfoot, Lundy, Ian Macdonald, Sandy Macdonald, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Murray, Nash, Nettle, O'Brien, Parry, Patterson, Payne, Polley, Ronaldson, Scullion, Siewert, Stephens, Sterle, Stott Despoja, Troeth, Trood, Watson and Wortley

Senators in attendance: Senators Abetz, Allison, Birmingham, Bushby, Colbeck, Cormann, Eggleston, Heffernan, Hurley, Johnston, Joyce, Ian Macdonald, McEwen, Milne, Moore, O'Brien, Parry and Webber

Committee met at 9.02 am

INNOVATION, INDUSTRY, SCIENCE AND RESEARCH PORTFOLIO**In Attendance**

Senator Carr, Minister for Innovation, Industry, Science and Research

Department of Innovation, Industry, Science and Research**Executive**

Mr Mark Paterson, Secretary

Ms Patricia Kelly, Deputy Secretary

Mr Tim Mackey, Deputy Secretary

AusIndustry

Mr Bill Peel, Executive General Manager

Mr Chris Birch, General Manager, Research, Development and Venture Capital

Mr Paul Sexton, General Manager, Customer Services

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

Ms Judith Zielke, General Manager, Innovation

Ms Robyn Foster, General Manager, IP Australia, Trade Marks and Design

Australian Institute of Aboriginal and Torres Strait Islander Studies

Dr Luke Taylor, Acting Principal

Ms Di Hosking, Acting Deputy Principal, Collections

Mr Jeff Hobson, Director, Corporate Services

Australian Nuclear Science and Technology Organisation

Dr Ron Cameron, Acting Chief Executive Officer
Mr Steve McIntosh, Senior Adviser, Government Liaison
Mr Doug Cubbin, Chief Financial Officer
Mr Andrew Humpherson, General Manager, Public Affairs

Australian Research Council

Prof Margaret Sheil, Chief Executive Officer
Mr Len Marsden, Chief Operating Officer
Ms Leanne Harvey, General Manager, Quality and Evaluation
Mr Andrew Cameron, Director, Resources

Commonwealth Scientific and Industrial Research Organisation

Dr Geoff Garrett, Chief Executive
Dr Alastair Robertson, Deputy Chief Executive, Science Strategy and Investment
Mr Mike Whelan, Deputy Chief Executive, Operations
Dr Jack Steele, Chief of Staff, Business Services
Mr Allan Gaukroger, Chief Financial Officer

Corporate Division

Ms Melissa McClusky, Chief Financial Officer and Head of Division
Ms Cherie Ellison, General Manager, Business and Ministerial Services Branch
Ms Michele Clement, Manager, Strategy and Communications Branch
Ms Susan Charles, Manager, Strategy and Communications Branch
Mr Brad Medland, General Manager, Corporate Finance Branch
Mr Richard Byron, General Manager, Human Resource Management Branch
Mr John Dicer, General Manager, Legal and Procurement Branch

eBusiness Division

Mr Ken Pettifer, Head of Division
Mr Mike Sibly, General Manager, Online eBusiness Services Branch
Mr Steve Stirling, General Manager, ICT Operations Branch
Ms Trish Porter, General Manager, VANguard Branch

Industry and Small Business Policy

Ms Sue Weston, Head of Division
Mr Peter Chesworth, General Manager, Small Business and Deregulation Branch
Ms Ann Bray, Acting General Manager, ABN/Business Names Project
Mr Ken Miley, General Manager, Trade and International Branch
Mr Tony Greenwell, General Manager, Business Conditions Branch
Mr Richard Snabel, General Manager, Industry Policy and Economic Analysis Branch

Innovation Division

Mr Craig Pennifold, Head of Division
Mr John Dean, General Manager, Enterprise Connect
Mr Tony Weber, General Manager, Innovation Analysis Branch
Ms Tess McDonald, General Manager, Enabling Technologies
Mr Michael Schwager, General Manager, Pharmaceuticals and Biotechnology Branch
Ms Tricia Berman, General Manager, Innovation Policy Branch

Global Opportunities Division

Barry Jones, Head of Division

IP Australia

Mr Philip Noonan, Director General

Ms Fatima Beattie, Deputy Director General

Ms Yvonne Laird, Chief Financial Officer

Manufacturing Division

Mr Steve Payne, Head of Division

Mr Peter Clarke, General Manager, Automotive, TCF and Engineering Branch

Mr Ivan Donaldson, General Manager, Australian Building Codes Board

Dr Michael Green, General Manager, Manufacturing Innovation Branch

Mr Mike Lawson, General Manager, Aerospace, Defence and ICT Branch

Mr Geoff Lewis, Manager, Automotive Review Taskforce

Ms Cecilia Wood, Acting Manager, TCF Review Taskforce

Mr Mark Durrant, General Manager, Automotive, TCF and Engineering Branch

National Measurement Institute

Dr Laurie Besley, Chief Executive and Chief Metrologist

Office of the Chief Scientist

Dr Jim Peacock, Chief Scientist

Questacon

Mr Graham Durant, Director

Ms Lorraine Neish, General Manager, Operations

Mr Graham Smith, Acting General Manager, Development

Science and Research Division

Ms Jessie Borthwick, Head of Division

Mr Steve Irwin, General Manager, Science and Technology Policy Branch

Ms Mary Finlay, General Manager, International Science Branch

Ms Stella Morahan, General Manager, Science Collaboration and Awareness Branch

Ms Anne-Marie-Lansdown, General Manager, Research Infrastructure

Dr Anne Byrne, General Manager, Compacts, Quality and Policy Coordination Taskforce

Ms Helen Fullgrabe, Manager, Compacts and Quality Team

Dr Terry Bowditch, Manager, Research Policy and Funding Team

CHAIR (Senator Hurley)—I declare open this meeting of the Senate Standing Committee on Economics. The Senate has referred to the committee the particulars of proposed expenditure for 2008-09 and certain other documents for the portfolios of innovation, industry, science and research, resources and energy, tourism, and Treasury. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee is due to report to the Senate on 24 June 2008 and has fixed Friday, 1 August 2008 as the date for the return of answers to questions taken on notice.

Today the committee will begin by examining the Department of Innovation, Industry, Science and Research and continue 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 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 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 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 a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanation of policies or factual questions about when and how policies were adopted.

If a witness objects to answering a question, the witness should state the ground upon which 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 Carr, the Minister for Innovation, Industry, Science and Research and officers of the department. Minister or officers, do you wish to make an opening statement?

Senator Carr—Thank you, Madam Chair. There are two matters which I wish to draw to the attention of the committee. First of all, I refer to a question on notice from the 21 February hearings, question No. AI-5, in relation to the date on which the automotive review was announced. The answer said that the announcement was made on 13 February. To correct the record, the announcement was of course made on 14 February.

The second correction of the record goes to a question that Senator Abetz asked me in regard to any emails to Mr Bracks in regard to the automotive review. This was question AI-6. To that question I answered no. This was a question which I interpreted at the time to be on the issue of remuneration, and there was no email to that effect, consistent with the answer. However, at the previous estimates—on page E57 of the Senate *Hansard*—Senator Abetz asked me a question that went to the question of remuneration, but then there was a subclause to it:

Were any documents or was any advice sent to Mr Bracks as to what his remuneration might be, the terms or how long he might have to serve on this review panel?

To emphasise accuracy, there was an email that was presented in December that went to the issue of the terms of the inquiry and the length of that inquiry. So just to have a complete answer, in case there is any confusion about the two answers, I would like to correct the record to that effect.

CHAIR—Thank you, Minister. Mr Paterson, do you wish to make an opening statement?

Mr Paterson—No.

CHAIR—Thank you. We will now turn to the first item on today's agenda, examination of outcomes 1 and 2 relating to innovation and industry issues.

Senator ABETZ—Can I ask the minister whether he has received his charter letter as yet?

Senator Carr—No, I have not.

Senator ABETZ—When do you expect to receive your charter letter?

Senator Carr—Each Prime Minister will make different arrangements in regards to charter letters. We have had a series of communications with the Prime Minister which provided me with guidance as to the way in which the Prime Minister expects portfolio ministers to respond. The current Prime Minister has elected not to issue ministers with charter letters.

Senator ABETZ—I ask you whether you had received your charter letter as yet. You said, 'No'. I then asked, 'When do you anticipate to receiving it,' and you now tell us that the Prime Minister has no intention of sending out charter letters. Is that correct?

Senator Carr—That is my understanding.

Senator ABETZ—That is your understanding. Do you recall at the last Senate estimates, when I asked about this, you very condescendingly telling me:

There is a process that is well established in terms of government which leads to a charter letter being provided. I would expect that that will form the basis of an assessment of how well we do in the job.

So the basis on which we are supposed to assess you now has gone out the window. So if we cannot assess on the basis of your charter letter, as you promised last Senate estimates, on what basis are we going to assess you?

Senator Carr—I would anticipate that the normal methods of accountability would prevail.

Senator ABETZ—Well you see, you told me last time at the Senate estimates that the normal process, or the well-established process, was the provision of a charter letter. Now you are saying this well-established process is not going to be followed and you then say the normal process is going to be the basis. I thought the normal process was the well-established process, as you told last time, which was the provision of a charter letter.

Senator Carr—That was clearly my understanding at the time.

Senator ABETZ—So when did your understanding of that change?

Senator Carr—I understand now that the Prime Minister does not intend to issue charter letters.

Senator ABETZ—Yes, but when did your understanding of this change? I am willing to accept that on 21 February you were telling us the truth as you understood it. What I am asking is: when did your knowledge of that circumstance changing arise?

Senator Carr—I have been provided with advice following discussions since you raised this issue last week.

Senator ABETZ—So, up until last week when I was raising these questions with Prime Minister and Cabinet, it was still your expectation that you would be receiving a charter letter?

Senator Carr—To tell you the truth, Senator Abetz, I have not given the matter a great deal of thought.

Senator ABETZ—I am not interested whether you gave it one nanosecond of thought. Was it still your expectation, until last week when I raised these issues with PM&C, that you would receive a charter letter?

Senator Carr—It was my expectation that we would receive a charter letter.

Senator ABETZ—When did that expectation change?

Senator Carr—Clearly, since you raised the matter last week the matter has been clarified.

Senator ABETZ—So, up until last week, it was your anticipation that you would receive a charter letter?

Senator Carr—I think I have answered the question.

Senator ABETZ—I might be a bit obtuse. Can you tell us whether the answer to the question is yes or no?

Senator Carr—The answer is yes.

Senator ABETZ—Thank you. When I asked you at the last Senate estimates, ‘Are those charter letters made available to the public?’ you answered, ‘I believe they will be. There will be a public statement on those matters.’ Can you advise me as to what public statement has been made by the Prime Minister in relation to charter letters?

Senator Carr—No, I cannot.

Senator ABETZ—No, nor can anybody else, so you are not Robinson Crusoe in that respect because no public statement has been made. We got this fantastic story from Senator Faulkner at Senate estimates last week that ministers sat down with the Prime Minister and they had a discussion about what the duties and roles might be. As a minister, did you have such a discussion with the Prime Minister?

Senator Carr—Yes.

Senator ABETZ—When did that occur?

Senator Carr—I will just check the date for you, Senator. It was on 1 February 2008.

Senator ABETZ—Since 1 February, have you had a further discussion?

Senator Carr—I have ongoing discussions with the Prime Minister about the operations of the government and the performance of the portfolio.

Senator ABETZ—Do you have any other dates that you can point to in relation to that?

Senator Carr—No. It is an ongoing process, Senator Abetz.

Senator ABETZ—Sorry?

Senator Carr—It is an ongoing process.

Senator ABETZ—It is an ongoing process, so we will never have a firm, single document like a letter of charter. But with these discussions that take place, are records kept of these meetings?

Senator Carr—It depends on the nature of those conversations. Are they minuted? On most occasions they are not minuted.

Senator ABETZ—Right. Remind me: 1 February 2008 was the meeting that you had with the Prime Minister that you refer to?

Senator Carr—Yes.

Senator ABETZ—Was that conversation minuted?

Senator Carr—It is my understanding that it was.

Senator ABETZ—Your understanding. Do you have a copy of the minute?

Senator Carr—There were officials present from both my department and the Department of the Prime Minister and Cabinet.

Senator ABETZ—Who took the minutes? I do not need to know the person; which department was responsible for the taking of the minute?

Senator Carr—I correct the record. They are not minutes; there were notes of that conversation and those conversations had note takers from Prime Minister and Cabinet.

Senator ABETZ—Right. Were you provided with a copy?

Senator Carr—Yes.

Senator ABETZ—Did you initial those notes of conversation?

Senator Carr—No.

Senator ABETZ—Did the Prime Minister initial the notes of the conversation?

Senator Carr—I am not aware of that.

Senator ABETZ—So we have a note of conversation that now forms your charter duties. Is that correct?

Senator Carr—The Prime Minister has had extensive discussions with ministers about their portfolio responsibilities and their expectations. The content of those discussions remains confidential to the minister and Prime Minister. The budget brought down on 13 May 2008 outlines the government's plan for the coming year and beyond.

Senator ABETZ—Yes, we know that, Minister.

Senator Carr—Senator Abetz, like all my colleagues, I am concentrating on delivering the measures in my portfolio areas of responsibility.

Senator ABETZ—Coming back to Senate estimates on 21 February 2008, when I asked, 'Are those charter letters made available to the public?' 'In due course, I believe they will be', was your answer. 'There will be a public statement on those matters.' I thought this new era of transparency and accountability would see these charter letters made available. You, in fact, were of the view that charter letters were going to happen, up until a week ago. Clearly, that is not going to happen. In lieu of the charter letters, we have these conversations, of which

somebody has taken a minute, but neither you nor the Prime Minister has signed off on, and those minutes are not going to be made public. Is that what you are telling us? Sorry, not 'minute'—I withdraw that; note of conversation.

Senator Carr—I have got no idea what the Prime Minister has signed off on in regard to those notes. All I can say to you is I have not initialled those notes.

Senator ABETZ—All right, and those notes are not going to be made public?

Senator Carr—That is the case.

Senator ABETZ—In that case, we will not be able to use your charter letter, because it does not exist, and we will not be able to use the charter note of conversation, because you are not going to make that public, as the basis of how we can assess how well you were doing in the job.

Senator Carr—I have no doubt that you will be seeking to inquire into my activities in a number of forums. I look forward to that exchange.

Senator ABETZ—Yes, but you made a promise with great fanfare on 21 February 2008 in relation to (1) that you would receive a charter letter, (2) that it would be public and (3) that we would be able to assess your performance against that. Now we know we do not get a charter letter. We do not even get the note of conversation that you had with the Prime Minister in chartering you and, as a result, we do not have any assessment or basis on which we can perform your assessment. That is why I did ask, Madam Chair, at the last Senate estimates whether there would be other benchmarks. I was just wondering whether employment in the area of manufacturing might be an area in which the minister might benchmark himself. Would employment figures be an area in which you might benchmark yourself?

Senator Carr—It is my understanding that previous charter letters were not ever shown to the opposition. It is my understanding that the criteria for assessment of the previous government were never made public. It is my understanding that the criteria by which the government was assessed were through the normal accountability mechanisms of the parliament. I expect that will be the same provision that applies here.

Senator ABETZ—Senator Carr, can I say to you, I am not critical of the charter letters not being made public but for the fact that it was promised. That is the big difference here you see. Mr Rudd went to the people of Australia saying that there would be a new era of accountability as late as 21 February 2008, some three months after the election. This new era of accountability was still on track, as far as you were concerned, until a week ago. I want to know what has happened to this new era of accountability, or was it simply all mantra and spin for the election campaign without any intention of following through? That is the great concern I have.

Senator PARRY—Well get in and change it all.

Senator Carr—That is not a question. You have made a political statement, Senator Abetz.

Senator ABETZ—I think the people of Australia are entitled to know whether or not it was just mantra and spin before and after the election or whether there was a genuine intention, at any stage, to have charter letters and to have them publicly disclosed.

Senator PARRY—That is a reasonable question.

Senator Carr—I suggest that is a matter you take up through the Prime Minister and Cabinet estimates.

Senator ABETZ—But you are a member of cabinet. Surely, you would have been arguing strongly saying, ‘Oh look, I made a promise at Senate estimates that there would be charter letters, that they would be publicly disclosed, that that would be the basis on which I could be assessed and I will be hugely embarrassed, Prime Minister, if there are not charter letters’. Can I suggest to you, that the charter letter that you anticipated receiving, up until last week, has simply been bogged down in the Prime Minister’s office, and we are now getting this fantastic spin to justify why they have not been released?

Senator Carr—My contributions to cabinet remain confidential. Your contentions on other matters are matters for you.

Senator ABETZ—All right. Seeing that we do not have the Prime Minister’s letter to benchmark you against, let alone even a note of conversation to benchmark you against, would a benchmark as to the number of manufacturing jobs lost since you became minister be a fair benchmark?

Senator Carr—We will be doing all we can to encourage the growth of manufacturing. As you are only too well aware, I trust, productivity rates in the many manufacturing sectors have grown quite substantially. So despite the fact that there are, in some parts of the country, fewer people employed in manufacturing, there has been an overall growth in the manufacturing sector. In some parts of the country, the growth in employment in manufacturing has also been evidenced.

Senator ABETZ—If that is the case, why don’t you say that growth in the manner of the number of jobs in manufacturing will be one of the matters against which you will benchmark yourself?

Senator Carr—We will be discussing the performance of manufacturing on an ongoing basis with the Australian people and the Australian parliament.

Senator ABETZ—What benchmark other than this esoteric growth in manufacturing? We do not have a letter of charter, you are not going to benchmark yourself against employment growth and clearly, you are not going to benchmark yourself on the amount of money you did not get for your portfolio in the last budget. The question then is what are you going to benchmark yourself on so that we can actually assess your performance?

Senator Carr—Can I draw your attention to the PBS documents?

Senator ABETZ—I have read it cover to cover, thanks.

Senator Carr—I am sure you have. Then you would be aware that, for the first time, key performance indicators are listed in the PBS including the targets.

Senator ABETZ—There are some great key performance indicators in this PBS that you draw our attention to. One of them is in fact quite earth shattering, I thought.

Senator Carr—You asked me how I will be assessed. I have indicated to you that the PBS indicates the key performance indicators that the department has been set and the targets that have been established. I do not recall those being in the previous PBS documents.

Senator ABETZ—The Australian Institute of Aboriginal and Torres Strait Islander Studies, for example, has amongst its key performance indicators that the number of annual reports produced was one. You are not going to be producing two annual reports are you? Or zero annual reports? But that is one of these whammies of key performance indicators that you are going to be assessed against. That is going to be a huge performance indicator to measure up to isn't it; to produce one annual report? That is on page 69.

Senator Carr—I look forward to your questions to AIATSIS when they come before the committee.

Senator ABETZ—We will touch on key performance indicators again later. Can you agree with me that we have had job losses in the Le Cornu furniture company, Fisher & Paykel, Riviera Marine and Players Biscuits—and, of course, that is not to mention Mitsubishi—since you have been on the watch?

Senator Carr—Yes.

Senator ABETZ—You are okay with all these job losses?

Senator Carr—Under the previous period of your government, there were very substantial job losses in manufacturing, very substantial. There were also some firms that grew. It is the nature of our economy that there will be some businesses that expand and others that contract. Our job is to provide the policy settings to allow for there to be a general improvement in the performance of the manufacturing sector. That is my intention, that is what we are working on and we look forward to being able to discuss with the committee, into the future, the progress that we are making.

Senator ABETZ—It is very interesting that you acknowledge that, because you were not willing to acknowledge prior to the election that there were areas where there would be job losses and areas where there would be jobs growth. In fact, just like your openness and transparency in government, there was one message sold before the election, and then the mantra after the election, or at least six months after the election, all of a sudden turns back to the Howard era explanation of things, which, might I say, I generally accept but for—and this is the important 'but for'—the messages you were sending to the Australian people that things would be so different under a Rudd government. What we are now seeing is that, when things get difficult, you are reverting back to that which occurred under the previous government. Let us move on.

Senator Carr—Before we move on, let me just make a couple of points. I was in opposition like you and I held a similar position to you for many years. I would like to believe that I did not spend that time chasing ambulances when it came to manufacturing. I did argue the case that the previous government had seriously neglected the manufacturing sector. I did argue the case that the previous government had missed opportunity after opportunity in terms of the policy settings that were being pursued. I do not move one inch from that.

Senator ABETZ—The manufacturing sector is now telling me that they would prefer the Howard government neglect to the Rudd government care that it is now being subjected to. Can we move on? Minister, do you approve cabinet submissions from your department?

Senator Carr—Sorry?

Senator ABETZ—Do you approve cabinet submissions from your department before they go to cabinet? Do you sign off on them?

Senator Carr—If they are from the department and they are in my name, yes.

Senator ABETZ—Right. What about if they are not in your name?

Senator Carr—Sorry? You mean coordination comments or are you talking about submissions?

Senator ABETZ—Oh yes, coordination comments.

Senator Carr—I just want to be clear; I do not want to mislead you in any way. Are you talking about coordination comments?

Senator ABETZ—Yes. Let us move to coordination comments now. That is fine.

Senator Carr—There is a distinction between submissions that I make to cabinet, which are in my name, and coordination comments, which are in the department's name and which I do not approve, and nor is my approval sought.

Senator ABETZ—Yes, I understand. But are they provided to you simultaneously with them going to the cabinet office?

Senator Carr—My apologies, Senator Abetz.

Senator ABETZ—Are you provided with a copy of those coordination comments prior to them going to cabinet or at the same time as they go to cabinet?

Senator Carr—No.

Senator ABETZ—You might like to take some advice.

Senator Carr—I receive the coordination comments of all departments including my own at the same time. Mr Paterson does not seek my agreement as to what comments the department makes about other people's submissions. I do not get a chance to vet them, nor is my approval sought for those comments.

Senator ABETZ—I asked as to when you actually received your department's coordination comments.

Senator Carr—I have answered that question.

Senator ABETZ—At the exactly the same time as you receive everybody else's coordination comments?

Senator Carr—That is right. I believe that was the same process with the previous government.

Senator ABETZ—Having read those you might from time to time disagree with them or in fact agree with them. Would that be right?

Senator Carr—Yes.

Senator ABETZ—Do you have a watching brief in relation to matters that come before cabinet from a small business perspective?

Senator Carr—That is part of the portfolio.

Senator ABETZ—Would one of those be to ensure that we reduce compliance costs for small business?

Senator Carr—Yes.

Senator ABETZ—Things like workplace changes and the impact of them on small business would be part of your watching brief?

Senator Carr—It is not a watching brief. It is a core function of the department.

Senator ABETZ—Allow me to amend my question instead of the terminology I used. Is it core business of your ministerial role to ensure that compliance costs on small business are kept to a minimum?

Senator Carr—I make representations on all matters relating to small business.

Senator ABETZ—Is part of your core business to be concerned about compliance costs for small business in areas as diverse as let us say workplace relations changes, superannuation changes and whatever the issue might be?

Senator Carr—Clearly a range of ministers has direct responsibilities for those matters that you have raised. Nonetheless, I have an interest in those questions. You mentioned superannuation and industrial relations. They are the direct responsibilities of other ministers.

Senator ABETZ—Of course they are. You have just told us that a core ministerial responsibility for you is to make comment on these matters from a small business perspective.

Senator Carr—There is a provision for a small business impact statement through the Office of Small Business to be made.

Senator ABETZ—Is that for every cabinet submission?

Senator Carr—Yes.

Senator ABETZ—Did you have any input into the Fuelwatch decision and was a small business impact statement made in relation to that decision?

Senator Carr—That was a matter before the cabinet which has been the subject of some public discussion. I believe there was a small business impact statement made to that submission.

Senator ABETZ—You believe?

Senator Carr—I do not have the submission in front of me. I do not want to mislead you.

Senator EGGLESTON—Either it did or it did not.

Senator ABETZ—Exactly right, Senator Eggleston. Either it did or did not happen. It would not be a difficult matter to—

Senator Carr—I will double check. I will take that on notice.

Senator ABETZ—I invite you to double check that as a matter of urgency, because your previous evidence was that anything that impacted on small business would have a small business impact statement. Therefore, on your own evidence, it would be out of the ordinary if such a statement had not been prepared for the Fuelwatch submission.

Senator Carr—We will wait until we get this up.

Senator ABETZ—When might that be?

Senator Carr—It will not be too long.

Senator ABETZ—What is ‘too long’? Would you have it by morning tea?

Senator Carr—I would expect so.

Senator ABETZ—Thank you very much. We will come back to that. Laurie Oakes has told us a bit about what was in the department’s submission. Can I ask you, Minister: did you express any views on the impact on small business?

Senator Carr—I have already indicated to you that my contributions to the cabinet discussion are not for the public domain.

Senator ABETZ—Was any modelling done by the small business section, or indeed the industry section of your portfolio, as to the impact on small business?

Senator Carr—I am not going to comment on the cabinet processes.

Senator PARRY—It is a general question.

Senator ABETZ—I am not asking you what the submission said. I am asking was a submission prepared on that general topic and, as I understand it, that is an appropriate question to ask and I would appreciate an answer.

Senator Carr—We will deal with that when we come back.

Senator ABETZ—Was any thought given about the compliance costs of Fuelwatch to small business and to industry in general?

Senator Carr—There was thought given and we will canvass those matters when we come back with the submission.

Senator ABETZ—I understand the proposed Fuelwatch scheme has penalties that will be applied to businesses in the event that they want to sell petrol cheaper than what they have registered. Is that correct?

Senator Carr—The implementation of the decision for Fuelwatch is the responsibility of another department. I suggest that implementation decisions be taken up with them. It is a Treasury portfolio issue, so I suggest that it is a matter that you take up at that point.

Senator ABETZ—Thank you for that kind suggestion. Believe it or not that it is something that had passed my mind, but you have, as your core business, as you told me earlier, looking after the interests of small business and industry generally, so penalties that might be imposed on industry and small business I would have thought might be something that attracted or tickled your attention.

Senator Carr—What we were discussing was the relationship to this department and my responsibilities within the government to small business. I have indicated to you my attitude on that. I am also suggesting to you though that in terms of the implementation of this particular measure you should go to the officers who are directly responsible, which is the Department of the Treasury.

Senator ABETZ—Small business would like to hear whether or not impact statements were produced and whether their cause was championed by their minister who has as his core business looking after small business.

Senator Carr—You can take it as read that their causes were championed, and that is as much as I am prepared to say.

Senator ABETZ—Was the document that Laurie Oakes quoted from the view of the department?

Senator Carr—That was the view of the department.

Senator ABETZ—Are you able to share with us any other views that the department may have expressed in that document?

Senator Carr—No.

Senator ABETZ—What about your own views?

Senator Carr—I have already covered that.

Senator ABETZ—Do you support Fuelwatch as has been outlined by the Prime Minister?

Senator Carr—Yes. It is a decision of the government.

Senator ABETZ—Do you support the imposition of penalties on small businesses in the event that they reduce the cost of fuel to the consumer?

Senator Carr—I support the decision of the government.

Senator ABETZ—Have you got any idea as to what the compliance costs, in particular for small business, might be?

Senator Carr—There has been an allocation made for compliance costs of \$20 million as part of that decision.

Senator ABETZ—I suggest to you that is the implementation cost.

Senator Carr—The ACCC has been allocated an amount of \$20 million.

Senator ABETZ—Yes. That is not to do with compliance. I would suggest to you that small business will incur substantial compliance costs, if the Western Australian experience is anything to go by.

Senator Carr—That is not the case at all.

Senator ABETZ—Is there no compliance cost in Western Australian for small business?

Senator Carr—The position that has been taken by the government is that there will be no requirement for petrol retailers to install software or to keep records. There are no additional recording requirements. The information on prices will be referred to the ACCC once a day by a toll free number, either by email or by file transfer for reporting multiple sites, and some

retailers may in fact find a reduction in the cost of these activities which are replacing existing and more extensive reporting arrangements that currently exist. I am sure you would be aware that current private pricing monitoring arrangements require reporting up to every 15 minutes.

Senator ABETZ—Are you telling me if I am expressing concern about compliance costs, I am really off the mark?

Senator Carr—The decision of the government was that in terms of implementation there would be no requirement for petrol retailers to install software or to keep records, that there would be no additional recording requirements.

Senator ABETZ—Will small business suffer any extra costs in complying with Fuelwatch?

Senator Carr—It is the view of the government that there will be no need to provide any assistance on the matter because there are in fact no additional recording requirements.

Senator ABETZ—You have no concern about compliance costs in relation to Fuelwatch?

Senator Carr—The decisions of the government were that we would actually simplify the reporting arrangements that currently exist.

Senator ABETZ—Are you telling me that rather than increasing compliance costs, chances are it is going to reduce compliance costs?

Senator Carr—The decision of the government was that there would be no requirement for petrol retailers to install special software or to keep records.

Senator ABETZ—Mr Paterson, I saw you nodding your head in response to the minister's answer. Is that the department's view as well?

Mr Paterson—I cannot comment on whether you saw me nodding my head and what basis that action was based on.

Senator ABETZ—I thought you might have wanted your approval of the minister's answer recorded on *Hansard*. You may have been nodding in relation to something else. That is fine and I understand that. Can I ask if the department is satisfied that there are no extra compliance costs?

Senator Carr—I will just indicate that there was a small business statement prepared for that submission.

Senator ABETZ—There was a small business statement prepared for that submission?

Senator Carr—Yes.

Senator ABETZ—Given what you have just told us, Minister, would that small business statement have indicated that there would not be any concern about extra compliance costs?

Senator Carr—I am not in a position to comment about cabinet submissions.

Senator ABETZ—You are saying that there was a small business submission to cabinet.

Senator Carr—Yes.

Senator ABETZ—You are now telling us that the compliance costs of Fuelwatch will, if anything, decrease rather than increase because of Fuelwatch; is that correct?

Senator Carr—What I have indicated to you is that there will be no requirement for petrol retailers to install software or to keep records and that there will be no additional recording requirements.

Senator ABETZ—Can we get it clear? There will be no additional compliance costs for small business?

Senator Carr—What I have indicated to you is that some retailers may find a reduction in cost as these activities replace existing and more extensive reporting arrangements.

Senator ABETZ—In fact rather than suggesting, as I have, that there might be increased compliance costs, your answer to me is that in fact there is likely to be a reduction in compliance costs.

Senator Carr—What I have said to you is that information on pricing will be referred to the ACCC once a day by a toll free number, by email or by file number for reporting across multiple sites.

Senator ABETZ—You did not say that before.

Senator Carr—Yes, I did. I am quoting from the same document.

Senator ABETZ—I know you are quoting from the same document, but you were indicating to us earlier that there was no cause to believe that there would be extra compliance costs and, if anything, there might be a slight reduction in compliance costs. Is that correct?

Senator Carr—I have indicated to you my answer.

Senator ABETZ—I am confused. Can you please answer it again?

CHAIR—The *Hansard* will be available shortly.

Senator ABETZ—There is a flow of questions here, Chair. I accept that, but I am genuinely confused by the minister's answer and, if it is that easy, I am sure the minister will assist me.

CHAIR—Can the minister table that?

Senator Carr—No. Thank you very much for your suggestion.

Senator ABETZ—We are not going to get a further answer on that. The Fuelwatch scheme has penalties for businesses that reduce their petrol prices during the course of the day after they have lodged their price.

Senator Carr—Thank you for the invitation, but once again I refer you to the responsible officers for the implementation of this program.

Senator ABETZ—Are you aware that that is part of the Fuelwatch regime?

Senator Carr—I am aware. I repeat, though, that the implementation of the Fuelwatch program is a matter for Treasury.

Senator ABETZ—Yes. I am not talking about the implementation of it. I just want to know one aspect of it. I then come back to the issue of small business. Will you be running an education campaign, especially amongst small businesses warning, them of the potential

penalties that will be imposed so that they are fully up to date with the consequences of Fuelwatch?

Senator Carr—I suggest you take up the implementation issues with the relevant officers.

Senator ABETZ—I thought small business was one of your core functions. If small business is one of your core functions, I would have thought that you would have had more than a passing interest as to whether or not small businesses were going to be educated or advised in relation to what they need to do to comply with Fuelwatch.

Senator Carr—I do not think you should confuse interest with my responsibilities in this chamber to represent that minister. That is another minister's job before that committee. I look forward to you taking the matter up with the Treasury officials and the relevant minister at the table.

Senator ABETZ—Was industry or small business consulted in any manner prior to the Fuelwatch decision by yourself or the department?

Senator Carr—Let me just be clear. Are you referring to the Department of Innovation?

Senator ABETZ—No. Industry, as in the oil industry.

Senator Carr—The oil companies?

Senator ABETZ—Were the oil companies and small businesses involved in retailing petrol consulted prior to the government making its Fuelwatch decision?

Senator Carr—You should take that up with the relevant portfolio on that issue.

Senator ABETZ—Did your department consult with industry and small business prior to them making their coordination comments for cabinet?

Senator Carr—I do not know what it was like in your government, but I can say to you now that I would not expect the officers of this department to be consulting or discussing confidential cabinet submissions with unauthorised persons.

Senator ABETZ—In other words, industry was not consulted and small business was not consulted from your departmental and ministerial point of view prior to the Fuelwatch decision?

Senator Carr—It is actually an offence to reveal cabinet documents to unauthorised persons.

Senator ABETZ—Can I suggest to you that before a decision is made there is no decision of cabinet and there is nothing wrong in any way, shape or form. What this does give us is a wonderful window into the operations of the Rudd government. They will not consult with anybody prior to a decision being made. I would also suggest that if you had consulted with these people prior to the decision being made, people would not have been so busy leaking Martin Ferguson's letter and those four departmental submissions. I think a lot of people feel very aggrieved that industry and small business in fact were not consulted. That is a very interesting window into the operations of the Rudd government that has just been provided to us.

Minister, do you believe the consultation with industry may have developed a more workable alternative than Fuelwatch?

Senator Carr—It was an election commitment in regard to Fuelwatch, the operations of which were based on the experience out of Western Australia. It is incorrect for you to suggest that this was a proposal that has come out of thin air. As to the workability of the scheme, clearly you have an option in the Senate very shortly to vote for it or to vote against it.

Senator ABETZ—I am aware of that. What was the exact nature of the Fuelwatch promise? Was it to be identical to Western Australia? I would suggest not. I suggest that there are some changes between the national Fuelwatch and Western Australia's FuelWatch. When were those changes canvassed during the election campaign?

Senator Carr—This was a matter of debate before the election. I draw your attention to the public comments that have been made.

Senator ABETZ—Of course. That is about the concept of a Fuelwatch. We now have a specific scheme. I am asking about this specific scheme. What would have been illegal for you or the department to go out to industry and small business saying, 'If we are to have a Fuelwatch as promised, what would be the best way of implementing it?' Are you saying that would be illegal? That is a wonderful insight into the operations of your government.

Senator Carr—You asked me a question that went to the issue of a cabinet submission on whether or not officers of the Department of Innovation had consulted about a cabinet submission. I have answered in the context of a cabinet submission. This was a program that was canvassed well prior to the election. It was argued publicly prior to the election. Stakeholders had an opportunity to put a view in that process. I would suggest that implementation issues that have arisen from the decision are matters for the Department of the Treasury.

Senator ABETZ—It is a very quirky interpretation that you have in relation to what a department can or cannot do. I would have thought that prior to putting a submission to cabinet, to coordinate the department's views, it may have been of benefit to get the views of industry and small business.

Senator Carr—I have responded to your questions. If you think that is quirky, then I suggest you address your attention to your own questions.

Senator ABETZ—Thank you for that. I do not know where that gets you. It definitely does not get you off the hook, because I want to ask you whether you consider it improper in anticipation of a submission where the impacts on small business are to be considered by cabinet to have no consultation with small business?

Senator Carr—That is not the question you asked me.

Senator ABETZ—Yes, it was. I asked whether, prior to the submission going to cabinet with the coordination comments from your department, there had been any consultation with industry or small business on the matter and you suggested it would be illegal for them if they were to do so.

Senator Carr—A cabinet submission is not the subject of public debate as a rule. That was the case in your government, as it is in this government. Officers of this department consult

with industry, small business, universities, scientific agencies and a range of other people that the department has to deal with on a regular basis. There are in fact a whole series of consultation processes established to that effect.

Senator ABETZ—Yes, we know that. I am asking specifically about Fuelwatch and whether or not your department, that has as its core responsibility, small business—your words, not mine—consulted with small business prior to the coordination comments going to cabinet?

Senator Carr—I have indicated to you on a number of occasions now that it is not the practice of departmental officers to consult concerning a cabinet submission with people unauthorised to discuss that cabinet submission.

Senator ABETZ—That is very passing strange because Julia Gillard, without doubt, consults with the trade union movement prior to making decisions in relation to workplace changes, et cetera, and can I say that that is how government ought to occur. I am surprised that you now think that it is the high moral ground not to consult with small business and industry prior to cabinet making a decision that may impact on them.

Senator Carr—You are confusing the general consultation in terms of policy development, and issues that concern industry, and the cabinet submission. That is where the confusion lies.

Senator ABETZ—There is no confusion on my part. We have a specific proposal here for Fuelwatch that may or may not impact on small business. I confess I am one of those who believe that there will be extra compliance costs, but you are seeking to dissuade me from that. I am just wondering what consultation occurred with small business on this particular specific proposal of Fuelwatch, or whether it could be made even better than the Western Australian model if you want to champion Fuelwatch? There has been no such consultation.

Senator Carr—We have been through this several times. There was an election promise and election debate. This was a matter of extensive public discussion. Then there was a process of cabinet; it is a different and entirely separate set of arrangements. Officers of this department provided comments, which are in the public arena, and the cabinet considered all of those issues.

Senator ABETZ—I understand all of that. All I want to know is was there or was there not consultation with small business prior to cabinet making its Fuelwatch decisions? Either there was or there was not.

Senator Carr—I have answered that question on several occasions.

Senator JOYCE—You have not really.

Senator ABETZ—Can you remind me then what the answer is.

Senator Carr—If you read the *Hansard* you will be enlightened.

Senator ABETZ—If it is that easy then can you just tell us what the answer is.

Senator BUSHBY—What about transparency?

Senator Carr—I have been through this several times.

Senator ABETZ—Yes, I know. I am very slow. Can you assist me?

Senator Carr—I do not think I can add anything to what I have said.

Senator ABETZ—I will ask you a last and final time: was there consultation with small business or not, specifically on the Fuelwatch, prior to the cabinet making its decision on Fuelwatch?

Senator Carr—I have answered that question on several occasions.

Senator ABETZ—You are completely unresponsive.

Senator JOYCE—Your answer is no, basically.

Senator ABETZ—I would like to turn to this budget related paper, No. 1.14.

Senator ALLISON—Are we finished on the subject of Fuelwatch?

Senator ABETZ—At this stage, yes.

Senator ALLISON—Minister, do you have an estimation of the effect of that program on demand? Do you see this at all driving any change in efficiency?

Senator Carr—I would suggest that you take up the implementation arrangements with the Treasury officials.

Senator ALLISON—Did the design of the proposal consider energy efficiency or greenhouse issues?

Senator Carr—I am trying to be helpful here. We indicated that these were issues that were canvassed in the federal election and obviously it was put in terms of increasing transparency on the operation of the pricing mechanism. There was a discussion about the role of the ACCC in providing consumer advice on pricing. The Fuelwatch was one way of achieving this.

Senator ALLISON—Is it correct that one of the objectives is to lower the cost of fuel for motorists?

Senator Carr—One of the issues is to encourage a greater consumer awareness of prices to allow consumers to be better informed as to where they can secure the best price for their fuel.

Senator ALLISON—Is that what it is about, informing consumers about prices? There is no objective beyond that?

Senator Carr—It is part of a series of measures that the government is undertaking in terms of fuel policy and fuel consumption issues. This is a matter that is the responsibility of another department and therefore I would suggest that specific program objectives and implementation issues be canvassed with those officers.

Senator ALLISON—In terms of education of the public about prices, do you think that there should be scope in this education process to advise consumers about world prices of a barrel of oil and projections? We had ABARE here last week telling us that oil prices are coming down. Do you think there is a case for an education program which explains to consumers the difficulty of reducing petrol prices?

Senator Carr—Quite clearly these are matters of public debate. The operations of the ACCC in these areas are, I would suggest, matters that you should take up with the relevant officers.

Senator ALLISON—The Department of Innovation, Science and Research does not have an interest in—

Senator Carr—I am genuinely trying to do what I can to represent these issues properly before the committee. There should be a distinction made between an interest and responsibility for this program. Clearly, any matter that affects the cost of doing business, the productivity of business, the effectiveness of Australia's industrial capacity or our scientific capacity are issues that this department has a profound interest in. But this department is not responsible for the administration of Fuelwatch, therefore I am at a loss to be able to take this much further other than to say to you that the administrative responsibility for Fuelwatch is with another department.

Senator ALLISON—I suppose I am asking you a bit beyond that actual program. You are, as you say, responsible for the impact that fuel prices are likely to have on business. That is your core business, is it not?

Senator Carr—Yes.

Senator ALLISON—Let me put it another way—

Senator Carr—And consumers—

Senator ALLISON—We had ABARE here who advises government, and has done for a long time, telling us that oil could be \$67 a barrel by 2013. I am concerned that the education element of this does not go to that question that I would have thought you need to address, which is: are fuel costs going to remain this way; are they going to come down over time; or have you formed a view as to what industry should be considering by way of the cost of fuel, diesel and petrol, into the future?

Senator Carr—But there is no specific view as to what the price will be. Clearly, there are a range of factors that go to the issue of what prices will be.

Senator ALLISON—You are quite happy if business accepts what ABARE says, that oil will cost \$67 a barrel in 2013, to go on, business as usual, or do you consider that there perhaps may be another perspective?

Senator Carr—Yes. Of course, no-one can be happy with the price of fuel but there is a range of factors that affect the price of fuel, some of which clearly this department cannot in its wildest dreams claim to have control over. The department and I have a strong interest in the cost of energy because it is one of the factors of production. It also has an important bearing on living standards. There is a range of considerations here but it would be wrong to say that this department has primary responsibility for fuel policy or, conversely, that there is no interest in the future direction of energy consumption.

Senator ALLISON—What have you concluded for business?

Senator Carr—We are obviously in the process—

Senator ALLISON—Do you agree with ABARE? Are you going along with ABARE's \$67 a barrel?

Senator Carr—I am not going to comment on individual pricing—

Senator ALLISON—ABARE is the principal adviser to government. I would have thought you would have to comment on them. They are your employees—

Senator Carr—I am not in a position to say to you what the price of fuel will be. What I can say to you is that this department is concerned to work with industry to improve energy efficiency. That is why we have the Green Car Innovation Fund—

Senator ALLISON—Okay. I want to establish—

Senator Carr—I need to be able to put this view to you because it is clear that there is confusion as to what the role of the department is. The department seeks to work with industry to improve fuel efficiency. The department seeks to work with all sections of the production process in terms of improving costs, efficiency and productivity. The department has a range of programs including new programs such as re-tooling for climate change and a number of others that are seeking to actually assist industry adapt to changing circumstances. The Green Building Fund would be another one where we—

Senator ALLISON—I am sure we will get onto those—

Senator Carr—Yes, I know, but you are asking me a very general question: are you concerned about the state of the world? Yes. Are you responsible for every aspect of that market—

Senator ALLISON—Let me clarify this question. Is this program going to continue to fool people into thinking that oil prices will go down and that there can be control by government? And I put it to you that this measure is being criticised widely because it is pathetic, because at most it will save one cent a litre for motorists and that while we are talking about this measure we should be talking about the real threat to industry.

Senator Carr—You make these statements about your views as to the nature of this program—

Senator ABETZ—It is not only that—

Senator Carr—Senator, no doubt you will get your chance to express your views.

Senator ABETZ—I think I already have.

Senator Carr—Senator Allison, you have made some statements about your views as to the nature of this program.

Senator ALLISON—I am inviting you to refute them and tell me I am wrong.

Senator Carr—The government has a view that, as stated by the ACCC, that there will be a significant improvement in the situation—not a reduction in costs. There has never been a claim that there will be a reduction in fuel prices as a result of this measure. This is a program to provide information to consumers about the price of fuel with a view to putting downward pressure on prices. You may well cast judgement as to how effective that will be and no doubt that will be the subject of debate in the chamber.

Senator BUSHBY—I just wanted to follow on from an answer that you gave to one of Senator Abetz's questions. You indicated that you thought that the compliance cost for small business of complying with the requirements of Fuelwatch would be lower than currently because the new system will replace 'the more extensive reporting requirements'. What are the more extensive reporting requirements?

Senator Carr—Sorry, the current arrangements?

Senator BUSHBY—Under the current arrangements what are the more extensive reporting requirements that are currently—

Senator Carr—My understanding is that some retailers at the moment have a more extensive reporting arrangement whereby they have to provide monitoring arrangements up to every 15 minutes.

Senator ABETZ—To whom?

Senator Carr—The private monitoring arrangements.

Senator BUSHBY—Whom do they provide that to? Are they required to do that?

Senator ABETZ—This is voluntary, isn't it?

Senator BUSHBY—Is it all service station operators who are doing this?

Senator Carr—As I understand it.

Senator ABETZ—This is voluntary.

Senator Carr—It is the advice that I have received that advice is provided to private monitoring arrangements.

Senator ABETZ—On a voluntary basis?

Senator Carr—One presumes so.

Senator ABETZ—It is not an actual compliance requirement, is it?

Senator BUSHBY—Presumably, they are doing that because they see some benefit for themselves?

Senator Carr—Presumably they are required to by being members, or participants, in such arrangements.

Senator BUSHBY—How will introducing Fuelwatch remove the obligation that they currently have to do that reporting up to 15 times a day, or every 15 minutes?

Senator Carr—Under this arrangement the price adjustment will occur every 24 hours.

Senator BUSHBY—Yes, but by introducing Fuelwatch, you said that it would replace a more extensive reporting requirement. How does it actually remove the obligation that they currently have if it is a voluntary obligation that they have chosen to accept.

Senator Carr—Because under these arrangements information on pricing will be referred to the ACCC once a day by a toll free number, email or file transfer.

Senator BUSHBY—If they are a member of an organisation which you suggest is how their obligation to make this reporting arises, how will adding additional requirements when

Fuelwatch is introduced actually reduce the obligation to do what they have to do as a member of an organisation?

Senator WEBBER—I am from Western Australia. Once it is set, you cannot change it, so you are not going to have to tell someone every 15 minutes why your prices—

CHAIR—That is not answering the question.

Senator Carr—I suggest you take up these matters with the Treasury officials.

Senator BUSHBY—We are talking about small business here and the obligation—

Senator Carr—Yes, I know. I have answered those questions. I suggest the implementation of the scheme is a matter for the Treasury.

Senator JOYCE—I want to refer you to *Petrol prices and Australian consumers: report of the ACCC inquiry into the price of unleaded petrol*, December 2007, in which it is stated:

Informed Sources said that they had performed an analysis of the average price in Perth before and after the introduction of Fuelwatch, at the time of the introduction of Fuelwatch. They said this analysis indicated that the introduction of the Fuelwatch process in Western Australia increased petrol prices in Western Australia by an average of 1c to 1.5c a litre.

On the premise that you use the Western Australian model as the reason that Fuelwatch works, what are your views on that statement, seeing you also use the ACCC as your *raison d'être* for all your decisions these days?

Senator Carr—I would suggest that you take that matter up with the Treasury officials. These are matters of public debate. The ACCC has done further econometric modelling and has made a public statement, which I have seen.

Senator JOYCE—Do you disregard that statement or do you think that statement made by the ACCC is incorrect, or it has changed over time?

Senator Carr—If you have got questions to the ACCC, I suggest you take them up with them.

Senator JOYCE—I will go to something more specific seeing you have an interest in fuel. Since fuel is a major component of price, what price do you believe fuel can go to before we start heading towards a recession? You must have some idea about that?

Senator Carr—I will surprise you here, I suggest that they are not matters that we can speculate on.

Senator JOYCE—Do you think fuel can just go up ad infinitum and it will make no difference, or do you think we are getting close?

Senator Carr—These are matters of opinion and I cannot see what part of any portfolio responsibilities I would have that would lead me to speculate on fuel prices.

Senator JOYCE—Surely it is absolutely crucial to what you do? It should be fundamental in the planning of industry that you should have some tolerance and some matrix about fuel prices—

Senator Carr—This is not a matter for the budget estimates, I might suggest to you. This is a matter of political debate. I guess your opinion can be taken as the way in which you describe it.

Senator JOYCE—I am more inclined to find out if you have an opinion.

CHAIR—I think the minister has expressed his views pretty clearly.

Senator JOYCE—He has not, actually. To finish off, in the budget Estimates, what is your plan? You either have a plan to increase supply or reduce demand if you are going to somehow affect the price of fuel. Can you enlighten us on either side of those issues what your plan is?

Senator Carr—That is not part of my responsibility. Fuel policy is another portfolio.

Senator ABETZ—How do we know that without a charter letter?

Senator MILNE—In relation to that matter, in the Innovation, Industry, Science and Research portfolio, are you working on developing mandatory vehicle fuel efficiency standards?

Senator Carr—They are matters for Mr Albanese's department. The question of mandatory vehicle standards is a matter for another portfolio.

Senator MILNE—But I thought your portfolio was to improve the economic viability and competitive advantage of Australian industry, et cetera, and that includes the car—

Senator Carr—Vehicle standards are not matters for this portfolio.

Senator MILNE—Who develops the policy initiatives for government in relation to fuel efficiencies? Can you just explain that to me?

Senator Carr—In general terms of the vehicle industry, I have responsibility. For vehicle standards, per se, that is a matter for Mr Albanese's department.

Senator MILNE—The point here is that the silos approach that is being taken is actually getting us nowhere—

Senator Carr—Sorry?

Senator MILNE—The silos approach. If you are responsible for innovation and competitiveness in Australian industry, then surely your innovation and research portfolio should be looking at ways in which you can rapidly increase Australian competitiveness. One of the initiatives would be making all subsidies to vehicle manufacturers subject to vehicle fuel efficiency standards, and someone would be bringing that in. Where does that all fit with your innovation?

Senator Carr—The vehicle industry, per se, is the responsibility of this portfolio, the administrative orders, but fuel standards are a matter for the Department of Transport.

Senator MILNE—Tell me how—

Senator Carr—I have just got to correct that. There are two areas. I have just been corrected. Fuel standards specifically are a matter for the Department of Environment and the other standards relating to the vehicles themselves are matters for the Department of Transport.

Senator MILNE—What initiatives is your department taking to make car manufacturing more competitive in the face of oil depletion and in the face of manufacturing going out the back door because we are making the wrong sorts of cars?

Senator Carr—There is a subjective judgement there in regard to making the wrong sorts of cars—

Senator MILNE—There is a closure of a factory to show for it.

Senator Carr—No. Whether or not Australia is making the wrong sort of car is a matter of considerable public debate. However, in terms of improving the sustainability of the vehicle industry in Australia, considerable action is being taken. We have established the review into the automotive industry which is canvassing all of these issues. We have also established a Green Car Innovation Fund which is aimed at improving, on a project-by-project basis, particular measures by the car industry to actually transform the industry.

Senator MILNE—Why is the green car fund delayed until 2011 in the face of rapidly escalating oil prices?

Senator Carr—The fact is that the vehicle industry inquiry is looking at ways to increase investment in high-end R&D, including new technologies that reduce greenhouse gas emissions, such as changes to power trains, whether they be in the form of hybrids, diesels or alternative fuels. There are also questions that go to other drive-train technologies, whether they are in carburettors or in transmissions—gearboxes or differentials. There is a broad approach being taken to improve the fuel efficiency of the Australian built vehicle fleet. These measures that are being taken have to be presented in a way that allows the industry time to actually adapt, given the enormous lead times there are on transforming this industry. As you would be aware, it costs the better part of \$1 billion to bring a new model on-stream in the Australian automotive industry. Australia is one of 12 countries around the world that can actually design and produce a vehicle from inception through to the assembly line. The question arises as to how long we will be able to do that and whether or not we want to do that. Therefore, these matters are subject to quite important discussions about how the industry is transformed. This is not something that one could reasonably expect to be done tomorrow. Given that there is this long lead time for the production and manufacture of a vehicle, it is appropriate that the industry is able to engage in those conversations to ensure that a transformation actually occurs.

Senator MILNE—In the absence of vehicle fuel-efficiency mandatory standards in Australia, how can the industry know what it is meant to be building, the dimensions and what level of performance it has to get? You still have not answered the question: if this is so urgent, why have we delayed the funding until 2011?

