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SENATE

ECONOMICS LEGISLATION COMMITTEE

Monday, 3 June 2013

Members in attendance: Senators Birmingham, Mark Bishop, Bushby, Cameron, Colbeck, Cormann, Heffernan, Joyce, Ludlam, Mason, Nash, Parry, Rhiannon, Siewert, Sterle, Urquhart, Williams.
INDUSTRY, INNOVATION, SCIENCE, RESEARCH AND TERTIARY EDUCATION PORTFOLIO

In Attendance

Senator Farrell, Minister for Science and Research
Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education

Executive
Dr Don Russell, Secretary
Ms Sue Weston, Deputy Secretary
Ms Patricia Kelly, Deputy Secretary
Mr Steven Kennedy, Deputy Secretary
Mr Robert Griew, Associate Secretary
Mr Terry Lowndes, Principal Adviser

AusIndustry Division
Ms Chris Butler, Head of Division
Ms Trish Cattell, Acting General Manager, Innovation Division
Ms Erika Fellows, Acting General Manager, Cooperative Research Centres Branch
Mr Paul Sexton, General Manager, Customer Services Branch
Ms Lisa Peterson, General Manager, Clean Technology Investment Branch
Ms Wendy Launder, General Manager, Business Development Branch
Mr Andrew Lewis, Acting General Manager, Research, Development and Venture Capital Branch

Australian Building Codes Board
Mr Trent Bourne, Acting General Manager Australian Building Codes Board

Australian Astronomical Observatory
Ms Cathy Parisi, Acting General Manager

Corporate Division
Ms Vanessa Graham, Head of Corporate Division
Mr Brad Medland, General Manager Finance Branch
Ms Ditta Zizi, General Manager Parliamentary and Business Services
Ms Margaret Tregurtha, General Counsel Legal Services
Ms Megan Watson, General Manager Communications and Media
Ms Natalie Marsh, Acting General Manager Human Resources and Strategic Planning

eBusiness Division
Mr Craig Pennifold, CIO and Head of eBusiness Division
Mr Colin Roberts, Acting General Manager, ICT Operations Branch
Enterprise Connect Division
Ms Deborah Anton, Head of Division
Mrs Michelle Henderson, General Manager, Program Performance Branch
Mr Paul Trotman, General Manager, Trade and International Branch
Ms Karen Redshaw, Acting General Manager, Business Improvement Branch

Small Business
Mr Peter Chesworth, Head of Division
Mr Mark Brennan, Australian Small Business Commissioner
Ms Anne Scott, General Manager, Business Conditions Branch
Mr Andrew Joyce, General Manager, Strategic Policy and Regulation Reform Branch
Mr Anthony Steve, Acting General Manager, business.gov.au Branch
Mr Craig Latham, General Manager, Office of the Small Business Commissioner

Industry and Innovation Division
Mr Ken Pettifer, Head of Division
Mr Anthony Murfett, General Manager, Precincts Policy and Coordination
Mr Doron Ben-Meir, General Manager, Commercialisation Australia
Ms Tricia Berman, General Manager, Innovation Policy
Mr Richard Snabel, General Manager, Industry Policy and Analysis
Ms Maryann Quagliata, General Manager, Innovation Analysis
Ms Julia Evans, General Manager, Pharmaceuticals and Transformative Industries

Manufacturing Division
Mr Mike Lawson, Head of Division
Mr Mark Durrant, General Manager, Automotive Branch
Dr Anne Byrne, General Manager Manufacturing Performance Branch
Ms Ann Bray, General Manager Food and Chemicals Branch
Mr Grant Wilson, Acting General Manager Australian Industry Participation Branch
Dr Michael Green, General Manager Manufacturing Innovation Branch

Higher Education Division
Mr David de Carvalho, Head of Division
Dr James Hart, Former General Manager, Higher Education and Infrastructure Branch,
Ms Shame Samuelson, Acting General Manager, Higher Education and Infrastructure Branch
Ms Susan Hewlett, General Manager, Office for Learning and Teaching
Mr Mark Warburton, General Manager, Funding and Student Support Branch
Mr Craig Ritchie, General Manager, Indigenous and Equity Branch
Dr Andrew Taylor, General Manager, Policy and Analysis Branch

ECONOMICS LEGISLATION COMMITTEE
Mr Andrew Herd, Acting Director, Funding Policy Section
Ms Kate Woodall, Director, Higher Education Infrastructure Branch

**International Education and Science Division**
- Ms Anne Baly, Head of Division
- Ms Susan Bennett, General Manager, Mobility, South and South East Asia Branch
- Mr Jason Coutts, General Manager, Scholarships and North Asia Branch
- Ms Di Weddell, General Manager, International Strategy Branch

**Science and Research Division**
- Dr Rob Porteous, Head of Division
- Ms Clare McLaughlin, General Manager, Research Funding and Infrastructure
- Professor Ian Chubb AC, Chief Scientist
- Ms Katharine Campbell PSM, General Manager, Science Policy and Agencies
- Dr Roslyn Prinsley, National Maths and Science Education and Industry Advisor
- Dr Simon Prasad, Assistant Director-Science
- Ms Lisa Schofield, General Manager, Research Outcomes and Policy

**SKA Project Office**
- Dr Brian Boyle PSM, SKA Project Director
- Mr David Luchetti, General Manager

**VET Reform**
- Ms Peta Furnell, Head of Division
- Ms Christine Woodgate, General Manager, Commonwealth State Strategy Branch
- Mr Martin Graham, General Manager, VET Transparency Reform Branch
- Mrs Kathryn Shugg, General Manager, Unique Student Identifier Branch
- Ms Anita Mills, Acting General Manager, Unique Student Identifier Branch

**Skills Connect Division**
- Mr Craig Robertson, Head of Division
- Mr Andrew Lalor, General Manager, Australian Apprenticeships Branch
- Ms Susan Devereux, General Manager, Foundation Skills Branch
- Dr James Hart, General Manager, Skills Connect State Network Branch
- Dr Melissa McEwen, General Manager, Trades Recognition Australia
- Ms Linda White, General Manager, Industry Skills Branch

**Tertiary Quality and Student Support Division**
- Ms Jessie Borthwick, Head of Division
- Mr Adam Luckhurst, General Manager, Tertiary Quality Governance
- Dr Lyndal Groom, General Manager, Student Support
- Mr Stephen Murtagh, General Manager, Tertiary Regulation and Systems Reporting
Ms Mary-Anne Sakkara, General Manager, Tertiary Strategies and Income Support
Mr Craig Johnson, Director, Tuition Protection Service
Mr Vipan Mahajan, Director, Tuition Protection Service

National Advisory for Tertiary Education, Skills and Employment
Ms Sharon Robertson, Head of National Advisory for Tertiary Education, Skills and Employment
Mr Philip Clarke, General Manager

Australian Workforce and Productivity Agency
Mr Robin Shreeve, Chief Executive Officer

AGENCIES
Australian Nuclear Science and Technology Organisation
Dr Adrian (Adi) Paterson, Chief Executive Officer

Australian Research Council
Professor Aidan Byrne, Chief Executive Officer
Ms Leanne Harvey, Executive General Manager

Australian Skills Quality Authority
Mr Chris Robinson, Chief Commissioner
Mr Justin Napier, National Manager Corporate

Commonwealth Scientific and Industrial Research Organisation
Dr Megan Clark, Chief Executive
Mr Mike Whelan, Deputy Chief Executive, Operations
Mr Craig Roy, Deputy Chief Executive Science, Strategy and People
Ms Hazel Bennett, Chief Finance Officer
Dr Tom Hatton, Group Executive, Energy
Dr Brian Keating, Director, Sustainable Agriculture Flagship

IP Australia
Mr Philip Noonan, Director General
Ms Fatima Beattie, Deputy Director General
Mr Doug Pereira, General Manager, Corporate Services Group and Chief Financial Officer
Ms Emma Deutrom, Chief Human Resource (HR) Officer and Director, HR Projects and Reporting

Tertiary Education Quality and Standards Agency
Dr Carol Nicoll, Chief Commissioner
Mr Indhi Emmanuel, Chief Finance and Operating Officer

Committee met at 09:00

CHAIR (Senator Mark Bishop): I declare open this public hearing of the Senate Economics Legislation Committee. The Senate has referred to the committee the particulars
of proposed expenditure for 2013-14 and related documents for the Industry, Innovation, Science, Research and Tertiary Education portfolio. The committee must report to the Senate on 25 June 2013 and it has set 19 July 2013 as the date by which answers to questions on notice are to be returned. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has a copy of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, and which I now incorporate in Hansard.

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer’s statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public
interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(Extract, Senate Standing Orders, pp 124-125)

I would ask photographers and cameramen to follow the established media guidelines and instructions of the committee secretariat. Please ensure that senators' and witnesses' laptops and personal papers are not filmed. I remind members of the public and everyone in the gallery that they are not permitted to speak or interfere with the proceedings or with witnesses at any point during the hearing. Security is present and they will be asked to remove anyone who does not follow these instructions.

The committee will begin consideration of the Industry, Innovation, Science Research and Tertiary Education portfolio with the questions for the Australian Nuclear Science and Technology Organisation, and will then follow the order as set out in the circulated program. I welcome the Minister for Science and Research, Senator the Hon. Don Farrell, and officers of ANSTO. Minister or officers, would either of you like to make an opening statement?

Senator Farrell: Thank you for that, Chair, and thank you for that opportunity. There is a matter in respect of CSIRO that I would like to address, but would you prefer that I do that when we are about to start the CSIRO section, or would you like me to do that now?

CHAIR: Do that now, Minister, please.

Senator Farrell: Thank you, Chair. I just wanted to advise that on the weekend the board of CSIRO indicated that Megan Clark, the very hardworking CEO of that organisation, has been reappointed for a further 12 months. Her term was due to expire at the end of this year. It will now expire at the end of next year. I congratulate Megan on her reappointment and indicate that it is welcomed by the government. The board has indicated that this gives them an opportunity to do a worldwide search for a replacement, which they think will take about six months and will start in the next few months.

Australian Nuclear Science and Technology Organisation

[09:02]

CHAIR: Thank you for that, Minister, and I am sure we all congratulate Dr Clark on her reappointment. We will now turn to questions for ANSTO, and we have half an hour.

Senator BUSHBY: Thank you, Chair, and thank you to the officers of ANSTO for assisting us today. Dr Paterson, you will recall in previous estimates that both Senator Abetz and I have asked questions about PETNET and competitive neutrality issues surrounding that. You will recall that the Productivity Commission, last year, found ANSTO's PETNET to be, ex ante, in breach of competitive neutrality, and it also recommended that if ANSTO's strategy of increasing demand does not result in PETNET earning a commercial rate of return on the investment, the government would need to consider whether to maintain the business in breach of competitive neutrality or dispose of the asset. Earlier this year, I think in February—or in your last appearance before the committee in February—you stated, 'I
believe it would be prudent to say that the earlier projections that I made, which assumed that
it was a truly commercial market that was emerging, have not been validated by the actual
actions of public sector investors. Given the comments made by the Productivity
Commission, and given your concession in February—and I invite you to update us if
anything has changed—what is ANSTO’s current view on PETNET? Is it something which
you are looking to continue to try to achieve on a commercial basis, or is it something which
you think you need to start looking at, as the Productivity Commission suggested, other
alternatives?

Dr Paterson: The specific findings of the competitive neutrality office, as I understand
them from the report, did not make any specific recommendations in relation to outcomes that
should be sought by ANSTO but, rather, in finding an ex-ante breach, indicated that we would
have to come up with the solutions ourselves. As it stands at the moment we do believe that it
is important to have diversity in this quite complex market. We believe that we are the only
supplier who is validated for good manufacturing practice and who has a validated F18
fluorodeoxyglucose product on the market that has been fully accepted by the TGA.
Therefore, we are in a unique position to show what everybody should be doing. We think
that that position of market leadership, in terms of registration and the quality of our product,
is what patients receiving imaging in PET cameras should expect as a matter of course.
Therefore, although the market does indeed remain difficult, we believe that it is important to
reflect our latest correspondence with the competitive neutrality office, which indicated that
there is currently no complaint before the office for competitive neutrality relating to
PETNET or ANSTO. So the force and effect of the original findings—which, Senator, I will
remind you, showed that ANSTO was not in breach of competitive neutrality when selecting
a commercial partner—is that ANSTO was not in breach of the requirements of competitive
neutrality in its approach to apportioning and charging centrally provided services. There is a
competitive neutrality framework in New South Wales. That is an avenue that has not yet
been fully explored and one which we are reluctant to explore in detail until the current court
case is resolved.

Senator BUSHBY: You mentioned that the market is still difficult. At estimates on a
number of occasions, you have provided—I presume that is because of changing
circumstances—varying views in terms of when you think PETNET would be profitable. For
example, in May 2011 at estimates, PETNET was reported to be profitable in two years; in
October 2011, it was said to be cash-flow positive in two years; in May 2011, the return on
investment was 10 years; in October 2011, it became 15 years. So the
are varying views. Is
ANSTO in a position at this point to provide us an update on when you consider the projected
return on investment will actually be delivered?

Dr Paterson: We will update this for you at the next estimates after the publication of our
annual accounts.

Senator BUSHBY: So there is nothing additional you can provide at this point?

Dr Paterson: I think the only new information at the moment is that we have an
understanding that Liverpool Hospital will be installing a cyclotron and it is my
understanding that they will operating that cyclotron and supplying FDG to their hospital and
potentially to the market more generally in the latter part of this year or the early part of next
year—that is, calendar years. That will further change the structure of the market, being a publicly funded cyclotron operating in the New South Wales market.

Senator BUSHBY: Dr Paterson, you mentioned the current court case. I am aware that ANSTO and PETNET are currently in a federal court case with Cyclopharm regarding alleged breaches of the Competition and Consumer Act. ANSTO, as a government enterprise, is required to be a model litigant. That is correct, isn’t it?

Dr Paterson: That is correct.

Senator BUSHBY: Is ANSTO fully compliant with its obligations as a model litigant in respect of that case?

Dr Paterson: We believe that we are.

Senator BUSHBY: My information is that ANSTO has failed to meet agreed dates regarding delivery of some of its evidence, including dates that were set by a court. Is that correct?

Dr Paterson: I will take that on notice, Senator. We have not modified our initial position, but the other party has regularly changed their pleadings and, as a result of that, I will have to take it on notice.

Senator BUSHBY: I think what I am referring to in particular is requirements to provide your lay evidence.

Dr Paterson: We will take that on notice, and check the timings.

Senator BUSHBY: In ANSTO’s 2011-12 annual report, on page 35, revenues for PETNET were stated to be $2.5 million, and this was up $1.2 million from the previous year. What were the net losses for PETNET in the 2011-2012 financial year, compared to the previous year?

Dr Paterson: I will take that on notice.

Senator BUSHBY: Is that not public at this point?

Dr Paterson: It is in the public domain, but I would prefer to check the accurate records and properly reflect it in a question taken on notice.

Senator BUSHBY: At the estimates in October 2011, there was a question on notice from Senator Abetz regarding collaborative investments relating to institutions affiliated with board members. The question reference is SI-155. In your answer, you noted that ANSTO contributed $1.4 million in capital costs to the Austin Health Ludwig Institute for Cancer Research. As part of that investment, you noted that ANSTO receives a weekly delivery of one of four radioisotopes for research purposes. You may need to take this on notice as well, because I doubt you will have this information, but can you please provide the number of weekly deliveries of these isotopes actually received from the Austin prior to October 2011, and can you also please provide the number of weekly deliveries received in the 18 months since providing this response to the committee.

Dr Paterson: The answer to the first question is that none were received by that first date, because the construction works were still ongoing. We have engaged with the Austin and the broader community, including people in Western Australia, and the Peter MacCallum hospital, to ensure that the isotopes that are produced in this facility are available to the entire Australian community on a merit-based application process. That process is starting this year.
as we have got reliable supply of one of the isotopes, and one of the other isotopes will soon be ready for supply.

We did not see our investment solely in the interests of ANSTO, but in the broader community, and this is a facility which therefore will be available to members of the community. It has got a committee which is composed of independent people—people from the Austin and people from ANSTO—to ensure that those who apply to receive isotopes do so on a fair and equitable basis. In addition to that, we have suggested to other suppliers of these isotopes that they join together with us in a consortium so that there can be one application process Australia-wide to ensure that the broadest range of researchers get merit-based access to these isotopes. That is the spirit in which we made the original investment, and the spirit in which we will continue our work.

Senator BUSHBY: That is quite comprehensive. Looking at the answer to the question on notice, that seems to be a broader answer than what was provided then.

Dr Paterson: Thank you, Senator; I think it has been a developing environment and one in which we always endeavour to get the broadest possible application of nuclear medicine technologies to the broadest community.

Senator BUSHBY: Last September you announced, in conjunction with the government, a $168 million investment for a synroc and molybdenum plant. In justifying the investment in the molybdenum plant, what assumption was made on the value of the global market?

Dr Paterson: I will come back to you with the details of that, but the market assumptions were independently verified by KPMG in a report, which was supplied as part of the process of seeking that funding.

Senator BUSHBY: Was that a public report or was it provided to you?

Dr Paterson: It is a report that was provided as part of the process of securing the funding. It is not a fully disclosable report, but we will be happy to supply an estimate of the Mo-99 marketplace which we used to underpin that set of assumptions.

Senator BUSHBY: Off the current global market, what percentage does ANSTO currently supply?

Dr Paterson: We supply less than five per cent. We have, over the last period of time, been growing our supply, particularly into the Asian region and into the United States. During the last two months, when the Canadian research reactor, which is the major supplier into the North American market, was shut down, we were able to really assist the American market in particular by supplying a significant quantity of the requirements of that market. I will take the details of that on notice and we will give you a reply on the number of doses supplied over the last two months, which very much follows the approach that we are taking, which is that, as the assurance of supply drops globally, it is important that players who have benefited from nuclear medicine find effective ways to enter this market.

Senator BUSHBY: Does ANSTO have any objective for the percentage of the global market it aims to capture through the investment—lifting from the five per cent?

Dr Paterson: I think that the scale of the investment and the facility that we are making is tending to target, if you take a very conservative view, of the order of 18 per cent up to 25 per cent of that global market.
Senator BUSHBY: The IAEA produced a paper in February 2013 entitled ‘Non-HEU Production Technologies for Molybdenum-99 and Technetium-99m’. In the paper it discusses various methods to produce Mo-99 other than the way ANSTO is proposing to produce Mo-99 in its proposed $168 million facility. Specifically the paper states that ‘Mo-99 can be produced through accelerator technology or neutron activation utilising an n-gamma reaction’—I have no idea what I am talking about here regarding the technical stuff but I do have a point with it. These methods do not produce waste containing uranium-235 as I understand. In justifying the investment for the molybdenum production plant, did ANSTO take into account these emerging technologies either as an option to develop itself or from the perspective of what these advancements may mean for the $168 million project's return on investment?

Dr Paterson: I think you gave very good expression to the issues that are at hand here. I just make the small technical correction that uranium-235 is not regarded as waste but as a nuclear material. I think it is important to recognise that today, globally, all properly certified doses of technetium-99m introduced into patients are produced either by the n-gamma technique, which is a technique that uses reactors and in some cases could use accelerators, or, in the vast majority of cases, by the fission of uranium to produce Mo-99. When I say ‘the vast majority’, that is well over 99.9 per cent.

There is a very good reason for this—the physics works and the economics works. The fission of uranium is a process that is well understood. The extraction of Mo-99 in a predictable and chemically safe way from fission products is well understood and the cost of a dose of Technetium-99m produced from the fission of uranium to produce Mo-99—which then breaks down to Technetium-99m—is considerably cheaper in all the markets in which it is applied than any other future or envisaged technique. If fact, compared to PET isotopes, it is a tiny fraction of the price. There is a very good reason therefore that 80 per cent of the nuclear imaging events that take place around the world in support of about 40 million patients a year is done with the use of Mo-99 produced by fission.

There are a number of people around the world who are currently receiving funding from their governments to develop alternatives to this route. We go to topical meetings with the people who are involved in these developments—usually at least once a year but often twice a year. We know this community quite well. They have been able to demonstrate, just using the simple laws of physics, that you can make this work. But they have not been able to demonstrate the production of any useful or meaningful medical quantities. In addition they have been unable to demonstrate that the techniques they are using would be certified either by a nuclear regulator or indeed by a pharmaceutical regulator anywhere in the world. Therefore it would have been imprudent of Australia to have chosen an untested and unproven route to stably and sustainably supply Australia and New Zealand and the broader markets that are available to us.

Senator BUSHBY: So essentially you see the commercial risk from that emerging technology as being very small in the context of the known technology and what you are able to do with this investment?

Dr Paterson: We were very proud when the director general of the International Atomic Energy Agency visited Australia and congratulated Australia on the initiative we were taking to build this plant. At the top level of IAEA, outside of its technical fora, is a clear
understanding of the importance of the step that Australia is taking in making this investment in nuclear medicine. The people who are involved in ensuring that patients receive the best possible treatment are fully aware of these facts. The nuclear physicians around the world, and the oncologists who are associated with them, have published and brought to the attention of this committee a number of articles indicating that fission moly will be the route that is chosen for the foreseeable future.

Senator LUDLAM: Dr Paterson, thank you for coming in. I have a couple of questions on the recent budget regarding the funding increase for ANSTO of $8.1 million in 2013-14 to meet the increasing costs of the OPAL plan. Budget Paper No. 2 identifies that the cost of nuclear fuel and electricity has increased significantly in recent years. What can you tell us about the trends in the cost of nuclear fuel? Uranium price is very low, but obviously something else is going on.

Dr Paterson: Thank you very much, Senator. The cost of nuclear fuel is associated mainly with the fabrication cost, not the underlying cost of the uranium. In the supply chain for nuclear fuel, there is quite a lot of pressure on the current organisations that produce that fuel. Over time, that has led to price increases that were greater than those originally envisaged when we modelled the reactor and its performance, and you will be very familiar with the increases in the price of electricity, which is another big driver in multipurpose reactors. These factors have been brought to the attention of our department over a period of time, and they strongly supported the one-year new policy proposal with an increase of $8.1 million in relation to those cost drivers.

Senator LUDLAM: Where do you see trends in the cost of nuclear fuel going? Are we going to see these requests on the budget every year?

Dr Paterson: I think, in principle, the embedded increase in cost represented by the $8.1 million should become an ongoing provision. The growth over and above that $8.1 million is very much dependent on unpredictable electricity markets. What we are doing in respect of nuclear fuel is working with a number of the other research reactors, which have similar needs to us, to see if we can diversify the supply, introduce more competition into that marketplace, and thereby reduce the costs over time. At present I cannot give a lot of confidence that that is going to happen in the very short term, but I think there is reasonable prospects in the medium term that that will happen.

Senator LUDLAM: Thank you. There is $28.7 million listed for decommissioning of HIFAR, predisposal of existing radioactive waste in preparation for long-term storage—that is again in Budget Paper No. 2. I think we have seen these expenses coming down the line in prior years, but could you break out for us the cost of the three distinct areas recognised in the $28.7 million? So, disaggregate for us the costs of the decommissioning of HIFAR, the predisposal condition of existing waste, and the clean-up of buildings and infrastructure containing hazardous waste.

Dr Paterson: Senator, I will take that on notice and provide it to you.

Senator LUDLAM: Thank you. You recall reviews that we have been following for a while, which were conducted in 2011 and 2012, into health and safety culture at ANSTO, and related incidents, accidents, sacking of whistleblowers, and so on. Several of these documents do report improvements at ANSTO and have made recommendations for further
improvements. Can you tell us how you are tracking implementation of further improvements of health and safety culture at ANSTO?

**Dr Paterson:** There are a number of initiatives that we have taken over the last two years. At the request of Comcare we improved our investigation procedure, and qualified all of our investigators against the Australian standard. That is now in place and has been recognised by Comcare. We were asked to pilot, on behalf of Comcare, their questionnaire in relation to bullying. We did that in our last staff engagement survey. We were, I believe, the first Commonwealth organisation to do so.

**Senator LUDLAM:** That is interesting.

**Dr Paterson:** We shared the results of using the Comcare questions with Comcare. They were very satisfied with the answers that were given by ANSTO staff to those questions and applauded us for being proactive in addressing the issue, which is very prominent in discussions around Australia at the moment, as you would know, Senator.

**Senator LUDLAM:** We only have you for a brief period of time. Are you able to provide us with a de-identified summary of the findings of your survey?

**Dr Paterson:** Yes, I believe it would be useful to provide that.

**Senator LUDLAM:** Thank you. How many court cases or legal proceedings is ANSTO engaged in at present with current or former employees?

**Dr Paterson:** I will take that on notice.

**Senator LUDLAM:** Are there a number of them?

**Dr Paterson:** I am not absolutely sure of the exact number at the moment. It is a small number, but I would like to be accurate in respect of the number I provide.

**Senator LUDLAM:** More than zero. So, yes, take that one notice. This might also have to go on notice: how much has ANSTO spent in the last five financial years on external legal advice and representation?

**Dr Paterson:** We will provide that on notice.

**Senator LUDLAM:** Would you consider that you currently have adequate staffing or would you agree that there are several sections of ANSTO in which workload increases due to lack of staff is resulting in increasing stress?

**Dr Paterson:** We have not detected anything of that nature on a systematic basis. The workload is specifically monitored. We review the workload of individuals and groups of staff members, but I know of no systematic situation where people feel that there is an inadequate staff headcount in a particular area.

**Senator LUDLAM:** My next question was: which parts of ANSTO are experiencing understaffing? Is your answer none?

**Dr Paterson:** We have a flexible staffing arrangement in our enterprise bargaining agreement and we make use of that to make sure that staff can be deployed right across the site as appropriate, and that is working extremely well.

**Senator LUDLAM:** Again, these next couple of questions may need to be taken on notice because they are a little technical. Could you indicate how many disputes with employees
over the last five years have resulted in deeds with gag orders being signed to prevent comment to the press and that sort of thing?

**Dr Paterson:** It is a highly technical question because we do not use language like 'gag orders' in deeds that we complete.

**Senator LUDLAM:** What sort of language do you use?

**Dr Paterson:** We sometimes complete deeds as a matter of bringing to an end discussions in relation to disputes we have with employees, but I do not think that we intend to specifically gag people. It is just a matter of course that, when you have finished a matter, it should be finished and not of a continuing nature.

**Senator LUDLAM:** How many of those sorts of deed have been signed?

**Dr Paterson:** I will take it on notice and reply to you.

**Senator LUDLAM:** How many Comcare cases are you aware of that are currently underway regarding ANSTO employees?

**Dr Paterson:** Would that be Comcare investigations?

**Senator LUDLAM:** Yes.

**Dr Paterson:** I do not know of any Comcare investigations at present. I think there are none.

**Senator LUDLAM:** Is Mr Robert Blissett still responsible for human resources and workplace health and safety at ANSTO?

**Dr Paterson:** There is a Robert Blissett heads up our work health and safety in human resources function.

**Senator LUDLAM:** There is no bio of that gentleman on your site, though there is for most of your senior management team. Could you confirm for us, on notice, what his qualifications are for that role and what is past experiences in the HR field are?

**Dr Paterson:** We would be very happy to do that.

**Senator LUDLAM:** Does ANSTO insist that employees only see ANSTO nominated doctors when they need medical advice?

**Dr Paterson:** That would not be the case, but, if it is in relation to workplace events, we do propose and suggest that that is one of the avenues that we have to expedite people's return to work.

**Senator LUDLAM:** You propose and suggest that. Do you insist on that? Is that a matter of choice for your employees?

**Dr Paterson:** In a number of cases where there is a dispute about the facts of a person's health, we do insist on it.

**Senator LUDLAM:** You do?

**Dr Paterson:** Yes.

**Senator LUDLAM:** Are doctors chosen by the employees themselves considered of less credibility?

**Dr Paterson:** No, they are considered as part of a team to get the optimal strategy to return people to work and to allow them to have a fulfilling experience in the workplace.
Senator LUDLAM: Even if the employees would much rather see a doctor from outside ANSTO, you would still nonetheless insist?

Dr Paterson: We never inhibit an employee from finding their own medical help, care and support, but in relation to employment matters I think it is important that the employer has an opportunity to confirm with the team of people who are looking after the person what the most optimal strategies are. This sometimes requires independent medical advice for us.

Senator LUDLAM: This is the last question from me because we are just about out of time. The Chairman of the board of ANSTO who was appointed in February 2011, Dr Paul Greenfield, stepped down as VC of the University of Queensland. Are you aware of that?

Dr Paterson: I am aware of that.

Senator LUDLAM: So that was after a November 2011 integrity investigation found irregularities in the enrolment of a student known to him. Did that scandal have any bearing on his role at ANSTO, and was the suitability of a person who was accused, effectively, of nepotism discussed by the board before his appointment?

Dr Paterson: I believe that it was discussed by the board. I was not present in the session at which was discussed and I was informed afterwards of the results of that discussion. It was also discussed at the time with our department.

CHAIR: Time has come to an end. Thank you, Dr Paterson, and your officers who attended, for your assistance this morning.

IP Australia

[09:31]

CHAIR: I welcome Mr Noonan and officers from IP Australia. We will go straight to questions.

Senator HEFFERNAN: Where are we up to with the recovery of moneys owed to the Commonwealth through the cancellation of evergreening arrangements? Where are we up to with clopidogrel?

Mr Noonan: That is a matter that the Department of Health and Ageing—

Senator HEFFERNAN: I realise that, but surely you, as a keen IP person, would want to know what the implications of that are, because it will have serious implications for your department, depending on the outcome.

Mr Noonan: I cannot add to what I indicated before. The Department of Health and Ageing have been considering that matter.

Senator HEFFERNAN: You honestly—and no-one in your department—do not know where that is up to? You're pulling my leg, aren't you?

Mr Noonan: No, Senator I cannot—

Senator HEFFERNAN: You do not know. This is $150 million owed to the Commonwealth, and you do not know where it is up to.

Mr Noonan: These are matters of recovery—a responsibility of one Commonwealth agency or another.
Senator HEFFERNAN: I am asking: do you know where it is up to? Surely, given the responsibility of IP to you and your department, you would know where an unsuccessful venture by Pfizer is up to that you have to make judgements on IP.

Mr Noonan: The matter that you are asking about is recovery on a deed of undertaking that was given by the company at a time when an interlocutory injunction was given. The financial implications of that are, from the Commonwealth's point of view, for the PBS which is administered by the Department of Health and Ageing.

Senator HEFFERNAN: The patent implications are yours.

Mr Noonan: Yes, but you are asking about the recovery of funds.

Senator HEFFERNAN: Where are we up to with the patent implications of clopidogrel? My god, this is thick stuff for bureaucrats! Talk about 'dodge the question'. While you are at it, you might also have a look at venlafaxine. The cost of the evergreen patent for this one is estimated at about $150 million, and they gave an undertaking that they would make good the invalidated period, which is $35 million. We are just going to let them get away with it, are we?

Mr Noonan: On clopidogrel, the situation was that the Full Court of the Federal Court found that the patent was invalid, and that was revoked in 2009. So, from the point of view of our responsibilities, that is the end of the matter.

Senator HEFFERNAN: Tell me about the venlafaxine. So it does not concern you, as the department, that you have a dodgy patent that you are allowed, and you just say, 'Bugger it; that's someone else's concern now. We issued it, but we do not care that it has been invalidated.'

Mr Noonan: I think we have covered this before. The examination of the clopidogrel patent was carried out in 1989, and when it was invalidated by the court it was on the grounds that the patent lacked inventive step, but the patent legislation that applied in 1989 did not allow examiners to look at inventive step.

Senator HEFFERNAN: Where are we up to with venlafaxine?

Mr Noonan: That patent has also been revoked as a result of the Federal Court decision.

Senator HEFFERNAN: What are the financial implications of that?

Mr Noonan: That is a matter for the Department of Health and Ageing.

Senator HEFFERNAN: So you have this solid concrete Chinese wall. You can make determinations that have hundreds of millions of dollars of implications for the taxpayers and you do not give a rats.

Mr Noonan: It is a question of efficient use of Commonwealth resources. If there is an agency pursuing the matter—

Senator HEFFERNAN: Yes, I am sure it is efficient use of resources. My God! So, you are not interested? Just as a human being you are not even curious to ring up the other side of the argument and say, 'Where are we up to with this boys?'

Mr Noonan: I am assured that the Department of Health and Ageing would be able to pursue that with all due dispatch.
Senator HEFFERNAN: But, wouldn't it be prudent for you to pursue it? Wouldn't it be educational for the people that work for you to know?

Mr Noonan: I think it would just be a duplication of Commonwealth resources for us to be trying to involve ourselves in litigation that is within the custody of another Commonwealth agency.

Senator HEFFERNAN: Going to the question of patents, the Supreme Court and the court case that is coming up in Australia, as I understand it, in the United States there are nine US Supreme Court judges on the case of Myriad.

Mr Noonan: That is correct. My understanding, too, is that nine judges are sitting.

Senator HEFFERNAN: Do you take an interest in that?

Mr Noonan: I know that the case was heard on 15 April, and we are awaiting the decision.

Senator HEFFERNAN: But are you interested in the case?

Mr Noonan: Naturally, because the law on gene patents in Australia and the United States is quite similar, and the lower courts—a single Federal Court judge in Australia and two out of three judges of the Court of Appeal of the Federal Circuit of the United States—have decided that gene sequences are patentable. So, the first appeal by a highest court—the US Supreme Court—is naturally something we would be very interested in.

Senator HEFFERNAN: As I understand it, a law article described the nine judges as follows:

It was obvious from the questions they asked and analogies that they dreamt up that the nine US Supreme Court justices hearing one of the most important and complex patent cases in a decade were not wholly comfortable with the subject at hand.

The question before them—whether human genes could be patented—seems straightforward … Yet as the arguments turned to talk of recombinant DNA and whether isolated DNA fragments were found in nature …

And they got into all sorts of analogies about chocolate chip cookies and baseball bat. The nine judges had no idea where they were going. It was beyond their comprehension. This is not my reporting; this is a science magazine's reporting:

Most experts believe, based on the questions and comments heard in court, that the majority of justices may decide to invalidate patents on isolated DNA, including the main patents in question in the case of Myriad.

Scientific and legal experts are trying to gauge just how disruptive the case may be. Before it was heard, one patent expert predicted the results could be disastrous.

What does IP Australia think?

Mr Noonan: If I could predict the result of superior court judgements based on their questions—

Senator HEFFERNAN: No, I am not asking you to. But if it falls down against the side of Myriad, have you got a plan to deal with it?
Mr Noonan: If the highest court in another major economy concluded that the law in that economy was significantly different from the law in Australia, that would be something that we would need to consider very carefully and advise the government on.

Senator HEFFERNAN: So the court case that is coming down in Australia in the full Federal Court—

Mr Noonan: That is right—the full Federal Court will hear the matter in late July.

Senator HEFFERNAN: In late July, you think? You do not think it is 7 and 8 August?

Mr Noonan: My latest information was the last two days of July.

Senator HEFFERNAN: It is the seventh and the eighth. If they happen to find against the patent, what are the implications for IP Australia?

Mr Noonan: If the hypothetical question you are putting to me is: what would we do if the Federal Court—

Senator HEFFERNAN: It could be real in a few days time.

Mr Noonan: Are we talking about the Supreme Court, or the full Federal Court of Australia?

Senator HEFFERNAN: We are talking about both.

Mr Noonan: If the decision was made by the superior court in another country, that would not immediately impact on the law in Australia but it would certainly be a matter that the government may want to seek advice on, to see whether the settings in Australia were ideal. If the full court of the Federal Court decided that the law was different from the way that IP Australia had been interpreting it, then we would naturally have to respect that and give effect to it. Of course, there could then be an appeal from that decision to the High Court.

Senator HEFFERNAN: So you do not know the implications in a financial sense, which reflect on IP Australia, of evergreening. You are not interested in that.

Mr Noonan: You asked about a couple of cases where recovery action is the responsibility of another agency.

Senator HEFFERNAN: I would have thought that, even if you were the least bit curious human being, you would want to know where it is up to, regardless of your title. You do not know. Senator Colbeck, you had better take over.