Senator Carr—The question of the funding streams are ultimately budgetary decisions. The role of mandatory fuel standards in the decision-making process is a matter of some conjecture. There is no doubt in my mind that the industry is responding to the Green Car Innovation Fund that we have articulated and budgeted for in this budget. There is no doubt in my mind that there will be clear signs of the industry's commitment to change. However, this is not something that can be done in a reckless manner. I am a strong supporter of the automotive industry in this country, given that on present figures it employs directly some

66,000 Australians and it provides high-skill, high-wage jobs to that number of people. It is an international industry. It is a highly internationalised industry and, therefore, actions cannot be taken in isolation as much as we would like. The fact of life remains that the economics of the industry and the social impact and importance of this industry make it appropriate that these decisions be taken carefully and in consultation with the investors because this is about co-investment, it is about ensuring investment attraction, and it is about ensuring that the industry is placed on a sustainable basis. That is the basis on which I am proceeding and I am confident that the industry will respond to the challenge. When I say 'industry' here, this is not just about people who own capital; it is also about the workers directly employed and we are in the process of ensuring that the industry, broadly defined, moves forward in a manner that ensures that we do have a sustainable vehicle building industry in this country into the future.

Senator MILNE—There would be many people, and I would be one of them, who believe that the 66,000 people who work in the industry have been let down by the government's failure to recognise the trend to small vehicles and recognise the trend towards vehicle fuel efficiency. So there is a very different set of opinions here as to why these vehicle manufacturers are going out the back door. But tell me, are the subsidies going to vehicle manufacturers in Australia tied to vehicle fuel efficiency? In other words, if they do not come up with it, are they going to lose their subsidies?

Senator Carr—You have made a number of statements there that are based on assumptions that the industry is doing the wrong thing—

Senator MILNE—They have been building the wrong sort of cars and governments buy the wrong sort of cars.

Senator Carr—As I indicated, in the real world of manufacturing, decisions are made in an international context—

Senator MILNE—That is right. China has got fuel efficient cars—

Senator Carr—And they are also on the road to producing 10 million cars a year—10 million. This country produces 400,000. This country has a niche in the international global trading system which happens to be large rear-wheel-drive vehicles. It produces a high-quality, highly innovative product. It produces it at remarkably low cost. Since the current arrangements were put in place in 2002, there has been the better part of a 77 per cent increase in the Australian dollar and since 2001, when this program was actually designed, there has been a 100 per cent increase in the Australian dollar. That has the effect of transforming the price of an Australian family sedan by about \$8,500 per unit. If you want to talk about international real-world economics, I suggest that you actually go down to a few car plants, talk to a few people whose livelihoods depend upon this industry and get this straight because you are wrong. You are wrong about the way in which this industry actually functions.

Senator MILNE—I appreciate that the vehicle manufacturing industry operates in the real world of manufacturing but they also operate in a real world of carbon constraint, climate change and oil depletion. I want to now understand the connection between your obvious preference to stick with a large-car industry and your policy discussion interaction with the Department of Climate Change. The Department of the Prime Minister and Cabinet is

supposed to be overseeing a whole-of-government approach in response to climate change. How does your science and innovation department interact with them on the future of vehicle fuel efficiency, or anything else, in relation to the work you are doing? Have you taken any direction from them on transport policy?

Senator Carr—The review that is being undertaken that I spoke of has as its terms of reference:

e. facilitating leadership among Australian automotive producers and component suppliers in developing and adapting fuel efficient technologies and know-how in the production of motor vehicles in Australia;

It also goes on about:

f. improving Australian companies' access to global supply chains in export markets.

The role of this department is to ensure that that review is serviced properly. There have been a very, very large number of submissions received and the discussions with other agencies within government are part of that process.

Senator MILNE—Can you tell me which market you have identified as the growing market for large vehicles, and does it include the Australian domestic market?

Senator Carr—If you want to look at the vehicle figures, I think you will find there was a 40 per cent increase in the large SUV component of the Australian sales figures. I think it is something in the range of an 18 per cent increase in SUVs more generally. The question of fuel economy in terms of vehicle sales is a bit more complex than is the general public discussion on these questions. As to expansion in markets, Toyota is now exporting the better part of 60 per cent of its production; General Motors is exporting the better part of 50 per cent of its production—

Senator MILNE—To where?

Senator Carr—There is a range of markets but primarily to the Middle East. General Motors is exporting around the world but increasingly to the United States. In fact, this might be of interest to you, General Motors is exporting a V8 to the United States which, again, I suggest would sort of be counterintuitive to some of the public debate about consumer choices in these issues. The V8 ute, I am told, is expected to do very well in the United States. That is not a lawnmower.

Senator MILNE—That is under current US policy—

Senator Carr—That is not a lawnmower.

Senator MILNE—But the point I am making is that climate policy and oil depletion are going to collapse those markets. The US at the moment is still full of gas guzzlers, and I accept that. In the short term, that will be the case. But they will rapidly make the shift and then that market collapses. Why are we not looking at highly efficient vehicles? Why are we importing all our hybrids? In the face of oil depletion, why are we not moving rapidly to electric vehicles? Surely, that is where our competitive advantage is, not hanging around with the gas guzzlers until they collapse?

Senator Carr—As to the ‘gas guzzlers’, as you refer to them, there is a range of views on the consumption figures for Australian produced automobiles. I do emphasise that the issue of whether or not there are jobs in Australia is something that should not be overlooked. I acknowledge the point that you make that we are importing vehicles and it is a matter that we will obviously seek to do something about. My intention is to work with the industry to transform the Australian industry and to do so quickly. There is no doubt there is a legitimate question about improving fuel efficiency. There is a range of strategies that will be pursued to achieve that.

Senator HEFFERNAN—Price signals in the market can alter consumer patterns?

Senator Carr—Yes.

Senator HEFFERNAN—As with alcopops, that is right?

Senator Carr—Yes.

Senator HEFFERNAN—We were all surveyed the other day; do we mind if they use a Prius instead of those guzzlers at the door. I rang them and said, ‘I’m not filling in the form, just do it.’

Senator Carr—Did you?

Senator HEFFERNAN—But the question is: why would you not put a price signal in the market to help protect the jobs of the people that you are worried about in the plants, the 60,000 employees who are still there? You could introduce a price signal. I was talking to a bloke this morning, a member of parliament, with a brand new car. I said, ‘That thing does 12½ litres to 100 kilometres; why would you buy that?’ He said: ‘I didn’t know. I just thought it was a great car.’ Why could we not say that if people want to register a city based vehicle we will put a price signal in the taxing process—whether it is rego, stamp duty or whatever—that benefits the person who prefers a vehicle that consumes 6 litres to the 100 kilometres over one that consumes 12 litres to the 100 kilometres. Why would anyone slip up to the football on Saturdays in a huge four-wheel drive like the one I drive because I go out the back of Bourke where there is no tar?

Senator Carr—I do not want to discuss your vehicle habits—

Senator HEFFERNAN—We could discuss yours. You have got a gas guzzler and it is city based.

Senator Carr—Excuse me. I have got a Territory. It is a very innovative, a highly—

Senator HEFFERNAN—It is a gas guzzler.

Senator Carr—No, it is not—

Senator HEFFERNAN—Don’t take it to heart. They drive them in the Kremlin.

Senator Carr—On these issues we are concerned to ensure the sustainability of the Australian automotive industry. We are concerned to ensure that this industry continues to provide high-wage, high-skill jobs for Australian workers and, while people are very anxious to import vehicles, we are in the business of ensuring that there are opportunities for Australia to produce vehicles which are more fuel efficient. And that is our intention. If you want the Commonwealth car fleet to be given over to imports, that is a matter for you.

Senator MILNE—If I can come back to those two issues, on the import tariff for four-wheel drives, has your department made any recommendations to Treasury about increasing the tariff to 10 per cent for—

Senator Carr—Sorry?

Senator MILNE—Has your department made any recommendations to Treasury about increasing the tariff on SUVs for urban use, not country use; we can fix that after the event?

Senator Carr—To the Treasury?

Senator MILNE—Yes.

Senator Carr—There is a review under way at the moment. There will be range of opinions—

Senator MILNE—No. Did you in this budget? Did you actually say this would be a good thing to do?

Senator Carr—There are a range of options being explored. The review terms of reference allow for that. I have no doubt that that is a question that will be pursued through the inquiry and I would expect that a range of submissions would pick up that question.

Senator MILNE—But I am asking: did you, or did your department, recognise that the tariff differential was a bad idea?

Senator Carr—The review is underway. We look forward to the findings of the review.

Senator MILNE—So the answer is no. Have you made any recommendations about changing the government's procurement policy to reduce dependence on oil?

Senator Carr—There have been a range of issues canvassed in the inquiry. I am not in a position to discuss the submissions the department has made on those matters.

Senator JOYCE—In regard to your statement of support for the Australian car industry and your discussions about innovation, is the Toyota Prius that is painted white with a Z-plate on it parked at the front of the Senate entrance a fully imported vehicle or is it an Australian-made vehicle?

Senator Carr—Yes, it is a fully imported vehicle.

Senator JOYCE—Why are we buying a fully imported vehicle when you are espousing belief in the Australian car industry?

Senator Carr—Because a number of senators, a number of members of parliament and a number of government agencies have sought exemptions from the current procurement requirements.

Senator JOYCE—We could lose all the Australian produced vehicles and just replace them with these imported Japanese vehicles—

Senator MILNE—For 10 years nobody did any work in this country about vehicle fuel efficiency—

Senator ABETZ—Just so that I get a few things clear, Minister, can you confirm that Mr Rudd has not personally spoken to you about not getting a charter letter?

Senator Carr—I have not canvassed this issue with the Prime Minister.

Senator ABETZ—Following on from Senator Bushby's question in relation to the 15-minute reporting that you referred to by some fuel retail outlets, are we talking about Informed Sources, that private, voluntary—

Senator Carr—That is my information.

Senator ABETZ—Is it not a fact that Informed Sources is used by big oil but not by the independents?

Senator Carr—I am not aware of that. I will have to take that on notice.

Senator ABETZ—If you had done some consultation with small business I think you would have become aware of that. That is why the compliance cost for small business will in no way, shape or form be improved by Fuelwatch, because they overwhelmingly did not participate in Informed Sources. You do not need to take that on notice because what a private, independent organisation does is not within the purview of your department, I suppose. Can you confirm that there was no industry consultation before the Fuelwatch decision? Can you just confirm that for me?

Senator Carr—No, I cannot confirm that.

Senator ABETZ—What consultation took place with industry before the Fuelwatch decision by you or your department?

Senator Carr—I do not think there is anything I can add to the comments I have made. I have urged you to take it up with the relevant officers—

Senator ABETZ—No, I am talking about you, whose 'core business' is small business. I am wondering, from that perspective, whether or not you consulted with small business or industry prior to the coordination comments being submitted to cabinet?

Senator Carr—I do not think I can add anything to what I have already said.

Senator ABETZ—Can I ask whether you or your department suggested that there should be such consultation before a decision was made?

Senator Carr—I have nothing further to add on this.

Senator ABETZ—Do you think it would be a good idea for a government to consult with stakeholders prior to a decision being made?

Senator Carr—I think I have canvassed these issues at length and I do not believe there is anything further I can add.

Senator ABETZ—Do you still think it would be illegal for your department to have sought that consultation?

Senator Carr—No. I have said it is illegal to consult about cabinet submissions. The reference was in regard to your question about a cabinet submission.

Senator ABETZ—No, prior to the cabinet submission—

Senator Carr—That is what you say now. I am saying to you that I understood the question to be related to a cabinet submission. It is not the habit of officers of the Commonwealth to canvass cabinet submissions.

Senator ABETZ—How do you get a small business impact statement into a cabinet submission if you cannot canvass what government might be considering—

Senator Carr—I will ask the secretary to explain how these—

Senator ABETZ—without talking to somebody who might actually represent the small business sector?

Mr Paterson—I think you are well aware that what used to be called the Office of Small Business, which is now part of the Division of Industry and Small Business Policy within my department, has a responsibility to provide comment in the form of a small business statement in relation to cabinet submissions. I will not go to the content of those submissions, but we have a responsibility to provide those statements and we actively consult with the small business community, as we do with the business community more generally, on a regular basis. We have an opportunity to get issues of concern to small business brought to our attention, and the concerns that we have as policy advisers with respect to small business have been incorporated in the small business statements. We are not in a position to consult on specific measures for which we are preparing a small business impact statement in relation to a cabinet submission. Having a draft submission for our comment for the preparation of a small business impact statement does not authorise us to go and consult in relation to that particular issue. But we are regularly in contact with the small business community to ascertain their views on a very broad range of issues.

Senator ABETZ—I understand that you would do that as a matter of course, but in relation to a specific proposal—

Mr Paterson—If we have a specific proposal in the form of a draft cabinet submission for which we are asked to provide a small business impact statement, we are not allowed to go and consult in relation to that measure. That would be a breach of cabinet process. We are being asked, as policy advisers to government, to provide a comment in the form of a small business impact statement on that submission. We may also get invited to provide coordination comments in relation to that submission, which are two separate processes, but we are not authorised to seek to consult outside of the department in relation to a draft cabinet submission for which we are preparing a small business impact statement. That would be a breach of process.

Senator ABETZ—Unless you are specifically asked?

Mr Paterson—To what?

Senator ABETZ—To consult with small business.

Mr Paterson—We would not be asked to consult with small business on a submission being prepared by another agency. Essentially, the proponent of a cabinet submission crafts the small business impact statement in the submission. We comment on that small business impact statement.

Senator ABETZ—Did you make a suggestion that there should be such consultation?

Mr Paterson—I am not going to comment in relation to any view we may or may not have expressed in relation to those issues.

Senator ABETZ—It would make good sense, wouldn't it?

Mr Paterson—I am not going to respond to a statement like that.

Senator ABETZ—Can you confirm to us that you did not leak Mr Ferguson's well-crafted letter in relation to Fuelwatch?

Senator HEFFERNAN—Do not incriminate yourself here; be careful.

Senator ABETZ—I have not heard the answer, sorry.

Senator Carr—There has been an unauthorised disclosure. The matter is subject to a Federal Police inquiry. I think that Mr Oakes made it perfectly clear in regard to one submission what his sources were. In regard to the letter, I have not even seen the letter.

Senator ABETZ—In that case, the answer is no. It is very simple. But are you telling us now that the leak of Mr Ferguson's letter is also subject to an Australian Federal Police inquiry?

Senator Carr—As I understood it, that was the case.

Senator ABETZ—First we got the Ferguson letter and then, I understand, Mr Oakes got—

Senator Carr—We will check that. I must say that I am not running Federal Police inquiries—

CHAIR—We will break for morning tea and come back at 11.00 am.

Proceedings suspended from 10.44 am to 11.02 am

CHAIR—I will call the meeting to order again. I believe that Senator Abetz has further questions.

Senator ABETZ—Does the government have concerns about compliance costs with Fuelwatch for small business?

Senator Carr—I have already indicated that the information on pricing will be referred to the ACCC once a day by a toll-free number, by email or by a file number.

Senator ABETZ—Does the department have any concerns about the compliance costs associated with Fuelwatch for small business?

Senator Carr—I am not sure that is something I would like to comment on.

Senator ABETZ—Is it not now in the public domain that Treasury is of the view that it will cost about \$4,000? It just seems to me passing strange that Treasury, which does not necessarily have small business as 'core business' in its portfolio, is willing to talk about that but—

Senator Carr—You have asserted that it is in the public domain. I am not prepared to concede that view and, if it is a matter that goes to Treasury, I suggest you take it up with Treasury.

Senator ABETZ—If I were to assert to you that small business had said it is going to cost them \$4,000 to comply with Fuelwatch would you be saying, ‘That is nonsense, Senator Abetz.’?

Senator Carr—Small business has said that?

Senator ABETZ—Yes, if small business said that to you?

Senator Carr—Which small business has said that.

Senator ABETZ—Any small business that is in the game of fuel retailing?

Senator Carr—You are entitled to speculate on matters, but I would suggest that an appropriate forum for that speculation would be the chamber.

Senator ABETZ—Senate estimates is, in fact, part of the Senate and we are entitled to ask questions as to the likely impacts of government decisions in your portfolio area. Your portfolio area has as ‘core business’ small business, we were told. I am now asking whether or not you or your department would agree with the assessment that the cost of Fuelwatch on small business might be \$4,000?

Senator Carr—The position of the government is that that is not the case.

Senator ABETZ—Do you disagree with that?

Senator Carr—I have indicated to you that the decision of the government is different from your assertion.

Senator ABETZ—There is a leaked document from the Department of the Prime Minister and Cabinet, which I am told is in the public domain and which is quoted as saying:

The proposed scheme will also result in an increase in the compliance burden in the economy, with Treasury estimates indicating that the proposed scheme will result in ongoing increased operating costs of around \$4,000 per annum to affected small businesses.

As I understand it, Mr Rudd has confirmed that those documents, aspects of which have been leaked to the media, are in fact correct and that therefore there is no speculation, I would have thought, about the Treasury assertion.

Senator Carr—No. As I indicated before, that is where you are relying on a press report. There has been an unauthorised disclosure. That is confirmed and that is a matter—

Senator ABETZ—Yes, we know.

Senator Carr—of public record and that is a matter that is the subject of an AFP requirement.

Senator ABETZ—Yes, but the content of that which has been released has been confirmed by your Prime Minister, so I am astounded that you are not willing to confirm it also, other than you do not want to comment on the fact that Treasury is of the view that this will have a \$4,000 per annum ongoing impact on small business?

Senator Carr—I do not think there is anything I can add to what I have said, and we have been through this several times.

Senator ABETZ—But not the Treasury figure.

Senator Carr—I am saying if you have got an issue with Treasury, take it up with Treasury.

Senator ABETZ—Small business is your core business. Treasury says it is going to cost small business \$4,000 per annum and the department that is chartered to look after small business is not willing to offer a comment as to whether the \$4,000 is a good, bad or indifferent estimate.

Senator Carr—I suggest that you take up your concerns in regard to the implementation of the scheme and any opinions that you are ascribing to Treasury with the Treasury officials.

Senator ABETZ—But this opinion has been confirmed by your Prime Minister—

Senator Carr—No, that is not the case. That is not the case.

Senator ABETZ—The Prime minister has not confirmed anything that has been in this leaked document?

Senator Carr—He has confirmed it has been an unauthorised disclosure. There are press reports reflecting upon that. Whether or not those reports are accurate or inaccurate is an entirely separate matter.

Senator ABETZ—How can it be an unauthorised disclosure of a non-document. Surely, the document must be a valid document for the release of it to be unauthorised?

Senator Carr—There was a release of a regulatory impact statement which contains certain figures. The nature of Treasury's views on that matter are matters I suggest you take up with the officers from Treasury.

Senator ABETZ—But this particularly relates to small business, which is part of your core business.

Senator Carr—What I have indicated to you is that that the decision of the government was that for some businesses there would actually be fewer reporting requirements under these arrangements.

Senator ABETZ—Yes, for the big end of town, but not small business. It is amazing you are willing to tell us about the benefits for the big end of town but you are incapable of telling us about the negative consequences for the small end of town, when you have specific responsibility for the small end of town, namely, small business.

Senator Carr—I cannot add anything further to what I have said.

Senator ABETZ—Let us move to the portfolio budget statement. How much extra resource was taken in putting this new format together?

Mr Paterson—I do not think I can comment on that. Obviously, the amount of resource that we put into preparing the statement depends largely on the range of issues, more so than the format; and it varies from year to year. I have not made any assessment or comparison about the amount of resource put into the preparation of this portfolio budget statement versus the previous one.

Senator ABETZ—But nothing has been drawn to your attention that you have had to do a lot more work on this one or a lot less work on this one?

Mr Paterson—The format in relation to the presentation of the material changed and that required, as any change of format would require, a different level of emphasis on the new material that is included in the statements and the material is presented in a different way. That is different but I have made no assessment as to what the resource consequences of that are.

Senator ABETZ—Had it been a lot more work would that have been drawn to your attention or notice?

Mr Paterson—I am personally very actively involved right through the process. As I said, it is a different PBS but it is not something that I have made a judgement on, and I am very close to the process. It is not something that is distant from me. But I have made no judgement in relation to whether this was more resource intensive than a previous one.

Senator ABETZ—Being that close, you would be able to tell us if there were some significant increase in resources applied, or less?

Mr Paterson—Every budget that I have been associated with has been different and they vary in terms of the measures that we are dealing with and the nature of the process. It is an evolving exercise.

Senator ABETZ—Of course, but if there was a lot of extra work that would be something you could tell us about—

Mr Paterson—But as I have said, I cannot claim—

Senator ABETZ—Changing to accrual budgeting, for example, would have been an occasion when departments would have had to spend a lot more time and resources to change their portfolio budget statements?

Mr Paterson—That is a good example. I was not in this role at the time that that change occurred so I cannot make any first-hand comment in relation to it. As I have said, I have made no personal assessment as to any change in the resourcing required from us in the preparation of these statements, so I cannot say whether it has consumed more or less resources than a previous one because I have made no judgement call in relation to that issue.

Senator ABETZ—But you are very close to it—

Mr Paterson—Correct. It is an all-consuming process for a variety of people in the portfolio—

Senator ABETZ—I know that.

Mr Paterson—And they work—

Senator ABETZ—Twenty-four hours a day, seven days a week, we have been told.

Mr Paterson—In any lead-up to any budget process there is a lot of very focused activity, and it is activity that I acknowledge with the individuals directly concerned who put in a lot of time and effort to make sure that what is in the portfolio budget statements is both accurate and encompasses all of the issues that need to be encompassed in the statement. It is a demanding time.

Senator ABETZ—Being so close to the exercise, you cannot tell us from your analysis whether it has taken less or more energy, activity, time, resource—

Mr Paterson—I have answered the question.

Senator ABETZ—I do not think you have, with respect, but let us look at page 10—

Mr Paterson—With respect, I have answered the question.

Senator ABETZ—No, you have not because I asked a specific, direct question—

Mr Paterson—And I told you that I had made no personal assessment relative to a previous year as to whether this year was more resource intensive than a previous year. I have made that statement.

Senator ABETZ—You have, but it beggars belief that you who said you were so close to the process would be unable to provide us with your judgement as to whether more or less resources—

Mr Paterson—I also answered that question, because I indicated to you that it is an all-consuming process for those that are directly involved in it. So, it is an all-consuming process and it is an intense part of the year. It is a very intense process for those involved.

Senator ABETZ—Of course it is and that is the same year after year.

Mr Paterson—Correct.

Senator ABETZ—It has always been thus and will always be thus. Some years there is a bit more. Some years there is a bit less. All I want to know is whether this year it was a little bit more or a little bit less, and you cannot tell us.

Mr Paterson—I have indicated to you that I have made no assessment. You are suggesting that I am failing to answer a question. I have answered the question to the best of my ability. I have made no separate judgement about whether this year was worse than last year or better.

Senator ABETZ—But you are a man intimately involved with the process and you cannot give us a feeling as to whether there was more or less resource expended. I just find that somewhat strange, but I accept that that is all I am going to get from you in relation to that question. Can I draw your attention to page 13 of the PBS . Under the heading ‘Agency resources and planned performance’, the third dot point is ‘*Strategic direction for 2008-09*’. That is in italics. Can you see that?

Mr Paterson—I can.

Senator ABETZ—What does that refer to? It must be a document, I assume, given that it is italics.

Mr Paterson—Off the top of my head, I cannot explain why that particular element of it is in italics. The strategic direction for 2008-09 is in the portfolio budget statement, which is on page 13, but it may well be part of the construction guide that we get from Finance in relation to—

Senator ABETZ—Could you take that on notice for me?

Mr Paterson—I am happy to.

Senator ABETZ—If that is a document, would you be able to table it for us?

Mr Paterson—I think it is tabled, and what I am saying to you is that I think it is on page 13 of this document, but I will check the element in relation to the italics. But it does suggest to me that on page 13 of the PBS is the strategic direction for 2008-09. But I will clarify it and, if the answer is different from what I have given to you, I will come back and clarify it.

Senator ABETZ—It looks to me as though there is an overarching strategic direction for 2008-09 which required a particular approach.

Mr Paterson—My sense of it is that we got some guidance in relation to the format of the PBS. I think that that is quite clear for consistency between agencies. It states:

In the strategic direction for 2008-09, agencies are to present a narrative approach rather than being restricted to a fixed number of headings.

And then there is a narrative approach under 'strategic direction' on page 13. That is what I believe the reference on page X of the PBS is referring to. But, if it is different from that, I will confirm it.

Senator ABETZ—Being in italics does suggest that it is a document that is then required of all departments—

Mr Paterson—No. If you look at our PBS and the department's portfolio budget statement and then each of the agencies in the PBS, there is a strategic direction for 2008-09 as a lead-in paragraph in relation to both the department's statements and the agency statements. And I am increasingly confident that page X, where it refers to a *Strategic Direction for 2008-09*, is referring to those statements in the lead-in to each of the portfolio budget statements that are included in this document. If it is different, I will confirm that. I believe that to be the case and, if I am wrong, I will advise the committee accordingly.

Senator ABETZ—Fair enough. On page XI, section 2, headed 'Outcomes and planned performance' states 'The outcomes section has undergone significant change,' but we do not have 'outcomes' in italics. That is why I have the feeling that we might have another document being referenced. Otherwise, you might like to give us an explanation as to why the reference to outcomes is not in italics. They are separate headings but '*Strategic Direction for 2008-09*' is in italics.

Mr Paterson—I will endeavour to examine that. As I said to you at the outset I cannot tell you why it is in italics, but I genuinely believe that the information I have provided to you is the explanation of what '*Strategic Direction for 2008-09*' means. If I am wrong on that, I will clarify it for the committee.

Senator ABETZ—This request to present a narrative approach was required of you by Finance?

Mr Paterson—Finance provides guidance to agencies in relation to the format of the PBS.

Senator ABETZ—When we are told that, in effect, we should be bringing our slippers, dressing gown and a cup of cocoa to Senate estimates because we are to be presented with a narrative approach rather than being restricted to a fixed number of headings, it sounds a bit like the charter letters. It is now just no-fixed headings any more, just a bit of a story and a bit of a narrative. The key emphasis is on telling the agency's 'story'. So we are going to have

narratives and stories; there are no actual documents and no fixed number of headings so we can compare and contrast each year. And then we are told over on page XI:

The outcome section has undergone significant change to reorient agencies away from focusing on the activities and processes of agencies.

I would have thought Senate estimates was about pursuing the activities and processes of agencies, but that is supposedly no longer so under the new Rudd Labor government, which is so interested in transparency. The basis of this—that is why I asked that first question of you—is at the very top of page X:

The portfolio budget statements have been revised with significant changes made to reduce the workload on agencies.

It looks as though that workload has not necessarily been experienced in this particular agency. It is interesting that we have a situation where the papers have now been presented to us—and I do not blame you for this; I blame Finance for this—in a way that is designed to reduce the workload on agencies and to get the focus away from processes and activities of agencies. I would just flag with you that that is a matter of concern. Having said that, I invite you to take on notice my question in relation to the paragraph at the bottom of page XI:

It should also be noted that the capital budget statement and the property, plant, equipment and intangibles statements are no longer mandatory in the financial statements.

This change is being made because somebody thought the information provided was of little value. Some of us think there is value in that information. Where that information has not been provided in the PBS, could I ask you to please provide that to the committee on notice?

Mr Paterson—I am happy to take the question on notice.

Senator ABETZ—Can I refer you to a question taken on notice. It is question A1-3. I asked you to provide us with classifications and areas where those staff positions might not be filled. That was in relation to the—

Mr Paterson—Efficiency dividend?

Senator ABETZ—Yes, appointment 4s or appointment 3s. Then the Chair intervened, saying, ‘The committee would appreciate if you could provide as full an answer as you can on notice.’ You answered: ‘I am happy to do that.’ I then got a six-line answer that does not refer in any way, shape or form to the classifications and areas which were, in fact, the substance of my question. Can we have another go at that question, please, and take it on notice again?

Mr Paterson—As I recall the quite extensive interchange we had on the last occasion in relation to the efficiency dividend and the impact on the portfolio, I indicated that there was a recruitment pause in place, that we had put that recruitment pause in place from the time that the outcome of the federal election was known because we knew that it was a commitment that we would have to honour and that we were doing a combination of things in reducing discretionary expenditure where that was possible, as well as holding back on recruitment to meet our obligations under the efficiency dividend. I did indicate at the time that it would be difficult to be precise in relation to the contribution of each particular element of meeting that efficiency dividend, that the obligation that was imposed upon me was to do so in the 2008-08 financial year, a year not yet concluded, but that I expected that we would meet our

obligation. I continue to believe that we will meet that obligation. I indicated on the last occasion that at that time we had taken no decisions about how we would give effect to the obligation to meet the efficiency dividend in 2008-09 and beyond, on the basis that we had to await the outcomes of the budget process before we could reach any broad conclusions on that. I am happy to take you to the response to that issue now because I am in a better position to do so, but I think we answered that question to the best of our ability at the time the question was put. If you want me to reflect on that answer with the information we now have, because these are answers at a point in time—

Senator ABETZ—Of course they are.

Mr Paterson—I am happy to reflect on that question and the answer that I gave at the time and see if I can provide anything further to you.

Senator ABETZ—Could I invite you to do that because, with great respect, the answer was not responsive and did not address the key areas of classifications and areas where those staff positions might not be filled. And your response to the Chair's suggestion and mine of taking it on notice was, 'I am happy to do that.' By the answer, it looks as though you were not happy to do it.

Mr Paterson—No—

Senator ABETZ—I think you are telling me now that you are still happy to do it. Let's all be happy and hear your answer.

Mr Paterson—I think I was very clear on the last occasion that, whilst I was happy to take some of these questions on notice, that did not mean to say that I could answer the question in the way that you might want me to answer it or that it might elicit information that you might have expected to come from that question. I was happy to take it on notice and reflect on the question, but I did indicate that it was a recruitment pause and there were a variety of contributions made.

Senator ABETZ—That is right.

Mr Paterson—I would add to it. You were looking for the classifications of something where we were adjusting portfolio responsibilities. We had staff move from the department to other departments, we had staff move from other departments into the portfolio.

Senator ABETZ—That is right. We know all that.

Mr Paterson—I will reflect on the question again. I am not being not responsive, and my saying I am happy to take it on notice does not mean to say that I will necessarily be able to give you an answer to the question in the format that you want.

Senator ABETZ—There was no suggestion that there would be a substantial difficulty associated with it. But you have agreed to take it on notice again, and I look forward to a more detailed response on this occasion. What consultancies has the department let in the past year? I assume, because it would be quite an extensive list, that you might have to take that on notice.

Mr Paterson—We will endeavour to respond during the day.

Senator ABETZ—That would be very helpful, thank you. Can I ask whether the department sought an exemption from the application of the one-off two per cent efficiency dividend?

Mr Paterson—No, we did not.

Senator ABETZ—Did any of the agencies seek an exemption?

Mr Paterson—I am not aware of anybody seeking an exemption nor am I aware of any process that would enable someone to seek an exemption.

Senator ABETZ—Let us pick on the CSIRO. If the CSIRO as an agency sought an exemption, would it need to go through you for that exemption?

Mr Paterson—As I said to you, I am not aware of any process that would enable anybody to seek an exemption from a decision. I cannot comment.

Senator ABETZ—But surely the Rudd government is not so closed minded that if a department or an agency says, ‘There is no way that we can cope with this two per cent efficiency dividend,’ they would not be allowed to write to the Prime Minister saying, ‘Would you please exempt us for the following reasons?’ Or are they in such a state of fright at the moment that they dare not ask for these things?

Senator Carr—I think the budget process is well known.

Senator ABETZ—Was Defence exempted from the two per cent efficiency dividend?

Senator Carr—I suggest you take that up with the defence department.

Senator ABETZ—It is being suggested to us that no department could seek an exemption.

Mr Paterson—That is not what I said. I said I was not aware of any process that would enable anybody to seek an exemption. The government stated up front that its intention in relation to the efficiency dividend was not to apply to the uniformed personnel within Defence but that it did apply to the department. I am not aware of anybody seeking an exemption from that decision.

Senator ABETZ—You are not aware of any process to seek an exemption?

Mr Paterson—Correct.

Senator ABETZ—You are the head of a department.

Mr Paterson—I am not aware of anybody seeking an exemption. Its non-application to the uniformed part of Defence was part of the election commitment, as I recall.

Senator ABETZ—So you had more information to offer than the minister—and I thank you for that.

Mr Paterson—I think you will find that it was also an election commitment that it would apply to the defence department—the suit side, as distinct from the uniformed side.

Senator ABETZ—You operated on the basis that there was no mechanism to ask for an exemption for either your department or any agency within it?

Mr Paterson—Our responsibility—

Senator ABETZ—Is that right?

Mr Paterson—Hang on. Our responsibility is to implement election commitments of the government of the day if that is the wish of the government of the day.

Senator ABETZ—Yes, we know that.

Mr Paterson—The two per cent efficiency dividend was an election commitment that was reflected in the PAES, so the impact of that decision was reflected in the portfolio additional estimates statement when we appeared before this committee in February.

Senator ABETZ—Was ANSTO, for example, hit with the initial two per cent dividend?

Mr Paterson—I am not going to comment in relation to ANSTO. They are appearing before this committee tomorrow.

Senator ABETZ—Are you aware of that or not?

Mr Paterson—I am aware of the budget decisions that were taken, yes, and the budget—

Senator ABETZ—So you can tell us about Defence but you cannot tell us about an agency within your department?

Mr Paterson—No. I said I am not going to comment for ANSTO. ANSTO is appearing before this committee tomorrow. You asked me a question in relation to Defence and tried to assert that I had put a position to you which I had not. What I have indicated to you is my knowledge of the election commitment in relation to the application of the two per cent efficiency dividend. But, clearly, these portfolio budget statements reflect the decision of the government of the day about how that two per cent efficiency dividend would impact on ANSTO.

Senator ABETZ—We know all that. All I have been asking about is whether you requested an exemption from the two per cent dividend. I take it that the answer is no.

Mr Paterson—That is the answer I have already given.

Senator ABETZ—Did ANSTO get hit with the initial two per cent dividend? It is an agency within your department. Surely, that must be within your knowledge.

Mr Paterson—It is within my knowledge and, as I have indicated to you, it is reflected—

Senator ABETZ—And were they?

Mr Paterson—Yes. The two per cent efficiency dividend has been applied to ANSTO and is reflected in these—

Senator ABETZ—Sorry?

Mr Paterson—The efficiency dividend did not previously apply to ANSTO but has been applied in these portfolio budget statements, and ANSTO is appearing tomorrow.

Senator ABETZ—Has the department made any request for regulation 10 authority from the finance minister in the last six months?

Mr Paterson—I will take that on notice.

Senator ABETZ—Yes, take that on notice.

Mr Paterson—You would be aware, I think, that there are delegations in relation to regulation 10 approvals, some of which I have the authority to exercise. Are you asking for explicit authorisation of the minister for finance in relation to regulation 10?

Senator ABETZ—Yes.

Mr Paterson—I will take that on notice.

Senator ABETZ—In relation to the two per cent dividend, did Finance make any suggestions as to where cuts or savings could be made, or is that completely left to you and the department?

Mr Paterson—It is a matter for the agency.

Senator ABETZ—But did Finance make any suggestions as to how the two per cent dividend might be implemented?

Mr Paterson—None that I recall.

Senator ABETZ—In any event, can you check and take that on notice, please. In relation to the department and all the agencies in the minister's portfolio, I accept that you will need to take these questions on notice. Firstly, as at 26 November 2007 what was the total number of permanent staff employed on a full-time, part-time and part-time equivalent basis? Secondly, how many employees are employed on contract and what is the average length of their employment period? Thirdly, what are the base and top level salaries of APS level 1 to APS level 6 officers, executive level officers, senior executive services officers and equivalent officers? And, fourthly, how many officers are employed at executive level and SES level?

Mr Paterson—Is that the end of that question?

Senator ABETZ—Yes. Take it all on notice.

Mr Paterson—I accept that you have invited me to take it on notice but I think you asked that question of me and all agencies within the portfolio.

Senator ABETZ—Yes.

Mr Paterson—I can certainly take it on notice in relation to the department. I think the question needs to be put to each of the agencies.

Senator ABETZ—Really, I do not think it needs—

Mr Paterson—With the greatest respect—

Senator ABETZ—Minister, can I invite you to take it on notice in relation to all the agencies and the department? Otherwise, we will have exactly the same questions asked at least half-a-dozen times for no benefit to anybody.

Mr Paterson—The only reason that I am questioning the issue is that I cannot answer those questions.

Senator ABETZ—All right. Would you take it on notice on behalf of the agencies that you are responsible for?

Senator Carr—I am happy to take this. They will be referred to the agencies—

Senator ABETZ—Of course they will be.

Senator Carr—Can I make this point to you: it has been custom and practice across estimates committees to provide a copy of questions that you feel will be taken on notice, such as that one, to the secretariat. That would facilitate the proceedings of the committee. If you have prepared questions, could copies be provided to the secretariat?

CHAIR—We can certainly ask the secretariat to do that, and the minister has now given that undertaking.

Senator ABETZ—Minister, it is nice to know of your new-found interest in the smooth running of Senate estimates. Thank you for that. How many permanent staff have been recruited since 26 November 2007? Would you have that figure handy, or not?

Mr Paterson—No, I would not.

Senator ABETZ—What level are these staff? How many temporary positions exist or have been created since 26 November? Since 26 November, how many employees have been employed on contract and what is the average length of their employment period? Once again, Minister, I would invite you to take that on notice for the department and all the agencies.

Senator Carr—The simple process is that questions of that nature will be referred to the agencies.

Senator ABETZ—Thank you. Can we move on to media monitoring? I assume the department still has an agency to monitor the media?

Mr Paterson—We do.

Senator ABETZ—How much has been spent to date this year—or to the relevant date close to the end of April or May or whatever you might have for us—on media monitoring?

Ms McClusky—The amounts that we have expended on media-monitoring services up to 30 April total about \$300,000.

Senator ABETZ—Can you give us the exact figure? Is it in front of you, or not?

Ms McClusky—It is \$305,979.

Senator ABETZ—How many employees are engaged in positions responsible for public affairs, media management, liaison with the media and media monitoring in the department?

Ms McClusky—I will just have to come back to you. I do not have that number. I will come back to you on that shortly.

Senator ABETZ—Thank you. If we could be told what the APS classifications of these positions are, as well, it would be very helpful.

Mr Paterson—Given the nature of that question, we will take it on notice.

Senator ABETZ—Does the department send around a daily email summary of media clips that are Blackberry friendly?

Ms McClusky—Yes.

Senator ABETZ—Does this go only to people with news centre access?

Ms McClusky—Yes.

Senator ABETZ—You are absolutely sure about that?

Ms McClusky—That is the advice I have.

Senator ABETZ—All right. Can we move on to board appointments? What appointments have been made by the government through executive council, cabinet and ministers to statutory authorities, executive agencies and advisory boards? I ask for that to be taken on notice for the department and for the relevant agencies, together with what the respective appointees' credentials are, how many vacancies remain to be filled at those various levels and how long those positions may have been vacant.

Mr Paterson—We will take that on notice.

Senator ABETZ—Minister, are you able to tell us what grants have been approved by you and Minister Emerson within your portfolio for the past six months?

Senator Carr—What grants?

Senator ABETZ—Is there a list?

Senator Carr—I do not believe that I personally approved any grants.

Senator ABETZ—Were there any grants of any nature? ACL springs to mind.

Mr Paterson—We will take it on notice.

Senator ABETZ—In taking that on notice for both yourself and Dr Emerson, can you tell us the companies, for how much and when. Can we be advised on ministerial travel? I have a range of questions that I will put on notice in relation to this one. Can I ask, Minister, whether you went to Germany?

Senator Carr—Yes.

Senator ABETZ—You were in Germany during the time of the Hanover computer fair?

Senator Carr—Yes.

Senator ABETZ—You were only about a one-hour drive away from it. Is that correct?

Senator Carr—I do not know how long it would take to drive to any particular location in Germany.

Senator ABETZ—The autobahns allow you to go very fast, I understand.

Mr Paterson—It depends on your experience. The autobahns can be parking lots, as well.

Senator ABETZ—Is the minister aware of the criticism of him for not having attended this premier world fair at Hanover whilst he was in Germany? Also, New Zealand, with four million people, had 14 stands at this fair; Australia, with 21 million people, had only four stands, and you did not visit the fair. It has been reported along the same lines as the Prime Minister flying over Japan to visit China and missing a great opportunity. Here you were in Germany and you missed a great opportunity.

Senator Carr—That is all subjective judgement. You are entitled to make points as points of relevance come up. As you say, there were only four Australian companies, if my recollection serves me correctly, represented at the fair. I was required at a series of quite important engagements in Berlin, including engagements around the issues of the SKA and

having representations with the most senior levels of the German government on Australia's bid for the SKA—

Senator ABETZ—Yes, it was the Hon. Julie Bishop's initiative that you tried to claim ownership of—

Senator Carr—and a series of functions involving Australian—

Senator ABETZ—It was \$100 million from Julie Bishop.

Senator Carr—investments in Germany and German investments in Australia. I think in excess of 30 different organisations were involved in those meetings. Further, there was a meeting with the New Zealand government in regard to the SKA in Berlin and—

Senator ABETZ—That is all very interesting—

Senator Carr—You have raised the issue—

Senator ABETZ—I know that you were actively engaged and you went for the SKA—

Senator Carr—You have asked me a question. If you do not want me to answer, I suppose, we can move onto something else—

Senator ABETZ—You can tell us about the wonderful dinners you had, the wine you tasted whilst you were in Germany, but it is irrelevant—

Senator Carr—I do not know about your drinking habits, Senator Abetz, but—

CHAIR—Let us wait for the minister for finish, then we will go onto the next question.

Senator Carr—The point I was making is that a decision was taken that my time would be better spent fulfilling the commitments that we had entered into in regard to the object of the trip and that was the basis on which I acted.

Senator ABETZ—Right, so the—

Senator Carr—Can I just add a few more points, if you would like to listen? Otherwise, as I say, perhaps we will go onto something that you are more interested in.

Senator ABETZ—Yes, I am more interested in the answer to this question than you telling us about everything else. You took a deliberate decision not to visit this fair.

Senator Carr—No. What occurred was that there was an approach made by the organisers very, very late, as there was an approach to the CSIRO very, very late. There were questions about the way in which this conference had been organised. As you have indicated, there were only four Australian stands at this particular event. That tells me about the level of engagement with Australian firms, versus the opportunities that we had in Berlin to pursue the objects of the trip in terms of promoting Australian investment and international cooperation on research and scientific matters and in terms of advancing the Australian bid for the SKA. I know that it was the previous government—

Senator ABETZ—Minister—

Senator Carr—which had a negligent attitude towards the pursuit of the bid for the SKA. The previous government did not seem to know what to do—

Senator ABETZ—Chair, this is completely irrelevant—

Senator Carr—with the SKA. It was quite apparent that the previous government was extremely uncomfortable with the bid for the SKA.

Senator ABETZ—No, we were not, \$100 million—

Senator Carr—And it is quite clear to me that—

Senator ABETZ—Chair, I raise a point of order. This is completely and utterly irrelevant as to whether or not the minister took a deliberate decision not to attend this fair.

CHAIR—I do not think the point of order is relevant because I think the determination of relevance is up to the minister, but there is too much conversation across the table. Could we just have an orderly asking of questions and discussion of answers and it would be helpful if everyone kept to the point and we just addressed the question.

Senator ABETZ—I ask again, you had a number of competing interests on your time in Germany and you made a deliberate decision that this fair was not going to be a priority, given your time constraints?

Senator Carr—And the fact that we had already entered into a series of commitments in Germany prior to the invitation being extended by the organisers of the trade fair. I indicated to you that in terms of ICT development in Australia, the pursuit of the SKA, which will have a transformational impact—

Senator ABETZ—Yes, we know all that.

Senator Carr—on the ICT industry in this country, that it was more important for us to talk to senior levels of the German government and the German scientific community, including the signing of a memorandum with the Max Planck Institute and the CSIRO, which was a critical—

Senator ABETZ—With a blue biro or black biro; can you give us that detail as well to fill in time?

Senator Carr—You cannot—

Senator ABETZ—This is irrelevant to the question.

Senator Carr—No, it is not. You have asked me—

CHAIR—If there is less interruption and we can get through it quickly, that will be good.

Senator Carr—You asked me a question as to why I chose to go to Berlin to undertake the projects that we undertook. For our mission I made a decision that our time would be better spent fulfilling the commitments already entered into with the German government in relation to the bid for the SKA, the signing of a memorandum between the Max Planck Institute and the CSIRO, the range of meetings that had been scheduled with both German investors in Australia and Australian investors in Germany and our range of other functions that were undertaken in pursuit of those objectives.

Senator ABETZ—Can you tell us when you were first invited to attend this fair? You might need to take that on notice.

Senator Carr—I will take it on notice but my recollection is that the invitation came in very late and—

Senator ABETZ—That is fine.

Senator Carr—and it came into the CSIRO, I might also add, very late.

Senator ABETZ—Don't be so defensive. I am just asking questions.

CHAIR—Have you got another question?

Senator ABETZ—Absolutely. Can I move onto freedom of information? Can I ask how the department handles FOI requests? Does it make those decisions on its own or are they referred to Prime Minister and Cabinet or the Prime Minister's office?

Mr Paterson—There is an established process in relation to freedom of information and an identified decision maker within the department is identified as part of that standard process and those decisions are taken inside the department.

Senator ABETZ—Is there any liaison with the Prime Minister's office prior to the decisions being made?

Mr Paterson—With the Prime Minister's office?

Senator ABETZ—Yes, either in the—

Mr Paterson—The answer is no.

Senator ABETZ—No?

Mr Paterson—We do not consult with the Prime Minister's office.

Senator ABETZ—How many requests have been granted or denied? You might need to take that on notice.

Mr Paterson—FOI requests, over what period?

Senator ABETZ—Since Minister Carr has been in charge.

Mr Paterson—I am happy to take that on notice.

Senator ABETZ—How many conclusive certificates have been issued?

Mr Paterson—None.

Senator ABETZ—Can I move onto departmental liaison officers and just ask how many officers have been allocated to each minister's office, that is to Minister Carr and to Minister Emerson?

Mr Paterson—Minister Carr has two departmental liaison officers and I believe Minister Emerson has one.

Senator ABETZ—Moving onto community cabinets, are there specific costs incurred by this department in relation to community cabinets to get support staff for the minister into the various locations?

Mr Paterson—The only departmental staff that have attended the community cabinets—and only one—is myself and, naturally, there are costs associated with me attending but I—

Senator ABETZ—That is borne by the department as opposed to PM&C?

Mr Paterson—In fact, you will probably find that it is borne by me. I drove to the last community cabinet and I pay for the running costs of my vehicle.

Senator ABETZ—You do not have a fuel card?

Mr Paterson—It is all part and parcel of the lease, but I pay for the costs associated with that. There is a small component, I think, in terms of my remuneration arrangements which identifies that a component of my use is official, but I wear the majority of the running costs for that vehicle, and I drove my car.

Senator ABETZ—What costs would they be, registration, insurance?

Mr Paterson—Yes, fuel, servicing, FBT; all of those components are met out of my salary arrangement.

Senator ABETZ—You do not have a fuel card that is charged up to the department?

Mr Paterson—It all gets charged up but all of the costs associated with it are met by me. It is paid for by the department but, as part of my remuneration arrangements, my vehicle arrangements are such that—subject to a small contribution for official travel—I wear the costs associated with my vehicle.

Senator ABETZ—Do you claim mileage?

Mr Paterson—No.

Senator ABETZ—I will not delay any further. It sounds passing strange.

Mr Paterson—It is not passing strange at all.

Senator ABETZ—I assume you did not drive to Canning Vale in Western Australia or Narangba in Queensland?

Mr Paterson—I did not attend either of those meetings.

Senator ABETZ—Did the minister have any other support from departmental officials at those community cabinet meetings?

Senator Carr—No.

Mr Paterson—There were no departmental officers in Western Australia and, if my memory serves me correctly, I do not believe the minister was at the Queensland one. We were overseas on the trip you were referring to earlier when that was held.

Senator ABETZ—I would ask for a list of all reviews and plans to review et cetera that are currently underway within this department?

Mr Paterson—I will take that on notice.

Senator ABETZ—I would like to turn to the 2020 Summit and ask what input did you have into the 40-page communique?

Senator Carr—I participated in the decisions, like everyone else.

Senator ABETZ—Did you chair any of the streams?

Senator Carr—No.

Senator ABETZ—Was the productivity stream given to you to chair?

Senator Carr—No.

Senator ABETZ—Would you agree that the communique, in fact, does not mention ICT, IT or computers? Are you aware of that or not?

Mr Paterson—I would not agree with that, because it does.

Senator ABETZ—It does?

Mr Paterson—It does.

Senator ABETZ—The 40-page communique mentions those issues.

Mr Paterson—Is the 40-page communique the issue that was released on the day of the summit?

Senator ABETZ—That is the big question, because it is being doctored as we speak. We will find out what the final result is.

Mr Paterson—I think you will find that it was referred to in the statement that was released on the day and I think you will find it is referred to in the statement that was released last week.

Senator ALLISON—The final report is on line.

Mr Paterson—Correct. It was released on Friday.

Senator ABETZ—On Friday, was it?

Mr Paterson—Friday last week.

Senator ABETZ—I would like to ask about the new think tank that Deputy Prime Minister Gillard announced, the Australian Institute for Public Policy, which is supposedly going to be a national leader bolstering innovation. I suppose they will fund that out of the cuts from the Commercial Ready program, but I will not go there at this stage. In whose portfolio will that fall? Will that be Minister Gillard?

Senator Carr—You should take that up with the Education portfolio.

Senator ABETZ—Can I then ask what representations you and the department have had in relation to setting emission targets? I would have thought some of our big energy consumers and some of our big industries would have very real concerns in this area. I wonder what sort of consultation has occurred, or would it be illegal for you to consult with them and get their ideas prior to the cabinet submission being made in this area.

Senator Carr—You clearly have a major deficiency in your hearing and I suggest that you do something about that, because it is quite an impediment to you in this line of work. I answered a question before from you in relation to discussions concerning cabinet submissions. My remarks in regard to unauthorised disclosures referred to that matter. In regard to the questions of climate change, there are extensive discussions with industry on an ongoing basis across all sectors with officers of this department and me.

Senator ABETZ—Is there any consultative mechanism, standing committee or representative group of industry that you are drawing upon for advice to assist in any cabinet discussions?

Senator Carr—The Department of Innovation, Industry, Science and Research is engaged with industry in all its forms on an ongoing basis. I have established working groups in a

range of areas to allow for that process to occur. That has seen the creation, particularly in the steel industry and other sectors, of working groups.

Senator ABETZ—So you have established a working group in relation to the issue of climate change?

Senator Carr—It is in regard to steel.

Senator ABETZ—No, in relation to climate change and emissions trading?

Senator Carr—I have a different approach to you on this. I see this as being very much part of everyday activity, how to actually change the way in which industry responds to these questions of climate change, and my discussions with people directly engaged in industry suggests that is how they see it as well. There is no specific group entitled ‘Climate Change’; it is part of the ongoing dialogue about the future sustainability of industry in Australia.

Senator ABETZ—You just indicated to us that you have this general consultation and you then had specific working groups for specific issues.

Senator Carr—Sectors. There are discussions with the steel industry, for instance. I have had discussions with all the other sectors as well.

Senator ABETZ—Can you tell us what those working groups are called, what the sectors are and how many of them there are?

Senator Carr—We have a series of conversations. We will take on notice what groups have been established.

Senator ABETZ—I would appreciate it if you could tell us how many working groups there are, their sectoral names and the purpose of those working groups, because I would have thought climate change/emissions trading is something that excites the interests of the Bluescopes of this world potentially just as much as a small business. If you have a working group dealing with industry and another working group dealing with small business there may well be a disconnect if all the issues dealing with emissions trading are not brought together in the one working group.

Senator Carr—There is further an interdepartmental committee structure that has been established. I will let the secretary expand on that.

Mr Paterson—The Department of Climate Change is undertaking consultations as part of the process of developing the emissions trading regime. It is an issue that is regularly raised in the consultations that we have with a broad range of industry sectors, and it is the government’s stated intention to release a green paper in relation to the broad range of issues that will impact on an emissions trading regime and that the green paper will be the subject of consultation with industry and the community more generally. There is a formalised process that a green paper articulating the framework for an emissions trading regime will be publicly released and will be the basis of public consultation, but there is ongoing discussion with industry in relation to elements of an emissions trading regime.

Senator ABETZ—Is there a working group specifically within the department?

Mr Paterson—Absolutely. We have a group of people within the department who are working on these issues.

Senator ABETZ—Excellent. Do they consult across the full spectrum of industry in relation to these issues, so it is not just a working group that is, say, dealing with an industrial sector or the small business sector?

Mr Paterson—It is horses for courses. As I have indicated, the Department of Climate Change, which has principal responsibility in government for the development of the new regime, is undertaking consultations with industry and, in the various streams of activity that we have responsibility for, we are engaged with discussions with the community. As I said, it is the government's intention that a green paper which brings this together will be the basis of formal public consultation and we would expect that we will be part and parcel of that process.

Senator ABETZ—Thank you.