Senator COLBECK: I have a couple of quick questions around claims processes. Do you have an advocate or someone who can help people complete a CDDA claim or find their way through that process where they might have an issue with IP Australia?

Mr Noonan: We do not have an advocate as such, though there are guidelines about how the scheme works, which are available through the department of finance's website. They administer the scheme. If we got a claim that we felt fell within the parameters of that scheme, we would draw the claimant's attention to that. It would be up to them to articulate the various aspects, the most significant of which would be the potential loss, where we would need to rely upon their information.

Senator COLBECK: When did you last pay out a claim? Do you have any pending?
Mr Noonan: I would have to take the past history on notice. We are dealing with a trademarks application matter at the moment. We expect that there will be a CDDA claim. We have certainly been discussing that.

Senator COLBECK: Do you have a time frame for handling complaints of that nature, or is that something that is specified under the department of finance guidelines?

Mr Noonan: I am not aware of any precise time frames in the guidelines, but we certainly handle them as quickly as we can.

Senator COLBECK: You do not have anything specific within your agency as to how you might handle something of that nature?

Mr Noonan: Because the finance guidelines are quite comprehensive, we do not have any particular additional policies and guidelines that I am aware of. They are also quite rare, so there would not be value in us having a lot of material about those schemes.

CHAIR: I thank officers for their attendance this morning.

Commonwealth Scientific and Industrial Research Organisation

[09:43]

CHAIR: I welcome Dr Clark, Chief Executive of the CSIRO, and also offer the committee's congratulations to her on the extension of her term of appointment. We will go straight to questions.

Senator COLBECK: Let us start with the reappointment. What was the process for the reappointment of the CEO?

Dr Clark: Under the act, the board, in consultation with the minister, is responsible for the process and timing of my reappointment.

Senator COLBECK: What was the process under this latest circumstance?

Dr Clark: The board resolved in December 2012 for the reappointment, and between January and May the department supported CSIRO in completing the government's formal consultation obligations around the reappointment.

Senator COLBECK: So the conversation started in December last year?

Dr Clark: Yes.

Dr Russell: The appointment of the CEO is very much a process handled by the department, so it might be helpful if Patricia Kelly actually said a few words about the nature of the process.

CHAIR: That would be fine.

Ms Kelly: The process is where, like all significant appointments, the department submits the paperwork to the Prime Minister. The Prime Minister takes a decision about whether she will agree to this or whether the appointment is put to cabinet. In this case the appointment went to cabinet and was agreed by cabinet.

Senator COLBECK: So it went to the Prime Minister and it also went to the cabinet?

Ms Kelly: A significant appointment can either be approved by the Prime Minister, or the Prime Minister may choose to, and often does choose to, take the significant appointment
through cabinet. This is the normal process with all significant appointments, and this is the process that was followed in this case.

**Senator COLBECK:** I refer to the letter sent to the Prime Minister by Mr Abbott back in April about appointments to be made in the immediate period, or appointments that would expire in the immediate period before the election, where a specific question or request was made in relation to that. In this case, where the appointment was not due to expire until December, has there been no consideration of the letter that was provided to the Prime Minister by the Leader of the Opposition in the context of, as you quite rightly say, such a significant appointment?

**Ms Kelly:** I think the considerations put forward by the board were around the CSIRO's strategic plan and the things that needed to be delivered with stability. The board put a case that a limited reappointment, so a one-year reappointment, would provide an opportunity for the key elements of that strategic plan to be continued to be delivered under Dr Clark's leadership. It is only a one-year reappointment. It also gives the board additional time to mount an international search for Dr Clark's replacement. It is an important role and an international search can take a significant amount of time by the time the selection process is over and somebody is able to relocate to take up the position.

**Senator COLBECK:** What is the usual time for an appointment? What is the usual cycle for the appointment?

**Ms Kelly:** An international search can—

**Senator COLBECK:** No, this is a different question. What is the usual cycle for the appointment? What is the usual term for the appointment?

**Ms Kelly:** It is usually, as I understand it, a five-year term.

**Senator COLBECK:** In the context of the time for a search, that time given to us by the minister in his opening statement this morning was that it would take about six months. The process so far has used six months to get to the stage of deciding whether to extend it for 12 months. I really cannot understand why you are making such a significant appointment at this stage in proceedings, given the request of the Leader of the Opposition. It is a significant appointment—I have to agree with you on that. What was the decision around one year? When was that decision made? And why only a year?

**Dr Clark:** That was my decision.

**Senator COLBECK:** When did you decide it should only be one year?

**Dr Clark:** I commenced consultation with my chair on the matter of re-appointment and the end of my term, which would have been December 2012.

**Senator COLBECK:** What is the rationale for a year rather than five?

**Dr Clark:** I was working with the board. I was comfortable to commit to another 12 months, given that we have a significant strategy underway, and to executing that board approved strategy with the support of the board. I was very happy to commit to another 12 months.

**Senator COLBECK:** When was that decision taken—that you would only commit for another 12 months?

**Dr Clark:** I communicated my decision to the board in December of 2012.
Senator COLBECK: Given that Dr Clark was only prepared at that stage to commit to another 12 months, what is the rationale, Minister, when the usual term is five years, for going through a process that does not provide that length of stability for the organisation?

Senator Farrell: I thank you, Senator, for the opportunity to say something. The first point to make is a political one. As far as I am aware, Mr Abbott is not the Prime Minister and is not in government at the moment. So whatever view he has about how the government should make appointments is not, I think, relevant to this consideration.

Senator COLBECK: Well it is given that the term was not due to expire until after the next election. I think that is a reasonable—

Senator Farrell: We will have to agree to disagree on that. But it is worth noting that Mr McKeon, the chair of the board, did attempt to advise Ms Mirabella about the decision to re-appoint—

Senator COLBECK: Really?

Senator Farrell: My understanding is that she was not able to be contacted.

Senator COLBECK: Can you tell me when that might have occurred?

Senator Farrell: That was over the last three days, I understand.

Senator COLBECK: That is hardly consultation; that is just telling someone a story.

Senator Farrell: Politeness, I think, dictated that the chair was keen to communicate that information.

Senator COLBECK: But we made a polite request asking you not to make appointments, or to consider carefully appointments—

Senator Farrell: We politely declined.

Senator COLBECK: including appointments that fall due after the election!

Senator Farrell: We politely declined to—

Senator COLBECK: I hardly call that polite, Minister—appointments that fall due after the election.

Senator Farrell: Again, we will have to agree to disagree. I think the significant thing here is that this is not an appointment by the government. The government did approve it—the Prime Minister and cabinet did approve it—but it is a board appointment. The government appoints the members of the board, but the CEO is a decision of the board. You have heard that discussions took place about a 12-month extension. The government accepted the advice of the board that Dr Clark's appointment should be extended for a further 12 months.

Senator COLBECK: So, Dr Clark—why not another five years?

Dr Clark: I have made my commitment to the board and the board has accepted that commitment.

Senator COLBECK: That does not actually answer my question.

Dr Clark: I have made a commitment, I have been clear about that commitment and I have been clear about why I have made that commitment—and it has been accepted by the board.

ECONOMICS LEGISLATION COMMITTEE
Senator COLBECK: Well, you have not been clear with us. I am asking you why you made a commitment to 12 months—not five, which is the usual term.

Dr Clark: I think it is perfectly comfortable to ask why I would commit to another 12 months, and I have answered that question. Beyond that I think is a personal decision, and one which I have taken.

Mr Roy: I might be able to help with one factual point. When Ms Kelly was referring to a five-year term, that is typically an initial term for a Chief Executive at CSIRO. Often it is a shorter term, and that was the case with the previous Chief Executive, Dr Geoff Garrett, when he renewed after his initial five-year period. In his case, I believe it was three years, but I stand to be corrected.

Senator COLBECK: So in the past, has it been usual or unusual for formal conversations about extension of the CSIRO CEO's position to start more than a year before the expiry of the contract?

Mr Whelan: It is probably worth noting that there were changes to CSIRO's governing legislation following the Uhrig reforms. Prior to that, the decision to appoint the Chief Executive was the minister's and the government's. Following the Uhrig reforms there was clarification of the roles of a number of agencies with respect to the board's power, and so from those changes on that power sat with the CSIRO board, and the requirement of the act is for the board to consult the minister. In terms of the timeline, it is quite normal to be holding discussions with chief executives and senior officers some distance out from the expiry of their term, to contemplate their intentions and to make judgements about their re-appointment, for a number of reasons: to make sure that the appropriate succession plans are in place, the appropriate development plans are in place, and, if necessary, the appropriate time is available to recruit.

As I think has been discussed with a number of witnesses this morning, the process for selecting a chief executive of a large, complex organisation like CSIRO typically involves a global search. It typically involves testing of the criteria before going to market with a range of stakeholders, including the minister, the departmental secretary, and others. In that sense, it is certainly not unusual, in the context of Dr Clark's circumstances, for the board to have had those discussions last year and to have taken the position that they did well ahead of the expiry of her current term.

Senator COLBECK: What were the terms and conditions of the reappointment?

Dr Clark: Under the existing terms and conditions.

Senator COLBECK: So it is effectively a rollover for 12 months?

Dr Clark: No change to the conditions.

Senator COLBECK: I think we are saying the same thing.

Dr Clark: I think we are saying exactly the same thing, Senator.

Senator COLBECK: Minister, what was the form of notification that the shadow minister received?

Senator Farrell: I understand it was a telephone call from the chair. When he was unable to contact Ms Mirabella, there was a text message sent.
Senator COLBECK: So it was not actually a consultation; it was just a text message to say, 'This is what we've done'.

Senator Farrell: I did not place it any higher than simply advising Ms Mirabella of the decision to re-appoint before it became public.

Senator COLBECK: When was the attempt to make the phone call?

Dr Clark: The chair had been in contact with the shadow minister's office and then attempted to have a direct conversation with the shadow minister, so there were several levels of contact.

Senator COLBECK: The question is when, though. When was this phone call?

Dr Clark: I do not have all of the details of the chairman's contact in it. I was not privy to those, but we will be happy to provide those, and the contact with the office as well.

Senator COLBECK: The initial contact was with whom—the minister's office or the shadow minister's office or the minister?

Mr Whelan: My understanding is that, following notification from the department, that the consultation requirements of the act had been met, which we received, I think, last Wednesday. The following day, officers from our ministerial and parliamentary liaison unit made contact with the office of the shadow minister seeking an opportunity for the chairman of the CSIRO to talk to the shadow minister about an important issue. We did not disclose to the office what that issue was. We did not think that was appropriate. The office liaised with the CSIRO to try and bring that about. I understand that it was not possible for the chairman to speak to Ms Mirabella on either Thursday or Friday and I understand that he tried to phone her mobile and then subsequently sent her an SMS, indicating he wanted to talk to her about an important issue. I understand he sought to follow that up over the weekend, but to the best of my knowledge he did not receive a response. We also made further contact with the shadow minister's office over the weekend.

Senator COLBECK: Can you give me a sense of the rationale behind a one-year extension? From the organisation's perspective, why are we saying one year?

Dr Clark: It was my decision. When I finish what has been a very rewarding time with CSIRO, I intend to continue to serve the nation through industry, through the community and other aspects. In terms of a year, I think it is very important to make sure that we complete the strategy and that there is plenty of time to go through the process of the search for the new chief executive and this time frame provided for that. I am very delighted with the announcement and very delighted to continue to serve the nation and to serve what is a very fine organisation.

Senator COLBECK: So the completion of the strategy is dependent on your presence?

Dr Clark: No, Senator. The strategy is set by the board. I am responsible to the board for the execution of the strategy with the team. That strategy continues and we will be setting the guidelines and the foundation for the 15 to 25 strategy. The new chief executive will be asked to deliver on that strategy.

Senator COLBECK: Given that the discussion has been around stability of the organisation and obviously the implementation of the strategy, doesn't only a one-year term
impact on that strategy? Wouldn't you be better off with a longer term for somebody to complete the work through that strategy?

Dr Clark: I have been clear about the commitment I have made with the board. I will honour that commitment and I will serve up until midnight of that date.

Senator COLBECK: The question is probably not so much about you, Dr Clark; it was more about the organisation. That is what I was thinking of.

Dr Clark: I would assume that the board will go through the process of succession. I will, with the board, take responsibilities along with my leadership team to make sure there is a smooth transition and that there is adequate time for handover. I also take responsibility for a smooth transition of leadership to make sure that the organisation has stability and continues to deliver on its strategy, and continues to execute on that strategy with diligence. It is certainly part of my responsibility, as well as that of the board, to ensure that transition happens smoothly, as happened with the transition of the previous chief executive and myself, where we undertook an extensive transition period. I certainly reflect on that transition being very smooth for the organisation.

Senator COLBECK: In the context of stability, would a longer term commitment or appointment to the organisation not provide more stability? You have said that you told CSIRO back in December that you were only going to do another year. Given that short extension in the broad scheme of things, why not start the search? The minister has, quite rightly, said it will take about six months. That has been reaffirmed again by the department this morning. The organisation could have commenced a process that could very well have run its course, and then the request that Mr Abbott made could very easily have been managed by whoever won the next election.

Dr Clark: I think the clarity of the appointment and the clarity of the reappointment process is there. Obviously, as Mr Whelan outlined, starting this process 12 months out it was very important that my intentions were clear to the board because, as you said, had I not had the intention to continue then we would have commenced a process earlier. So it was very important. I had promised the chair as well to make my intentions clear to the board with 12-months notice, which I did.

Senator COLBECK: Given the current—

Dr Russell: Perhaps I could say something here. The new arrangements do change the balance. They put much greater responsibility on the board and the chairman of the board in particular in the appointment of the CEO. That is reflected in the legislation. Obviously the board needs to consult with the government, and that took place, and obviously the board would not want to appoint someone who was opposed by the government or the cabinet. But the decision is very much with the board. The board is best placed to make judgments about the long-term strengths and purpose of CSIRO. When the discussions did take place a year ago the board could have taken the view that one year's appointment was not in the best interests of the organisation, but the board took the view that it was the right thing to do in the circumstances. This involved their judgment about what was best for the organisation: to reappoint Megan Clark for one year. That is the view the board took. They then took that view to the government and the government agreed with it. It is a decision very much in the
hands of the board, in the sense of having to come to grips with what is in the best interests of the organisation, and that was the decision the board came to on this occasion.

**Senator COLBECK:** So the board expressed its views around the 12-months extension of the appointment to the government?

**Dr Russell:** They took the view that one year's appointment of Megan, given Megan's interest and desires in this, was in the best interests of the organisation.

**Senator COLBECK:** Given the embarrassing revelations around workplace bullying and now the inquiry into the organisation, isn't that something else that should have been considered about the reappointment? Doesn't that effectively make the reappointment premature?

**Dr Clark:** I do not believe so.

**Senator COLBECK:** Where are those particular matters at? What is the circumstance around those matters?

**Dr Clark:** As you know, Senator, we have an independent review being undertaken, and we expect to have the results of that of that review by 31 July. In addition to that review, we are continuing on a number of internal elements of our strategy to develop a five-year benchmark strategy around issues of staff health, around mental ill health and around stress. We are working on that and will continue to deliver that. We are continuing to improve our internal incident reporting around those issues to understand the impact on individuals and to make sure that we have both the skills and the tools to be able to resolve such issues as they arise in the workplace and to make sure that every one of our incidents, or issues that are raised, is investigated so that we can learn from each one of those and ensure that failures do not happen again.

This is certainly the basis of our long-term strategy now around injuries and safety, which we have been progressing on, and I am now proud to say we are in the top quartile for public service organisations. We will continue to progress on that. That has been based on continuing to improve our reporting of incidents in safety, making sure that every one is followed through, that the impact is understood, and that we continue to make improvements. Of course, that has seen the continuing lift of our performance in safety. I would expect to see, over the next several years, that we continue to improve in these broader aspects, as all organisations in Australia need to do.

**Senator COLBECK:** But surely that major review into that workplace culture, which is due on 31 July,—and Minister Farrell, you also have another inquiry going on into another matter in the agency—would have been part of the consideration about the reappointment?

**Senator Farrell:** Senator, are you asking me or are you asking Dr Clark?

**Senator COLBECK:** Particularly in respect of the review due by 31 July, I think Dr Clark should answer that.

**Dr Clark:** I am very comfortable to answer that. Certainly, one of the critical areas of performance of any Chief Executive is the areas of safety and health in the workplace. I am very proud of the progress that we are making. I am not saying we do not have areas to improve, but I am very confident that the organisation can continue to make the improvements in safety, to expand the work that we do in staff health—as I said, particularly
mental ill health—and continue to progress that to benchmark levels. So absolutely, Senator, I would be held accountable. I am very proud of the progress the organisation has made in this area under my leadership, and it will continue to be a focus for me. It is a focus for me every day, and it will continue to be so, and one which I would absolutely hold myself accountable. So your question: was it a consideration of the board? Absolutely, Senator.

Senator COLBECK: How can they effectively make an assessment around that without the review, and it is only eight weeks away? It is not as if it is a long time out. Surely that review process should have some chance to report as part of that process and, as you quite rightly say, it is and should be a KPI of the CEO.

Mr Whelan: Senator, just to replay the time series again, the board resolved to reappoint the Chief Executive in December 2012. The independent review process was, I think, formally commissioned in February 2013.

Senator COLBECK: The board resolved to reappoint the CEO in December 2012.

Mr Whelan: Subject to satisfying the government's consultation requirements—that is correct, Senator.

Senator COLBECK: So it has taken until the beginning of June 2013 for the government to go through that process.

Mr Whelan: I think there were a number of changes of ministers during that period of time which probably complicated that process.

Senator COLBECK: We have already heard that the process was referred to the Prime Minister and then to the cabinet. While there have been some attempts to change the Prime Minister, there has not been a change in Prime Minister. There have been some changes in the cabinet, obviously.

Ms Kelly: Senator, the board writes to the minister and the minister contacts the Prime Minister, so there is a process there that needs to be gone through which involves the minister. The advice in the first instance is to the minister.

Senator COLBECK: How many different ministerial briefings did we have to write before one finally got to the Prime Minister and to the cabinet?

Ms Kelly: I would need to take that on notice to be accurate, Senator, but we did need to go through the process more than once.

Senator COLBECK: There have been three ministers since the board made its decision in December, is that correct?

Ms Kelly: There have been three ministers, yes, that is correct.

Senator COLBECK: Would we have been through that process with each minister?

Ms Kelly: Potentially, that is the case. I would need to double-check to tell you on notice with certainty that that is the case. But we certainly went through it twice and we may have gone through it three times.

Senator COLBECK: That would mean that the ministerial brief did not get through the minister's office, back to the department or to the Prime Minister within the cycle of that appointment in that circumstance, if that were the case?

Ms Kelly: Yes. That would mean that the brief did not get to cabinet.
Senator COLBECK: To cabinet or to the Prime Minister? Does it go to the Prime Minister first or to cabinet first? My understanding of the process, as you explained it before, was that it is referred to the Prime Minister and the Prime Minister then decided whether or not it went to cabinet.

Ms Kelly: That is the normal process with all significant appointments. It is normally the Prime Minister who is first written to and then she will refer to cabinet in most cases.

Senator COLBECK: Is that the process that you followed in this circumstance?

Ms Kelly: Yes it is, Senator.

Senator COLBECK: Okay. So when was that reference made, do you know?

Ms Kelly: I would have to check on that and provide that on notice.

Senator COLBECK: I would appreciate having some understanding of that pretty quickly if you can. I am sure there are people listening to us and to what is going on there, so, if you could get back to us in relation to that.

Ms Kelly: So your specific question, Senator, is: when was the matter first referred to the Prime Minister?

Senator COLBECK: I would be interested in how many time it through a ministerial office, you have said two possible three, and then when it was referred by the Prime Minister to the cabinet and when the cabinet made the decision.

Senator Farrell: I think I can assist you here. My understanding is that the cabinet made it this time last week.

Senator COLBECK: Okay. Well that finishes the process, but there are some other things to go on in the interim.

Senator Farrell: I understand that was the question, and I am trying to assist.

Senator COLBECK: I appreciate that advice, Minister. That was Senator Bushby's question but there are a couple of others in the interim.

Senator Farrell: I can confirm, if it helps, that the brief did come to me and I supported the reappointment.

Senator COLBECK: So that would indicate three cycles?

Senator Farrell: I am not sure on that. I cannot speak for my predecessors but I certainly supported the appointment and did my best to ensure that the thing was dealt with as speedily as possible.

Senator COLBECK: In mid-April, Dr Clark, you wrote an email to staff in which you specified that the organisation would unavoidably have significantly reduced expenditure. Part of what you said was lower industry funding to the organisation. There was speculation at the time that that would result in hundreds of jobs losses from the organisation. What is the total number of jobs that have been lost or will be as a result of these changes?

Dr Clark: There are around 200 people affected, but, in terms of the final number of redundancies, that needs to wait for the completion of our process of potential redeployment throughout the organisation as well as opportunities for retraining. We will complete that process, and I would be comfortable, at the completion of that, to provide you with further detail.
Senator COLBECK: Just as a matter of personal interest to Senator Bushby and me, how many of those might be in Hobart?

Dr Clark: In terms of the potential locations?

Mr Roy: Senator, I am not seeking to give you a process answer, but I want to update you on what we are doing here. As you indicated, Dr Clark went out to the organisation in April of this year, and that commenced the consultation process with all staff. Following that, our obligation under our enterprise agreement, which is our agreement with staff, is that divisional leaders need to go out to their teams and say what areas are impacted. That has now happened. Where it becomes real for individuals on the ground is that, when those discussions happened across the table to say that you are part of the business now, that needs to be rationalised for whatever reason it happens to be. I am not going to the rationale in this answer. It is fair to say that we have only really commenced that process.

Once that happens you then go through an eight-week to two-month period to look at redeployment opportunities as you go through there. You are correct that we expect a small number of positions to be impacting the Hobart area. At this stage I cannot give you an absolute number because we rely on redeployment and we rely on retraining in other places across the business. As at 12 months ago we were anticipating a few more redundancies than what ended up eventuating. We do work hard to replace people and find other ways to save jobs and roles. Year to date our redundancies are sitting at 64. That was at 30 April and that is well below our long-term trend for redundancies, but we are working it through with staff there, Senator.

Senator COLBECK: How many senior executives will lose or have already lost their jobs involuntarily as part of the process?

Mr Roy: I will take the 12 months from the last annual report—30 June last year right through until where we expect to be on 1 July this year. In Dr Clark’s annual directions setting statement, which was referred to in the e-mail you talk about, she signalled that she would be reducing the number of corporate executives in our executive team, of which Mr Whelan and I are two, from 4 to 3 over that period of time. That is about a 10 per cent reduction across the executive team. We will have had a reduction of about 10 positions across our executive management council, which is the level below that, during that time. Not all of them have, as you put it, lost their jobs. We apply the same principles to a senior executives as we do to everyone else. We seek to redeploy them. It may not be on the same terms they were on before, but I can assure you that, of that cadre of about 50 to 60, as of 1 July, there will be 10 less positions than there were 12 months and one day previously.

Senator COLBECK: Which of all your individual sites has experienced the highest number of job losses as a result of the process?

Mr Roy: We are still going through the process at the moment, so we have not finalised it yet.

Senator COLBECK: You only have four weeks to go.

Mr Roy: Yes, but it is important—we do not necessarily just have four weeks to go, because these will play out throughout the first months of 2013-14. Such is the way that one needs to methodically and carefully work through these processes. You need to identify the fields that you need to reduce first. You then go through an extensive consultation process to
see if there is a different answer that will achieve the same objectives. We then have a discussion with staff and then there is an eight-week schedule where you work with staff. It is possible that a staff member may wish to be made redundant and has the same skills as a position that has been identified for redundancy. They can then do what is called a redundancy substitution. We would see these playing out over the course of the first quarter of 2013-14.

Senator COLBECK: But the decision-making process would have to be relatively well advanced, would it not?

Mr Roy: The thinking about the areas we are seeking to change is well advanced and is articulated in the annual directions setting statement. What I am trying to do is not jump from that too quickly to what it means for Mr Smith or Mrs Jones in CSIRO, because that detail across the board is not yet known. In some cases the discussions have commenced. In the vast majority of cases they have not yet commenced.

Senator COLBECK: What was the extent of the drop-off in revenue from industry sources and over what time period did it occur?

Dr Clark: In terms of our external revenue, we are budgeting for FY 2013-14 at $491 million, which compares with the $482 million we are currently expecting for this year. But in terms of our current investment and consulting revenue, we are expecting that to hold quite steady. As you are aware of course, our costs are around 3½ times our staff costs. In some cases our other costs are a little bit higher. So even holding steady in this environment, which is I think a very good endorsement by our external partners, does mean that we need to make some adjustment, which we will be doing.

I do not think that it would be very different to many businesses and organisations around this country. So we are holding and I would expect some weakness, given the weakness that we see in the external markets. We are seeing strength in the agricultural sectors and food sectors. We are seeing some weakness in the minerals and resources sector, as there is a focus on cost cutting. We are expecting other areas to see an increase—we are inspecting an increase in the digital productivity and services area, as service organisations look to take on innovation, and we are expecting the energy sector to hold steady, if a little bit down. We play across a number of sectors. As I said, just holding that level of around 490 is an achievement, but we are seeing some weaknesses that are well known across the sectors.

Senator COLBECK: Are the changes in investment by partner organisations having an impact on key investment areas for your organisation?

Dr Clark: Yes, in that we are only 60 per cent funded by the government. We are 40 per cent funded by our external partners. That is a significant contribution to the CSIRO, so we do reflect the external environment in our forward budgets.

Senator COLBECK: Minister Farrell, we go to the issue that was in the Sydney Morning Herald on 11 April, that CSIRO staff had deliberately defrauded the Swiss pharmaceutical firm Novartis in relation to an anticounterfeiting product that had been sold to them. You said you were going to launch an immediate investigation. What form has the investigation taken, who is conducting it and what has it found?

Senator Farrell: The CSIRO is conducting the investigation. I understand that other parties to that story are also conducting an investigation and that investigation is ongoing.
Senator COLBECK: So you did not launch an investigation; it was CSIRO?

Senator Farrell: Yes, I asked the CSIRO to do it.

Senator COLBECK: So it has not found anything yet? When are you expecting to hear back?

Senator Farrell: I understand that the process is ongoing, so as soon as possible. But I cannot tell you exactly when that will be.

Senator COLBECK: Why would you not ask for an independent investigation?

Senator Farrell: That was one option, but we chose to go down this path and I think that is the appropriate path.

Senator COLBECK: But it is a matter of commercial fraud. Why would you put Dracula in charge of the blood bank, basically? You are asking someone to investigate themselves—

Senator Farrell: Other parties to that story are also conducting inquiries. We will see what comes back from the CSIRO after the investigation is finished.

Senator COLBECK: Have you asked for a timeframe around this? When are we going to see something? This is a fairly serious matter.

Mr Whelan: Indeed it is. We were shocked and distressed when we first read the allegations in the Fairfax press. As the minister has indicated, we immediately commissioned an investigation—under the auspices of our general counsel—to get to the bottom of what was the basis of those allegations; what did we know precisely and fully; when did we know it; and, if we did know something, what did we do about it. There were some initial challenges in getting that investigation going, because aside from interviewing key staff we also wanted to make sure that we had comprehensively gone through all of the CSIRO's email records and archives from that time. It took a while to get those back. We have now completed the investigation of our materials. As the minister has indicated, we have also been asked to provide assistance to DataTrace and Novartis into their independent investigation of these matters—which is ongoing.

There are some commercial confidences around those that we need to respect, and we also want to make sure that we do not inadvertently compromise the security or the authentication system in use by them. However, we have made some determinations based on our analysis to date, even though the process is ongoing. Firstly, we have identified there is no evidence that CSIRO deceived or wilfully misled DataTrace or Novartis as to the supply of material. Secondly, we have identified no evidence that CSIRO officers deceived or wilfully misled DataTrace or Novartis with respect to the security level of the solution offered by DataTrace to Novartis. Thirdly, the allegation that CSIRO sought to capitalise on the alleged deception of Novartis through the sale of CSIRO's interest in DataTrace is also false. Finally, with respect to the allegation that DataTrace deceived Novartis and supplied them with a product no fit for purpose, we continue to provide very assistance we can to DataTrace and Novartis in their separate investigations of these matters. Given that is between two separate commercial entities, we do not propose to comment on that at this stage. We do expect to make a comprehensive statement on these matters when those independent investigations are complete. But I can assure you, Senator, that the officers of CSIRO have acted in good faith throughout this process.
Senator COLBECK: So what you are saying to me is that, if there is a case, it is between the two companies and it is nothing to do with CSIRO?

Mr Whelan: What I have said to you is that the investigation into this matter is ongoing. We are currently providing assistance to DataTrace and Novartis as to their assessment of the technology in related matters. What we have identified, from examination of our materials, is that no evidence exists that CSIRO deceived or wilfully misled DataTrace about the supply of the material. No evidence exists that CSIRO officers deceived or wilfully misled DataTrace or Novartis with respect to the security level. The allegation that CSIRO sought to capitalise on an alleged deception of Novartis is false.

Senator COLBECK: Is it true that the scientist who was at the centre of these allegations, Dr Swiegers, has repeatedly raised this case, including his claims of serious corruption and fraud, with senior officers in the Organisation, including with his division chief in 2007 then through the whistleblower complaints process the same year, and with the chairman of directors of CSIRO in 2008?

Mr Whelan: Senator, the time frames you are referring to are correct. Dr Swiegers had made a series of allegations about activities that he was associated with, and others in his research group were associated with, from about 2006 onwards. They were not related to the allegations that were reported in the Fairfax press in April that you referred to earlier. Those events happened in 2009 and 2010, and at that time Dr Swiegers was in fact an employee of DataTrace for most of that period.

Senator COLBECK: So, Minister, why will you not have an independent investigation?

Senator Farrell: It is an ongoing investigation. Other parties are going to reply to that. I think we have taken the right course of action. Just because something appears in a newspaper does not always mean it is right. I am sure you have had that experience, Senator.

Senator COLBECK: I am not talking about what appeared in a newspaper—

Senator Farrell: What are you talking about, Senator?

Senator COLBECK: We are talking about the officers.

Senator Farrell: I thought that was what we were talking about.

Senator COLBECK: Let me finish my question. We are talking about a pattern of misconduct by a particular group of officers.

Senator Farrell: An alleged—

Mr Whelan: Senator, can I just be clear?

Senator COLBECK: There has been a range of issues raised through formal CSIRO processes by a particular officer.

Senator Farrell: They are being investigated.

Senator COLBECK: This is a significant reputational risk for the CSIRO.

Senator Farrell: That is why we want to get it right.

Senator COLBECK: Why you would not go to an independent inquiry—so there is no question about the concerns which sit around this—is, quite frankly, beyond me. Why, when such a serious reputational matter is at stake, would you not go to an independent process so that you do not have an organisation investigating itself? Why would you not do that?
Senator Farrell: We believe that the course of action we are taking is the correct one.

Senator COLBECK: You are not prepared to—

Senator Farrell: What I am saying is—

Senator COLBECK: You are not prepared to take the route of independent investigation to ensure there is no risk of people saying, 'Of course they have found what they have found—because they have investigated themselves.' Surely that does not raise a question.

Senator Farrell: We have considered the issue and we have considered the best way to proceed with these investigations. The decision we have made is that it is appropriate, in the first instance, for CSIRO to investigate the issue. There are other third parties who are also conducting investigations. We believe that is the way to best protect—to use your words—the reputation of CSIRO.

Mr Whelan: In the context of the earlier matters you were referring to, Senator, it is true that Dr Swiegers has made a series of complaints, both while he was an employee of CSIRO and since leaving CSIRO. I have details here of at least four instances where Dr Swiegers has raised matters which have been the subject of independent investigation by independent law firms or by the Department of Finance and Deregulation. I understand Dr Swiegers has also referred matters to the Reserve Bank and to ASIC. He has threatened to refer matters to the Australian Federal Police, although we do not have evidence that he has done that. Last month, Dr Swiegers commenced legal proceedings in the District Court of New South Wales against CSIRO regarding claims that largely appear to be associated with his redundancy from CSIRO in February 2009. It is true that Dr Swiegers has, over the last six years, initiated a significant number of investigations.

Senator COLBECK: Did CSIRO sell its 50 per cent share in DataTrace DNA Pty Ltd's joint venture partner, DataDot Technology Ltd, in 2010, a few months after the Novartis transaction?

Mr Whelan: CSIRO undertook a share swap with DataTrace's parent company, DataDot. That was associated with DataTrace acquiring the rights to a wider range of technologies from CSIRO. It had had a limited field licence prior to that. It sought a wider field licence. DataDot engaged PricewaterhouseCoopers to independently assess the value of that additional transfer. But, yes, that share swap took place in December 2010, I believe.

Senator COLBECK: Is it the case that three of the four directors of DataDot Technology who approved that transaction either had close associations with CSIRO or were on the board of DataTrace Pty Ltd which approved the Novartis transaction?

Mr Whelan: It is true that CSIRO, by virtue of its 50 per cent shareholding in DataTrace, did have two director positions. Over the time we held shares in that company, three different officers held those two positions. They were not necessarily officers of CSIRO. In one case, the person who took the director role was an independent individual.

Senator COLBECK: So three of the four had formerly served with CSIRO.

Mr Whelan: No, that is not true. What I said was that, over the period of our shareholding in DataTrace, CSIRO appointed three directors. At any one point in time we had two on the board of DataTrace.
Senator COLBECK: So, did CSIRO sell most of its shares to the inDataDoc technology that it received in that transaction that you spoke of to one of the CSIRO-associated directors in an off-market transaction?

Mr Whelan: Not to my knowledge. I would have to take that on notice.

Senator COLBECK: Perhaps you could also tell us, if that transaction has occurred, whether those terms have been made public.

Mr Whelan: I would have to take that on notice.

Senator COLBECK: And also the timing of that—my understanding is perhaps within a matter of days of being able to do so—and then why.

Mr Whelan: From a policy perspective, CSIRO's equity interests in companies are held to enable the technology to be transferred, and then we look to sell down. There is nothing unusual about CSIRO selling down its shareholding in a company.

Senator COLBECK: Has anyone in your organisation sought to intimidate or place pressure on anyone in the media not to report matters connected to bullying and workplace harassment in the CSIRO?

Mr Whelan: That is intolerable, that a staff member would be intimidated in CSIRO. It is totally against the culture of the organisation for someone to be intimidated.

Senator COLBECK: The question was about asking the media not to report on matters connected to bullying.

Mr Whelan: Not that I am aware of.

Senator COLBECK: Dr Clark, you would be aware that a strong allegation was made in March this year in the midst of the debate over workplace bullying within CSIRO by radio broadcaster Mike Welsh that he himself was subject to abuse, intimidation and bullying by your media manager, Huw Morgan, just for seeking to talk to you about this issue on 2CC in Canberra.

Mr Whelan: I am aware of an exchange between Mike Welsh and Mr Huw Morgan, who is our media advisor. My understanding is that that exchange was associated with Mike Welsh's frustration that he had not been able to agree a time when Dr Clark might be able to appear on his talkback show.

Senator COLBECK: So, you have investigated the process, and that is what you found—that it was around a frustration about the time for Dr Clark to appear on the radio program?

Mr Whelan: I would not characterise anything there as an investigation. I understand Mike Welsh indicated to Huw Morgan that he was pretty displeased that Dr Clark had not agreed to go on his radio show. It is not a matter I felt any need to investigate.

Senator COLBECK: So, you would not investigate an allegation that a radio broadcaster was subject to abuse, intimidation and bullying by your media manager?

Senator CAMERON: You do see the irony in this, don't you!

Mr Whelan: I spoke to Mr Morgan after I had heard that, and I asked him for his record of events. I regarded it as no more than a robust exchange between, as you say, a broadcaster and a media advisor. Mr Morgan is a very experienced media advisor. He has worked in the press gallery. He is familiar with the cut and thrust of broadcasters and journalists trying to
get an edge in stories, and he has had to deal with a range of difficult situations over time. I have always regarded his conduct as professional. And, while I understand that his interchange with Mr Welsh was robust, I do not think, having listened to Mr Welsh's show, that anything that Mr Morgan would have said or done could have intimidated Mr Welsh.

**Senator COLBECK:** Is this the same Mr Morgan who once wrote an abusive message on a newspaper website in respect of the former CSIRO chief research scientist?

**Mr Whelan:** I am not aware of that.

**Senator COLBECK:** You are not aware of that occurring?

**Mr Whelan:** No, I am not.

**Senator COLBECK:** Is anyone else in the organisation aware of that?

**Mr Whelan:** I could take that on notice.

**Senator COLBECK:** With how many other people in the media has Mr Morgan been in direct contact during 2012-13 in connection with the issues associated with workplace bullying and harassment at CSIRO? And has he sought to place pressure on these people in any way not to report on these issues?

**Mr Whelan:** With respect to the latter, no. Mr Morgan is well aware that the organisation has sought, through the establishment of an independent review, through its response to a Comcare improvement notice and through its strategic program of cultural reform, to actively encourage staff to talk out and address any situation where they might feel intimidated or harassed. He is well aware of that, and in that regard his interest in interacting with media would be to make sure that any facts of the situation were clarified to make available contact with key staff as required. But no, Mr Morgan—to the best of my knowledge—does not approach those interactions in any way other than professionally. He is an experienced professional journalist. And certainly from people I have interacted with in the media he is held in high regard.

**Senator COLBECK:** How much in total did the Commonwealth spend on defending the claims last year by former employee Martin Williams?

**Mr Whelan:** I think, as I indicated to Senator Bushby at the last hearing, that that was a Comcare matter and I would imagine that the bulk of the costs associated with that would have been incurred by Comcare. I will just check whether we took any advice on that matter first—no, we do not believe that CSIRO incurred any legal costs there.

**Senator COLBECK:** So, in answer to question on notice AI156 that the CSIRO counsel, which you asked to provide advice on any implications of the Williams case—it had potentially had a number of conflicts investigating the matter, including that he previously reported Callum Drummond and worked closely with Damien Thomas, each of whom were classed as unreliable witnesses in the case. You surely agree that you need to remove even the vaguest perception of conflict of interest and any questions over the integrity of the general counsel's investigation? Are you open to the idea that you may in fact need to look at this whole issue again, including revisiting whether any action should be taken against CSIRO officers who were found to have provided unreliable testimony before the AAT?

**Dr Clark:** I can provide the follow-up as a result of the findings and the entire process itself. I had to make a decision. It is a complex case, and certainly when there are findings that
the evidence provided by CSIRO witnesses which was taken into consideration by the deputy president, that is a very serious finding. So, from my point of view, I wanted to establish whether there was a basis for misconduct action to be taken against any of the CSIRO officers. So, I did seek both legal and HR advice to review the findings as well as the full transcript of the tribunal. In terms of that review in relation to the officers, whilst there were very important learnings for everyone involved, I do not believe there was a case to pursue a process of misconduct against those officers.

**Senator COLBECK:** So, what action, if any, has been taken in relation to Nigel Poole's action in making a statement in an affidavit in the Williams case which he himself later conceded was not accurate? Has he been investigated for misconduct? And, in light of these events—and given that Mr Poole is one of the key people behind CSIRO's defence of its wi-fi patents, have you now investigated his conduct in relation to that case and any others as well?

**Mr Whelan:** My understanding is that when the judge indicated to Mr Poole that he might not have been in a position to have made the statement that he had that Mr Poole readily recognised that and indicated and clarified his evidence. There was no suggestion that he provided false evidence under oath in the hearing. And we have taken that as a matter of record. There has been no follow-up to Mr Poole, to the best of my knowledge, with respect to that.

**Senator COLBECK:** So you saw no need to follow that matter up?

**Mr Whelan:** The matter was dealt with in cross-examination in the hearing. My understanding is that Mr Poole made an observation to the effect that something would not have happened and on the cross-examination it was recognised that he was not in a position to make that statement. I think he said words to the effect that he was surprised it had happened, or he would not have recommended it happen. But the evidence was clarified immediately in the hearing. There was no suggestion that he provided false evidence under oath during cross-examination.

**Senator COLBECK:** Perhaps I could just go back to the issue of the investigation in the Novartis case. Was the general counsel that you have had look at that particular issue the same general counsel that was involved in the Williams case in respect of potential conflicts of interest?

**Mr Whelan:** I think you will have noted in the response to questions on notice that the acting general counsel was the individual who provided advice to Dr Clark with respect to the Williams matter—Mr Chris Gibson. The substantive and current general counsel is Mr Brett Walker. They are two different people.

**Senator URQUHART:** I just wondered if you could outline the partnership that has been developed between CSIRO, the University of Tasmania and the DSTO in relation to the
Centre for Food Innovation based in Launceston. Perhaps you could give us some overview on why Launceston was chosen as the host venue.

**Dr Clark:** In relation to the centre for innovation and food processing research, CSIRO is partnering with the University of Tasmania, and of course they have their existing capability at the Newnham campus in Launceston. CSIRO are partners with the DSTO, the Defence Science and Technology Organisation and at the Centre for Food Innovation in Scottsdale. In terms of this particular announcement and this renewed partnership, it is really an opportunity to do a couple of things: (1) to link that Tasmanian activity into national food research and (2) to look at the whole system. So, the sort of work that that centre will be undertaking is, firstly, to increase the export market access, particularly for fresh food produce. We will be looking at the issues that are relevant to Defence, such as extending shelf life. Those research issues obviously extend to export markets as well. We will be looking to investigate key technologies in relation to specialised food. As you can imagine, Defence has requirements for very specialised food and the preservation of that. But those same technologies can be applicable to other markets, such as aged care, the Asia-Pacific market and even the sporting and defence markets.

Let me give you an example of that. We recently worked with a company called Preshafruit to look at pressure processing of juice to preserve the flavours. That has won European awards and is now marketed throughout Australia. Those types of technologies allow you to access new markets. Lastly, we will be looking to characterise and communicate the benefits of regional foods—in particular, the local cultivars in Tasmania—and more deeply understand the supply of that produce into broader supply chains, both for Defence and into the export market.

**Senator URQUHART:** How will that Centre for Food Innovation work with Tasmanian farmers? Will it be a direct relationship between the farmers and the food manufacturers? How will that be structured?

**Dr Clark:** In terms of engagement, the centre is now headed by Roger Stanley. That was in the recent announcement in April. Roger, as the head of that centre, will be responsible for engagement with the local community. And, as I mentioned, one of the three focuses of this partnership will be to engage with the local producers, not just on the applicability of the produce but into supply chains as well.

**Senator MASON:** Dr Clark, perhaps I could just bounce off some questions Senator Colbeck asked a little while ago about staff redundancies and so forth. An email that you sent to CSIRO staff was reported in the *Sydney Morning Herald*. You are quoted as saying that the CSIRO collaborates with more than 2,000 companies and that those companies are now reducing the amount spent on research, which is critical in light of the fact that outside funding accounts for around 40 per cent of the CSIRO's research budget, and you mentioned that before in your evidence.

**Dr Clark:** I did.

**Senator MASON:** In what research area is collaborative efforts with companies suffering the biggest downturn?

**Dr Clark:** As I outlined, we are seeing pressures in the mining sector, as you have seen many chief executives in that sector look to focus on cost cutting. Having said that, we
continue to engage with that sector in areas of productivity such as automation, such as in moving the data and not the people, and such as processing technologies, and also innovative ways of optimising the entire value chain. Much of that activity remains relevant, particularly to improve productivity and reduce costs. So, we are maintaining a very strong investment from that sector. As I mentioned, the agricultural sector is steady and increasing its investment. We would expect to again hold that steady. We do not expect any of the sectors other than, perhaps, the digital productivity area and the services areas, to have compound annual growth rates of our external revenue exceeding three to four per cent. We would be very pleased to hold those steady over the next few years. In some areas—as I said, in the digital productivity area—we are actually seeing significant growth, and we are projecting just under 10 per cent growth in that area. We run a portfolio in the top 10 areas, and that allows us to balance where perhaps one sector is under more pressure than the rest. There is some pressure coming on, but we will hold that relatively steady over the next 12 months.

Senator MASON: Okay, we will see how you go over the next year. Perhaps I could now ask about the impact of financial pressure on CSIRO staff. I have in front of me a recent online survey of 223 CSIRO employees conducted by the CSIRO staff association between 1 and 5 December 2012, and 76 per cent employees reported that their work was being affected by financial pressure—so, about three quarters. Of these employees, 63 per cent nominated internal resource allocation within the CSIRO as the main source of financial pressure. I assume that internal resource allocation is principally the responsibility of the executive. According to the respondents, the most likely effects in the workplace of the financial pressure were heightened stress and heightened anxiety, at 65 per cent; less time for innovation, at 56 per cent; and an increase in workloads and targets, at 55 per cent. I am just reporting from the survey; that is all that I am doing. Is the board aware and are you aware of the results of this survey? If so, what measures might be taken to improve allegedly poor internal resource allocation and to alleviate the stress being endured by these members of staff?

Dr Clark: I am aware that. Going through the annual allocation of resources and also the way that we work with our flagships every year—

Senator MASON: And the survey? Are you aware of that survey?

Dr Clark: I am aware of these issues from my direct discussions and meetings with staff. In terms of the question of how we deal with it, the first step is to make sure that we have the commitment of government. Our quadrennial funding agreement is a very important step to ensure continuity of funding. As we work with external partners, we have also sought to make sure that, rather than have 12-month commitments, we engage in three- or five-year partnerships. They are two of the foundation blocks to enable us to move to a longer budgeting process. This year, we have worked with the finance teams for the first time to have a three-year budget process to try and address that. You will appreciate that we also need to respond to efficiency dividends and make savings and priorities things.

Senator MASON: Isn't it about being flexible and being nimble? Isn't what underlies that survey people feeling as though the internal resource allocation isn't favouring them? Perhaps we all feel that in any organisation. But it is a matter of the executive and the board being nimble about that allocation. In other words, it is not about long-term strategies, necessarily, but about the capacity to restructure and respond to staff.
Dr Clark: I agree. That, as I said, requires certainty in the funding that we have from the government. That certainty allows us to be flexibility. Then there are the partnerships that we have externally. It is one of the reasons that we responded this year with the annual direction statement, which provided that clarity in a multi-year sense of the areas in which we are looking to be steady, the areas in which we are looking to invest more and the areas in which we need to review our expenditure. We have looked to have that approach across the organisation with transparency. That allows the leaders to provide some flexibility. This is an issue is one that I am looking to address with the organisation to provide that greater certainty.

What will always be the case in an organisation such as ours that is responsive to our partners is that that resource allocation will remain part of our flexibility and response. We work together in multidisciplinary teams. We bring together the right resources. We stand ready to be flexible and to respond to the changing needs of the nation. We need a process to allocate resources on that basis.

Senator MASON: I do not dispute that in any large organisation, particularly organisations of the size of the CSIRO, that people feel as though they are missing out on resource allocation. I accept that. But that is quite a high number of people. It is not small. It reflects significant staff discontent. However if you are looking at it and you are aware of it—

Dr Clark: You can certainly sympathise with that. I appreciate that if you have to go through that process on a too short a timeframe it can take up time. That is the other thing. You made some comments about the university sector and the time that it takes for apply for grant dollars. That is something that you are looking at as well. I welcome that. Similar to that, anything that we can do to provide that greater certainty will certainly alleviate that stress and allows us to allocate staff for longer periods. We will work on those aspects.

Mr Roy: As Dr Clark indicated, we are well aware of this being something that we need to pay attention to. You mentioned—

Senator MASON: Are you aware of that survey, Mr Roy?

Mr Roy: Yes. We have a six-monthly formal meeting with the staff association, which Dr Clark and I attend, along with the president and the secretary and a number of other members of the CSIRO staff association. I am aware of the survey. I am aware that we expect to speak more about it at the next one. Preceding that, in March 2012 we opened up a survey to all staff and 4,000 staff responded. We committed to the organisation that we would pay some attention to this area. Since that time, we have introduced a high level document called the annual direction setting statement, which builds on our strategy and says, 'These are the areas we think are important; these are the areas we believe are less important.' We have set up some mechanisms. Part of the conflict was about who absorbs the risk when something goes wrong. When a client who you expect to catch does not come through, someone has to take the risk in it. We have put some mechanisms in place so that risk is shared across the flagships and the divisions.

The nimbleness and surety issues can be seen as two different ends of the continuum as well. We certainly seek and strive to be a nimble organisation so that we can respond to emerging demands. But if you are a staff member and we need to shift resources from your

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ECONOMICS LEGISLATION COMMITTEE
area to another area that in fact may create more uncertainty for them. It is not just positives
and up sides in this.

My key message—and Dr Clark was indicating this as well—is that through various
engagements we have been made aware of the theme that you have raised. We have put some
mechanisms in place to seek to address that. You also raised the broader issue of staff
discontentment—that is the word that I will use; I think that you used a similar sort of word.
In fact, in that same survey to which 4,000 staff responded, 83 per cent indicated high
employment engagement. That is higher than we had previously.

Senator MASON: Engagement or satisfaction, Mr Roy? They are different things.

Mr Roy: This was an employee engagement measure that captured a range of indicators.
It was conducted independently of us by Towers Watson, a global HR consulting house. They
put a basket of questions together and said, 'The assessed employee engagement of CSIRO is'.
In terms of a specific question, 87 per cent of our staff said that they were proud to be
associated with CSIRO. That is higher than the Australian national norm as registered by
Towers Watson and high than the global research and development as captured by Towers
Watson. What I am indicating is that there are two ends to this. There are some areas that we
definitely need to work on. Allocation of resources is one of those areas that is getting a lot of
attention at the moment.

Senator MASON: They are different things, though. We can be
proud of being associated
with an organisation—most members of parliament are. But that does not mean that they are
always happy, Mr Roy. They are quite different things. However, I will leave that. You
mentioned the Towers Watson survey. More than a third of the respondents said that to boost
the CSIRO's capacity to innovate operating efficiency needed to be improved by creating
simpler processes and by reducing the administrative burden on scientists. Dr Clark touched
on that before. This is an issue that
goes to other research aspects of government, including
universities, of course. In response, the CSIRO management announced the formation of the
enterprise business applications reference group to investigate improved administrative
processes. What outcomes have been achieved by that reference group thus far? How are we
going with that?

Ms Bennett: The reference group started off by confirming its terms of references, which,
as you have said, included a desire to have senior management of the organisation look at the
priority changes that other parts of the organisation wish to make to essentially run them
through a filter. This will enable them to say that under the criteria of—among other things—
lifting the burden that we feel we are now bringing forward the priorities and that therefore,
for instance, system changes will be made to address real issues in priority to ones that are
seen as second order.

That committee has met for the first time this year. We have asked individuals in the
organisation who I would term as process owners to come forward with the things that they
believe are good ideas and that are necessary to help the organisation relieve itself of the
administration burden. We have run the rule over those and prioritised them. There are four in
the top quadrant that include changes to the recruitment process; improvements in reporting,
as our current SAP system across a number of areas, be it HR, finance or projects, has very
laborious reporting process that is a great irritation to the business, particularly when they
know that they have put information in and cannot get it out. We are also embarking now on a
concept design to re-examine and significantly simplify the entire process of taking projects from the concept stage in the research arrangement right the way through to project management and to the allocation of staff—which you have already talked about—to try and address this issue of complexity.

Senator MASON: All right. What is the timeline for this? You have those priority issues. I understand that. What is the timeline?

Ms Bennett: I will go project by project. The e-recruitment one—and I will correct myself on the record if I am wrong—is a nine month one. With the one to significantly look at how we support the research model, we are still at the early concept design stage. We believe to the full extent that will take probably two years, but we are looking to do it through a milestone process whereby we can make certain improvements and roll them out and then move out.

Senator MASON: I may have some other questions to put on notice. But I want to ask a very interesting conceptual question. I do not know who sitting on the bench reads Quadrant. I do not know if you read Quadrant, Minister; I do. Dr Russell probably reads Quadrant. This is interesting. In a recent article in Quadrant, the former deputy chairman of the Victorian Energy Networks Corporation, Tom Quirk, said this:

The extension of the CSIRO’s role beyond agriculture was based on the misunderstanding that businesses were co-operative rather than competitive and industrial innovations could be effortlessly created and transferred from a research bench to a business.

… … …

The CSIRO … is, by its very nature, an erratic supplier of innovation and it will seldom do much more than non-competitive industrial research. As the CSIRO has apparently changed the focus of its diverse mission away from industry it should be broken up so that its separate parts can operate effectively.

… … …

Centrally planned science does not fit with either the nature of innovation or the pluralist character of modern Australia industry.

How do you respond to these comments? Is the reduced investment in the CSIRO from industry a reflection of the diminished research relevance or out dated organisational structure of the CSIRO? It is a big question, but a very important one.

Dr Clark: It is a very important one. First of all, let me clear: CSIRO exists to focus on the big and important questions that face the nation and to bring together the resources to address those kinds of questions. That is what we are focused on. We have significantly lifted our engagement with industry since Mr Quirk was familiar with the organisation. We have certainly continued to deliver on that. In agriculture now, 90 per cent of the cotton crop here and some 65 per cent of the cotton crop in the US is based on varieties developed here. We have increased the value of the aquaculture industry by some $400 million by putting sustainable aquaculture plus the modern technologies together. We have supported the effort to produce rust resistant wheat, making $7 billion worth of contribution to that. In the mining and minerals area, we are now looking at new technology that will be commercialised in this country to produce new titanium alloys for aerospace. We have brought jobs with Nissan Australia casting.
Senator MASON: They are good examples, Dr Clark. So the fact that innovation can be cooperative and can have those outcomes that you mentioned, outcomes that create wealth, means that it does not have to be competitive. Is that your view?

Dr Clark: We cover innovation across a number of areas both—

Senator MASON: But you see his point do you not? You do not have to agree with it, as long as you see his argument.

Dr Clark: No. First of all, the engagement by industry is demonstrating the exact opposite. CSIRO won Boeing R&D partner of the year, out of all global R&D suppliers, for the work that we have done on a long-term basis with Boeing. That work led to the jobs we now have in Victoria around production of resin-infused carbon fibre, I think by demonstrating what we are doing. But, more importantly, CSIRO as an organisation is here to work on the very big important issues that face this nation. We will continue to do so and we will continue to bring the best that we can to deliver that, not just for CSIRO but for the nation. In terms of CSIRO being able to do that, this is as much on the global realm as it is on the national. One of the important roles of CSIRO is to bring into this country and with our partners the very best that exists around the world. We can do that because of our reputation and the work we do around the world. So we are making a difference.

Senator JOYCE: On Anthelmintic resistance and the work at Chiswick in CSIRO Armidale, what work is currently under progress with worm resistance at CSIRO? How are your staffing levels going at CSIRO Chiswick?

Dr Clark: In terms of an update on the parasitology work in general, which is work that is undertaken at Chiswick for both the beef and sheep industry, I would prefer to take that on notice to provide you the detail around all of the work that we are doing. Would you be comfortable with that?

Senator JOYCE: What I want to know is that our work going forward at Chiswick means that Chiswick is in no way under threat or anything like that?

Dr Clark: One of the things we have done in partnership with the University of New England is to develop their work on animal genomics and animal research and put that together with what we are doing and with our field stations to build a centre of global significance in Armidale. That has been additionally supported by the investment we have recently seen into the University of New England that will see CSIRO putting some of our staff directly into the university and making our facilities and research available to that partnership. Our joint vision is that this will raise the work that we are doing in Armidale and the work that the University of New England is doing by putting the best that we have with the best of the university to national and global importance. It is a very important area for us and consistent with making our regional centres vibrant. It requires that level of collaboration and partnership.

Senator JOYCE: And the budget funding into Chiswick allows that?

Dr Clark: Yes. Chiswick provides into that partnership the strength of the work that we do in a number of areas around animal health: the work we are doing with sheep, and flystrike, for example; the work we are doing with cattle; and the work that we are now doing for the poultry industry. It also provides the use of our field stations, which are vital to the university.
Senator JOYCE: So there is no threat to Chiswick?

Dr Clark: There is certainly no threat to the work we are doing at Armidale. We are investing increasingly in that area.

Senator JOYCE: I know there is no threat to Armidale—to the work of the university—but what about to the actual Chiswick station, the research farm at Chiswick? Is there any threat to that?

Dr Clark: We have a number of field areas that we are looking to contribute as part of that partnership.

Senator JOYCE: Is Chiswick under threat?

Dr Clark: Senator, let me provide for you on notice how we are intending to bring our field stations to bear on that partnership and how we are looking to bring all of those together. Can I provide that on notice for all of the field stations? The reason I say that I was recently in Armidale and met with the University of New England and we are looking at how we use those field stations and what contribute. So I can provide you.

Senator JOYCE: Dr Clark, you are leaving it up in the air.

Dr Clark: No, I am not leaving it up in the air. I simply want to provide you with the most accurate information on the field stations and what we are providing into that. Also, as I said, I was recently in Armidale to have discussions with the vice-chancellor and vice-chancellor of research, the head of research, of the university, in terms of what the needs are going to be around our field stations. My understanding is that there is going to be greater need for our field stations, so I would prefer all of that in detail to you.

Senator JOYCE: When would we get that, Dr Clark?

Dr Clark: We will provide that as a question on notice.

Senator JOYCE: So you cannot give an assurance that Chiswick is not going to be downgraded?

Dr Clark: What I can give you an assurance of, and which I have given you an assurance of, is that the use of our field stations is a vital part of our partnership with UNE. I have given you assurance that we have had increased funding into that area and that our contribution of our field station work is a pivotal part of what we are doing to build Armidale up. I should leave you in no doubt that the area of animal genomics, the area of the work that we are doing, for all of those industries is an area that we are looking to consolidate and put on both the global and national stages.

Senator JOYCE: So you cannot give an assurance that Chiswick is not going to be downgraded? What you are saying is that your field stations still have an important role but you are, for a direct purpose, not discussing Chiswick, so that issue is remaining in the air, as to what is going to happen to that.

Dr Clark: I have answered your question, Senator. I will provide that on notice.

Senator JOYCE: You have; you definitely have.

Senator COLBECK: Dr Clark, just a quick question before we go to morning tea. You made reference to having received advice from both legal and HR on how to respond to the
unreliable witness issues. Is it possible for you to make that advice available to the committee?

Dr Clark: I could certainly provide you with the outcome of that review. In terms of the conclusions of the review process, I could provide that to you now.

Senator COLBECK: I will take that, but I am asking whether you can provide me with the advice that you received on how to respond to the unreliable witness issues.

Mr Whelan: So, Senator, you would be aware that legal advice is protected by legal and professional privilege. We do not believe that it would be in the interest of CSIRO or the Commonwealth for legal and professional privileged to be waived through the tabling of this legal advice. Legal advice of this type will often contain commentary and analysis regarding CSIRO offices and third parties and to the extent may divulge personal information and/or cause distress for those individuals. It has not been the history of CSIRO to table legal advice to a Senate committee.

Senator COLBECK: No, it is not the policy of the government either.

CHAIR: You have asked the question. What can be provided will be provided, but it is not the policy of the government for legal advice to be tabled either. Dr Clark, thank you for your assistance and we look forward to meeting with you over the next 12 months.

Ms Kelly: Senator Colbeck asked some questions about the process for appointment of the chief executive, which I can now answer if that would be appropriate.

Senator COLBECK: Okay. Thank you.

Ms Kelly: The initial brief on this matter went to Minister Evans's office on 30 January and a letter to the PM was signed by Minister Evans on 1 February. The next brief went to Minister Bowen on 19 February and a letter to the PM was signed on 12 March. The third brief went to Minister Emerson, copied to Minister Farrell, on 22 April. There was consultation between the two ministers. Minister Emerson endorsed that brief on 6 May. The cabinet secretariat agreed that we did not need to get another letter written to the Prime Minister. We copied to them the endorsed brief on 7 May and cabinet endorsed the appointment on 27 May.

CHAIR: Thank you, Ms Kelly.

Proceedings suspended from 11:25 to 11:42

Australian Research Council

CHAIR: I welcome Professor Byrne and officers from the Australian Research Council.

Senator MASON: I want to raise an issue which has been raised with me by various parties—the exclusion of theology colleges from ARC grants. Currently, researchers at private theology colleges are excluded from applying for ARC grants. In the words of the Committee of Deans of Theological Consortia and University Schools, these sector is:

…expected to meet all the requirements of research and learning and teaching excellence aspired to within the public sector, but is not given access to crucial funding that would make this possible.

What is the policy rationale for the exclusion of private theology college researchers from ARC grants?
Prof. Byrne: The policy rationale, in a sense, comes from looking at which organisations are eligible for funding under the ARC. The present situation is that we are seen predominantly, but not exclusively, as a funder for the university sector’s researchers. So our eligible organisations, in the main, are institutions which are designated as universities. The Melbourne College of Divinity is one of those eligible organisations and it does apply to us for funds for theology.

Senator MASON: That is because it is attached to the University of Melbourne?

Prof. Byrne: No, it is an organisation—a university—in its own right. So it has gone through the process of being established as a—

Senator MASON: It awards PhDs and everything, doesn’t it?

Prof. Byrne: Indeed. In a way, you have put your finger on an attribute—the capacity and ability to award a PhD and further the research agenda and training—that, for an agency like ours, is an important aspect of what we do. That provides a criterion, if you like, for agencies to be considered under the ARC.

Senator MASON: So it is primarily universities but not solely universities?

Prof. Byrne: That is right.

Senator MASON: The ARC has nothing against theology per se. For example, if you are attached to a university—for example, the Melbourne College of Divinity—you would be eligible to apply for ARC grants?

Prof. Byrne: That is right. We have nothing against theology. I have had specific conversations with groups representing that particular discipline area, and almost the one constant I have when people talk to me is that no discipline area thinks it gets its fair share of the dollars.

Senator FaRELL: It means you are doing the right thing.

Prof. Byrne: Possibly. Or the wrong thing completely! I would prefer to think the former. For organisations like that, it is not true that they cannot have access to the resources of the ARC. For example, our linkage program is about connecting the university sector to other parts of the innovation sector and there is nothing to stop them from applying through that sort of process as well.

Senator MASON: Have you had any discussions with private theology colleges in relation to this issue?

Prof. Byrne: I have had a conversation with representatives of the deans of theology but not specific conversations with private providers in that space—not that I can remember.

Senator MASON: It has been raised we me a couple of times. Do some of these private theology colleges also have the capacity to award research degrees?

Prof. Byrne: I am not sure they have the capacity to award PhDs. I do not know that definitively so I should be careful before I answer that. A number of them are loosely affiliated through the universities. If they can use that as a mechanism to come in as an eligible organisation, we are not particularly unhappy with that as an outcome.

Senator MASON: My understanding is that they can, but I am not certain about it.
Prof. Byrne: I do not know about it. But I am happy to meet them further if they want to talk to me, as always.

Senator MASON: I want to talk about Excellence in Research Australia. The National Tertiary Education Union has recently raised some concerns about the ERA process. A report published in The Australian on 24 April 2013 says anonymous research has indicated that some universities are keeping certain research output below the ERA reporting threshold of 50 publications because it might not rank highly enough in the ERA assessment process. In the words of these researchers 'this is effectively stopping staff researching in a field'. Does that mean that, if the ERA results are going to be too low, you would not go over the threshold so there would not be a score indicated?

Prof. Byrne: That is the argument.

Senator MASON: I wanted to get that right. Professor Byrne, the NTEU quoted you as saying that all assessment exercises are 'evil' and 'a bad thing'. Do you think there are some integrity issues here that should be looked at by the ARC?

Prof. Byrne: I think the methodology that the NTEU used for that was pretty flawed. That is not what you meant there, I think, but the survey they did was actually a very small survey of institutions. As I understand it, the meetings that they had were largely held in Melbourne only; they might have had a meeting in Canberra, but that was it. The responses they got back from senior staff in the sector was pretty low, so it was a very narrow sample that they took. The issue I take exception to in that report is that, in many ways, they were highly critical of ERA. But in fact that was not the issue. The issue was not our exercise itself but that the institutions use ERA to make determinations about what research activity they might pursue and then the consequential effect that has on staff within institutions. We do our best to provide the highest quality information about the sector and about the discipline profile around the country. We cannot control how the sector uses it. Once we put it out, we cannot control whether someone uses our assessment exercise into a rankings exercise. This is not a rankings exercise. Nonetheless, people out there tend to use it for that.

Senator MASON: Let us be frank, that is how it is used. I am not saying you are to blame for that.

Prof. Byrne: One has to understand that, if one does one's best to do an evaluation exercise, it is going to get used in other ways that you cannot control. That is actually a little bit beyond our control in some sense. We do our best to develop and implement an evaluation exercise that I am pretty confident is probably the world's best in determining the scope of activity and the granularity and detail in this country.

Coming back to your initial assertion about trying to hide some outputs within our exercise, the difficulty we have is that—

Senator MASON: Because it would not suit the university to be so ranked—that is the argument.

Prof. Byrne: Yes. Let me build on that a bit. The ERA exercise uses as its unit of evaluation a particular discipline activity in a university. The particular disciplines we use are ones we get from the Bureau of Statistics. It is a well established code of fields of research that we use. This, of course, does not map onto a particular academic structure within any
Every university is different in the way they organise themselves. Just because we have picked a set of discipline descriptors does not mean they necessarily map onto a particular departmental structure within any institution in the country. So it becomes a mismatch between the discipline evaluation unit that we use and academic profiles. This process forces institutions to make decisions about where research outputs go, which is different from how they would if we were to rate, say, individual departments. That issue, I know, causes a lot of anxiety within institutions. In order to ameliorate this, we give the data back to institutions and allow them to re-aggregate. But the assessment exercise we do is not on a departmental or individual level; is actually on a physical level.

That mismatch necessarily causes a bit of anxiety within institutions. And you do get some of that coming through in the NTEU report. Researchers feel they want to belong to a particular department or activity and they do not feel themselves well enough represented in the discipline characterisation that we have through the fields of research codes. We do our best in terms of looking at those codes. We are going through a process at the moment with the Bureau of Statistics to do a review of that process, which we hope will ease some of the anxieties. At the end of the day, no two universities are the same; even if we made one university happy, all the others would be different. There will always be that disconnect.

In terms of the comment you made earlier about hiding outputs, 50 is not actually a very large number. The ERA exercise looks at an activity profile over six years. So that is fewer than 15 outputs a year to get up to the threshold of 50. That is not very demanding. If you have got an area that is particularly research active, with two or three researchers over six years, in most areas—it is not always true of all of the humanities areas, which might have fewer publications than some of the science areas—you would be expecting publication activity level to be well above 50.

Following that, the threshold of 50 is across all of our fields of research activities. We do an assessment exercise at a four-digit field of research level—that is a fine-grained analysis—and there is, of course, in every institution not a representation of those particular levels. But we do then aggregate it up to a two-digit field of research level—chemistry, physics and those sorts of things—and that does incorporate all of the information that is not visible at the four digit level. It is rolled up into an evaluation at the two-digit field of research level and that is re-evaluated as a separate evaluation.

**Senator MASON:** So if you do not get up to 50 in the four-digit unit, that can be aggregated up for the broader two-unit level?

**Prof. Byrne:** That is exactly correct.

**Senator MASON:** So your argument would be that you may escape classification under the four-digit unit but you cannot escape the two-digit classification?

**Prof. Byrne:** That is right. The issue, of course, is that if you look at the discipline level at the four-digit level it is quite fine grained. If you look at outputs in a particular discipline area, there is often some ambiguity about which four-digit field of research code it might fall into. It is a legitimate choice that institutions can make to populate one or another. We do not see any problems with that. Institutions are quite able to make a choice about whether they want to be represented in, say, quantum physics or optical physics. You could have a paper that sits across both of those boundaries but we think it is quite appropriate for researchers and
institutions to make a choice. They may actually want to project their activity profile in the broader community in one particular area or another and I think that is a legitimate thing for institutions to do.

**Senator MASON:** Do they get to choose?

**Prof. Byrne:** Institutions can choose—

**Senator MASON:** Within reason.

**Prof. Byrne:** Within reason, exactly. We do scrutinise submissions under the 50 level and we do scrutinise submissions set outside of levels. As I mentioned earlier, the exercise runs over a six-year interval. We ran the evaluation first in 2010 and again in 2012, so we do have a high degree of commonality between those. We are able to check where institutions have moved outputs in one of the exercises compared to the more recent exercises. The fraction that has moved is very small. I think it is under 10 per cent.

**Senator MASON:** Have you investigated these claims?

**Prof. Byrne:** Yes, we look at all of these claims. Again, it is this tension between researchers having a particular identity or characteristic within a particular institution that is not always representative of how the institution itself wants to represent its profile externally. I think that can cause tension within institutions and the NTEU document reflects some of those tensions.

**Senator MASON:** This is a classic public policy dilemma. We discuss ERA results at Senate estimates and we do it as well as we can. But down in the faculties and the departments of universities this is what they talk about all the time. However you classify research, this is what the researchers and the academics talk about. Wherever I go, they talk about ERA. I am not suggesting that all of the feedback I get is appropriate, and I cannot comment holistically, but are you still receiving negative feedback about ERA?

**Prof. Byrne:** Quite the reverse, actually. One of the things that really struck me when we announced the ERA 2012 was the very positive response we got back from the sector. It has been quite remarkable the way the ERA exercise has changed since we ran the first pilot in 2009. When we first started talking about it there was a high degree of anxiety in the sector about the whole process. It was an interesting time in 2010. I was involved on the other side of the fence. The sector was a bit sceptical and anxious about it. But with the 2012 exercise they welcomed the report and they found it very useful. We took great pains to give information back to institutions so we were adding value to institutions. One of the things we do which again I think is quite remarkable is that we collect essentially all of the outputs from the sector over a particular window, scrutinise it, apply international benchmarks to it, apply peer evaluation to it and then give it back to the institutions at a detailed level. Institutions are very grateful to receive that. We even give them access to our full system as part of the feedback process. Again the institutions are using this in a very positive way to help them structure what they see as their ongoing research profile. So it really has been a very valuable exercise. Of course, not every single researcher in the sector sees it that way. Some of them see it as a threat. Of course, institutions are using it in a positive way to decide what they are going to do in terms of their research profile. They see that they are strong in one area or weak in another area so they take particular steps.
Senator MASON: I want to ask you about the abuse of funds in one sector. Do you think you have finally nailed the impact?

Prof. Byrne: In ERA?

Senator MASON: Yes.

Prof. Byrne: No, I do not. ERA is an evaluation exercise largely looking at academic outputs and measuring academic excellence. I think it is the world's best measure of academic excellence, but that is a different issue.

Senator MASON: I do not know how to nail it down. I thought you might have the answer. It was reported in The Australian in February that a university professor had misused an ARC research grant to pay for, among other things, reflexology treatment, massages, wines, cosmetics, tourist attraction tickets and a noodle maker. You would be aware of this.

Prof. Byrne: Yes.

Senator MASON: Certain legal issues have arisen in relation to the university's treatment of that professor. But let's not go there; what I want to focus on is separate to those legal issues. What mechanisms does the ARC have in place to prevent this kind of abuse of ARC research funding, does the ARC retain any control over the allocation of research funds once grants are awarded and are you aware of any other instances of abuse of ARC grants?

Prof. Byrne: We have a contractual arrangement with the eligible organisations when we award funds. It is not awarded to the researcher; it is awarded to the eligible organisation. The eligible organisations all have structures in place to monitor the expenditure of those funds. If there are irregularities associated with the expenditure, we certainly do get involved. I believe in the case that you just mentioned those funds have been recovered.

Senator MASON: Are you aware of any other examples of abuse of ARC grants?

Prof. Byrne: There are occasions where various issues arise within institutions about expenditure or other issues that get identified around academic integrity. We report these as a standard process and again the usual practice is for us to recover money. So yes, we do have cases where this does arise.

Senator MASON: When there is alleged abuse is it the university that tells you about that?