Senator MILNE—In relation to the industry sectors which you are asked to uptake to drive social and economic benefit for the Australian community, I would like to particularly come to the renewable energy sector. Do you have a working group with the renewable energy sector?

Senator Carr—Energy is part of the Resources, Energy and Tourism portfolio.

Senator MILNE—I am aware of that. I heard the minister say that he had a working group with the steel industry. I am asking: is there a working group with the renewable energy industry?

Mr Paterson—The steel industry is part of our portfolio responsibilities, whereas the energy sector is not part of our portfolio responsibilities.

Senator MILNE—You have a clear mandate and obligation here to improve competitive advantage of Australian industry, to develop a streamlined national innovations system, to facilitate, et cetera, so I just do not understand. Do you have any responsibility for—

Senator Carr—I would dearly like to be able to canvass these issues across every aspect of government. The truth of the matter is that there has to be some administrative arrangements—

Senator MILNE—Yes, I understand that.

Senator Carr—The administrative orders set down the responsibilities of this department and my responsibilities in terms of the operations of this department. Therefore, there are limits on what we can legitimately pursue, beyond which it is the primary responsibility of other people. It does not mean we do not have an interest in or are not concerned to advance the principles as outlined in the PBS, but the primary areas of responsibility are set down in terms of the administrative orders and followed through in regard to the PBS.

Senator MILNE—It says a lot about what government thinks about innovation, industry, science et cetera that it is not part of this portfolio. I would just ask, in relation to things like a feed-in tariff: is that something that you are not talking to them about? Would that be energy?

Mr Paterson—Any of those sorts of issues in relation to energy policy issues are matters for the Resources, Energy and Tourism portfolio, which will be at this committee later today.

Senator MILNE—I have another matter for the corporate division, in relation to printers. Does the department have a policy in relation to refilling and reuse of printer cartridges?

Mr Paterson—We will come back to you on that.

Senator MILNE—In the broader sense, is the same person going to answer the question of whether the department has a contractual arrangement with any of the printer manufacturers to provide the printers to the department, and does that confine the type of cartridges that the department can buy?

Mr Paterson—I expect so.

Senator MILNE—Are you aware that there are no Australian manufacturers of printers?

Senator Carr—I am aware that there are limitations on the Australian industry in these areas.

Senator MILNE—What are we doing about that?

Senator Carr—In terms of the contract negotiations, you would have to talk to the relevant officer.

Senator MILNE—I was referring to not having an industry.

Senator Carr—It is not an immediate objective of any program that I have responsibility for at the moment.

Senator MILNE—Do you have any idea how much you are spending on printer cartridges each year?

Senator Carr—No, I do not. The officers will no doubt be able to help.

Mr Paterson—That is a question we will take on notice.

Senator MILNE—I would be very interested to know where we are going with this across government.

Mr Paterson—I cannot answer for you across government but I can certainly respond to the question that you have put to us about what we spend on printer cartridges and I will take that on notice.

Senator ALLISON—Can I just interrupt there? Is there a list of the industries that the government considers to be important enough to be worked on by you in strategies, plans and so forth?

Senator Carr—The PBS outlines specific program responsibilities. There are general cross-sectoral arrangements which apply to all industries. For example, Enterprise Connect applies to all industries and then there are particular sectoral programs that go to specific sectors.

Senator MILNE—I would like to ask about subsidies, in particular. Do you have a comprehensive list of industry subsidies that are paid in Australia, and to which sectors?

Senator Carr—I do not have a comprehensive list. In terms of industry policy, it would be fair to say that there are programs which would be administered across a range of portfolios from agriculture, environment and education. There is defence and various categories there. It

would be wrong to say that all industry programs are administered by this department. The majority of them, I believe, would be.

Mr Paterson—Your question is very broad and a lot of it is a definitional issue. What do you mean by subsidy?

Senator MILNE—How do you define a subsidy?

Mr Paterson—You are asking the question, with respect. What are you asking of us? We run competitive grants programs. Do you regard that as a subsidy? We do not, but do you regard a competitive grants program as a subsidy? I do not know what it is that you are looking for.

Senator MILNE—I am going to ask you: what do you regard as a subsidy and can you give me a list of those?

Senator Carr—What I was referring to were industry policy programs. Co-investment arrangements are grants, programs. There is a whole range of questions that fit within that category. Are you using ‘subsidy’ in the pejorative sense?

Senator MILNE—No, I am not. I was about to ask how many were for the renewable energy sector as well. I want to make a comparison between fossil fuel subsidies and renewable energy subsidies. I was then going to ask if you will test for CO₂ emissions when you are looking at prioritising who gets which subsidies?

Mr Paterson—We do not run subsidy programs. A comprehensive answer to your question for the whole of government can be found in a report of the Productivity Commission on industry assistance arrangements, which would have been published within the last two months and which does a review, I think biannually, of all programs of industry assistance. I do not suggest that industry assistance equates with your definition of subsidy, but there is a comprehensive overview of industry assistance programs run by government produced by the Productivity Commission, within the Treasury portfolio.

Senator MILNE—Within your own portfolio, with your grants or industry assistance program, do you have a CO₂ emission, a greenhouse gas emissions, checklist beside it? When you are looking at the grants is that one of the things you take into account?

Mr Paterson—Across the board, do we have a checklist in relation to all of the programs that we are responsible for? No, we do not. The programs have a variety of objectives and we seek to meet the objectives provided to us by the government of the day in relation to each of those programs, but we do not have a separate CO₂ emission checklist in relation to every program we administer.

Senator MILNE—The Department of the Prime Minister and Cabinet’s Climate Change, which is overseeing interdepartmental discussions, has not asked you to put in, and you have not done of your own volition, a CO₂ emissions checklist?

Mr Paterson—In relation to program guidelines, we do not do things of our own volition. We administer the programs of the government of the day under the guidelines provided by the minister of the Crown who has responsibility for that. We do not dream up guidelines of our own volition. We administer programs on behalf of the government of the day—this government and the former government.

Senator MILNE—I understand that. It is just that the Prime Minister said that there is a whole-of-government approach, that the objective of government is to reduce greenhouse gas emissions and that there is interdepartmental work going on. I am trying to establish whether you have been given any riding instructions at all in relation to testing your grants program or your industry assistance program against greenhouse gas emission targets?

Mr Paterson—I have indicated to you that we do not have a checklist that tests CO₂ emissions for all of the programs we administer.

Senator MILNE—For any of the programs you administer?

Senator Carr—We have new programs in regard to clean technology and renewables in relation to implementation of the Clean Business Program and of course we are in the process of establishing as part of the Enterprise Connect Scheme an Innovation Centre for Clean Technology.

Mr Paterson—There is the Green Car Innovation Fund.

Senator Carr—That is right. There is the Green Car fund. There is a range of other programs that are operating within the department. As I have indicated, we are in constant discussions as a regular part of the ongoing work of the department and, politically, the ongoing work of this government is to talk to industry about the ways in which there can be a transformation of Australian industry to more effectively deal with the pressures and the challenges of climate change.

Senator MILNE—Talking to industry is one thing. Government grants and implementation of government assistance are done by some criteria. I am trying to establish whether you have criteria in place for all of your programs, and the answer is no in relation to climate change. What I am now asking is about some of the programs. In which programs do you have a CO₂ assessment criterion in giving industry assistance at this time? Is it any or none?

Mr Peel—Currently we do not deliver any such programs through AusIndustry. We did deliver a program called the Renewable Energy Development Initiative which had a CO₂ reduction target, but that program is not continuing. As the minister mentioned, there are a number of new programs that the government has announced in the budget process and we have not finalised the design of those programs. Whether or not an energy reduction target should be part of them will be part of the process we go through in establishing the design of those programs. There is also a comprehensive review of all climate change programs currently delivered within government being undertaken through the department of finance, and that will also establish the way forward.

Senator MILNE—Can you tell me why that program was ended?

Mr Peel—That was a budget decision of the government.

Senator MILNE—If a CO₂ criterion was put in place, as was the case with that program, who would instruct the department to do that? Is that the Prime Minister and Cabinet or how would that come about?

Mr Peel—It was part of the program designed at the time. In designing the program we need to take into account the broad policy objectives of the government. In relation to that

particular program there was a target to assist in the reduction of CO2 emissions, so a formula was put into the assessment process and we engaged an expert committee to give us advice on each grant application, amongst other things, to make sure that they met that target.

Senator MILNE—Given that a priority of the government, as stated by the Prime Minister through the election campaign, was to reduce emissions to address climate change and to be a global leader in climate initiatives, at what point will such a criterion be built into all industry assistance programs?

Mr Peel—I can only speak about the ones that were announced in the budget. As I mentioned, we are currently going through the process of designing those programs and, in undertaking the design, we will take into account the government's policy initiatives.

Senator MILNE—Does that mean it will be in there?

Mr Peel—I cannot say for sure.

CHAIR—Senator Allison.

Senator ALLISON—I would like to come back to the car review. Was the interim report delivered to government on 31 March?

Senator Carr—There has been an interim report, yes.

Senator ALLISON—Are we on track for 31 July for the final report?

Senator Carr—Yes.

Senator ALLISON—The terms of reference called for the impact of climate change policy to be examined. What assumptions will the review adopt for emissions trading and its reach in the transport sector?

Mr Payne—On that question that you have asked, it would be a matter for Mr Bracks in conducting the review. That is not information that is available to the department or the minister at present.

Senator ALLISON—I think you misunderstood my question. The term of reference is to consider government policy on climate change and my question to you is: has the government told Mr Bracks that the emissions trading system will cover transport?

Senator Carr—No, it has not.

Senator ALLISON—How can it possibly deliver on that term of reference?

Senator Carr—Because the terms of reference go to the range of technologies that might be employed to facilitate an improvement in fuel efficiency.

Senator ALLISON—How does the review know what level of improvement is required?

Senator Carr—There have been no targets set for the car industry. However, the terms of reference make it clear that it is to the maximum extent possible.

Senator ALLISON—Sorry, make it clear that it is to the maximum extent possible for fuel efficiency?

Senator Carr—The maximum extent possible to improve fuel efficiency. We can add some further information there.

Mr Paterson—You are paraphrasing the terms of reference and it may be useful for—

Senator ALLISON—No, I am reading them precisely: ‘Impact of climate change policy on the auto industry.’

Mr Paterson—That is not what it says.

Senator ALLISON—I am sorry, Mr Paterson, that is one of the terms of reference. I got it off the website.

Senator Carr—What did you say?

Senator ABETZ—Possibly they doctored the wrong—

Senator Carr—Who doctored the document?

CHAIR—Can we have less of the cross-chat—

Senator ALLISON—It has got nothing to do with the summit.

Senator ABETZ—Do not be so aggressive and defensive.

CHAIR—Mr Paterson was answering the question.

Mr Paterson—There are a variety of terms of reference and the review will make an assessment of the challenges and opportunities currently facing the sector including—

Senator ALLISON—I am sorry, Mr Paterson, I have read the total number, but one of the terms of reference is the impact of climate change policy. Can you confirm that? It is right down the bottom. We do not need the whole lot read out.

Mr Paterson—There are a number of elements. There is one which talks about the impact of climate change and changing consumer preferences.

Senator ALLISON—Correct.

Mr Paterson—The review will make recommendations on any of the issues identified, including the impact of climate change policy on the automotive industry. The review is being asked to consider a range of issues including climate change and then to make recommendations.

Senator ALLISON—Correct. I understand that. I am asking what assumptions it will make about government policy with regard to emissions trading.

Mr Paterson—Mr Payne has already given an answer to that question and you told him that he misunderstood the question.

Senator ALLISON—He was suggesting to me that this was a matter for Mr Bracks to determine. If Mr Bracks is telling us whether transport is in our emissions trading system or not, I would be surprised. I would have thought the other way around would be likely.

Mr Paterson—He has been asked to provide recommendations to government consistent with those terms of reference and the review will make recommendations on any of the issues identified, including the impact of climate change policy on the automotive industry.

Senator ALLISON—I understand that.

Mr Paterson—He is being asked to provide independent advice to the government.

Senator ALLISON—I do not take issue with that. I know that. My question is how they can provide advice to government on the impact of climate change on the auto industry when they do not know what the government's policy is in a key area—I think you would agree—of whether or not emissions trading covers transport. Minister, perhaps I can ask you. Where are we at in cross-government talks? I know you will say it is someone else's department and not yours, but where are we at with regard to the likelihood or otherwise? Is it your recommendation, for instance, that transport should be included in emissions trading?

Senator Carr—The government is in the process of designing a new ETS. Those discussions are ongoing. The shape of it, what is in and what is out, are matters yet to be determined.

Senator ALLISON—You recently said you thought there should be what sounded like pretty major concessions for the energy intensive industries in this country. Do you also have a view about transport?

Senator Carr—You should not rely entirely upon the headline writers.

Senator ALLISON—No, I took it from your quote.

Senator Carr—I just make that observation.

Senator ABETZ—The headline writers are in his staff.

Senator Carr—I am sorry, Senator Abetz?

CHAIR—No. You were answering Senator Allison's question, Minister.

Senator Carr—I have a view that the question of climate change will be one of the most significant aspects of public policy that we can engage in in this generation. The design of such a scheme will have profound significance for Australian society and the Australian economy.

Senator ALLISON—Particularly in the auto industry.

Senator Carr—I take the view that it is important to ensure that concentration on the ETS is not confined to manufacturing and I have indicated that there needs to be a broad based consideration of the contribution that all sectors of the Australian economy can make to this issue.

Senator ALLISON—What does that lead you to say with regard to the transport sector being part of the emissions trading scheme?

Senator Carr—That is clearly a matter that the government will determine its position on.

Mr Paterson—I responded to a question earlier in relation to the emissions trading regime. I am not sure whether or not you were in the room at the time, but I did indicate that it was the government's intention to release a green paper on the framework in relation to an emissions trading regime for public consultation and comment. It is my expectation that the green paper will be released before former Premier Bracks provides the report to the government in relation to the automotive industry—

Senator ALLISON—Will that be some time this month?

Mr Paterson—so he will be aware of the green paper arrangements prior to providing his report to the government on the automotive review.

Senator Carr—Whether or not transport is in or out of the ETS does not change the fact that we will be doing all that we can to improve the fuel efficiency of the Australian produced motor vehicle.

Senator ALLISON—I will come to that in a moment.

Senator Carr—I am just making this point to you. The terms of reference make this perfectly clear, we have a responsibility to work with industry to dramatically improve the performance on fuel efficiency for the Australian automotive industry.

Senator ALLISON—Will we have some standards shortly?

Senator Carr—Whatever the benchmarks that are set for that will be determined by the process of government. What I am saying to you is that the intention here is to undertake changes to the maximum extent possible.

Senator ALLISON—Thanks for that reassurance.

Senator Carr—We do want a transformation of the Australian automotive industry, but I want an Australian automotive industry. I just want to emphasise that point to you.

Senator ALLISON—I do understand. Before the election, Labor promised that the government would source 4,000 low emission vehicles for its fleet. How many have been acquired so far?

Senator Carr—It set a time line on that.

Senator ALLISON—Yes. How many have been acquired so far?

Senator Carr—I do not know the number. That is a matter for—

Senator ALLISON—I know that we have two Priuses here in the compound.

Senator Carr—I know that you have a Prius.

Senator ALLISON—Will it go beyond that?

Senator Carr—I noticed there are a couple of Priuses in the car park. That is a matter for the Department of Finance to take up in terms of senators and members who have sought an exemption.

Senator ALLISON—You do not see this as anything to do with industry assistance?

Senator Carr—The truth of the matter is that the purchase of fleet cars is a critical component of the viability of the Australian automotive industry. One of the issues that needs to be addressed in this process is the extent to which novated leases have actually moved away from the purchase of Australian made cars to the purchase of imported cars. Through the previous government's adoption of AWAs I think you will find that there was an extension of the movement away from Australian made motor vehicles.

Senator ALLISON—Indeed. That leads me to the question about Mitsubishi. Have they paid back their \$35 million yet?

Senator Carr—They never received \$35 million. There was nothing to pay back.

Senator ALLISON—In February you announced that negotiations were underway with Mitsubishi to retrieve the \$35 million, or part thereof, of the subsidiaries that they had received.

Senator Carr—No. That is not what I said. The moneys that had been allocated for those purposes were the basis for the new fund. Mitsubishi did not have to repay any moneys because they were not paid moneys.

Senator ALLISON—If they did not pay the federal government, did they pay the state government?

Senator Carr—That is a matter for the state government.

Senator ALLISON—Are you aware of that?

Senator Carr—I am not aware of that. In fact in my dealings with Mitsubishi their behaviour in regard to the closure of the Tonsley Park plant, as regrettable as it was, was consistent with their undertakings.

Senator ALLISON—I would like to go back to the Green Car Fund, the \$500 million which you say will be informed by the review of the auto industry. Can you confirm what you are looking for? What remains to be determined about how that money will be spent?

Senator Carr—There are a range of factors that I understand Mr Bracks will be considering in his review about the future operations of the Green Car Innovation Fund. That will be part of the government's consideration of the design of the Green Car Fund. There will also be considerations of what other measures need to be taken in regard to industry assistance and what actions need to be taken in regard to future industry development.

Senator ALLISON—We have got the review reporting in July of this year.

Senator Carr—There has already been a report to government, which was always a confidential report.

Senator ALLISON—Yes, that is right. By July you will have this major review of the auto industry.

Senator Carr—Yes, which will be published.

Senator ALLISON—What other inputs do you require in order to determine the framework for the Green Car Fund?

Senator Carr—There will obviously be an assessment based on broader consultations within government.

Senator ALLISON—Will that take until 2011?

Senator Carr—No. I am expecting that there will be a response to Mr Bracks's report much more quickly than that.

Senator ALLISON—Why is this measure not commencing until 2011?

Senator Carr—The decision to establish the fund was an election commitment and it was made last year with a view to commencing in 2011, so initial funding is provided in the forward estimates as indicated in the PBS—

Senator ALLISON—I am asking why.

Senator Carr—I am trying to explain to you what the process was—with a view to allowing proper consultations with industry partners to—

Senator ALLISON—Three years of consultation?

Senator Carr—It does not necessarily mean that there will be three years of consultation, but we needed to have an appropriate period for there to be proper discussions about the investment projects, bearing in mind this is a co-investment arrangement. It is an investment attraction program to encourage new investment into the industry.

Senator ALLISON—When do you anticipate the first of these grants, contracts or arrangements with industry to be completed?

Senator Carr—That is a matter of consultation with the industry.

CHAIR—As it is 12.30, the committee will break for lunch and recommence at 1.30.

Proceedings suspended from 12.30 pm to 1.32 pm

CHAIR—I will reconvene this meeting of the Senate Standing Committee on Economics. Mr Paterson, you wanted to add something?

Mr Paterson—Yes, Chair. There were questions that were raised this morning which I said we would endeavour to respond to today. Senator Abetz asked a question in relation to consultancies. Unfortunately the information that I have is consultancies from 1 July 2007 to 15 May and it is done by commencement date. You wanted us to provide a response on consultancies entered into since the election, so we will take it on notice rather than try to provide it today.

There was a question, also by Senator Abetz, in relation to FOI requests. The senator asked the number granted in full since 3 December. A total of 17 requests have been received. One has been granted in full, three have been granted in part, two have been refused, three have been withdrawn, three have been transferred, one request was outside the FOI but the material was released and there are four FOI requests ongoing, which gives the total of 17 that we have received since 3 December.

Senator ABETZ—Thank you.

Mr Paterson—There was a question from either Senator Milne or Senator Allison regarding recycling of printer cartridges.

CHAIR—Senator Milne.

Mr Paterson—For the purposes of the record, and we can confer with Senator Milne on this separately if necessary, we do have a policy position in place in relation to recycling of printer cartridges. We have a contract with the provider of our major multifunction devices whereby all of these cartridges are recycled and there are separate recycling arrangements in relation to the other printer cartridges for all printers used in the department, so the answer to the question is yes.

CHAIR—Thank you, Mr Paterson.

Senator EGGLESTON—Senator Carr, I would like to ask some questions to do with the science research and innovations sides of your portfolio. Of course one of the most important things for Australia to have in terms of those areas is large numbers of people doing PhDs in science, engineering, maths and subjects like that which are relevant to science, innovation and industry. I am just wondering how many PhD students per thousand Australia has in comparison to the United States and other OECD countries?

Senator Carr—I will just ask one of the officers here. I have used these figures on numerous occasions.

Senator EGGLESTON—You have used them?

Senator Carr—I have, yes. I will just make sure that they are right.

Senator WEBBER—Now that you are on *Hansard* you better make sure they are right.

Senator Carr—Can we go on with the next question?

Senator EGGLESTON—I would like to know the answer to that just out of general interest. I suspect the number of PhD students in Australian universities is relatively low.

Senator Carr—From memory, it is about seven.

Senator EGGLESTON—How does that compare to the US?

Senator Carr—It is below the United States and below central European countries by a factor of four. It is something like 28, from memory, in middle Europe.

Senator EGGLESTON—That is very interesting, because of course in other countries the quality of universities is largely judged by their postgraduate skills and not their undergraduate skills, which is where we place the emphasis in Australia. I just wondered what steps this government might be taking to encourage more people into PhD programs?

Senator Carr—The government has initiated a new program on APAs and is doubling the number of APAs. The national innovation review is examining the whole issue of research training with a view to improving our performance. Furthermore, there is a House of Representatives inquiry specifically into research training, which will be an opportunity to explore these issues further. It is my expectation that this is an area of policy that we will need to look at, but the initial response from the government is to move to expand the program, in terms of the APAs, and that for mid-level career opportunities the new program of fellowships is being offered as well.

Senator EGGLESTON—What are the goals of this program? Are we seeking to reach the American or European average, or double the number of PhD students in our universities?

Senator Carr—We have not specified a target with regard to the number of people in the research training program.

Senator EGGLESTON—Is that a PhD program?

Senator Carr—The research training program goes to both MAs and PhDs, but of course is predominantly PhDs. Of course, as you would be aware, there have been changes in recent times for the MA program, so it is more often that these programs have been shortened and more often coursework has been pre-eminent.

Senator EGGLESTON—For MAs?

Senator Carr—For MAs. The PhD program has not been changed dramatically in terms of government support. In fact it may be argued that since the early 1990s, while there have been some minor technical adjustments—if my recollection serves me correctly they were in about 1999—there have been no significant administrative changes and that is why we want these questions reviewed. Perhaps Ms Borthwick can add to that.

Ms Borthwick—We have a number of statistics here which we can make available to you, Senator, if that would be helpful.

Senator EGGLESTON—If you could do that on notice for inclusion in *Hansard*, that would be very helpful. Senator Carr, I understand that in a letter this year the Council of Humanities, Arts and Social Scientists highlighted 10 areas where action could be taken to improve doctoral studies in Australia, which we have agreed is crucial to Australia's level of innovation. One of the relevant recommendations was that the existing PhD scholarship amount of \$20,000 per year was too low and should be increased by around \$118 a week to match the Australian postgraduate industry award stipend. I wonder what has been done about that.

Senator Carr—What I have said is that we have increased the number of APA holders—this is under the Australian postgraduate scholarship program. We will see the total number of APAs reach 10,000 by 2012—that will double the number of APAs—and nearly 25 per cent of research students will have access to income support while doing their research degree as a consequence. This will be applying to both masters and PhD students. They will receive an annual stipend and also may well be eligible for other allowances. There are an additional 1,000 new Australian postgraduate scholarships to be funded as a result of the budget, and that will be from 2009.

Senator EGGLESTON—Can you explain to me what the difference is between the Australian postgraduate industry award stipend, which is \$26,140 a year, and the existing PhD scholarship funding level, which is only \$20,000 a year?

Senator Carr—The fundamental difference is that one is run through the ARC and one is run through the department. I can again refresh your memory that these are programmed and the quantum has not significantly changed through the life of the previous government. What has happened is that there has been quite a dramatic expansion, that is a doubling, in the number of these positions as a consequence of the Labor government's policy positions.

Senator EGGLESTON—In the same letter the council recommended increasing the time funded period for a PhD from three to 3½ years. Even that extension would leave the funding period 12 months shorter than the average time taken by PhD students to submit their theses. Are you considering extending the time as well?

Senator Carr—There are a couple of factors here if you want to canvass these issues more broadly. There is the question of quantum, that is, the amount per APA; there is the number of stipends and scholarships; and then there is the duration. In the formulation of the policy, choices had to be made as to where the money could be best spent. In the end I made the call that it was better to increase the number and that we could look at the other issues with regard

to the quantum and duration at subsequent times. That is why these issues are being canvassed through the innovation review and through the House of Representatives inquiry.

Senator EGGLESTON—That is really where I wanted to go, because you are going to fund students who do not have enough time to complete their degrees. That would seem to be a possible conclusion from that.

Senator Carr—I am sure that Ms Borthwick can add to this issue, but in general terms the duration of the PhD program has varied historically. It is to do with a lot of factors, including the nature of the particular discipline area that the PhD is being undertaken in. In fact in my view there has probably been some pressure on reduction in the time that it has taken.

Senator EGGLESTON—Reduction?

Senator Carr—Yes, a reduction in time, because under Dr Nelson there was in fact a position taken by the previous government to try to compress the amount of time that was available for support for program assistance. In fact the previous government's policy position was to try to discourage people from taking the longer period of time for a PhD and also for other forms of assistance.

Senator EGGLESTON—Now that we are dealing with your government, are you going to address this time issue?

Senator Carr—I have indicated to you on three occasions that these are matters that will be canvassed through the House of Representatives inquiry and the national innovation review inquiry. The judgement call that I had to make is how we could get best value for money with the limited funds that were available for this program at this time. The government has been in office all of six months. We made a promise to double the number of APAs and we are in the process of implementing that. Additional funding will be required to expand the program further. I am of the view, and on the public record on numerous occasions as saying, that the number of students undertaking PhD qualifications in this country is far too low and that, by international standards, we are at the bottom of the league ladder on these matters and in fact we should be aiming towards the top. There is a change in government policy. It will take time to implement and achieve the sorts of objectives that we are seeking, and in the first six months of the government's life we seek to double the number of APAs by this process.

Senator EGGLESTON—Very well; it is a very important area.

Senator Carr—I agree.

Senator EGGLESTON—It is bad for Australia's reputation that we are where we are with this.

Senator Carr—I would have to agree with that as well. I will also remind you that your party was in office for the better part of 12 years and had a chance to do something about it.

Senator EGGLESTON—That is perhaps true, but if you are going to address the problem then you have got to address the whole problem and not only provide more money but also provide additional time for these students to complete their degrees.

A few weeks ago I had lunch with the Vice-Chancellor of the University of Western Australia and a group of his officials from the chancellery. That meeting was really concerned about the difficulty in getting secondary school students to do maths and science. What assistance might your government have in mind for encouraging students into those sorts of areas?

Senator Carr—The government is highly conscious of the problem of attracting more students to maths and science, because essentially maths, sciences and engineering are what I call the enabling disciplines. In numerous times such issues have been addressed in public comment and as a consequence the government has made changes in the provision of support for maths-science education at all levels, but specifically with regard to changes to HECS. Those are questions I have no doubt you will pursue with me at the Education estimates on Wednesday, and also the provision of support for increases in resourcing for the teaching of maths and science.

Senator EGGLESTON—Does that include selectively increasing the remuneration of maths and science teachers, because that seems to be a key issue?

Senator Carr—You would be aware that the Commonwealth does not employ teachers.

Senator EGGLESTON—I know, but you have means of providing additional grants and so on which might perhaps be directed in certain areas.

Senator Carr—Again, that would be a matter for the Education estimates and I look forward to having a conversation with you on those matters there.

Senator EGGLESTON—With respect, it still is a science and innovation matter.

Senator Carr—I am not disputing that.

Senator EGGLESTON—As you say, it is vital that we do something to increase the number of students doing maths and sciences, for the education of people who may be engineers.

Senator Carr—I am just indicating to you that there is a limit that this portfolio can do in terms of the education programs. The innovation programs are something that we obviously have an interest in. The PhD program is a specific responsibility of this portfolio.

Senator EGGLESTON—Thank you. I look forward to questioning you further on this matter as time goes on, because it is vital to this country that you provide effective assistance to these programs.

Senator Carr—I have some figures here on the comparisons. In 2001 the number of doctorate holders per thousand of population in Australia was 5.9. In the United States it was 8.4 in 2003. I do not think these figures are quite right.

Senator EGGLESTON—I would like to see the figures for their mainstream universities compared to Australia's mainstream universities. You might be able to provide them on notice.

Senator Carr—Yes. The ratio is something like six to 10, or something in that area.

Senator EGGLESTON—As I said, it is a very important issue and it does need effective programs to overcome the problem.

Senator Carr—I agree.

Senator ABETZ—I would like to move to the Commercial Ready Program. Whilst officials are coming to the table I would like to follow on from Senator Eggleston's question. If you can, please take it on notice whether the comparison between Australia and the United States is just a comparison of all those who claim to hold doctorates because, as I understand it, there are certain institutions from which one can obtain a doctorate and it, to be charitable, is less robust than it is in Australia. I just want to make sure that we have got a proper comparison.

Senator Carr—The figures that I have been quoting are OECD figures.

Senator ABETZ—Does the OECD take into account the difference in robustness or ease with which one can get a doctorate? If somebody knows the answer to that, that would be good, but take it on notice. It seems we are ready to proceed as to the Commercial Ready Program. I was wondering if someone could assist me and tell me whether certain factors were required for successful applications. First of all, did there need to be a high risk in relation to the technical aspect of an application for which a grant was being sought?

Mr Peel—One of the merit criteria for Commercial Ready is technical strength of the project and the technical capability and resources available to the applicant. Given that it is a competitive program, the higher you score there, the better your chances of success.

Senator ABETZ—Also, do you need a good management structure in place to be able to commercialise?

Mr Peel—Yes, management capability of the applicant was also a criterion.

Senator ABETZ—Does 90 per cent of the money have to be spent in Australia?

Mr Peel—Yes. There was a factor that you could spend about 10 per cent overseas. It mostly had to be spent in Australia.

Senator ABETZ—And 80 per cent has to be spent directly on research and development?

Ms Borthwick—No. That is incorrect.

Ms Zielke—The eligible expenditure under the program covered a range of areas so, no, it is not. It could be that early stage commercialisation might have been the key focus of some particular projects and they would therefore have a higher rate of expenditure in those areas than on research and development.

Senator ABETZ—Did you need matched or other funding?

Mr Peel—It was a requirement of the program that an applicant be able to match the amount of Commonwealth funding.

Senator ABETZ—By cutting out \$700 million-plus we are in fact talking about \$1.4 billion in relation to innovation and getting products commercially ready.

Mr Peel—The remaining money in the program, \$700 million, would have supported \$1,400 million.

Senator ABETZ—Yes, so my maths on that is right. Thank you. If the department accepts a certain project, once it gets the tick of approval by the department it goes to a board and then a delegate signs off. Is that correct?

Mr Peel—Yes. The applications are initially assessed by a customer service manager within AusIndustry. Then they are referred to the board of Innovation Australia. The board has a series of committees that look at applications, depending on what field they are in, and they do a second assessment of the application.

Senator ABETZ—Is that another appraisal?

Mr Peel—The delegate is an officer in the department who has the financial authority to approve the grant. The delegate needs to be satisfied that the proposal warrants funding under the program, based on the advice they have received, and of course that there are funds available as well.

Senator ABETZ—That will be easy for the delegate from now on, won't it? There are no more funds available. In the past, when the application had been accepted by the department and then moved to the board, can you tell us what percentage of applications was refused by the board?

Mr Peel—I have not got the precise number but it is around 80 to 20. About 80 per cent of departmental recommendations would have been agreed to by the board.

Senator ABETZ—Could you get me the exact figures on that.

Mr Peel—We can take that on notice.

Senator ABETZ—When we move from the board to the delegate, I assume there was 100 per cent approval?

Mr Peel—We would have to check. Could you give us a time period that you are looking at?

Senator ABETZ—Since the inception of the Commercial Ready program. But I would be happy if you wanted to truncate that to the last two or three years or something like that. If there is a convenient place for you to start looking at these figures that are still representative, I would be happy to accept your judgement as to what a good starting point would be.

Mr Peel—Okay.

Senator ABETZ—Thank you for that. Can you confirm that AusIndustry has a website dealing with Commercial Ready program issues?

Mr Peel—We have a website and it deals with all of the programs that we administer.

Senator ABETZ—In the past did AusIndustry promote the Commercial Ready program as a very successful program?

Mr Peel—Yes, we promote all of our programs.

Senator ABETZ—Yes, but as being particularly successful and showcasing particular projects?

Mr Peel—We highlighted those companies that had done well with their projects.

Senator ABETZ—And those examples that you had put up were factually correct?

Mr Peel—Yes.

Senator ABETZ—How long does it take from submitting an application, or indicating that you might be interested in making an application, to its final approval or sign-off by the delegate? I know that every one is uniquely different, but do we have a general feel? Is it six months, a year, two years or is there a range?

Mr Peel—Within 75 days is the target. Some companies are better prepared than others.

Senator ABETZ—Sorry, but we are at cross-purposes. The 75 days is from when the full application is actually lodged with the department?

Mr Peel—Correct.

Senator ABETZ—Thank you for that because I would have asked about that later anyway, so that is helpful. Going back before the lodgement, one would anticipate that there would be interest expressed by an innovator saying: ‘Look, I’m interested in applying for a grant. What are all the requirements? What would you need so that I can have as good a chance as possible to put in a successful application?’ Do you have any feel for that, or not?

Mr Peel—It would depend on how ready the company is and how well their project is developed. It would vary from case to case.

Senator ABETZ—That is fair enough. I accept that. For an application to be successful it has to be robust in as much as it is a competitive process.

Mr Peel—Correct.

Senator ABETZ—What percentage of full applications that are submitted to the department get the approval to move from the department to the board?

Mr Peel—All of the applications that are assessed go to the board. But if you are asking about the success rate of the applications, that is about 62 per cent, I think, at last count.

Senator ABETZ—If I put in a full application to the department, there is a 62 per cent chance that it will proceed through to board approval?

Mr Peel—Sixty-two per cent of all applications considered are approved.

Senator ABETZ—By the department?

Mr Peel—By the department.

Senator ABETZ—But we then have a—

Mr Peel—Sorry, just to be clear. Sixty-two per cent of them are approved. As I said earlier, there is about an 80 to 20 approval. The department may recommend an application for approval. The board would agree with that recommendation in about 80 per cent of cases and, of those ones that go to the delegate after they have been through that process, about 62 per cent, on current figures, would be approved.

Senator JOYCE—About 12 per cent of them fail?

Mr Peel—No.

Ms Zielke—When applications are received, if they are eligible—the first check is on whether or not they are eligible—they are then assessed and proceed forward to the board and then onto the program delegate. So, 100 per cent of eligible applications go forward. Of those applications that proceed to the board for consideration, 62 per cent are recommended by the board for approval—which means that 38 per cent are not supported by the board—and then the delegate takes a decision in light of that. The other figure that we are referring to is the recommendations made by the customer service managers in AusIndustry for the approval, or not, of an application. The board and its committees support the recommendation of the customer service manager, the CSM, in over 80 per cent of cases and that is the figure that—

Senator ABETZ—Minister, do you agree that the Commercial Ready program has helped hundreds of companies undertake research that otherwise would not have occurred?

Senator Carr—Yes.

Senator ABETZ—Can you explain then what the industry imperative was to axe the Commercial Ready program?

Senator Carr—It was the position of the government.

Senator ABETZ—I know it is the position of the government. We are well aware of that, but I would like to think that there might be some robustness or some justification for this decision. In fact, we were promised by somebody that his government would only make decisions on the basis of evidence presented to it. So I wanted to know—

Senator Carr—I can draw your attention to some statements that have been made by the Productivity Commission. The Productivity Commission, in last year's report on public support for science innovation, found:

There is robust evidence that Commercial Ready supports too many projects that would have proceeded without funding assistance.

Senator ABETZ—Is that the reason—

Senator Carr—I am indicating to you what the Productivity Commission said about the program—

Senator ABETZ—That is all interesting, but I wanted to know what the government's reason was?

Senator Carr—The view of the government was that savings had to be found to meet the budget targets and this program was ended as part of that process.

Senator ABETZ—Is it the reason that the government had this expectation that we should go on providing assistance and various other measures to millionaires?

Senator Carr—Sorry? I was not aware that the income status of proponents was part of the program.

Senator ABETZ—It is interesting that you should say that, because there was a minister who rejoices in the name of Senator Carr who said in answer to a question on 15 May 2008, 'We had this expectation that we should go on providing assistance and various other measures to millionaires.'

Senator Carr—I am sorry, I would have to find the source of that and the context in which those remarks were made.

Senator ABETZ—The context is very easy. On 14 May 2008, at 2.46 pm exactly, one Senator Abetz asked you:

How does the abolition of the highly successful and cost-effective \$700 million Commercial Ready program assist Australian industry and small business to innovate and grow jobs?

Senator Carr, whom I understand is known to you, said this:

It was never any secret that this budget was going to be very tough. It was never any secret—except, I am sorry to say, to the opposition—that we had a major inflationary problem in this country. We had members of the opposition telling us that inflation was a fairytale. We had this expectation that we should go on providing assistance and various other measures to millionaires ...

You cannot remember saying that?

Senator Carr—I think you will find that was in relation to the luxury car tax.

Senator ABETZ—I just read the question to you:

How does the abolition of the highly successful and cost-effective \$700 million Commercial Ready program assist Australian industry and small business to innovate and grow jobs?

Senator Carr—I think I may well have responded to an interjection. In any event, I have made it perfectly clear it is a decision of the government in the context of seeking to meet the budgetary targets.

Senator ABETZ—We know that but are you of the view that this Commercial Ready program was providing assistance to millionaires and that that was one of the reasons why you got rid of it?

Senator Carr—No, that is not—

Senator ABETZ—Possibly you could explain to the innovation and venture capital community what you meant exactly, because can I tell you it has been received as overwhelmingly offensive including by Jimmy who is the New South Wales inventor of the year and who is pursuing his dreams and passions because his girlfriend is willing to subsidise his income because he gets no money from pursuing that which he does. Your reference to people like him—and there are hundreds, if not thousands, of them around the country—as millionaires has been received as particularly offensive.

Senator Carr—I am sorry, I am at a complete loss to appreciate the reference to this man's girlfriend.

Senator ABETZ—That he is not a millionaire and the only reason he can support his innovation is that his girlfriend is willing to subsidise his income. If you think that is a matter for mirth, I suggest you get yourself to New South Wales, visit the gentleman concerned and see if he can wipe the smile off your face. That was a very arrogant comment for you to have made, which has been received as being highly offensive by literally hundreds, if not thousands, of innovators right around the country.

Senator Carr—Is there a question there?

Senator ABETZ—Yes. Do you stand by your comment about this being a measure that provides assistance to millionaires?

Senator Carr—The reference to millionaires was in relation to the luxury car tax.

Senator ABETZ—This is just plucking it out of mid-air. There was no reference to luxury car tax. There is no suggestion in *Hansard*—

CHAIR—The minister has given his interpretation of the answer. This is a fairly futile reinterpretation of it, so can we move onto the next question, please?

Senator ABETZ—It is not. In fairness, I do agree with you, it is a futile reinterpretation by the minister. But the *Hansard* does not disclose anybody interjecting. He was about 10 seconds into his answer when he made that very offensive comment: ‘We had this expectation that we should go on providing assistance to millionaires.’ Can I then draw your attention, Minister, to the backbench notes that were circulated in trying to assist your hapless backbenchers in selling this very, very unpopular and, might I say, bloody-minded decision? Are you aware of these backbench speaking notes?

Senator Carr—I did not issue any backbench speaking notes?

Senator ABETZ—Did you have any input into any backbench speaking notes?

Senator Carr—It depends on what they are.

Senator ABETZ—Under ‘Commercial Ready Abolition,’ on page 14 of the opposition’s speaking notes, it states: ‘We are told that the government has ceased funding for the previous government’s Commercial Ready program because the evidence shows that it was helping businesses that did not actually need help. Commercial Ready was public money that was badly spent. We undertook the decision necessary to cut wasteful spending.’ Did you authorise and approve that terminology that appears in the backbench speaking notes?

Senator Carr—That is not the language that I have been using.

Senator ABETZ—I know; you go a step further, as you always do, and refer to millionaires but we have already canvassed that aspect. But did you approve of these speaking notes?

Senator Carr—No.

Senator ABETZ—Were they submitted to your office for any input in any way, shape or form prior to the circulation of your backbenchers?

Senator Carr—I would have to take that on notice.

Senator ABETZ—I would have thought you would know about your own budget—

Senator Carr—On the contrary. I think that gratuitous remarks of that kind are not helpful. The fact remains that this is a budget measure which I am defending. I am not defending it in the terms that you have tried to put to me. There have been statements made and I have indicated that. The Productivity Commission has made statements of that type. I recall at the time they were statements that I understood the previous government actually endorsed, or have I misunderstood that?

Senator ABETZ—I think you may have misunderstood, because there is no way—

Senator Carr—But they are not statements that I made—

Senator ABETZ—the Howard government would have axed this program without putting something else in its place.

Senator Carr—This is the point. There are other things in its place and there is additional expenditure of \$240 million—

Senator ABETZ—We can go onto them later.

Senator Carr—You have asked the question and I have given you the answer.

Senator ABETZ—Do you agree that this program was poorly targeted and ineffective?

Senator Carr—The decisions of the government were to end this program—

Senator ABETZ—We know that but I am trying to ascertain why. We know that you have told us that you were not in the business of giving money to millionaires. I now want to find out whether you also say it was poorly targeted and ineffective?

Senator Carr—The notes that you are referring to come from the Department of the Treasury. The view that I have expressed is that the closure of Commercial Ready was a very difficult decision. The decision allowed the government now to move to the job of implementing a new streamlined set of programs following the review of the National Innovation System. I will be expecting that report to deal with those issues.

Senator ABETZ—But what you have now got is a huge hiatus in innovation that you are presiding over. And I still want to know about these speaker notes. Are you saying that Treasury produced the backbench speakers' notes?

Senator Carr—I do not know who has produced them. I am just saying to you that I understood that they were positions that had been circulated to members of parliament.

Senator ABETZ—No, you did say Treasury produced these speakers' notes, and it confirms our suspicion that in fact the Public Service is now being tasked to do a lot of the political work—

Senator Carr—No, I did not say that at all—

Senator ABETZ—that should in fact be undertaken by ministerial officers.

Senator Carr—In the budget papers there are remarks about the abolition of Commercial Ready. I draw your attention to those.

Senator ABETZ—Yes, we know that, but I was specifically asking you about the talking points for backbenchers in your government.

Senator Carr—I have got no idea who produced those notes.

Senator ABETZ—Will you take on notice to find out who produced those notes relating to matters specifically contained within your portfolio. Just page 14 will do; we do not need to know about all the other budget decisions. Will you take that on notice for us?

Senator Carr—No. I have already indicated to you I do not know who produced them. They were not produced by my office. They were not produced by me, and that is about as much as I can add to the question.

Senator ABETZ—You are not going to find out?

Senator Carr—No.

Senator ABETZ—This is another example of the arrogance of the Rudd Labor government and thank you for putting that on the record. Tell me, were you at the breakfast addressed by Mr Tanner the morning after the budget in the Great Hall?

Senator Carr—No.

Senator ABETZ—Are you aware that when Mr Tanner was asked to name his favourite so-called responsible economic management decision his eyes lit up and he selected the abandonment of the so-called Commercial Ready Howard program?

Senator Carr—What I can say to you is that I have seen a copy of a report to that effect. I was not at the breakfast. I do not know what Mr Tanner's views are on this matter and I suggest that you take that matter up in the relevant estimates committee. What I can do is draw your attention to page 380 of Budget Paper No. 2, which outlines the Treasury position in regard to Commercial Ready, which says that the program supports too many projects that would have proceeded without public support and that the national benefits from the program are at best uncertain.

Senator ABETZ—That is all very interesting but you know that I was specifically asking you about the backbench speaking notes and you are not prepared to comment on them. Are you prepared to tell us what Treasury said? Although you have nothing to do with the preparation of what Treasury did you are not prepared to tell us what somebody else has written in relation to backbench speaking notes. We see a double standard, don't we?

Senator Carr—What the budget paper also points out to us is:

Pending the outcomes of the National Innovation System Review, innovation will continue to be supported through the *Research and Development Tax Concession* Program, including access to the Research and Development tax offset for small and medium sized companies. In addition, support will be provided through a number of new initiatives including: *Enterprise Connect Innovation Centres*, the *Business Enterprise Centres*, the *Renewable Energy Fund*, the *Energy Innovation Fund*, the *Green Car Innovation Fund* and *Clean Business Australia*.

Senator ABETZ—We are not going to get anywhere there, so let us move on. When was the program actually axed?

Senator Carr—I will leave that with the secretary.

Senator ABETZ—If I had an application in and had got board approval given on 13 May, for example, but the delegate had not signed off on it by 13 May, would that application still be honoured?

Mr Paterson—The program ceased prior to 28 April. If the delegate had not exercised an authority in relation to a grant honoured by 28 April then they did not proceed.

Senator ABETZ—When was that decision taken in relation to 28 April?

Mr Paterson—We received the advice on the morning of 29 April, which meant that no grants that had not been approved on 28 April would proceed.

Senator ABETZ—There was no more processing of these applications undertaken after 28 April?

Mr Paterson—That is correct.

Senator ABETZ—Was that publicised to anybody?

Mr Paterson—No, it was not. It was a budget decision.

Senator ABETZ—You could have had a company still spending thousands of dollars on consultants in anticipation of putting in an application after 28 April without realising that the government had stopped the program; that is correct, isn't it?

Mr Paterson—It was a budget measure that was announced on budget night.

Senator ABETZ—Yes, backdated to 28 April; is that correct?

Mr Paterson—That is the effect of the decision.

Senator ABETZ—Yes. For a period of 16 days you could have had businesses out there entering into contracts with consultants and paying consultants for applications that the government knew would not proceed in any way, shape or form and they were just wasting their money; that is right, isn't it?

Mr Paterson—That is a statement.

Senator ABETZ—But it is right, isn't it?

Mr Paterson—It is possible that that is the case.

Senator ABETZ—Yes, thank you. Indeed—

Mr Paterson—But it is like any budget measure. The decision having been taken, the delegate is not in a position to authorise expenditure.

Senator ABETZ—Of course. I am not blaming the delegate or the board; I am blaming the government for making such a bloody-minded decision that people were being misled. There was no change to the website; people were still being encouraged to apply for the Commercial Ready program and incurring substantial costs and incurring substantial time for a period of a fortnight when the government knew full well that it was going to axe the program. What is the justification for that sort of behaviour?

Senator Carr—I think you should take that up with the Department of Finance.

Senator ABETZ—It is something that you are administering and the buck stops with you, I would have thought.

Senator Carr—That is not—

Senator ABETZ—Can AusIndustry tell us if people within AusIndustry were aware of this impending budget decision?

Mr Peel—Probably the answer is that a couple of us that were involved in the budget process were aware, but the people within AusIndustry dealing with the grant program were not aware of the decision until budget night.

Senator ABETZ—And so we have the situation that on the very day before the budget you had somebody from AusIndustry emailing an applicant saying: 'Yoda'—that is the name of a

project—‘will save many young lives by improving the way that novice drivers gain competence and experience. Linked to graduated drivers licence schemes, Yoda will integrate existing and new technologies. I am writing to confirm’—remember that this is on 12 May, the day before the budget—‘that your application for a Commercial Ready grant for the above project is now considered to be complete and final and your acceptance date and eligible project start date is 12 May 2008. Your application will be considered in the near future by the Innovation Australia board and a decision will be made by the program delegate. Thank you for your interest in this AusIndustry program.’ We had the hapless Judith McGarry, I think it was, emailing an applicant at a time when a decision had already been taken a fortnight before to axe the program. Is that right, that these letter and emails were still being processed after 28 April and before budget night as though nothing had changed?

Mr Peel—I have not seen the email to which you refer but, as I mentioned, the people in AusIndustry that were working on the program would not have been aware of the decision until budget night.

Senator ABETZ—And I accept that and I am not critical that they did not know. I am sure this Judith McGarry acted with absolute integrity and without knowing that she was in fact misleading these people because, believe it or not, on 12 May, having been told their acceptance date and eligible project start was 12 May 2008, they celebrated only to be drowning their sorrows 24 hours later when they were told that the whole program had been axed. This is a shameful way to treat the innovation community in this country, especially when you made all those promises that you did before the election. But can I ask: how many other examples do we have of applicants spending money and being told that their application was progressing at a time when the department knew that the program was being axed?

Mr Peel—The figures that I have are that there were 71 applications being considered at the time.

Senator ABETZ—How many were communicated with about the progress of their application between 28 April and 13 May 2008?

Mr Peel—I would have to take that on notice.

Senator ABETZ—Because all these people were basically being told ‘business as usual’. Can I say if a company behaved like this, I reckon the stock exchange would have a lot to say about that sort of behaviour? This is a matter that I am very concerned about and, given the literally hundreds of emails and telephone calls that I have received, can I ask you, Minister, will you consider reinstating the Commercial Ready program?

Senator Carr—I think if you are interested in this program this is a matter that, as I have indicated to you already, is a very difficult decision. However, a budget decision has been taken by the government and is being implemented.

Senator ABETZ—Is the *Financial Review* story correct about Ms Zielke’s comments in response to the decision?

Senator Carr—What was the comment?

Senator ABETZ—When she was emailed by a Mr Matt Callahan whom I understand sits on one these boards and who said, ‘Wow—that is probably the biggest damaging stake to the

start-up companies' heart I have ever heard of. I am stunned' Ms Zielke replied, 'Yeah, wow.' Were you aware of this decision before budget night?

Ms Zielke—Yes, I was.

Senator ABETZ—So it did not come as a surprise to you?

Ms Zielke—No.

Senator ABETZ—But your reaction would indicate that you were nevertheless very disappointed—

Senator Carr—I think it is unfair to put the officer in that position. I have no doubt the officers who directly administered this program would be very disappointed the decision was taken. It was a decision taken by government, not by the officers concerned.

Senator ABETZ—I am aware of that. I am just—

CHAIR—Could you allow the minister to finish?

Senator Carr—And I think it is a bit difficult to directly put those sorts of question to the officer about a leak of that type.

Senator ABETZ—From what I can understand it was the overwhelming reaction of all AusIndustry officers all around the country. Ms Zielke, will the closure of the Commercial Ready and Commercial Ready Plus programs impact on the workload of the associated committees of the board?

Mr Peel—Yes, it will.

Senator ABETZ—And committee meeting dates are expected to remain as scheduled as the committees will need to continue to assess variation requests and other contract management matters?

Ms Zielke—Yes.

Senator ABETZ—And then AusIndustry will provide more detailed advice to members when available?

Senator Carr—Correct.

Senator ABETZ—Has that advice been made available?

Mr Peel—Not yet. We are assessing the impact on their workload. As the email suggests, there will still be work for the board to do in looking at variations to contracts and things of that nature.

Senator ABETZ—Are you aware of some of the reactions to your decision such as, 'A massive, massive backward step,' according to the Gryphon Capital chairman? 'If they have not killed the venture capital industry in Australia, they have put it into intensive care.' That was by Access Capital Advisers. Dr Murdoch of Murdoch University says, 'A catastrophic blow to innovation.' Are you aware of those sorts of comments being made about your government's decision in this area?

Senator Carr—It would be fair to say that I have had a range of positions put to me in regard to the decision to close the Commercial Ready program and I have had a range of

opinions put to me in regard to the formation of any future programs in terms of providing assistance to firms. The national innovation review will provide an opportunity to pursue those issues when it reports mid-year and there will be a white paper response from the government by the end of the year.

Senator ABETZ—Thank you for that because the national innovation review was in fact considering the Commercial Ready program, wasn't it?

Senator Carr—Yes, it was considering it and the positions that were articulated by the Productivity Commission in its report on public support for science and innovation.

Senator ABETZ—And many organisations put in submissions in favour of the Commercial Ready program but also a lot of them did not comment because they did not know that its axing was on the government's agenda; would that be fair?

Senator Carr—The position in regard to the submissions that have been presented to the innovation review was that there had been a very substantial number of submissions and I understand that there are also now supplementary submissions being presented.

Senator ABETZ—Are supplementary submissions going to be allowed?

Senator Carr—I understand that the review committee is accepting supplementary submissions.

Senator ABETZ—Because AusBiotech, for example, in its submission before this outrageous decision was announced had, as its first practical suggestion, the maintenance of the Commercial Ready program and, in fact, its enhancement or expansion. AusBiotech just happens to represent I think 3,000 members in the biotech sector. We are talking about a substantial group of people here who believe that Commercial Ready was a very good program, and so the list goes on. I am just astounded as to why the government saw the need to take this decision before the national innovation review had reported to you. Can the program be improved? Chances are, yes. But why would you axe it and leave a complete hiatus without any promise that it is going to be reintroduced in another form in 12 months time?

Senator Carr—I understand that the national innovation review has received something close to 700 submissions, 630 submissions. There was an additional 70 or so that may well have come in late, that is formal supplementary submissions or other forms. The national innovation review will provide an opportunity to canvass these issues. Clearly, there are new programs being brought on stream as a result of this budget to the tune of \$240 million, some of which has been provided as an offset from against the Commercial Ready expenditure. There has been a wide range of public comments about the merits of the decision and I have no doubt there will be a great deal more comment on these questions. But I am looking to the national innovation review as the vehicle to assist what program moves into the area which Commercial Ready previously occupied.

Senator ABETZ—Do you know the person who is the CEO of AusBiotech?

Senator Carr—Yes.

Senator ABETZ—She used to work for you?

Senator Carr—She used to work for me?

Senator ABETZ—Yes. Did she, or not?

Senator Carr—I am not aware, no.

Senator ABETZ—I will not pursue that line. In relation to all those companies that have incurred costs on consultants in anticipation of putting in an application, is the government going to reimburse them?

Senator Carr—No. My understanding is that there is never a guarantee of success in any application for government assistance and it is not custom and practice to reimburse costs of consultants when any application is not successful.

Senator ABETZ—But the offensive thing about this is that you made a decision on 28 April to stop this program. People, not knowing that decision, have incurred thousands of dollars of costs preparing applications that you knew would not be considered. Surely, you have an obligation to reimburse their costs if not anybody else's?

Senator Carr—You make an assertion that thousands of dollars of expenditure was incurred between the night of the decision being made to end this program and the announcement of that decision. I do not know whether or not that is correct.

Senator ABETZ—If anybody comes to you with proof of that, would you reimburse them?

Senator Carr—No.

Senator ABETZ—That is just offensive and arrogant.

Senator Carr—I do not know about arrogant, but I do think that it would be negligent for me to say that there would be a reimbursement for consultants' costs for an unsuccessful application to government for a program of this type or any others.

Senator ABETZ—This is not about unsuccessful applications; this is the government making a decision not to consider applications but not telling anybody in the wider community about that decision and letting them incur costs knowing full well that was absolutely wasted money. That is the issue here. It is not about successful or unsuccessful applications, because there was no chance of success, absolutely no chance of success, because of your heavy-fisted decision.

Senator Carr—What I can say to you is this: the government will continue to meet its ongoing contractual commitments to companies participating in the Commercial Ready program or REDI. There are 420 existing customers—

Senator ABETZ—Yes, we know that.

Senator Carr—Three hundred and ninety-five were funded under Commercial Ready and 20 under REDI. As I understand it, AusIndustry has informed all existing customers that the decision to abolish the program will not impact on the current grant agreements and that, with the exception of variation requests for additional funding which will no longer be considered, there is no more money. The program has been closed as a result of the decision of government. As has already been indicated to you, there were 71 applications submitted and either a final application was not assessed or had already been assessed but not determined by

the program delegate. AusIndustry has written to these customers informing them that applications will no longer be considered. Because of the nature of these types of programs, when the government decides to abolish them there has to be a point at which the delegate's authority is withdrawn, and that is what has happened in this case. The delegate's authority was withdrawn as of the 28th.

Senator ABETZ—Without telling anybody that the delegate's authority had been withdrawn—

CHAIR—Thank you.

Senator WEBBER—I am not sure if I am in the right place but I want to change focus and ask about Enterprise Connect.

CHAIR—Before the witnesses move, I understand Senator Colbeck has a question on this.

Mr Paterson—Can I respond to a question from Senator Abetz earlier? You asked whether there were any reg 10 approvals sought by the minister for finance?

Senator ABETZ—Yes.

Mr Paterson—No.

Senator COLBECK—On the Commercial Ready program, how many companies were there who believed that they had it indicated to them that they had been successful with a grant but had not completed a contract?

Mr Peel—Any customer who had been told that they had a grant but had not completed the contract would still get the grant, so there was no withdrawal. If the company had been advised formally that they had been successful then that contract proceeded.

Senator COLBECK—So there were no people who believed that they had a grant that did not end up with a grant?

Mr Peel—There would be no applicant who was formally advised of their success who would not get a grant unless they declined the grant on their own account.

Senator COLBECK—I have had contact, particularly from some people out of the medical research community, who feel particularly aggrieved by this decision. Seventeen companies received phone calls from AusIndustry to indicate that their promised Commercial Ready grants had now been withdrawn. How many companies would fall into that category?

Mr Peel—We would not have withdrawn any grant where someone had been formally advised that they were successful. If you have some evidence of that, I would be happy to have a look at it.

Senator COLBECK—I might have to come back to you on that. I will certainly follow that up. So there would not be any companies that had been in close communication with AusIndustry that would quite realistically have a belief that they were going to receive a grant but they had not received the letter yet? Would there be anyone that had been told they had a letter coming that did not have the letter yet?

Mr Peel—No. For anyone who was formally told they had a grant, it would have proceeded.

Senator COLBECK—But by ‘formally’ you mean had received written communication to that effect?

Mr Peel—That is correct.

Senator COLBECK—But they may very well have had conversations with the people that they were dealing with in the agency that said, ‘The letter is in the mail,’ for example?

Mr Peel—No.

Senator COLBECK—That would not occur?

Mr Peel—No.

Mr Paterson—Just to clarify, the delegate was able to exercise an authority on 28 April, for example, and an exercise of that authority on the 28th, an approved application on 28 April, is being honoured as part of the existing obligation. So even if that person had not received a formal letter the authorisation of that contract prior to 28th means that those contracts will be honoured. So there is no wedge of opportunity for a person to have had a contract approved that is not being honoured as part of the closure of the program.

Mr Peel—So the letter could have been in the post, so to speak. They had not actually received the letter but it had been approved, so that is being honoured.

Senator COLBECK—What I was trying to get to was the difference between a letter advising of a contract and a contract. There is potentially a time difference—

Mr Paterson—We are not relying on either the letter or the contract. If the delegate had exercised the authority by 28 April then those contracts are honoured. The delegate could not exercise an authority after the 28th.

Senator COLBECK—Is there only one delegate?

Mr Peel—There are two but I only exercise the delegation if Ms Zielke is not available for some reason. But normally it is just the one person.

Senator COLBECK—The reason for asking was with respect to the delegate, or delegates, being aware of the decision on the 28th. So the delegates were aware of the decision on the 28th?

Mr Peel—On the 29th.

Senator COLBECK—On the 29th?

Mr Peel—Yes. I think Mr Paterson mentioned that earlier, that we got formal advice on the morning of the 29th.

Mr Paterson—It was the morning of the 29th, so it was all contracts up to and concluding on the 28th. So any delegation exercised on the 28th is honoured; no delegations were exercised after the 28th.

Senator COLBECK—Just in respect of Senator Abetz’s point with the decision being made on the 28th and the announcement being made on the 13th, I think that companies who were actively involved in negotiating with the department really do have cause for some concern with respect to this. The government leaked a number of budget decisions prior to budget night. There are some fairly stunning examples: carers’ payments and the tax on

alcohol were all leaked well and truly before and yet you have got these businesses who were actively engaged in an application process for research and growth of products and they get no such courtesy from the government.

Senator Carr—It is true that there was speculation as to what was in the budget on a range of matters.

Senator COLBECK—The government announced its alcopops tax on the night of the 24th—

Senator Carr—Some speculation was—

Senator COLBECK—It was an announcement. It was an announcement by the minister.

Senator Carr—What I can say to you is that, to the best of my knowledge and from all the evidence that I have seen about matters related to budget speculation concerning this department, the speculation did not originate with this department. I just want to make this other point, too.

Senator COLBECK—I am not criticising anybody for the fact that those announcements may or may not have been made. I am saying that in this circumstance it might have been a reasonable courtesy to extend that, on the 28th, the government made a decision, and it let people know that this was going to happen, so people can continue spending money.

Senator Carr—What I would like to put to you is that the officers concerned, under the most difficult of circumstances, managed to protect the security of the budget, did not publicly discuss this issue and did not leak these issues. Frankly, I find it difficult to see how you could ask the officers to do anything other than what they have done. This was a decision of government.

Senator COLBECK—I think that the officers should be congratulated, particularly given some of the other comments we have heard about their level of disappointment, on maintaining the sanctity of the budget process. I have no issue with the officers or the department at all. I have no criticism whatsoever because they were doing their job. My criticism rests with the government. The government had made a decision that would impact on the financial operations of a whole range of companies, including a lot of small businesses. I will give you an example of one in a moment that is looking to find a way forward. They do not fit within any of the categories you have just given. The government made announcements with respect to a whole range of things in relation to the budget for their own political purposes, yet this was in a circumstance where they could actually have announced something that was going to be in the budget. It might have been a bit of bad news, but where were you? Where were you, as the minister for industry, in respect of your constituents and the people who were applying to you and your department?

Senator Carr—All I can say to you is that I did not release any matters relating to the budget.

Senator COLBECK—Surely you could go to the Prime Minister and say: ‘Look, I’ve got a problem here. People are spending money on the program we have decided not to go ahead with. Do you mind if I go out and let them know?’

Senator Carr—The decision of the government in regard to this program was that the matter would be announced on budget night.

Senator COLBECK—We are all well aware of that. Are you aware of the terms for the CDDA scheme within your department? Have you had any claims under the CDDA scheme against this particular decision?

Mr Peel—No, we have not.

Senator ABETZ—What was the imperative not to tell people in the innovation sector that a decision had been taken on 28 April and to announce it immediately so people were no longer engaged in spending money preparing applications?

Senator Carr—I am not in the position of leaking government decisions; it is not my intention to start now, and it certainly was not my intention throughout this process. The decisions were taken within government to announce this decision on budget night and that is what occurred.

Senator ABETZ—I know that, but what was the imperative not to tell people? I can understand that, when you change tax rates and things like that, sometimes you should not be telling people. Or, if it is something like alcopops, you tell them that it is going to occur from midnight on the day that you actually announce it so that people do not get themselves into trouble. Why was the announcement not made on 28 April that a decision had been made and therefore anybody still spending money in getting an application up and running should not bother?

Senator Carr—I do not think I can add anything to my answer.

Senator COLBECK—Did you know that the program was being scrapped and halted on the 28th?

Senator Carr—Yes.

Senator ABETZ—Was any modelling done in relation to the loss of scientists' jobs from this measure and the loss of projects overseas?

Senator Carr—I am not aware of any.

Senator ABETZ—Can you please ascertain whether or not any modelling as to the impact of this decision was—

Senator Carr—The answer is no.

Senator ABETZ—None at all? Can I also be told whether there were any board meetings between 28 April and 13 May?

Mr Peel—Yes.

Ms Zielke—There were no board meetings, but there were committee meetings during that period.

Senator ABETZ—As I understand it, these committees of the board were assessing applications. Is that correct?

Ms Zielke—Yes, that is correct.

Senator ABETZ—Do we treat even these board members like mushrooms? After 28 April you had made the decision to cut the program, and you are wasting the board members' time on still assessing projects that the delegate has no opportunity of authorising.

Mr Paterson—In framing that question you are looking straight at the officers concerned. We gave effect to a decision of government to close a program. The delegate has no authority and we have no power to advise a committee of the board of the budget decision until it is released on budget night. The officers would have been in breach of their obligations. I took the decision not to cancel those committee meetings because to do so would have been tantamount to foreshadowing a budget decision, which I was not prepared to do. I personally took the decision that we would not cancel those meetings.

Senator ABETZ—There is no criticism of you and those officers sitting to your left. There is a huge criticism of the gentleman sitting to your right, who allowed the charade that the board and its committees were still considering applications to continue—wasting their time and wasting everybody's time in considering these applications when the government had no intention in any way, shape or form of allowing these applications to go ahead.

Senator Carr—There was a budget decision taken. The decision of the government was that it was announced on the budget night. This is the custom and practice. It is not the custom and practice for the portfolio minister to reveal the budget prior to budget night.

Senator ABETZ—But it is the custom and practice to make the announcement as of the date that the change in circumstance applies. What was the imperative to make that decision 14 days earlier, as opposed to budget night? How much money was saved by that?

Senator Carr—That is a matter you will have to take up with the finance department.

Senator ABETZ—Wasn't the money coming out of your area, Minister?

Senator Carr—The decision was taken to close the program that night, which provided certainty within the budget framework of what the cost to budget would be.

Senator BUSHBY—How many applications were lodged between the 28th and budget night?

Ms Zielke—We can take that on notice.

Senator BUSHBY—And also the value of the grants sought for that period?

Ms Zielke—Yes.

Senator ABETZ—Can we be told on notice the job losses that will be sustained in AusIndustry as a result of the scrapping of this program?

Senator BUSHBY—Could we also have—

CHAIR—One at a time, please. Senator Abetz asked a question.

Mr Paterson—I am happy to respond to the question without notice. We have clearly had to take decisions in relation to the staffing of AusIndustry as a result of this decision. Twenty-eight non-ongoing employees have either not had their contract renewed or will not have their contract renewed by 30 June of this year and 18 other members of staff are losing their employment as a result of this decision. We have reduced the number of branches operating in

AusIndustry by one as a result of this decision. There will be ongoing people employed to administer the existing contracts under the Commercial Ready program, because there are many contracts and they are multiyear contracts, so there will be continuing administration of the existing contractual framework. But we have taken decisions as a result—

Senator ABETZ—Which AusIndustry branch has been cut?

Mr Paterson—We have reduced it by one. I have taken an opportunistic—

Senator ABETZ—Yes, which is where?

Mr Paterson—I have taken an opportunistic vacancy in relation to AusIndustry to reduce the number of branches by one and we are just finalising the actual names of the new branches. There will be a reconfiguring of the activity, but we have reduced the number of branches by one and taken out an SES officer from establishment within AusIndustry. As I have said, 28 non-ongoing employees either have not been renewed or will not be renewed by 30 June, and there are a further 18 officers whose employment will not continue beyond 30 June.

Senator COLBECK—What was the value of the projects considered at the committee meetings between 28 April and 13 May?

Mr Peel—We can take that on notice.

Senator BUSHBY—Also on that, in addition to the question that you indicated you would take on notice about how many applications were received between the 28th and budget night, can you also outline how many applications were received prior to the 28th that have not yet reached approval stage in the consideration?

Ms Zielke—That is 71.

Mr Peel—Seventy-one.

Senator BUSHBY—What is the value of those?

Ms Zielke—The value is around \$83 million.

CHAIR—Thank you.

Senator COLBECK—There are two things I need to put to the minister, if I can, Chair?

CHAIR—Yes.

Senator COLBECK—Thank you. Minister, given that you were aware of this decision on the 28th and it is effective as of that date, why—

Senator Carr—I would just like to correct you. I was aware of the decision on the 29th.

Senator COLBECK—So, was the decision made before you were aware of it?

Senator Carr—Yes.

Senator ABETZ—There's a consultative government for you!

Senator COLBECK—That is somewhat unfortunate. It almost negates my question, because I want to ask you why you did not argue for the effective date to be budget night.

Senator Carr—I think you can appreciate this. You are experienced in government and so you and Senator Abetz would know that the processes of the budget are often mysterious. I am not in a position to reveal to this committee the position that I argued before the ERC or any of the other budget committees.

Senator COLBECK—I understand that.

Senator Carr—I was responding to an interjection. I have made that clear.

Senator COLBECK—I am fascinated that you found out about a decision afterwards. I think everybody would have expected you to participate in the decision-making process.

Senator Carr—I participated in the decision. I was not advised of the decision until the 29th.

Senator COLBECK—Asked to leave the room and a decision made while you are not there; that is really unfortunate.

Senator Carr—No, that is not right.

Senator COLBECK—I would like to put to you a particular case that has come to me, and I do not believe that they fit into any category that you have mentioned. They are a small IT company. They have been working since 2003 on this particular product, which has been undertaking trials for the AFP and the Attorney-General's Department on tracking child pornography and international terrorism. They are certainly not millionaires. They have been working full time in jobs as well as working in this business since 2004 to put this product on the market. They are now starting to have some success with it. They have invested all of the returns from this product back into the business and they now want to know where they can go, because they cannot see anything for them in what you have announced. They say that there is nothing in your announcements. This is a very innovative company. I have had some discussions with them about what has been found. In fact, one of the agencies that they are working with had to switch it off after two hours, because they had found too many examples of what they were looking for. Where do they go, Minister? They are a small IT company which were preparing an application right up until 13 May and they received a phone call on the 14th, saying, 'Don't bother going any further.'

Senator Carr—I do not know the company that you refer to or the broad details in relation to it. Our officers at AusIndustry would be happy to examine the issue and advise whether there are any other programs that we administer that would provide assistance to the company. We will need some more detail than you have provided to us today. If you would like to provide to us offline, we are happy to examine whether there is any other program or measure that might assist that company.

Senator COLBECK—I can tell you that they do not see anything in the system or in the government's announcement that Senator Carr has been sprouting today as effective replacement programs.

CHAIR—I have other people who want to ask questions and I realise that we are getting close to the tea break.

Senator ABETZ—I have one final question for the minister. Did you issue a press release on 29 April 2008, headed ‘Innovation project awarded \$12.1 million in government funding’? It read:

Senator Kim Carr, Minister for Innovation, Industry, Science and Research, today announced 36 Australian projects which will receive \$12.1 million in the latest *Commercial Ready* and *Commercialising Emerging Technologies (COMET)* grants.

Senator Carr—On 29 April a press release was issued detailing decisions to be made in regard to \$12.1 million for Commercial Ready and COMET programs.

Senator ABETZ—That is right.

Senator Carr—COMET is a continuing program—

Senator ABETZ—I know that. That is why I quoted the full first paragraph.

CHAIR—Can you allow Senator Carr to finish, please.

Senator ABETZ—He is just wasting time.

Senator Carr—I have not—

Senator ABETZ—Did you issue a press release—yes or no?

CHAIR—Senator Carr is attempting to answer the question. He is having difficulty with these interjections.

Senator Carr—Thank you, Madam Chair. There were three companies that received assistance under this project I announced, and I congratulated those companies for their success. I have also participated in award ceremonies for Commercial Ready.

Senator ABETZ—Chair, this is irrelevant. I have asked about a specific press release on 29 April.

CHAIR—You went further into detail about the Commercial Ready program and the minister is responding to that part of the question. Can you let him finish, please.

Senator Carr—I have on repeated occasions congratulated companies that have received grants under this program.

Senator ABETZ—You did not say it is outrageous that millionaires were receiving this money and that this project was an outrageous waste of taxpayers’ money; that it was ineffective and that this government was no longer going to be involved in subsidising millionaires?

CHAIR—Senator Carr.

Senator ABETZ—This release was issued on the day you knew that the program would be axed.

CHAIR—Senator Carr is answering.

Senator Carr—Senator Abetz, you have sought to verbal me in regard to my response to an interjection in the chamber.

Senator ABETZ—There was no interjection.

Senator Carr—You say that. There are many exchanges in the chamber that are not recorded in the *Hansard*. The reference to millionaires was in reference to the luxury car tax.

Senator ABETZ—You know that is not true.

Senator Carr—The reference to millionaires was in relation to the luxury car tax. I have not denigrated any company. In fact, I have only congratulated companies that have been successful under this program. I have also indicated that there are \$240 million worth of replacement programs in this area. I have also indicated to you that the National Innovation Review will be making recommendations about future programs in these matters. For you to attempt to verbal me in the way that you have is quite inappropriate.

CHAIR—Thank you. We will now move on to another topic. We have only three-quarters of an hour left in this area. Senator Webber.

Senator WEBBER—I was going to seek your guidance about when we are moving on, because according to my program we are doing Resources, Energy and Tourism.

CHAIR—We will continue on with this section until 3.45 pm, the afternoon tea break.

Senator WEBBER—Thank you. I am sorry I caused disruption earlier, but I would like now to ask some questions about Enterprise Connect. Perhaps if we could start with an overview of the implementation of Enterprise Connect, and then you might answer the rest of my questions.

Mr Dean—Enterprise Connect was announced by the government as part of its election platform. We have been in the process of implementing the initiative over the last couple of months. The initiative involves the establishment of five manufacturing centres in each of Burnie, Melbourne, Sydney, Adelaide and Perth, with the existing Queensland Manufacturing Institute connecting to that manufacturing centre network. In addition, there will be a Mining Technology Innovation Centre established in Mackay, an Innovative Regions Centre in Geelong, a Remote Enterprise Centre in Alice Springs, and a creative industries centre and a renewable energies centre established at locations yet to be determined by the minister.

Senator WEBBER—I will come back to you. It will come as no surprise, as I am from Western Australia, that I want more detail on the one that is in Perth. Minister, firstly, of the two where we are unsure of the locations, do we have a time line for when we think those will be announced?

Mr Dean—We are presently providing the minister with advice on how he might go through identifying the location of both of those centres. The minister might have given a commitment at the last meeting with his counterparts that he would have that process underway before the next meeting with state ministers, which I think is in the third week of June. I would expect it is likely that there will be a process announced before then.

Senator WEBBER—We are on track with that. Thank you for that. Can you tell me where we are at with the centre that is going to be established in Perth?

Mr Dean—The manufacturing centre in Perth will be built around staff who had been recruited for the previous government's Australian Industry Productivity Centres initiative. We have identified some possible locations for the centre and the location is still in the process of being considered.

Senator WEBBER—It is a pity you cannot tell me where. Can you tell me about the one that is in Mackay?

Mr Dean—Yes. The Mining Technology Innovation Centre?

Senator WEBBER—Yes.

Mr Dean—We have advertised for a centre director in the press. The premises have been located. I would be hopeful that the centre will begin operation some time in the next two months. It is important to indicate that, although the centre is located in Mackay, it will be providing services around Australia, and where there are mining technology companies, services will be provided. We expect that it will have a large presence in Perth.

Senator WEBBER—I was going to ask how that was going to feed into the sector in Western Australia.

Mr Dean—We would anticipate that a number of business advisers who will be linked into the centre will be located in the manufacturing centre in Perth and operate from there to give the regional service delivery.

Senator WEBBER—Are there good linkages with the manufacturing sector in Perth already?

Mr Dean—Yes.

Senator WEBBER—Do we have a time line for when we think we might be close to making a decision on the location in Perth? As you can imagine, it is creating some interest in my home town. Perhaps the minister can enlighten me.

Senator Carr—The intention is to have all of these centres up and running throughout this year. It depends on at what point we get the two that are yet to be allocated, because of the discussions with the states about those matters. But it is my expectation that over the next few months we will be physically opening offices as we bring them on stream. Some are at a more advanced stage than others, but given that this is a \$251 million program with 10 centres operating, it is appropriate that we do stage the rollout. I am also in the process of discussion with the states as to how we integrate state services of this type, because we want to avoid duplication. QMI Solutions in Queensland will be linked directly into the network, and we will want to ensure that Jim Walker, as the CEO of QMI Solutions and the chairman of the interim board, is able to provide those linkages through to the new centre.

Senator MILNE—I want to ask some questions about the National Nanotechnology Strategy and the decisions around nanotechnology. I note that the National Nanotechnology Strategy is to be defunded, according to this. I understand there were several objectives with it in the first place. Can you give me a progress report on where it is up to and how we are going to address nanotechnology? Are we assuming it is implemented and therefore we do not need to fund it? What is the strategy with nanotechnology?

Senator Carr—Pre-election, on 21 November, there was an announcement of savings of \$11.9 million for the cessation of the National Nanotechnology Strategy. The funding was for 2009-10 and 2010-11, so the program for funding for this year and next year will not be affected. There will be an existing allocation for the two years of \$3.69 million and \$5.82 million. I will be looking to the national innovation review to provide advice on further

issues. In terms of priorities that have been established through the operation of the NNS, there will be a concentration on health and safety, environmental impacts of nanotechnology, regulations and standards, public awareness and engagement on nanotechnology and the various measurement issues in relation to the National Measurement Institute, and an attempt to facilitate a whole-of-government approach to nanotechnology through the establishment of a national office of nanotechnology.

Senator MILNE—They were the objectives that were in the National Nanotechnology Strategy when it came out. I would like to go through them. Where are we up to with the strategy in addressing the health, safety and environmental impacts on regulations and standards?

Mr Pennifold—The Australian Office of Nanotechnology sits within my division. As you pointed out, we had a four-year strategy, which contained the elements that have been pointed out. Over the first two years of the strategy we will continue with all of those elements. In relation to the health, safety and environmental impacts, we have MOUs in place with all of Australia's key regulators in this area, and the work that we are proposing to do will continue in terms of looking at the current regulations and the work that is needed to underpin those. That work is ongoing.

Senator MILNE—I understand that there is to be, or was, a review of regulations covering nanotechnology conducted by Professor Hodge at Monash University. Is that now complete or is it ongoing? How is this feeding into regulation and labelling so that consumers know whether they are purchasing food products, sunscreen et cetera that have nanoparticles in them?

Mr Pennifold—The Monash report, as we call it, has now been completed. All of the regulators are working their way through that report. You might be aware that it does look across Australia's regulatory system. The intent of the government is to release that report in the coming months.

Senator MILNE—Can you tell me whether there are products on the market in Australia now, such as fruit juice, processed meat, diet milkshakes, baby food, packaging for salads and those sorts of thing and sunscreen, which already have nanoparticles in them that the consumer just would not know about?

Mr Pennifold—I am aware that there are sunscreen products that have nanomaterials in them, and that has been advised by the Therapeutic Goods Administration. In relation to food safety, that is a function of a group called FSANZ, which reports to the health minister.

Senator MILNE—What I am trying to understand here is the interface between the research and the regulatory process. I presume that the office that you are overseeing must be directing some of the research or having something to do with it. How are we getting the information to FSANZ so that they can make regulatory judgements?

Mr Pennifold—We have established a cross-government group on health, safety and the environment, which does include both the research agencies and the regulators. We commissioned the Monash report to start looking at some of those areas where more work might be needed. We are now at the stage of having those more substantive discussions. The Australian Office of Nanotechnology is facilitating discussions between regulators and

research providers about where we need to go to next in filling in the additional bits of knowledge that might be needed.

Senator MILNE—If I go to the supermarket at the moment and buy a packet of fresh salad leaves, can you tell me whether that packaging has nanotechnology in it to kill bacteria and to extend its shelf life for weeks longer than it otherwise would be?

Mr Pennifold—The issue of food labelling falls to FSANZ.

Senator MILNE—They regulate on the basis of the information that they get. I am concerned that right now consumers cannot know, because there is no labelling. I am putting you on notice about attending rapidly to that sort of thing. Your second requirement for the strategy is to undertake a public awareness and engagement program to provide balanced advice on nanotechnology. What have you done to raise public awareness? My guess is that 90 to 95 per cent of people would not have any awareness of nanotechnology and what it does and can do.

Mr Pennifold—We have already had some public forums where experts from various walks of life have spoken to the community about nanotechnology. As you point out, this is a new technology in a new area, so knowledge is quite patchy. We are developing some promotional materials at the moment. We have developed a website and home page which will provide information on nanotechnology and link people to other key sites. As part of that work, we are also producing a kit for high school students which will talk about various aspects of nanotechnologies.

Senator MILNE—Websites require people to have some basic understanding to start with. For example, I mentioned the issue of sunscreens. A lot of people think it is great that there is now a sunscreen that is clear, as opposed to creamy, thick and white. They buy it for cosmetic purposes, not knowing that the nanoparticles in it are what is making the difference and not knowing that their body can absorb them. Would you agree that it is a concern that those products are out there for people to buy and that there is no awareness about them?

Mr Pennifold—All of the products available have gone through the various regulatory processes. In the case of sunscreens over a certain rating, that would be through the Therapeutic Goods Administration. In the case of foods and packaging for foods and so on, that would be through the regulatory system run by FSANZ.

Senator MILNE—What about establishing the nanoparticle metrology capability at the National Measurement Institute? Where are we up to with that?

Dr Besley—We have a two-year program in place to establish nanoparticle characterisation. The first year of that program has nearly ended, and we are entering into our second year. The funding we have available to us now has allowed us to employ two new members of staff in this area and to reallocate some of the resources from other parts of our present staffing structure. It also enabled us to purchase a couple of key pieces of equipment for this area. So the program will proceed, and will continue to proceed, after the special funding has cut out at the end of the next financial year, 2008-09—though at a reduced pace compared to what we had planned initially.

Senator MILNE—Can you explain to me what capability you would expect to be able to deliver on the funding that you have now? When you say it will be at a reduced pace, where did you want to get to? Where will it take you to and where will it fall short of?

Dr Besley—By the end of the next financial year, we expect to be able to deliver meaningful measurements on the nature and size of very small particles that are presented to us in samples, wherever those samples may come from—whether they are in pharmaceutical products, food products, coating products or whatever. We also expect in the longer term to be able to deliver a national standard for measurements at these sorts of dimensions—in other words, to be able to relate them reliably to a defined national standard in this area. By a ‘standard’ I mean a national reference rather than a document—a national reference for length in this area of science.

Senator MILNE—How far ahead of or behind the rest of the world are we in this capability?

Dr Besley—Certainly the developed countries like the US and Europe are ahead of us in this area, but many of the developed economies in the world are in a similar state of preparedness to ourselves. This is a very new area, which is developing rapidly. I guess it is fair to say that different areas of the world are concentrating on different aspects of this work.

Senator MILNE—Can anyone tell me whether nanosilver is being used in any of the public transport systems in Australia at this time?

Dr Besley—I cannot.

Mr Pennifold—I cannot comment. I do not know.

Senator MILNE—My real concern here is that this technology is moving much faster than the regulatory arrangements—but it also provides us with opportunities. Minister, this is a cutting edge field, and the nanotechnology strategy that was in place identifies a number of areas such as mining, agribusiness, health, medicine, energy, environment, advanced materials, manufacturing, electronics, information and communication technologies where nanotechnology can have application and, presumably, build us some competitive advantage as well as recognise the need to protect the consumer in various ways. Why did the government choose to cut nanotechnology in the budget?

Senator Carr—The fact of the matter is that the Commonwealth is contributing the better part of \$170 million per annum on research into nanotechnology. CSIRO has \$73.8 million per annum. The ARC is spending \$58.8 million, the National Collaborative Research Infrastructure Strategy is spending \$27.1 million, AusIndustry is spending \$6.7 million and the Australian Office of Nanotechnology is spending \$3.7 million. There is a very substantial level of public investment in this important area. In fact, this really is leading edge research. The decision I announced on 21 November was in the context of the need to find budget savings. That is essentially the context for that decision.

Senator MILNE—This is a political comment: it would seem to me to be false economy to cut research funding in a field such as this, because it has the potential to transform everything.

Senator Carr—The truth of the matter is that it is a question that the national innovation review will have a look at, and I am looking forward to their recommendations in that regard. As I say, there is \$170 million worth of investment per annum.

Senator MILNE—Where can a citizen go to get a sense of a whole-of-government research into nanotechnology? You have mentioned a range of programs through the Research Council, through the CSIRO and others, but is there anywhere where you can get a sense of what work is going on across all of these areas?

Senator Carr—There are two questions. There are the regulatory issues, which is where the issue of these reductions go and which do not cut in for two years. I am looking forward to further conversations about that matter in subsequent budgets. In other matters, can any of the officers assist with a whole-of-government response on nanotechnology?

Senator MILNE—Where could someone who is interested in nanotechnology go to see what the CSIRO is working on, which CRC and so on?

Mr Pennifold—We do have the website for the Australian Office of Nanotechnology. It is at a very early stage. Eventually we will be providing links right across government to where additional information can be found.

Senator MILNE—Is it correct that the website does not exist at the moment?

Mr Pennifold—I will need to take that on notice. I will check what is on the website.

Mr Paterson—The website is up and running now.

Senator MILNE—Is the interdepartmental committee on nanotechnology operational, Minister?

Senator Carr—Which committee?

Senator MILNE—The interdepartmental committee. It states that a key priority of the Australian Office of Nanotechnology is to ensure a whole-of-government approach. It chairs an interdepartmental committee to consider cross-portfolio issues.

Senator Carr—I will let the officers deal with the IDC issue.

Mr Pennifold—We have continued on with an IDC that meets on about a quarterly basis. The specific focus of that, to date, has been on the health, safety and environment issues as we see those as very important ones to pursue in cross-government coordination. That committee has been up and running for quite some time. It includes regulators, departments of state and also bodies like CSIRO and the National Measurement Institute.

Senator MILNE—What has it achieved so far?

Mr Pennifold—What it has achieved is that, when we set up the Australian Office of Nanotechnology, we worked with the regulators and that helped us identify exactly how funds should be provided to those within the workplace area, those relating to health and safety, so that they can get on and do some of the work that they need to do. It has also helped in terms of coordination between bodies like CSIRO and NMI, so it is an essential point of contact for people who are working on nanotechnology issues.

Senator MILNE—What about the engagement with the state governments? Is the interdepartmental committee talking to state counterparts?

Mr Pennifold—The Australian Office of Nanotechnology has been talking to state counterparts on these issues, rather than to the whole of the IDC.

Senator MILNE—What are you talking to the state governments about?

Mr Pennifold—The issues that we are pursuing at a Commonwealth level are to do with health, safety and the environment. Some of the states, particularly Queensland and Victoria, are quite active in this area of nanotechnology and on the business development side, so we are looking at coordination of those sorts of activities with them.

Senator MILNE—When can the Australian consumer expect to have some standards or a regulatory arrangement in place?

Mr Pennifold—There are regulatory arrangements already in place in the organisations I mentioned earlier, the TGA, FSANZ and so on.

Senator MILNE—When you say there are regulations already in place, does that mean that food processors and packagers in Australia are already having to meet standards set by the Therapeutic Goods Administration, FSANZ and so on? If so, since we do not have the measurement capacity here yet, are they taken from best practice overseas? Otherwise, where do we get those standards from?

Mr Pennifold—You are probably best to direct specific questions about standards to the regulators themselves and during the Health portfolio. My understanding is that nanotechnology is picked up in part of the products, be they food or medicines, as part of the existing regulations that already apply in those areas.

Senator MILNE—Finally, where is the promise, in terms of new capacity in Australia in nanotechnology, either to improve the competitiveness of existing industries or to create new products et cetera?

Mr Pennifold—That is a very difficult question to answer because the technologies are so pervasive. Certainly, in the early work that we have done, materials science, the ICT area, medical devices, drug delivery systems and the like are areas in which there are already Australian companies making quite significant advances. It is a very pervasive set of technologies, so it could apply in very many areas of manufacturing.

Senator MILNE—Do you think it will transform manufacturing?

Mr Pennifold—When the PMSEIC committee looked at this a few years ago that was—

Senator MILNE—Which committee?

Mr Pennifold—The Prime Minister's Science, Engineering and Innovation Council. There was a group there that looked at it. They were certainly of the view that nanotechnologies could fundamentally transform the economy.

Senator MILNE—Minister, given that was the view then that it could fundamentally transform the economy, I am concerned by the fact that the funding is dropping away. You mentioned that you are prepared to look at this through this innovation review. Can you explain to me how that will work in terms of reviewing this decision on nanotechnology?

Senator Carr—The national innovation review is specifically tasked with looking at opportunities for emerging technologies and emerging industries and in that context I would expect the review to provide advice to government about this matter. The funding for this program relates to the strategy and not to the research and, as I have indicated to you, the research program is running to the tune of about \$170 million per annum. I am not anticipating that the program will fall away. It is about ensuring that any flow-on from that research technology is taken up by industry. We would be looking to see the work accelerated in the next two years. However, I would be anticipating that there would be an opportunity to discuss future funding commitments after the national innovation review.

Senator MILNE—Thank you.

Mr Pennifold—I can confirm that the Australian Office of Nanotechnology website is up and running. It does have a number of fact sheets on it, so if people have a general interest in nanotechnology it is a good first port of call for them.

Senator MILNE—Since China is manufacturing a lot of whitegoods that come into Australia, can you tell me whether there are any fridges coming into Australia that use nanoparticles of silver coating on their inner surface, and as well similarly so for cutlery, chopping boards et cetera?

Mr Pennifold—I am not able to answer that.

Senator MILNE—Would that come under the Therapeutic Goods Administration or under FSANZ? If I went to buy a fridge, how would I know whether it has nanoparticles in it, given that nanosilver kills all bacteria, good and bad? That is why it is being used in public transport systems and that is why people are terrified of it. I am concerned that this is getting away from us and consumers do not know. Who can tell me, as to the regulatory framework in Australia, whether any whitegoods coming into the country are lined with nanosilver particles?

Mr Pennifold—That would be a question that you would need to put to the regulators.

Senator MILNE—Which one?

Mr Pennifold—It is probably best to direct it to the Health portfolio.

Senator ABETZ—I would like to move to the LPG conversion scheme and invite everybody to truncate their answers as much as possible—and I will try to be as relevant as I can with my questions.

Mr Paterson—Those officers are coming to the table, Senator. You asked a question in the early part of the estimates this morning in relation to the portfolio budget statements and some statements that were no longer included in the PBS. You asked for the capital budget statement and the summary of movement. We have created tables that reflect the tables created in the past, and I table those as a response to your questions.

Senator ABETZ—Thank you very much, Mr Paterson. That is helpful. On page 28 of the PBS we are told that a key performance indicator is approximately 80,000 conversions. Was any modelling done to arrive at that figure?

Mr Peel—That is based on our experience of the take-up of the program to date and the level of demand.

Senator ABETZ—What was the take-up last year?

Mr Peel—To 23 May this year it is 75,674.

Senator ABETZ—Say we accept that 99 per cent of the conversions are at the \$2,000 rebate. Are you agreeable to accepting that figure?

Mr Peel—Yes, I think so.

Senator ABETZ—How much money has been made available for these 80,000 conversions?

Mr Peel—Can I tell you how much money has been made available for all conversions since the program started?

Senator ABETZ—No, in this budget.

Mr Peel—In this budget?

Senator ABETZ—Yes, in this budget.

Mr Peel—In this budget it is \$160 million.

Senator ABETZ—Sorry?

Mr Peel—In this budget it is \$160,400,000.

Senator ABETZ—Where do I find that figure?

Mr Peel—Are you talking about this coming financial year or this current financial year? For the coming financial year, Senator?

Senator ABETZ—Yes, 2008-09.

Mr Peel—It is on page 22. It is \$97,140,000.

Senator ABETZ—That is for 80,000 conversions. I am never good at maths, but if I multiplied 80,000 by \$2,000 would I be hitting about the \$160 million mark? I accept that it might not be quite at that level, because one per cent of them are at the lower level, but would that make up the difference from \$97.14 million?

Mr Peel—That would cover about 50,000 conversions.

Senator ABETZ—How are we going to fund the other 30,000?

Mr Peel—What we will do is monitor the uptake of the program during the year and if more funds are required we will bring those forward from the forward estimates, subject to approval through the department of finance.

Senator ABETZ—Minister, is this underfunding a prelude to the axing of the scheme?

Senator Carr—No. This is an entitlements program.

Senator ABETZ—It was mooted in the prebudget discussions that it was going to be chopped.

Senator Carr—You should not believe everything you read in the newspaper.

Senator ABETZ—The Prime Minister came back from overseas and miraculously it seems to be reinstated, but then we have a situation of it being underfunded, which is concerning, especially in the context where on page 274 of Budget Paper No. 2 we saw \$19.1 million brought forward for this scheme. I am just wondering how much money has been budgeted for the future years of this scheme.

Mr Peel—As the minister has mentioned, it is an entitlements program, which means that all conversions would be paid for.

Senator ABETZ—You did modelling and on the basis of your very best estimates you believe there will be 80,000 conversions, yet we only have money for 50,000 conversions.

Mr Peel—The 80,000 conversions was for this financial year and I said we believe that level of demand will probably carry forward into the future, but we will monitor that closely as the year progresses.

Senator ABETZ—I know 80,000 is for this financial year. You have not made available \$160 million for that?

Mr Peel—There is \$97,400,000 in the budget for this year.

Senator ABETZ—That is right. That is for this financial year.

Mr Peel—For the coming financial year, which is next year.

Senator ABETZ—So it is for 2008-09?

Mr Peel—Correct.

Senator ABETZ—Right; which means funding for only about 50,000 conversions?

Mr Peel—All conversions would be paid for. If the level of demand were greater than that, then we would seek to supplement that funding to make sure all conversions were paid for.

Senator ABETZ—Good luck and I wish you well with it because it is a great scheme. I would like to ask about the document that I sought under FOI in relation to the LPG vehicles scheme and the review. Who would be the relevant officer for that?

Mr Peel—That would be someone in the manufacturing division.

Senator ABETZ—Chair, this is a great document in which 27 out of the 37 pages are completely obliterated. It is another part of the new era of transparency! I just want some clarification. On the front page we have a black block next to the word 'review' and then underneath 'Draft Report' a black block as well. Was that part of the artistic design or has something actually been removed from the document?

Mr P Clarke—Can I have a look at the document, please?

Senator ABETZ—Yes, but it was the document that you sent me under cover of letter from Jeff Beeston. I would like it back as a matter of some urgency, because I have scribbled on it to ask other questions.

Mr P Clarke—I will check it.

Senator ABETZ—Good luck trying to read my writing.

Mr P Clarke—From what is there, there would have been words omitted, yes.

Senator ABETZ—So we cannot be told the name of the review? It is a review, but the name that has been given to it is so highly protected that nobody should be allowed to know its name. That is fine. It is unfortunate that I have had confirmation of that.

I will refer you to page 853 and to where everything has been obliterated other than the footnotes and footnote 10, 'Source: ABS 2006 Census of Population and Housing.' Something that I can read in the ABS Census of Population and Housing which is put in this report has to be obliterated because it is so sensitive and needs to be protected! But the footnote as to where the information actually came from is on the public record for everybody to see. Can you explain that to me?

Mr P Clarke—It depends on what was in the part that was obliterated. It may have been a comment or an opinion.

Senator ABETZ—From the ABS.

Mr P Clarke—Not necessarily. That might have been the source of the information. Nonetheless inferences may have been made in the document for which that is the source.

Senator ABETZ—If an inference is made from a public source is that obliterated under the Rudd government's approach to FOI?

Mr P Clarke—The FOI rules are set out in legislation. You are entitled to seek a review of decisions on those matters.

Senator ABETZ—Expect one to come. It is very time consuming when there are a lot of businesses genuinely concerned about the future of this scheme and with skyrocketing petrol prices as well. I do happen to note that somewhere in this it just looks like a barcode, quite frankly, with 27 of 37 pages all completely obliterated. But there was in this draft review some comment about petrol prices reaching \$1.20 as opposed to LPG being considerably less, and of course that differential has now increased even further, has it not?

Mr P Clarke—Yes.

Senator Carr—This is a review undertaken by the previous government. The current government had nothing to do whatsoever with that document, including any changes or deletions that you are drawing attention to. It has nothing to do with the Rudd government.

Mr P Clarke—The intention of the review was announced in August 2006: it would be reviewed after 12 months.

Senator ABETZ—That is a very clever answer, Senator Carr.

Senator Carr—That is a fact.

Senator ABETZ—On page 12, something which was not obliterated by the censors, we have this statement, 'When the scheme was announced in August 2006 the then government ...' Do you suggest that this report was drafted by the Howard government referring to itself as the then government? This has clearly been produced since the change of government, otherwise there would not be a reference to the 'then government'.

Senator Carr—You can raise your eyebrows all you like.

Senator ABETZ—So let's try another answer, Minister, which is actually responsive.

Senator Carr—You can raise your eyebrows all you like. I understand that this is a review undertaken by the previous government. Is that right or not?

Senator ABETZ—It started under the previous government, but this report, in referring to ‘the then government’ clearly is talking about things since 24 November.

Senator Carr—I do not recall even seeing this document, let alone having anything to do with changes to it.

Senator ABETZ—That does not surprise me. You are kept out of the loop on many things, including the Commercial Ready program decision. I received this from your department by letter dated 8 May signed by Mr Jeff Beeston, Manager, Automotive Policy Section, Manufacturing Division. I think it has emanated out of your department and it refers to the then government.

Mr Paterson—As you are aware from the conversation we had this morning, FOI requests go to an officer of the department as the approved decision maker. I indicated to you earlier today that decisions in relation to FOI requests are dealt with inside the department. The decision maker is an officer of the department and we respond inside the department to FOI requests. We do not seek authority outside the department.

Senator ABETZ—Yes, but Minister Carr had a helpful intervention—

CHAIR—As it is 3.45 pm, the committee is adjourned. I ask committee members to remain for a private meeting. Could the minister also remain for a moment to get some advice about the program?

Senator Carr—Yes.

Proceedings suspended from 3.45 pm to 4.01 pm

RESOURCES AND ENERGY PORTFOLIO**TOURISM PORTFOLIO****In Attendance**

Senator Carr, Minister for Innovation, Industry, Science and Research

Senator Sherry, Minister for Superannuation and Corporate Law

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

Dr Peter Boxall AO, Secretary

Mr Drew Clarke, Deputy Secretary

Enabling Services Group

Ms Jo-Ann Rose, Chief Financial Officer

Mr Robert Towner, Acting General Manager, Enabling Services

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

Mr Chris Stamford, General Manager, Mining Industries Branch

Mr Patrick Davoren, Acting General Manager, Fuels and Uranium Branch

Mr Crispin Walker, Manager, Petroleum Refining and Retail, Fuels and Uranium Branch

Mr Beau Damen, Acting Manager, Alternative Fuels, Fuels and Uranium Branch

Energy and Environment Division

Mr Brendan Morling, Acting Head of Division

Mr John Griffiths, General Manager, International Energy Branch

Mr Christopher Short, Acting General Manager, Energy Policy Branch

Mr Denis Smedley, Acting General Manager, Energy Futures Branch

Mr Bruce Wilson, General Manager, Environment Branch

Ms Tania Constable, Principal Adviser, Resources and Energy Policy

Ms Naomi Ashurst, Manager, Resources and Energy Policy

Tourism Division

Ms Jane Madden, 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

Geoscience Australia

Dr Neil Williams, Chief Executive Officer

Dr Chris Pigram, Deputy CEO and Chief, Geospatial and Earth Monitoring Division

Dr Clinton Foster, Chief, Petroleum and Marine Division

Dr James Johnson, Chief, Onshore Energy and Minerals Division

Mr Tony Robinson, General Manager, Corporate Branch

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

Tourism Australia

Mr Geoff Buckley, Managing Director

Mr Grant Le Loux, General Manager, Corporate Services

Ms Rachel Crowley, General Manager, Corporate Communications

Mr Matt Francis, Government Relations Manager

CHAIR (Senator Hurley)—I welcome the new officers to the table. Dr Boxall, do you have an opening statement?

Dr Boxall—No, Chair.

CHAIR—Senator Cormann.

Senator CORMANN—I have a series of questions in relation to the impact of the government's decision to impose a \$2.5 billion excise on condensate from the North West Shelf. I am conscious that there will be an inquiry by this committee which will cover this in more detail. I refer you to comments by Woodside CEO, Don Voelte, about the government's announcement. He said:

This is not a loophole which is being closed, or a free ride which has come to an end. This is a negotiated fiscal arrangement which formed the basis of Australia's largest resource development.

Was it a negotiated fiscal arrangement?

Mr Hartwell—The issue that you refer to goes back to 1977, when it was first announced that from production from Australian oilfields condensate production would be exempted. So it was not a negotiated agreement as such; it was a decision by the government at that time to provide an exemption for condensate.

Senator CORMANN—Have you sought legal advice on Mr Voelte's assertion that it was a negotiated fiscal arrangement?

Mr Hartwell—No, Senator.

Senator CORMANN—Can you describe for us, in simple terms, how the excise and royalty arrangements for the North West Shelf project were different from those that would apply to projects under the petroleum resource rent tax arrangements?

Mr Hartwell—Yes. In relation to most of offshore Australia, it is, as you point out, to the petroleum resource rent tax. In the case of the leases that make up the North West Shelf, the arrangements that apply in relation to secondary taxation are a combination of excise and royalties.

Senator CORMANN—Isn't it the case that the North West Shelf project paid royalties and excise on production from the word go, whereas projects under the PRRT arrangements post 1987 paid petroleum resource rent tax on net cash flows? Can you go into a bit more detail to define for us what those net cashflows mean?

Mr Hartwell—Essentially, we would have to go into some detail in terms of how petroleum rent tax is determined as against the arrangements that apply and how the petroleum excise and petroleum royalties are calculated. I can, if you wish, go into detail, but it will take some time.

Senator CORMANN—Perhaps I will give you a quick definition that I got from a Parliamentary Library research note, and that is essentially PRRT is assessed after deduction of all eligible exploration expenditure, operating costs and capital expenditure. Furthermore, any excess of expenditure over receipts can be compounded forward, at the long-term bond rate plus five percentage points for other expenditures, provided they were incurred less than five years prior, for deduction against future receipts from the project.

Mr Hartwell—That is a fair description. The petroleum resource rent tax is a profits based tax. It is levied at 40 per cent of a project's taxable profits, and the project can be defined to include the project title area and any outside facilities necessary for the production and initial storage of petroleum commodities. The PRRT instalments are paid on a quarterly basis. The petroleum resource rent tax is administered by the Australian Taxation Office. It does have a number of issues attached to it in relation to assessable receipts and deductible expenditure, and exploration expenditures are eligible for compounding at the long-term bond rate plus 15 percentage points. The general non-exploration expenditures qualify for compounding at the long-term bond rate plus five percentage points, and expenditures incurred more than five years before the granting of a production licence are compounded at the GDP factor. So it is quite technical in terms of working it through.

Senator CORMANN—In practice, how soon after a project subject to PRRT arrangements commences production would you expect them in general terms to start paying it?

Mr Hartwell—It is very difficult to give you a precise answer. It depends on the profitability of the project. It obviously depends on the realised prices that—

Senator CORMANN—What has been your experience?

Mr Hartwell—Our experience would be, given it is a profits-based tax, most projects would not incur PRRT until five to 10 years at least. Sometimes the more marginal ones may not even incur a liability on petroleum resource rent tax at all. It is very difficult to give you a precise answer. It depends on the cost of developing the project, it depends on the realised prices for the projects that emanate.

Senator CORMANN—The Parliamentary Library research note also makes the point that: Projects incurring the PRRT are not subject to excise or royalties.

In your previous answer, you seemed to indicate that they were.

Mr Hartwell—No. My previous answer indicated that, on all projects offshore—with the exception of the North West Shelf leases—they are subject only to the petroleum resource rent tax. In the North West Shelf they are subject to excise plus royalties.

Senator CORMANN—So all projects offshore other than the North West Shelf do not pay excise or royalties, including excise on condensate?

Mr Hartwell—That is right, because they are subject to the petroleum resource rent tax.

Senator CORMANN—Mr Hartwell, I refer you to evidence that you gave before this committee on 31 May 2005 in answer to a question from Senator O'Brien, who asked:

Could the department then not provide a range of estimates of excise payable by treating the condensate as if it had been old, new or intermediate oil?

Your answer was:

We are in the area of secondary taxation and ... the North West Shelf is the only area in offshore Australia which is subject to an excise and royalty system of secondary taxation, whereas in the rest of our offshore petroleum areas a petroleum resource rent tax regime applies. We have also offered the view, despite what has been put forward, for the exemption of condensate from excise produced out of the North West Shelf.

This is the important part:

If you had applied the petroleum resources rent tax to the North West Shelf leases, the total collections on secondary taxation would have been approximately the same.

Do you still stand by that evidence?

Mr Hartwell—I stand by the evidence that existed at that point in time. Of course, when that evidence was given—and, again, I was only suggesting this in broad, indicative figures—we did not have the rise in oil prices and gas prices that we have seen recently. Just to go back to that previous evidence, it is probably the case, when you looked at the assumptions behind a petroleum resource rent tax and doing a bit of modelling, which might have applied to the North West Shelf if they had been under that scheme, and you looked at the revenue that has been incurred or paid by the North West Shelf joint venture partners up to that point in time, it may have been approximately the same. I would suggest to you that, since then, the circumstances have changed quite radically, given what has happened to petroleum prices—both oil and gas prices.

Senator CORMANN—So the reason for, as you are describing it, the additional \$2½ billion tax on the North West Shelf project is that oil and gas prices have gone up?

Mr Hartwell—No. I cannot say anything more than was referred to by the Treasurer in announcing this decision.

Senator CORMANN—If your evidence of 31 May 2005 is correct, isn't this then just imposing a higher tax burden now on the North West Shelf project when compared to all of the other offshore gas projects?

Mr Hartwell—I do not think I am in a position to answer that, Senator. I can just refer you to the reasons that have been announced by this government for taking away the excise exemption in relation to condensate, which I think have been set out in the Treasurer's statement.

Senator CORMANN—The point I am getting to is that the North West Shelf project, by paying excise and royalty on production, essentially carried more risk in the early stages of the project than all of the other offshore projects, which essentially do not pay petroleum resource rent tax until, you said, five to 10 years after they commence production. What appears to me to have happened is that, while at that time they were given the exemption as an incentive, now that they have reached a stage where they are able to achieve better outcomes as a result of the additional risk that they carried in the earlier stages the government is now coming in and changing quite significantly the fiscal framework that the project operates under. Isn't that a serious issue in terms of Australia's sovereign risk

profile—that the government would be happy to enter into a fiscal arrangement in 1977-78, happy to have a project like the North West Shelf project carry more risk than all of the other projects have carried since but then, at the end of the day to say, ‘Okay, oil prices have gone up, so we’ll just slug you with another \$2½ billion tax’?