Prof. Byrne: Generally yes, because it is the university that is doing the monitoring of that expenditure. I cannot recall instances off the top of my head where other people have made complaints directly to us. If that happened, we would refer it back to the institution for investigation in the first place.

Senator MASON: If a whistleblower came to you, would you refer it back to the university?

Prof. Byrne: In the first instance. If we feel we do not get a satisfactory answer, we also run rounds of institutional reviews every year. We go in and audit institutions on their grants processes and monitor all of that as well.

Senator RHIANNON: The NTEU ran some focus groups. It was set out on pages 36-37 of the report. A number of participants describe being moved onto professional staff positions even though they continued to undertake academic workload such as fieldwork, data collection, course design, teaching and student supervision. Would the council be concerned
if universities are moving academic staff to higher education worker positions undertaking academic workloads as a way of gaming their research performance?

**Prof. Byrne:** If we thought universities were deliberately attempting to game the exercise, that would be an issue of concern to us. If you look at that document, the NTEU had a very small sample, and we need to be mindful that they are looking at it through a particular prism. We do try to collect information about FTEs that we try to correlate to other information that we have about staff numbers within the sector and, of course, we would be concerned if we saw a significant variance between what we understand is the activity profile for a particular institution and what we receive through ERA. That would undermine the process and it would not be in anyone's interests.

**Senator RHIANNON:** This issue about career paths is something that I imagine would also be part of your concerns. I have read on occasion about how gaming strategies can detrimentally impact on the trajectory of early-career researchers. Is that something you have come across?

**Prof. Byrne:** We are mindful of academic careers—and I talk a lot to both experienced researchers and early-career researchers as part of my job—but we do have to take a little bit of care that we do not too much interfere with the internal operations of the universities. We are not the employer of these researchers; the universities are. The universities have a degree of freedom to decide how they manage resources internally. Our agenda here is to stimulate and support research in Australia but we are not the employer of these people; the universities are. They may see the disposition of their research staff, academic staff and professional staff within a university in a particular light. We should not be seen as trying to interfere too much in that process; that is not our role.

**Senator RHIANNON:** I totally understand that. Obviously the universities are the employer. But as your work plays out and has impacts in different ways, do you use that to inform you that the way the system is run needs change? Are you watching closely to make those assessments?

**Prof. Byrne:** Yes, absolutely. We watch the higher education sector and the research sector very closely indeed. If there is a mismatch between any of our funding schemes and the way it can be delivered, that would be a very inefficient way to achieve the outcomes that we want to achieve, which is the betterment of research in Australia.

**Senator RHIANNON:** You spoke about university freedoms. I would like to move onto academic freedom. To what extent would you be concerned about the implications for academic freedom of, for instance, institutions compelling staff to research in particular areas of priority?

**Prof. Byrne:** It is quite a legitimate thing to set strategic priorities. Most researchers in this country are very responsive to research needs and, even without a strong agenda to set national priorities, are looking for issues where researchers can contribute. Again, we want to stimulate and encourage that. We want to encourage research in particular areas in many instances. We also want to support good research, where it might come. But again I come back to the point that we need to be a little bit careful that we are not seen to be wanting to micromanage universities. If a particularly university chooses not to do research in a
particular area, I do not think it should be our role to tell them that they must do research in a particular area.

Senator RHIANNON: My question was about compelling their staff.

Prof. Byrne: That is a matter for the university, not so much for the ARC. We would be concerned if, when we look at an evaluation in a particular discipline across the country, we end up with gaps. Indeed, this is where our ERA process is very valuable, because it does do a very comprehensive stocktake of all research in Australia. If we did observe that we were not having any research in these particular areas, we would start getting concerned. But that is a very different issue than an individual's academic freedom.

Senator RHIANNON: And what about compelling staff with regard to where they publish? What about when they are required not to publish in particular refereed journals because they are not sufficiently prestigious?

Prof. Byrne: In general the academics themselves are the most sensitive to an academic journal's prestige. One just has to look at the amount of effort that goes into trying to get an article published in science or nature. Researchers want to publish there. Again, I think an institution, or even people lower down in an institution, ought to be thinking about the best ways to disseminate the information that they have collected as part of their research. I do not think it is necessarily inappropriate to think about which outlet might be the best outlet to publish research in. If an institution makes a judgement that it wants to get its research into where it has the most impact, that is a legitimate choice.

Senator RHIANNON: Are you effectively saying you think there is a natural tension between where the academics may want to take their research and how the university runs it, and that is just something you live with? Or do you think you need to be watching it and learning from it?

Prof. Byrne: No, I think the tension is more internally driven between the researchers wanting to publish in the most prestigious journals and the competition for getting articles in there is so fierce that they do not get them published there. That is the principal driver, I think. I think it is a much more secondary one for an institution to say, 'Let's consider the higher profile journals because that means our research outputs from this particular institution are going to get greater recognition.' I think it is more of an internal tension rather than an externally driven tension.

Senator RHIANNON: Yes, there is probably still a lot to learn. You spoke about how you are proud of what your agency achieves but international experience can be valuable. I was interested in the 2003 review undertaken in Britain by Sir Gareth Roberts. I am wondering what you thought of that. It seemed to serve as a fairly credible public policy position. I am wondering whether you have looked at it, and what it might hold for Australia.

Prof. Byrne: I cannot off the top of my head remember what was in that Roberts report in 2003. If you can highlight some of the outcomes, I will come back to it.

Senator RHIANNON: I will come back to it. I thought it was a fairly strong review that seemed to set a good model for a public and independent review. I want to go to the issue of game-playing behaviour. Does the existence of serious allegations of game-playing behaviour merit further consideration by another government office, such as the department of tertiary education, to make sure this is being handled properly?
Prof. Byrne: We do look at those submissions as part of the ERA very closely. I am very happy for other people to look at it too. The level of scrutiny that we apply as measure of research activity within universities is probably sufficient. We have all of the information and we do look at it very closely. I really do not see the value-add of somebody else coming in having a look at the data that we have and I do not think they would come to a different conclusion.

Senator RHIANNON: This issue comes up quite a bit, so there are obviously people who are troubled by it. Have you come across evidence of any claims of inappropriate discipline coding?

Prof. Byrne: We looked at it very closely. I might get my colleague, who is the manager of the exercise, to talk about it. We look at it very closely and try to identify outputs that have been coded. Again, it has been a very small fraction, and we are convinced that the change in the outcome, if any, is insignificant.

Ms Harvey: For every one that you might be concerned about, we have a process where we actually go through and look at the coding. Each of the journals and different things are allocated loosely to disciplines. We have a look at anything that is under the 50 that Senator Mason referred to earlier, or where something has been coded which seems a bit odd when you look at it on the surface—if it is about chemistry but it has appeared in physics or something—to see whether there is a valid reason. We did ask a couple of universities to give us the rationale behind that coding. We look at all those things. As Professor Byrne said, there is a high level of scrutiny over those submissions. We have a number of staff who are involved in the submission process whose job it is to look at that. They are very experienced officers with great data experience in looking at those things. We do look through all of them. If we are worried, we contact the university and ask for a rationale to be given. We then look at that rationale. We may get the publication itself to see that it can be done. As Professor Byrne said earlier, there are a number of research outputs which can quite legitimately be coded in a number of different areas because of multidisciplinary research. For example, only six per cent of the research outputs that were submitted under ERA were coded somewhere other than where you would initially think they would be. But when you look at the multidisciplinary research, there really were not any areas of concern.

CHAIR: Thank you for your attendance today.
that we use some of those new ideas for real innovation, better products and better goods and services. The third is to ensure that we embed science—by that I mean science, technology, engineering and mathematics—in our society. And the fourth one is to ensure that we use our skills and talents in science, as broadly defined, in positioning Australia and sustaining its place in the world.

We will be proposing in those four main pillars a revitalisation of the social compact with which science should work and engage with society. We are emphasising that all of this is a means to an end. That end is the betterment of society—both Australia and Australia's contribution to the world—and it builds on the disciplines in order to do that. Moneywise, I do not expect at this point that we would be proposing substantial additional funds. We would be recommending that ultimately we do have a look at how some of the programs have evolved and developed, but it will not be formally part of the strategy that we do that. So we would not be attaching a big invoice to the back of the strategy. It will be a strategy, it will be high level, it will be intellectually profound, it will be sustainable and it will be excellent!

Senator MASON: So is the minister!

Senator Farrell: I do not claim to be!

Senator MASON: Neither do I!

Senator Farrell: I noticed that there was a bit of a story in the paper today about you being a faceless man, Senator mason. Have you read this one?

Senator MASON: No, I haven't.

Senator Farrell: It says that you were ‘at the front of the wolf pack that tore down Malcolm Turnbull’. Obviously you have other skills!

Senator MASON: That is right!

Senator COLBECK: Professor Chubb, like a number of people, as Chief Scientist you have said with increasing frequency that there are real problems in Australia in improving collaboration between universities and the private sector. There is a recent example in BRW where there is a bit of a discussion around that. You were quoted as saying: 'There are similar discussions around this in the US and the UK. But a lot of them are already performing better than we do. They're improving on 'not bad'; we've got to improve on 'very ordinary'. Have you made any specific policy recommendations to government around that? Senator Mason was talking about this earlier in the day, and he may even talk to you about it later. Have you made any specific policy recommendations on how best to overcome the problem?

Prof. Chubb: We do not provide—and I do not think this is semantic—policy recommendations; we provide recommendations that ultimately would be turned into policy if they are tested, piloted, run or whatever. The relevant departments, not just innovation, industry and the rest, would turn it into policy. But we have proposed some recommendations. We made some recommendations which we called breakthrough actions. There were five of them. One was about setting up an innovation council that really looked very seriously at innovation. The second was about revamping our intellectual property policies and arrangements because there are many people who think that they are much more difficult than they need to be to get real traction. The third one was about ensuring that universities or research agencies in particular did not disadvantage staff who might have taken a secondment in a company and then gone back into the university or the agency. I know as a former
longstanding vice-chancellor that this is a truly difficult area; we have worked on it for many
years but still have not found the magic solution to it. The fourth one was about making sure
that a lot of undergraduates were prepared in a way that would enable them to integrate into
the economy and multiple sectors of the economy as a whole. We do not want to presume that
they will stay with the discipline that they have studied, nor even science necessarily, because
we think that the skills and talents they have developed through the process of science
education equips them for a much broader role in our economy. The fifth one is just as
important as the other four but I cannot remember it.

Senator COLBECK: When did you put this process through to government?

Prof. Chubb: I believe it went to the PMSEIC meeting before last. Some of the proposals
were picked up in the industry innovation statement. The department is now drafting a
response to all five, separate from the industry innovation statement. So some of them have
already been included but others are still to be critiqued.

Senator COLBECK: Was any specific advice sought around the development of the
industry statement itself, or was the work that you have done through the process that we have
just discussed the effective input?

Prof. Chubb: It was a bit of both. I was briefed on the statement two or three times at
different stages of its development.

I am on the National Precinct Board as a member. Indeed I am briefing the board this
afternoon at 2 o'clock on the breakthrough actions paper itself. We propose to discuss that at
the last board meeting, or the first board meeting—didn't have time.

So it is all still alive and active. Some of the ideas will doubtless be picked up in some
form or another, not necessarily in the precise way we worked them, but that is what happens
when you give advice.

Senator COLBECK: Are the precincts mentioned at all as a part of the paper you
delivered in December last year to PMSEIC?

Prof. Chubb: Probably not. That word may have been in there but we talked at an earlier
PMCSEIC about providing that ad
vice. I think it was parallel to—overlapping with it a bit—
the development of the industry innovation statement.

Senator COLBECK: How does the precinct concept sit alongside your recommendation
for innovation council?

Prof. Chubb: Before I answer that could I just say that the fifth one, which I could not
remember, is 'business access to publicly funded research expertise and infrastructure'. They
are the five breakthrough actions we had proposed. How do they sit with each other?

Senator COLBECK: Yes.

Prof. Chubb: I think some of them, for example, reviewing the way in which our
intellectual property policies sit in the intersection between business and higher education is
something that still needs to be looked at. There was a review of that and it said that it took on
average 10 months, plus or minus seven months, to negotiate the IP deals. Most people in
business who I have spoken to think that is way too long and much too complicated for what
you get out of it at the end. So that review, I am advised, is taking place and there will be a
formal discussion about that in a little while within both the business sector and the higher education sector.

Some of the issues that were picked up look at how industry could lead an innovation statement. We were strong on the sense that industry had to lead it, but we were also recommending that it hang off some grand societal challenges that we identified as part of our strategic research prioritisation process that was also running in parallel. So there was a sort of network of overlapping issues that overlap directly with the industry innovation statement, some of which are still to be looked at and will be looked at, I understand, in the coming weeks and months.

Senator COLBECK: When Minister Kim Carr was science minister you were required to provide a written report to him on a reasonably regular basis, weren't you?

Prof. Chubb: Yes.

Senator COLBECK: I think you said when you were appointed that you would be meeting regularly with the Prime Minister. How often have you met with her since being appointed Chief Scientist, and how long do those meetings typically last.

Prof. Chubb: I estimate that I would be with her six to eight times a year, including three PMSEIC meetings. They would last anywhere between half an hour and two hours. We have had maybe three phone exchanges that have lasted about half an hour. So I do not grumble about my access.

Senator COLBECK: When was the last time you met?

Prof. Chubb: Last time I met or spoke? The last time I spoke was about six weeks ago and the last time I met was probably about three or four months ago.

Senator COLBECK: How regularly were you required to report to each of Minister Evans and Bowen?

Prof. Chubb: I don't think I was ever required to report to anybody. I enjoyed discussions with them. I think I have met Minister Emerson twice, Minister Farrell twice and I think I also met with Minister Bowen twice in a fairly short period.

Senator COLBECK: We had a discussion earlier with CSIRO about a reduction in investment into science. Can you give us a sense of what you might put that down to?

Prof. Chubb: The investment from business?

Senator COLBECK: Yes.

Prof. Chubb: I guess it is either no money or no interest, in business. They were substantial investors in science, through CSIRO particularly. I understand that that investment has reduced. I guess we all understand what we think we know about the economy and the state of the economy at the moment, and I guess they are pulling back on some of that investment.

Senator COLBECK: Would you have characterised that as being economically related, effectively to the state of the economy?

Prof. Chubb: I have not spoken to anybody who has told me, but nor I have not spoken to anybody who has told me they were not happy with the results of their investment, if that is where you are heading. I believe that if companies are as pushed, as we hear, see and read,
then it probably explains it. But I am giving you an opinion and I probably shouldn't be giving you an opinion.

**Senator COLBECK:** I was thinking of it in the context that as you are part of the innovation precinct board you would interact with industry as part of the processes you are involved with you might have some sense of what the mood or what is driving some of the decisions. I would have thought you would have been in a position to have some of those conversations.

**Prof. Chubb:** The precinct board has only met once. I do meet with business leaders. Indeed I am going to meet with another bunch early on Wednesday morning. I think the answer I gave you is probably the answer I would continue to give you, and that is that as the economy tightens and they look for where they can reduce their expenditures they are, I believe personally, if you want an opinion, unwisely reducing their investment.

**Senator COLBECK:** Have you or your office been asked at any time for advice about how the government's policy of achieving 10 universities in the top 100 by 2025 would be affected by the cuts in the university sector?

**Prof. Chubb:** No.

**Senator COLBECK:** That is an emphatic response. That will do me.

**Senator MASON:** In December last year you released a paper on the process for setting strategic research priorities. Step two of the process states that expert working groups will establish and recommend no more than three strategic research priorities within each of the five societal challenges identified by you.

**Prof. Chubb:** Yes.

**Senator MASON:** We touched on that last time.

**Prof. Chubb:** Yes.

**Senator MASON:** Have those working groups been established?

**Prof. Chubb:** The process has been completed.

**Senator MASON:** So the working groups have been established and the process completed?

**Prof. Chubb:** Yes.

**Senator MASON:** Where are we then?

**Prof. Chubb:** I am anticipating that they will be released imminently.

**Senator MASON:** In the paper you note that 'a sufficient proportion of funding will be targeted at the achievement of the strategic research priorities' and that 'the remaining funding will be directed to visionary research, which adds to our stock of intellectual capital and delivers unpredictable outcomes over the long term'. That sounds terrific, and I am not at all against visionary research, but is it a cruel question to ask whether you could be more precise about the budgetary allocation? What does it mean?

**Prof. Chubb:** The basic position is fairly straightforward. We proposed a process through PMSEIC and appropriate quarters that we adopt a system whereby we had Australianised what happens in the other counties in the world, notably the US. The way that it is done with an Australian flavour to it is that broad societal challenges are identified, the research
priorities that allow us to address those challenges are identified through a process and ultimately, in the US for example, my counterpart, together with the head of the Department of Finance and Deregulation's counterpart, writes to all agency and department heads and says that consistent with their mission a proportion of their budget should be spent in these priority areas.

This is the complete reversal of where we were in Australia, which was to have national research priorities where people ticked a box if their work was coincident with one. So this is actually saying that there are some issues that are simply more important for Australia to be sure it is working on right now, and all of the other important things that could be done.

But the important element in the British, EU and American process is that only a proportion of their spending is spent on this. So there is room for new ideas, different ideas and things that are out of the box—

Senator MASON: Outside those five?

Prof. Chubb: Outside those five. That is really just to encourage people to continue thinking and working and generating stuff that might ultimately become one of the 15 strategic priorities. So, it is getting that balance right, and we do not know what it is yet. We are now doing all of the background work to find out where we spend, what we spend it on and how aligned it is with the priorities, and then I am expecting, if the process that was embraced by cabinet is the process we put in to cabinet, I will be authorised to meet with department and agency heads to talk about how their budget is apportioned with respect to their research support.

Senator MASON: So you are still looking at the apportionment, as it were?

Prof. Chubb: Yes.

Senator MASON: How is it proposed that the strategic research priorities will be incorporated into the Australian Research Council's research grants. The sample that went to departments, research agencies and funding bodies included with the paper on setting the SRPs does not appear to mandate inclusion of the SRPs in research grant funding guidelines. Is that right? I am just looking at the sample letter to departments, research agencies and funding bodies.

Prof. Chubb: I will be talking to them. The presumption is that they will be required to ensure that a proportion of their spend is in the priority areas. We expect that already a substantial part of it will. We were not looking for what we don't do. We were looking for what was important, and important to make sure that we do adequately. That is where the, sort of, loop is beginning to close. I will be meeting with them and talking with them. I cannot speak for the way Aidan Byrne would respond to this—and he has been part of the process—but I would anticipate that they would be saying, 'We support some research on the aquifers of Australia.' So they would indicate that quality research in that area might get some particular emphasis in application processes.

Senator MASON: The ARC has well and truly been integrated into these SRPs and their application?

Prof. Chubb: Yes.
Senator MASON: Going to the research workforce, in your speech to the Australian Mathematical Sciences Institute's 'Accelerate Australia' conference in February this year, you noted that based on a recent survey of science graduates:

The underlying concern was that the Australian economy lacks the capacity to absorb these graduates. That is, PhD graduates. You also said that in assessing the demand for PhD graduates in Australia there seems to be a presumption 'PhD graduates will only go on to work as employees in academia and research institutions.' Are these matters that the Australian Research Committee will be considering as part of its task of proposing measures to ensure the quality, quantity and skills of research trained staff will meet demand?

Prof. Chubb: Yes.

Senator MASON: Have these matters been canvassed with the government's Research Workforce Strategic Advisory Group and Research Training Quality Working Group, both of which were established to implement the government's research workforce strategy.

Prof. Chubb: Yes, we are talking to each other.

Senator MASON: Of your five breakthrough actions for innovation, announced in December last year, the third breakthrough action seeks to minimise the disincentives to researcher mobility and to promote alternative industry career pathways for researchers. Although it is important for incentives to be provided by government agencies—for example, in the ARC research grant criteria and by university and research organisations—how could industries be encouraged to provide appropriate internships and cadetships for researchers? That is part of my last question, too, about how we use this intellectual capital, the PhD graduates?

Prof. Chubb: Part of the answer goes to the fact that, traditionally—and of course you know that I was a vice-chancellor for quite a long time, so I am as much a part of the problem as the solution!—we did not I think push hard enough to ensure that our PhD graduates were having their skills and talents being trained to be able to enter easily different sectors of the economy. Part of the consequences, if you ask employers what they think of employing PhD graduates—and we are going about that much more formally now—is that they think they know a lot about a relatively narrowly focused area but they have not been encouraged to work in teams. There are all of those sorts of things, which are quite different, if you are PhD student, from somebody who has to work in industry.

So, if you were quoting me and I said there is no capacity to do it, that is true, but there is no will to do it, either, because I think the preparation for them has been a bit too narrowly focused. I think that is true in many countries of the world. This is not a problem that is unique to Australia. I know part of the workforce strategy and I know a number of universities themselves, and they are developing different ways to develop their PhD graduates so that they are prepared not just for a post doc in the field in which they did their research and not just for another post doc and another post doc, but they are prepared and able to enter different parts of the economy quite readily and be accepted there. I think it is a pity that some of our most creative people are not where we need many more creative people, and that is in the broader economy. So, I do think there is an obligation to shift that. Movement is beginning. It takes a while, but I am optimistic that the signs are positive.
**Senator MASON:** Could that be done by the design of the PhD programs that are not changing? They are changing across the humanities I note. If the design of the PhD program changes, would that assist? It seems to me that it is such an expensive process training PhD graduates—it is fine but it is expensive. It would be good if society and the economy could grab something from that enormous intellectual capital.

**Prof. Chubb:** One of the issues—and I do not know if it was directly tied to one of our breakthrough actions, or an interpretation of it, or whether it was something thought of in a different place—is that the ITRP program, which is part of the industry innovation statement and is something to the order of $240 million, is going to be put behind PhD students working with the various industries that are in the innovation statement—the precincts, through the precincts and so on. I think that is a good start. One of the issues for us in Australia is to do things on a scale that makes a difference. We have a whole lot of small programs. Nearly any university in Australia could point to something that looks really good, but it is for quite a small number of PhD students, or the links with industries are few in number. So it really is a question of building up that scale. I think the $240-odd million for the Industry Training Research Program is a very good start. Personally I support cadetships. Personally I support the idea that many more PhD students should be working on real research programs, quality research programs, that are linked to questions that some sectors in the business and industry community want answered. They have the talent, skills and knowledge to do it. It is really a question of ensuring that a bridge is built in the right way and that there is support for them when they walk across the bridge.

**CHAIR:** Thank you, Professor Chubb, for your assistance today. The committee will suspend until 1.45 pm. For the advice of those who are interested: not being consistent with the agenda, we will take afternoon tea at four o'clock and not at five o'clock as the agenda indicates.

**Proceedings suspended from 12:45 13:45**

**Tertiary Education Quality and Standards Agency**

**CHAIR:** I welcome officers from the Tertiary Education Quality and Standards Agency.

**Senator MASON:** Welcome, Dr Nicoll. I am sure that you are aware of the article entitled *Tertiary Education Quality and Standards Agency 'beset' by staff churn* by Bernard Lane from the *Australian* newspaper on 15 May 2013. The article essentially quotes unnamed former TEQSA employees and university administrators, who complain about high staff turnover and increasing bureaucratisation of TEQSA. Would you describe staff turnover at TEQSA as high?

**Dr Nicoll:** I can tell you what the rate is. We as a new agency have been through a period of rapid recruitment. Based on our permanent cohort of staff, we have a separation rate of 15 per cent.

**Senator MASON:** Is that separation rate high?

**Dr Nicoll:** I do not have the benchmarks within the APS. Having looked generally at some of the data available on other organisations, it seems to vary. Attrition rates across a number of organisations can be as high as 18 per cent or 20 per cent. The issue for us is that we are keen to ensure that we have the right people to do the right job. You would appreciate that in
a small agency we cannot afford to have anybody who is not there contributing in a particularly productive way. There have been separations.

**Senator MASON:** How many people are there?

**Dr Nicoll:** We currently have 95 full-time equivalent staff. We have had people who we have recruited who have not found the transition from wherever they came from—and we have generally recruited heavily from the higher education sector and from state and territory accrediting agencies and indeed from the Public Service more generally and from a range of other regulators—to be relatively easy and are thriving at TEQSA. There are people from AUQA and the universities or other higher education areas who are thriving. There are other people who have not found the right job match for them or who, through personal disappointment, have chosen to move on. I fully recognise their right to do that—of course. If you ask me whether we are building an agency with the right people for the right jobs, that is what I am focused on. Certainly, I am interested in keeping people. However, we have also developed a value proposition for our employees. We recognise that in an agency like ours it is not going to be easy to keep people because we are giving them skills, knowledge and insights that the sector will find particularly interesting, significant and attractive in terms of employing them. Part of our employee value proposition is to be able to give people opportunities to move on to other jobs, either in higher education providers or other regulators. We have developed that as a conscious approach so that we are able to say people, 'We expect of you extraordinary hard work and commitment, but we will give back to you learning, development, opportunities and experience that you will find valuable for a career.'

**Senator MASON:** Thank you, Dr Nicoll. How about filling vacancies? Has the agency had any problem filling vacancies? Have any remained unfilled for longer than two months, let us say?

**Dr Nicoll:** No.

**Senator MASON:** All right. The Bernard Lane article quotes one of the former employees of the agency as saying 'I've never worked anywhere where the turnover has been that high' and that the agency is a 'haemorrhaging' employees. How do you respond to that? You have already, but—

**Dr Nicoll:** I have. When somebody is not prepared to put their name to what they have to say it is very difficult to put their comment into context. I do not think that it would be appropriate for me to comment on the individual circumstances for people leaving TEQSA.

**Senator MASON:** People not putting their names to comments? You should try being a politician for a while, Dr Nicoll.

**Dr Nicoll:** Thank you, but no, Senator.

**Senator Farrell:** She has more sense than that.

**Senator MASON:** Yes, that is right, Minister. The article also criticises the agency for its growing bureaucratic culture. The former employee believed that the new regulator was 'overly bureaucratic and increasingly stacked with career public servants who favour process over content'. The article says:

One university executive said some TEQSA staff dealing with institutions felt they lacked sufficient autonomy: 'You do get the impression that everything has to go to the commissioners (under chief commissioner Carol Nicoll). It must put (an) enormous load on the commissioners.'
One former employee spoke of needing five layers of clearance for a decision: ‘People stay because the conditions are amazing, the pay is fabulous, but you're not given commensurate responsibility—it's so demoralising. There's a sense of not having accountability for your work.’

How do you respond to that, Dr Nicoll?

**Dr Nicoll:** We are, proudly, a Public Service agency. Coming with being a Public Service agency are particular responsibilities under the Public Service code of conduct and as an FMA agency we have certain responsibilities for the public investment and the mission that we have been given. We carry out that in a very serious way. When it comes to allegations or assertions that we are overly bureaucratic, we are a Public Service agency. For people who have not experienced life in the Public Service, there are challenges in understanding that you cannot say what you like, you cannot tweet what you like, you cannot write what you like and you cannot write something and expect that you will necessarily be the author acknowledged. Part of the reality is that there is a hierarchy. That is for good reason. When it comes to decision making by TEQSA, the TEQSA Act specifies that many decisions cannot be delegated from the commission.

**Senator MASON:** Okay.

**Dr Nicoll:** This was a challenge that the commission faced right up front. When we were looking at our business processes, there were a range of things that we could not delegate. We are looking over time to see how we can delegate what we are allowed to delegate within the statute. But there are many things that we cannot. There is also the reality that as a new agency we have needed time to build staff and capacity to be able to enable and empower staff lower down to make more and more of the decisions that they can make. All staff would acknowledge that that is happening.

The other issue for us is that TEQSA makes very important decisions. Our decisions are reviewable. If we make a decision to cancel a provider's registration, that decision is reviewable and that provider can take us to the AAT. The commission takes very seriously the evidence that needs to be brought to us to substantiate a decision that might lead to adverse findings for any provider.

**Senator MASON:** That has not happened yet, has it? You have not been taken to the AAT?

**Dr Nicoll:** Yes, we are in the process of matters with the AAT.

**Senator MASON:** Okay. I want to ask you about the commissioners. Have you had any turnover of commissioners?

**Dr Nicoll:** No. All five commissioners who were originally appointed, three full time and two part time, are still in their positions.

**Senator MASON:** Can you tell the committee about those matters before the AAT? Have they commenced?

**Dr Nicoll:** They are ongoing matters, so I cannot comment on them.

**Senator MASON:** That is fine; I understand. Another article by Bernard Lane entitled *Sympathy for the regulator*—it is like *Sympathy for the Devil*—

**Dr Nicoll:** Oh, Senator!
Senator MASON: I like the Rolling Stones, you see—that is the problem. The article, *Sympathy for the regulator*, quotes an unnamed senior university manager as saying:

'Bureaucratic is the wrong word' (to use for TEQSA)... 'You are talking about the difference between a quality assurance regime and a regulatory regime.'

That is interesting. The conceptual difference between the two is an interesting one. I have heard this in conversations throughout the sector. What do you say you are, a quality assurance regime or a regulatory regime?

Dr Nicoll: We are a regulator that has responsibility for regulation but also for quality assurance. We bring together two elements, in essence. We have a responsibility to ensure that the sector is functioning appropriately. That is the regulatory side. We also have a responsibility within our objects for quality improvement in the sector. We see the quality improvement as something that we have only brought our attention to this year. While quality improvement or enhancement can occur through regulation, it will also occur through the quality assessments that we have started this year.

Senator MASON: You told the committee that last year, so that is consistent. I appreciate that. Do you consider yourself to be in a position such that your hands are tied—that this is the legal framework and you have to enforce it but it could certainly be better? I hope that you do not mind me asking you this, but you have had to work with the legislation now for a while. Are there areas perhaps you would fine tune it? It is a difficult question, perhaps. Without having much experience, the committee could probably be assisted by you with this.

Dr Nicoll: We have been quite public about the fact that we think that there are opportunities for legislative reform in regards to the ESOS Act and the TEQSA Act. That is about how those two acts interact and how they impose two different regulatory regimes, two different registration periods and two different approaches to risk. These things could be brought together. We would like to see—and we have said this publicly—one act that could include very publicly in the act an explicit acknowledgment of international student protection. Having that in the TEQSA Act would be a more effective and efficient way to go. Rather than doing two re-registration processes for a provider, we would do one and in that we would include the issues about meeting the requirements of the national code.

There are difficulties in that. You would be aware that the government has announced that they are going to review the regulatory framework, including the way that the TEQSA Act operates.

Senator MASON: Is Professor Robson looking at this?

Dr Nicoll: No. It is Professor Kwong Lee Dow and Professor Valerie Braithwaite.

Senator MASON: That is right.

Dr Nicoll: We see this as an excellent opportunity to look at both our act and our legislative framework and the higher education standards framework and how they will operate and any other possible interactions with other acts, such as the ESOS Act.

Senator MASON: Are the standards being rewritten?

Dr Nicoll: That is what Professor Robson is working on.

Senator MASON: How is that going?
Dr Nicoll: I cannot comment on that, Senator. The Higher Education Standards Panel is an independent body.

Senator MASON: Do you have any input into that, Dr Nicoll?

Dr Nicoll: Yes, we do. We have provided, publicly, feedback on the first stages of their review of the standards—and we will continue to do that—and we have provided the panel with feedback directly.

Senator MASON: There is no time line for Professor Robson's—

Dr Nicoll: The time frame that he was given within the act was that they had to begin that review last year.

Senator MASON: Is that right? There is a time frame for starting but not for completion?

Dr Nicoll: Yes.

Senator MASON: I want to ask a few questions about red tape. You have touched on red tape just now. Clearly it is a big issue. There has been a lot of talk in the sector and in the political classes about it. You are no doubt aware, Dr Nicoll, that Universities Australia published their submission to the opposition's deregulation task force, in April. The coalition has a task force chaired by Senator Sinodinos; you might be aware of that. In the submission from Universities Australia their main conclusion was that universities spend $280 million a year on regulatory compliance and reporting to federal and state governments. That was UAC. The estimated $280 million a year for cost of compliance and reporting requirements is based on the impact of university compliance departments typically having something like 15 to 20 dedicated staff to meet the demands of 100 separate state and federal acts directly regulating their operations. Universities incur direct regulatory compliance costs, estimated to be at least $3 million per university—roughly $120 million dollars a year in the sector. This is background. That is what UA said to the opposition's deregulation task force, the Sinodinos task force.

In April also was the release of the PhillipsKPA report, which is a review of reporting requirements for universities commissioned by the then Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education, before its reiteration. I am sure you would have seen it. The report's main conclusion was that a typical Australian university in 2011 spent almost a million dollars in meeting not even half of the reporting obligations of just one government department. While the submissions in the study do not deal directly with TEQSA—they do not; it is right across the bureaucracy—do you have a view regarding the impact and cost of red tape on the higher education sector?

Dr Nicoll: Senator, my view is clearly coloured by my position as Chief Commissioner of TEQSA, so I will situate my comments in TEQSA. From TEQSA's point of view we currently collect six items, six data elements, from the universities annually. The remainder we collect directly from HEIMS, the department run system. Those six items represent one per cent of what we believe the department collects in relation to higher education providers.

Senator MASON: One per cent?

Dr Nicoll: One per cent. From our engagement with the universities, we believe that our approach is measured, is proportionate and is about being able to inform a risk based approach to regulation of the sector. We took on board the feedback from the sector when we
first put out our provider information request, and at that point we had challenges in accessing the HEIMS data. But the department acted on that in a vigilant way and has enabled us to access that data. Now we collect only six additional items from universities. We collect more items from other providers who do not provide data to HEIMS. So we have a common set of data, as much as we can, across all of the 170 providers that are registered with us.

Senator MASON: And was that done deliberately, to lighten the regulatory burden on universities?

Dr Nicoll: It was indeed. And in fact we have plans. We are about to complete the first round of risk assessments. At the end of that we will be reviewing the regulatory risk framework and through that review we anticipate trying to identify even fewer data elements to collect from providers. We are looking for the heart of what is risk. But this takes time, experience and an understanding. You would appreciate that if providers are at risk and we cannot collect those data then there are going to be problems. The last thing we need in the reputation of Australia's higher education sector is that sort of market failure.

Senator MASON: Damage to brand Australia?

Dr Nicoll: Indeed.

Senator MASON: Just a few days ago, Dr Emerson, the Minister for Tertiary Education, Skills, Science and Research, announced a regulatory review of university red tape, which you alluded to before, Dr Nicoll. Dr Emerson said that Dr Russell, the departmental secretary, would be writing to TEQSA to seek advice about any immediate actions that can be taken to ameliorate concerns in this sector about red tape. I understand you will be asked to assist the principals conducting the review, Professor Kwong Lee Dow and Professor Braithwaite. Have you heard from Dr Russell yet?

Dr Nicoll: I have. I have received a request from Dr Russell, and TEQSA will be responding within the time frame that Dr Russell has suggested. I have also met with Emeritus Professor Kwong Lee Dow.

Senator MASON: TEQSA issued a statement welcoming the review and the opportunity to contribute to an examination of the balance necessary between regulatory oversight and regulatory burden on the sector, which I thought was well phrased. He also wrote: TEQSA has 18 months' experience working with the sector in line with our regulatory principles and approach, and we are keen to discuss the lessons we have learnt with the reviewers.

That is terrific. Without pre-empting your advice back to Dr Emerson as well as to Professors Dow and Braithwaite, what lessons have you learned over the past 18 months? What suggestions can you make to the review? What can you tell the committee about?

Dr Nicoll: You can appreciate we will be providing that advice directly to Dr Russell. But there are a number of things we have said publicly that we were on a pathway to doing. A significant one of those was to be a streamlining of re-registration, particularly for self-accrediting providers and generally across the sector where we saw the influence of a risk analysis starting to really be able to influence our judgements because we have not had risk assessments of every provider until relatively recently, and we have not quite finished all of them. So one area would be a considerably streamlined re-registration process. We would flag that publicly and that will be one of the things we articulate to Dr Russell in response to his question. There are other things that we will suggest as well.
Senator MASON: Universities have flagged that with me repeatedly, as you can imagine. I do not think I am telling stories out of school on that.