Mr Hartwell—Again, I can only refer you to the statements which have been made by the Treasurer and the government for the reasons behind this decision.

Senator CORMANN—I just have a couple of quick questions in relation to the petroleum resource rent tax and the expected revenue from that over the forward estimates. In 2008-09, compared with 2007-08, you expect an increase in PRRT revenue of \$1.1 billion. I assume that reflects recent rises in the price of oil, but can you tell us which projects that expected increase in revenue will mainly come from?

Mr Hartwell—The responsibility for revenue estimates from the petroleum resource rent tax belongs to the Treasury portfolio. As indicated earlier, the petroleum resource rent tax is administered by the Australian Taxation Office, and the Treasury portfolio looks after the Taxation Office.

Senator CORMANN—I will ask these questions of Treasury then. Woodside, in my home state of Western Australia, has a major gas project, Pluto, which is expected to come online by the end of 2010. You gave an indication before that PRRT payments would be expected in the five to 10 year range and sometimes later. What would be your assessment in relation to Pluto?

Mr Hartwell—I do not think at this point in time I could answer that question. Essentially it depends on a whole range of factors. The final cost of the Pluto project and the final revenue estimates in terms of what they might realise on sales are things that we just do not have figures on at this point in time. I cannot really answer that question.

Senator CORMANN—Do you expect it to be less than five years?

Mr Hartwell—Again, I cannot answer that question.

Senator CORMANN—Can you take it on notice?

Mr Hartwell—I can take it on notice, obviously, but I am not sure that we could come up with a precise answer.

Senator CORMANN—I am looking for an indicative answer.

Mr Hartwell—It would always depend on judgements on a whole range of issues and on the information being provided by the project proponent, which is not always a guarantee.

Senator CORMANN—In your experience, has there been any project since the PRRT arrangements have been in place that paid PRRT sooner than five years?

Mr Hartwell—I cannot answer that question. We could possibly check that, and it is a question you could ask of the Treasury portfolio. We could have a look at that one.

Senator CORMANN—Thank you very much.

Senator JOHNSTON—Could I ask a quick question on this same subject? The government is claiming the tax will generate savings of \$2.5 billion. My question is: does this figure include the \$407 million in compensation that is to be given to the WA government?

Mr Hartwell—Again, those figures are set out, I believe, on page 19 of Budget Paper No. 2. Those figures have been put together by the Treasury. I do believe, in terms of precision around those figures, that you are probably best to ask the Treasury portfolio.

Senator EGGLESTON—What it means, though, is that very probably the so-called savings would not be quite as big as they are claimed to be. It might be half a billion dollars less. That is important in assessing the budget outcome, wouldn't you agree?

Mr Hartwell—I would have to agree.

Senator EGGLESTON—If it is not as big as it is supposed to be, then it is less. I suppose, taking up on the points that Senator Cormann has raised, this sort of change really does affect the investment climate. When people undertake such long-term projects and put such huge amounts of money into them, they expect security and they expect agreements to stand. I really have to say that changing these rules at this point really does look very bad in the eyes of investors investing in resource projects in Australia, and Western Australia in particular. I think that is a matter of great regret.

CHAIR—Is that a question, Senator Eggleston?

Senator EGGLESTON—He nodded, so he agrees.

Mr Hartwell—Taking up the Chair's point, I believe that is a statement rather than a question.

Senator EGGLESTON—It was a rhetorical question.

Senator JOYCE—In regard to the competitiveness and sustainability of resources, there are obviously a few key questions that you need to ask yourself. One that I want to pose to you is: in planning for the future, where do you believe the price of oil is going to go and what is the information you currently have on that?

Mr Hartwell—Thank you for the question. It was probably not something I would venture—

Senator WEBBER—He is starting with something really easy and then you can cross that out.

Mr Hartwell—It is a question that is asked of many people and I suspect if I knew the answer, I think as in an answer given by a person earlier at Senate estimates, they probably would not be working for the Public Service if they knew where the price of oil was going to go. Essentially, it depends on a whole range of factors.

Senator JOYCE—It is a leading question and obviously I am elucidating. Do you believe there is incredible volatility and that it can go much higher by reason of such things as exchange rate vagaries?

Dr Boxall—We cannot really comment on that.

Senator JOYCE—Where I am heading to is competitiveness of alternative products. What is your knowledge of Australia's shale oil reserves and what do you believe to be the current volume of Australian shale oil reserves?

Mr Hartwell—I think this is more a technical question that we could certainly direct to our colleagues from Geoscience Australia. We are aware, depending on various prices, that there are considerable shale oil reserves, but I might ask my Geoscience Australia colleagues if they can provide you with a better answer.

Dr Foster—In relation to shale oil reserves, we would have to take that on notice. As you know, that is a state issue onshore but we will be able to furnish you with that detail.

Senator JOYCE—Can you also furnish for us who actually has the leases on those reserves at the moment?

Dr Foster—That would come through the Queensland government. We can get that information for you.

Mr Hartwell—That is quite right. Most shale oil reserves are certainly onshore so they do not fall under Commonwealth jurisdiction.

Senator JOYCE—Has your department done any estimation of at what point of the price of a barrel of oil does shale oil become a competitive product?

Mr Hartwell—It is not really an issue that we have looked at in any detail, or in any detail at all that I can recall. But you would know that there were some proposals to develop shale oil and there was a small demonstration project in Queensland, in Gladstone, which eventually terminated. There were some studies done around that particular project which I cannot recollect the full details of, but to answer your question, recently, no.

Senator JOYCE—I have heard the government talking about coal-to-liquid. Have you done any investigation as to the feasibilities of that and how much it costs per barrel?

Mr Hartwell—Not in the precise way you express that question, but there are some project proponents around who are looking at the possibilities of coal-to-liquids as there are a number of projects around gas-to-liquids. Our minister did indicate that this is an issue that he and his department—that is us—would continue to investigate but, again, not in the precise sort of way that you putting that question in terms of the price that would make these project viable, because there is a whole range of other factors that would bear in on that.

Senator JOYCE—So if we are to enhance Australia's prosperity through implementation of government policy and programs, can you tell me of any programs that are there to assist the coal-to-liquid, gas-to-liquid or development of shale oil projects?

Mr Hartwell—If you are looking at specific projects on each of those in terms of government contribution, I am not sure that I can recall any in that context.

Senator JOYCE—There are no projects out there—

Mr Hartwell—No. There is a program which was instituted by the previous government to assist Syntroleum, which was a gas-to-liquids project, but that project has now been terminated. The Commonwealth still has a small part of that project in terms of the licence, but Syntroleum is the only one that I can recollect.

Senator JOYCE—That has been terminated now?

Mr Hartwell—Yes, the project has been terminated to the extent that it was proposed to undertake that project on the Burrup Peninsula. The project proponents still hold the licence, of which the Commonwealth still has a small share, and are looking at other possibilities to develop that licence.

Senator JOYCE—The Syntroleum project was terminated and there are also projects in regards to ethanol. They were terminated as well, weren't they?

Mr Hartwell—There are projects on ethanol under the biofuels capital grants program that continues.

Senator JOYCE—There is no program on shale oil; there is no program on coal-to-liquid; there is no program on gas-to-liquid; the Syntroleum program has been terminated. Really, the only program the government has got going to deal with the fuel crisis is Fuelwatch?

Mr Hartwell—There are some programs going forward in relation to the generation 2 biofuels and there is support in a number of areas for biofuels.

Senator JOYCE—Has the budget allocation towards biofuels been increased or reduced in the last budget?

Mr Hartwell—The new allocation for biofuels as has been announced in the budget is for \$15 million to look at new generation biofuels—

Senator JOYCE—Fifteen million dollars?

Mr Hartwell—Yes.

Senator JOYCE—I think it is a reduction on what the previous government's position was on biofuels, wasn't it?

Mr Hartwell—I think the programs are of a different nature. The programs that have been supported recently by the previous government but are continued under this government relate to the various support for ethanol and biodiesel projects under the biofuels capital grants program.

Senator JOYCE—They may have changed in nature but they have certainly been reduced in the amount of support that they receive from the government. Do you know of any other program that the current government has put forward that would produce an alternative form of supply, a program that was not already envisaged and in place from the previous government?

Mr Hartwell—The one I have just referred to, the new generation biofuels, would certainly be one.

Senator JOYCE—The government already had a biofuels program.

Mr Hartwell—Yes, but this is looking at new sources of the feedstock. This is the new generation of biofuels.

Senator JOYCE—Our contribution to that is \$15 million? That is the extent of our concern about the fuel crisis?

Mr Hartwell—Although the full details, of course, are yet to be worked through, as I think about your question, I could add that there is the possibility under the National Clean Coal Fund, which was also announced by this government in this budget, while it will look at a range of clean coal technologies, it could also pick up synthetic fuels from coal as well. So there is that possibility.

Senator JOYCE—Is that right, Minister? Is there a possibility from the clean coal project to produce synthetic fuels?

Senator Carr—I presume that the research projects that will follow from that may lead to creation of new fuel supplies.

Senator JOYCE—May?

Senator Carr—I am not going to pre-judge the nature of the research projects before the funding has actually been allocated. Five hundred million dollars has been made available for research into coal.

Senator JOYCE—Do you envisage that that is something you will be supporting in the future?

Senator Carr—I am not familiar with the particular details and administrative arrangements for the fund, but I cannot see why not. The whole issue is not confined to any particular use of coal in that process.

Senator JOYCE—It would be quite in order for people to approach you—

Senator Carr—I will let the officers deal with the implementation of the guidelines for the program.

Senator JOYCE—It would be quite in order for people to approach you for creation of a synthetic fuel out of your clean fuels program?

Mr Hartwell—The government has announced the establishment under their national clean coal initiative of a clean coal fund. As I have already mentioned, that will support clean coal technologies, the deployment of new clean coal technology, including carbon capture and storage. But as the program has indicated and was contained the government's election commitments—and I can quote from the election commitment, Labor's plan for a stronger resources sector:

A Rudd Labor government will:

Use the \$500 million National Clean Coal Fund to support projects to deliver ultra clean synthetic fuels from coal with minimum carbon emissions.

So there is that possibility.

Senator JOYCE—When can we look forward to something being delivered on that?

Mr Hartwell—We will need over the next year or so to develop program guidelines. Obviously, we will need to run a competitive process in relation to bids on that and we will be working with the minister to fully develop those. As to the precise date of when money might be made available, that is something I just could not answer at this point in time.

Senator JOYCE—As we know, to affect the price of fuel you either affect the supply or you affect demand, so in your desire to get more supply to the market from synthetic fuels from the coal that has not actually been developed, do you envisage that will happen before you could deliver extra supply through ethanol or extra supply through shale oil?

Mr Hartwell—Ethanol production is growing. If you are talking just about increases, at the moment there is no coal-to-liquids project operating in Australia. As I mentioned in an earlier answer, there are some project proponents that have some ideas about that, but they have yet to make an investment decision to go forward. These are issues that over the next few months will be worked through.

Senator JOYCE—What proportion of your \$500 million clean coal allocation will go to the development of synthetic fuels?

Mr Hartwell—I cannot answer that question at this point in time. There have already been some announcements. I think, from memory, it is contained in about page 119 of Budget Paper No. 2, which gives some idea of how some of the moneys under the national clean coal initiative will be expended, but there is still scope within that to look at possibilities that might emerge which have essentially liquids as the final outcome. Obviously, as the program indicates, it would be directed towards a low emissions outcome in relation to that.

Senator JOYCE—Do you envisage that on the delivery of that synthetic fuel, whenever it turns up, it will be something that is able to be used in the internal combustion engines that in place of the motor vehicle fleet that we have got out there at the moment?

Mr Hartwell—I am not sure I fully understood that question.

Senator JOYCE—Will it be able to be compatible with the engines that we currently have—

Mr Hartwell—I see what you are saying. Yes, certainly that would be the intention, and the project proponents on gas-to-liquids or coal-to-liquids will say to you that their final product—and it is clean diesel for the most part—does meet all current fuel standards and would be able to meet the fuel standards going forward. Certainly, that is their claim and we take them at face value. I am just reminded by my colleagues, in terms of support for transport fuels and so forth, as a part of the Treasurer's announcement in relation to the tax review—and I will read that but, again, it is a question you might want to ask of the Treasury portfolio—the announcement was:

The Treasurer this week announced a comprehensive review of the taxation system and this review will include an assessment of the barriers to investment in large-scale downstream gas processing projects in Australia, the particular hurdles faced by remote gas developers, and consideration of the future policy framework for new sunrise industry investment in Australia's gas sector, including new LNG—

And here is the point that gets to the nub of your question—

Gas-to-Liquids, and domestic gas projects.

Senator JOYCE—That seems to run at odds with the position the government has taken on condensate.

Mr Hartwell—I am not sure that is really the case.

Senator JOYCE—Finally, with the improved strength, competitiveness and sustainability, can you explain to me what is the government currently doing to deal with the issue that diesel prices are now far in excess of petrol prices, given diesel prices are a fundamental part of the transport component and also the mining component and the competitiveness of the Australian economy?

Mr Hartwell—These are prices set in an international sense. Basically, the thing that determines diesel price is what is loosely called the Saudi Aramco price. It is set once a month. I acknowledge the fact that diesel price has risen substantially, but it is just a reflection of international demand and supply.

Senator JOYCE—Since it is a reflection of international demand, can you explain to me why in India the price of fuel is below \$1 a litre; in China it is just over \$1 a litre in Australian terms; and in Iran it is 11c a litre? I know that they are proximate to the project. What is going on? Why are we so much dearer?

Mr Hartwell—Basically there are certainly local factors that will impact on supply and demand in a number of countries. Some countries for various reasons might choose to subsidise their diesel prices, as they subsidise other goods that are consumed within their countries or economies. You have quoted some figures and I am not sure that I can comment on that without actually getting in front of me the veracity of those figures. Broadly, if you look at diesel prices across comparable countries to ourselves such as OECD countries, and that includes petrol as well—

Senator JOYCE—Comparable?

Mr Hartwell—Well, more than comparable. If anything, our prices are cheaper than those of most OECD countries.

Senator JOYCE—Is that by reason of our taxing regime or is that by reason of—

Mr Hartwell—Again, it is like petrol prices/diesel prices; there is a whole range of factors that will be relevant. Obviously international prices are one, but there is a whole range of other issues that will bear on that. It can be a result of the various taxes that might be applied at the petrol bowser or the diesel bowser. It can be a result of specific competition policy issues between various petroleum retailers in areas. It may depend also on the locale and the cost of distributing the product. There is a whole range of factors.

Senator JOYCE—If we take out government taxes, are our prices more competitive or less competitive than other OECD countries?

Mr Hartwell—I do not have that specifically in front of me, but I could get a table for you which could answer that question. I think that would be the case.

Senator JOYCE—For how much of our oil are we self-reliant? What proportion of our own domestic oil requirements can we supply?

Mr Hartwell—That is a variable figure. Do not hold me to these figures, because I might need to come back to you on this, and I might ask my colleague to comment further. At the moment, our approximate consumption, if you look at all petroleum products, is 870,000 barrels per day. At the moment we are probably producing around 550,000 barrels per day. If you do the proportions, it is about 65 per cent.

Senator JOYCE—So, 65 per cent?

Mr Hartwell—But you have to remember that that is essentially just our consumption versus our production. Much of the crude oil that is produced in Australia is exported. It is exported from the north-west of Australia to Singapore for refining. We import a lot of crude oil. The export-import figures on petroleum products in Australia are an aggregation of a whole range of factors that make it more commercially attractive to export a lot of our crude and import crude from elsewhere to put into our, say, east coast refineries. But broadly the figures I have quoted to you are about right.

Senator JOYCE—How much do we actually use of our own crude?

Mr Hartwell—Our refineries rely—again, I am again taking a rough approximation of this—on 60 per cent imported crude.

Senator JOYCE—That is about 300,000 barrels?

Mr Hartwell—About that.

Senator JOYCE—Dealing with parity pricing, we have a transport component on parity pricing, do we not?

Mr Hartwell—Yes, I think that is right. I would have to go back and check the details on parity pricing.

Senator JOYCE—That is a transport component from where overseas, which we actually put on our own domestic oil?

Mr Pegler—All our parity pricing is based on ex-Singapore.

Senator JOYCE—So we have a parity price on which we put a transport component of 300,000 barrels of oil a day as being transported from Singapore but which are actually sourced in Australia?

Mr Pegler—That is correct.

Senator JOYCE—How much does that cost the motorist?

Mr Pegler—I cannot comment on that. We do not have those figures.

Senator JOYCE—Can you take that on notice?

Mr Pegler—I doubt if we can extract them, but we can have a look. It will depend on a whole host of factors in terms of refinery throughput, refinery profitability and issues like that. It will not directly correlate when—

Senator JOYCE—I would be interested to find that out.

Mr Pegler—comparing refined product with crude.

Mr Hartwell—While we mentioned that our refineries rely on 60 per cent in terms of crude imports, our refineries at this point do have capacity to meet 90 per cent of the market. But as I said, in petroleum and in petroleum products there is a lot of export-import trade. This is the reality of the world petroleum trade. If you look at our export and import figures, you will see quite large volumes of petroleum being imported and exported. We are exporting a lot of crude and we are importing a lot of crude.

Senator JOYCE—I know you do not have the answers, Mr Hartwell. But the query that a lot of people have is, if India and China are pushing up the price of fuel, why is their fuel cheaper than ours?

Mr Hartwell—I think it is just the arrangements that they put in place in their own countries that might lead to that outcome.

Senator JOHNSTON—Mr Hartwell, I want to talk about the condensate tax just briefly, if we can go back to that. You are the head of the Resources Division. May I ask how long you have been in the Resources Division?

Mr Hartwell—The Resources Division was created in 2002. I have been head of that division since it was created.

Senator JOHNSTON—Were you in the department dealing broadly with these issues prior to that?

Mr Hartwell—Yes. There have been various manifestations of the Resources Division. Prior to the year 2000, there was a coal and minerals division.

Senator JOHNSTON—Were you in that?

Mr Hartwell—Yes. I have broadly been in this area since about 1997-98. It has had different manifestations.

Senator JOHNSTON—Where were you prior to that?

Mr Hartwell—I was in the energy branch from 1996 to 1998 and prior to that I was in our embassy in Washington. I was the counsel for agriculture resources.

Senator JOHNSTON—In your time with resources with the Commonwealth, have you ever known a policy change to deliver \$2.5 billion over four years without any consultation of the one project that was affected by such a change, if you follow my question?

Mr Hartwell—I do not think I can answer that question. We have coal, gas, oil, uranium, nickel, lead, copper, zinc, and they have all been subject to a royalty or a resource rent tax or some form of payment to the Commonwealth.

Senator JOHNSTON—Have you ever seen \$2.5 billion taken from one operator over the course of—

CHAIR—Senator Johnston, I do not think the officer, even though he obviously has extensive experience in the area, has the range of government programs or necessarily the recall. I think it is a bit difficult for him to answer a question of that depth and breadth. He has already indicated that he has difficulty answering it.

Senator JOHNSTON—It is a very simple question.

CHAIR—Perhaps you might ask the minister.

Senator JOHNSTON—No, I am interested in Mr Hartwell, who is renowned in government as the person responsible for resources for the Commonwealth.

CHAIR—I as chair accept Mr Hartwell's observation that he would find it difficult to answer.

Senator JOHNSTON—Mr Hartwell, was your department and division consulted about that particular policy change?

Mr Hartwell—We were not consulted.

Senator JOHNSTON—You were not consulted?

Mr Hartwell—No.

Senator JOHNSTON—I did not think so. Are you aware of the contractual basis under which that concession, that is that exemption from excise, was granted back in 1977?

Mr Hartwell—It was a decision at the time. I am aware of the decision. The precise reasons around the decision I can only make some judgement about. But it was essentially related to, I believe, taking account of the various challenges of an immature industry to develop that industry. That is all I can say.

Senator JOHNSTON—So your division was not consulted about that policy change. Can I go on to the issue of the budget generally. Is there any line item of new money for the onshore minerals and exploration industry in Australia in terms of incentive/encouragement not energy related in terms of coal or gas but for base metals and precious metals, iron ore miners, et cetera? Is there any money for them or any policy initiatives for them in this budget?

Mr Hartwell—In relation to issues that you refer to, we have an onshore exploration program run by Geoscience Australia and an offshore program run by Geoscience Australia. These announcements were made—I forget the precise date—two or three years ago. Those programs are ongoing.

Senator JOHNSTON—I know. They are very good programs, if I may be so bold, and I am sure you would expect me to say that. But let us talk about this last budget. Do we have anything in the budget in the nature of incentives for renewable energy for mine sites? Obviously we are going to get the flow-through shares eventually. As you can see, we are getting them. But I am interested in what the government's attitude to this particularly important, and may I say lucrative, industry is. Is there anything in this budget in terms of new money that you are aware of?

Mr Hartwell—In support for these industries?

Senator JOHNSTON—Yes, for the nickel miners, the goldminers, the iron ore miners, the lead zinc copper miners and uranium miners?

Mr Hartwell—You have referred to the clean coal initiatives. Again, it is not our portfolio responsibility but there are a number of initiatives to address some of the labour/skills shortages, training programs and enhanced immigration programs, which I think would be of great benefit to the resources sector.

Senator JOHNSTON—I have no doubt they are. I think they are very good initiatives, too. The 457s and other things and training are all very good. But is there anything rather more in the line of and in the nature of anything like or remotely like a flow-through share scheme or a drilling incentive scheme or a reinvestment scheme in exploration, drilling rigs?

Mr Hartwell—All I can say in relation to the flow-through share scheme that you specifically mentioned is that the minister has made it quite plain that that would not be a part of the 2008-09 budget. But he has also made it very plain that we are continuing to work on a flow-through share scheme which, if progress is achieved along the lines we hope, may be a part of the 2009-10 budget. He has mentioned that it would not be a part of this year's budget, and we will be consulting with industry and with other stakeholders in developing that flow-through share scheme.

Senator JOHNSTON—I am very pleased to hear that. Coming from Western Australia, as you know, you would expect that I would be very supportive of that scheme, and I am. Take me through the mechanisms to get that scheme up and running. Will your department develop it?

Mr Hartwell—In combination with Treasury—

Senator JOHNSTON—That was my next question. My experience has been that Treasury is terribly unenamoured with a flow-through share scheme, if I could put it that way.

Mr Hartwell—There will always be varying views about the appropriateness of such a scheme. All I can say to you is that we are working with Treasury on the design of a flow-through share scheme. They are not new. Under the previous government, as you would be aware, we looked at a couple of models. We are at the moment having some discussions with Treasury. We are also working with the minister and the minister's office and we do hope to at least have a document on which we can then consult other stakeholders towards seeing if we cannot get some agreement on the broad framework for a scheme.

Senator JOHNSTON—Is there any advance on the time lines with respect to maybe even a white paper?

Mr Hartwell—I do not think we would title it as a white paper. But can I say we would hope to at least have a consultative document on the broad framework of the scheme available towards the end of June.

Senator JOHNSTON—Towards the end of this month. Minister, what would your attitude be towards briefing the opposition with respect to that policy?

Senator Carr—It is a matter we will take up with the minister directly. I am representing the minister here, so we will take that on notice and raise that matter with him.

Senator JOHNSTON—I wanted to go to the question of Fuelwatch.

Mr Hartwell—If I can interrupt you, you asked whether this government had anything in the budget for the minerals sector. Using my memory and recalling all of the things that are there, there is one specific one that I could mention, and that is the \$10.4 million over four years for uranium initiatives contained in the budget.

Senator JOHNSTON—What is envisaged with uranium initiatives? Given our limited capacity to value-add on yellowcake, what is envisaged by your division with respect to that?

Mr Hartwell—As you would know, this government is supportive of further development of the uranium industry in Australia. We have the capacity to be a major supplier of uranium to the world. There are a number of issues related to the development of our uranium industry.

We want it to be done in a sensible way in relation to the environment and making sure that our uranium is used only for peaceful purposes. The issues are being looked at, and we want to make sure it is done in a safe and healthy way. There is the development towards the uranium dose initiative, which will protect workers. There is some work on uranium regulation. There is work on making sure that the Indigenous people benefit fully from that.

Senator JOHNSTON—Given the value of the uranium industry, without being flippant, that is pretty much petty cash, I would have thought, for Roxby Downs, Ranger, et cetera. We are talking about exports last year of, what, \$800 million?

Mr Hartwell—Essentially we would work with the industry on it. It is something that gives us some wherewithal to do a bit of work with the industry in addressing those issues.

Senator JOHNSTON—Occupational safety is very important particularly in that industry; I agree with you. But at the end of the day, \$10 million for that for an industry producing, what, \$12 billion, \$13 billion, \$14 billion, \$15 billion in export earnings. As a Western Australian and as a person from the industry originally, I am very disappointed that the government just simply takes minerals exploration, minerals processing for granted and everybody else gets a slice of the pie in some shape or form or other. This industry is just presumed to be a wealthy cash cow for royalty taking by state governments and to fly-in New Zealanders and people from the eastern states into Western Australia and the Northern Territory. I am disappointed that all you can point me to is \$10 million. I share your disdain to some extent.

Senator EGGLESTON—On the flow-through shares issue, the Association of Mining and Exploration Companies, AMEC, in WA has long been interested in seeing this instituted. They came up with the Minerals Exploration Action Agenda. They have done quite a lot of work with the government on developing an appropriate model for flow-through shares. Are you able to comment on your level of discussions with AMEC and cooperation with them?

Mr Hartwell—We had a friendly discussion with AMEC some six or so weeks ago. You are quite right; under the Minerals Exploration Action Agenda there was a flow-through share model developed in association not only with AMEC but the other major stakeholders, the Minerals Council of Australia, APPEA, the Australian Petroleum Production and Exploration Association, and also the Australian Gold Council, which is now part of the Minerals Council of Australia. As I indicated, once we have further refined the model we will certainly have some consultations with all of those bodies.

Senator EGGLESTON—The other background general question I would ask you on flow-through shares is about the Canadian model, which as you know has been in operation for some time. Do you have any observations about the Canadian model and how it might apply to Australia? Do you see any faults in the Canadian model, for example? One of the great concerns of the previous government was the possibilities of people so-called rorting a flow-through share scheme—money laundering, as my colleague whispers to me. What was the problem with the Canadian system? This is not something that I have heard mentioned.

Mr Hartwell—There is always that issue, that is, the integrity of a flow-through share scheme. My understanding at least is that there were some problems earlier with the Canadian

scheme, and they believe they have sorted them out. But I am not in a position to comment whether they have sorted them out. That is broadly as I understand the situation.

Senator EGGLESTON—That is broadly as I have heard it, too. Perhaps the issue of sorting that may have occurred earlier on was much less of a problem as the scheme matured. That was another of those rhetorical questions. There has been a long-running campaign by the minerals and energy sectors centred on a flow-through share scheme, and calls for increased funding for government pre-competitive geoscientific mapping. What funding for government pre-competitive geoscientific mapping has occurred recently? Is the government in effect pushing the gas pedal with one foot and the brake with the other? Are you providing funding for geoscientific modelling? I think that issue was referred to in a previous answer. There are ongoing programs administered by Geoscience Australia for pre-competitive geoscience, both in the offshore and onshore areas, and those programs continue.

Senator EGGLESTON—Has the funding increased? The whole purpose of flow-through shares is to encourage exploration, is it not? Are you approaching other programs with the same interest in enhancing them to increase exploration for minerals and other resources?

Mr Hartwell—I do not think I can add too much to my earlier answers other than the fact that the minister and I believe other ministers have stressed the importance of ongoing pre-competitive geoscience work in the context of maintaining Australia's resource base. I suggest that you might want to ask our colleagues from Geoscience Australia on the details of the work they are doing under those programs. But I do believe, and I will suggest to you, there have been numerous public statements to the fact that that work is supported by this government.

Senator EGGLESTON—Has the funding for it gone up?

Mr Hartwell—I cannot answer that question specifically in terms of the funding each year of the programs, but you could ask that of Geoscience Australia. I do believe they are to follow.

Senator EGGLESTON—I will do that.

Senator MILNE—I would like to start by asking some questions about the uranium initiatives that you have just mentioned. I note there is \$3.8 million in the budget committed for this year and next year to extend and complete an environmental impact assessment of a site for a radioactive waste dump. Can you tell me whether that means that a preferred site has been selected?

Mr Hartwell—No, there has not been a preferred site selected.

Senator MILNE—Can the minister tell me why Muckaty was mentioned in the supplementary information to the budget in 2008-09 for the Northern Territory in the section on radioactive waste management?

Senator Carr—I am advised there was an error in the Treasury documentation and that the budget papers in that regard are incorrect.

Senator MILNE—When you say it is incorrect, what is the current status, then, of the examination or identification of Muckaty as the Commonwealth radioactive dump?

Senator Carr—I will let the officers deal with the technical questions.

Mr Hartwell—The state of play in relation to investigation of possible sites for radioactive waste management is that Parsons Brinckerhoff, which was contracted by the previous government to do work in relation to site characterisation studies for Muckaty but as well for the three Defence sites that previously were being looked at, has largely completed its work and will be providing a report to the government later this month. I think that is correct.

Senator MILNE—So there will be a report to the government later this month from it, and essentially a comparative analysis of all the Northern Territory sites?

Mr Hartwell—I think a whole range of things will be looked at. Whether it is a strict comparative analysis in the way that you have suggested, I could not answer that. Certainly it is looking at a number of issues relevant to the site characterisation.

Senator MILNE—You said a little while ago that part of the money under the uranium initiatives was in regard to benefits for Indigenous people. Minister, are you aware and do you acknowledge that some traditional owners from the Muckaty land trust oppose the nomination and assessment of the site in the land trust for the radioactive waste dump?

Mr Hartwell—The first point I would make is that when I spoke about the uranium initiatives, that is a separate program, if you like, and a separate body of work from the body of work being undertaken in terms of radioactive waste site management. The uranium initiatives for the Indigenous people really relate to the fact that there is quite a deal of support for uranium mining by a number of Indigenous groups, especially within the Northern Territory. We are trying to maximise the benefits that will occur from uranium mining both in terms of royalties and in terms of their participation in the uranium industry as such. In relation to the radioactive waste management site issue, Muckaty was looked at because it was volunteered by an Indigenous group. We are aware that there are some varying views in relation to Muckaty, but we continue to work through those.

Senator MILNE—I believe Minister Ferguson received a letter on 22 April this year from 28 traditional owners of the Muckaty land trust asking for clarification about the proposed waste dump at Muckaty, and the letter says, ‘We want the government to stop and listen to us, take our word and we say no.’ Do you know whether Minister Ferguson has responded to those traditional owners yet and what he has actually said?

Senator Carr—I will let the officers take this. But on the previous question, when I did have responsibility for this area of policy it was fair to say that there was a range of opinions from Indigenous land holders in regard to this particular site. There was not a unanimous view in regard to a response to Muckaty station. I will let the officers deal with the latest correspondence.

Mr Davoren—I think the important thing to note is that there are a number of estate clans in the Muckaty trust. The people that have volunteered their land did so at meetings convened by the Northern Land Council under the rules set up under the Aboriginal Land Rights (Northern Territory) Act. There are people from some other clans who could not reach agreement on hosting a facility on their particular lands, but the particular estate clan that volunteered the land did so, as I understand it, unanimously.

Senator MILNE—But that was not my question. My question was: do you know if Minister Ferguson has responded to the letter from 28 traditional owners saying—

Mr Davoren—I have not seen the letter in the department.

Senator Carr—We will take that on notice.

Senator MILNE—Minister, when Muckaty station was identified as a potential dump site, you said at the time that ‘today’s announcement is yet the next chapter in the decade long saga of lies and mismanagement that has become Howard’s waste dump’. That is from a press release of 27 September 2007.

Senator Carr—At the time a very fair comment.

Senator MILNE—Do those comments still stand in relation to Muckaty?

Senator Carr—I am no longer responsible for this area of policy. This is a matter that Minister Ferguson has carriage of. As the officers have just indicated, the department is in the process of working through those issues.

Senator MILNE—But you must still either hold or not hold that view?

Senator Carr—You shouldn’t say it with such enthusiasm; it’s *Yes, Minister* stuff.

Senator MILNE—I think the people who live at Muckaty will want an answer to that question.

Senator Carr—The point is that there is a range of views in regard to this issue from those groups directly affected by the decision.

Senator MILNE—That is right. But, as I say, your view at the time was very clear.

Senator Carr—Yes, it was.

Senator MILNE—And the view of many of the traditional owners. I do not see that anything has changed except that there has been a change of government and a change of minister.

Senator Carr—And a change of spokesperson in this area.

Senator MILNE—I understand, Senator Carr, you made a pre-election commitment that the Commonwealth Radioactive Waste Management Act would be repealed if Labor was elected. Can you tell me when it will be repealed?

Senator Carr—I will leave that question to the officers.

Mr Hartwell—That matter is under consideration.

Senator MILNE—It is under consideration in the department. What instructions do you have?

Mr Hartwell—The government has that under consideration.

Senator MILNE—I am at a loss to understand that. The Prime Minister has said that every election commitment will be fulfilled to the last letter. And it was to repeal the Commonwealth Radioactive Waste Management Act. Let me put it another way. Has any work been done—

Senator Carr—What I can say to you is that the government is committed to implement its election promises. The government has been in office for six months and I do not believe it is reasonable to expect that all election promises will be implemented at the same time.

Senator MILNE—That is absolutely right. I can understand that, but I am asking whether this one is going to be upheld. Will this act be repealed and, if so, when?

Senator Carr—That is a matter that I will have to take on notice. The relevant minister has carriage for the implementation of this area of policy.

Senator MILNE—Again, people are going to be very interested in that one, as you can well imagine. In the budget papers it says that the \$3.8 million is being committed to extend and complete an EIS. Does this mean that one of the current sites being looked at will be further studied? What does extend mean in that context?

Mr Hartwell—I think that would depend on the outcome of consideration of the report that I mentioned earlier, which will be presented to the government later this month, we believe. Essentially, the work going forward will have to of course take that report into consideration in any decision that might be made by the government.

Senator MILNE—Can you tell me if the department or ministry has considered the 1997 Bureau of Resource Science national site selection report, or is it only the four Northern Territory sites that are currently under consideration?

Mr Davoren—That matter is under review. It may be that the government might invoke some of the work done in those earlier studies. I could not say at this stage.

Senator MILNE—Given that everything is under review, why did the budget make no provision for first-order issues such as assessing waste management options and, if appropriate, site selection studies?

Mr Davoren—In allocating any money here we could not be definite about anything. We may not have a site to conduct an EIS on. This is not a whole lot of new money, it is essentially a rephrasing of existing money, maintaining the status quo in effect until we get a decision that is agreed within government on the way forward.

Senator MILNE—Can you clarify what you meant when you said the reference to Muckaty in the budget 2008-09 for the Northern Territory was a mistake? What do you mean, it was a mistake? Can you explain more fully what is the mistake?

Ms Rose—Our understanding is that the document you are talking about was drafted very early on in the piece when there were a number of sites listed. If you look at page 286 of Budget Paper No. 2, that has the correct text, which does not make any reference to a particular site, because as has already been described that process is still underway.

Senator MILNE—Has there been an erratum or anything put out so that people—

Senator Carr—That is a matter for the Treasury to take up.

Senator MILNE—Surely for the benefit of the people at Muckaty it would have been a courtesy to let them know that the reference to them does not mean that the site has been selected. You can appreciate from their point of view that they see \$3.8 million put aside for the EIS and they see Muckaty mentioned in the papers. Their assumption is obviously that the

site has been chosen; it is them. Can I have some indication that the government will inform the traditional owners and others, and the Northern Territory, too, presumably?

Mr Davoren—That error was made clear to the Northern Territory Department of Health and to the Northern Land Council, which represents the interests of the Muckaty traditional owners in relation to land issues.

Senator MILNE—So they have already been informed—

Mr Davoren—Yes.

Senator MILNE—through the land council. If Minister Ferguson has responded to the traditional owners in that letter, presumably it will also be pointed out to them in that, but I will wait to get that on notice. On a slightly different tack in relation to this, what is the current expectation, as in a time line, for the return of spent fuel from France and the UK?

Mr Davoren—That material could return as early as 2011 and as late as 2015. That is the material in France and the United Kingdom. I think ANSTO has given evidence in previous estimates that they expect it to be more towards the back end of that period, so up around 2015. There will be other material coming back from the OPAL reactor. The United States has agreed to manage that fuel. In other words, it will not be coming back to Australia, I think, until 2016.

Senator MILNE—I note recently that the minister has been talking up an Australian Uranium Association report predicting massive future increases in the South Australian economy as a result of uranium mining. Did the department have any input into, do any assessment or analysis of the Australian Uranium Association's report?

Mr Hartwell—That report was commissioned by the Australian Uranium Association and prepared by Deloittes. No, we did not have any specific input into that report. That was commissioned by the Australian Uranium Association and produced by an independent consultant.

Senator MILNE—Have you done any assessment of that report?

Mr Hartwell—We have provided the minister with just a broad summary of the report and basically the workings around it. But that is as far as it has gone.

Senator MILNE—Were you satisfied that the report was accurate?

Dr Boxall—That is calling for us to give a judgement on the quality of the report, which we are not permitted to do.

Senator MILNE—I accept that. But I am trying to get to whether the department made any analysis of it other than just summarising it.

Mr Hartwell—We just summarised the report. We briefed the minister on a whole range of issues.

Senator MILNE—I understand that the report's projection for the number of nuclear reactors to be built in the coming two decades is actually 80 per cent higher than the forecasts of the world's leading global energy agencies, the IAE and the IAEA. Would you take a question on notice to look at the report's projections and see whether that is in fact true?

Mr Hartwell—We can look at the issue of a discrepancy between what was in the report and the IAEA.

Senator MILNE—Also, I understand that in that report uranium prices are modelled at US\$100 a pound, which is way above the recent spot price of about US\$75 a pound. Could you also have a look at that modelling?

Mr Hartwell—If you look at the report, which is a public document, you will see that there is a number of scenarios around uranium prices and uranium demand. It has a high scenario, a medium scenario and low scenario. There is a whole range of prices within that report.

Senator MILNE—Yes, I understand there are several scenarios, but by not presenting the conservative scenario based on lower price forecasts and realistic demand, the report and therefore the minister are on the public record basically underestimating the risks and dramatically overstating the potential. That is why I would like to look to you as a department, before we embrace all of these uranium initiatives, to look at how realistic the conclusions of that report are. Can I also ask whether that report assumes a carbon price of US\$50 a tonne?

Mr Hartwell—I would have to go back and check. There are a number of assumptions and a number of models built into the report. As to the various detail of the report, someone has just thrown a copy of it in front of me, but I would prefer to take that question on notice.

Senator MILNE—Yes. I would like to know whether it does assume a US\$50 price on carbon, in which case, if that is what the minister thinks is realistic, that will be an interesting discussion that we will have. Can I move on to some of the renewable energy assessments. Prior to the election the Labor Party in opposition promised to spend \$75 million each year from 2008-09 to 2010-11, a total of \$225 million, on the Renewable Energy Fund. But from what I can see in the budget, because of a slow and delayed start, by the end of 2010-11 only \$126 million, or 50 per cent, of this election commitment will be met. Can you tell me whether that is the case and can you also explain to me why, in the face of climate change, we are having a delayed start to the Renewable Energy Fund until 2009?

Mr D Clarke—We will come back to you in just a moment with the announced profile in the out years to the Renewable Energy Fund. However, as to the second part of your question about the pragmatics of the timing, we expect that the Renewable Energy Fund will be supporting us in quite large-scale renewable energy projects, that is, well beyond the small R&D projects, projects that are going to get these technologies to that new commercial scale. Our experience in administering programs of that size—and I will talk order of magnitude \$50 million plus—is that it takes quite some time to go through the process of project identification, selection, contracting and construction. The timing of the actual cash flow is a function of the projects itself.

We are working on the design of the Renewable Energy Fund now. This is not a delay in the commencement of the work of the project design or indeed project selection, it is just an assessment of when we might reasonably expect the cash flows to occur. That is the Renewable Energy Fund as a whole. There were two subelements of it announced during the

budget process as well. One is \$50 million for geothermal drilling, and the other is \$15 million for generation 2 biofuels.

Senator MILNE—While I am waiting for an explanation of the figures, I would like to go to that \$40 million to geothermal.

Mr D Clarke—There is \$50 million for geothermal drilling.

Senator MILNE—Is that money that was taken out of the Energy Innovation Fund?

Mr D Clarke—Are you referring to the minister's announcement of today?

Senator MILNE—It has been discussed quite widely but announced today that that money was taken out of the Energy Innovation Fund. Is that correct?

Mr D Clarke—The terms of the announcement and the reality are quite clear, that \$20 million of the appropriation for the Energy Innovation Fund will be used this coming financial year, 2008-09, to kick-start the geothermal drilling, and it will be swapped back in the out years. There is no reduction in either of the programs. It is simply a timing of when the cash flow is expected to occur.

Senator MILNE—It was widely reported that the money was taken from solar thermal projects. Is that not the case?

Mr D Clarke—It is not the case.

Senator MILNE—Is it new money or was it money that was taken from something that was already committed?

Mr D Clarke—It is not taken from anywhere in terms of existing projects or commitments. It is merely a phasing or timing issue. The total appropriations in all areas are unchanged.

Senator MILNE—I turn to the solar homes and communities fund. The election promise was for \$150 million, but the budget allocates only \$25.6 and \$19.4 over the next two years, a total of \$45 million, and implies that these have been moved forward. I cannot find the \$150 million. Where is the rest of it?

Mr D Clarke—That program is administered by the environment department. I cannot respond to your question.

Senator MILNE—So you have no input in how that money is allocated or anything else?

Mr D Clarke—No.

Senator MILNE—Can I go back to the question I asked you a minute ago about the money for the Renewable Energy Fund?

Mr D Clarke—A colleague is just tracking down the out year profile of that to report back to you in a moment.

Senator Carr—I have some further information for you about the letter to Minister Ferguson. I am advised that Minister Ferguson received a letter from a Mr Elliot McAdam, who had received a letter from 28 people claiming to be traditional owners. I am advised that none of the 28 persons claiming to be traditional owners are traditional owners of the land nominated as Muckaty.

Senator MILNE—Do they not own the land over which the road and pipeline will have to—

Senator Carr—That is all the information I have.

Senator MILNE—You do not have any more information on that. I would like to move to so-called clean coal and carbon capture and storage. Firstly, I have a broader question. What discussions are the department engaged in with the new Department of Climate Change in terms of meeting the Prime Minister's election commitment of reducing greenhouse gas emissions?

Dr Boxall—Is this part of the development of the emissions trading system?

Senator MILNE—No, just as a directive to your department. Is there any directive that what you do has to contribute to an overall government objective of reducing greenhouse gas emissions?

Mr D Clarke—The clean energy, low emission technologies programs that the government announced are all presented in the context of lowering the cost of meeting the government's overall climate change program. We consult with our colleagues in the Department of Climate Change all the time.

Senator MILNE—But the issue is not about meeting the cost; the issue is about bringing down emissions. Have you reviewed the criteria at all for government spending on so-called clean coal and geosequestration projects in the light of the need to reduce emissions?

Mr D Clarke—The program guidelines for the National Clean Coal Initiative and the Renewable Energy Fund have not yet been finalised. You are aware, of course, that the previous emission technology demonstration fund had emission reduction criteria coded into the guidelines. Whether or not the government chooses to continue that pattern is a matter that has not yet been decided.

Senator MILNE—So the new Prime Minister's Department of Climate Change has not had interdepartmental discussions or whatever with you about making sure that all the programs that you deliver have that criterion in them?

Mr D Clarke—We are not at that stage yet. The program design work and consultation with industry is still underway. The ministers have not yet been given advice from departments on their detailed design criteria, let alone taken a decision.

Senator MILNE—On the so-called clean coal and the research that has been done on capture and storage, what level of confidence does the department have about the degree to which you can seal materials or the method used when plugging and abandoning these storage sites?

Mr Hartwell—As you rightly point out, the National Clean Coal Initiative and the Clean Coal Fund will support the development and deployment of clean coal technologies, including carbon capture and storage. The issues are technical issues related to the monitoring and verification of the storage of CO₂. They are issues that certainly we will be looking at. We will have an assessment process in terms of the projects that are supported under the Clean Coal Fund. In other words, that is part of the research and development of these technologies that we need to do.

There is one small pilot project in existence in Australia at the moment which is doing just that. That is the Otway project in Victoria, which is storing CO₂. There is a long-running process that will go forward in which a number of research institutions including Geoscience Australia, CSIRO and the Cooperative Research Centre on CO₂ will be participating to look at the properties of storing CO₂ and what might happen when it is sequestered in the fashion that you have indicated.

Senator MILNE—If it is sequestered in the fashion indicated.

Mr Hartwell—It is a pilot project.

Senator MILNE—I will come back to that.

Senator JOHNSTON—With respect to Otway, what legal framework was used? How much has been injected—500,000 tonnes?

Mr Hartwell—No, I think it is about 50,000 tonnes.

Senator JOHNSTON—What legal framework did we use? It was onshore, was it not?

Mr Hartwell—It was onshore. Onshore access, essentially subject to Victorian jurisdiction.

Senator JOHNSTON—Again, what legal framework did we use? Do the Victorians have any legal framework? I note last weekend we got your offshore legal framework, but do the Victorians have any?

Mr Hartwell—I think if you asked them they would say, yes, they would.

Senator JOHNSTON—You are the man I rely on. Have you seen it?

Mr Hartwell—I have seen it. I might ask my colleagues who are a little bit closer to this on a day-to-day basis.

Senator JOHNSTON—I think there is an interesting liability issue as to whose laws apply.

Mr Hartwell—And, indeed, onshore, you might say it is Victoria.

Senator JOHNSTON—Given that we have funded it, of course—

Mr Hartwell—We did fund part of the project.

Senator JOHNSTON—You might say the Commonwealth bears some liability, too.

Mr Hartwell—Yes.

Senator JOHNSTON—Ms Sewell, can you help me

Ms Sewell—I might clarify one of the points that Mr Hartwell has just made. The Otway project is storing 100,000 tonnes of CO₂, and that is the basis for the monitoring and verification part of the program that the Commonwealth funding has been specifically directed towards.

Senator JOHNSTON—So it is 100,000 tonnes of liquid carbon? Just before we get into the precise framework, let us look at this project. Where did we get that carbon from and what form was it in primarily?

Ms Sewell—The carbon dioxide is being extracted from naturally occurring CO₂ source some kilometres away from the injection site. It is being transported. It is being liquefied and transported and it is then being injected in the Otway area.

Senator JOHNSTON—So we have a totally experimental scenario where there is no commercial producer, there is no capture, there is no commercial compression; we simply have this naturally occurring deposit and we are compressing it? Do we have a per tonne cost of compression or is that commercial-in-confidence?

Ms Sewell—No, I do not think it would be commercial-in-confidence. But I certainly do not have that figure with me. I would like to remind you that this is a pilot project. This is about demonstrating the transport and the injection but most importantly about demonstrating ability to monitor the movement of that CO₂ underground and whether it actually moves as it has been predicted.

Senator JOHNSTON—Our view as a department is that the most important aspect is the in situ parameters and performance of the liquid?

Ms Sewell—Yes.

Senator JOHNSTON—I am also interested in, firstly, obviously, the cost of capture, compression and transport. How do we move this? In what form do we move this liquid? In a truck, pipeline or what?

Ms Sewell—No, it is in a pipeline.

Senator JOHNSTON—In a pipeline that we laid specifically for the purpose?

Ms Sewell—Yes.

Senator JOHNSTON—Do you know what pressure the pipe carried

Ms Sewell—No, I do not. I will just look to my Geoscience Australia colleagues.

Senator JOHNSTON—How far did the pipe convey the liquid, do we know?

Ms Sewell—Off the top of my head, it is only a few kilometres. We could verify that for you.

Senator ALLISON—Where does the CO₂ come from?

Mr Hartwell—It is naturally occurring.

Senator ALLISON—Where does it come from?

Ms Sewell—It is extracted from a natural gas deposit.

Senator ALLISON—So it is gas?

Ms Sewell—Yes.

Senator JOHNSTON—Methane?

Dr Foster—Perhaps I can answer some of those technical questions. Firstly, we have to remember it is a pilot project under the CRC program, the Greenhouse Gas Technologies CRC. In answer to the question, the gas is naturally occurring CO₂. It is one of Australia's CO₂ fields in the Otway Basin.

Senator ALLISON—Does it naturally come to the surface or is it just down there?

Dr Foster—No, it is trapped in a gas field.

Senator ALLISON—So we pull it up and then we liquefy it?

Dr Foster—We take it from the Buttress gas field. It is taken as a source of CO₂. It is compressed and injected as a liquid.

Senator ALLISON—But we extract it in the first instance?

Dr Foster—Yes.

Senator ALLISON—How dense is it with CO₂?

Dr Foster—By compression and injection below—

Senator ALLISON—No, how dense is the source material with CO₂?

Dr Foster—How dense? It is over 90 per cent CO₂.

Senator ALLISON—And the remainder?

Dr Foster—Methane. It is a naturally occurring gas well.

Senator JOHNSTON—Ms Sewell, can we come back to the project itself and perhaps Mr Foster might have to intervene again. What mechanisms are we using to monitor the performance of that 100,000 tonnes?

Mr Hartwell—It is a project which is really under the auspices of the cooperative research centre on CO₂, the CRC CO₂, which falls under another portfolio. Geoscience Australia is part of the consortium. These are very technical questions and I suspect, with all due deference to everyone in this room, we are probably not in the best position to answer them.

Senator JOHNSTON—Let me tell you the rationale of my asking the question. All of our clean coal aspirations depend very largely on whether this pilot project gives us the right numbers, if I may be so bold. I want to know when we will know all of the performance parameters of the Otway experiment.

Dr Foster—Firstly, in terms of monitoring, there is some deuterated methane installed in it. In other words, it is injected. The Buttress field was where the source of the material comes from. There is a two-kilometre pipeline to an injection well called CRC1.

Senator JOHNSTON—How deep is it?

Dr Foster—It goes down beneath 1,000 metres.

Senator JOHNSTON—So a kilometre in depth?

Dr Foster—Then it becomes a supercritical fluid. The gas then acts as a fluid and it compresses 600 times. Between that and the Naylor-1 well, which is the monitoring well, 300 metres, the gas being injected has a methane identifier in it. When it breaks through into the monitoring well, we will be able to know the capacity of the rocks and the way it moves through. There is a number of measuring devices down the well to look at this when it comes through. In other words, it is tagged.

Senator JOHNSTON—Given 100,000 tonnes of what we need to inject is millions and millions of tonnes, when will we have a clear picture of how successful and stable the sequestration of that liquid is?

Dr Foster—I think we would know that the Sleipner field has been injecting in Norway in the North Sea probably a million tonnes a year for the last 10 years. There is a monitoring site there where the actual field is monitored by 4D seismic, where they look at a time series and they can actually see where the supercritical fluid is moving.

Senator JOHNSTON—So why are we doing it, then?

Dr Foster—Because the conditions in the different geological areas—the rocks—are different. They have different ages, they have different properties and so this is the first time Australia has the opportunity to look at this. We would expect a breakthrough into the monitoring well within, say, six months, so we will be able to check the performance. As you would appreciate, there is a lot of modelling going on through the CSIRO and through the CRC. There are predictions, of course, so they can be tested. We think that breakthrough would occur in perhaps six months time.

Senator ALLISON—Can I ask why that part of Victoria was chosen when brown coal produces most of Victoria's CO₂ and is on the other side of the state? Why not test this in a place where you might want to use it?

Dr Foster—There are two reasons. One is the actual natural supply of CO₂. In other testing areas in the world, the US actually has to purchase CO₂ to inject it. That is an expense. There is a naturally occurring CO₂ source nearby. Preliminary geological assessment of the area under the GEODISC project indicated this would be a suitable geotechnical site to inject.

Senator ALLISON—Suitable in what sense?

Dr Foster—Suitable in that it would trap the material geologically.

Senator ALLISON—Is it not a pointless exercise when you do not have the source of CO₂ close to the site where you want to store it?

Dr Foster—There is a source of CO₂ and it is actually testing—

Senator ALLISON—I know it is convenient, because you have a source of CO₂, but the main game is the coal-fired power in the Latrobe Valley.

Dr Foster—With respect, this is a project that needs to test what the capacity of the rocks is to do it, to move the fluids through, the seal capacities and so forth. It is a test. It has not been done in Australia before.

Senator ALLISON—If the test is successful, how then do you deal with the Latrobe Valley CO₂?

Dr Foster—That will be moved to other sites that have been determined, other geological sites.

Senator MILNE—Surely you cannot extrapolate from one site to another? The geology is going to be different.

Dr Foster—I think there will be a set of parameters that we will be able to look at and make assumptions.

Mr D Clarke—To put this into context, there are, as we understand it, 11 major projects in the storage of CO₂ operating today around the world, of which the Otway project is the most recent one and the first in Australia.

Senator ALLISON—It is often said about Australia that we are not so lucky; we do not have suitable sites in the right locations in this country, unlike Norway and other places.

Mr D Clarke—I do not know that. I have not heard that statement. We are testing in the Otway a number of technologies, as Dr Foster has said, including the use of a depleted gas field as the storage site. There will be other depleted gas fields potentially available for Australian storage sites.

Senator ALLISON—There is one not that far from Latrobe Valley.

Dr Foster—Indeed. Hence knowledge learnt in Otway will be extremely valuable for the potential commercialisation of storage in Gippsland.

Senator JOHNSTON—The framework that we used to access the kilometre depth at Otway was the Victorian framework?

Ms Sewell—Yes.

Senator JOHNSTON—I was given to understand that there was not actually a Victorian framework.

Ms Sewell—There is no specific legislation in Victoria to accommodate carbon storage projects. The Victorian government took a decision to use relevant pieces of legislation ranging from environmental assessment legislation through to their existing onshore oil and gas legislation to put together a suitable regulatory framework for that project.

Senator JOHNSTON—Let us go to the question that flows from that. How many states have enacted onshore frameworks for the sequestration of liquid carbon?

Ms Sewell—The situation varies from state to state.

Senator JOHNSTON—It sure does.

Ms Sewell—At the moment South Australia is the only state that actually allows under its existing oil and gas legislation commercial carbon sequestration. Three other states are in the process of developing legislation: Queensland, New South Wales and Victoria.

Senator JOHNSTON—What role are we taking in making sure that there is a common thread particularly on the eastern seaboard with respect to those frameworks?

Ms Sewell—As we discussed at the last hearing, there is a limit to what the Commonwealth can do in this area. Certainly under the Ministerial Council on Mineral and Petroleum Resources we are working as closely as possible with the states to make sure that we have a common framework, within which the states will then have to accommodate their individual need in terms of other potential users of each site. Since the last estimates hearing you would be aware that the Commonwealth has released its CCS legislation. That legislation has been referred to a House of Representatives committee for inquiry. One of the terms of

reference for that inquiry is to ask the House of Representatives committee to provide comment on the extent to which the Commonwealth legislation could be used as a model for the other jurisdictions to draw from.

Senator JOHNSTON—How are we going? Can you give me a report as to how are the states progressing, that is, a synergistic approach to this? From I think the Commonwealth's point of view—and it is not a matter of politics—if one state on the eastern seaboard has all the sites, all the commercial sites, that is close sites, like, for instance, the one we have discussed, the Latrobe Valley, and a framework that is very conducive, I suspect we will have a problem. Are they lining up to acknowledge that we need a uniform national framework?

Mr Hartwell—As to broad principles, they have agreed through the Ministerial Council on Mineral and Petroleum Resources, as Ms Sewell has mentioned, to work with us towards consistency of the legal and regulatory framework surrounding greenhouse gas storage. We continue to work with them. 'Uniform' is something you might be saying is always a bit challenging in the Australian context, but certainly they are working with us. At the last Ministerial Council on Mineral and Petroleum Resources, as we mentioned at the last estimates hearing, they have agreed to serve on a group essentially with the objective that you have outlined.

Senator JOHNSTON—An executive officers group?

Mr Hartwell—Yes. It is a group of officials who are working in this area towards, if you like, harmonising and getting consistency in the legal and regulatory framework, as much as we possibly can, in relation to the storage of greenhouse gas technologies. Of course, this is work in progress. As Ms Sewell has indicated, the only state that has legislation governing this at the moment is South Australia. Its legislation is essentially around oil and gas.

Senator JOHNSTON—Santos.

Mr Hartwell—Yes, because CO₂ is used for enhanced oil recovery in many places.

Senator JOHNSTON—What are the problems associated with getting a uniform system? What are they saying in each state? What is the difficulty in doing it? I actually relate this to the Corporations Law, if I may be so bold; you might be surprised to hear me say that. I actually think this is such an integral part of our energy costs structure that everything should be identical right across the country. But what are they saying is the problem?

Ms Sewell—I do not think we are actually at the stage of being able to say that we have not been able to reach a common approach.

Senator JOHNSTON—Has South Australia gone alone, in other words?

Ms Sewell—No, South Australia's legislation has permitted that part of the process for many years, and it reflects the fact that onshore petroleum development has been developed by each state in acknowledgment of the circumstances in that state. But I think it is fair to say that the states that are interested in pursuing a regulatory framework for CCS have very much been waiting for the Commonwealth to release its legislation. Our legislation is a very detailed attempt to assess the balance between the potentially competing needs of the oil and gas industry and the needs of a commercial CO₂ storage sector.

Senator JOHNSTON—Thank you for that. I want to talk about the Commonwealth's legislation—

Senator MILNE—What about the needs of the taxpayer? I will come to that in a moment.

Senator JOHNSTON—I want to talk about the new legislation for sequestration that the Commonwealth has foreshadowed, the exposure draft. I take it, Ms Sewell, you are the person for that discussion?

Ms Sewell—I am.

Senator JOHNSTON—Who has priority over subsurface rights between a sequester and an oil permit holder?

Ms Sewell—Can I just preface my response by reminding you that the Commonwealth legislation deals only with offshore areas.

Senator JOHNSTON—I am aware of that.

Ms Sewell—So that is greater than three nautical miles offshore.

Senator JOHNSTON—Yes.

Ms Sewell—In that sort of acreage. The potential alternative users under the surface are very much the oil and gas sector. Then there are potential users above the surface, which is the fishing industry in particular. The legislation deals with the subsea issues and essentially the framework that we have adopted to acknowledge the rights of existing oil and gas title holders in an area. So there is provision for a no significant impact test, which the responsible Commonwealth minister would be required to adjudicate if it became an issue.

Senator JOHNSTON—So we get into the Pico-Wallsend case scenario, where the minister has to make a decision, it is reviewable and all of the officials can be summoned to give evidence in support of an administrative law case?

Ms Sewell—That is one way it could go, yes.

Senator JOHNSTON—We are talking very large sums of money. We are talking massive investment by oil and gas personnel on their licences, and we are having potentially, given the proximity of offshore prospective sequestration sites, particularly in Victoria, a lot of competition for them given the cost of moving the product from A to B. Am I correct?

Ms Sewell—Yes.

Senator JOHNSTON—We have the oil and gas permit holder having exclusive priority subject to the no disadvantage test or no impairment test? That strikes me as a lawyers' feast, I must say. Would you like to comment on that?

Ms Sewell—No, I do not think I would like to comment.

Senator JOHNSTON—Is it not better to have exclusive possession of lands that are not occupied, so we avoid it totally? If there is an oil and gas licence, then they have priority?

Mr Hartwell—I think essentially they do have priority to the extent that there is an impairment test, as Ms Sewell has indicated. I think the reason that we have gone for the draft legislation in having, if you like, dual rights, is the possibility of there being the potential to sequester CO₂ but still continue hydrocarbon exploitation. Technically, we are advised that

this is possible, that you can do it because you are dealing at different levels of the subsurface. While, obviously, there will be some varying views on this, this is something that we had to accommodate. We are advised that many of the potentially good sequestration sites are at the moment under petroleum title holders. If we are to progress carbon storage in the way that we think is desirable, we have to address this issue. But we do not want to put our existing petroleum title holders at a disadvantage. So essentially the legislation provides a framework where that issue may be sorted out.

Senator JOHNSTON—May I say that, whilst that is not the way I think you should have gone, having gone that way, what are the time constraints in terms of ministerial decision making? Bear in mind the emissions trading scheme is upon us. The capture and sequestration is going to be an urgent issue particularly in the Latrobe Valley. If the minister is sitting on the decision-making process and then it goes off to the AAT, then the Federal Court, then the High Court, you have four or five years. What are we doing to mitigate that?

Ms Sewell—That is not a point that has been addressed in the draft legislation that has been released.

Senator JOHNSTON—Do you not think it needs to be released? We do need a decision from the minister on these sorts of matters very expeditiously.

Ms Sewell—I would suggest that the specificity of that part of the process is best dealt with in the regulations, and the regulations have not yet been released.

Senator JOHNSTON—I know that. Why do you say it would be best dealt with by regulation? These are very important rights. The minister is determining massively valuable rights and affecting lives. In Victoria's case, there are at least 5,000 megawatts coming out of the Latrobe Valley.

Ms Sewell—The draft legislation is perhaps best described as an enabling framework.

Senator JOHNSTON—So we are having a discussion rather than any finality. I think that that is fair enough, too.

Ms Sewell—I think process matters are usually dealt with in regulations in terms of providing the specific framework within which, for example, the minister might be required to make a decision such as you envisage. The framework of the legislation is designed to be underpinned by more detailed regulations.

Senator JOHNSTON—I want to come back to this. I am not finished yet, but I am happy for Senator Milne to intervene.

Senator MILNE—In terms of the draft exposure bill that is out now, can you explain who bears the liability once the minister has issued a certificate to the company and they walk away from the plugged storage? Who bears liability if it leaks and who bears the cost of monitoring in perpetuity?

Ms Sewell—The liability will remain with the project operator for as long as that project operator can be identified. The site closure certificate of itself does not absolve the operator of the project from long-term monitoring. The site closure certificate is issued when an appropriate monitoring program has been agreed with the project operator, and the project

operator maintains that monitoring program for as long as has been agreed. The monitoring of the project may then cease, but common law responsibilities remain with the project operator.

Senator MILNE—As long as the project operator is an entity which can be pursued. Do we not have exactly the same legacy issues we now have with the mining industry; the minute they walk away from a project the next one will not take liability for the rehabilitation and problems associated with it? How can the community not see this as a massive cost in the longer term? There is no guarantee in terms of liability.

Ms Sewell—It is important perhaps to put this in the perspective that the whole process of storing CO₂ in a selected area is actually under intense scrutiny before any CO₂ is put into the ground. The project proponent will actually have to convince the government that the site is suitable in the first place. These sites, particularly when you are talking about depleted oil and gas fields, have held petroleum products for millions of years and so there is that integrity of the site which will be reviewed before any CO₂ injection starts. The chances of leakage with each stage of the agreement for the project are minimised all the way through.

Senator MILNE—We are talking about 250 million tonnes a year of CO₂ from Australia's existing power stations. What area of cavity will we need for 15 years of coal-fired power?

Ms Sewell—Again, I might pass to Geoscience Australia, but certainly the work that they have done suggests that there is adequate storage in areas around Australia to deal with our emissions for hundreds of years, if not thousands of years. The issue is whether there is actually an appropriate source-sink matching in terms of the distance that some of that CO₂ would have to be moved.

Senator MILNE—I appreciate the costs associated with that. But you said a moment ago that the liability will, in part, be dealt with by the suitability of the substrata in which you are going to pump CO₂. Is Geoscience satisfied there are proven existing satisfactory substrata that can cope with this volume of CO₂?

Dr Foster—Can I just return to the Otway for a moment as an example. I commented that the injection is below 800 metres to 1,000 metres—that is the general case—to make the CO₂ into a supercritical fluid. It acts like a fluid. In the case of the Otway itself, it is going down 2,100 metres. It is injecting into a depleted gas field; as Ms Sewell commented, a depleted gas field that has held gas for 65 or probably 60 million years. We know the integrity of that particular site. Interestingly, there are not enough of those depleted gas fields in Australia to hold CO₂. So other options, including the injection into saline aquifers is another mode of storage, deep saline aquifers where the CO₂ is injected into it. Again, aquifers have been in place for millions of years. These are, as I say, deep saline aquifers.

Geoscience Australia, since 1999, under the GEODISC Program under the Australian Petroleum CRC, looked at 100 localities across 48 basins across Australia and looked at a deterministic risk assessment to see whether they had storage capacity injectivity potential, site details and other resources. Sixty-five of those 100 localities had potential storage capacity.

Senator MILNE—Potential storage capacity. Have you done any calculation of how many wells would be required and subsequently plugged to meet the needs of the coal industry and what sort of cost we are talking about? Are we talking about 250 million tonnes a year?

Dr Foster—Questions in terms of how many wells relate to things such as injectivity, the actual aquifer that you are putting into, the porosity of the rocks, and they are quite variable. In some areas you may have one injection well that might be injecting a million tonnes a year and in other areas you might have quite a number of wells to inject that amount simply because of the rock that is there. The work that Geoscience Australia is doing is sort of precompetitive work where the proponents will have to go in and do the more detailed work. It is analogous to the precompetitive work we do for offshore petroleum where we look at the regional picture, indicate the areas, and people then go and do fine-scale site delimitations.

Senator IAN MACDONALD—Of those sites, are any in the Coral Sea or near the Barrier Reef?

Dr Foster—No.

Senator IAN MACDONALD—None?

Dr Foster—No.

Senator IAN MACDONALD—Was work done looking for those?

Dr Foster—No.

Senator IAN MACDONALD—There was no work done looking in that area?

Dr Foster—No, there was no work done in that area.

Senator JOHNSTON—I want to come back to the question of liability that Senator Milne has raised. Unlike our oil and gas infrastructure, we have tenements or licences or permits that usually have a finite existence. There are over 500 years-worth of coal in the Latrobe Valley. We are going to be putting material, if this science has integrity, into the ground for not just five or 10 generations—something beyond our consideration almost. Firstly, what is the term of the injecting permit? How long do you hold them for?

Ms Sewell—That would be determined on a case-by-case basis.

Senator JOHNSTON—Let us talk Loy Yang A, which produces I think over 2,000 megawatts. It will be producing energy from that site for well into the next century, I would have thought. The ownership will change of that power station probably dozens of times.

Senator MILNE—It is likely to be shutdown.

Senator JOHNSTON—But if this works it may not. It might have a long-term existence for generation after generation. Who will take the liability for what will be almost billions of tonnes of liquid carbon into these sites? Is it presumed that the operator will carry that as an encumbrance that runs with its mineral title onshore?

Ms Sewell—The liability will remain with the operator under the draft legislative framework. The framework does not rule out the prospect that the operators will change over time. You can sell your rights to store CO₂ in a certain area to another operator, provided you meet the requirements set by the responsible Commonwealth minister.

Senator JOHNSTON—That is interesting. There is a whole lot of mechanisms that you can employ with respect to oil permit holders in terms of environmental bonds and cash deposits, and a whole host of financial liability documents. But here, if one of those operators

after so many years, dozens of years, just simply goes broke and the environmental bond sits there and is forfeited to the Commonwealth in the case of our legislation, what happens if that is not enough?

Ms Sewell—That is a hypothetical question.

Senator JOHNSTON—It happens in mining every day of the week.

Ms Sewell—Yes, but we are not yet at the stage. There are arrangements or there are broad principles in place in relation to other industries with long-term liabilities. There is mining and the landfill sector; there are similar issues in relation to long-term liability.

Senator JOHNSTON—But not multigenerational, if I may be so bold.

Ms Sewell—I would agree with that; not with the time frames we are envisaging for CO₂ storage. But I do not think we are in a position to be definitive about that other than to say at some stage if a project operator cannot be found—and application of common law is clearly not going to work—then the responsibility for the liability will pass to the community.

Senator JOHNSTON—The community in the nature of the government.

Ms Sewell—Essentially the government would ultimately be picking up the cost of the response to deal with whatever the liability issue was.

Senator JOHNSTON—The point is there is a liability for the taxpayer in all of this. After all, we are the ones who are issued the licence. You are the department that will assess the application, will look at the science that is presented with it, will evaluate it and then approve it; am I right?

Ms Sewell—Correct.

Senator JOHNSTON—So that the minister will have to sign-off on these tenements; that signature will last much longer than the life of that minister, probably 10 generations, if these are that big? What safeguards have we contemplated with respect to the ongoing environmental management of these licences?

Ms Sewell—Perhaps I will come back to one of my earlier statements which is basically the integrity of the process is envisaged to be managed all the way through. These are not expected to be projects that are attractive to fly-by-night operators, if you like. To even undertake the most basic exploration of a potential site for storage will come in at at least \$50 million. These are very large projects and, because they will be amongst the first in the world, they will be subject to very strict requirements before any CO₂ is injected. During that project, whether an operator is injecting for 10 years, 50 years or for 100 years, there will be very strict monitoring and verification requirements placed on those operators. I think what we are trying to do is put in place a framework that provides the maximum possible reassurance to the community and to the industry that both sides of the different range of interests in this are being met as adequately as possible. That, of course, is one of the other issues that has been referred to the House of Representatives committee for examination.

Senator JOHNSTON—Given what I think you have just said—that the costs associated with the delivery and sequestration of this commodity are going to be so high there is going to

be a specialised operator or subcontractor that deals with more than one operator, have we accommodated that in our framework?

Ms Sewell—We certainly have. Potentially, you have got two different approaches to CO₂ storage underground. You have got a very large CO₂ emitter, deciding that as part of their operations—so a vertically integrated operation, if you like—they will have part of their company that deals with the storage. Alternatively, and what is perhaps more likely to happen, you will see a commercial operator saying, ‘If I base the CO₂ storage site in an area that has a very high emissions profile I will actually be offering a hub service, so I will be saying to the CO₂ emitters: I will take your CO₂ for a certain price and I will consolidate the totality of what I am collecting and I will inject that into one site.’

Senator JOHNSTON—How are you going to tell who has what percentage of the liability if the liability is staying with the producers of the greenhouse gas?

Ms Sewell—No, I do not think I said the liability would stay with the producers. If I am operating a commercial service and you are paying me to take your CO₂ away—and again, I think this is perhaps a hypothetical situation because we are not talking about—

Senator JOHNSTON—GE are doing it in America now. GE have held themselves out as a singular operator to take and store carbon.

Ms Sewell—Then the person who is offering the commercial service will hold the liability for what happens to that CO₂ in the future.

Mr Hartwell—I think that is right. What Ms Sewell is saying is that if someone takes on the role of aggregating CO₂ and actually becomes a commercial operator and essentially offers a service to CO₂ emitters, then that entity would have the liability, not the producer of the CO₂, as you have described it.

Senator JOHNSTON—How far down the path of exploring that aspect of that commercial evolution have we gone as a department, because I can tell you—just quietly—that I think that is the only way this is going to work? But how far down that path have we gone?

Ms Sewell—I am not sure what you mean. Do you mean in terms of—

Senator JOHNSTON—Let me give you an example. There are half a dozen owners of big power stations in the Latrobe Valley. They already club together to provide tourist and other attractions for the whole valley. It strikes me that the first thing they are going to want to do is manufacture a company that has specialist expertise in the capture, compression, transportation and sequestration of all the carbon produced by all of those coal-fired power stations. One entity does the whole lot. What I am interested in is: have we considered that and what is our position with the ACCC in doing that, given they are all competitors?

Mr Hartwell—I think we certainly have considered that and you point to the Latrobe Valley as an example. I think that is what is known—and we have talked about it, and some of the people who are involved will talk about—as the hub concept. The hub concept is where you look at a number of sources of CO₂—and it makes sense because, if you are aggregating all those CO₂ sources and bringing them together, you do not want to duplicate the infrastructure. If it requires a pipeline to transport the CO₂ it does not make a lot of sense

building half-a-dozen pipelines, so you would have an aggregation and they would come together and you would find an appropriate sink to transport that CO₂ to. The legislative and regulatory framework that we have accommodates that possibility.

Senator JOHNSTON—Have we done any work on building a foundation for that structure to operate both by way of the Commonwealth setting a lead to the states, particularly Queensland and Victoria, to show that this is the most likely and cost-efficient way to tackle this problem?

Mr Hartwell—All I can say to you is—and it gets back to where we started on this particular exchange—we started on the National Clean Coal Fund. One of the elements under the National Clean Coal Fund is \$50 million for a national carbon mapping and infrastructure plan which I think encompasses what you are talking about.

Senator JOHNSTON—I am hoping that what you are saying is right, because this is a commercial aspect that I think is so vital to the viability of the science, if I might say, because all of the magnitude of the problem has to come together. We must maximise every economy of scale at our fingertips and the Commonwealth, I think, is ideally suited, with our modelling capabilities, Treasury ability, et cetera, to show what a proper national interest system would look like. I am hoping I will see something in the nature of a white paper, green paper, whatever you want to call it, in the future. Maybe Professor Garnaut might be listening and look at doing it that way.

Senator MILNE—I would like to follow-up on what you were saying about liability. I think it is really important to acknowledge that ultimately it is the community who will have to accept liability if these companies disappear, as in BHP at Ok Tedi, Mt Lyell and many other examples around Australia and the world. But having said that, in the event that you cannot trace the operator, what are the sorts of costs for subsea intervention to try to replug, or fix up, one of these holes that starts leaking. Is that an expensive process?

Ms Sewell—I do not think we can answer that with any degree of precision. That sort of approach has not been trialled anywhere in the world that I am aware of.

Senator MILNE—You said you would have to stump up a lot of money in order to have one of these sites tested and approved et cetera; therefore you would not get fly-by-night operators. Are you aware that a large study was conducted in Norway in the late 1990s, looking at the performance of abandoned wells, and that study found that those plugged and abandoned wells were mostly leaking and that was because the oil industry did not have a means of making the seals totalling fluid-tight, even with modern sealing methods? On what basis are you arguing that it is possible to permanently seal these wells?

Mr Hartwell—I am not familiar with the study that you are referring to. You are there referring to some abandoned oilfields and gas fields, I think. The issues in relation to CO₂ storage are somewhat different. I cannot comment in terms of the validity of the seals. That study purported there were some abandoned oilfields. I presume you are talking about the North Sea, or somewhere like that.

Senator MILNE—And beyond the North Sea. They found that they had sealed them and abandoned them and now they are leaking.

Mr Hartwell—I am just not familiar with that.

Senator IAN MACDONALD—Perhaps, Senator, if you gave the reference to your study, it might be helpful in having a look at it.

Senator MILNE—That can certainly be done. I want to go onto this—

Mr Hartwell—Can you tell us the source of the study?

Senator MILNE—Yes, it is a Norwegian study. It was conducted in the late 1990s and that is what it showed. I will provide the references so that you can have a look at that. Is the sealing material that you are looking at going to withstand, if you like, the changes when the drilling occurs or if there is any fracturing during injection, because from what I can see there are many suggestions that the sealing materials under pressure et cetera will not hold?

Mr Hartwell—I think that is largely a technical question.

Dr Foster—That is a technical question. I cannot give you a particular reference but it would seem to me that, given the industry's approach to this, we could in fact say that sealing—for example, in the Sleipner field—has been going on for 10 years. You may refer to a case of abandoned oilfields—and I do not know about the age of the fields—but the field practices have changed. There is an ever-increasing advancement of technology in this particular field. The industry is looking into sealing capacities and indeed the type of steels that are used and the types of cements that are used. That is, perhaps, part of the experiment that is running down at the Otways, and it is also monitoring to see if there is any leakage there.

Senator MILNE—What carbon price would you need to have to make this carbon capture viable? You told me just a minute ago that you would need at least \$50 million to start even looking to see if it is a reliable storage.

Mr Hartwell—The \$50 million that Ms Sewell referred to really refers to the fact that we are going to release this acreage, if the legislative and regulatory regime goes forward, on the basis of a work program and to do the geoscience work, the seismic operation, it is similar to a petroleum exploration activity in determining appropriate storage sites. To do these things is not cheap. You need to have the financial wherewithal to be able to do it. In relation to the CO₂ price, I will pass over to Mr Clarke.

Mr D Clarke—The price per tonne at which various low-emission electricity generating technologies become commercial is fundamental to understanding the overall cost of meeting the government's climate change target. It is not possible to give you a definitive answer on that today in almost any area—

Senator MILNE—What sort of price is this carbon capture and storage likely to come in at?

Mr D Clarke—We do not know. Many reputable agencies are modelling it and postulating on it, but this technology is at the research, development and demonstration stage. It is not a commercial technology and hence there is not a commercial answer to your question.

Senator MILNE—I am not sure if it was the *Washington Post* or the *New York Times* but on the front page of Friday's edition they ran a story headed 'Mounting costs slow the push

for clean coal'. The whole story is about the virtual abandonment of the technology in the US because it is deemed to be too expensive.

Mr D Clarke—Is that in regard to the FutureGen program?

Senator MILNE—In part. The whole issue is basically about whether capturing CO₂ is a pipedream. But I will come to FutureGen in a minute.

Mr D Clarke—The answer to your question is: no, I am not familiar with that article.

Senator MILNE—It is worth reading because what they are basically saying is that the work in the US has essentially gone into limbo. If I can come back to the costs and the time frame, you said this is very much R&D—that it is experimental and it is at a pilot stage. When would you expect a commercial-scale CCS to be on line?

Mr D Clarke—We need to define CCS. As you say, it is capture and storage—

Senator MILNE—That is right.

Mr D Clarke—and to date we have only been discussing the storage part of that technology. The storage part is the area where there have been the largest commercial-scale applications. Because that is a technology that the oil and gas industry has used for a while in relation to enhanced oil and gas recovery, perhaps a little more is known about the economics and science of storage than is known about capture. We do not know when will there be integrated carbon capture and storage coal-fired power stations on a commercial scale. There are many projects on the drawing board. The FutureGen program, which you are obviously aware of, is one of the ones out of the US. There are a number of projects announced in Europe in this area. Indeed, there are Australian proponents of such projects. There are demonstrations and pilots underway of various elements of the CCS supply chain. When will the first 500,000 megawatt project be up and running? I would be speculating if I tried to answer that.

Senator MILNE—In the context of the IPCC report saying global emissions have to peak and come down by 2015, would you say it is feasible, probable, likely or unlikely that we will have a commercial project up by 2020?

Mr D Clarke—Again, that would be speculation. We can only come back and say what the role of government is and what the government is trying to do through the programs that this department administers. What we are trying to do through these programs and through our international collaborations is accelerate the understanding of the science and economics of these low-emission technologies in order that the market can make the decision about commercialisation. What the mix will be between carbon capture and storage, renewables and the various elements of renewables will ultimately be a matter for the market to determine which is the least-cost way of achieving it. Our role is to accelerate the understanding of those technologies.

Senator MILNE—I think you are right—the market will decide. I will come to the issue of subsidies for renewables versus clean coal in a while. But let us get to the FutureGen project in this context. My understanding is that after \$50 million had been spent—at least \$40 million of federal money in the US and \$10 million in private money—the feds have now pulled out in the US because the costs have blown out to \$1.8 billion. So the project is on

hold. What confidence can anyone have that the coal industry actually believes in this when its biggest supporter, President Bush, withdraws the cash?

Mr D Clarke—Your characterisation of the status of FutureGen is not as we understand it. The program has been restructured. You are, of course, correct to say that the program as originally announced and conceived has been put aside, but it is not the case that the entire program has been abandoned. The restructuring of the program that the US Department of Energy is undertaking, as we understand it, is designed to deliver a number of full-scale CCS power stations faster than would have been the case if they had stuck to the original program design. So it is a restructuring of the program down a different pathway rather than an abandonment of the technology.

Senator JOHNSTON—Our framework is utterly dependent upon the states enacting a framework—I think that is correct—because we are offshore. We have got three nautical miles—I think it might be—before we have any jurisdictional power. What are we doing about the constitutional issues of our infrastructure framework?

Ms Sewell—As I have said previously, we are working very closely with the relevant states and I think the release of the Commonwealth legislation is the breakthrough that the states have been waiting for. I think we really only have the ability to implement a framework offshore. Obviously, in the national interest, you would want to have a nationally consistent framework, but we cannot make the states move any quicker than they are currently moving.

Senator JOHNSTON—We probably can—if I may be so bold. We probably have the constitutional power to provide security of tenure for those emitters who want to put something in a pipeline and run it to our sites.

Ms Sewell—The offshore sites?

Senator JOHNSTON—Yes, because the states have not enacted any legislation.

Ms Sewell—But the issue is not with the capture part of the process. If I were building a new coal-fired power station and wanted to put capture technology on it then that would be part of my project planning approvals process. Where we are in completely new territory is with the storage part of the project. I could be collecting CO₂ from a range of CO₂ emitters—either new projects or existing projects. I can already put it in a pipeline and I can take it three nautical miles offshore.

Senator JOHNSTON—Are you saying that the states have provision for the movement of liquid carbon in a pipeline that provides security of tenure, on the surface, the capacity to apply for that land, to get the easement, to run it through, to get to one of our sites?

Ms Sewell—To the best of my knowledge, that is not an issue. CO₂ is not a hazardous waste, for example. We have pipelines running across the country with oil and gas.

Senator JOHNSTON—It is true that we do, but we have them for mining tenements. We have them for electricity—utilities. This is not fitting into any of those legal frameworks. Unless the states acknowledge that there is to be some form of land tenure for this type of land use and provide it to the three-mile limit, all of the infrastructure we enact provides no security of tenure for the emitters.

Ms Sewell—I think this is a little bit speculative again, but we have not seen any reason why that would be an issue. If I want to construct a pipeline from a power station to three nautical miles offshore, I have to secure either an existing easement or a new easement. I have to get my project planning approvals through. I build the pipeline. There are pipelines coming from offshore oil and gas fields on shore, so this would be the reverse of that.

Senator JOHNSTON—But the legislation surrounding onshore and offshore pipelines is absolutely enormous. Often it is a state agreement act. All I am saying is that we have enacted a framework that is offshore. I think it has got huge potential and I am very pleased that we are leading the way. What I am saying is that it is in isolation unless there is a complementary set of rules and frameworks that now allows the emitters to access our sites. I do not think there is.

Ms Sewell—As Mr Hartwell referred to earlier, as part of the clean coal initiative there was the announcement of an amount of money to develop a national carbon mapping and infrastructure plan, and that infrastructure part of the plan is looking at what is necessary to move CO₂ from the source to the sink. That very much involves the states and territories. That work is already underway through the ministerial council process, but the National Clean Coal Initiative has certainly given it an added impetus.

Senator JOHNSTON—When is the next ministerial council meeting?

Mr Hartwell—That is being scheduled for some time in the next two or three months. The precise date is yet to be agreed. We need to make sure that we can get all state and territory ministers—

Senator JOHNSTON—Given that we will have an exposure draft of an emissions trading scheme at the end of this year, I find all of this running around waiting for six states to enact legislation that is pretty vital to start in the middle or late 2010 to be really unbelievable. We can come back here in November and I will ask for a report on what the ministers have presented in terms of their framework for sequestration. Do you want to hazard a guess as to what I am going to get?

Mr Hartwell—We do not speculate.

Senator JOHNSTON—I will bet you that they have not enacted anything by that time. I will guarantee they have not enacted anything that is suitable and useable and practical and functional, because I think they are dragging the chain on this—and they dragged it for years and years with my predecessor in the previous government. Minister, I think you need to take some strong steps here. If we are going to make this work—and I think there is a lot of earnest application here—you need to get the states to start performing so that people can access the sites that we, to our credit, have enacted. But it has got some holes in it, and I think you need to do something very urgently if you want to stick to your time frame. But that is just my humble opinion.

Ms Sewell—Thank you. There are literally some holes in it.

Mr D Clarke—Chair, Senator Milne asked a question about the profile of the renewable energy fund. May I give that answer now?

CHAIR—Yes, thank you.

Mr D Clarke—The \$500 million renewable energy fund will commence in 2008-09 and goes out to 2014-15. The annual profile for the six years is \$55.5 million, \$71.0 million, \$101.0 million, \$101.0 million, \$101.0 million and \$70.6 million.

Senator MILNE—Is that for the whole fund?

Mr D Clarke—It is the whole \$500 million. As we have discussed, the \$500 million has two subcomponents—a \$50 million geothermal drilling program and a \$15 million second-generation biofuel program.

Senator MILNE—That is not the same as the renewable energy fund?

Mr D Clarke—The numbers I have given you are for the \$500 million renewable energy fund overall.

Senator MILNE—And it is over six years. Where does the \$150 million come from?

Mr D Clarke—The \$150 million I think you are referring to is the energy innovation fund—

Senator MILNE—Sorry, I have got that mixed up.

Mr D Clarke—which is a separate line item.

Senator MILNE—All right, I will have a look at those. But is it not in fact \$75 million each year in the first two years?

Mr D Clarke—All that I can say is that is what the budget has announced. Actual expenditure, of course, will be project driven rather than just appropriation driven.

Senator MILNE—It was meant to be \$75 million each year from 2008-09, but you are telling me that in the first two years that will not be the case? The figures are \$55.5 million and \$71 million.

Mr D Clarke—I am telling you that the actual profile, subject to cabinet consideration, will be driven by the projects rather than by the initial estimate, which is all that you can do for a program of this nature.

Senator MILNE—I will have some more questions about this after dinner.

CHAIR—We will resume with the Department of Resources, Energy and Tourism after the dinner break. Thank you.

Proceedings suspended from 6.28 pm to 7.33 pm

CHAIR—I reconvene this meeting.

Senator JOHNSTON—Dr Boxall, has the department done any work on FuelWatch?

Dr Boxall—Yes.

Senator JOHNSTON—When did we first start doing work on FuelWatch? Mr Hartwell is obviously very versatile. He does everything.

Mr Hartwell—Thank you for those comments. FuelWatch became an issue leading up to the ACCC report into petrol prices and of course FuelWatch was something that the ACCC looked at in that context, so it goes back through that period.

Senator JOHNSTON—I note that in budget related paper 1.16, on page 15, it says:

The Department of Resources, Energy and Tourism is the key advisor to Government on policy options for Australia's resources, energy and tourism industries. The key priorities for the Department include— and the very first item dot point is—

To securing reliable and affordable energy supplies, including appropriate legislative and regulatory frameworks ...

When did you start to do work in the department? Was it in January, February or March?

Mr Hartwell—Are you talking about FuelWatch specifically?

Senator JOHNSTON—Yes, FuelWatch.

Mr Hartwell—FuelWatch is an issue that the department has been aware of for some time. It is a scheme that has been in operation in Western Australia. I will turn to my colleague Mr Walker in a moment to give you the precise details of when it was introduced in WA, but of course it is something that we have been aware of for a long while. When you ask if the department has done work and looked at the operation of the FuelWatch scheme, then the answer is yes.

Senator JOHNSTON—It started in about 2001 or 1999 or 1998 or so?

Mr Hartwell—I am informed by my colleague that it was December 2000.

Senator JOHNSTON—Mr Walker, I suppose we would have been watching just to see how it went in Western Australia. Was it a bit of a novelty when it first came out?

Mr Walker—That is correct.

Senator JOHNSTON—Did we do any analysis of it back then? Did we apply any methodology to the monitoring of how that scheme was working?

Mr Walker—I am not quite sure about that.

Senator JOHNSTON—Can you tell me how many people are in your section of the division?

Mr Walker—I am the manager of the petroleum, refining and retail section and, including me, there are six members of the section.

Senator JOHNSTON—Six members of the division?

Mr Walker—The section within the resources division.

Senator JOHNSTON—Is this section interested solely in looking at FuelWatch?

Mr Walker—No, we have a number of functions.

Senator JOHNSTON—Can you tell me what they are?

Mr Walker—One of the key functions is that we produce the *Australian Petroleum Statistics* publication. We also administer the oil code regulations and we do a number of issues to do with the downstream petroleum industry, such as industry liaison and general observation of the industry.

Senator JOHNSTON—Pricing structure, supply and demand—all of the cost drivers and elements of retail fuel?

Mr Walker—There are elements of those covered in the oil code regulations, but it is not the sole purpose of the section.

Senator JOHNSTON—Your section's focus came onto FuelWatch relevant to the ACCC inquiry.

Mr Walker—That is correct. We took an active interest in the ACCC inquiry as it unfolded through the second half of 2007 and we obviously looked very closely at the ACCC's report, which was released to government in December 2007.

Senator JOHNSTON—Have we been looking at FuelWatch for just under a year now?

Mr Walker—I have been the manager of the section for a year now and it has been an issue for us through that period. I cannot speak for prior to that.

Senator JOHNSTON—I am obliged to you and I thank you for that.

Mr Hartwell—It is not an issue amongst all the other responsibilities in Mr Walker's section that we have given a huge amount of time to. As Mr Walker has indicated, his area of the division has responsibility for petroleum refining and retail and of course there is a whole range and plethora of issues there that we advise the minister on.

Senator JOHNSTON—With respect particularly to FuelWatch, has there been advice from your section to your minister?

Dr Boxall—Yes.

Senator JOHNSTON—Roughly, when was that given?

Mr Hartwell—There would have been a number of advices given to the minister in relation to FuelWatch—not on FuelWatch specifically but on a whole range of advice in relation to what we call the retail-petroleum refining issues. FuelWatch may have been included as a component part of that, but for obvious reasons, given the range of activities in that section, it could have been a component part. I would have to go back and check the specifics.

Senator JOHNSTON—On a number of occasions the issue of retail fuel pricing has been the subject of advice to the minister.

Dr Boxall—Yes.

Senator JOHNSTON—As I would expect, given your remit.

Dr Boxall—Yes, indeed.

Senator JOHNSTON—Have you given any other ministers advice?

Dr Boxall—No. We only advise our minister.

Senator JOHNSTON—Are you aware of any other minister being privy to your advice?

Dr Boxall—Not that we know of. We provide the advice to our minister and then it is up to him what he does with it.

Senator JOHNSTON—Have we provided the advice to any other department?

Dr Boxall—Not the advice that we gave to our minister. We would not provide that to another department. Obviously, staff in the department consult with colleagues and other departments from time to time.

Senator JOHNSTON—Mr Walker, is it fair to say that your section is looked upon as the section concerned with retail fuel pricing in government?

Mr Walker—That is correct.

Mr Hartwell—Certainly within this portfolio's responsibilities, yes.

Senator JOHNSTON—Where else would I go in government generally to find expertise that understands the drivers behind retail fuel pricing in Australia?

Mr Hartwell—Treasury would be an obvious one.

Senator JOHNSTON—Would they have the detail that you gentlemen would have, if I may be so blunt?

Mr Hartwell—That is a question that you would need to ask them. Given that they responsibilities for competition policy, for the ACCC, which has been heavily involved in this issue, I think they would be across a great deal of the detail.

Senator JOHNSTON—Do we talk to them about our views with respect to retail fuel pricing from time to time?

Dr Boxall—From time to time we consult with them and they would be aware of our views.

Senator JOHNSTON—I think that is very important. Have we done any detailed analysis since the middle of last year on the Western Australian system?

Mr Hartwell—Again, you are testing our memories a bit, but I am not aware of any detailed analysis.

Senator JOHNSTON—No modelling, no monitoring, no looking at the structure, no looking at the drivers and no looking at the changes to retail practices in Western Australia—for instance, the entry to the market of Coles and Woolworths?

Mr Hartwell—As I have said to you in answer to previous questions, we have certainly looked at the scheme and the general operations of the scheme. We have done a general analysis on it, but, on the question you ask of detailed modelling and so forth, the answer is no.

Senator JOHNSTON—Was the department involved in the formulation of legislation with respect to Fuelwatch at a federal level?

Mr Hartwell—No.

Senator JOHNSTON—You did not draft any of the rules, regulations, laws or legal framework?

Mr Hartwell—No.

Senator JOHNSTON—That is interesting. Do you know who did?

Mr Hartwell—It is a responsibility of the Treasury portfolio.

Senator JOHNSTON—Are you doing any monitoring to gauge the success of any future Fuelwatch policy enacted?

Mr Hartwell—Not at this stage.

Senator JOHNSTON—That is interesting. Thank you, Madam Chair. I have no further questions.

Senator BUSHBY—In respect to the extension of Australia's maritime zones, are you aware of any potential in the extended area for offshore energy resources south of Tasmania or off the coast of Tasmania?

Mr Hartwell—That is essentially a question for Geoscience Australia.

Senator BUSHBY—I was asking the department. I can hold off and ask about that later or we can deal with it now. I do have other questions for the department.

CHAIR—The minister is here, so we can proceed with Geoscience.

Dr Foster—Did your question relate to Tasmania?

Senator BUSHBY—Yes.

Dr Foster—First of all, I should say that most of the area is unknown in this new extension, but there are some areas in southern Tasmania, in the South Tasman Rise, which appear on the limited information to have some at least basin structures.

Senator BUSHBY—There is potential but it is largely unexplored?

Dr Foster—Yes.

Senator BUSHBY—That is all I really wanted to ask on that, so thank you for coming to the table for that.

CHAIR—You can remain there. We have indications that other people have questions.

Senator BUSHBY—We have Geoscience Australia after this. I will just finish my questions, which will only take a couple of minutes, and then we can move on. Does the department have any involvement with research into technology for harnessing solar energy?

Mr Clarke—Yes, we do.

Senator BUSHBY—As I understand it, the \$8,000 solar energy rebate had behind it an intention to drive further demand for solar panels in order to drive greater efficiencies in production, installation and research. Is that something that you are aware of?

Mr Clarke—We do not administer that program, so I am unable to assist you in regard to its design or objectives.

Senator BUSHBY—As I understand it, the technology behind solar panels at this stage is not yet capable of providing base-load power. Is that a correct statement?

Mr Clarke—That is not the way I would have described it. I think the ability of the technology to do it is not the core question; it is the ability to do it at a competitive price compared to other low-emission sources. There is great potential for various forms of solar energy technology, be it concentrating on photovoltaic or solar thermal, and any one of these has the potential to be developed up to providing a significant part of the energy mix.

Senator BUSHBY—As technology currently stands—

Mr Clarke—If we define base load as the equivalent of a 1,000 megawatt coal-fired power station then, no, you cannot go out and build one of those with the solar technology today, but I emphasise that large-scale solar is research and development. If you define base-load equivalent in terms of deferred demand, for example, through wide-scale deployment of small PV installations, then it has the potential.

Senator BUSHBY—I have no idea if this is true or not, but somebody suggested to me that if you covered the whole of continental Australia with solar panels of current technology you still would not meet the energy demands of the nation as it currently stands. Are you aware if that would be an accurate statement or not?

Mr Clarke—I cannot provide you with any advice on that analogy.

Senator MILNE—From what you just said about base-load power, California is using solar thermal for base load and Spain is just building 10 installations, so solar thermal can provide base-load power and is doing it in California and Spain. It is the question of cost.

Mr Clarke—It is a question of cost and continuity of supply but of course, as you are aware, if the solar thermal power station is coupled with some form of energy storage, then it has the potential to be part of the base-load mix.

Senator MILNE—Yes.

Senator BUSHBY—You mentioned that technology needs to be developed to make full use of solar thermal power. Would fostering businesses that could develop and invest in the technology to do that on a commercial basis be one way of actually developing the technology?

Mr Clarke—If the government makes a policy decision to support the accelerated development of the technology, there is a number of points in which they could enter the system to do that. The role of this department is in terms of technology, research and development. That is the focus of our programs. That is our policy area.

Senator BUSHBY—Thank you. I have a question for Dr Boxall. Since the change of government and your appointment to head the department, have you been summoned to meet with your minister, the Deputy Prime Minister or the Prime Minister, either out of hours or on short notice or both?

Senator Carr—Summoned. Do you mean by a magistrate's order or what?

Senator BUSHBY—I did not used 'summonsed'. I said 'summoned'. There is a difference.

Dr Boxall—The answer to that is no.

Senator BUSHBY—Have you attended a meeting either with the Prime Minister, the Deputy Prime Minister or your minister at which you were required to wait for more than an hour after the scheduled meeting time before the meeting actually commenced or where you were informed after arriving for the meeting that the meeting would not proceed?

Dr Boxall—Not that I recall.

Senator BUSHBY—Thank you.

Senator EGGLESTON—I would like to ask a few question of Geoscience about the 2.5 million square kilometres of seabed granted to Australia by the UN.

Senator WEBBER—Are we doing all of that now?

CHAIR—If you want to.

Senator WEBBER—Are we doing Geoscience now?

Senator Carr—I take it that all of the questions of the department are concluded.

CHAIR—No, they are not.

Senator WEBBER—I am just a bit confused. I apologise; I was late in getting back.

Senator BUSHBY—I asked my questions.

CHAIR—We have the three outcomes together.

Senator WEBBER—I did not want to keep making those people to come back and forth.

CHAIR—We are starting on the Geoscience area now.

Senator WEBBER—I am sorry. Go ahead.

Senator EGGLESTON—I do not mind. They are just straightforward questions. I understand exploration permits are only handed out after a pre-exploration study by Geoscience Australia. Could you outline that process a little for me?

Mr Hartwell—The process for releasing acreage for exploration is one that we go through each year. The process is that we consult with industry about areas they might be interested in and that is often based on some of the geoscience work that Geoscience Australia does. We would then have a look at these areas in the context of what other issues might pertain to those areas. They could have environmental issues attached to them—for example, if they are joining a marine park or something like that—or they often have transport routes. They might also be defence training grounds and things like that. We work through all of those issues with the relevant agencies and then come to a decision. We do this in consultation with our state and territory colleagues, depending on the appropriate area that we are looking.

As the end point of that process we have a package of areas that we release once a year, as I have mentioned, usually at the annual Petroleum and Production Exploration Association Conference, and that acreage is then up for a program bidding system. It is a competitive bidding system and those interested in doing exploration work will bid in. The objective, of course, is to increase the knowledge about our hydrocarbon prospectivity, our hydrocarbon potential, to the best that we can, so we normally award those things. As long as we believe the bidder has the technical expertise and the financial capacity, we would award them to the highest bidder.

Senator EGGLESTON—Out of this 2.5 million square kilometres of seabed, how much would you anticipate, roughly, being available for exploration, or is that not a question you can answer?

Mr Hartwell—I should refer that question to my Geoscience colleagues, but as you would imagine that is work to be done, one might suspect, in relation to the potential in terms of

resources. I am not sure that, as a part of that extension of our maritime boundaries, we did a lot of work along the nature of what you are pointing to.

Dr Foster—I can add to that. These are frontier areas and their potential is yet to be examined.

Senator EGGLESTON—You cannot put time lines on it. I note the permits will become available as the areas are identified. Minister Ferguson has ruled out any exploration of areas close to Antarctica. Does this refer to the new area south of Tasmania or the Tasmanian Rise?

Dr Foster—The areas that we are speaking of that would be for consideration would be near the South Tasman Rise only. South of Tasmania, the South Tasman Rise, would be the only area in that southern part that will be up for consideration.

Senator EGGLESTON—This question is about money. Geoscience required extra funding due to a wage cost index. Are the effects of this wage cost index only affecting Geoscience, or are there any other departments that you are aware of that are affected by a WCI of this nature?

Mr Robinson—The wage cost index number there is a combination of about four different ones and offs, so to speak. It is a net wage cost index. It involves the 1.25 per cent efficiency dividend that is continuing on, but also some other adjustments relating to funding specifically that Geoscience Australia is carrying over, so it is a net number of several adjustments.

Senator EGGLESTON—Has Geoscience applied for additional funding to accommodate the WCI?

Mr Robinson—No.

Senator EGGLESTON—I understand the government has cut \$3 million from the CSIRO's research vessel, which Geoscience is also using. Will this affect Geoscience's activities in any way. We know that it is going to affect the tsunami research.

Dr Foster—I will answer that question because it is for the Petroleum and Marine Division. No, it will not, because Geoscience Australia goes to tender for its vessels.

Senator EGGLESTON—Some work has been done on large-scale storage area networking and a network-attached storage array. Can you tell us how that is progressing? There is an article in the press about it.

Dr Foster—Yes, I can tell you that. It is a robotics archival and retrieval system for handling seismic data. As you read in the paper, the contract has been let and it is progressing well.

Senator EGGLESTON—It is just a large capacity storage area. Is that a unique facility for you? Did you develop the technology?

Dr Williams—Yes.

Senator EGGLESTON—Is it totally secure? It is not online and cannot be hacked into? Is it physical data?

Dr Williams—It is a mechanism for allowing us to retrieve various sorts of data but particularly the petroleum data, so it facilitates making it available to the petroleum industry, but within the GA complex it is secure.

Senator EGGLESTON—I believe Geoscience has a new sensitive high-resolution ion microprobe known as SHRIMP. How much did the SHRIMP development cost come to? Has Geoscience received any extra funding for the staffing, maintenance and support of this program?

Dr Williams—I will ask Dr Johnson, who heads up our Onshore Energy and Minerals Division, to answer the cost if he has those figures with him.

Dr Johnson—I do not have the precise cost with me, but it was of the order of \$2 million in cost to GA. What was the second part of your question?

Senator EGGLESTON—Have you received any special funding for staffing, maintenance and support of this program?

Dr Johnson—No. We are allowing for the continuing geochronological effort in GA with the team that we already had. Those members before we purchased the SHRIMP were in fact doing analogous work in other universities on a contract basis on SHRIMP.

Senator EGGLESTON—You said you purchased the SHRIMP. You did not develop it yourself?

Dr Johnson—No. It is a commercial technology now available from Australian Scientific Instruments.

Senator EGGLESTON—This committee is doing an inquiry into the Australian involvement in the space industry. To what degree is Geoscience involved in mapping minerals and other geo-scientific activities based in space?

Dr Williams—I will start to answer that question and Dr Pigram can give you more detail. Geoscience Australia maintains the main national facility in Australia for downloading remote sensing earth observation data for Australia that is public domain, public good, and we have a satellite receiving station at Alice Springs that downloads those data and then we store it, archive it and distribute it as needed within Australia. Dr Pigram has given evidence before the inquiry regarding the detail and nature of that activity.

Senator EGGLESTON—That is the list of questions that I had.

CHAIR—Thank you. Senator Milne.

Senator MILNE—I would like to return to the FutureGen project and ask: what budget allocation is there this year to support that project?

Mr Hartwell—That was described earlier on. The FutureGen project is being changed in its concept. What government involvement there will be in FutureGen, in terms of budget allocation, is something that still needs a final decision, but it has been announced, should Australia participate in FutureGen, that it will be funded under the National Clean Coal Fund.

Senator MILNE—I understand that \$15 million is the figure that was being discussed for this year. Are you saying a decision has not been made?

Mr Hartwell—No. A decision has not been made as we consider the new structure of FutureGen. The concept of it has been changed somewhat, which was referred to earlier on in the hearing here today.

Senator MILNE—This year the National Clean Coal Fund has \$34.8 million, next year it will have \$108.6 million and the following year it will have \$124.5 million. Can you advise how much of those funds have already been committed? Can you provide a list for the committee of the projects which you have already allocated funding for?

Mr Hartwell—Yes. Under the Clean Coal Fund, and as outlined in Budget Paper No. 2—from memory it is page 192—it has been indicated that under that fund there will be \$75 million for a national clean coal research program and, as has already been mentioned in the hearings at this point in time, \$50 million for a national carbon mapping infrastructure plan, \$50 million for a coal gasification research facility in Queensland and \$100 million for two post-combustion capture demonstration plants in New South Wales and Victoria.

Senator MILNE—Where is the money coming from for the work plan on coal-to-liquids as a transport fuel?

Mr Hartwell—What will be considered in the initial instance under the Clean Coal Fund is not specifically mentioned but, if you do the arithmetic, that does not expend all the monies under the Clean Coal Fund. So there is scope to consider any proposals that might come forward in relation to coal-to-liquids, and that will be a government decision at the time.

Senator MILNE—Are you aware that the Centre for Low Emission Technology has acknowledged that even if we achieved 100 per cent carbon capture and storage, which is debatable, the emissions at the tailpipe are the same as conventional oil?

Mr Hartwell—I am not aware of that specific statement or claim. Are you referring to—

Senator MILNE—The emissions for motor vehicles running on coal.

Mr Hartwell—What you are making a comparison between is coal-fired power, electricity generation emissions, with emissions that come out of the tailpipe from transport?

Senator MILNE—No. Coal-to-liquids is being touted by ABARE and others as a solution to the oil crisis, so we will just switch from running on petrol to running them on coal.

Mr Hartwell—I understand your question now. I am sorry, I misinterpreted your question. That is a valid point. There is no doubt that coal-to-liquid proposals do have a high CO₂ emissions profile. There would be many that would suggest that under a low emissions trajectory going forward it would be difficult to achieve a coal-to-liquids project in Australia unless you had full carbon capture storage. If I can just refer you briefly to one that has been proposed in Victoria, the Monash Energy project certainly has carbon capture and storage as part of its project design.

Senator MILNE—The point being that even if you were to achieve 100 per cent carbon capture and storage, your emissions at the tailpipe are the same as we have got with conventional oil, so what is the point?

Mr Hartwell—It is a clean diesel. If you are comparing the liquids that might come out of that particular process with some of our existing petroleum fuels, then I am not sure that that

comparison is totally valid, because I do believe that there are lower emissions intensity there. But essentially you could say a coal-to-liquids project would address another issue which is of prime importance to Australia, which is energy fuel security.

Senator MILNE—Energy security is one thing, but a carbon constrained world is another. Are you telling me that there is no money in the budget allocated so far for coal-to-liquids?

Mr Hartwell—That is correct.

Senator MILNE—There is spare capacity within that allocation at the moment if the government were to decide.

Mr Hartwell—If the government were to decide, there would be.