Dr Nicoll: I think there has to be—and this is something I and my commissioners and senior staff will discuss with the reviewers—more to this than rhetoric. There has to be real examples of where TEQSA has overreached. Frankly, we believe that our actions to this point have been deliberated and have been assessed against the regulatory principles faithfully, consistently and deliberately.

We have applied those principles to all that we do so I do believe that where there are going to be issues, it will be important that it is not just a mantra of over regulation but that it actually goes to: where has TEQSA caused us a problem? I will give you some examples, Senator.

Senator MASON: You have conceded that potentially the legislation could be finetuned. You would consider that?

Dr Nicoll: We have some issues with the legislation which we will certainly raise with the department. Some of those to go an issue that I have already raised—that is, the number of decisions that cannot be delegated. We have two sides to this. As the CEO, as well as the chief commissioner, I am looking to streamline business processes internally because I have a budget that I have to meet and not go over and I have staff who are very hardworking but have a huge workload. Some of that does come from some of the issues that we have articulated here. There could be ways in which we see that things could improve. One of the biggest is the issue that I have raised about the ESOS Act and the TEQSA Act.

Senator MASON: In your press release of 29 May, 'TEQSA welcomes red tape review', TEQSA wrote:

A further benefit of the review will be the ability to explore options for reducing duplication in the regulatory and data gathering activities undertaken by TEQSA and the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education’s (DIICCSRTE).

Are you aware at the moment of there being duplication in regulatory and data gathering—for example, between you and the department?

Dr Nicoll: Yes.

Senator MASON: Do you see that as being significant?

Dr Nicoll: Yes. If I can add, we and the department have worked actively on this over the last eight months, and the department has taken the leadership role in forming NAGHEDI. Please do not ask me what it stands for; I cannot remember. It is something about data; someone else can give you the full title. It is to develop a road map for data collection across the department, including the agencies that are portfolio agencies—such as the ARC, TEQSA and others—to think about where this needs to happen and for it to be collected in one place rather than by all these different bodies. We have done that for the universities by drawing on HEIMS and asking these six additional items, but there are other ways that we can streamline this. That committee is doing its work and it has on it representatives of the peak bodies, who are there to give their ideas. ACPE is there, COPHE is there and UA is there to give their ideas about how we can streamline this.

Senator MASON: Was this pointed out by stakeholders, did this realisation emerge from your own observation and engagement or was it a bit of both?
Dr Nicoll: I have worked in higher education, both within the department and in portfolio agencies.

Senator MASON: So, you are aware of it?

Dr Nicoll: I am aware of it. There is a challenge because there are resource implications for developing this. It cannot be done overnight and it needs to be done strategically. It is not a zero-sum game here. To build something like they have in the UK, where there is a separate stats body that collects the statistics for higher education in one place, has resource implications.

Senator MASON: Yes, it does. Stephen Matchett wrote in *The Australian* on 29 May 2013:

The move radically repudiates previous Labor policy, which created a powerful independent agency - the Tertiary Education Quality and Standards Agency - to oversee governance and academic standards in universities.

The agency is widely criticised for its forensic focus on university standards and operations.

Do you see this review of the professors as a repudiation of the government's policy and your role in it?

Dr Nicoll: Clearly, Senator, I cannot comment on that.

Senator MASON: And, Minister, you do not have any comment to make?

Senator Farrell: I simply do not agree with the comments of the journalist in question.

Senator MASON: Dr Emerson and Ms Bird, in their press release of 29 May, say explicitly:

The review will make recommendations on the Tertiary Education Quality and Standards Agency’s approach to regulation in order to reduce the burden of reporting on universities.

The assumption being made is that there will be a reduction in the burden of reporting on universities. You do not find that in any sense a repudiation, Dr Nicoll?

Dr Nicoll: Senator, I cannot comment on how it reframes policy or not. What I can say is that we have been set up to cover all higher education providers, and the approach that our objects clearly outline is for us to have a standards based approach applying three regulatory principles. Those principles and that standards framework do not necessarily differentiate between a university and another higher education provider per se. It is about risk, it is about proportionality and it is about necessity.

Dr Russell: Chair, maybe I could read one of the relevant parts of the press release:

The review will concentrate on maintaining higher education quality and transparency, while minimising red tape under current regulatory and data management arrangements.

I would interpret that sentence to be about making sure that we have the balances right. As our chief commissioner has said, it is an opportunity to review how the arrangements are in place. I would see it in that context: we are minimising red tape while trying to achieve the objectives. I would see it as no more than that.

Senator MASON: I will not read it out again—it is a waste of time—but the media release that I did read from Ministers Emerson and Bird assumes there will be a reduction in the burden of reporting on universities. This is not a criticism of you, Dr Nicoll, but I was just...
wondering whether it is a repudiation of past policy. You are saying, Dr Russell, that that is not really the case; it is really a matter of finding a better balance.

**Dr Russell:** It is making sure that we have got the balances right. It is an opportunity to review how the regulations in the structure and the act, as the chief commissioner has said, are operating. So I would see it as a finetuning exercise.

**Senator MASON:** I have questions on teacher quality and TEQSA's approach to public reporting of regulatory decisions. Let me go to teacher quality. In March the government announced its own plan to improve teacher quality; there is a four-point national plan that you would be aware of. Under the government’s four-point plan to improve teacher quality, as announced by the minister, Mr Garrett, in March, the fourth point promises that a review of all teaching courses will be conducted by TEQSA. The fourth point reads: ‘A review of all teaching courses by the Tertiary Education Quality and Standards Agency’. Has the government contacted you with respect to that, Dr Nicoll?

**Dr Nicoll:** The department certainly has had discussions with me. My understanding is that there will be a ministerial direction, which is allowed for under our act, to direct us to do that. We have not started work on it yet, other than in terms of collecting literature and starting to think about it, although I have had some meetings and we will be starting to have more over the coming weeks with the deans and with other significant stakeholders. We will be announcing, as the government has asked, terms of reference for that by the end of the year, and we will undertake that quality assessment next year.

**Senator MASON:** So you have not received a ministerial direction yet?

**Dr Nicoll:** No.

**Senator MASON:** And it will be done next year?

**Dr Nicoll:** Yes.

**Senator MASON:** Talks about teacher quality are all the rage at the moment. Subject to the actual instructions you might receive from the government, how would you envisage the task of reviewing all teaching courses?

**Dr Nicoll:** We have not settled on a methodology yet, so I cannot tell you what we will be doing.

**Senator MASON:** Do you envisage any particular time lines?

**Dr Nicoll:** I think it will take a reasonable part of 2014, quite frankly.

**Senator MASON:** I would have thought so.

**Dr Nicoll:** If we are to do this appropriately and comprehensively, I do not think it can be done quickly. But that really depends upon the methodology and the nature of the direction that we are given.

**Senator MASON:** I am no sociologist and I do not have a background in regulatory authorities, but how would you assess them? What benchmarks would you use? I am interested in how you do it; I am not saying you cannot, but I do not know how you would do it.
Dr Nicoll: I am a sociologist. My doctorate is in educational sociology and educational policy. But we have not yet settled on a methodology. That will be something that we will develop over the coming months.

Senator MASON: But it is possible within a sensible time frame to do that?

Dr Nicoll: Of course it is.

Senator MASON: Without wishing to pre-empt any of the results of the review, are there in your opinion any potential problems with the quality of teaching courses either generally or specifically?

Dr Nicoll: No, I cannot pre-empt an assessment on that at this point.

Senator MASON: Have you done any work previously or received any complaints or communications that would allow you to start forming your own view on the topic? You mentioned before you have a little bit of background research. Is there anything other than that?

Dr Nicoll: We have had no direct representations to us that I am aware of with regard to the quality of teacher education.

Senator MASON: It is a difficult issue. In your April 2013 update, you wrote: TEQSA has decided to postpone its English language proficiency quality assessment until the second half of 2014. The quality assessment was due to commence in May this year. A new schedule will be announced later this year. TEQSA has taken this action after careful consideration of our regulatory operations, in response to sector concerns about the impact of the quality assessments, and the recent announcement of the 2014 review of initial teacher education courses.

Was it your opinion that there would be significant duplication between the review of teaching courses you have been tasked with by Mr Garrett and your own English language proficiency quality assessment?

Dr Nicoll: No. There may be some common ground, but I actually see them as quite distinct. The decision we made in relation to the English language proficiency was, as we said, because the sector had been saying to us that they felt that there was considerable work involved for them in responding to the quality assessment that we have out at the moment, which is for third-party quality assessment. When we weighed up the impact that that might have, we heard the sector. We listened to the representations that were put to us. Plus we had the new work that was coming to us in the review of initial teacher education programs. So for both the impact on the sector and the impact on our organisation, because we only have a limited budget that we can direct to these things, it was our decision that we would postpone the one on English language proficiency. I do not see there being huge overlap, but there may be some common issues that we raise—absolutely.

Senator MASON: Were the sector concerned that these quality assessments put too much additional burden on them?

Dr Nicoll: That appears to be the views of some.

Senator MASON: If so, and this seems to be an ongoing issue, how are we going to deal with it in the light of quality assessments you will be running in the future? Quality
assessments are clearly an important part of what you do. Will it affect the comprehensiveness or frequency of quality assessment?

**Dr Nicoll:** Yes, it could. We see the quality assessments as an extraordinarily important part of what TEQSA can do. It is the quality enhancement side of it. We are doing one on third-party arrangements at the moment. The purpose of that is, firstly, to scope how many providers and how many arrangements they have with third parties and then to collect best practice from those providers that we believe are doing this effectively, from the identification of a partner and doing due diligence on them in financial and academic standards through to ensuring the quality of teaching and learning and ensuring the outcomes for those third-party arrangements. We would like those providers who do that well to share what they are doing more broadly with the sector. It is also a way of signalling, both domestically and internationally, that Australia can do this very effectively.

The UK has had a number of issues with what they call 'collaborative provision', and they see this as an area of risk. We too see it as an area of risk, and that is why we are focusing on it as our first quality assessment. We believe there are a number of providers who do it very well, and we want to showcase them so that all providers can learn from them, rather than have them step into a regulatory regime, where there are failures—as there have been. In the 18 months that we have been working we have had notifications of a number of significant failures in third-party arrangements. This is an area that we believe is worth having a spotlight on, which is why we are devoting resources to it and why it is our first quality assessment.

**Senator Mason:** This might sound like an unusual question. You started eighteen months ago, and the idea was to buttress and to protect brand Australia. It is a large part of why the opposition supported the establishment of TEQSA, as you know. Have you received any feedback from regulatory agencies overseas about the operations of TEQSA?

**Dr Nicoll:** We have attracted considerable interest from governments and agencies overseas. I had an email only last week from Brazil, which is going through the stages of establishing a new regulatory regime. They want to come and talk to us. We have had very close contact with the Quality Assurance Agency for Higher Education in the UK. They are a sector-owned quality assurance agency, but they are also being moved towards a risk based approach. They have a co-responsibility for quality with HEFCE, the Higher Education Funding Council for England, and they are very interested in what we are doing and in sharing. We have also established relations with Singapore, where the Council for Private Education has great interest in a risk based approach; with Hong Kong; and with the US, where I have met with a number of significant players in this whole space. They are very interested. They are not necessarily going to adopt the approach Australia has taken, but they are very interested in how it operates.

**Senator Rhiannon:** I want to pick up on the issue some are calling the 'red tape review'. When Dr Emerson announced it, the fact that we could end up with a two-tier higher education system was also explored. Do you think the government has given sufficient time for your work and for the general regulatory arrangements to become established before reviewing them?

**Dr Nicoll:** I am a humble public servant. I do what I am asked to do. It is the government's decision as to when and how it reviews any government agency, and I am not prepared to comment on whether it is too soon or not. What I would say is that we have in place in the 18
months and the years ahead a plan for how we would roll out a risk-based approach to regulation. We have not arrived at the final destination by any means yet. We have had every intention to roll out, and indeed will, a number of streamlining approaches to things next year and in 2015. We have been quite public about those. That is our intention.

Senator RHIANNON: Are you suggesting that you are still rolling it out, so there is a lot there that cannot be reviewed because it is not in place?

Dr Nicoll: I took great heart from a conversation I had with Professor Kwong Lee-Dow on Friday, where he said, and I do not think I am breaching any confidence, that he is interested not just in where we are at this minute but in where we intend to go. He sees that as the important part of where a standards-based approach within the regulatory principles was moving. I think that the review will take into account where we are going and where we have planned publicly to be going in terms of developing this model.

Senator RHIANNON: But will flagging a two-tier system repudiate TEQSA's authority to oversee governance and academic course quality standards in universities? What does this mean for TEQSA's authority?

Dr Nicoll: It means nothing at the moment other than we will continue to apply the objects of our act as we are set up to do. They are about a standards-based framework applying the regulatory principles. Those principles, as I have no doubt said before, are proportionality, necessity and risk. Where any other approach fits into that would be up to government if they saw fit to make changes to that. As it is at the moment, we look at providers in terms of those principles and we also look at them in terms of another important element, which is self-accrediting authority. That is one distinction that is within the act and the standards framework that does encompass that notion of difference. When it comes to a self-accrediting provider—and universities are all self-accrediting providers but so are some other higher education providers; they have a self-accrediting authority as well, and where they have that, that gives us a different lens to look at them when it comes to regulation—

Senator RHIANNON: I was interested in the long-term risks of removing universal regulation of university finances and course quality from the bigger universities. It would appear that that could be a challenge down the track

Dr Nicoll: It depends where it goes. I cannot say to you where the review may go or what the government may do with the recommendations. That is for a government in the future to make a decision about. I am not sure how to answer your question, I am afraid.

Senator RHIANNON: Moving on to TEQSA within your threshold standards framework and also bringing in the UNESCO 1997 recommendation concerning the status of higher education teaching personnel, paragraph 31 of that recommendation sets out that higher teaching personnel should have the right to take part in governing bodies and to raise their criticisms. Does TEQSA agree that staff representation on higher education governing bodies is tied to principles of collegiality that, according to paragraph 32 of the UNESCO document, include academic freedom, shared responsibility, a policy of participation of all concerned in internal decision-making structures and practices and the development of consultative mechanisms? I am interested in where staff representation sits with you.

Dr Nicoll: I am just looking at the standards, but there are explicit parts of the standards that go to academic freedom, and that is certainly something TEQSA looks at when we are
going through a re-registration of a university or indeed any other higher education provider, depending on whether the standards apply to that particular provider—and I am talking about the category standards there. I have to say, I do not have it off the top of my head. I could look for it. But academic freedom is enshrined in the standards; it is there. Representation is an issue whereby we look carefully at a number of issues in terms of corporate and academic governance, and these are part of section 3 of the provider registration standards. So, we certainly look at certain elements of representation there—but understanding that representation, in the way that it is constructed in the standards, tends to go to representation on decision-making bodies, and there can be within a university or another sort of higher education provider a range of ways of feeding into decision-making bodies. And I would see the most significant one of those for academics as being the academic board. That is often the way the professoriate gets a direct voice. There are different constructions of academic boards. We have seen that over the last decade, where there are changes to the way universities look at that. But I think that is really a very important part of—

**Senator Rhiannon:** But surely you would have university boards and councils up there in terms of it being very important for them to have elected representatives. I understand that Australia is a signatory to that UNESCO document I referred to. I would have thought that would have given some framework to what we are discussing as well, and your decisions on that. That is why I was trying to understand the level at which you pitch the importance of it, and whether you are tracking it.

**Dr Nicoll:** We track it through the provider registration standard, and it is in relation to corporate and academic governance. And there are a number of standards there that go to the way corporate and academic governance should operate. Without reading them out to you, they cover the lens through which TEQSA looks at a provider.

**Senator Rhiannon:** One of them—the TEQSA standard threshold, in chapter one, section 6.8—states that:

the higher education provider has student representation within its deliberative and decision-making processes and encourages students to participate in these processes.

So, where we have seen that Victorian universities no longer have elected student representatives on university councils, what is TEQSA's response to that? How do you satisfy yourself in the context of what I have just read out?

**Dr Nicoll:** I think at an earlier estimates I did actually say, in answer to one of your colleagues, that I had written to all of the Victorian bodies that were affected by the change by the Victorian government, and I had reminded them all of their responsibilities under this particular threshold standard—6.8. However, it is still possible for a provider to meet that requirement of having student representation, in its deliberative and decision-making processes, without actually having them on the university or the provider council. It is possible for them to have that. Just by the way, though, an issue that has come up recently in this regard is that some providers actually find it quite difficult to get student representation, and particularly some of our private providers, where students are very focused on their work; they are there for a particular role. And they find it difficult, even though they have a place for a student on their appropriate deliberative processes. They encourage students to do it, but they find it difficult to get students. So, there are two sides to this. We look at this in a way
that says that it does not need to be on the council; it needs to fulfil the definition, which is 'deliberative and decision-making processes'.

Senator RHIANNON: You are certainly opening up a whole issue there to do with student life. But, just sticking with this one for the moment, there have been changes in terms of how some state governments are handling this. Has it triggered the TEQSA risk assessment framework? And therefore have you communicated with the Victorian and Tasmanian governments on this issue?

Dr Nicoll: The Victorian minister—and this is some time ago, so I am trying to remember this—actually wrote to me, and in fact I think I sent him a copy of the letter we provided to all of the vice-chancellors and CEOs of the appropriate bodies in Victoria. The Victorian minister wrote believing that there was not necessarily a breach of the threshold standards through what they were proposing, what they were putting into effect. We never said in our letter that there would be a breach. What we have reminded all those providers of is that they have this responsibility. How they meet that is up to them. It may be that they have a student representative on their university council. It may be that they have it in other deliberative or decision-making processes. That is their call, and TEQSA will not tell them how to do that.

Your question was whether this has created a red flag on some risk assessments. Yes, it has, but not necessarily on a university one. It has provoked a red flag on some providers for their risk assessment. We give them that risk assessment. We do not necessarily follow up every red flag on a risk assessment. We look at this globally, holistically, and at the end of the process we have that as part of the analysis of that provider—a lens through which we will look as we deal with that provider for years to come.

Senator RHIANNON: I just want to move on to the efficiency dividend, as we are obviously moving to that period. Is TEQSA anticipating that it will need to undertake institutional risk assessment around management and human resources processes, and especially risks associated with a potential increase in the use of casual staff?

Dr Nicoll: We would look at those things as part of a re-registration process as a matter of course. But if you are asking whether we would launch something specific into that area, the answer would be no; we have no intention of doing that.

Senator RHIANNON: I took from your answer that you will not be looking at it in any new way; you will approach it as you do with other aspects of the work. As I had asked about the potential increase in the use of casual staff, does that mean that is always a factor that you consider when you are doing this?

Dr Nicoll: It is.

Senator RHIANNON: And have you come to any conclusions about that?

Dr Nicoll: We have come to many conclusions in relation to individual providers. I do not believe we have a general analysis on that issue at this point, no.

Senator RHIANNON: Just staying with the efficiency dividend, do you plan to measure the effects of it on the quality of learning and teaching at our universities? I am taking from your answer that that is the case—

Dr Nicoll: No. We will look at the provider, whatever their financial circumstances. Any change in government funding for providers—universities, in this case—is an input. We are interested in the outcomes and what impact any of those things might have on the quality of
provision in a provider. So, we will not pay particular attention to that. We will look at a provider in terms of what they are doing, whatever the regard to the inputs.

**Senator RHIANNON:** Just to clarify, as I may have misunderstood: what you are saying is that yes, the dividend is coming in, but it is not actually changing how you go about your work. You still go about your work. Universities are making their cuts, and you will not be looking at it in that context. Is that what I can take from your response?

**Dr Nicoll:** We have a process that we work through. Providers have a range of changed circumstances when it comes to funding. Some private providers will have significant changes in terms of their international student market. Other providers, such as universities, may have changes to their funding regime. We look at that provider for that provider. If it were the case that there was any significant impact by a particular contextual factor, and it was going to mean that there was the risk of a breach of the threshold standards, then every provider has, as a condition of their registration, the responsibility to put in a material change notification to us about that. We have had no notifications from any university regarding a change of circumstances as a result of any recent government policy.

**Senator RHIANNON:** There is concern that these changes could impact on the rates of disadvantaged students attending our universities. So, if you are seeing a change coming through with that development, is that something you would look into more deeply? I am still trying to understand. The efficiency dividend is enormous. I understand how your work is undertaken. But as well as looking at the results, at what point do you link something, such as gain with disadvantaged students, to some change that has occurred in the university? How do you make that link?

**Dr Nicoll:** We look at it from the point of view of the provider. I cannot—and we will not—look at it in terms of what the driver might necessarily be. We are very aware of the range of changes to providers in Australia, and our risk approach certainly looks at financial sustainability, financial viability just as it does issues in relation to student numbers and staff numbers. All these things need to be looked at, and we look at them in the due course of an analysis of a particular provider.

**Senator RHIANNON:** Thank you. I will follow that one. I want to move on to the issue of research. I was interested in whether TEQSA has made an investigation into the sector overall, or any specific institutions in relation to the probity and integrity of ERA submissions.

**Dr Nicoll:** No, we have not.

**Senator RHIANNON:** Can you outline any work you have done in this area?

**Dr Nicoll:** We have done none, because I would see that that would be something that would be within the responsibility of the ARC. Part of what we would look for is not to duplicate the investigation of another government agency.

**Senator RHIANNON:** So, there is no work in that field at all? You just see that as—

**Dr Nicoll:** If it came to pass that there was some sort of issue with compliance by any provider regarding state or Commonwealth laws, then that would be part of the history of compliance of that provider. That is the point at which we would look at that as part of their history of compliance with laws, because that is actually built in to the threshold standards. The issue you have raised I would see as falling within the scope of the ARC.
Senator RHIIANNON: So, do I conclude that TEQSA does not have a role in monitoring institutional management of research performance?

Dr Nicoll: We have a role in terms of looking at research as it fits within the threshold standards. It does not necessarily go to input in terms of how they came up with their input for a particular government process, such as ERA.

Senator CAMERON: I am just looking at some briefings I had from the Productivity Commission in response to questions on notice last time. I note that the Productivity Commission carries out payroll work for TEQSA. Is that correct?

Dr Nicoll: That is correct.

Senator CAMERON: Did they do a cost-benefit analysis before they undertook that work?

Dr Nicoll: I cannot comment on what the Productivity Commission did before they took on that role. I can comment on how we have made decisions with regard to that.

Senator CAMERON: I thought they might have said to you, 'Oh, no, we are not taking this on until we do a cost-benefit analysis.'

Dr Nicoll: No, Senator.

Senator CAMERON: They did not say that to you?

Dr Nicoll: No, they did not.

Senator CAMERON: Did you do a cost-benefit analysis before you asked the Productivity Commission to carry out the work?

Mr Emmanuel: Yes, we did. We considered what the cost would be if we were to do it in house and what the cost of outsourcing would be, and clearly we have benefited.

Senator CAMERON: What was your benchmark?

Mr Emmanuel: It was how much employing part-time staff would cost versus how much we were paying for the part of the activity that we were outsourcing.

Senator CAMERON: Did you ask any other government agency to look at doing the work?

Mr Emmanuel: We have not. To give context, we were having the Department of Employment, Education and Workplace Relations, our previous parent department, provide a host of services to us, including ICT, payroll financial services and so on. We moved to a new location, and the Productivity Commission happens to be just a floor down. We entered into a negotiation with them in late 2011 and, as a consequence of our discussions, we were able to source ICT services and the payroll services for nearly half the cost of what we were paying before. So there was a clear benefit.

Senator CAMERON: You do not know whether that could have been cheaper through our government agencies?

Mr Emmanuel: We have not explored that with other government agencies.

Senator CAMERON: So it was basically for convenience that you did that?

Mr Emmanuel: Yes. It was convenient, and there were clearly savings for us compared to what we were incurring at that time.
Senator CAMERON: But convenience and savings are not a cost-benefit analysis, is it?

Mr Emmanuel: It was definitely a saving for us in terms of what we were paying at that time and what we would be getting from the Productivity Commission. We also have to be mindful, Senator, that the department of finance puts certain restrictions on small agencies. As much as possible we have to source our corporate services from the parent department or some similar agency.

Senator CAMERON: But you are not sure if there are more productive agencies, more efficient agencies, other than the Productivity Commission?

Mr Emmanuel: We have not looked into others. We are based in Melbourne; therefore, there are not many Commonwealth agencies that we could go to.

Dr Nicoll: But, Senator, we saw the saving compared to what we were already paying as so significant, and there were benefits not just in the savings.

Senator CAMERON: That is not what I am asking you, Ms Nicoll. I am not really worried about that. I would assume that you would have done that. Mr Emmanuel says you did a cost-benefit analysis. It seems to me that you did not do a cost-benefit analysis. It was convenience and you saved money. That is okay; that is fine. I was just asking the question as to whether you looked at other agencies and whether they could provide it in a more productive manner than the Productivity Commission. The answer was no.

Mr Emmanuel: Not with other agencies—but we certainly did a cost-benefit analysis in terms of doing it in house as opposed to doing it externally.

Senator CAMERON: With the greatest of respect, Mr Emmanuel, that is not a cost-benefit analysis. Anyway, that is fine. Thank you.

Senator MASON: I have questions about TEQSA's approach to public reporting of regulatory decisions, the consultation process. I understand that you have recently embarked on a public consultation regarding TEQSA's approach to the public reporting of regulatory decisions. Dr Nicoll, what prompted you to think that you should change your current public reporting processes?

Dr Nicoll: It is generally best practice in regulation around the world to have public reporting of the outcomes. This is an area in which we had an evolving approach. We had to build a national register and that is the repository of all of the names of the providers that TEQSA has registered and their courses for those who are not self-accrediting. This was a staged approach. We got that up and running initially on our website. It had a certain amount of data. Stage 2 was to be a public disclosure. What we are talking about is the possibility for greater reporting of our decisions in relation to re-registration and accreditation so that the public is aware of the basis on which accreditation is provided. There will be on our register some providers with conditions. We want that to be accompanied by analysis and explanation. It is generally good practice around the world for this to occur.

Senator MASON: I am not saying that it is a bad thing. Have any of the institutions that you regulate expressed any concern about the public—

Dr Nicoll: No. There was actually generally a very positive—

Senator MASON: Is that right?
Dr Nicoll: response to it. That goes to the maturity of the sector. There is a sense that it deserves to be said and that TEQSA should be transparent about its approaches. They did raise some issues. We have looked at some of those and nuanced the approach that we will take. But we will be rolling out public reporting of decisions from July.

Senator MASON: July this year?

Dr Nicoll: That is correct.

Senator MASON: Submissions closed on 3 May.

Dr Nicoll: That is correct.

Senator MASON: You are happy with the response, clearly.

Dr Nicoll: There will be on our website, ultimately, in the weeks to come a response to the feedback and where we go from here.

Senator MASON: Currently, the national register, in addition to basic information about the providers, identifies whether a decision-making process has resulted in any changes to the information listed on it, but not much more.

Dr Nicoll: No.

Senator MASON: Has there been any thought given to publishing the summary of findings that is currently given to the provider, analogous to the way in which all judicial and many administrative decisions are published?

Dr Nicoll: That is in essence where we are moving.

Senator MASON: You are moving that way?

Dr Nicoll: But it will not be the exact summary of findings. It will be an extract of that that is suitable for public reporting.

Senator MASON: Okay. You mentioned before that international bodies approach things similarly—in other words, they adopt public reporting. What are those bodies? What are the international bodies similar to TEQSA that publicly report?

Dr Nicoll: The US does it; the UK does it. Most—

Senator MASON: Do the Singaporeans and Hong Kong?

Dr Nicoll: I do not have the specifics in my head, but it is a common approach to have public reporting throughout Europe and the rest of the world.

Senator MASON: Not just in the context of higher education but more generally?

Dr Nicoll: Certainly in the quality assurance space it is common practice.

**Australian Skills Quality Authority**

[14:59]

CHAIR: I welcome Mr Robinson and officers from the Australian Skills Quality Authority.

Senator NASH: I have a number of questions to run through that are reasonably straightforward. What is the total amount of office space that is leased by ASQA?

Mr Robinson: I will take that on notice. We have an office in each capital city.

Senator NASH: Does that include the territories as well?
Mr Robinson: Yes. I have not got office space information with me. I will have get that for you. We have rental costs of those premises. That is a total of $2.5 million per year.

Senator NASH: That is rental of the whole lot. That would seem reasonably straightforward. Perhaps you could get to me by the end of today; perhaps an official listening out there in the ether might be able to quickly go through and put that together for us. If you want to break it down for me into those capital cities, great, but if you just come up with the total amount of office space that would be great, too. Are the offices that you have talked about that are in the capitals the only ones that you have?

Mr Robinson: We also have one officer who works from Toowoomba as an auditor. I believe that there is some space that that officer has in that city as well.

Senator NASH: Okay. We are effectively talking Brisbane, Sydney, Melbourne, Hobart, Adelaide, Perth, Darwin and Toowoomba. Is that correct?

Mr Robinson: And Canberra.

Senator NASH: Sorry, Canberra! That is taken as read. So all those plus Toowoomba. How many workstations are there?

Mr Robinson: We have about 210 staff. There might be a few extra workstations that do not have any staff.

Senator NASH: Okay.

Senator CAMERON: Watch out for coffee machines incoming!

Senator NASH: No, pot plants! I do pot plants

Mr Robinson: I do not think that we have any publicly funded coffee machines.

Senator NASH: Do you have pot plants? No, I will not go there! Sadly, we only have self-funded pot plants in this building these days. My pot plants are not looking very good at the moment. Do you have figures for the average amount in metres squared per staff? How much space is allocated to each workstation; each staff member?

Mr Robinson: We could get those. We will probably have to take that on notice and come back to you with it.

Senator NASH: All right. If you could—and it seems like a reasonably gettable figure—get that before the end of the day, that would be very much appreciated. I think that you said 210 staff. Is that right across the board?

Mr Robinson: Yes.

Senator NASH: How many of those staff undertake the audits?

Mr Robinson: About 70 of those staff are in the compliance teams. Then there are another 40 or so, I believe—and we will check these figures for you—who undertake the risk assessment work that leads into the compliance work. Then we have legal people, complaints people, corporate and HR people and some other people who are doing strategic reviews—the range of tasks that go into the total regulatory activity. We also have 40 organisations on a panel of contract auditors that we can use. During this financial year, I anticipate that we will spend around $2 million on contract auditors.

Senator NASH: Can we backtrack for a moment? Did I ask you for the total number of workstations?
Mr Robinson: You did.

Senator NASH: I did, didn't I?

Mr Robinson: We have 210 that are occupied, but—

Senator NASH: That is right—plus you said that there were some extra—

Mr Robinson: There are a few others, yes. We will get that.

Senator NASH: In terms of the staff who undertake the audits—and if you do not mind, please clarify those figures by the end of the day; that would be fantastic—what percentage of their time is spend out of the office?

Mr Robinson: I am not sure what percentage of their time is spent out of the office, but most of the audits that we do involve site visits to the RTOs—around 85 per cent. All initial audits involve site visits. But we took a decision last year to make sure that all renewal audits involve site visits as well. We inherited different regulatory practices from different state regulators and some previous regulatory practice relied more heavily on what are called desk audits. We want to make sure that in each audit process—unless there is a reason not to, like they have been recently audited for some other reason—that a site visit is involved.

Senator NASH: How many audits would you expect the contract auditors to undertake in, say, a 12-month period?

Mr Robinson: I do not know if I have the figures for contract audits. I have the figures for the total number of audits that we have done as an agency. We have completed 1,633 audits since we commenced operation on 1 July 2011. We have 433 audits that have commenced but are not yet completed. Another 600 training organisations have been earmarked for an audit.

Senator NASH: Do you break those audits down by office?

Mr Robinson: I do not have those figures here. I have what they related to—whether they were compliance audits or—

Senator NASH: But you cannot tell us whether they were out of the head offices or the Toowoomba office?

Mr Robinson: We could, but I have not got those figures with me. We would have to take those on notice.

Senator NASH: Why not? That would seem like a very straightforward question. I am a little surprised that you have not got something that straightforward with you. Given the focus on the auditing process at the moment, and that has been there for a while with the changeover, I would have thought that how many audits were being done out of each office would have been a fairly simple statistic to get.

Mr Robinson: We look at that information from time to time. But the crucial thing for is what type of audit they are and whether they are leading to non-compliance notices and the like.

Senator NASH: True. I understand that it might not be crucial for you, but it is crucial for those of us who are asking the questions. It just seems that to aggregate—

Mr Robinson: As I said, we can get you the information.

Senator NASH: Perhaps you could do that by the end of the day as well. If you can give me an aggregate the figure, the information has to have been supplied from somewhere. I
assume—I hope not incorrectly—that the different offices provide you with the information on how many audits that they have done and therefore that is how you arrive at the figure of 1,633.

Mr Robinson: That is right.

Mr Napier: We have it. We will make sure that we get it to you.

Senator NASH: Great. If somebody could dig it out, that would be fantastic. I imagine that it would be fairly easy to do. The renewal audits now include site visits as well where they had not before. Is that correct?

Mr Robinson: No. Most of them did include site visits. What I am saying is that some regulatory practice from previous regulators was that some audits were done as desk audits for renewal audits. But we are moving to the situation where they all involve site audits unless the sites have been recently audited for some other reason.

Senator NASH: Okay. Does having the requirement to do a site visit comparatively increase the cost of doing the audits?

Mr Robinson: It does increase the cost.

Senator NASH: Do you know by how much?

Mr Robinson: I cannot answer that question without getting further information.

Senator NASH: Okay. Please take that one on notice, insofar as you can. I understand that that one is probably a little more difficult, but if you could provide that by the end of the day that would be very useful.

Mr Robinson: We cannot provide that by the end of the day. I would have to go back and calculate that.

Senator NASH: All right. I understand that for that one. But for the others, which were fairly straightforward, if you could provide those today that would be very useful. Was the total salary bill the $2.5 million figure that you gave me at the beginning?

Mr Robinson: No. That $2 million was the amount that we expect to spend on contract auditors.

Senator NASH: What was the total salary bill for the last 12 months?

Mr Napier: We are forecasting for this financial year a salary bill, including superannuation and other employee expenses, of about $21.2 million.

Senator NASH: For the last 12 months? I think that you just said that that is your forecast for the next 12 months.

Mr Napier: I do not have that with me.

Senator NASH: Seriously? You can tell me what you are going to spend, but you cannot tell me what you have spent.

Mr Napier: No, I did not bring that one with me, but I am happy to take that on notice and get it to you today. That is an easy one for us to find.

Senator NASH: Fantastic. I think we might also have discussed last time complaints that ASQA receives. Are there any complaints that you have received to date from consumers on the quality of the training providers?
Mr Robinson: Yes, we have had a number of complaints—around 1,600 from various people about training organisations.

Senator NASH: Over what period of time was that?

Mr Robinson: That is for the first 21 months, so from 1 July 2011 to 31 March this year. They are for various reasons: 256 related to false or misleading marketing and pre-enrolment information, with the complaints coming from students; 212 were about assessment processes; 194 related to the non-issue of a certificate or recognition of their qualification; and 304 related to what the students believed was poor-quality training and the like. Most of them have come from students of providers.

Senator NASH: How do you verify those complaints?

Mr Robinson: We investigate them and we look to see, from further follow-up, whether we believe the information is substantiated. In relation to these, 331 of the 1,600 were investigated but found not to be substantiated. And 249 were substantiated and resulted in a particular action relating to that complaint, and another 118 were referred to other agencies to deal with, such as state and territory fair-trading offices or state regulators; in cases where they were in Western Australia or Victoria it came under their jurisdiction.

Senator NASH: And what about the rest of them?

Mr Robinson: Of the 883 that have been closed so far, 150 provided information that will be used in future regulatory assessments of the agency and 35 were withdrawn by the complainant. So there is still—

Senator NASH: Oh, okay—that's where I was just about up to, 885—

Mr Robinson: That is right; the others are still underway.

Senator NASH: They are still in the pipeline but awaiting an assessment.

Mr Robinson: Yes, or being investigated as we speak.

Senator NASH: Were you surprised by the number? Was that an expectation, or was it one of those things that you just had not really thought about—

Mr Robinson: Well, there are about two million publicly funded VET students in Australia, and there is another significant number of private students, but at the moment there is a process going on to collect data about the number of VET students who study from private RTOs. So, there is not full data about the sector at the moment. That is 1,600 complaints in over a year and a half out of several million students. It is a high enough number, but it is not excessively high.

Senator NASH: And it is good that they have somewhere to go if they have an issue.

Mr Robinson: And they may go to other people. Overseas students can go to the Commonwealth Ombudsman, and various states have ombudsmen or some kind that they might take a complaint to as well. So, there might be people other than us who get some complaints.

Senator NASH: When a complaint has come to you and it has been verified, what happens then? What do you do?

Mr Robinson: It depends what it is. We may direct the RTO to rectify it in some way. We may take various actions, depending on what the complaints are. Some of them are not
complaints we do take action against. It might be a former employee or issues to do with the industrial relations side which fall outside of our bailiwick, for example.

**Senator NASH:** Have there been any complaints from providers who are dissatisfied with the audit process?

**Mr Robinson:** There have been 110 complaints in writing through the complaints process that we have on our website, made mainly by providers, about ASQA, and a further 23 complaints that have come through as ministerial correspondence, since we started. We have also had 65,000 calls on our info line, and 0.2 per cent of those have been complaints about our operation in some way, shape or form. And on our email inquiries line we have had 23,000, and 0.1 per cent of those, or 28, have been complaints about ASQA. We run a survey of people who have been audited by us, and we run those regularly. We have been getting very high levels—well over 90 per cent—of satisfaction with the audit process and the organisation of the audits and the information they had about the audits. I think that is a very good result. I do not know if people are relieved once they have had an ASQA audit and they get through it, so they then say good things about it in the survey. But obviously there is a small number of people who, especially if they get an unfavourable regulatory outcome, will not say that they were satisfied with the process.

**Senator NASH:** How many providers have had their registrations cancelled as a result of an ASQA audit?

**Mr Robinson:** Eighty existing providers have had their re-registration application refused by ASQA. Another 47 have not had an application in but for some other reason we have gone to audit them and they have had their registration cancelled or suspended.

**Senator NASH:** For those 80, could you give us a sense of what types of things they have done that have not met the process they have been de-registered for?

**Mr Robinson:** Usually if they get a cancellation or refusal of registration they are not compliant with many of the standards, but most of those would involve noncompliance with the core business of an RTO, poor delivery strategies and implementation or poor assessment, or it might be teachers without the appropriate qualifications. But usually it is all of those things, not just one. It may well be a number of other things as well. Normally it is a number of the key standards that are questioned when we go to the more serious end of our regulatory action.

**Senator NASH:** Do they get an opportunity to try to rectify it?

**Mr Robinson:** They certainly do. If it is a registration renewal application they will get the audit report and they will have 20 working days to respond to the noncompliances. They may supply further evidence, which is then looked at by auditors, and it is only after that process that it would come up to commissioners for a decision about refusing the application. In the case of a compliance audit we are required under the act to give them a notice of intent to cancel or suspend their registration, and then they have, again, a similar period of time to be able to come back and show cause as to why that should not happen.

**Senator NASH:** Do you have any providers who say, 'I want to try to rectify this but 20 days isn't enough' and ask for a bit more time?

**Mr Robinson:** There are times when people say that, and there are certainly times when the commissioners agree—
Senator NASH: You have the capacity to grant some more time if necessary?

Mr Robinson: A short amount of extra time. We have got to have a level playing field. Basically, if we view that they are less serious non-compliances they will be given a direction to sort the issue out; we do not go to refusing registration as the first port of call. It is only in the most serious cases that we—

Senator NASH: That is sort of: 'Identify the problems. If they can, they will rectify it and it is all fine; if they do not, then thanks very much.'

Mr Robinson: What we do not do is have endless periods of promising to do things and not doing them.

Senator NASH: And neither should you.

Mr Robinson: Indeed, some previous regulatory experience reflected repeated examples of people who were given opportunities to rectify and who made undertakings to do so; but of course the next time they got audited the same problems existed.

Senator NASH: That is a fair call to make. How do you determine which audits go to external auditors?

Mr Robinson: We have a process in the organisation where the audits are scheduled: it is the number of audits that the internal auditors would have on their plate and whether it is necessary, in that particular location and if all the internal auditors are booked out, that we use some external auditors to do further work. Sometimes we also get an external auditor who may have particular expertise in an area to do the audit.

Senator NASH: So, in the main, it is a workload issue. When the workload gets too high internally you employ the external ones, unless they have got a specific area of expertise. What sort of percentage of the overall auditors would the external auditors be?

Mr Robinson: I am not sure of the exact percentage. The majority of our audit work is done by the internal auditors, but I will have to come back to you with the precise figure. It is certainly the vast majority that is done by internal auditors.

Senator NASH: You have undertaken to take on notice today those 70 staff, and then I think you said there were 40, give or take, who did risk assessment. In that, perhaps you could have a quick look at the external auditors for me as well. It can be a rough ballpark figure; it does not have to be exact.

Mr Robinson: We will try to get it today, but if we cannot we will get back to you soon with it anyway.

Senator NASH: Have you had any complaints regarding the delays in registration?

Mr Robinson: Yes. In terms of the application time, 80 per cent of all of our applications are completed in less than two months.

Senator NASH: I asked you about complaints regarding delays.

Mr Robinson: Most of the complaints that we have had—as I said before they have been a small number—have involved delays in processing times, but I would have to get back to you about that.

Senator NASH: Again, if you could do it today it would be really useful. These are really straightforward questions, and I would have thought that it would not have been too onerous
to have some information to provide to the committee. For the tricky stuff, I completely understand taking it on notice. But for the straightforward stuff, I think there is an expectation from the committee that with all of those staff members. How many staff have you got in your department?

Mr Robinson: We have about 210.

Senator NASH: Perhaps someone in that 210 could put a little bit more focus onto answering the straightforward questions that may potentially come up. Can you give me any sense of the current percentage of revenue that is coming from cost recovery?

Mr Robinson: This year around $10 million of the budget of $35 million was raised.

Senator NASH: You said $35 million was the total?

Mr Robinson: $35 million is the total.

Senator NASH: So it is about $10 million of the $35 million.

Mr Napier: The cost recovery target for this year was $21 million. That was subsequently reduced to $16 million due to delays in the introduction of annual fees that was agreed by the minister. We are forecasting, at this stage this year, somewhere in the vicinity of $10 million from our fees. There are a number of reasons behind that.

Senator NASH: Is that cost recovery right across ASQA's operations and not just the audit process part?

Mr Robinson: Correct.

Senator NASH: It is across the whole board?

Mr Robinson: Yes.

Senator NASH: You have a presence in every capital city—does the cost recovery aspect impact the total number of officers?

Mr Robinson: With the number of officers that we have, we have to make a balance in resourcing between being able to deal with things in a timely manner and being rigorous and thorough in the audit work and so forth that is needed to deal with testing the compliance providers. As you would appreciate, there has been some history in this sector of poor provision, and we have been finding that around 22 per cent of applications to set up an RTO are rejected and around 11 per cent of the existing providers' renewal of registration applications are rejected. It is a significant issue in terms of the quality of provision, and we need to have a thorough regulatory approach which requires audit and investigation of what RTOs are doing.

Senator NASH: Can you give us a sense of what the expected amount for an audit of a small RTO offering, say, four training packages would be once full cost recovery is in place?

Mr Robinson: The proposal that we have put out for the consultation on cost recovery this year would raise the revenue generation to $24 million out of the $35 million. It was envisaged when the decision was made by COAG that ASQA would become a full cost recovery regulator. It was also agreed, in the process of establishing ASQA, that it would not all occur at once. The first phase happened in July 2011, which was when the first set of fees—the ones we are currently using—were established. We have had a consultation out to
the sector about a rise in the fees to bring the revenue raising up to $24 million next year. It 
still will not get us to full cost recovery.

In terms of the fees that were proposed in that document: the lodgement fee for a small 
provider to renew its application would rise from $640 to $915 and an assessment fee for 
someone with four qualifications on scope, would rise from $3,300 to $4,100. Those are the 
kinds of fee that would be involved. It might vary a bit if they have extra sites and so forth. 
Basically, that is the kind of fee rise that is proposed for the re-registration of a small RTO. 

Senator NASH: Dr Russell, if you would not mind, could every effort be given to 
providing those questions that were straightforward by the end of the day? That would be 
very much appreciated, thank you.

CHAIR: You will have a few problems in Western Australia today, but perhaps not in the 
rest of the Commonwealth. It is a public holiday today in Western Australia.

Senator NASH: I am sure that there would be figures that are held in the department in 
Canberra, but you are correct, Senator Bishop, thank you.

Senator CAMERON: Chief Commissioner, I did put some questions on notice in relation 
to TAFE cuts at the last estimates and I received a number of responses. You refer to the $290 
million reported cut in Victoria. Are you saying that is a reported cut?

Mr Robinson: I do not believe this answer came from ASQA. I think it may have been an 
answer from the department.

Senator CAMERON: You would be across this, wouldn't you?

Mr Robinson: Our role is to check the compliance of the providers.

Senator CAMERON: I will come back to the department at 4.15 then. Some of the 
responses we have got do come back to your responsibilities. There is a $290 million cut by 
the coalition government in Victoria, and $170 million for funding to TAFE as a full service 
provider. What is the definition of a full service provider?

Mr Robinson: Indeed we did have some correspondence from some of those TAFEs. In 
one case there was the closure of a campus; in other cases there were closures of courses. That
is a way to deal with a cut by reducing the actual provision, but it does not necessarily reduce the quality of what they keep doing. So they are cutting their cloth to fit, I believe, from the information they have provided us with so far, in terms of not trying to make every course run a little more cheaply but to stop running some courses and to stop running them in some sites. If they do the latter, then they may not be breaching the standards in terms of quality of what they are providing, they are just cutting back the scale of what they are doing.

Senator CAMERON: Same quality, less delivery.

Mr Robinson: Yes. Less volume, less sites they deliver at.

Senator CAMERON: How does that stand with page 276 of the ASQA budget statement, point (d), which says that your purview is to provide a regulatory framework that encourages and promotes a VET system that is appropriate to meet Australia's social and economic needs for a highly educated and skilled population? If the cuts have been from the full service providers, that would include some of the trades areas and I am just wondering if you have had a look in Victoria at whether that $290 million cut has had any implications on meeting Australia's social and economic needs.

Mr Robinson: True, that objective involves more than what we do, but our part in it is to make sure that the quality of what they remain doing is meeting the required standards. But I think it is correct to say, as you are saying, that they have dealt with this by cutting back the numbers of what they are providing, and indeed at the sites where they are providing it. It is having an impact to that extent; for example, one campus closed down at one TAFE institute in Melbourne and so that—

Senator CAMERON: So it has implications for the economic needs of Australia and that is your responsibility, isn't it?

Mr Robinson: Our responsibility is to make sure that we contribute to that by ensuring that the quality of what is provided meets the standards with which RTOs are expected to comply.

Senator CAMERON: That seems to me to be a narrow purview. If the TAFE system can close down—let's talk about extremes; two or three TAFEs in each state providing quality outcomes—are you happy?

Mr Robinson: It is not our responsibility to set the resources that a state government might apply to the volume of training in Australia. Indeed, the work that is done federally around those sorts of issues is handled by the department in their negotiations with states about the Commonwealth contribution to funding.

Senator CAMERON: So you are saying the COAG regulation on 7 December is simply about quality and not about quantity?

Mr Robinson: Our role is to ensure that the providers are meeting the standards that are required of them. The standards do not go to matters of how much funding they put into the system, how many places and the volume of training that they tend to deliver; our role is to ensure that what they do deliver meets required standards. It is a different set of negotiations and discussions that occur around those matters, but it is not what ASQA is involved in.
Senator CAMERON: The financial input from the states and the number of places they have available have implications for your objectives, haven't they? Even though you do not regulate it, it has implications for your objectives.

Mr Robinson: As I say, we do regulate them against the standards that are required of them, but those standards do not go to the volume of training that they deliver, or the resources that the state government provides them. We do, though, assess whether the cuts in resources have led to a cut in the quality when they come up for reregistration. So far, we have not found that to be the case, because they have been scaling back instead of cutting the quality of what they have remaining to do.

Senator CAMERON: Has there been correspondence between you and the Victorian TAFE system or the government?

Mr Robinson: I have had some correspondence with them. We have had some meetings with them about it. Essentially, they have been handling it in that manner. We have not yet—

Senator CAMERON: Just before you go on: essentially, you are saying that handling it in that manner is what they have put to you: 'Look do not worry about quality. We have cutback in numbers so we can maintain quality'?

Mr Robinson: We will make our own assessments of what impact they have had on quality when it comes time to assess applications from them—

Senator CAMERON: It seems to me you have made an assessment. You have said that they have cutback on numbers to maintain quality.

Mr Robinson: They have informed us of what they have done to date, but we have not yet had occasion to reregister a Victorian TAFE since those cuts have occurred. In fact, if there is going to be an impact—we are not saying there will not be an impact; we have not made that conclusion at all—we would not have expected the major impact to flow through yet. It is certainly on our radar. When we examine those institutes for reregistration, we will be looking in some detail at this very issue—as to whether there has been an impact—and if they are meeting the required standards.

Senator CAMERON: Just let me be clear: have they put to you that they are maintaining quality by cutting back on the places available?

Mr Robinson: I have had some correspondence from at least one institute that had some major implications, and they wrote to me and informed me about the closure of the campus and the programs that they were trimming back and the like. That is information that we will use in future regulations of that institute to check the effects of that.

Senator CAMERON: Could you table that correspondence from that individual TAFE?

Mr Robinson: Yes.

Senator CAMERON: Have you had any correspondence with the Victorian government or the Victorian TAFE agency? Is that the correct term?

Mr Robinson: I think I have already tabled a correspondence we had.

Senator CAMERON: Have you heard any more from them?

Mr Robinson: We have had some verbal discussions with them.
Senator CAMERON: Just summarise your verbal discussions. Is that on the basis that they are cutting back on numbers to maintain quality?

Mr Robinson: Basically, we have made it clear that going forward their TAFEs are required to meet the standards and that they will be the issues that we will be focusing on when they come up for reregistration.

Senator CAMERON: I have been advised that the government funded delivery by private RTOs in Victoria grew 310 per cent between 2008 and 2011 and 122 per cent between 2010 and 2011. What resources are you putting in place to make sure that these RTOs are providing quality outcomes?

Mr Robinson: We have taken action against some RTOs that were involved in funded delivery in both that jurisdiction and in others. There have certainly been some questions about the quality of some of that. We have liaised with the department in Victoria about their work in checking contract compliance and the like. They have raised issues with us about a number of providers who they were concerned about, and we have followed up and taken regulatory action against some of those. We had other concerns, which came from other sources, about some providers that have been involved in funded delivery—some private providers. We have taken quite a lot of action against providers in Victoria.

Senator CAMERON: Where can we find the details of this action that you have taken?

Mr Robinson: We list on our website. So far we have taken action against 127 RTOs where their reregistration has been refused or we have cancelled or suspended their registration. Some of those were certainly in Victoria and involved some discussion with the department about quality issues there.

Senator CAMERON: You have had discussions with the department in terms of quality for the RTOs in Victoria and 120—

Mr Robinson: That is nationally—127.

Senator CAMERON: Yes. How many were in Victoria?

Mr Robinson: I do not have that figure with me.

Senator CAMERON: Will you take that on notice?

Mr Robinson: Yes.

Senator CAMERON: Do you have it here now?

Mr Robinson: No.

Senator CAMERON: Can you take that one on notice?

Mr Robinson: Yes.

Senator CAMERON: From the information I have received, it seems that there has been a huge growth in private RTOs and a decline in the use of the TAFE system, by deliberate government policy, in Victoria. Do you have the resources to make sure that these RTOs are complying?

Mr Robinson: We have conducted 1,600 audits in 21 months—that is since we started—and we have another 400 under way at the moment. There are also 600 earmarked. That is out of the 4,100 or so providers that we regulate around Australia. We have had a very active program to date and we are taking strong action when we find that noncompliance is an issue.
Obviously there are some cases where those compliances are not serious enough to warrant deregistration, but they do perhaps warrant us giving them a direction about rectifying matters or requiring other actions.

**Senator CAMERON:** Are these audits desk audits?

**Mr Robinson:** No, 85 per cent of them are site audits. The main time we do a desk audit is if they have recently had a side audit. It is a subsequent process where they have had a side audit; we do a desk audit to follow up on something.

**Senator CAMERON:** Could you provide details of your audit procedure?

**Mr Robinson:** We could. Just quickly, they do involve looking at the RTOs’ facilities and equipment. We do a sample of their programs to check teaching, assessment and qualifications of staff and the like. So it is a pretty thorough process to examine how they are doing what they are supposed to be doing. We check whether anything that is in a training package for that program is being done properly by the RTO, and they can also speak to students.

**Senator CAMERON:** I am sure you have a management system to follow. Someone does not just say that they are going to do an audit. Can you provide us with some details? Thanks for giving me the overview, but I would like some details on how the audits are being done.

**Mr Robinson:** We will provide further detail about that for you.

**CHAIR:** Thank you, Senator Cameron. Senator Rhiannon.

**Senator RHIANNON:** I want to return to the Victorian situation, because we have seen such an extraordinary explosion of private VET providers, and that interesting set of figures that 19 private VET colleges in Victoria pocketed a combined $13.6 million in public subsidies. They have since been closed down by regulators for critical noncompliance or have voluntarily relinquished their licences. What in the demand-funded model of VET, opened up to private providers, allowed this to happen?

**Mr Robinson:** We are talking here about a decision of the Victorian government, so I cannot really comment on why they did what they did. I can say that, when we either came to renew the registration of some of those providers or had complaints about them and had done compliance audits, we took action to close a number of those providers where they were critically non-compliant. As I said, nationally we have done that in the case of 127 providers.

**Senator RHIANNON:** I am interested in what lessons are you taking from this. I appreciate what you have said about the Victorian government, but surely there is something in the federal government rules, legislation or policy which has allowed space for this to happen?

**Mr Robinson:** We are talking here about a decision of the Victorian government, so I cannot really comment on why they did what they did. I can say that, when we either came to renew the registration of some of those providers or had complaints about them and had done compliance audits, we took action to close a number of those providers where they were critically non-compliant. As I said, nationally we have done that in the case of 127 providers.

**Senator RHIANNON:** I am interested in what lessons are you taking from this. I appreciate what you have said about the Victorian government, but surely there is something in the federal government rules, legislation or policy which has allowed space for this to happen at the state level.

**Mr Robinson:** We are the national regulator, so we do not set the policy or even the standards against which we regulate. We regulate and check for compliance.

**Senator RHIANNON:** I appreciate that, but I am just trying to see if there is a lesson in this. What is happening is so enormous, surely there are lessons that are being learnt by people like you.

**Mr Robinson:** The lessons we have learnt from it as regulators are that we have been refusing over one in 10 applications for reregistration of a provider because they are not meeting the required standards. That is far too high a figure. That is why we are here: to make
sure that providers like this are not allowed to continue when they are providing a poor quality product.

We have been refusing the registration of over 20 per cent of applications to set up a new provider because they are clearly not ready to enter the market, and we have put a higher bar on that question than previous regulatory arrangements did. We are in the business of providing a rigorous regulatory environment when it comes to people that are breaching the required standards.

**Senator RHIANNON:** Has any federal funding been provided to any of these non-compliant providers?

**Mr Robinson:** I believe—and you will have to ask the department about this—that the federal funding goes through agreements with the states, and the states run the purchasing processes.

**Senator RHIANNON:** Yes, I am aware of that. I was again interested in whether that was something you have looked at, because this is becoming such an enormous issue. I understand that there are boundaries to where you can go, but I—

**Mr Robinson:** Whenever we find serious noncompliance, we take strong action. So our role is to: check that compliance; make sure that RTOs that are found to be non-compliant are not able to continue providing a poor quality program; and make sure that students are getting good quality skills and proper qualifications and, indeed, that the economy and employers are getting the skills they need through a quality regime that we are enforcing.

As I said, so far there has been a number who do not reach those standards, and we take action. We have also contributed to the National Skills Standards Council review of the standards, where we have drawn on some of the regulatory experience—you asked about lessons before—that we have had so far, to make suggestions about how the standards can be improved to ensure better compliance.

**Senator RHIANNON:** Going back to the Victorian situation, you said that where there is noncompliance you look to take strong action. Is there any mechanism available to recoup any public money that has been effectively misused?

**Mr Robinson:** We were talking earlier about the decision that was made in the case of ASQA, the regulator, to have full cost recovery regulation, which means that the fees that we are part way through a process to achieving would recoup the costs of regulation. In relation to the broader funding of VET, that is not a question I can answer.

**Senator RHIANNON:** I will move on to South Australia. I understand that South Australia is experiencing some similar problems. Would you explain where things are up to with South Australia and if ASQA is seeing any patterns or concerns emerging from the opening up of the VET market to demand driven funding in that state?

**Mr Robinson:** There are a few providers that we have taken action against in South Australia. I do not have the exact number with me; it is a relatively small number, but it is significant nevertheless—I think there are only around 300 providers in the whole state. You are referring to the state government’s policy of purchasing, which, again, is an issue you would need to raise with the department rather than me.
Senator RHIANNON: I appreciate that, but, again, going to the enormity of it, we have now had the experience in Victoria—

Dr Russell: I suspect the department could be more helpful to you. Maybe we could deal with that when we get to outcome 3. It is putting Mr Robinson in an odd position.

CHAIR: That is right. Mr Robinson, if you are unable to answer the questions, simply say so and we will ask the questions again when the department is here.

Senator RHIANNON: Thank you for the advice. I still get confused about where to ask questions, so if that is the answer I am happy to pick it up later. I would like to move on to the Australian Council for Private Education and Training. Is that something that I can ask you about?

Mr Robinson: You can.

Senator RHIANNON: I was interested that they are now stating that they also have some concerns around the VET market, saying that private colleges were having to slash their fees to compete with many new providers. Is it valid for private VET businesses to have these concerns while they are competing with TAFE colleges for the same funds?

Mr Robinson: In the private sector, I believe ACPET, the Australian Council for Private Education and Training, have around 1,000 members. There are nearly 5,000 training providers out there—with around 60 big public providers and the bulk of them private. They have coverage of around 20 per cent of the total number of providers in their organisation, and they probably have some of the bigger ones as well. We have a roundtable with them and other provider organisations quarterly. One of the interesting issues for ACPET is that they are very supportive of strong regulation because, obviously, quality providers in the private sector will be undercut by poor-quality providers in the private sector. So they are interested in quality issues. They are interested in strong regulation that stops people from, if you like, undercutting through providing very poor quality programs as a way to achieve a business model which is, if you like, low fee but also low quality.

Senator RHIANNON: I thought they were opposing caps on oversubscribed courses. Is that the case?

Mr Robinson: I think you are commenting there on some of the discussions that they have had or public statements that they have made about the purchasing policies of state governments. Again, it is an issue you would have to take up with others.

Senator RHIANNON: I thought they were opposing caps on oversubscribed courses. Is that the case?

Mr Robinson: No, it is not a matter we deal with as such. What we do is look at the standards required of a training provider and check that they are complying with those standards. It is around meeting the required standards for teaching, assessment, the qualifications of their staff and a range of other standards that we regulate against.

Senator RHIANNON: I am interested in exploring the possibility of whether there is a need for a review in this sector. I notice that the Australian Workforce and Productivity Agency's Future focus report says that recurrent funding of VET has fallen 25 per cent, and it opens up the need for a review. We have had a review of university based funding; we have
had the Gonski review. How does ASQA respond to the AWPA’s concerns, particularly about the diminishing of TAFE funding and questions about ongoing quality in the VET system?

**Mr Robinson:** Generally speaking those funding policy issues are for the department to look at. As I say, our end of this is to focus on what these practices mean for the quality of provision on the ground in the RTO. Whether they are a TAFE or a private provider, that is the focus of our work when we audit a provider to see if they are complying with the required standards for teaching, assessment and the like.

**Senator RHIANNON:** I appreciate that is the focus on your work. A point does not come when you see so many problems confronting you that you are then making recommendations? The Victorian experience is just enormous and it continues to roll on, and it could be occurring in other states. Do you get to a point where you plug the holes?

**Mr Robinson:** We have not finished our regulatory work in Victoria by any stretch of the imagination. There have been quite a number of providers there of concern. We have taken action against many of them. We have a lot of work in the pipeline in Victoria. I think there are a lot of strengths in the Australian VET system, but my view would be that there are some areas of concern where strong action is needed to get rid of players in the market who are providing very poor quality product.

**Senator RHIANNON:** Thank you, Chair.

**CHAIR:** We will now take a break for afternoon tea.

**Proceedings suspended from 15:56 to 16:16**

**CHAIR:** I welcome officials from the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education. We are dealing with outcome 3.

**Senator NASH:** Sorry to bring this to your attention because I realise you are not the Department of Human Services but this relates to independent Youth Allowance and access to information for students wanting to access Youth Allowance. The concern was brought to my attention by somebody who was trying to get their head around how it all worked. We all know it is a little complicated. They went to the website, which subsequently I had a look at and I also had the same concerns. I do not know if you are aware of this but when it goes to independent Youth Allowance, it says that if you are applying for Youth Allowance you will be assessed as either dependent or independent. It then goes on to say being independent means the parental means test does not apply to your Youth Allowance. It is not until you go considerably further down the website page that it comes through to the regional aspect, where they can work but the $150,000 cap applies.

My concern is that anybody reading that would read the first sentence and think that the parental means test does not apply to independent. They could get that far and think, ‘I am leaving school in 12 months. I do not have to read any more. I know that that does not apply.’ Are you aware of that? If not, could there be any discussions with the department to rectify it? It is really misleading.

**Mr Griew:** That is certainly an issue that we could take up with the Department of Human Services. The algorithms that drive their online application processes have to take into account the full range of possible cases. We can certainly feed that back to them and it maybe something that they can amend. They just always do face constraints about the amount of text and so on. It is probably something they just have not really thought through.
Senator NASH: I am in a very good mood today and I suspect it is an oversight. Even the addition of ‘does not apply to Youth Allowance unless you are applying under the category X, Y, Z’.

Mr Griew: It does not sound too hard to fix it and we will pass that on.

Senator NASH: I did raise it with the minister's office several months ago to try and do the right thing but it obviously was not addressed. If you could take that up it would be very useful.

In answer to some questions that were actually from estimates last time. We were talking about the model for trying to get an understanding of the expenditure separately for independent and dependent youth allowance and Dependent. Ms Sakkara, I think it was, said 'Yes, we have been redeveloping the model that we used to estimate expenditure for student payments,' because—couldn't get any—and that you expected that in another six to 12 months there would be more detail. Given that that was February—I realise it is not six months down the track—has there been any movement on that?

Ms Sakkara: We have made some progress with that work but we are not yet at the stage where we can supply the answer to that question. As we said—I think it was in February—it would be in six to 12 months time, so we have got a little bit more work to do yet.

Senator NASH: I understand that. I just live in hope. What I am particularly interested in—I suspect that you are going to have to take this on notice but I am going to ask anyway—is getting an understanding of the numbers and any change in expenditure on independent youth allowance before and after the parental income test cap was applied. I assume you will take the question on notice. What I would like is both the numbers and expenditure for the department for independent youth allowance from 2007, 2008, 2009 and then wherever the crossover is where the cap came in for the years subsequent until now. Would you that on notice for me in terms of numbers and the expenditure prior to the cap coming in and after the cap coming in. Although if you have any enlightenment for me now I would be happy to receive it.

Ms Sakkara: I will take it on notice so we can get the accurate answer.

Senator NASH: I appreciate that. Do student start-up scholarships and the change from the scholarship to the conversion to the income contingent loans—will these changes apply to existing students who already receive the scholarship or will it only affect new students?

Mr Griew: Only for new students.

Senator NASH: There has been a lot of concern raised from the ICPA, the Regional Universities Network and the National Tertiary Education Union about replacing the scholarships with the income contingent loans. Was there any particular consideration given to the impact of the policy on regional and remote students through its development?

Mr Griew: It should be stressed that the cash payment will still be available to students; it will just be added to the loan.

Senator NASH: They would get that; they understand that it is in addition to their loan.

Mr Griew: It is still available as an upfront cash payment. In making that decision, the government was very conscious to make sure that the cash payment was still available for all those students, including any who otherwise there might be any impact on participation. That
would include regional students. All of those issues were canvassed. The loan of course is a very favourable loan. A point that a number of other people in the sector have made as well. But that is not to deny that there has been that commentary that you referred to.

Senator NASH: It was a very favourable scholarship that I think even we on this side said at the time to the government was a very good move. Correct me if I am wrong, you referred to regional and the participation rate. What sort of discussions were there around the impact this would have on the participation rates of regional students?

Mr Griew: The point I was making was simply that the government considered absolutely the issues of low-SES and other potentially vulnerable groups in terms of participation. But to go to detailed considerations would take us into the territory of our advice to government in the context of a policy decision, which I think probably much further than the general comment I have made would be inappropriate.

Senator NASH: Are you aware of commentary made about the high debt levels that regional and rural students already face, and the concern that this change is just going to exacerbate that and make it worse?

Mr Griew: We are aware of commentary you have already referred to about concern that some people have that increasing debt levels might act as a disincentive to some students.

Senator NASH: I ask that in relation to an answer to a question on notice, which I find incredibly alarming—not the answer, the statistics. According to the 2001 Census, 36.1 per cent of 25-34 year olds from metropolitan areas have attained a bachelor degree or above compared with 17.4 per cent of those from regional areas and 15.4 per cent of those from remote areas. Does the department find it alarming that almost double the number of metropolitan students have a degree compared with regional students? I find that incredibly alarming.

Mr Griew: It is absolutely the case that government policy is aimed at correcting that imbalance. It is a labour market issue and a participation issue, and of course—

Senator NASH: How, specifically for regional students, is the participation rate being addressed? It is appalling. How is being addressed?

Mr Griew: The changes made to Youth Allowance—and I am well aware of the concerns you have expressed and asked us about in previous estimates—and the more generous parental income test have been a significant advance for regional students. We had a 42 per cent increase in regional students on Youth Allowance compared with a 31 per cent increase in the same period overall. Ms Sakkara can give you more figures along those lines. There are also more specific funding measures aimed at improving and supporting regional campuses, regional universities, specific regional loadings at the regional round—

Senator NASH: How does that help a student access a university? I understand that the regional loadings for regional universities are a good thing but how does that help the cost burden of the regional student who has to relocate?

Mr Griew: The aim is to make more viable the provision of university campuses and teaching in regional centres as one arm of the strategy. So, to the extent you have an expansion of university places in regional areas, that will help some students not to relocate.
Senator NASH: Sure, it helps them to get a place but it does not help with the cost, does it?

Mr Griew: If they do not have to move, it might. Some proportion of people will not move.

Senator NASH: Regarding those 31 and 42 per cent increases in Youth Allowance—bearing in mind that that is a welfare measure and does nothing to address the inequity for regional students when you compare them to city students, because they have no choice but to relocate—of that 11 per cent how many are on the full rate of Youth Allowance?

Ms Sakkara: We would have to take that on notice.

Senator NASH: If you could do that. So it certainly would seem that increasing the debt of regional students is not actually going to improve the situation. What is the Bradley target again?

Mr Griew: For the young adult population the general participation target is 40 per cent.

Senator NASH: By when?

Mr Griew: 2025.

Senator NASH: So it is 40 per cent by 2025, and we have regional students sitting at 17 per cent with a government that is doing nothing to address the inequity in the cost of relocation that sits with regional students compared to city students.

Mr Griew: I think the 'nothing' there is probably not quite fair. I have explained that there have been specific funding measures to expand regional university provision. There is also a relocation scholarship, which was not changed in the savings measures announced.

Senator NASH: But it does not apply to Independent Youth Allowance. You have to be on Youth Allowance to get that. Is that correct?

Mr Griew: Yes. I think the context—

Senator NASH: It is a yes or no—

Mr Griew: The context in which we are trying to provide an answer to your question is simply that, like all students, the regional student population now includes an increased number of Dependent Youth Allowance recipients.

Senator NASH: What is the parental income cap for Youth Allowance? There is the $150,000 parental income test cap for Independent Youth Allowance, which is completely illogical, because they are proving themselves to be independent of their parents and then you are putting a parental income test cap on, which to me is just stupid. But it exists and the government will not change their view. That is not your fault. I understand it is a government call, so I will not ask you to comment on that.

Ms Sakkara: I cannot locate that at the moment.
Senator NASH: Mr Griew was just referring to the threshold. You said they were increased.

Ms Sakkara: The parental income threshold was increased some time ago. More recently the personal income threshold has been increased. The level at which parental income starts to have an impact is $47,815.

Senator NASH: And the cap at which it cuts out?

Ms Sakkara: I think I have it here and will come back to you in a minute with the figure.

Mr Griew: It was a significant increase.

Senator NASH: You are serious that you cannot give me that figure.

Ms Sakkara: I do have it here.

Senator NASH: Doesn't anybody have that figure in their head? Anyone? Does any official next door or in the room have the parental income threshold cut-out limit for Youth Allowance? I just asked, because you were just saying how good it is that it has been increased. I would have thought you would have known the figure it was increased to.

Mr Griew: We will give it to you in a couple of minutes.

Senator NASH: That would be super. I understand the increase in the thresholds, and at the time we said that was a good thing. There is no doubt about that. The Independent Youth Allowance cap, which is the figure we have in front of at the moment, is $150,000 before-tax combined income. We are effectively talking of the children of a police officer and a school teacher being precluded for applying for Independent Youth Allowance because, according to the government, their parents earn too much. $150,000 gross income before tax is the figure, isn't it?

Mr Griew: The $150,000 was set—

Senator NASH: No, I am asking the question as to whether it is the gross income before tax.

Ms Sakkara: Yes.

Mr Griew: Yes, that is right. But you asked another question, I think, which was as to the basis of that amount and whether that accorded to those incomes. The $150,000 was set by government when a decision was taken to extend the two previous criteria for independent assessment of Youth Allowance to regional students.

Senator NASH: No, they were reinstated. It was not extended. It was reinstated.

Mr Griew: They were reinstated. In the measures that were taken and passed by the parliament to increase the parental income test significantly, that was funded in part by removing two of the independent criteria. Those were reinstated for regional students with a test on parental income that is one taken from the income support policies of the government generally.

Senator NASH: If a student is proving themselves independent under the criteria they are assessed against for Independent Youth Allowance, why is parental income taken into account if the students have proved themselves independent of their parents?

Mr Griew: With respect, I think I have just given you the answer. The two criteria were—

Senator NASH: It is a cost-saving measure to go to somewhere else.
Mr Griew: The two criteria that were reintroduced had been judged, when they were removed from the legislation, to be the weaker ways of assessing independence compared with the one that remained, which was the full 18 months of full-time work. It was felt that a fair proportion of students were achieving independence under the other two criteria where that was perhaps a less certain kind of definition. So when it was reinstated because of concerns about regional students it was felt that that should be a targeted measure and not a universally available measure, and parents with a greater level of ability should support their children as students. That was the basis of the policy.

Senator NASH: But that surely applies through Youth Allowance and not the Independent Youth Allowance? That is exactly the policy that applies, as it should, to Youth Allowance. It is a dependence issue; it is a welfare measure. But you are applying it to Independent Youth Allowance.

Mr Griew: Twice now you have referred to Youth Allowance as a welfare measure. I do not know that that is quite the way the policy is framed. It is now an allowance to help students from moderate-income families—it used to be for those from very poor families—to meet their living expenses while attending university. It is not an income support payment that is entirely related to welfare.

Senator NASH: No, it is not income support, but it is related to parental income, with the assumption that the more the parents earn the more they are able to afford it.

Mr Griew: That is right, and in the case of the regional students there are now two levels of income test applied to parents, one for the dependent benefit, which is now more generous, and one for the two reinstated independence criteria.