Senator MILNE—Thank you for that. I would like to go to the carbon capture side of it. I have yet to see any evidence anywhere that we are any closer to capturing CO₂, either pre-combustion or post-combustion. What is your take on the current state of research on capture?

Mr Hartwell—There is quite a bit of work going forward in relation to both pre-combustion capture and post-combustion capture. We have some small pilot projects already on post-combustion capture in Australia from the CSIRO and under the Asia-Pacific partnership we have a small post-combustion capture project going forward in China. As I have just mentioned, under the Clean Coal Fund there are proposals to move towards a post-combustion demonstration project in both Victoria and in New South Wales. I will admit these projects are at their early stages, but this is essentially what the Clean Coal Fund is about. It will support the accelerated deployment of clean coal technologies.

Senator MILNE—Given that the Asia-Pacific Fund is to be defunded, where in the budget are these projects being funded? Are the ones that you have just mentioned all part of the National Clean Coal Fund, or is the money coming from somewhere else?

Mr D Clarke—I am not sure what you mean by ‘defunded’. The \$100 million that was announced for the Asia-Pacific partnership and which has been used to fund the 60-plus projects that Australia has committed to, that funding is intact.

Senator MILNE—Where can we get a list of the 60-plus projects?

Mr D Clarke—It is on the website and we would be delighted to provide that to you.

Senator MILNE—I can get it. I would like to move on to Geoscience’s work program for this year. Can you tell me where I can see the list of Geoscience’s work program for 2008-09?

Dr Williams—I just signed off on the 2008-09 program last week and it will be put up on our website in a little while. It is quite a lengthy document.

Senator MILNE—I can appreciate that. Can you tell me how many of the projects in the work program for this year provide direct support for petroleum exploration and at what dollar value?

Dr Williams—I will just ask Dr Foster.

Dr Foster—I can give you some numbers for the precompetitive work that will be undertaken this year in the 2008-09 program. It will be in the order of the offshore energy

program. We will be acquiring about \$11 million worth of data. I can give you the rest of the detail on notice.

Senator MILNE—If you could do that it would be appreciated. How much of the money that you expend can you recover from the industry?

Dr Foster—We do not recover any money from the industry. This is precompetitive data to attract companies to explore in Australia.

Senator MILNE—In the past there have been several projects that have had direct support for petroleum exploration, quite apart from data that you might provide. Is there any of that this year in the work program?

Dr Williams—I am sorry, I do not understand the comment.

Senator MILNE—I will have a look at the list and get back to you with specific questions, if that is all right.

Dr Williams—Yes.

Senator MILNE—Thank you.

CHAIR—Any further questions?

Senator WEBBER—I have a question for Geoscience Australia, but it is not on any of that, because I am a little confused. That is all right, because that happens easily! Like most agencies you will probably answer this all at once, so I will only have one question. I was after some more information on the Sensitive High Resolution Ion MicroProbe laboratory, or the SHRIMP project. Can you bring me up to date on what the facility does and where we are at? You will probably answer it all then.

Dr Williams—The SHRIMP is a Canberra born and bred technology developed here at the Australian National University in the Research School of Earth Sciences, commercialised through the university and now in a company called Australia Scientific Instruments, which is based in Fyshwick. They are now manufacturing and selling SHRIMPs around the world. As Dr Johnson said earlier, we have been underpinning a lot of our onshore program with dating of rocks using SHRIMP. We have done that under various contractual arrangements with universities, but the more you do this work the more you want to do and eventually we got to the point where we took the decision to have our own in-house SHRIMP. It is a very sophisticated tool for dating rocks. You can date the mineral, zircon particularly, by looking at the amount of lead and uranium in it and working out how long it has taken to decay to whenever it formed until now. As I said, it is now the world standard for age dating rocks.

Senator WEBBER—It obviously has a lot of potential for future use for both your activities and for those of other people?

Dr Williams—Yes. We are in collaboration with the states and the Northern Territory through our onshore mapping programs. As I said, the more we do the more we want to date rocks, and we have got more than enough rocks to be dating, so it will be keeping us very busy for a long time.

Senator WEBBER—Has my home state of Western Australia availed themselves of this new piece of technology?

Dr Williams—Your home state is already well served through Curtin University and some of their tech there. In fact, we have been using that instrument a lot in the past as well and, through the Chief Government Geologists Committee, we have a very robust collaborative program with all of the states.

Senator WEBBER—Thank you.

Senator BUSHBY—I note some of your key priorities for 2008-09 are listed in the budget papers. I am interested in the Geoscience component of the Australian Tsunami Warning System. What are you doing there?

Dr Williams—Our main role in the tsunami warning system, which is a joint arrangement between ourselves, the Bureau of Meteorology and Emergency Management Australia, is to detect all of the earthquakes around the part of the world that we are interested in and document those earthquake occurrences. Then, if they have the potential to be tsunamigenic, we relay that information both to the Bureau of Meteorology and we also warn Emergency Management Australia that there is information coming. The Bureau of Meteorology then pick up on our warning and begin watching their buoys that are out to sea that are designed to monitor a wave coming through. It is only once we can actually measure the wave that we know for sure there is a tsunami being generated.

Senator BUSHBY—Are you already delivering your component?

Dr Williams—Yes.

Senator BUSHBY—The way it reads sounds like that is a new priority you have developed.

Dr Williams—We are in the middle of a multiyear program. The main component of the next part of our work is completing the building and commissioning of a number of new seismic receiving stations in and around Australia, but we now have enough of the system in place that we are beginning to be able to deliver a very quick turnaround in our data.

Senator BUSHBY—Where are your major concerns in terms of seismic activity that may lead to tsunamis?

Dr Williams—The two main areas of worry are firstly what we call the Java Trench, the area coming around from near Darwin wrapping around Indonesia and up to Aceh, and then the plate margin on the other side of PNG around the Solomon Islands and coming down towards New Zealand. The expert has now arrived.

Senator BUSHBY—You are just in time. I think I have finished asking questions about that particular area. You also note that one of your key priorities will be under the Onshore Energy Security Program providing technical advice to government in relation to uranium, thorium, petroleum and geothermal energy.

Dr Williams—That is correct.

Senator BUSHBY—Is that using satellite-based data to map likely sites where there may be resources?

Dr Williams—Not so much satellite-based data, but in our program of data acquisition we are out there acquiring new geophysical data sets that will help us better understand the

potential of Australia for those various different sources of energy. In the case of geothermal, we are doing a lot of magnetic and gravity surveys that will allow us to more clearly identify areas that may be underlaid by granites, which are often very naturally radioactive and form a heat source that is fundamental to geothermal energy.

Senator BUSHBY—You do not do that from satellites, though?

Dr Williams—Not normally, no.

Senator BUSHBY—Are you looking at any particular areas of the nation or do you look at the whole area?

Dr Williams—Our brief is to do the national overview. We work collaboratively with the states and the Northern Territory to combine our efforts so that we work as a team rather than duplicating each other's work program. We tend to focus on the geophysical tools and techniques where it does not make sense for the six states and the territory to duplicate those facilities. We tend to run those as a Commonwealth facility.

Senator BUSHBY—Looking at your Geoscience Procurement Plan for 2007-08—

Senator MILNE—May I interrupt? I have a question on predictions.

Senator BUSHBY—Yes.

Senator MILNE—I am just interested to follow up on the tsunami questions. Have you done a risk profile of the vulnerability of Australian oil and gas exploration and existing infrastructure to extreme weather events as a result of climate change?

Dr Williams—I will ask Dr Pigram to answer that question.

Dr Pigram—We are in partnership with the Attorney-General's Department to look at all of Australia's infrastructure under a program called the Critical Infrastructure Protection Modelling and Analysis Program. It is funded through Attorney-General's. We are their technical partner, and we have looked at a number of sectors for vulnerability to a range of impacts—not particularly to climate change at this stage. That is on the agenda for future work.

Senator MILNE—You have not looked at extreme weather events, the likelihood and likely locations and so on?

Dr Pigram—We have done a little bit of work in response to a request from the Garnaut review to have a look at potential changes in some of the extreme weather events as a consequence of climate change. That has been a very rapid desktop study to provide input to that study. It has not been done systematically and across the whole of the country for all weather phenomena.

Senator MILNE—You said that is something you will be working on. What is the time frame on that?

Dr Pigram—The CIPMA project has just been renewed by the government and the time frame is in the next four years to begin tasking in that space. It will happen probably towards the end of that time frame and not in the immediate time frame. It will not be in the first two years but in the second two years, if it happens. It is subject to a series of priorities that have been set by a range of external stakeholders.

Senator MILNE—Thank you.

Senator BUSHBY—Looking at your procurement plan for 2007-08, I noticed there are a number of items on there in which the tender process has been moved back by anything from four or five months to a much greater period. That includes things like the supply of laptops, desktops, the lease of multifunction devices and the development of a marine seismic consultant contract personnel panel, et cetera. Is there any specific reason for why those items that are listed in the procurement plan have been pushed back?

Mr Robinson—I cannot give you a concrete answer on each one of them but the Gershon review of ICT across government is having an impact on ICT purchasing, so things under that heading will be subject to interim arrangements until that report is complete and recommendations made.

Senator BUSHBY—That does cover most of them, so I will move on. This is my last question. As I understand it, the business of Geoscience Australia involves the storage of a lot of information and from the information in front of me you are reaching a petabyte in terms of the information that you currently store. As such, data security would be a big deal for you. How do you store your data? Could you explain that to me? What do you use? Do you tender it, do it yourself or is it stored externally?

Mr Robinson—This is not my expert area, but I have had something to do with it. It is largely stored electronically on a very large SAN and, as Dr Foster said, a large amount of the data derived from the petroleum exploration industry is stored, again electronically, using this robotic system.

Senator BUSHBY—Is that robotic system something that is within Geoscience Australia?

Mr Robinson—Yes, it is.

Dr Williams—Yes. All our storage is done within GA by GA, with all the normal backup procedures that one would use for storing and securing the data.

Senator BUSHBY—Is that up-to-date equipment and modern storage?

Dr Williams—We try to keep it up to date, but as you can appreciate this is a fast moving area of technological development and, as storage methodologies improve, then we try to keep up with them.

Senator BUSHBY—Given what GA is all about and with that petabyte of information, you need to make sure that you minimise any risk. Do you see any risks to that at all that you are not addressing fully at this point which you are looking to address?

Dr Williams—We have looked at this very carefully. We have a risk plan. All of those sorts of things have been audited and we do the best we can because, as you say, that is basically our bread and butter and reason for existing, and we take it very seriously. A little while ago we appointed a chief information officer and we have just finished developing a new ICT strategic plan to not only address the current issues but to try to anticipate and be a little proactive about where all of this is heading and how we can adapt and change to keep up with it.

Senator BUSHBY—Has that been held up at all by the review that is being carried out?

Dr Williams—Not really. It is ongoing and we have provided a draft of that report to the review.

Senator BUSHBY—What is your answer to my specific question regarding any risks that you consider could exist that you have not yet dealt with or that you are working towards?

Dr Williams—I would like to think that all the risks that we can think of are being addressed, thought about and steps are being taken to mitigate those risks.

Senator BUSHBY—Thank you.

CHAIR—I understand Tourism Australia is ready if we want to go on to them.

Senator MILNE—Just on the Energy Innovation Fund, you gave me a while ago a list of the things that are committed to the National Clean Coal Fund. Can you tell me what has already been committed in the Energy Innovation Fund for the next three years?

Mr Clarke—Nothing equivalent to the level of information in regard to the National Clean Coal initiative. There are two components to the \$150 million Energy Innovation Fund. As Minister Ferguson announced, in conjunction with the budget there are two components of \$100 million for a solar energy institute and research and development and \$50 million for a more general renewable energy research and development program.

Senator MILNE—Under the Renewable Energy Fund in 2009-10 there is \$55 million and then \$71 million for the year after. Are any of those funds committed to any projects?

Mr Clarke—No. The only segmentation of the \$500 million Renewable Energy Fund is \$50 million for geothermal drilling and \$15 million for second-generation biofuel. If you like, the segmentation of those two funds is thematic; it is not project specific.

Senator MILNE—With large scale solar thermal as they have rolled out in California and so on, have you done any projections on what you think optimally Australia could produce in terms of each sector of the renewables?

Mr Clarke—No, we have not done it. People like CSIRO and other energy modellers have done it. That is CSIRO and ABARE.

Senator MILNE—When CSIRO and ABARE do their projections on what they think optimally we might be able to generate for renewables, or optimally what we might be able to generate with so-called clean coal and they feed those assumptions to you, does that impact on how you allocate your research funding?

Mr Clarke—No, not directly. I would characterise that as scenario modelling; it is not a science. It is looking forwards and estimating future cost curves for technologies that are not yet proven up at that scale. In the broad, if I look at the modelling that is done by CSIRO, ABARE and the International Energy Agency, they are all predicting that very significant components of the emissions reductions we need in the decades to come will be from a mixture of carbon capture and storage technology, renewable energy technology, energy efficiency and so forth. In all models that I have seen they are all projected to play a significant role.

Senator MILNE—Given that the Commercial Ready fund is disappearing where could the solar thermal industry or the photovoltaic industry, such as the sliver cell technology, go to access assistance to take it to commercialisation?

Mr Clarke—The Energy Innovation Fund is the answer. The design of the solar institute and its associated research and development program is a matter that the government will be considering very soon. The design of the \$50 million R&D fund will also be a matter that the government will be considering soon. The answer in the broad is the Energy Innovation Fund.

Senator MILNE—Given the work that you are doing on emissions trading, there is a considerable body of opinion in Germany now that the feed-in tariff has been more successful in bringing on renewables than the emission trading system and in fact more efficient in delivering emission reductions. As you have done a lot of work on emissions trading, have you done any modelling or research around the comparison with a gross feed-in tariff?

Mr Clarke—We are aware of that work. There is a lot of debate around the world, as you know, in terms of effective policies to accelerate deployment of low-emission technologies. The government will be considering the design of the emissions trading scheme, the design of the mandatory renewable energy target and any complementary measures during the balance of 2008. They are not matters that this department has prime carriage of.

Senator MILNE—Basically you will not be looking at any modelling, it is for other people to be doing.

Mr Clarke—That is primarily a function for the Department of Climate Change. They will be consulting with us but we do not drive that program.

Senator MILNE—Thank you.

[8.33 pm]

CHAIR—Welcome, Minister Sherry. We now move to output group 1.3, Tourism. Senator Eggleston?

Senator EGGLESTON—Welcome, Minister. What is the total Australian government expenditure on tourism?

Dr Boxall—On page 25 of the portfolio budget statement we have the budgeted expenditure for output group 1.3, Tourism, and there will be a page also for the expenditure of Tourism Australia.

Ms Madden—As the secretary has noted, page 25 includes the output for Tourism which I would note is administered items and then departmental outputs as well, coming to a total in 2007-08, there in front of you, of \$52.193 million. There is also the information relating to Tourism Australia, which is administered under another act, and my colleague—

Dr Boxall—On page 94.

Ms Madden—It is on page 94 of the yellow portfolio budget statements.

Dr Boxall—On page 94 the appropriation for 2008-09 is \$135,559,000.

Ms Madden—As you know, that is the Commonwealth government expenditure. In addition to the two major allocations, the one for Resources, Energy and Tourism that we

referred to and the Tourism Australia budget appropriation, there is in addition, of course, state and territory government expenditure.

Senator EGGLESTON—Altogether it is quite a lot of money. I would like to ask you some other questions. The increased passenger movement charge has made Australia a more expensive place for people to visit, particularly in light of the strength of the Australian dollar. The funds that this increase will generate are counted as a positive for the government's revenue. What projections were made by the department on the negative effects of this increase on tourism revenue and the numbers of tourists coming to Australia?

Ms Madden—As an outcome from the budget it is true, as the senator has noted, that the government decided to increase the passenger movement charge effective from 1 July 2008, next month, by \$9, from \$38 to \$47 per passenger. There are certain categories—for example, children under 16 are not required to pay. But this charge, in total, will raise a considerable amount of revenue. The department was not consulted in advance of this decision being taken so I am not in a position to answer some of those forecasting questions that you raised. However, I would like to take the opportunity to note that this increase is the first increase since 2001 and has been, as explained in the budget papers, partly taken to cost recover some of the additional expenses and increased costs associated with processing international passengers, including at international airports and maritime ports. It is administered by the Australian Customs Service and perhaps further questions could also be directed to them.

Senator EGGLESTON—I have read there has also been an increase in what is described as visa fees. Is that a different charge to this?

Ms Madden—Yes, that is a separate charge that is specified in page 10 of the budget papers, a new measure. The government is increasing the visa application charge for tourist visas by \$25, from \$75 to \$100 for application overseas and also from \$215 to \$240 for related visa extensions if processed in Australia. There are some other assorted increases and these are all set out in Budget Paper No. 2. Can I also note this is not a charge levied by this portfolio; it is the responsibility of the Department of Immigration and Citizenship.

Senator EGGLESTON—I have read and it has been said that it is impacting on tourist numbers. Would you like to comment on that?

Ms Madden—I think the comment that I would like to note is that there were a range of measures in the budget. Some, as you say, are increases that may or may not have a negative impact because they are higher costs. There are also, however, a number of measures associated in this budget including, for example, an increased rebate for Bass Strait, charges that may have a positive effect on the tourism industry. I think at this point that is all I can comment on at this stage.

Senator EGGLESTON—How many international visitors came to Australia over the calendar year 2007, if that is your year?

Ms Madden—The total inbound in 2007 was 5,644,000. I can submit to you, if you like, the *Key facts related to tourism*, which is published by the Department of Resources, Energy and Tourism.

Senator EGGLESTON—How does that compare to figures in the last three or four years? Obviously, there would have been a lot around the time of the Olympics. Has that fallen steadily since then?

Mr Calder—In 2007 the numbers increased by two per cent over the previous year. It was the fourth year in a row of record arrivals to Australia.

Senator EGGLESTON—Okay, that is encouraging. What are the forecasts for the next calendar year with these increased charges?

Mr Calder—The forecast was done by the Tourism Forecasting Committee, which is a subcommittee of Tourism Australia. The forecasts are broadly for flat growth coming forward over the coming year.

Senator Sherry—Can I just make two additional comments. One is that in your question you used the term ‘with these charges’. It is not ‘because of these charges’. There is an important distinction between ‘with these charges’ and ‘because of these charges’. The other point I want to add is that the passenger movement charge that was discussed earlier increases in line approximately with the CPI.

Senator EGGLESTON—Thank you. I note your point, but nevertheless increased charges probably do have some impact. I have read, in particular, of the impact on Korean tourism for some reason. Is that the case? Can you confirm that? Increased visa charges in particular are said to have affected Korean tourism.

Mr Calder—The changes were announced as part of the budget—

Senator EGGLESTON—So it is very short term?

Mr Calder—There are a number of influences on international visitor arrivals. They would be affected by world economic growth, by the level of the Australian dollar and by fuel prices. There are a lot of factors which contribute to international visitor arrivals for Australia.

Senator EGGLESTON—The funding to Tourism Australia has been decreased by \$5.9 million, I believe. What impact do we think that might have?

Ms Madden—Tourism Australia’s appropriation for 2007-08 was \$135.771 million. The appropriation in the forthcoming year is only slightly less and that is set out in the budget papers. I might ask my colleague, Mr Buckley, who will be later appearing under Tourism Australia, to outline any possible impact. He will be in a position to answer the question.

Senator EGGLESTON—As I said, the figure I was given was \$5.9 million, but you are saying it is smaller than that?

Senator Sherry—I was just going to ask where you got that figure from.

Senator EGGLESTON—It was a figure that I was provided with. I assumed that it was a correct figure but, if it is not, obviously I will not pursue that. It is said that there is a trend forming of a drop in tourists from Japan. Would you like to provide us with some details of that?

Mr Calder—In the first four months of 2008, arrivals from Japan fell by 18.4 per cent to about 37,900 people.

Senator EGGLESTON—Do we know of any reasons for that? Where are the Japanese tourists going?

Ms Cox—There are a number of factors to which we have attributed the decline in the Japanese market. What was your question?

Senator EGGLESTON—What are the alternative destinations?

Ms Cox—Where are they going?

Senator EGGLESTON—Where are the Japanese going?

Ms Cox—They are going particularly to China. China has opened up as both a source of tourists and a tourist destination. Many of them are going to China and other destinations within the Asian region.

Senator EGGLESTON—I suppose one might expect that with the Olympics this year. That is always a great drawcard. But is there any fundamental issue with our tourist numbers from Japan going down? Does it reflect the Japanese losing interest in Australia as a tourist destination compared to, say, North America, Hawaii and elsewhere?

Ms Cox—The appreciation of the Australian dollar appears to have had an impact. It has almost doubled the cost of the Australian dollar as to the yen over the last several years. As I said, there is increased competition from closer short-haul destinations, including China but not limited to China. There is the ageing of the Japanese population—they are ageing and there are fewer of them—slowing economic growth in Japan and the emergence of low-cost carriers in Asia, which promote very cheap inter-regional travel.

Senator EGGLESTON—There would probably be a very significant impact, I would think, from low-cost carriers—

Senator Sherry—The figure for the first three months of this year was given but for the 2007 calendar year—that is, all of last year—Japanese arrivals climbed by 12 per cent relative to the 2006 calendar year. So we are down significantly, I would have to say, from the 2006 to 2007 calendar years, from 650,900 to 572,900. I do not have any historical data before 2006 but the decline has been underway well and truly for the last 14 or 15 months. It may in fact go back beyond that, but I do not have any data in front of me.

Senator EGGLESTON—Is Australia doing anything in terms of focusing on the Japanese market and promoting Australia there to counter this falling number of tourists?

Ms Madden—The Australian government is doing quite a lot to address this. Most of your questions relate to promotion and marketing, and Tourism Australia will be able to answer and elaborate on its strategy and marketing approach to the Japanese market. Can I also say that Minister Ferguson, Minister for Resources, Energy and Tourism, on 8 May announced the development of the new National Long-Term Tourism Strategy, which the government is working on currently with industry and state, territory and local governments, to develop a supply-side focus to address the significant challenges that the tourism industry is focusing on.

Senator WEBBER—Can you just give me a bit more about what is involved with that and where you are at, particularly with my home state of Western Australia?

Senator EGGLESTON—Since we seem to be moving into the area of Tourism Australia a bit, we sort of have both sets of—

Senator WEBBER—No, these are the people that do long-term—

Ms Madden—As I mentioned, the minister has only in the last few weeks announced the formulation of this new strategy. It will look at the many and varied challenges that are facing the Australian tourism industry. It will focus not on the marketing or promotional aspects but supply-side issues relating to the productivity, workforce, investment and aviation, and issues that relate to the productive capacity and economic framework of tourism. The minister has announced that the strategy will be developed over the next 12 months. He is being supported in this effort by an interdepartmental committee because we are seeking a whole-of-government approach, naturally, to such an important industry. The minister has also announced that the policy will be developed by a steering group which will comprise industry representatives.

Senator WEBBER—It is anticipated that it is going to be 12 months?

Ms Madden—It is anticipated and Mr Ferguson has mentioned 12 months, yes.

Senator WEBBER—And that body of work will go into an industry committee and is being coordinated by your section?

Ms Madden—Yes, the tourism division of the Department of Resources, Energy and Tourism. Of course, we are consulting with Tourism Australia, as we will with the other partners that I have mentioned.

Senator EGGLESTON—Are you responsible for the Australian Tourism and Development Program, or is that Tourism Australia?

Ms Madden—The ATDP is the responsibility of this department, yes.

Senator EGGLESTON—I believe the government will reduce funding to the Australian Tourism and Development Program and plans to focus the program on projects with greater community benefits. Funding of \$6.5 million in 2008-09, \$4 million in 2009-10 and \$4 million in 2010-11 will be retained to provide competitive merit-based grants to tourist projects across Australia. What is the current level of funding for the ATDP?

Mr Calder—There is \$14.5 million allocated to the program over the coming three years.

Senator EGGLESTON—Did the department make any submissions to provide any advice to the minister or his office regarding the decrease in funding?

Dr Boxall—That was a decision taken in the budget process and the department did advise the minister on that decision.

Senator EGGLESTON—So your views were known. What analysis or investigations were conducted or undertaken by the department to determine what impact cutting funding for the ADTP would have had on regional tourism, if any?

Mr Calder—The government announced as part of the budget that there were 12 regional election commitments valued at \$4.6 million to be funded from savings from the Australian Tourism and Development Program, and these will be focusing on building capacity in Australian tourism across regions.

Senator EGGLESTON—They are those regions like Australia's north-west or south-west, are they?

Mr Calder—The list of projects was announced by the minister in his 13 May budget press release. It is 12 projects across Australia.

Senator EGGLESTON—It is for regional areas, not regional tourist bodies?

Mr Calder—I have got a list of the projects if—

Senator EGGLESTON—I wonder if you could table that. I would be grateful if you could.

Ms Madden—Yes, we are happy to table that.

Senator EGGLESTON—Also, what analysis or investigations were conducted or undertaken by the department to determine what impact cutting funding for the ATDP would have on tourist dispersal around the country?

Ms Madden—No specific research was done on dispersal.

Senator EGGLESTON—I am a little unclear about the dividing line. I have other questions but they might apply to Tourism Australia, so I will not ask any questions further to the ones I have already asked and will await Tourism Australia.

Senator MILNE—I just wanted to ask about climate change and oil depletion and what you model on the long-term impacts on tourism. It seems to me that the trend in Europe in particular is to promote travel within Europe by train. They are taxing short flights. There seems to be an internal contradiction between really cheap flights and the ongoing availability of Ryan Air and other things and the whole consciousness about climate change. What is your prediction about long-haul flights to Australia, given the increased aviation fuel cost and the likelihood of aviation being included in emissions trading in the post 2012 scenario?

Ms Madden—As you have noted, the climate change challenge presents specific challenges to the tourism industry. So I can advise that we are currently working in partnership with a number of industry players and state and territory governments to develop the Tourism and Climate Change Adaptation Framework. This draft framework has been the focus of our efforts in recent months, taking into account some of the particular issues you have just raised, and it will be presented to tourism ministers when they next meet at the Standing Committee on Tourism which will be on 9 July. At that time there will be further details regarding the framework available to the public.

Senator MILNE—Is there any evidence—

Mr Clarke—The other part of your question related to how emissions associated with long-haul international transport would be treated in the future emissions trading scheme. Of course, this is part of the broader debate worldwide about where do such emissions get counted. This will have to be considered as part of the government's consideration, the design of its domestic scheme, but I just observe that this is a global problem as to where such emissions should lie in any kind of carbon accounting system.

Senator MILNE—It seems to me in response to climate change that there is a big focus now on localism, encouraging people to eat locally, access their services locally and so on. Is

there a potential to redesign domestic tourism around this notion of localism. We are losing on domestic tourism to international tourism at the moment because of cheapness, but that, surely, cannot continue with the cost impost on carbon and a cost impost on aviation fuel.

Ms Madden—Two key processes are taking forward consideration of that issue: the framework that I mentioned—which, I should add, has actually been developed as part of the COAG National Climate Change Adaptation Framework—and the process that is taking this forward is the announced National Long-Term Tourism Strategy, which will address some of those issues that you have just raised. Both of those are currently underway and we will be looking at those matters that you have raised as part of those exercises.

Senator MILNE—What are you thinking in terms of long-term strategies? What do you do in that scenario?

Ms Madden—As much as I would like to give you our response, the minister has just announced the development of the National Long-Term Tourism Strategy on 8 May, so I cannot put forward the information at this very early stage. We are actively consulting and we will be doing so over the next nine to 12 months, as the minister has noted, on these issues and others.

Senator MILNE—What about the issue of the snowfields no longer having snow, for example? Are the state governments responding to that?

Ms Madden—Can I mention that the Tourism and Climate Change Taskforce, which is developing this framework paper, is actually doing the first comprehensive analysis of the Australian tourism industry's carbon footprint. It is looking at questions such as domestic and international aviation emissions and their effect and assessing regional impacts, including perhaps those issues that you are raising. We are trying to consider and formulate possible adaptation strategies that will be considered by ministers on 9 July.

Senator MILNE—Has the government considered providing an insurance product for the Australian tourism industry such that the industry could compete with New Zealand on the extreme sports, because my understanding is that the reason New Zealand has bungee jumping and all that sort of thing is that the government actually provides the insurance to back the operators, whereas in Australia we do not have that. Is that the case?

Ms Madden—Not to my knowledge. The government has not considered a specific insurance for extreme sports. No such proposal is currently in front of us.

Senator MILNE—Do we have any figures on how many young people travel from Australia to New Zealand each year, particularly to Queenstown?

Mr Calder—We do not have the details of those numbers with us. That would be covered by the tourism statistics collected by Tourism Research Australia.

Senator MILNE—That is one market it seems to me that escapes us every year and we do not offer those same experiences here because of insurance. I will leave that with you. It is a suggestion.

CHAIR—Senator O'Brien?

Senator O'BRIEN—You have answered some questions as to the National Long-Term Tourism Strategy. Could you give us some detail about how the department and the minister are approaching this task? What sort of structure has anybody who is looking at this strategy been set up with? Who it will be chaired by? Who will be involved?

Ms Madden—When the minister made the announcement on 8 May at the Tourism and Transport Forum in Sydney he outlined that the key goal of the strategy would be to contribute to maximising the net economic contribution of tourism to the Australian economy, that this strategy would be developed over the next 12 months and that it would be done in consultation with industry. As I mentioned, we are adopting at the government level a whole-of-government approach so we would be consulting all other relevant agencies. But there will be an industry steering group that will be chaired by an industry leader and that is a matter that is currently under consideration by the minister.

Senator O'BRIEN—How do the departments work together? Is there a structure for that coordination?

Ms Madden—The Tourism Division, the division I head, is responsible for supporting the interdepartmental committee process and we also support the steering group comprising industry representation.

Senator O'BRIEN—Are all the departments going to be on this interdepartmental group?

Ms Madden—In the interdepartmental group are all departments that have some policy carriage that affects the tourism industry and, as you can understand, that is a very large number.

Senator O'BRIEN—That is, yes. I am just trying to think who would be excluded. That is the basis of my question.

Ms Madden—We are seeking a very inclusive approach to the formulation of this strategy.

Senator O'BRIEN—I am glad of that. So, everyone is going to be there unless they have a good reason not to be.

Ms Madden—Yes, that is where we start from.

Senator O'BRIEN—Thank you for that. In previous estimates hearings I have asked quite a number of questions about the validity of tourism grants allocated under the previous government. Under particular examination was the Australian Tourism Development Program. I do recall asking why Dracula's Cabaret Restaurant in Surfers Paradise received \$100,000 in 2006 for development of an interactive, multilevel thrillertainment attraction. What is the government doing to bring back some accountability to this program?

Senator BUSHBY—I would like the officers to answer, thank you.

Senator IAN MACDONALD—You must put a fair question. Perhaps you should ask whether there was any accountability.

Ms Madden—We have already touched on the projects that would be met in this year, and I would like to note that moving forward details of the program redesign are being considered. We have not yet taken a firm decision on them although we would like to note that some of the elements for the future program design will be on the following key principles: supporting

the Australian government national tourism objectives; aligning with the state and territory tourism plans, including projects with some national application; eligibility criteria both in metropolitan and regional areas; and also seeking to promote innovation in the tourism industry. These are some of the key elements, but, as I said, the actual details of the future program redesign of the ATDP have not yet been finalised. We will also be thinking about this in the context of the National Long-Term Tourism Strategy which we have emphasised. This is such an important strategy it will, of course, have implications for programs that may come forward in the future, too.

Senator O'BRIEN—What will the relevance of the states tourism funding programs have to the Commonwealth's approach to this program, if any?

Ms Madden—The government is committed to ensuring that the relationship between the ATDP and state-territory tourism plans is a very constructive and useful one, but we are also seeking program outcomes that directly contribute to the strategic development of the tourism industry as a whole. That is one of the elements that we will be factoring into the future possible redesign of the scheme.

Senator O'BRIEN—I understand there is about \$16 million in the coming and subsequent two out years left in this program in the budget.

Mr Calder—There is \$14.5 million program funding for the coming three years.

Senator O'BRIEN—In terms of regional tourism projects, during the election campaign last year three significant tourism projects were identified across Tasmania that will benefit the local tourism industry and add to the economic sustainability of the state. Can you confirm that these projects will be funded following on from the budget?

Mr Calder—Yes, they were all announced as part of the minister's budget press release on 13 May.

Senator O'BRIEN—That was the Table Cape Lighthouse, Wynyard, Huon Valley tourism environmental audit and the funding to restore the H-5 locomotive owned by the Derwent Valley Railway?

Mr Calder—That is right.

Senator O'BRIEN—What steps need to be taken to give full effect to that funding? Is contracting underway? Has contracting taken place?

Mr Calder—The department will contact each of the proponents of each of the 12 projects and negotiate a contract for the delivery of the projects, establish milestones and commence the work there. The proponents will step through the milestones.

Senator O'BRIEN—Is there a time line envisaged for the completion of those steps?

Mr Calder—We would be in the process at the moment of contacting the proponents and we will go to contract as soon as we can. We have to make sure that we are establishing appropriate milestones for the projects and we are contracting with a party capable of delivering the project. We need to do those types of probity checks as well.

Senator O'BRIEN—These projects will be subject to the normal scrutiny in a contractual arrangement, but the government commitment will mean that, unless there is some significant problem, they will be funded and funded as quickly as possible?

Mr Calder—That is correct.

Senator BUSHBY—Just following on from Senator O'Brien's questions, how was the ATDP program administered in the past? Was it a competitive program for selection recommended at officer level after applications had been put in?

Mr Calder—The program was a competitive grants program. It was run in a series of rounds. AusIndustry, which is now part of the Department of Innovation, Industry, Science and Research, was the program delegate so it accepted the applications for the program, assessed them against the criteria and selected the successful candidates.

Senator BUSHBY—They were selected initially at officer level and then recommended to the minister—is that correct?

Mr Calder—AusIndustry was the program delegate so they selected the projects.

Senator BUSHBY—How does this compare with the process that was followed by the current government with respect to the 12 proposals that are being funded under ATDP now?

Mr Calder—Those 12 projects were election commitments by the government. They were announced—

Senator BUSHBY—As far as you are aware, how many were selected on a competitive process after assessment of the proposals?

Mr Calder—They were announced by the government as part of the election campaign. I should note that they are being funded out of savings from the ATDPs—

Senator BUSHBY—From the budget cuts. I think Ms Madden was talking about the increase in the passenger movement charge. Correct me if I am wrong, but I think you said that part of the rationale behind the increase of that was to raise revenue for offsetting the cost of a range of aviation security initiatives.

Ms Madden—Yes, that is roughly what I said. The exact explanation is set out in Budget Paper No. 2. It is not this portfolio's responsibility. It is administered by Customs and there is an explanation—

Senator BUSHBY—That is fine, but that is basically the gist of what was said?

Ms Madden—Yes.

Senator BUSHBY—Minister, can you categorically confirm that all of the extra revenue raised from the passenger movement charge will be spent on airport security?

Senator Sherry—That is something for another estimates. I am willing to take it on notice.

Senator BUSHBY—That is fine, but it is in the context—

Senator IAN MACDONALD—He is asking: is it planned for that money to be spent in that area?

Senator Sherry—The short answer is I do not know because it is for another estimates. I will take it on notice—

Senator IAN MACDONALD—But you must have some plans on what you are going to do with the money.

CHAIR—The minister has answered the question.

Senator IAN MACDONALD—He has—

CHAIR—The minister has answered the question. Do you have any further questions?

Senator Sherry—I will answer at another estimates—another future estimates.

Senator BUSHBY—When you do take that on notice, can you do it in the context that the Customs budget has been cut by \$51.5 million and so, theoretically, if you are raising money to offset Customs security measures and then you are taking money out the other end, that looks a bit strange. That is all right. I am happy that you take that on notice.

Senator Sherry—That is a question for Customs. It is certainly not the appropriate place to ask here about Customs budget reductions, but—

Senator BUSHBY—Take on notice what you are prepared to on that—

Senator Sherry—I cannot take it on notice for this committee. As a mark of cooperation I will ensure that the questions are passed onto Customs estimates, but they will have to respond.

Senator BUSHBY—Thank you very much for that. What industry consultation was undertaken prior to the changes to the passenger movement charge, the increase in passport costs and the increase in visa fees? Was there any industry consultation undertaken?

Senator Sherry—Of tourism?

Senator BUSHBY—As it affects tourist operators?

Senator Sherry—As it affects the tourism industry. I cannot answer for Customs. They may have undertaken some study—I do not know—that may have taken into account the impact on tourism, but I do not know, so I will pass that onto them. The tourism officials may be aware of any specific study. I do not—

Dr Boxall—The whole three of the measures are for different portfolios. One is for Customs, one is for Immigration and one is for Foreign Affairs.

Senator BUSHBY—Quite clearly, that has a direct impact on the tourism industry.

Dr Boxall—I think Ms Madden said earlier that we were not consulted.

Ms Madden—That is right.

Senator BUSHBY—That is fine. Since the budget came down, has any modelling or analysis been done to identify whether any of those three extra costs will be a deterrent to travellers?

Dr Boxall—By the Tourism Division?

Senator BUSHBY—Yes.

Ms Madden—Since the budget, no.

Senator BUSHBY—You have done no analysis of what impact that might have on tourism since you first became aware of that at budget time?

Ms Madden—No detailed analysis or modelling since the budget announcement of some weeks ago—no.

Senator BUSHBY—You say ‘no detailed analysis’. Have you done any back-of-the-envelope analysis to have a look at that or any consideration where you considered how that might impact on tourism numbers?

Ms Madden—Not at this point.

Senator Sherry—As I said earlier—I am not sure whether you were here—the passenger movement charge is roughly in line with CPI. Some officials may be able to correct me if I am wrong, but there was no consultant analysis of impacts when there were increases by the previous government.

Senator BUSHBY—Thank you. In terms of the tickets that had been bought prior to 1 July, is it correct that the government has made a decision to now exempt those tickets that have already been bought by those people who are flying after 1 July?

Ms Madden—As I mentioned, the passenger movement charge is administered by Customs. It is therefore a question better directed to the Australian Customs Service. I am aware that there are certain exemptions from the charge, such as children under 12 years. In terms of your precise question—

Ms Cox—Tickets that are purchased before 30 June will not have the charge applied to them, so it will only apply to tickets purchased after.

Senator BUSHBY—That is a change from what was announced on budget night, is it not?

Ms Cox—My recollection is that there was no specificity about that.

Senator BUSHBY—Okay, and it has been clarified.

Ms Cox—It has been clarified.

Senator BUSHBY—The government has proposed a national voluntary accreditation scheme and says it will resolve the issue of rogue operators. So far, joint working group meetings have been held with the formal outline presented at the Tourism Ministers Council in July. The government has proposed that the new national accreditation system is to be in place by July. At what stage is it currently?

Dr Tucker—The date of July for the implementation of the tourism accreditation framework is an incorrectly reported date, reported in the media. I think that is the origin of that particular date. As you pointed out, there is a national tourism accreditation framework working group that has been established so that we can consult with state and territory governments and industry associations about the way forward with the national tourism accreditation framework. Those consultations are taking place and are continuing. The next step in the process is to go to the Tourism Ministers Council on 9 July to discuss with them a plan to develop the national tourism accreditation framework.

Ms Madden—You mentioned rogue operators. Could I say that the national tourism accreditation framework elaborated on by my colleague is one major focus of quality assurance. The government also has a number of other policies and programs in place including a tourist consumer protection strategy. Also, as you would be aware, we have a specific bilateral program with China, the China approved destination status scheme, which oversees tourist group travel from China. In that we have taken some action specifically in relation to rogue operators to ensure that we have efficient and effective management of that important bilateral program for the industry.

Senator BUSHBY—Is that up and running already?

Ms Madden—It is, yes.

Senator BUSHBY—In terms of what you are developing at the moment that we just heard about, what guidelines for the accreditation system have been developed? Do you have any guidelines, or draft guidelines, that you propose putting in place?

Ms Madden—As my colleague has said, the national tourism accreditation framework is still in the process of being developed. Early indications, including from government industries and stakeholder consultations is that it is looking to be a voluntary, industry-led, umbrella framework that can accommodate and build on some of the existing accreditation frameworks.

Senator BUSHBY—What are the target numbers for accreditation in the first year? Do you have any idea of how many you expect to voluntarily accredit themselves?

Ms Madden—We have not set a specific target yet. As I said, the framework is in development. We do not yet have a specific target in sight.

Senator Sherry—I think there was a reference made to a claim by the minister that he would ‘eliminate’ rogue operators. I am informed he has never used the description ‘eliminate’.

Senator BUSHBY—I did not raise it either.

Senator IAN MACDONALD—For the Australian Tourism Development Program, are there other grants apart from those listed on this sheet which you have kindly provided to us?

Ms Madden—No.

Senator IAN MACDONALD—The 12 programs listed here are the only programs that are going to be supported in the next financial year; is that correct?

Ms Madden—These are the only new programs. There are some existing programs and previously announced programs that are in various stages of finalisation.

Senator IAN MACDONALD—Can you tell me which of those 12 projects is in an electorate not held by the Australian Labor Party?

Ms Madden—No, I am not able to answer that question. We do not do that analysis.

Senator IAN MACDONALD—Do you know which electorate they are in?

Ms Madden—I do not.

Senator IAN MACDONALD—There is an overnight and experience heritage of Parramatta. Parramatta, as you would be aware from your local knowledge, is in a Labor seat?

Dr Boxall—We have not done this analysis.

Senator IAN MACDONALD—Senator Sherry, perhaps, you could answer. You would know that is a Labor seat.

Senator Sherry—I would need to know—

Senator O'BRIEN—The ones in Tasmania definitely are?

Senator Sherry—Yes—Tassie I can vouch for because I know we hold all five seats in Tasmania. But I am not sure of the boundary of Parramatta and where that would be located. I am happy to take it on notice and provide you with the answer.

Senator IAN MACDONALD—Thank you. Bateman's Bay township as a holiday destination. Bateman's Bay would be in the Labor electorate of Eden-Monaro?

Senator O'BRIEN—It is not actually; it is in the one further north, which you hold.

CHAIR—The minister is going to take it on notice—

Senator IAN MACDONALD—He is taking on notice about Parramatta—

Senator Sherry—I think it is in Gilmore but, before we start speculating about which towns and regions are in which electorates, we will take it on notice and we will get you an accurate outline.

Senator IAN MACDONALD—I am very curious because we have heard a lot over recent years about all the regional partnerships money going to coalition electorates. I just think there might be a fraction of hypocrisy in that because my assessment of these 12 grants are that they are all, every single one of them, in Labor electorates. If you are going to take on notice which electorate they are in, that is fine. You can tell us the political patronage of the local member, that is fine. But, if you do not want to do that, I guess we could probably work it out ourselves. What assessment is the department going to do on whether or not these are good projects? What is the department's role in these processes?

Dr Boxall—The 12 projects which have been listed by the minister at the time of the budget announcement are all election policies and they will be funded. As was explained earlier by Mr Calder, the department's position is to contact the proponents of these projects and then set about establishing a contract with milestones. So the question is that these projects will all be funded because they were election commitments, and the budget is quite clear on that.

Senator IAN MACDONALD—I am very conscious of that, but we have been regaled over the past 10 years with: how can anyone promise these things without having a proper departmental assessment beforehand? The dead tree out at Barcaldine is another one in a different portfolio. A proposal that was rejected by the department is promised by the Labor Party and suddenly just happens even though the department argued against it. I am just wondering where in these things the department is going to have a role. You say that the department is going to contact the proponents. Did you say that?

Dr Boxall—Yes. That was the testimony given earlier by Mr Calder.

Senator IAN MACDONALD—The proponents are all clearly identified, are they?

Mr Calder—That is right.

Senator IAN MACDONALD—You can tell me exactly who are the proponents of these 12 projects?

Mr Calder—I do not have that detail—

Senator IAN MACDONALD—No, but you can. I will take that on notice and make that available.

Senator Sherry—I will take it on notice. You will not take it on notice, I will take it on notice, and be pleased to provide the information for you.

Senator IAN MACDONALD—Sorry, Minister, I have forgotten your importance in these estimates.

Senator Sherry—I think you have forgotten where you are now. Just one point you made earlier which was incorrect and which is why I offered to be helpful and take the information on notice: you made a claim that they all appeared to be in Labor electorates. That is not correct. At least one is in Ms Joanna Gash's electorate of Gilmore. There may be others. I am happy to take on notice the analysis in order to ensure you have an accurate picture.

Senator IAN MACDONALD—Thank you. You offered to do that 10 minutes ago, but I am pleased that you are repeating it. It will be at the forefront of your mind, no doubt. If you are correct, 11 out of the 12 are in Labor Party electorates.

Senator Sherry—No, I am suggesting that, to my knowledge, you are least wrong on one claim and there may be others, but we will analyse the list for you.

Senator BUSHBY—It may be 11.

Senator IAN MACDONALD—I suspect you will find that is not accurate, but you are taking it on notice. I am very grateful for that. If the milestones that you are going to set are not agreed with the proponents, where do we go from there?

Mr Calder—The milestones will be negotiated with the project proponents to achieve the—

Senator IAN MACDONALD—You have certain standards, but if the proponent happens to be someone with influence somewhere and does not agree to them, where does the department stand?

Dr Boxall—That is speculative. The department will implement this according to the usual practice of contracting and will seek to negotiate milestones with a proponent.

Senator IAN MACDONALD—Of course you will seek to but what if you cannot achieve what you seek?

Dr Boxall—If we do not have a contract we cannot disburse the money.

Senator IAN MACDONALD—It will be up to the department to insist upon certain basic standards and, if they are not met, then the grants will not be made?

Dr Boxall—If they are met the grants will be made.

Senator IAN MACDONALD—That was not my question. If they are not, the grants will not be made?

Senator Sherry—He is entitled to answer the question in his own words, not in the words that you want.

Senator IAN MACDONALD—If the milestones are not agreed upon then you are not going to be able to honour your election commitment, are you?

Senator Sherry—The officer has well outlined what the position will be.

Senator IAN MACDONALD—It is a very contradictory version. In one instance, you are saying they will be funded because they are election commitments—

Senator Sherry—Yes, subject to—

Senator IAN MACDONALD—Hang on. In the other instance the department is saying that the milestones have to be agreed upon and, whilst they were not prepared to mouth the words—and I understand why and I do not blame them—what they are really saying is that if the milestones are not agreed then they are not going to be funded.

Senator Sherry—Subject to the criteria and milestones—whatever description you want to use—subject to the criteria laid down by the department.

Senator IAN MACDONALD—That is going to be interesting. In assessing the milestones for these programs does the department act fearlessly and without favour or influence from the minister's office or the minister's advisers?

Senator Sherry—There will be criteria set down; the department will obviously keep estimates well informed, as well as the minister and the proponents, about the criteria that need to be met and they will be reported.

Senator IAN MACDONALD—Again, thank you, but that was not quite the question. There are certain standards that an independent public service implements and I am just wanting perhaps an assurance from you that the Public Service will not be leaned on or be rung at 3 am to—

Senator Sherry—I can certainly assure you on behalf of Minister Ferguson that he will not be leaning on the department or ringing them at 3 o'clock in the morning. I believe I can give that assurance.

Senator IAN MACDONALD—Okay. I have done something for you people at the table. You will not get a call at 3 am?

Senator Sherry—Yes, that is right, but I will take the question on notice.

Senator IAN MACDONALD—I will quite clearly be watching these at future estimates and we will be watching very carefully the criteria that are issued. All of this is going to be fascinating because, quite frankly, it does not give a stuff what the criteria are, they are going to get the money anyhow—

Senator Sherry—I do not agree with you.

Senator IAN MACDONALD—Good. Thank you.

Senator Sherry—The criteria will be set out. The department will set them and the proponents will have to follow the criteria.

Senator IAN MACDONALD—And if they do not?

Senator Sherry—Then, as has been said by Dr Boxall, they will not receive their money—

Senator IAN MACDONALD—Okay. That is very encouraging. I thank you for that. I have more questions on this but Senator Eggleston wanted to intervene.

Senator EGGLESTON—There is just one that I might advise you that I will keep an eye on, that was the Augusta Margaret River Tourism Association, which is a not-for-profit organisation which had been promised more than \$800,000 to fund its upgrade of the Jewel Cave. I am very interested to see if that one is an honoured promise, given that it is in the federal electorate of Forrest.

CHAIR—Is that a question?

Senator EGGLESTON—I have said I will monitor it.

Senator Sherry—It is a question on notice for future estimates if such an approach is—

CHAIR—Are there any further questions?

Senator IAN MACDONALD—Yes, I have a lot more, as I have indicated, thank you.

CHAIR—Then let's get on with it.

Senator IAN MACDONALD—I am delighted to see the Rubyvale Gem Centre has been promised \$100,000 for a tourism feasibility study and development plan for Rubyvale. That is great. Just to help my geography, is there any other grant that goes to Queensland at all?

Senator Sherry—The Great Australian Outback Cattle Drive, I suppose, would fit into that category—

Senator IAN MACDONALD—It has SA written after it.

Senator Sherry—It is Queensland and SA.

Senator IAN MACDONALD—Okay. So this document is not accurate.

Senator Sherry—I have that Queensland and SA would be impacted on by that.

Senator IAN MACDONALD—That is good to know. It does not say it here, but I take it that your information is more correct. Are there any others?

Senator Sherry—Just to clarify Senator Eggleston's question on the Margaret River project, I do not know whether you have got it on your list but I have not got it on mine.

Senator IAN MACDONALD—No, I have not.

Senator Sherry—That would come under the Regional Partnerships program.

Senator EGGLESTON—It may well do, but I will still keep an eye on it.

Senator Sherry—We were asking questions about the 12 regional tourism election commitments.

Senator EGGLESTON—I was sent a message about this particular project which I agree is not on this list.

Senator Sherry—But I just assumed, as it turns out incorrectly, that you believed it was one of the 12 regional tourism election commitments.

Senator IAN MACDONALD—We have got one in Queensland and the South Australian one also in Queensland. But are there any others? It is a rhetorical question. I think my geography is good enough to appreciate that there are not. Would you agree with that?

Senator Sherry—Looking at the list, I would agree with that, yes.

Senator IAN MACDONALD—Is there any sort of explanation why what I would parochially say is the best tourism state—I guess others around the room would disagree with that—

Senator Sherry—Even some of your own colleagues might disagree with that.

Senator IAN MACDONALD—I am absolutely certain of that. But most would have to concede that tourism with the Gold Coast, Sunshine Coast, Great Barrier Reef, the tropical rainforests, the desert uplands—

Senator WEBBER—You can go on all you want, I am still not going to agree that it is the best tourism state.

Senator IAN MACDONALD—Be that as it may, it is a pretty significant part of Australian tourism—

CHAIR—Could we ask questions, please, and have fewer conversations.

Senator Sherry—I would not concede that. Tasmania, with its world heritage, its wilderness areas, Port Arthur, Cradle Mountain, our botanical gardens and our historical buildings, I would argue is significant in a different way, so I would not agree with your assessment.

Senator IAN MACDONALD—You are not agreeing that Queensland plays a significant role in Australian tourism. Okay.

Senator Sherry—That was not the question you put.

Senator IAN MACDONALD—Yes, it was.

Senator Sherry—It was not the question you put.

Senator IAN MACDONALD—My question was Queensland plays a fairly significant role in Australia's tourism. You have disagreed. Thank you. That is all that is needed.

CHAIR—Senator Macdonald, have you finished with that question?

Senator IAN MACDONALD—No, I have got a lot more.

CHAIR—Please ask the questions.

Senator Sherry—Press on.

Senator IAN MACDONALD—If you could stop your colleagues from interrupting every time I am trying to make a point—

CHAIR—Would you please ask your next question.

Senator IAN MACDONALD—Thank you, Madam Chair. This question has to be to Senator Sherry because I appreciate the departmental officials do not make these election promises which use up, as I understand from the earlier answer, all of the money that is available in the Regional Tourism Program. Is that correct? Do they use up all the money in Regional Tourism Program that is not paying for previously—

Mr Clarke—No.

Senator IAN MACDONALD—That is not right?

Mr Clarke—There are uncommitted funds in the out years of ATDP and there will be future competitive rounds in that program.

Senator IAN MACDONALD—Of 18?

Mr Clarke—Of the ATDP, the Australian Tourism Development Program. There are uncommitted funds that will be subject of future competitive rounds.

Senator IAN MACDONALD—I heard you say that. Where do I see the forward years in the portfolio budget statement? The only figure I have here looks to be a negative \$100 million per year.

Senator Sherry—What page are you looking at?

Senator IAN MACDONALD—I am asking you to tell me which page it is on.

Senator Sherry—You are saying that the only thing that you can see is a minus \$100 million.

Senator IAN MACDONALD—I will come back to that. That is one of my next questions. I would like to know where I would find the out years for the regional tourism development program?

Ms Rose—The forward estimates beyond the current and budget year are not separately identified in the documents. They are included in the administered budgeted financial statements, which are on page 37. You will not be able to separately identify those ATDP grants because it is part of the whole administered expenditure of the department.