Senator NASH: Have you found the figure for the threshold?

Ms Sakkara: No, I have not found it yet. It is approximately $100,000, with one child—I recall.

Senator NASH: What is your definition of 'weaker', Mr Griew?

Mr Griew: Less certain in its application.

Senator NASH: In what way?

Mr Griew: For a student to demonstrate that they have worked full time in the workforce for 18 months was judged in the change in the policy to be a tougher test for independence than the measure of part-time work, for example, which was one of the two that had been replaced. That judgment was made in the removal of, and then the reinstatement of, the criteria, in the way that it happened.

Senator NASH: I thought it was the full-time provision that was removed and the part-time remained, when that change was made?

Ms Sakkara: The two criteria that were removed were: working part-time for at least 15 hours a week for at least two years since leaving school—

Senator NASH: They are the ones that remain?

Mr Griew: No, that was the one that was removed and then reinstated. The full-time one was the one that stayed.

Ms Sakkara: That is right.
Senator NASH: But in the beginning not for inner-regional students, and that is what was reinstated?

Mr Griew: No. Full-time was always there.

Ms Sakkara: Full-time remained. The two that were reinstated were around working part-time and the second one was about earning an amount equivalent to 75 per cent of—

Senator NASH: That is what I am talking about—the wage level. That was the one that was cut and was then reinstated.

Mr Griew: It was removed and then reinstated for regional students.

Senator NASH: Is that one of the criterion that you would say falls under your 'weaker' definition?

Mr Griew: It is not my criterion. I am trying to explain the basis of the policy that was legislated.

Senator NASH: No, you said that the ones taken away were determined to be weaker. This is one of the ones that was taken away at the time. Are you saying that the wage level A criterion is weaker? I am just trying to get an understanding of and clarification of what you said.

Mr Griew: I was explaining the basis of the policy the parliament legislated. Those criteria were reinstated.

Senator NASH: Regarding the cuts to the university funding—the efficiency dividend of two per cent—when the cuts were being considered were any projections or estimates made to establish the actual financial impact on individual universities?

Mr Griew: Are you asking if we have done any projections, or if any were done?

Senator NASH: Did the department do any consideration on individual universities of the requirement for the cut?

Mr Griew: In the process of the government deciding on the savings measures that were announced, a great deal of information was provided. I am not sure that I can recall exactly what level of granularity that information was at, but I do not think it went to individual universities.

Senator NASH: More broadly, then, was any consideration given to the impact on regional universities?

Mr Griew: There was a great deal of information provided in consideration of all of those savings measures and I cannot recall in honesty that we provided information that went to individual universities in any group. I would have to re-examine the record.

Senator NASH: Would you not want to know what the impact was going to be on the university sector of doing this?

Mr Griew: The impact on the university sector as a whole and on university operations is something that we certainly provided advice on and that was considered in detail.

Senator NASH: If you do not have any information on the individual universities, how did you come up with advice as to how universities were going to be affected?

Mr Griew: Because we know in aggregate what universities spend their money on.
Senator NASH: You know what? Sorry, I did not quite hear that.

Mr Griew: How university budgets work.

Senator NASH: You have no ability at all to delineate between the effect, say, Sydney university and, say, CSU's campuses in Orange and Dubbo? You just assumed an aggregate that this would impact across the university sector. Is that correct or not correct?

Mr Griew: That is not correct. We absolutely have that capacity and I said we provided a large amount of advice.

Senator NASH: That does not help me. Telling me you provided a large amount of advice does not help me at all to what you are actually saying.

Mr Griew: With respect, Senator, you are again taking us into the nature of advice we provide to government for a decision made in cabinet.

Senator NASH: I understand that. What I am trying to understand is if you have not done any work on the level of how it is going to affect individual universities—and that is fine, if that is what you have done.

Mr Griew: By the way, that is not what I have said. I said that you were actually asking when we were developing these options, did we start with an analysis by universities and I quite specifically asked you whether you were asking whether we had done any analysis of the impact on universities. We certainly both have the capacity and have been doing analysis on individual universities in discussion with them.

Senator NASH: Now, do you mean? After the announcement or before the announcement?

Mr Griew: You are going to the process of decision making.

Senator NASH: Well there is a very big difference between talking to the universities as you are developing a policy compared to talking to the universities after you have announced it.

Mr Griew: We do not normally, with respect, when considering options for government of a budgetary nature, talk to the universities about it. We would not with any sector.

Senator NASH: Just so I am absolutely clear: you are saying that, as a rule, you do not talk to the universities before the announcement. So we take from that that you did not talk to them beforehand. Neither did you look at the impact of what this would have on individual universities, is that correct?

Mr Griew: I said to you that I could not recall whether we had done a breakdown of analysis on individual universities or campuses in that decision-making process.

Senator NASH: Seriously? Would that not be something that would come readily to mind if you look at individual universities or not?

Mr Griew: We provided a large amount of information in the process of that decision making.

Senator NASH: So you cannot tell me—

Mr Griew: I am also reluctant to go further into the nature of the advice that we did provide to government in that decision.

Senator NASH: Wow.
Mr Griew: It being a cabinet process.

Senator NASH: That is extraordinary. I understand that you cannot always give information around advice, but I would have thought that if you were giving advice you would at least want to know what the impact would be on individual universities. Clarify for me, I think there has been an increase of around 1,650 in the number of Commonwealth supported places in postgraduate and some bachelor courses. Is that correct?

Mr Griew: That is right. It was announced in the budget; it is a budget measure.

Senator NASH: Will the places be across the board? I am just trying to get a sense of where they will be. Will they be both regional and metropolitan areas or is there a certain targeted area?

Mr de Carvalho: The budget announcement indicated that the places would be targeted towards enabling courses, at the subbachelor level—that is, bridging courses that help students prepare for tertiary education—on the one hand and also, in particular, to subbachelor diploma level courses focusing on Asian languages.

At the postgraduate level, the announcement indicated that there would be a focus on assisting universities to meet the new accreditation requirements in relation to teacher education. There, you will recall, all governments jointly agreed a policy in 2011 that initial teacher education courses at the postgraduate level should be two years in duration. A lot of universities have postgraduate initial teacher education courses which are currently not two years in duration. So a number of the places would go towards that. The other postgraduate places will be targeted towards areas of workforce shortage such as allied health—in particular, palliative care nursing.

Senator NASH: Was agriculture considered an area of workforce shortage?

Mr de Carvalho: At the aggregate level, at this stage, we have received bids from all the universities for what they would like to get from this process. It is fair to say that the number of places bid for exceeds the 1,650. It is also fair to say that universities are trying to manage their need for additional load within their existing allocations and have prioritised their own bids according to where they feel their pressure points are. To the extent that any agriculture places may be in the frame, that will depend on what universities themselves have asked for.

Senator NASH: Are you able to give an indication of the quantum of that so far? There are about 4,000 places related to agriculture on offer each year and we only have about 750 graduates. I would have thought that going back to your workforce shortages—

Mr de Carvalho: Are you referring to sub-bachelor and postgraduate places? This measure only relates to sub-bachelor and postgraduate places.

Senator NASH: I would have thought they would have fitted in there. I think that is what you were referring to before—whether the universities themselves actually put it up as part of the bid. Is that what you are saying?

Mr de Carvalho: Yes, we are looking at the bids the universities themselves have asked for in relation to these additional places.

Mr Griew: But the 4,000 figure includes undergraduate places, I understand.
Senator NASH: No, I am talking about 750. I am not saying there are 4,000 places; I am saying there are 4,000 job opportunities out in the agricultural sector in a given year and there are only 750 graduates.

Mr Griew: I see. There is a coincidence that that was the number of places we were talking about.

Senator NASH: Yes, that is right. There are 750 graduates to fill those places. I was just going back to Mr de Carvalho's comment about workforce shortage. I would have thought that that is a significant area of need. I was just trying to get a sense of how agriculture fits into this program.

Mr de Carvalho: The measure has indicated where the priorities will be at the high level and we will need to look at what universities themselves have provided. Most of the universities put those bids in during the course of the negotiations and discussions we were having with them about their compacts. Most of those were completed before the budget announcement. So there are only a very small number of bids which have come in from universities after the budget announcement. We will need to look at what universities themselves have asked for in making those decisions.

Senator MASON: I want to ask a few questions about international education. I will commence with the government's AsiaBound Grants Program. According to the program guidelines for the AsiaBound scheme, university consortia and private mobility firms are not able to apply for grants with respect to project proposals. As you know, this limitation has been strongly criticised in the sector. Significantly, it was stated in the government's own Asian century white paper:

One successful model for in-country learning is the Australian Consortium for In-Country Indonesian Studies. This international consortium, which involves 25 universities, is hosted by Murdoch University and assists Australian and other foreign students to study in Indonesian universities.

Yet the Australian Consortium for 'In-Country' Indonesian Studies has been excluded from the AsiaBound scheme. What is the basis for excluding university consortia and private mobility firms from the AsiaBound scheme despite the praise given to these institutions in the Asian century white paper for their promotion of student mobility?

Ms Baly: The decision was taken in the implementation of this program that the funding would go to universities, but that is not to say that universities themselves are not able to use consortia as part of the arrangements if that is what they want to do. But the decision was taken that the funding would go to projects that were instituted by universities themselves.

Senator MASON: But it just does not seem consistent with what the government’s own Asian century white paper said. I did not read it all out, but Monash Abroad manager, Trevor Goddard, has said things, as have other people, such as David Hill, founder of the Murdoch University based Australian Consortium, and so forth. They have all said that this is not very sensible public policy. You do not think this will restrict student mobility and student access?

Ms Baly: One of the very important criteria for the AsiaBound program is that it needs to be a required part of the student's course. Either it needs to count as credit or it needs to be a mandatory part of the course. On that basis, institutions themselves are best able to put up proposals that will fit that requirement. I think it is harder for consortia to put up bids on
behalf of a large number of universities when it is a requirement that it be a mandatory part of
the course.

Senator MASON: But they are not mutually inconsistent though; that is my point. Anyway, it is a
government decision, but I am not convinced.

Ms Baly: It was not intended to be a slight on the organisation that you mentioned and
other organisations like that, which we understand do very important and worthwhile work.

Senator MASON: So you do not think the exclusion of university consortia could
undermine student mobility?

Ms Baly: I would not have thought so.

Senator MASON: And private mobility firms—both.

Ms Baly: The first round of the AsiaBound program closed quite recently, at the end of
May, and we are still in the process of assessing the applications that came in through that
program. We had a very large number of applications for that. On the basis of the response
that we have had, there is no indication that there will be any limits to mobility arrangements
that will be able to be supported through the program.

Senator MASON: You do not think they could have been enhanced?

Ms Baly: I am not quite sure what you mean.

Senator MASON: By not excluding consortia and private mobility firms.

Ms Baly: I do not think there is going to be any issue about fully expending; assuming the
applications that we have are worthwhile applications from the institutions, then I do not think
there is going to be any gap in what we are going to be able to support.

Senator MASON: You can spend the money.

Ms Baly: We can spend the money, on the face of it so far, with the assessments that are
done, on worthwhile projects.

Senator MASON: On that very point, it has been suggested that the short period of
time—I think just over a month—to apply for the first round of the AsiaBound scheme was
insufficient to enable providers to submit sufficiently strong applications or to generate
sufficient student interest in studying overseas. But you are saying that is not right.

Ms Baly: It does not seem to be the case at this stage in the assessment process. It is not
complete yet.

Senator MASON: How many applications have you received?

Ms Bennett: We have proposals from institutions for about double the number of students
that we can support.

Senator MASON: Double the number of students that the government has made
provision for?

Ms Bennett: Yes.

Senator MASON: How many applications is that?

Ms Bennett: Each application can cover about 10 students. That is more than 7,000
students. Within that, there are projects that have different numbers of students.

Senator MASON: How many applications, because that is a different figure?
Ms Bennett: It is 300 or more.

Ms Baly: They are institution based.

Senator MASON: In the future, to promote the AsiaBound scheme to providers and students in the future, clearly the department is working on ways to promote AsiaBound among students?

Ms Bennett: Senator, you would be aware that we have $3 million for a contract with Universities Australia over three years. Universities Australia is very close to signing that contract. They will be conducting a campaign starting in the new financial year.

Senator MASON: Help me here, Ms Bennett. The International Training and Education Program I think suffered a cut in the May 2012 budget to the tune of about $10 million. Will the AsiaBound scheme be sufficient to offset that?

Ms Bennett: Yes.

Senator MASON: Why are you so confident, Ms Bennett?

Ms Bennett: It is more than $10 million a year.

Senator MASON: The new form of AsiaBound is sufficiently attractive that it will offset that cut?

Ms Bennett: It is sufficiently attractive, in terms of students, because we have a very large number of applications.

Senator MASON: Not so many applications, but many students—isn't that right?

Ms Bennett: Many students.

Senator MASON: A few hundred applications but thousands of students—isn't that right?

Ms Bennett: Yes.

Senator MASON: I move on to the Chaney review. The Chaney report into international education was released on 27 February this year. Apart from the establishment of a ministerial coordinating council—and I understand why the government has done that—the government has not issued a formal response to the, I think, 35 recommendations of the Chaney review. When will the government deliver a response to the Chaney report? What is the time line, Ms Baly?

Ms Baly: The time line that we are working towards is that that response would be released towards the middle of the year.

Senator MASON: It is towards the middle of the year now, so maybe in a few weeks—sometime in the next few weeks, or thereabouts?

Ms Baly: Probably not a few weeks but in the next couple of months.

Senator MASON: Has work been done to review or commence the implementation of those recommendations?

Ms Baly: Work is being undertaken on the government's response to those recommendations. As you will appreciate, they cross a number of Commonwealth agencies. We have been working with those agencies involved in that in putting together the draft response and working out how the recommendations from that review will be implemented.
Senator MASON: When you have recommendations that cut across foreign affairs, immigration, education and DIICCSRTE, the new department, I understand that. I go to cuts to education counsellors. In March 2013, the government confirmed that it would cut education counsellor posts in Thailand, Taiwan, Hong Kong and Singapore. Generally, I think is fair to say, education councillors serve as pretty important intermediaries between the industry, or Australia's tertiary providers, our international students and providers overseas, and they assist with a range of transitional support measures, including things like student visa regulations and so forth that have been reviewed in recent times. The government was criticised by various people, including the executive director of the International Education Association, Phil Honeywood. What was the basis for making the cuts to education counsellor posts? Ms Kelly, given we are trying to grow the industry, why are we cutting the posts?

Ms Kelly: We have not cut any funding for the international counsellor network. What we have done is reassess where we dedicate our resources. We have moved some resources around or are in the process of moving some resources around. But there is not a dollar less going into our international counsellor network under the new arrangements.

Senator MASON: The education counsellors are not staying in Thailand, Taiwan, Hong Kong and Singapore. They are going elsewhere, are they?

Ms Kelly: Yes there are some changes.

Senator MASON: Where are they going?

Ms Kelly: We did not have counsellors in all of those places that you mentioned.

Senator MASON: Oh really?

Ms Kelly: We had locally engaged staff in Hong Kong, Taipei and Singapore. The locally engaged staff from Hong Kong and Singapore had left over recent months in any event. We made a decision that we would not fill those positions and that they would be managed by the Australian based staff at other locations in the network. So the Singapore work will be done by our counsellor in Kuala Lumpur. The Hong Kong work will be done from mainland China. Indeed, we are putting additional resources into mainland China.

We have not closed down our presence in Bangkok. We have still got an Australian based counsellor in Bangkok.

Senator MASON: I am all for prudent saving of money, as you know, Minister, but education is our largest services export industry. The British, the Canadians, the Americans and even the New Zealanders are now spending a lot of money promoting education overseas. I know that to save a few positions or to change them is the decision of government but I am not sure it is one I would readily endorse. Is it right that there are no education counsellor posts currently located in the Middle East or Latin America? Is that right?

Ms Kelly: That is the case.

Senator MASON: There are none. Is that despite the recommendations of the Chaney report for the government to increase and coordinate the promotion of Australia's international education industry in those regions?

Ms Kelly: I think it is worth taking you back a couple of years to a decision that was taken that the promotion and marketing of international education would move to Austrade. Indeed, that happened in 2010. As you will appreciate, Austrade has a much larger footprint than our
network has ever had or probably ever will have and is well represented in South America and
has a presence in the Middle East as well.

Senator MASON: I accept that but given it is our largest service export and given that
when I am walking down Queen Street in Brisbane these days all I hear is Portuguese and
Spanish. There are so many South American and young Brasilians in particular coming to this
country by the thousands and soon by the tens of thousands and we have not got an education
counsellor? I must be missing something. Clearly I am.

Ms Kelly: I would say Brazil is one of the areas we are looking at potentially putting an
education counsellor. We have not taken that decision yet but we agree with you that there is
a case that is worth considering. We do have Austrade representatives that operate there and
we have a post that operates there which represents us in the absence of having an Australian
based staff member but it is something we are looking at.

Senator MASON: It is worth so much money to Australia. Firstly, it is worth a lot of
money as an export. Secondly, I find it very strange diplomatically—and all those other
reasons we know about—not to have an education counsellor there. How about the Middle
East?

Ms Kelly: No, we do not have anybody in the Middle East and we do not have any
immediate plans to put anyone in the Middle East.

Senator MASON: I turn to the impact of the higher education cuts and legislating for
them. In April the government announced cuts of $2.3 billion to university and student
support, and that came only months after a nearly $1 billion cut to university research and
student support as part of MYEFO. There is $2.3 billion, and before that there was another
billion dollars, so higher education was hit by cumulative cuts of about $3.3 billion. In regard
to the $2.3 billion cuts to higher education announced in the budget, do you have any idea
when legislation to implement these cuts will be introduced?

Mr Griew: That is a parliamentary timetabling decision for the government, so I cannot
give you a definite answer on that.

Senator Farrell: Perhaps I can assist. My understanding is that legislation will come in in
the spring session.

Senator MASON: In the spring session, before the election? We only have two weeks of
sittings to go.

Senator Farrell: I am not sure that is right.

Senator MASON: We are having an election in September.

Senator Farrell: Yes, but we have sitting scheduled for that period of time.

Senator MASON: I could be wrong, but I do not think we can have an election mid-
September and come back. Is that right, Dr Russell? I am not trying to create a riot, but—

Senator Farrell: All I am saying is that that is the intention.

Senator MASON: I do not think we can come back for the spring session, because if
there is going to be an election on 14 September, as announced by the Prime Minister, it is
after the writs are issued, so we will not be coming back.

Senator Farrell: I may be mistaken, but that is my understanding.
Senator MASON: Mr Griew, can you enlighten me any further?

Mr Griew: The series of decisions have been announced, and we are in the process of working up the relevant instruments of legislation. It will be a timetabling question for government as to when they are introduced.

Senator MASON: There are only two weeks for the Senate and House of Representatives to sit, other than the rest of this week. That is not controversial; that is just a fact. I am not making that up.

Mr Griew: I appreciate that. I am unable to give you a definite answer to your question.

Senator MASON: So you cannot tell me whether they are going to be introduced in the last sitting fortnight or not?

Mr Griew: It is a decision for government.

Senator MASON: Do you know how the cuts will be implemented? Will it be through a budget measures bill or a HESA amendment bill?

Mr Griew: The measures you are talking about cut across a number of pieces of legislation. There is an efficiency dividend to funding under the Higher Education Support Act, the HESA, and there are measures that go to payments administered through social security legislation as well—the youth allowance measures. So there is a range of legislation that would have to be introduced. I cannot advise you of the exact form at this point.

Senator MASON: That is a lot to be done in the last fortnight of sittings.

Mr Griew: It is likely to be one bill that impacts on a number of—

Senator MASON: Likely to be one bill—

Mr Griew: You can have an omnibus piece of legislation that amends a number of acts.

Senator MASON: I accept that. I am just trying to think of the logistics. We have a week off next week and then we are back for two weeks. Is anyone drafting this bill yet?

Mr Griew: I have advised you already that we are working on the legislation. The introduction of that legislation is a matter for the government.

Senator MASON: Has it been drafted?

Mr Griew: We work on the legislation. The legislation can be ready, but it is a matter for the government.

Senator MASON: So it can be ready, you think, by the last fortnight?

CHAIR: If the government wants to introduce the bill, it will be ready. You do not have to worry about that process, Senator Mason.

Senator MASON: I was a bit confused about the timetabling here, Chair. Can you confirm that the cuts will take effect from 1 January next year?

Mr Warburton: The higher education ones can commence 1 January 2014.

Senator MASON: So if we do not get them for the next fortnight, they are going to be sitting there; they will not be legislated for. That will be interesting, but that is a political discussion. I turn to the efficiency dividend and its impact on higher education. You may need to take this on notice, but can you give the committee for every program affected by the imposition of the efficiency dividend a comparison for every year over the forward estimates.
of the spend for that program if no efficiency dividend was applied—for example, as per the 2012-13 MYEFO update—and the spend for that program with the efficiency dividend applied. So without it and with it over the forward estimates. If you can do it now that will be great, but I suspect you cannot.

Mr Warburton: That would be an enormous number of numbers that I would be reading out to the committee. I think it is best taken on notice.

Senator MASON: Do you have any indications how universities might be planning to achieve these efficiencies? What are they cutting?

Mr de Carvalho: How they do that is entirely up to them. It will be different in each university, depending on their own particular circumstances.

Senator MASON: Have you done any analysis on how it could affect the impact on research or teaching or colleague standards?

Mr de Carvalho: We have numbers, as Mr Warburton has indicated, for how at a program level the revenue would be affected. It is fair to say that a lot of that money comes as a big cheque to the universities. They are not necessarily obliged to spend exactly that amount of money on a particular program, except in a very few circumstances. Different universities will take different approaches depending on their own reform trajectory. A lot of them are already in the process of implementing measures which they anticipate will lead to a leaner, more efficient operation. As to whether those trajectories and those reform plans change as a result of this, I would expect so. But there is certainly no template that Universities Australia or any of the peak bodies have indicated for universities in taking their approach to this.

Senator MASON: I think you said that it will affect different universities differently, so some of the richer, more established, some might say group of eight, universities may cope better but, as Senator Nash will tell you, some of the regional universities might not cope quite so well. Is that right?

Mr de Carvalho: I do not think you can even generalise to that extent?

Mr Warburton: The efficiency dividend is being applied across all grant programs, and universities are in different circumstances. The impact would be relatively evenly spread, would be my understanding of the nature of this measure. You have larger universities, universities with more research, and the impact of the efficiency dividend proportionally on them will be much the same as the impact of the dividend on smaller regional universities or universities that have less research. So proportionally it is quite an even impact.

Mr de Carvalho: If you talk to the research-intensive universities they will point out that it impacts research funding. If you talk to those with lower research, they will point out that they themselves may have less infrastructure. The key thing to focus on is that the effect is different from the way they will respond, and it is worth noting that this is an efficiency dividend on a minority of their revenue.

Senator MASON: I understand it would affect the research capacity of the research-intensives but I think, so far as the regionals are concerned that sometimes do less research, the effect might be more on undergraduate students and undergraduate teaching.

Mr Griew: And some of them do very fine research.
Senator MASON: I am not suggesting they do not, but you see my point.
Mr Griew: I do, absolutely.
Senator MASON: The way they are funding more the teaching of 18-, 19- and 20-year-olds I think is the concern. Have you received representations from individual universities or, indeed, the various peak bodies regarding the impact of the efficiency dividend?
Mr de Carvalho: Indeed.
Senator MASON: You have?
Mr de Carvalho: Yes.
Senator MASON: What were those representations? Can you tell the committee?
Mr Griew: Can we summarise them?
Senator MASON: You can summarise them.
Mr Griew: They will tend to draw attention to the specifics of their own circumstance. The research intensive universities tend to point to the impact on their research. Those who are very heavily invested in teaching and learning will focus on the impacts there. There tend to be a number of specific variations—
Senator MASON: They are reflecting a previous discussion. I accept that. I do not dispute it. But I am not so certain. I think having to make up that efficiency dividend will be more problematic and certainly the way they do it will differ between institutions.
Mr Griew: I think we would agree with you there. How they will approach the task will differ institution by institution.
Senator MASON: Over the last six months or so, or at least since the MYEFO for 2012-13, the government has cut about $3.3 billion out of higher ed research and student support. This amounts to, roughly, five per cent of that budget over four years. Is that right?
Mr Griew: I think it is important to break down the different savings that you are talking about. $1.2 billion of that is through the change in the student start-up scholarships. That is not taking cash out of universities for students.
Senator MASON: I just want to make sure I get the global figures right. My calculations are that that is about five per cent of the budget across the board over the forward estimates. Is that right?
Mr Griew: I have not calculated it that way myself.
Mr Warburton: I think we will have to take that on notice. There would be a fairly large question about what the denominator was. I assume you are intending to include all the income support programs as well as—
Senator MASON: Yes.
Mr Warburton: We would need to take that on notice.
Senator MASON: I am sure you have been lobbied by the university sector. Let us assume for a second that it is five per cent, as is my understanding. Certainly that is what I have been told by many. How does that compare with costs in other portfolios right across the whole of government? I cannot think of another area that has been stung quite so dramatically as higher education. Am I missing something?
Mr Griew: I think it is important to at least acknowledge that, as I was saying before, $1.2 billion of that is not cash out of the system. The grant is still there to the students. It is not money out of the universities. I appreciate the universities care deeply about their students, but the students are still getting a grant upfront. It is going onto the HECS—

Senator MASON: They have to repay it.

Mr Griew: They have to repay it, but they repay it once they have reached a reasonable income. It is still a pretty good loan to students given the lifetime private gain from a university education. That is a very big part of the saving in this round. I think it would be true to say that as the three of us move around among our colleagues across the Public Service efficiencies are being found and savings made in other portfolios as well. But I am not placed to comment on those.

Mr Warburton: I think it is probably important to note the massive growth trajectory that expenditure in this area has been on. As my colleague Robert Griew said, there are only three measures that directly affect universities. Over the forward estimates, funding is going to continue to grow. It basically amounts to a shave off growth in the forward estimates, and that growth has been considerable in recent years.

Senator MASON: We will get to that in a minute. Sure, there is more money going into universities, because many more students are going there. I accept that; there is no question that that is the fact. But what is not the fact is that more government money is going per student. That is the issue.

Mr Warburton: But that is—

Senator MASON: We can have that debate in a second. I have other questions.

Senator FARRELL: Chair, I would like to clarify that point I made earlier about the government's intention. It is our intention to bring the legislation back in the spring session, after the election.

Senator RHIANNON: I understand that Swinburne University of Technology is currently offering Commonwealth supported student places to students enrolling in online undergraduate degrees through Swinburne Online. Do they need to obtain prior written permission for this to happen?

Mr de Carvalho: If it is not being offered through a different site or campus but is being offered through one of their existing campuses, when they are doing a substantial part of that course through a mechanism such as an online mechanism means that, unless I am wrong, they do not have to apply for permission. Universities have to seek the written approval of the government in relation to offering Commonwealth supported places where they are offering those through sites that are currently not listed on their funding agreement.

Senator RHIANNON: It is listed in the Swinburne 2013 funding agreement, is it?

Mr Griew: When they want to offer places on a different campus is when they have to seek agreement.

Mr de Carvalho: Yes, that is when they have to seek approval.

Senator RHIANNON: As I understand it, Swinburne Online is part of a publicly listed for-profit corporation. It is in partnership with Seek.

Mr Griew: I think we will need to take this on notice.
Senator RHIANNON: You are not aware of that?
Mr Griew: I do not have the details of their arrangement.
Senator RHIANNON: That is precisely why I am asking the questions.
Mr Griew: If we do not know I think we should take it on notice.
Mr Warburton: We are aware of the relationship with Seek. I believe that they run the operation through a company that is jointly owned. I am not exactly sure of the corporate arrangements, but they are clearly in a partnership with Seek in that venture.
Senator RHIANNON: They are in a partnership with that company. Is it the case that they are able to offer these courses? I am referring to Commonwealth supported places.
Mr Warburton: Yes, and Swinburne is responsible for the quality of the courses. As I understand it, Seek is a major infrastructure provider. Seek is also involved with Universities Australia in the provision of online education. That is the nub of the relationship.
Mr de Carvalho: This is a particular instance of something that is relatively common across the sector. It sounds to me like what we refer to as a third-party teaching arrangement, where the university will enter into a relationship with a third party to deliver their courses on their behalf and the university takes full responsibility for quality control and for ensuring compliance with the AQF. This is done quite commonly across the sector, particularly with TAFEs, for example. That is another instance where this happens.
Senator RHIANNON: So they do not need any permission?
Mr de Carvalho: Not specifically.
Senator RHIANNON: When you say not specifically—
Mr de Carvalho: I know they do not have to write to us to seek to enter into a third-party grant.
Senator RHIANNON: So they do not need that written permission. It is already covered in their agreement?
Mr de Carvalho: They are the ones responsible for delivering the courses. If they choose to enter into an agreement with a third-party provider, that is within their agreement.
Mr Griew: They must seek agreement if they are seeking to start provision at a new physical location.
Senator RHIANNON: You said it is very common. Can you give other examples of where a public university is offering Commonwealth supported places through an educational facility that is fully or partly owned by a for-profit educational institution?
Mr de Carvalho: I could take that on notice to get a greater range of them, but I do know that there are other for-profit providers who are involved in the delivery of higher educational courses on behalf of universities. Kangan, I think, is perhaps one of those providers.
Senator RHIANNON: I am happy for you to take it on notice. Has Swinburne University of Technology gained written approval to close or otherwise dispose of the Lilydale campus or the Prahran campus of the university?
Mr Warburton: It has written to us about those arrangements.
Senator RHIANNON: What was the date?
Mr Warburton: It was last year; I would need to take the exact date on notice.

Senator RHIANNON: I will just go through this. There is the agreement between the Commonwealth and the university, which I understand requires the university to obtain prior written approval from the Commonwealth prior to closing. Did they get approval before they closed the campus?

Mr Warburton: I think this is best characterised as saying the Commonwealth has not raised any objections to this point in time.

Senator RHIANNON: Can we conclude from that that it occurred afterwards? I am actually asking about the process and the dates. Was the process that is set out followed?

Mr de Carvalho: I think what Mr Warburton is saying is that at the time the university wrote to us, indicating their intention to close the courses, the Commonwealth did not raise any objections.

Senator RHIANNON: So they did not close it beforehand? The process was followed properly?

Mr de Carvalho: They did not close the campuses before they wrote to us.

Senator RHIANNON: I missed some of the earlier discussion. I think you were talking about the efficiency dividend. I apologise if I missed this, but I was after some information: have you estimated what impact the efficiency dividend will have on Indigenous support funding, disability support and the participation and partnership funding?

Mr de Carvalho: Yes. Senator Mason did ask for this information, in relation not just to those particular programs but, in fact, to all the programs to which the efficiency dividend applies. We have undertaken to—it is on notice.

Senator RHIANNON: Thank you. I am sorry; I missed that. I was interested about some aspects of student organisations on universities; this is to do with Monash. Would it be in breach of its obligations under sections of the HESA 2003 that require them to uphold free intellectual inquiry? I understand that their requirement with regard to finding for student organisations prevents a student organisation from criticising the university. Is that link between funding and their activities a breach?

Mr de Carvalho: Without actually seeing in detail the suggestion that is being made or being familiar with the circumstances it is difficult to comment. But one could also probably make a reasonable distinction between academic inquiry on the one hand and, perhaps, statements made in a student or other newspaper. One has to be careful about how one defines the terms free academic inquiry.

Senator RHIANNON: Let us leave Monash out of it. University life for students is about many wonderful things, and part of it is that inquiring, critical mind with criticism, sometimes valid, sometimes annoying and sometimes not valid, that is part of the rich fabric of our democracy. That seems to be covered in section 19-115 of HESA 2003. If a university linked funding for a student organisation to that student organisation not being critical of the university, how would you judge that?

Mr Grieves: It is likely not going to be very enforceable.

Senator RHIANNON: When you say 'not enforceable'—
Mr Griew: As you put the question, without seeing a specific sample and having a chance to look at it in detail, I do not know many university administrations that would try to stop a student organisation criticising them in that way. My suspicion is that we need to see an example to be able to give you better advice.

Senator RHIANNON: But it is a fair enough question: if they did, how would you judge it?

Mr Griew: I think my answer to your question is that it is impossible to judge it without seeing a specific example and seeing the exact words.

Senator RHIANNON: That means that there could be circumstances where a student organisation was critical of a university and you think that it would be okay for the university to link funding going to that student organisation to how it conducted itself.

Mr Griew: I guess I would want to see the example to see if that is what the university was actually doing and to ask the university what it was trying to do, because it does not sound highly likely. But without an example it is a bit hard to answer your question further.

Senator RHIANNON: Do you see that that section is there to uphold the right of students to engage in their democratic process to be critical as they see fit and continue the wonderful culture that we have largely had with our universities in this country? Isn't that why that section is there? How do you interpret that part of the section?

Mr Griew: I think both of my colleagues have made comments on the question you have asked. The exact application of an academic freedom clause to the case in point probably requires some information about the case in point.

Senator RHIANNON: Has the department undertaken any analysis of how many students receiving student income support are likely to take up start-up loans?

Mr Griew: Yes, we have. You will appreciate that the start-up loans are only for students enrolling from next year?

Senator RHIANNON: Yes.

Mr Griew: I think, from memory, that number is 80,000, but my colleagues will confirm that.

Ms Sakkara: We are estimating that approximately 80,000 students will be eligible for student start-up loans in 2014 and that about 60,000, or 75 per cent, will take them up.

Senator RHIANNON: Is that based on experience? In what way? How do you draw those conclusions?

Ms Sakkara: We have looked at the take up of HELP loans, considering those who pay up front, but have considered that this is a slightly different group, so we have taken that into account in the estimates we have made.

Senator RHIANNON: I asked that partly because I am interested in the anticipated impact on the rate of enrolment of low-SES students at universities and whether any modelling was done on this.

Mr Griew: I think it is important to understand that the student start-up scholarship payment will still be made, as we have stressed a number of times. The loan, which is on very
favourable terms, will be increased by the student loan amount. So we are not anticipating any necessary impact on student participation.

Senator RHIANNON: You say that you are not anticipating an impact, but at the end of the day it is a loan. A lot of people from disadvantaged backgrounds, working class backgrounds, are turned off by debt. When you say the words 'not anticipating', what are you basing that on?

Mr Griew: That the loan is on very favourable terms, that participation in higher education over a long period of time now has been expanding, that the trajectory for people from lower socioeconomic backgrounds is clearly moving in the right direction and that the student income support system has been made considerably more accessible to people; it is a much better targeted system now than it was prior to the Bradley reforms.

Senator RHIANNON: But it is still a debt; it is still a burden on people.

Mr Griew: It is a debt that people do not pay until they are receiving an income over just shy of $50,000 a year and it is a debt that has a very low interest rate applied to it—in fact, CPI—so it is a very favourable loan.

Senator RHIANNON: I understand that, but from what I am hearing from your response, there is still no evidence being supplied on why you are saying that—your words were 'not anticipating'—it will not be impacting on low SES students.

Ms Borthwick: To add to what Mr Griew has said, we have now had income contingent loans in place in higher education since 1989 and during that period they have not suppressed participation; they in fact have done the reverse. So we would not necessarily expect this income contingent loan to have a different impact.

Senator RHIANNON: So when you say it has done the reverse, are you saying that you have had a better take-up from low SES students?

Mr Griew: Over time, yes.

Senator RHIANNON: So proportionally there are more. Thank you. How will the increased debt affect teaching graduates? For example, I note that a special education teacher's average starting wage is $42,000, compared with the average of $50,000. Do you anticipate it will have any particular impact there?

Mr Griew: On their starting salary, they will not be repaying.

Senator RHIANNON: I realise that, but you are not anticipating that it is going to have an impact? Has any work been done in this area or is it just a general conclusion you make?