Ms Madden—I will add to my colleague that in Budget Paper No. 2, at the bottom of page 369, there is some further elaboration, including the specific out-year funding for the Australian Tourism Development Program.

Senator IAN MACDONALD—I do not have that in front of me now. Can you tell me what they say?

Ms Madden—In the 2008-09—

Senator IAN MACDONALD—You do not need to worry about that. We have already spent that.

Ms Madden—It says \$4 million in 2009-10 and \$4 million in 2010-11.

Senator IAN MACDONALD—That is less than this year, which you have told us is \$4.6 million. Is that right?

Mr Calder—There is \$6.5 million allocated for 2008-09. The tourism election commitments are valued at \$4.6 million.

Mr Clarke—It is important for the purposes of an estimates discussion to advise that there are three places that the money goes in each year of this program. They are projects already decided and have not yet fully drawn down their funds, so there is some continuing funding with existing projects.

Senator IAN MACDONALD—Thank you for that, but I do not need to know that.

Mr Clarke—You cannot do the arithmetic in the way you are suggesting, that each year is a clean program. The programs run through the current year and the out years and there are many projects already on the books still receiving funding.

Senator IAN MACDONALD—I acknowledged that before and I do understand that. Thank you for the clarification. The sheet you have given us shows \$4.6 million on these projects this year, plus there is another \$1 million plus on carryover programs, as I understand it.

Mr Clarke—We are not suggesting that all of the \$4.6 million on these 12 projects will all be spent in the current financial year. As we have discussed, the actual contracts have not yet been negotiated.

Senator IAN MACDONALD—The \$4.6 million could run over. Your sheet, which you have just handed us, states \$4.6 million in 2008-09.

Mr Clarke—That may well be the way it works out.

Senator IAN MACDONALD—But it may not be.

Senator Sherry—Does the sheet not say implementation of the projects from 2008-09?

Senator IAN MACDONALD—Down the bottom it says: ‘What funding has the government committed to the initiative. \$4.6 million in 2008-09.’ I am not arguing if that is right or wrong, but that is what you have told us in a bit of paper you have handed us. We all make mistakes and I understand public servants are working until late in the night to try to find out what they are supposed to be doing—

Senator Sherry—They certainly are at estimates.

Senator IAN MACDONALD—Perhaps they have made an error.

Senator Sherry—That is on the record.

Senator IAN MACDONALD—I do not blame them for it. I know the pressure under which they are working and the lack of direction they are getting. You have successfully diverted me from Queensland.

Senator Sherry—To Tasmania?

Senator IAN MACDONALD—No. It is quarter to 10. The tourism industry in Queensland is a very significant part, I suspect second only to mining and energy, for the GDP of Queensland and I am a fraction concerned that these promises for the current year, apart from \$100,000 to Rubyvale, have no support for Queensland.

Senator Sherry—No, that is not right. You have already partly accepted the Great Australian Outback Cattle Drive. We did discuss that one earlier and I did clarify that one for you.

Senator IAN MACDONALD—You told me, but whether I have accepted it is another issue.

Senator Sherry—Sorry, Senator O'Brien, your question?

Senator O'BRIEN—Is that in Maranoa?

Senator Sherry—In the seat of Maranoa? You may be right and, again, it may be one of those. I will take on notice the seats they are in. You may be right; it may be another National Party seat if it is in that area.

Senator IAN MACDONALD—We are all one in Queensland, Minister. Don't worry about it!

Senator Sherry—Are you? Let us not go there. We will be here forever.

Senator IAN MACDONALD—We are all one.

Senator Sherry—Just as well there is no Nat here.

Senator IAN MACDONALD—Quite frankly, it does not matter whether it is National Party, Liberal Party, Liberal-National Party or Labor Party.

Senator Sherry—I agree. They are all worthwhile projects.

Senator IAN MACDONALD—Even, for that matter, Mr Katter, who is an Independent and has some fabulous tourism icons in his area. But I am struggling to see where the commitments are. Let me move further. I think I have made the point for Queensland voters and we have noted the minister's comment about the significance of Queensland tourism. That is all good stuff.

Senator Sherry—I have made some comments about the significance of Tasmania.

CHAIR—Can we move on with questioning, please.

Senator IAN MACDONALD—Thank you, Madam Chair, because this is a very serious question. There is a concern Australia-wide, but it is impacting upon Queensland very considerably, about the fall-off in overseas tourists, particularly in my neck of the woods in Cairns and the Whitsundays. Is this acknowledged by the department and Tourism Australia, if you can speak for Tourism Australia?

Ms Madden—I cannot speak for Tourism Australia. They will be on shortly. The announcement of the National Long-Term Tourism Strategy by the minister acknowledges very clearly that there are some major challenges facing the industry in each and every state and territory. I can also say that industry, state and territory governments and Tourism Australia will have input into the development of the strategy, which will look at the challenges facing the industry.

Senator IAN MACDONALD—I have been working very hard in the last couple of weeks and I missed the minister's strategy announcement. When was that?

Ms Madden—That was 8 May.

Senator Sherry—In fact it was outlined a little earlier this evening. I am not sure whether you were here.

Senator IAN MACDONALD—I am sorry, I was not here.

Senator EGGLESTON—It might be an idea to have Tourism Australia up together with this group.

CHAIR—Senator Macdonald indicated that he had more questions in this area, so we might as well finish them.

Senator IAN MACDONALD—Thank you, Madam Chair. I am happy for us to continue.

Senator EGGLESTON—They overlap a bit.

Senator IAN MACDONALD—I did not hear the minister's strategy announcement, but I gather from what you said it acknowledged that there were significant dark clouds on the horizon.

Ms Madden—Challenges.

Senator IAN MACDONALD—What does the strategy announced by the minister propose to deal with those challenges?

Ms Madden—I did touch on this earlier. I underlined that the strategy has a primary focus of meeting the government's goal for tourism, which is to maximise its net economic contribution to the Australian economy, and that we are looking particularly at the supply-side issues, issues related to the productive capacity of the industry, aviation, investment and infrastructure.

Senator IAN MACDONALD—I have been around long enough to be snowed by bureaucratic speak. Give me some practical initiatives in the strategy that will really address the problem.

Dr Boxall—The minister has announced that he will be developing a strategy. We outlined earlier the process that he is going through, so the strategy is yet to be announced because we are working it out with the minister.

Senator IAN MACDONALD—Did he announce on 8 May that he was going to have a strategy?

Ms Madden—He announced the development of a strategy and I elaborated earlier that it will be formulated at whole-of-government approach and also with an industry steering group. Arrangements for those are in train and the strategy will be developed over the next 12 months, which is the timetable that the minister announced.

Senator IAN MACDONALD—That is fabulous. I am delighted to hear that after six months in government we have had a major announcement on 8 May that the minister is going to develop a strategy. Thank heavens for that! I know the country is in safe hands.

CHAIR—Do you have another question, Senator Macdonald?

Senator IAN MACDONALD—I have a lot more questions.

CHAIR—Could you ask them please?

Senator Sherry—Hansard does not pick up sarcasm.

CHAIR—Senator Macdonald.

Senator Sherry—Your praise will be recorded.

CHAIR—Senator Macdonald, do you have a question?

Senator IAN MACDONALD—It really is fabulous that after six months what we get is an announcement that we are going to have a look at it.

Senator Sherry—I am sure you had plenty of those time frames when you were the minister.

CHAIR—Senator Birmingham, do you have a question.

Senator IAN MACDONALD—Madam Chair, if you can stop the minister interjecting and interrupting me, I can continue.

Senator Sherry—I am entitled to my opinion.

Senator IAN MACDONALD—I know he is very sensitive about this and does not want the truth to be aired.

Senator Sherry—I am entitled to answer; I am the minister at the table

CHAIR—Senator Macdonald, would you please ask your question or I will go to another senator.

Senator IAN MACDONALD—Thank you. Has the department and Tourism Australia, bless their soul, had consultations with actual tourism operators at the coalface who deal with international tourism?

Ms Madden—Yes.

Senator IAN MACDONALD—I do not need individual names, but in a broad sense can you tell me with whom you had the consultations?

Ms Madden—The department consults widely with the tourism industry at a whole range of levels, with a whole range of stakeholders. As you have acknowledged tonight it is such an important industry, so there are many varied players. We are also aided in our consultation by having a number of industry groups representing some of those stakeholders. The National Tourism Alliance represents a very large number of small and medium-sized tourism operators. We also have the Transport and Tourism Forum, TTF, which represents 200 of the larger companies and industry groups that are operating in the tourism area. There are a number of other bodies that we consult with, as well as consulting directly with some tourism operators.

Senator IAN MACDONALD—It is the last bit that I am interested in. Have you consulted directly with actual inbound tourism operators?

Ms Madden—Yes.

Senator IAN MACDONALD—Would it be too difficult to take on notice who they were, or are there privacy issues involved?

Ms Madden—I can take that on notice.

Senator IAN MACDONALD—Are there privacy issues involved?

Dr Boxall—We will check on that and take it on notice.

Senator IAN MACDONALD—I know you consult with peak bodies, but you would also be aware in the industry that there is some thought that the tourism peak bodies could represent wholesalers rather than the actual deliverers of the product, so you will take that on notice. I do have some other questions for Tourism Australia, but we will come to that.

Just finally on this area here, I would assume that the department has key performance indicators and a 2008-09 target. I would like to refer you to page 102 where your performance indicator is a knowledge of Australia as a destination—that is the third last one—and the target is going to be an increased number of prospective visitors. I am not sure what prospective visitors are. They are either visitors or not visitors.

Dr Boxall—They are Tourism Australia's performance indicators.

Ms Madden—Tourism Australia.

Senator IAN MACDONALD—Is this Tourism Australia?

Ms Madden—Yes. Page 102.

Senator IAN MACDONALD—I have jumped one there. I shall leave that for them. Finally, just on outcome 1, is that for the department, 2.1.1?

Ms Madden—Yes.

Dr Boxall—Which page are you on?

Senator IAN MACDONALD—I am looking at page 96-97.

Dr Boxall—That is Tourism Australia.

Senator IAN MACDONALD—That is still Tourism Australia. That is all I have for you. Thank you very much.

CHAIR—Senator Birmingham.

Senator BIRMINGHAM—Have questions been posed on the accreditation program?

Dr Boxall—Yes.

Senator BIRMINGHAM—That is fine. I will not overlap.

CHAIR—Senator Bushby.

Senator BUSHBY—I do not have any questions.

CHAIR—Thank you. We will move on to Tourism Australia, outcome 1.

[9.50 pm]

Tourism Australia

CHAIR—Welcome to the table. Any questions for Tourism Australia? Senator Eggleston.

Senator EGGLESTON—Earlier tonight we talked about a cut in the budget of Tourism Australia by \$5.9 million and that was disputed, but it was pointed out to me that, in real

terms, it might be that the government's resourcing for Tourism Australia has been decreased by \$5.9 billion. Do you confirm that? Have you had a reduction of that extent in your budget?

Mr Buckley—No. Page 94 of the budget statements provides an estimate available for 2007-08 of \$135.771 million and the 2008-09 estimate is \$135.559 million. You are talking about approximately a \$220,000 decrease.

Senator EGGLESTON—Thank you for explaining that, because it obviously is not correct, and so one cannot question you about what you will do to cover that loss. Can you tell us how Tourism Australia is currently separated into divisions?

Mr Buckley—Yes.

Senator EGGLESTON—What are the names of the divisions and what are their particular purposes?

Mr Buckley—Primarily at the overarching level we have four broad divisions. We have a marketing division. We have an international operations division split into two, eastern and western hemispheres. We then have a fourth division, which is our corporate services area, so broadly four areas. There is a fifth, which is corporate communications, which covers across the organisation.

Senator EGGLESTON—Can you tell us the staff numbers in each of these divisions?

Mr Buckley—I do not have the detail with me. I can take that on notice and provide you with a current actual figure.

Senator EGGLESTON—What outcomes is each division required to achieve?

Mr Buckley—Again, the budget papers provide a breakdown broadly into three outcome areas for outputs. One is very much focused on industry and market development through strategic insights. That is our market research area primarily. The second is very much about increasing distribution of the Australian tourism product and facilitating growth across Australia. The third is focused around consumer demand travel stimulation. That is consumer promotion both internationally and domestically.

Senator EGGLESTON—Is there any process between the minister's office and Tourism Australia for the minister to provide Tourism Australia with direction on operational matters?

Mr Buckley—Yes. We have what is called a statement of expectations provided by the minister. In response Tourism Australia will respond with a statement of intent, which spells out how the governance between Tourism Australia and the minister works, to meet the minister's expectations, which are publicly available.

Senator EGGLESTON—Is this a give and take between both sides on setting the objects and policy for Tourism Australia?

Mr Buckley—The board responds to the minister's expectations with that statement of intent. The board then responds on the way in which it will respond to the minister's expectations. That is the way the process works. It came out of recommendation from the Uhrig report.

Senator EGGLESTON—What would be Tourism Australia's proposal in relation to a solution to the reduction in the number of tourists coming here from Japan, as an example?

Mr Buckley—The statement of expectations and intent has been finalised for going forward, but there is no specific statement or request around particular markets. In terms of the way in which the tourism board operates and in which we look at the way in which the market is moving, we have a range of strategies across the globe for various markets and we certainly have a strategy for Japan.

Senator EGGLESTON—I gather that is one of our problems now?

Mr Buckley—It is certainly one of the key challenges internationally, but not the only one, I might add. It is a significant one that has been there for a couple of years. I think you got some numbers before on the size of the decrease out of Japan and my colleague, Ms Madden, spoke about the nature of some of the challenges as to the Japanese market.

Senator EGGLESTON—The Chinese tourism market received a mention earlier this evening. I gather Australia is an approved destination for Chinese tourists?

Mr Buckley—Yes.

Senator EGGLESTON—I believe they are coming in quite large numbers. Can you quantify how many came to Australia over the last year, for example?

Mr Buckley—Yes, I can. Australia does have approved destination status. We were one of the first Western countries outside Asia to receive that, along with New Zealand. Since that time many other countries around the world have received approved destination status, so it is no longer the competitive advantage that it might have been some seven years ago when it was provided. For the year ended 31 March, China is currently at 364,000 inbound visitors, which is a nine per cent growth on the previous 12 months.

Senator EGGLESTON—Would the Chinese be amongst our biggest national visitor groups?

Mr Buckley—China rates at No. 5 in terms of visitor numbers. The largest is New Zealand. After that are the UK, Japan, United States and then China.

Senator EGGLESTON—That is very interesting. What about other countries like Korea in the Asian region? What are the figures there?

Mr Buckley—Korea is currently No. 7 in terms of total inbound visitors into Australia for the year ended 31 March 2008. It is a market which, for the same period, dropped by nine per cent from the year ended March 2007.

Senator EGGLESTON—Have you any idea why the Koreans are less frequent visitors to Australia?

Mr Buckley—Yes, we do have. We have an office in Korea. We very carefully monitor the state of the market there and certainly work quite hard to try to drive that market's growth. One of the things that we do know is that total Korean outbound numbers recorded close to a six per cent decrease in the last two months, so we are talking about a total outbound figure out of Korea that has dropped somewhat.

The other aspect that we are aware of is that Australia has been working very hard to try to improve the yield from all of its markets, but particularly out of Korea, and a lot of work has been done with the inbound operators and the wholesalers there to try to provide an

experience of more quality for the visitor. That has meant some increase in the pricing of those packages and there has been a drop-off in what we think at this stage—we are not sure because the final numbers have not come through—in that lower yielding end of the Korean market. So there have been two things occurring in that Korean market that are impacting on our overarching numbers.

Senator EGGLESTON—How long do these people stay in Australia for on average and where do they go to?

Mr Buckley—Those from the Korean market?

Senator EGGLESTON—Yes.

Mr Buckley—I have some details here on the market, but not a complete profile with me. We do have that as Tourism Australia markets in 23 markets around the world and we do evaluate the profiles. The average is not necessarily a good way of measuring the length of stay because there are some very long stays in terms of students and others versus short-stay leisure. If you are interested, I could provide you with a profile of the market.

Senator EGGLESTON—I would be very interested if you could do that.

Mr Buckley—We will take that on notice.

Senator EGGLESTON—How do you define Quality Tourism Australia?

Mr Buckley—Quality Tourism Australia?

Senator EGGLESTON—Yes.

Mr Buckley—I am not sure I understand.

Senator EGGLESTON—I believe it is a website or it must be a business that apparently is there to be accessed.

Mr Buckley—It might be. I am sorry but I am not sure what you are referring to. It might be to do with the accreditation portal, which is the department of tourism's precinct.

Senator EGGLESTON—Actually it is an accreditation register, but it is under the heading of 'Tourism Australia'. But obviously that is the department and not you?

Mr Buckley—It is.

Senator BUSHBY—Mr Buckley, I note on page 424 of Budget Paper No. 2 that Tourism Australia has had, as part of its responsible economic management measures, a cut in funding of \$1 million in each of the forthcoming years. Is that the efficiency dividend?

Mr Buckley—No, the efficiency dividend was separate.

Senator BUSHBY—So that is in addition to that?

Mr Buckley—That is correct.

Senator BUSHBY—Since Tourism Australia's principal role is the marketing of the nation, how does the decrease in funds, both from the efficiency dividend and from that \$1 million per year, impact on your ability to market and to manage the marketing of the programs?

Mr Buckley—As I was mentioning earlier, the final variation in funding from 2007-08 to 2008-09 is something like \$200,000. The size of the variation is relatively small in \$135 million. We are still working our way through that final process. The board will look at a final response to the budget at its next board meeting. But we have been able to adjust across our markets for that size of change.

Senator BIRMINGHAM—When you say it is a reduction of \$200,000, did the allocation of that marketing budget, across internal staff resources versus international advertising buy, stay the same or is it a million bucks off advertising buy and you are maintaining staff levels?

Mr Buckley—No. What we have attempted to do—and we have been looking fairly carefully at it over the last 12 months just as a matter of routine, in terms of both our staff resources and our overheads—is drive some savings into that process to get as many dollars as we can into the marketing and promotional area of the budget.

Senator BIRMINGHAM—So is that purely \$200,000 off marketing on the ground?

Mr Buckley—Please say that again.

Senator BIRMINGHAM—In terms of your actual spend on marketing in markets, is it \$200,000 off or is it \$200,000 off your overall marketing budget?

Mr Buckley—That is \$200,000 off our overall budget, our \$135 million, and we then look at the way in which we might spend that budget. What we attempt to do is reduce our overheads as much as possible, look at our resources and then try to apply as much of our dollars to the marketing project end of our business.

Senator BIRMINGHAM—Do you know yet how much less you will be spending on advertising and marketing in international markets?

Mr Buckley—No. The reason is that we have only in the last week received our budget parameter rates, BPR. We also have to then apply those rates in terms of what the spends would be in-market. Given that we market globally, we actually look very carefully at the way in which those Australian dollars convert into local currency, because that is how it is spent.

Senator BIRMINGHAM—I am sure that is something we will pursue in supplementary estimates.

Senator BUSHBY—So the bottom line, Mr Buckley, is that you are saying that there may well be some effect on the budgets for local, domestic and international tourism marketing?

Mr Buckley—I would expect it to be minor. The variation budget to budget is minor.

Senator BUSHBY—But potentially there could be some impact on that, and you may not be able to absorb all of the savings from the efficiency dividend and that cut of \$1 million a year purely in overheads?

Mr Buckley—It is too early for me to know.

Senator BUSHBY—On page 424 of Budget Paper No. 2, where there is in the explanation for that million-dollar cut over the next four years, it actually says quite categorically that the savings will not reduce Tourism Australia's funding for international or domestic marketing activities. You have just said that it may well do so.

Mr Buckley—I said it is too early for me to be able to give that answer.

Senator BUSHBY—Given the government has given an undertaking that it will not, surely you must be in a position to say that it will not? You will be delivering on the government's promise?

Mr Buckley—We will be delivering on the government's promise.

Senator BUSHBY—Are you saying that there will not be any reduction in Tourism Australia's funding for international and domestic marketing services?

Mr Buckley—It is too early for me to say.

Senator BUSHBY—So you cannot guarantee that you will be in a position to—

Mr Buckley—I cannot go either way until the numbers are looked at and the board makes its call on where the budgets will go.

Senator BUSHBY—Maybe the minister might like to address that.

Senator Sherry—We will address that hypothetical question.

Senator BUSHBY—It is not a hypothetical. In the budget papers you actually say—

Senator Sherry—Thank you for drawing it to my attention. I will take that and also the final outcomes of the board's decisions on the budget, which have not been finalised yet, as has been indicated. I am sure that the minister will examine that statement.

Senator BIRMINGHAM—Do you stand by the black-and-white text of the budget papers?

Senator Sherry—Yes, I stand by it and I stand by the statement. I am sure the minister will be standing by the statement and he will examine the finalised budget from Tourism Australia.

Senator BUSHBY—If Tourism Australia, having received all the information that Mr Buckley says he needs to acquire in the process that he goes through, finds that he cannot make those savings in the overheads and that he basically just does not have the funds, will the government address that by providing additional funds?

Senator Sherry—A hypothetical; we are not at that point yet of the finalisation of the budget, as the witness has indicated. But I would be confident that Minister Ferguson will stand by the budget.

Senator BUSHBY—I understand Mr Buckley has a process that he has to go through.

Senator Sherry—Yes, and he has not finished it yet.

Senator BUSHBY—With the knowledge that is in front of Mr Buckley, he is not confident at this point that he will be able to deliver on an important government promise.

Senator Sherry—Mr Buckley has indicated that the process is not completed. He knows the parameters.

Senator BUSHBY—I will move on. I think we have probably answered my next question in the course of that, which was to do with an undertaking given by you, Mr Buckley, to Senator Birmingham at the last estimates that hopefully you would be able to explain how the efficiency dividends will play out, but we are not quite there yet.

Mr Buckley—No, we are not.

Senator BUSHBY—When do you expect to be in a position to know?

Mr Buckley—The board next meets on 16 June.

Senator BUSHBY—Will you be finalising it at that point?

Mr Buckley—That would be the aim.

Senator BUSHBY—Will you be able to take those questions on notice, subject to the outcome of that board meeting?

Senator Sherry—Yes, we will take those on notice, Senator.

Senator BUSHBY—Thank you, Minister. We have heard in passing that the exchange rate has been causing some problems. Would you like to elaborate on how that is affecting tourism arrivals and departures?

Mr Buckley—It is one of the significant challenges we are seeing in the international marketing at the moment. The senator talked about Japan exchange rates. Now the yen is close to 100 yen to the dollar. Compared to where it was two or three years ago, we are talking about an appreciation of something like 25 per cent in the cost of an Australian package compared with some other competitors. The issue for exchange rates is more complicated than just the Australian dollar. It is about the crossrates. It is about the strength of the euro as well as the Aussie dollar. It is about the competitiveness of our packages compared to those of other destinations.

Certainly, we are seeing some what we think are significant effects around that. But it is complicated, because it is based around a range of other issues. There are economic challenges as well in certain of our source markets. It is not just one thing that is actually impacting on consumer sentiment for travel. Certainly, we have seen things like the subprime financial problems in America now having some impact not only in the US but in the UK. We have seen some financial challenges in the UK that seem to be affecting consumer sentiment there. There is a range of economic issues that I think are at play at the moment.

Senator BUSHBY—There are a number of challenges for particularly the overseas tourism market. But it is fair to say that in our target markets where their currency does not buy as many Australian dollars that is having an impact on the number of people who are choosing Australia as a tourist destination?

Mr Buckley—We believe that to be the case.

Senator BUSHBY—Because it is costing them more?

Mr Buckley—Certainly we talk to industry operators and they believe it to be the case.

Senator BUSHBY—And they believe it to be the case primarily because people from those nations, when they look to Australia, think it is going to cost more to go there; therefore, it is not as attractive as a destination.

Mr Buckley—They certainly do comparisons of the costs of a package to one place versus the other. As I said, it is complicated by the addition of some economic challenges in some of those source markets; and they get more price sensitive.

Senator BUSHBY—When an average tourist in an overseas destination is looking at Australia, if they see increased prices of passenger movement charges and visas and passports, that would also factor into their thought processes when they do their comparisons with other nations as to whether Australia is an attractive destination?

Mr Buckley—I am not sure how that will filter through into the consumer at this point.

Senator BUSHBY—Presumably if there was this higher cost in the same way that the exchange rate—

Mr Buckley—If it is passed on.

Senator BUSHBY—That may well make a difference.

Mr Buckley—If it is passed on.

Senator BUSHBY—How many marketing projects do you have planned for the next financial year?

Mr Buckley—We are still finalising our annual operating plan, but approximately 145.

Senator BUSHBY—Presumably you are targeting tourists from all sorts of destinations?

Mr Buckley—As I said, we market in something like 23 markets around the world. We have a lot of different projects for each market.

Senator BUSHBY—And one country may have a number of projects?

Mr Buckley—That is correct. There might be four or five projects for a single market.

Senator BUSHBY—How does that number of projects differ from previous years, if at all?

Mr Buckley—It is approximately the same.

Senator BUSHBY—Do we keep tabs on expenditure with respect to the promotion of tourism in the states? Or do you?

Mr Buckley—Are you talking about the states of Australia?

Senator BUSHBY—Yes.

Mr Buckley—There is the Australian Standing Committee on Tourism, ASCOT, which is made up of all of the chief executives of the states and territories, and they do share confidentially some of those numbers.

Senator BUSHBY—Does it come to Tourism Australia's attention what those numbers are?

Mr Buckley—Some of it does, yes.

Senator BUSHBY—Would it be fair to say that the states, to your knowledge, or to the extent that you can actually disclose, are consistently maintaining their spend on tourism or would they be reducing it?

Mr Buckley—That is not my judgment to make.

Senator BUSHBY—That is okay. Since the budget we have had a number of media reports about the passenger movement charges and the passport and visa costs. For example,

there have been a number of comments from industry people. The Australian Tourism Export Council hit out at the decisions to raise departure tax and increase visa-processing fees. We have already discussed the high Australian dollar and you mentioned some of the additional challenges facing our tourism operators when they are looking at overseas markets. The managing director of the Australian Tourism Export Council stated that at a time when the tourism industry is struggling to cope with the high Australian dollar and rising business costs, such as fuel, food and labour, this has made our job of opening up new export markets for Australia much harder. Is this a fair way of approaching tourism, using it as a way of raising funds, whether it is for additional security risks or not? Given the challenge we are already facing, is this something that is beneficial to the tourism industry?

Mr Buckley—It is not for me to comment on government policy.

Senator BUSHBY—Perhaps the minister might like to comment on this?

Senator Sherry—I am happy to take it on notice. It is for the Minister for Tourism, Mr Martin Ferguson, to comment.

Senator BIRMINGHAM—Mr Buckley, can you give me an update on where the No Leave No Life program is at, please?

Mr Buckley—It has been through an internal review and we have talked about the program with our board. We are yet to take any further on that program.

Senator BIRMINGHAM—How much was committed to the program in the last financial year?

Mr Buckley—I might have to take that on notice. It was a relatively small amount.

Senator BIRMINGHAM—Was it a trial at that stage?

Mr Buckley—We had already done the major pilot study and we are working with a number of companies around Australia looking at whether that program actually achieved outcomes in terms of additional staff taking leave. We have done some evaluation, but I cannot tell you off the top of my head what the dollar amount would be. It is relatively small at this point.

Senator BIRMINGHAM—Certainly, your 2006-07 annual report, insofar as it deals with the program in a dot point, says that 82 per cent of respondents to the survey that you conducted noticed a change to annual leave since their company participated in the program.

Mr Buckley—Yes.

Senator BIRMINGHAM—Is it the intention of TA to continue funding the program into the next year?

Mr Buckley—A final decision will need to be made as to where we go. We were still having discussions with some of the employer organisations to see what they might like to take on. This is much bigger than a tourism issue and certainly the employer organisations are now looking at that opportunity.

Senator Sherry—Do you want that other question about the amounts to be taken on notice?

Senator BIRMINGHAM—Yes, thank you. In terms of the division between domestic and international marketing, how is that currently sitting and how do you anticipate that shifting in the year ahead?

Mr Buckley—We currently have a different role with our domestic marketing than we do internationally. We are the primary driver of international marketing. With the states and territories the industry is a cooperative partner, if you like. In terms of the domestic market, the states and territories are the primary marketers. There are several hundred million dollars in domestic marketing already taking place. We try to work a value added process there. And primarily we have taken on projects that you might call media content programs. They are very much about trying to work with the national media organisations and delivering more information to Australians about the fantastic places that Australia has to offer, across the broad rather than specific destination by destination.

Senator BIRMINGHAM—See Australia was of course specifically funded to provide domestic tourism support. And then See Australia's functions were rolled into TA in the new entity.

Mr Buckley—That is correct.

Senator BIRMINGHAM—Are there still dedicated resources flowing through to the domestic tourism?

Mr Buckley—Yes. We have a dedicated tourism unit which facilitates that whole domestic program. Last year we spent, I think, \$6.3 million in domestic marketing, which that unit facilitated.

Senator BIRMINGHAM—How much will you be spending in the new financial year?

Mr Buckley—We have not finalised that yet. That will be part of the board's analysis.

Senator BIRMINGHAM—Perhaps you could take that one on notice as well.

Mr Buckley—Yes.

Senator BIRMINGHAM—You mentioned the states before so we will just return. Senator Bushby was dealing with them before. You undertake joint marketing exercises with the states?

Mr Buckley—Yes. Usually project by project. In the domestic area we put out a prospectus of opportunities to the states and territories. Also down to regions, also to individual operators to come on board and buy into media opportunities. That is what happens—

Senator BIRMINGHAM—Just the domestic area?

Mr Buckley—No. That is in the domestic area. Internationally, again, it is market by market opportunities, often not with the states. The states and territories do not spend a lot of consumer marketing dollars as a whole. They do spend some, and different states have different allocations for selected markets in which we might do some joint above-the-line advertising and promotion, as we would call it. Most of the cooperative work that we do with states in the international markets is very much in the trade—trade engagement, trade events and other trade development-type programs.

Senator BIRMINGHAM—You probably need to take this on notice as well. Could you provide us with the data for the last three financial years of how much you have committed to joint marketing exercises with states both internationally and domestically?

Mr Buckley—I will take that on notice, yes.

Senator BIRMINGHAM—Indeed, probably more particularly, how much have the states committed to TA for joint marketing exercises?

Mr Buckley—Sometimes it is hard to say, because there are usually cooperative programs that have not only the states but also airlines and wholesalers. It is not a single program with the states only. If I could take it on notice and see what we can deliver to you, that will give you some feel for that.

Senator BIRMINGHAM—Thank you. Business Events Australia is a new or relatively new marketing arm for meetings, incentives, et cetera, within TA; is that correct?

Mr Buckley—We have had a business events unit for some time, since Tourism Australia was set up. It is just that we have revamped it over the last 12 months and put a lot of effort particularly into developing up a unique brand position for the business events component of the travel market.

Senator BIRMINGHAM—What resources have been committed to that unit over the last financial year?

Mr Buckley—The total budget for business events for 2007-08 was \$5.737 million.

Senator BIRMINGHAM—Dare I ask for the next financial year?

Mr Buckley—I am sorry.

Senator BIRMINGHAM—You might need to take that on notice. We are going to have a busy supplementary estimates with you, Mr Buckley, later this year. You need to bring the board meeting forward a bit for next year. Moving on, what research has TA undertaken in terms of the impact of the increased airline costs and reduction to flight numbers that appears to be occurring?

Mr Buckley—Are you talking about the Qantas announcement in the last week?

Senator BIRMINGHAM—That is the biggest and most recent. I would not necessarily expect you to have researched that announcement in particular.

Mr Buckley—No.

Senator BIRMINGHAM—Do you have research indicating the effect that higher costs have, firstly, on passenger movements?

Mr Buckley—No. Through the Tourism Forecasting Committee we attempt to take into account some of the external factors that might affect the market, including some exchange rate variations. That feeds straight into our model and our forecasting model. The other component that is taken into account in that regard is seat capacity, which is an overarching capped number, if you like. When you are running a certain number of seats into Australia you can estimate how many seats they could generate in a 12-month period based around a certain load factor.

Senator BIRMINGHAM—We are looking at potentially, I guess, anywhere up to five per cent increases in airline charges rolled in with government tax increases and so on at present. What type of impact did your modelling suggest they would have?

Mr Buckley—We will leave that to the Tourism Forecasting Committee to feed it through. They will produce their next forecasts in about a month's time. You might anticipate that it will be a challenging 2008-09. There is no doubt about that. I think it is going to have some impact. The extent of the impact is a bit of a challenge because of the fuel surcharges, which are changing as we speak. It is not a nice figure where you can say is going to be X amount. It depends on the airline, what call they make and what the fuel costs will be. But we do feed those sorts of numbers in. We try to do forecasts every six months.

Senator BIRMINGHAM—These are forecasts from within the unit of TA that does the research?

Mr Buckley—Yes. It is a separate board subcommittee, the Tourism Forecasting Committee, but it is fed by and serviced by Tourism Research Australia, which has a forecasting unit. We also get support from Monash University as well.

Senator BIRMINGHAM—When are the next forecasts due for release?

Mr Buckley—In about a month's time.

Senator BIRMINGHAM—Is there not a fixed date?

Mr Buckley—I think they are dependent on the modelling process and then the committee meets. If they still have concerns or issues, they continue a process. But it is approximately every six months.

Senator BIRMINGHAM—What research has TA undertaken in terms of the potential impact of carbon miles?

Mr Buckley—None specifically in terms of consumer impact. We have certainly started to undertake some research on whether there is any shift in the consumer mindset about long-haul travel due to concerns about—

Senator BIRMINGHAM—Is there?

Mr Buckley—None at this stage. In the leisure market we are not seeing any significant response by consumers saying, 'I will not travel because ...' Certainly it is rising up the list in terms of issues, but it is not yet reflected in any decision-making process.

Senator BIRMINGHAM—Have you looked at ways in which you might be able to help insulate the Australian industry? If this does take off as an issue it is obviously a major factor for a long-haul destination such as Australia.

Mr Buckley—I think one of the things that we recognise is that we need to very strongly sell Australia's green credentials. We are working very closely particularly with the business events sector of the market, where we do see some potential impacts as companies pitch for business and corporate social responsibility becomes a part of, if you like, the bidding process and also the selection process. We are starting to work through mechanisms whereby we can provide a checklist to industry to try to sell the green credentials of Australia. We have some very strong green credentials. We need to be more proactively out there selling them.

Senator BIRMINGHAM—In terms of how you promote green credentials versus other things, where is the analysis of the ‘So where the bloody hell are you?’ campaign at?

Mr Buckley—We do continuous brand tracking on our brand overall. Obviously we also then get direct feedback project by project on particular campaigns.

Senator BIRMINGHAM—That brand tracking measures things like awareness, intention and those types of factors?

Mr Buckley—That is correct.

Senator BIRMINGHAM—What is it showing?

Mr Buckley—It is showing broadly positive results particularly for the Western markets for ‘So where the bloody hell are you?’ It is showing less positive results from the East and Asian markets.

Senator BIRMINGHAM—Is there some data that you can attach to the more positive and less positive?

Mr Buckley—I can provide you with that list.

Senator BIRMINGHAM—You have to look at every market and you have to look at the attrition curve for each market. It is not a single figure.

Senator EGGLESTON—Was that slogan banned on British television?

Mr Buckley—It was challenged by the advertising authority in the UK for outdoor. We had to take it off outdoor. Currently we can still use it in selected print and other TV after a certain time of the night.

Senator EGGLESTON—I am not sure what you meant by ‘outdoor’. Is that—

Mr Buckley—Sorry; I mean outdoor signs.

Senator EGGLESTON—Were there any other countries where the slogan was a problem with the broadcast authorities?

Mr Buckley—Absolutely. We knew from the beginning that markets like Malaysia and to some extent Singapore would have some problems, not with the slogan but with everything from a girl in a bikini to someone drinking a beer. There was a whole range. There were some other markets in which we adjusted the advertising to meet the local standards. We knew that before we started in some cases.

Senator EGGLESTON—So in spite of the fact that you realised there were certain problems with it in some countries—cultural problems, shall we say—you still persisted with that as a slogan and felt that it was worth while doing so?

Mr Buckley—That is correct.

Senator EGGLESTON—That is interesting. I thought you might have come up with some alternative approach given that the slogan was not acceptable in several countries.

Mr Buckley—As I said, we adjusted the slogan and it became acceptable for us to be able to use it in those markets in an adjusted way.

Senator BIRMINGHAM—It is obviously an ongoing appraisal in terms of those factors we discussed before of awareness, intention, et cetera. Is there a time line for the life of the campaign that the board has considered as yet?

Mr Buckley—No, we take a lead from how the campaigns are going in the marketplace. We take a lead from our key partners who we work cooperatively with before we make any call about the life of a campaign.

Senator BIRMINGHAM—At this stage all signals are positive enough that the board has not decided that it should consider any different approach?

Mr Buckley—No. The board will review the current ad campaign and its promotional direction. We are just about to appoint a new ad agency as part of that process. We will review where we are up to and where we need to go.

Senator IAN MACDONALD—Is it still going?

Mr Buckley—Absolutely.

Senator Sherry—I know that the previous minister, Fran Bailey, made a special rescue visit to the UK, and it obviously worked. I am looking at these numbers for the UK. The visitor arrivals for the year grew by three per cent with the number of nights they spent in Australia increasing by 14 per cent. Despite what some of the authorities thought, it seemed to have connected with UK visitors.

Senator BIRMINGHAM—That is very positive indeed.

Mr Buckley—There was a question about staff numbers by the broad units of Tourism Australia. I have pulled those numbers together. Will I read them out to you?

Senator EGGLESTON—If you would like to, that will put them on the record.

Mr Buckley—There is a total of 233 at the moment, actual: international, 115; the marketing area, 45; corporate, 35; strategy and research, 29; and then nine in corporate communications.

Senator EGGLESTON—Are you retaining those staff—or are you reducing them or increasing them?

Mr Buckley—At the moment that is about the average that we are working on.

Senator BUSHBY—Will there be a reduction in staff numbers as a result of funding cuts?

Mr Buckley—We are now having a look at those numbers. They have reduced from about 250 last year to 233. We are having a look at what the implications will be for 2008-09 on those numbers. Because we have progressed over this year, we think we can get some remuneration savings, if you like, by keeping around that sort of number. But we are continuously looking at the resourcing and the way in which it is matched. The changing nature of the market has meant that we are constantly reviewing this.

Senator BIRMINGHAM—In terms of the appointment of the new advertising agency, is that close to finalisation?

Mr Buckley—It is close to finalisation.

Senator BIRMINGHAM—What process has been undertaken to this point?

Mr Buckley—A full open RFT took place at the beginning of this year. We have two parallel processes, one for the creative agency and the other for our media planning agencies. Both have gone through similar sorts of processes in terms of an open tender RFT. Certainly in that process we then went through an evaluation exercise, a preliminary short list and then a final short list. It has been through several stages of review. We are now down to two final agencies in both the media planning and in the creative agency tender process. Those are public. We have announced both of those final listings. In the case of both of them we have had an external probity auditor. We have probity advisers—the Australian Government Solicitor. We are taking the process very seriously.

Senator BIRMINGHAM—Your probity advisers are obviously a little different from those advising Senator Conroy, who would have refused to answer questions by now on his probity issues. Who currently holds the creative and the media planning contracts?

Mr Buckley—The two companies that currently have it are M&C Saatchi—they are the creative agency—and Carat, which is the media planning agency. Both of those are global companies.

Senator BIRMINGHAM—And you publicly released the short listed two for—

Mr Buckley—For the creative agency. DDB Worldwide and Saatchi and Saatchi are the two in the creative agency. On the media planning it is Carat and MPG, which is Mitchells.

Senator BIRMINGHAM—In terms of time lines from here, is this a decision being taken at the 16 June board meeting?

Mr Buckley—That is the intention. That will be to finalise a final selection. We will go to a negotiation process after that, and then finally to an approval of a contract, which will be a ministerial contract approval.

Senator BIRMINGHAM—We can go into the details of the contract in the supplementary estimates, I am sure, rather than put your probity advisor under any more stress.

Mr Buckley—Thank you.

Senator BIRMINGHAM—In terms of advertising, is the Japanese soap opera anywhere to be seen nowadays?

Mr Buckley—No. We undertook an evaluation process of that exercise. We were unable to identify a cost-effective option there.

Senator BIRMINGHAM—Finally, Senator Bushby or Senator Eggleston was asking about visitor number details and so on. In terms of the mature markets that are in decline—Japan and possibly Korea factor into that category—versus the emerging markets that are in growth potential—China or possibly India—what are the comparative raw numbers we are looking at there in terms of visitors? Are we losing more than we are gaining?

Mr Buckley—We have had a two per cent growth. Actually, if I take you to the year ending 31 March 2008 versus the previous 12 months, we have had a one per cent growth in visitor numbers from one period to the next—a minor growth, if you like, against the offsets.

Senator BIRMINGHAM—How does that compare against other countries competing in the same sort of marketplace as we are?

Mr Buckley—It is changing. It has changed quite rapidly in the last three or four months globally. Global growth would have been estimated by somewhere like the World Tourism Organisation at around six per cent. It is below that global average. But the challenge is the growth that has really driven that overarching number for the world has been intraregional—within Asia and within Europe. Huge numbers driven particularly by low-cost carrier type initiatives have really made those numbers very strong.

Senator BIRMINGHAM—What is that growth within Asia?

Mr Buckley—It is something like eight per cent. I am estimating at the moment. I am talking about intra-Asia growth factor. It was something like eight per cent to 10 per cent.

Senator BIRMINGHAM—Is Australia included in that broad regional definition?

Mr Buckley—No. Because we are only now just on the cusp of picking up some of the opportunities from low-cost carriers, as you get AirAsia X, Tiger and, to some extent, Jetstar International also starting to also work on that value proposition.

Senator IAN MACDONALD—Were you saying that North Asian inbound tourism has gone up by one per cent?

Mr Buckley—North Asia?

Senator IAN MACDONALD—Yes.

Mr Buckley—No. The one per cent was total inbound into Australia year ended March 2008 versus year ended March 2007.

Senator IAN MACDONALD—What are your figures on North Asian tourism inbound?

Mr Buckley—If you call China North Asia or depending on what you include in—

Senator IAN MACDONALD—Let us exclude China just for the moment. I really mean Korea and Japan.

Mr Buckley—Korea and Japan are both down.

Senator IAN MACDONALD—Substantially? What is the ballpark figure?

Mr Buckley—Japan is down 13 per cent. Korea is down nine per cent.

Senator IAN MACDONALD—That is to Australia as a whole. Do you have regional figures, like, showing Japan and Korean entry into Northern Australia or particularly Far North Queensland, Cairns, Barrier Reef?

Mr Buckley—You can pick up visitor nights spent in those regions rather than in and outs. Because as you can imagine, they travel in different ways. It is quite hard to actually pick a visitor number. You can by a specific region. I can tell you the number of visitors that went into Cairns, for example, or the number of visitors that went into Queensland.

Senator IAN MACDONALD—It is down substantially, is it not, the north Asian market into Far North Queensland?

Mr Buckley—Certainly Japan is impacting on North Queensland.

Senator IAN MACDONALD—Is the advertising campaign of ‘So where the bloody hell are you?’ running in Japan and China?

Mr Buckley—Not in Japan.

Senator IAN MACDONALD—Japan and Korea, I meant, and China?

Mr Buckley—It is in Korea, but not in Japan. About seven or eight months ago we made a decision to shift to a new campaign in Japan, and we are running with what is called a world heritage campaign, which is quite strong and getting a lot of traction.

Senator IAN MACDONALD—You picked that up from tourism operators, did you, the fact that with ‘So where the bloody hell are you?’ nobody in Asia understands what you are talking about? It is a good ad for Australia, perhaps for the United States and the UK, by the Asians do not understand what you are getting at.

Mr Buckley—I think what we are seeing in Japan, for example, was not so much from the consumer response but from the trade response. The trade were not seeing it as working hard enough for them. Given that trade, that is, the key wholesalers in Japan, have a very large—

Senator IAN MACDONALD—That is because their customers were not. But anyhow, you learn from your mistakes.

CHAIR—Senator O’Brien had a follow-on question.

Senator O’BRIEN—I wanted to ask about the recently announced decision by Qantas to return to a service to Buenos Aires, albeit now direct to Buenos Aires rather than via Auckland. Presumably that is on the basis of the potential for not just fares from Australia to Buenos Aires, but back traffic as well and linking through code-sharing into potentially Brazil?

Mr Buckley—That is correct.

Senator O’BRIEN—Which I understand has a good potential high-value tourism market for Australia. What work has Tourism Australia done or is it doing in relation to those potential markets and deficiencies or problems we have with developing that access?

Mr Buckley—The market out of Latin America has been relatively small and we have had access problems. With the decision for Qantas to go back in, and certainly we are starting to see the genesis of some growth potential out of all the brick economies, I have to say, and Brazil being one of them, tourism Australia is looking at lifting up our focus on some of those what we call emerging markets. This is what we intend to do at this stage; it is not finalised. The intention is to undertake some trade based activity, trade development, picking up on some of the key wholesalers, working with those, and working with the airlines. You start to then build the market from that sort of base. That will be serviced out of our United States regional office primarily. They do regular trade visits down into Latin America already, but not at a very significant level. A couple of times a year we will ramp that up and work with the trade on that basis. Certainly we will have then some discussions with Qantas about how we might go to market jointly once they have finalised their route.

Senator O’BRIEN—I think they have announced their route, unless they have changed their mind.

Mr Buckley—They have announced their route.

Senator O’BRIEN—It is coming in on November-December.

Mr Buckley—Yes. We do not have a final date on when they were going to start.

Senator O'BRIEN—I take it we do not do any promotion in south or central America?

Mr Buckley—No, we do not.

Senator O'BRIEN—Have we done any work on some of the barriers, such as the visa requirements as compared to visa requirements with the United States?

Mr Buckley—I think that is always the case with some of those emerging markets. We have a very good relationship before we move in, both Immigration and Department of Foreign Affairs and Trade just working out the issues that we might face in dealing with any growth out of a key market like that.

Senator O'BRIEN—I would be interested to see what work is done given the potential of the market, its very large population centre and a significant sector of the tourism market from a size point of view.

Mr Buckley—Yes. It is one of a number of opportunities where we have started to identify potential growth. Russia is another one we have been working on for a couple of years. Again, another good high-yielding opportunity for Australia, once you get the access sorted out.

Senator O'BRIEN—Also, the other problem being that some parts of South America are having to transit through the United States and the visa requirements are significant problems for us. And the Mexicans would resist coming here if they have to go through the United States and get a visa for there and a visa for Australia.

Mr Buckley—Certainly that seems to reflect in the current numbers.

Senator IAN MACDONALD—Is the board of Tourism Australia at full complement at the moment?

Mr Buckley—Yes, it is.

Senator IAN MACDONALD—When do the terms of the board members conclude?

Mr Buckley—There are four board member terms up at 30 June 2008.

Senator IAN MACDONALD—This year. When will those appointments be announced?

Senator Sherry—I do not know. I will have to take it on notice.

Senator IAN MACDONALD—Is there a process for appointment of board members? Is the minister required to consult with anyone?

Senator Sherry—I can advise that four of the members' terms expire on 30 June 2008. The board members will be appointed by the minister in coming months in line with requirements of the Tourism Australia Act and the Commonwealth Agencies and Companies Act of 1997. Then it goes on and says three board membership terms expire on 30 June 2008. I will have to check out the difference between four and three. It is obviously one, but I am not sure why we have a differing number. New board members or existing members will be reappointed by the minister in coming months, and the process is managed by the Department of Resources, Energy and Tourism. The minister must be satisfied board appointees have a high-level expertise in a number of tourism or management related areas as specified in the Tourism Australia Act 2004, for example, international tourism or corporate governance. An

appointed member holds office for the period specified in the instrument of appointment—not to exceed three years. It is four by three-year memberships.

Senator IAN MACDONALD—What I am really interested in is whether the minister is required by law to consult and, if not, who will he be consulting with—

Senator Sherry—The process I have outlined is what I have been briefed on. If there are further requirements, I will take it on notice and come back to you.

Senator IAN MACDONALD—Thank you. There has been some comment in the coalface of the industry over recent years that people appointed tend not to be people at the coalface but wholesalers. Whether that is true or not I do not account for, but perhaps you could ask the minister whether he would consider appointing people who have actual hands-on coalface experience? Can I also just ask Tourism Australia if they have ever heard of the Northern Australian Land and Water Task Force?

Mr Buckley—Repeat the name.

Senator IAN MACDONALD—Have you ever heard of the Northern Australia Land and Water Task Force?

Mr Buckley—The land and water task force?

Senator IAN MACDONALD—It is sort of a riddle. You obviously have not—that is okay. I understood the minister indicated that they were going to get them to consult with you, but that obviously has not happened. Could I quickly come back to Far North Queensland, Cairns, the Barrier Reef, rainforests, adventure tourism and Whitsundays inbound tourism from China. Do you have details on that?

Mr Buckley—I can get details. I do not have it to hand.

Senator IAN MACDONALD—Is it increasing or decreasing?

Mr Buckley—Inbound to China is increasing. Certainly—

Senator IAN MACDONALD—From China?

Mr Buckley—From China it is increasing into Queensland. I know that to be the case. I know Queensland is very actively looking at further access points. I cannot tell you the numbers off the top of my head. We were up in Cairns for a market briefing not that long ago and certainly they indicated they were very—

Senator IAN MACDONALD—What sort of reception did you get there?

Mr Buckley—A good reception, strong reception, a recognition that they had some real market challenges, but they were working very hard to try—

Senator IAN MACDONALD—Were they happy with the work you have been doing?

Mr Buckley—Yes. We certainly got that impression.

Senator IAN MACDONALD—They were full and frank discussions, were they?

Mr Buckley—They were indeed.

Senator IAN MACDONALD—Finally, I refer to the key performance indicators in the 2008-09 targets. Do you set those or does the government set those for you? I am referring to page 102 of the portfolio budget statements.

Mr Buckley—Page 102?

Senator IAN MACDONALD—Or at page 100 and page 101 as well. Whose targets are they? Are they yours or does the government set them for you?

Mr Buckley—They are ours. They are Tourism Australia's.

Senator IAN MACDONALD—So you think you will increase the number of visitors by 110,000 in the next financial year?

Mr Buckley—That is the target.

Senator IAN MACDONALD—Do you have strategies in place to do that?

Mr Buckley—That is correct.

Senator IAN MACDONALD—We are running out of time. I would like to talk to you about it. Perhaps you could on notice indicate to me in relatively brief language how you intend to increase the number of—perhaps 'prospective' is wrong there—visitors by 110,000. And also, with the next performance indicator, you are maintaining current levels of international leisure visitors to Australia. There was one about business tourism arrivals. I would be interested—

Mr Buckley—That is in a different section.

Senator IAN MACDONALD—Is it in the previous one?

Mr Buckley—Yes.

Senator IAN MACDONALD—I would be interested in a short description on notice, because we have run out of time, of how you intend to achieve those goals. Good luck to you in this area. Finally, could I ask you to take on notice that on page 285 of budget statement No. 2, Supporting Regional Tourism shows that there is \$2.3 million funded from other sources in the government, in the department, because there is no out-year funding. Similarly, in relation to the United Nations Tourism Organisation there is \$1.7 million. Again, there is no line item in the budget; it simply indicates that it would be paid from existing resources. I am just asking the department again and perhaps you could take this on notice. Are those two additional requirements that the department has to find from its budget in addition to the efficiency dividends? That is the question, if you could take that on notice. The department is no longer here.

Senator Sherry—I will take that on notice and I can indicate that it is four directors whose terms cease 30 June 2008. They are three-year board membership terms. Karen Jacobs is an Indigenous small business operator from WA. I do not have any other details on the backgrounds of the current directors.

Senator IAN MACDONALD—That is all I have.

Senator BIRMINGHAM—You might need to take this on notice. When the Japanese market was in its boom years for us, the market was synonymous with coordinated group

tours to the reef, the rock, and the bridge. Are the growth markets—China and India in particular—showing a greater diversity or are they sticking to the same pattern of approach?

Mr Buckley—They actually do disperse slightly differently from the Japanese. We are seeing China grow at such a rate and changing quite significantly in terms of the packages. They are changing their location around Australia and the activity they take on as well. Certainly growth markets like India are very strongly based around Gold Coast and eastern states rather than the rock. But I will take it on notice and give you a profile of those growth markets in terms of the activity and regions, if that helps.

Senator BIRMINGHAM—Thank you. I am sure the chairman agrees with me in saying that we were very happy to see that the Flinders Ranges rated as one of your icons the other day.

CHAIR—And Kangaroo Island.

Mr Buckley—Absolutely.

CHAIR—We might adjourn, if there are no further questions. We will adjourn until 9 am tomorrow.

Committee adjourned at 10.57 pm