Mr Griew: I guess the argument that we are developing is made well in that case—that, in a profession that has a low starting salary, until a practitioner achieves probably several years seniority or some promotions if they are in a larger organisation, they are not going to be repaying their loan; the loan is subsidised by the community until such time as they are gaining what the parliament has judged to be a reasonable personal gain before they have to repay. That is the nature of the way the income contingent loans work.

Senator RHIANNON: I note there are a range of opinions around this in terms of the degree of the impact and that the Future focus report of the Australian Workforce and Productivity Agency recommended that the government extend student start-up scholarships to full-time VET students in recognition of their positive impact in encouraging learners from
low socioeconomic backgrounds to participate at universities. Are those findings something that you reject or—

Mr Griew: That is a report from the Australian Workforce and Productivity Agency to government, and it would be a matter for government to accept or not accept its recommendations.

Senator RHIANNON: Can you repeat that, please?

Mr Griew: It is a matter for government. You are asking about a potential policy, which is it is hard for me to comment on.

Senator RHIANNON: I am not talking about adopting the recommendation. You have given a very favourable coverage of moving over to loans, and here we have a significant report that is actually recommending the benefits of start-up scholarships and extending them. I appreciate that it is a recommendation, but, considering that you have just given it such emphasis and your emphasis on the benefits of loans, I am interested in the aspect of a different viewpoint and what consideration you give to it.

Mr Griew: Sorry, I may have misunderstood your question. You are drawing attention to the fact that the agency is making a recommendation that is for an instrument that is now being exercised as a loan?

Senator RHIANNON: Yes.

Mr Griew: I guess it is open to government to consider whether at some point it extends the Student Start-Up Scholarship arrangements we now have, where students still get the cash grant but it goes onto their loan. Of course, the government has extended HECS style loans to the upper end, if you like, of the VET system. The mechanics are there, but that is a policy option for government at some future time.

Senator RHIANNON: What would be the government's intention with regard to VET students regarding the Future Focus report's recommendations that such student support is necessary to encourage disadvantaged students into study?

Mr Griew: The youth allowance system and, as I said, increasingly the HELP system are being used as instruments to support participation in the VET system, so the government has already responded to that general direction. I probably need to be reminded of the specific recommendation or its specific target to comment further.

Ms Sakkara: I think it is worth noting that the Student Start-Up Scholarship was introduced for higher education students only as an outcome of the Bradley review. It replaced a previous Commonwealth scholarship scheme that was for higher education students only.

Senator RHIANNON: The recommendation from the report is for full-time VET students.

Ms Sakkara: Yes, that is right.

Senator RHIANNON: Just to clarify, is it correct that a student who accepts an income contingent loan is only required to repay them once they have reached the required income threshold and their student HELP debt has been paid off?

Ms Sakkara: Yes, that is correct.
Senator RHIANNON: Given the ever-increasing time required to repay a HELP debt, what is the estimated time frame for a typical student come worker to repay their start-up loans?

Ms Sakkara: We estimate that the average student will take about two years to pay their student start-up loan after their HELP debt is paid.

Senator RHIANNON: So a couple of years?

Ms Sakkara: Another couple of years—yes.

Senator RHIANNON: I want to pick up some questions to do with TAFE in Queensland. I notice that TAFE Queensland does not have the ability to sign a prospective student into an apprenticeship like the Australian apprenticeship centres or be entitled to any of the funding associated with this procedure. However, the private RTOs are able to undertake this is part of their business. I notice that TAFE Queensland runs a number of pre-apprenticeship programs through which students directly gain employment as an apprentice, but they have to hand the signup over to the AAC who then gain the funding. Why is it that TAFE Queensland is restricted from becoming an AAC?

Mr Griew: There may be confusion here in that the comparison point you are making is New South Wales. The state of New South Wales has won a tender to provide directly an apprenticeship support service and the other states did not. Maybe New South Wales is the exception rather than Queensland.

Senator RHIANNON: Maybe just to work through it—is it correct that TAFE Queensland does not have the ability to sign a prospective student into an apprenticeship like the AAC?

Mr Lalor: TAFE Queensland is not an apprenticeship centre. Only Australian apprenticeship centres can sign apprentices and employees onto a contract of training.

Senator RHIANNON: I again go to my question: I understand the private RTOs are able to undertake this as part of their business, so why can't TAFE Queensland?

Mr Lalor: Some entities may be operating as an Australian apprenticeship centre. Some of those may also have other business lines. But only an Australian apprenticeship centre can sign an apprentice and an employer onto a contract of training.

Senator RHIANNON: I appreciate that, but why can the private system undertake that as an AAC while TAFE Queensland, who actually run a number of pre-apprenticeship programs—

Mr Griew: That would be because they have not applied to be an Australian apprenticeship centre.

Senator RHIANNON: I thought they had applied and been knocked back. You are saying they have not applied?

Mr Griew: If they did, they did not win the tender. There is a competitive process through which organisations—

Senator RHIANNON: I go back to my question, then: why did the private RTOs get it and not TAFE Queensland?
Mr Lalor: I heard you refer to pre-apprenticeship training. There are forms of training which can occur before a formal contract of training commences. Some of this training is to support an individual to have a better chance of completing an apprenticeship or to commence an apprenticeship. That does not involve a formal contract of training occurring, but it can assist that individual to have a better chance of finding an employer and having more success in their apprenticeship.

Senator RHIANNON: I understand that, in this case, Queensland TAFE does undertake training and we end up with apprentices. So I still have that question: why are private RTOs in the system gaining this benefit and TAFE Queensland is not? I understand from your response, Mr Griew, that it is because of the tender process. Please tell us, therefore, about the tender process—why TAFE Queensland was locked out of that.

Mr Griew: There is a contract period for organisations to be designated Australian apprenticeship centres and, within the last 12 months, the previous period ended and the current period started. Organisations have to nominate and be successful in a region—the nation is divided into a number of regions and each region has a number of Australian apprenticeship centres. So it not generally available to any sector or any kinds of organisations. There are specific organisations, which may be public, private, non-profit or commercial, who win those. But they go through a competitive process for a contract and they then fulfil the various contracted roles of an Australian apprenticeship centre. The only state that I recall being particularly interested in applying for it was New South Wales, but I stand to be corrected on that.

Senator RHIANNON: I understand the Queensland government is not transferring the staff in this—I will leave that one. I need more information. I will come back to that one. I understand the Queensland Skills and Training Taskforce had two members on the committee. Maybe this is where you can help explain to me. Maybe this has something to do with the tendering process. What I was concerned about here is that the two members on the committee are directors of two of Queensland's biggest competitors. They are in there making decisions. Does the Queensland Skills and Training Taskforce have anything to do with making the decisions about this tendering process?

Mr Griew: No. If I am right, that was a Queensland government appointed body which advised the Queensland government; whereas the process I described was a Commonwealth government process constituted entirely of Commonwealth agencies.

Senator RHIANNON: Thank you. I want to move onto issues to do with HECS. I have had a number of parents contact me with concerns about first-year university course subjects being charged at unexpectedly higher HECS band rates. What responsibility does the university have to be very clear about the band levels and costs of subjects for students prior to the students being landed with a bill? What do they have to spell out?

Mr Griew: The fees are regulated and the universities are required to comply with the regulations, but Mr Warburton can explain the mechanism.

Mr Warburton: Broadly, universities are required to publish the student contribution amount that will apply to each unit of study.

Senator RHIANNON: When you say 'publish', I think that needs to be fleshed out because that can mean a great number of things—from something six point on a bit of paper...
that is left in the administration office to something that is well produced and published in a hard copy as well as put on a website. So can you explain what 'publish means' in this sense?

Mr Warburton: I am not sure that I have a definition of publish.

Senator RHIANNON: But it is a fair question.

Mr Warburton: Yes, it is a fair question. It is intended that they be accessible to students who are enrolling in the university. I think they are generally published on websites. I can get some advice on that.

Mr de Carvalho: And they are published on the Study Assist website as well.

Senator RHIANNON: Are you suggesting, therefore, that students and parents did not check out the information properly before they enrolled?

Mr de Carvalho: We are not suggesting that.

Senator RHIANNON: I am just trying to understand, because the complaints that I am receiving, and I have certainly received a few, is that parents have helped their young person enrol and then they find out that the cost is much higher than they had expected.

Mr de Carvalho: I am sorry, I cannot explain why that has occurred without knowing the precise circumstances of the people who have contacted you.

Senator RHIANNON: That is why I was asking what 'publish' means. Did we get more information?

Mr Warburton: Yes, a bit, Senator. The department maintains a study assistance website. The study assistance website has the maximum amounts that can be charged for each unit of study. That would provide to students a very good guide to the fees to be charged if they were aware that every university virtually charges the top amount, which factually is the case. The study assistance website also has links to university websites. For each university the students can access that information on the university's website. That is available directly on the university's website and through the study assistance website that we maintain.

Senator RHIANNON: So you are saying that we are only relying on websites and there is no requirement at the point when the student enrols that they are told what they are signing up for? Is that what is happening?

Mr Warburton: I believe that they would be told what they are signing up for.

Senator RHIANNON: Are we sure they are told?

Mr Warburton: If you have an example where you believe the information was not available to a student at a particular university that you would be happy to share with us, we could investigate it and tell you what was in place.

Senator RHIANNON: I am happy to share it with you, but what I am trying to do here is actually understand the process so that we have the process down clearly. You have just said 'believe', and I think we need to understand the process.

Mr Warburton: We do not mandate the process in all its detail. Universities generally do not like us to be 100 per cent prescriptive about these things. We give them some flexibility, but the broad principles are that the information be available and accessible to students.
Mr de Carvalho: It would be surprising if, before finalising enrolment, a student was not sent some correspondence, either electronically or in paper form, from the university which made it clear what the student contribution was.

Senator RHIANNON: But, from the tone of your answers, it appears that there is not a clear process. You are not giving definite answers about what is required.

Mr Griew: Let me be clear about what has been definitely stated. The universities are expected to publish and inform. Exactly how they do that, we do not dictate. If, for example, you have a family, or a student, who were not informed or were not able to find out or were surprised, that sounds as if either they have missed something or the university is not doing the right thing. If the latter, we would be interested to know that and we would follow up with the university. The amounts, however, are regulated—and the maximums are published.

Senator RHIANNON: I appreciate that. But it sounds as if we have this situation where somebody can go and sign up. It is effectively buying something. When you go into a shop to buy something these days, there are regulations—you have to be told the amount of the service or what you are buying. But in the case of students buying their education you are leaving it up to the universities to provide this information.

Mr Griew: If students were not provided with this information, we would, as we have said, be interested in knowing that and we would certainly take that up with a university if they were not publishing—

Senator RHIANNON: But you are saying you are 'interested in it'—it is still not a process to do something about it. I am happy to pass on the information, but it is not up to me or the students; it is a question of having standards. Yes, people should be able to go and make a complaint. But at the moment it does not sounds as if there is a process if they make a complaint.

Senator Farrell: No, I think your initial line of inquiry was—correct me if I am wrong—is there a process which the government stipulates which all universities must follow in order to advise the student of the student contribution? The answer is that there is no stipulated, mandated process, just as—to use your analogy of buying something in a shop—there is no stipulated or mandated process for every shopkeeper which tells them exactly the mechanism by which they must inform a potential customer of the price for the goods and services they are intending to buy. Some universities will adopt a different process. But I would be very surprised if students were not, at some stage before finalising their enrolment, given some communication about the student contribution. If you did wish us to pursue those inquiries, we would be happy to take them on notice if you were to refer them to the minister. They would then come through the normal channels.

Mr Warburton: To be entitled to receive a HECS loan, students have to complete a request for Commonwealth assistance. I do not have one in front of me to check, but I would be surprised if such notices did not provide some information to students about where they could get more information either about the scheme in general or their tuition fees.

Mr de Carvalho: And it would be unlikely that, if a student wanted to take out a loan, the university would not be advising them how much the loan was going to be, which is essentially what the student contribution in most cases is. It relates to the size of the HECS loan.
Senator RHIANNON: To start with Monash—this is from a letter from a parent. Monash intends to charge the children—third year CSP pharmacy students—$8,800 per annum for 2013. Yet the current course guide indicates $4,520 per annum. That is pharmacy at Monash. It has been suggested that it is being advertised incorrectly.

Mr de Carvalho: It now becomes clear to us what the circumstances are. You are making reference there to a course which would fall under the science discipline. Can you confirm whether all the examples you have given relate to science or maths?

Senator RHIANNON: I am checking now. My recollection is that when I was briefed about it there were others, but certainly most of them were science. Do you want to tell me what the issue is with science while I double-check?

Mr de Carvalho: That would be in relation to the reinstatement of the full student contribution for maths and science.

Senator RHIANNON: But shouldn't they have corrected their advertising?

Mr Griew: Yes.

Mr de Carvalho: They should have.

Mr Griew: They should have corrected their website. It says the wrong amount, yes.

Mr de Carvalho: Correct.

Senator RHIANNON: Would that cover nursing as well?

Mr Griew: No, it should not cover nursing as well.

Dr Groom: If there are maths and science units of study within that nursing course, absolutely. Maths and science units can belong in any degree.

Senator RHIANNON: So there is an example—and I know the system has changed—of where the wrong rate is being advertised. What do you do about that?

Mr Griew: We would take it up with the university and say to them, 'You are doing the wrong thing. You need to fix up your website.' I doubt it is deliberate. I am sure it will be a mistake.

Senator RHIANNON: I am not saying it is deliberate, but I am interested in how you handle it. Do you rely on somebody telling you or are you actually monitoring how universities conduct themselves?

Mr de Carvalho: We do not monitor every aspect of all university websites. That would be very resource intensive.

Senator RHIANNON: It would be. I was just trying to understand how it all works because it seems as though they are getting away with a lot.

Senator Farrell: You may wish to contact the university and point out—

Senator RHIANNON: It is about standards and a culture where you ensure the right thing is done. It is a big thing to sign up to a university and to suddenly have a much larger debt is not a good start to higher education.

Senator Farrell: I am not disagreeing at all. There has obviously been a mistake made. It happens from time to time. People make mistakes. We now know what the mistake is and you may wish to advise them.
Mr Griew: I suspect we will also do the same.

Senator Farrell: There you go. They are going to advise them.

Dr Groom: Perhaps I could explain a couple of things that we do with universities. Under the Higher Education Support Act, they are actually required to publish their schedules by 1 October. But by 1 August they provide what is known as a course file which details the amount of money a course would be estimated to cost for students. That information is provided to the MyUni website as well as through Study Assist. So the requirement in advance is up to six months of notification to students who are looking for this sort of information. So there are requirements, both legislatively and administratively, for universities to provide information to students about their costs for the following year.

Senator RHIANNON: I think this might be relevant to the point that you have just made. The HECS help brochure I understand is the main information document about HECS, but it does not give any hint of the possibility of first-year subjects being charged at a band level above the indicator course. I have had this complaint about nursing. It does not clearly explain that HECS is charged per unit not per course. So will the government undertake to clarify the information in the brochure to clarify that, because that is another area we are getting complaints in?

Dr Groom: Actually the brochure is very clear that everything is by a unit of study. The brochure in the last two years has gone from 64 pages of information to a smaller, more plain English brochure. Previously the complaints were that nobody actually read the information that we provided them, despite signing a loan agreement that stated that they had read the booklet. The feedback from students was to make it slightly simpler. Everything throughout the booklet is about the unit of study because this is related to the census date and withdrawal requirements. It is not about your course. Everything under 'help' is related to a unit of study.

Senator RHIANNON: In the information I looked at it was coming across as per course. You are saying that I have looked at old information and probably misunderstood it.

Dr Groom: No, I would say that you have probably looked at course file information, which was an estimated and approximate cost back on 1 August as to what a course might cost in a year, depending on the units of study that you make up. Universities will never give you an absolute price, because students choose to take slightly different units of study. It is therefore very difficult to come up with an exact price per course. They will have rounded figures. They will say, 'A Bachelor of Science course may be approximately $14,000.' They will not give you an exact cost, because you may take first-year chemistry, physics and biology and not take the environmental science unit but take an arts unit. They will always give you a rounded figure. The course file information which is used on the MyUni website is an estimation, and it has a lot of caveats in small print down the bottom saying, 'This is estimated.'

Senator RHIANNON: Should they be providing what the upper price could be? Again, that is where the complaints are coming in to say that they are misrepresenting the fees that are charged by sending out the HECS-HELP brochure and not detailing that subjects may be charged at a higher band rate—especially when they have refused to disclose fees upon inquiry. It does seem to be a problem of accessing accurate information, particularly that the cost could end up being higher. Surely that should be required to be in the information.
Dr Groom: In the year that the maths and science band went up, the HECS-HELP booklet had a notice saying, 'This is subject to the passage of legislation. The government has announced an increase.' We do put those sorts of notices in every piece of student information as fast as we possibly can, to ensure that students understand that things do change. The front of the booklet also states: 'Regardless of what is in this booklet, if the legislation changes the legislation takes precedence.' We advise students at every point, and with every piece of information that we give out is that they must check the Study Assist website to check for the latest announcements. Decisions of government are made at a point in time where publications are run to try to meet the needs of each calendar year. It is always difficult to anticipate exactly what you need to advise, where you possibly can, for exactness. But we put caveats wherever we can about seeking up-to-date advice.

Senator RHIANNON: Is the university overcharging the maximum annual amount—for a nursing course, for example—if it charges for seven band 2 subjects out of 10 in a first-year nursing course?

Dr Groom: No, not at all, because under the Higher Education Support Act there is no such thing as a fixed price. All we have are the maximum contribution amounts per unit of study. No maximum is set for a course.

Senator RHIANNON: So many of the complaints I am getting are about course costs. Are you saying that that is old information?

Dr Groom: The notion of the cost of a course is only ever an estimate. It has no meaning under the Higher Education Support Act. Everything that is charged and everything that a student is entitled to is on the basis of a unit of study. All the funding amounts are on the basis of a unit of study. The units add up to a course but, as I said, the total price of a course does not have any meaning.

Senator RHIANNON: I will put in some questions on notice to try to clarify this.

Senator CAMERON: Mr Griew, I asked some questions at the additional estimates in February and received some responses. My questions were going to the $290 million cut by the coalition government as part of their austerity program in Victoria. Has there been any further analysis done as to the implications of these austerity measures by the coalition government in Victoria in relation to the $1.2 billion or $1.3 billion that the federal government is putting into TAFE systems around the country?

Mr Griew: Subsequent to that time, we have continued to be in discussion with the Victorian government about the concerns that the Commonwealth government had about the measures to the previous budget which were introduced by the Victorian government, to which you are referring. The Victorian government has subsequently announced a number of measures to ameliorate the impact of those reductions, and I think it is important to view those reductions at a level slightly more detailed than just the bottom line.

There were two kinds of measures that were going on in those Victorian changes. Broadly speaking, one change was a shift in the hourly rate subsidy for courses. It was lowered for courses they had judged to be of lower need and increased for trade courses, basically. The other change they made was to reduce the full service subsidy, which you referred to earlier when you were questioning Mr Robinson. We were broadly supportive, not necessarily of the amounts but of the first half of that trend to increase the subsidy for trade and high-needs
occupations, and to the extent they are off-setting. So the implications in individual TAFEs are actually hard to map exactly until we have been able to see them. The Victorian government has done quite detailed work; it commissioned a report which eventually went public. It has made a number of undertakings to TAFE boards to make their assets available to them, given them responsibility for deciding structural changes and put aside a significant amount of money for funding structural change.

Senator CAMERON: I know about these changes, and I do not want to waste a lot of time on that, because you did in your questions on notice provide that detail, so I do not need it again. But part of your program objectives are to have more transparency and enable better understanding of the VET activity that is occurring in each jurisdiction. Is that correct?

Mr Griew: That is right.

Senator CAMERON: So you are saying you do not really understand what is happening in Victoria?

Mr Griew: No, I do not think I am saying that. We have been negotiating pretty strongly with the Victorian officials. We talk to them a lot. We probably have access to as much information of what is happening in their system as any. We still have ongoing discussions with them over the concerns the Commonwealth government has had. As I attempted to do last time we talked about this, I was making clear that (a) we know more and (b) more has happened and we are looking at it at a more granular level now than we were perhaps last time we talked.

Senator CAMERON: You have got a more granular level, so you are saying you do understand what is happening in the TAFE system?

Mr Griew: We have more information about what is happening in the TAFE system than we did last time we talked, that is for sure.

Senator CAMERON: So are you aware of the Victorian acting Auditor-General's report into the TAFE system?

Mr Griew: The one that was just released?

Senator CAMERON: Yes.

Mr Griew: Yes.

Senator CAMERON: What do you say about that and the implications for the TAFE system?

Mr Griew: There are a number of things that the Victorian Auditor-General is saying about the TAFE system there, and they broadly reflect the kinds of concerns that we have had. The TAFEs collectively, according to the Victorian Auditor-General, have generated a surplus in 2012, but it is a lower—

Senator CAMERON: I am not really worried about the surplus; I am after the concerns.

Mr Griew: It is a lower surplus than it was previously and they rate a higher number of the TAFEs as being of what they call medium risk. They have also raised concerns about their long-term capital financing.

Senator CAMERON: Yes—that is, medium financial risk, isn't it?

Mr Griew: Yes, that is right—they pose a medium risk.
Senator CAMERON: What is medium risk classified as?

Mr Griew: I do not think I have their actual definition with me. I would have to take that on notice.

Senator CAMERON: You are aware that 10 out of the 14 stand-alone TAFEs are under medium financial risk? That is from the Acting Auditor-General's report.

Mr Griew: Yes, compared with seven in 2011.

Senator CAMERON: So the financial risk in the system is increasing? Earlier we had ASQA here. They said they had reports back from some of the TAFEs—I think one TAFE in particular—saying that they were trying to maintain the quality but reduce the output of the TAFE. Are there any implications to being able to provide skills to industry because of the situation in Victoria?

Mr Griew: I listened carefully to Mr Robinson's evidence and he was referring to discussions with a TAFE—

Senator CAMERON: That is what I just said.

Mr Griew: That is right. Across the TAFE system as a whole in Victoria, they are trying to orient their funding towards areas of high-skill need and towards the trades, and we would be supportive of that.

Senator CAMERON: When you say 'trying'—

Mr Griew: They have changed their subsidy levels to give a higher hourly rate for—

Senator CAMERON: What is the outcome of that in terms of skilled graduates out of the TAFE system?

Ms Furnell: Those are the numbers on enrolments—yes.

Mr Griew: The thing you have to understand about what has happened in the Victorian system is that they had a very large increase from 2008. In the 2011 financial year that peaked very high. It went from expenditure of about $800 million to about $1.35 billion and they have brought it back down to about $1.2 billion. There is a big cut there, but there was a very big increase as well. The numbers to some extent reflect that. In those trade areas, as I said, they have done the right thing in some ways with their hourly rates. The other area that we would be concerned about is regional areas in thin markets—that there has been such a high degree of change and those reductions in the full-service funding may produce adverse outcomes in TAFEs in those regional areas, in some of those thin markets. What I am trying to say is that a lot is happening in the TAFE and VET systems.

Senator CAMERON: So, can you provide on notice some details of the problems you perceive in the regional areas?
Mr Griew: Sure.

Senator CAMERON: SQA indicated that they had kicked out about 170 private RTOs from the system nationally. I understand, from information I have received, that in Victoria RTOs grew 310 per cent between 2008 and 2011—this is private RTOs—and 122 per cent between 2010 and 2011. That has resulted in a decreased share of enrolments by TAFE from 66 to about 48 per cent. Does that sound right to you?

Mr Griew: I have some NCVER data here, which has public VET students—that is, publicly funded VET students—by state and provider from 2006 to 2011. Essentially the numbers in the TAFE system in Victoria start at 345,000 and finish at 341,000, and they go up by 20,000—so it is essentially a straight line—while the private sector figures go from 126,000 to 256,000, which is essentially a doubling. Those are different figures to yours, but it is a trend whereby the market share is certainly shifting.

Senator CAMERON: So, there is a doubling of the private sector.

Mr Griew: Yes.

Senator CAMERON: Have you any idea, for those 170 RTOs, of what percentage or what numbers of students they cover?

Mr Griew: Are you referring to the ones that have had regulatory action taken against them?

Senator CAMERON: Yes.

Mr Griew: I would not be able to answer that.

Senator CAMERON: Who would be able to answer that?

Mr Griew: It would require a piece of data matching between the names of the providers that have had various kinds of regulatory action taken against them.

Senator CAMERON: So, we have had 170 private RTOs kicked out of the system, and no-one in your department can tell us how many students that affected?

Mr Griew: When an RTO is closed we will know. I am not sure that the number 170 was the number closed.

Senator CAMERON: What is your recollection?

Mr Griew: Let me just have a quick look for that figure.

Senator CAMERON: Maybe you can clarify that. We were not sure whether it was 170 or 117. We should have clarified at the time. Regardless, it is a big number.

Mr Griew: We can pursue the data we have on the number of publicly funded students that we are aware of in services that have been closed by the regulator. I think that is the number we can try to find for you.

Senator CAMERON: Yes, perhaps you could give us that, and also advise if there was any recovery of money, if these were privately funded providers with public funding. Has there been a recovery of any money from these—

Mr Griew: That is information we would have to seek from the relevant state training authority, because we do not contract those providers unless they are part of one of our programs. But mostly they will have been contracted by the relevant state or territory authority.
Senator CAMERON: But using federal government funding?

Mr Griew: About one-third federal and about two-thirds theirs.

Senator CAMERON: So, I would like to know what the cost to the federal government was for funding these failed providers. You said it was 170—one seven zero—is that right?

Mr Griew: Sorry, I had stopped looking for it and said we would take it on notice.

Senator CAMERON: Okay. What is the current situation in New South Wales in terms of their austerity program and, I think, 800 jobs going from TAFE? What are the implications of those 800 staff reductions in New South Wales in terms of the capacity to meet the objectives in 3.4?

Mr Griew: The states and territories, under the relevant Commonwealth-state agreements, have responsibility for administering the state training systems. We have targets for the number of training places they must provide, and there is funding contingent on their delivery of both aggregate training places and training places for specific equity target groups that are agreed. They make budgetary allocations in addition to what we do in order to meet those, and they run the systems. In New South Wales there was a budget saving of $41 million in their 2012-13 budget against a total system of about $2 billion. That is about a 1.8 per cent saving, and there was a saving of that number of staff—800 staff—over four years. So, to be frank with you, we raised concerns with New South Wales about that. We raised concerns with New South Wales about what the long-term direction of New South Wales government policy would be, because we were worried about stability of the system. But the savings of that magnitude in a system of that size, given that we have these targets with financial penalties attached to them, was less of a concern to us than the question of the long-term stability and the direction of policy in that state.

Senator CAMERON: I note that in your response you indicated that the New South Wales government was releasing policies for Smart and Skilled—is that right?

Mr Griew: That is the name of their policy document.

Senator CAMERON: Has that policy been finalised?

Ms Furnell: There are further details on that policy. The general announcement was made last year, but the details of that policy await the report by their independent pricing and regulatory tribunal. Some of the details of the structures of their entitlement system etc are still to come. They have made quite strong statements in support of TAFE delivery in rural and regional areas and to disadvantaged students.

Senator CAMERON: So, rural is going to be looked after, and regional is going to be looked after, and disadvantaged students. What about just an ordinary punter out there trying to get an apprenticeship in metropolitan Sydney?

Mr Griew: The mechanism that the Commonwealth government has in relation to the VET system in New South Wales and the TAFE system in New South Wales is the intergovernment agreement—the national partnership agreement—and, as I said, it has, as all of these agreements do, quite specific targets. And it has requirements within it for specific plans in relation to the public provider and in relation to apprenticeships, and those are the levers that we have. As I said, when we saw the budget in 2012 with our then minister, we
discussed that and we raised our concerns with the New South Wales government, and negotiations have been ongoing.

Ms Furnell: They are also I think developing a skills list and skills priorities, which would be commensurate with their economy and their economic focus.

Mr Griew: They also have been keen to reinforce trade training in the setting of their subsidy rates.

Senator CAMERON: And one of the areas that has been quite controversial has been the closing down of fine arts.

Mr Griew: They have reduced subsidies to a number of areas that they judged to be less high-needs, and there has been quite a lot of controversy around some of the fine art programs.

Senator CAMERON: I am a great supporter of the trades training area in TAFE, but you also have to have a wider capacity in TAFE to provide training in other areas, don't you?

Mr Griew: The VET system covers both traditional trades and a lot of other economically necessary areas.

Senator CAMERON: And our funding is not simply for, say, mechanical or electrical trades.

Mr Griew: Absolutely not.

Senator CAMERON: Have we raised any issues about the reduced funding for fine arts in New South Wales?

Mr Griew: We raised a full range of concerns with the New South Wales government at the time of their 2012 budget. And, as I said, discussions with them have been ongoing.

Senator CAMERON: Were these concerns raised in writing?

Mr Griew: I would have to check the records as to whether there was a written letter or a written exchange. There have been several meetings at senior official level and there have been meetings that ministers have had as well.

Senator CAMERON: Perhaps you could take that on notice. And if there was correspondence between the department and the New South Wales government, could you provide details of that correspondence?

Mr Griew: I will take it on notice. I have some caution about tabling correspondence that goes to our Commonwealth-state negotiations, especially when those negotiations have not been finalised.

Senator CAMERON: I am also looking at not just Commonwealth-state negotiations but outcomes for the New South Wales public.

Mr Griew: I appreciate your concern.

Senator CAMERON: So, you are taking it on notice, and could you also take on notice any response that the New South Wales government has given? Given that you do not have a final position on this, I assume that negotiations are actively continuing with New South Wales?

Mr Griew: That is correct.
Senator CAMERON: When do you expect those negotiations to be finalised so that we can commit as a federal government to the funding?

Mr Griew: That is really a matter for the two governments.

Senator CAMERON: You are conducting the negotiations, aren't you?

Mr Griew: Absolutely, but—

Senator CAMERON: So, what is the time frame? Is there a time frame for negotiations?

Mr Griew: We are obviously keen to resolve those negotiations, and we are keen to resolve them satisfactorily, including the concerns you are raising. We are the officials who conduct the negotiations, but they have to be signed by ministers.

Senator CAMERON: Is there a series of meetings being detailed for finalisation of the negotiations? Is there a time frame? You must have in your diary, 'Meeting New South Wales government re. TAFE' somewhere.

Mr Griew: The time frame is that we are trying to finalise them. The end of the financial year is approaching, and we are trying to finalise these negotiations.

Senator CAMERON: Before the end of the financial year?

Mr Griew: We are trying to finalise the negotiations.

Senator CAMERON: Before the end of the financial year?

Mr Griew: We would like to finalise them before the end of the financial year, but it has to be a satisfactory outcome.

Senator CAMERON: Moving on to Queensland: they are saying that there is a strategic assessment management plan for all Queensland TAFEs to be released by the end of 2013. So, that will not be finished by the budget. Will the federal government be committing to funding without the strategic plan?

Mr Griew: Again, we are going to pretty active negotiations. Again, there was both a budget cut in 2012 and, as in New South Wales, a series of other processes, including a task force, which Senator Rhiannon referred to earlier, that was commissioned by the Queensland government and that made a number of recommendations, not all of which were accepted by the Queensland government. Their TAFE system was therefore, the Commonwealth felt, faced with too much uncertainty, and those were the issues that were raised. Again, it went as much to uncertainty, frankly, as it did to the level of budget reduction. So we have been actively negotiating with the Queensland government to reach a satisfactory outcome in relation to those issues. And the government, if it regards those negotiated outcomes as being satisfactory, will then sign an agreement that has in it an implementation plan with all of those matters addressed.

Senator CAMERON: When do you come to the view that the implementation of Queensland's austerity plans in the TAFE system will be a problem for you delivering your outcomes in this area, under program 3.4?

Ms Furnell: Queensland is subject to the same structure of the agreement as Mr Griew explained for the others, in that in addition to committing to structural reforms they were also committing to increased training outcomes. That is in a sense how we bring that together. We might check some of the numbers we cited earlier against your question to make sure they are
the most relevant numbers for Victoria. There were a lot of numbers turning around there; I just wanted to put on the record that we will check those numbers.

**Senator CAMERON:** Do you have any idea how many job cuts there have been in Queensland TAFE?

**Ms Furnell:** I do not have any specific numbers of job cuts in Queensland TAFE.

**Mr Griew:** As said before, being candid with the committee, our concerns in Queensland were a bit like New South Wales—it was not primarily about the quantum of the financial reduction against quite a big program, but we were significantly concerned about the stability and the long-term policy settings for the VET system and the public provider.

**Senator CAMERON:** But stability and policy settings have also got workforce implications.

**Mr Griew:** They do.

**Senator CAMERON:** So if there have been job cuts, surely that has implications for the plan, it has implications for stability, it has implications for delivering on the outcomes in this area?

**Mr Griew:** Let me clear: we were concerned about what might be down the track more than what had already happened. There was a lot of talk around that task force about very significant rationalisations, and we were very concerned at that point. When it came down to it, the Queensland government rejected that recommendation that would have seen something like 40 campuses close. I think they closed about 14, and our intelligence on the ground was that they were not significantly problematic; they tended to be rationalisations that had a reasonable case to them but we wanted to be sure about what the future plans were. We thought at this point yes, that was a good outcome, but what is going to happen down the track.

**Senator CAMERON:** And you will not be sure until the end of 2013, is that correct?

**Ms Furnell:** If I can clarify what Mr Griew was saying, I think it was 13 campuses that either were closed or were already on the market, and the strategic asset management plan you have referred to does indeed come later in the year. Again, that is in a context of the government's strong statements supporting TAFE and training facilities throughout Queensland, their comments about reinvesting in their report; in their report they talked about reinvesting proceeds from assets into training, and so when you are looking at it as a whole and the number of steps they are taking—

**Mr Griew:** We are taking you here into the focus of the negotiations; the outcome of those negotiations will have to await the resolution. That is what we have been talking about.

**Senator CAMERON:** But there is a $1.2 billion investment by the federal government into the TAFE and private provider systems across all of the states, isn't there?

**Mr Griew:** It is $1.4 billion. We put in about a third. This is in the special purpose payment we make to the states. We also invest directly, of course, considerably beyond that. In terms of our share of the national training system, that is the key payment. Then there is a $1.7 billion partnership program over five years.

**Senator CAMERON:** So big dollars.

**Mr Griew:** Absolutely.
Senator CAMERON: I suppose you will be in a position at the next estimates to tell us where some of this is up to?

Mr Griew: We hope that as issues are resolved between governments it would be public before then, but, yes, by next estimates we will know more again.

Senator MASON: What is per student university funding this year?

Mr Warburton: $18,000.

Senator MASON: For this year.

Mr Warburton: Yes. That is the government contribution and the student contribution for the academic year 2013.

Senator MASON: What is the government contribution?

Mr Warburton: $10,600.

Senator MASON: And the student contribution?

Mr Warburton: $7,400.

Senator MASON: That adds up.

Mr Griew: Bearing in mind that the payment of that is also a government contribution and the repayment of that is through a subsidised loan.

Senator MASON: Sure, but it is a loan. So $10,600 is the base funding, in effect, and $7,400 is the student contribution?

Mr Griew: That is what I am essentially qualifying—that distinction.

Mr Warburton: $10,600 is the Commonwealth Grants Scheme contribution, plus loadings. Base funding is a somewhat ill-defined expression.

Senator MASON: Let's keep 'government contribution'. That is fine. What will the student funding be in 2017?

Mr de Carvalho: The student funding. Do you mean the government contribution or the—

Senator MASON: I asked the same question before and you said it was $18,000 for the academic year—

Mr Warburton: $18,100.

Senator MASON: That is in 2017?

Mr Warburton: Yes.

Senator MASON: What will be the Commonwealth government contribution?

Mr Warburton: $10,500.

Senator MASON: What will be the student contribution?

Mr Griew: $7,600.

Mr Warburton: That is in 2013 dollars. If you wanted it in nominal dollars, the per place funding amount would be $20,000, $11,600 of which is the government contribution and the remainder is the student contribution.

Senator MASON: It does not change the ratio though?

Mr Warburton: No.
Mr Griew: It is just a question of whether you are talking about real or nominal.

Senator MASON: But it doesn't make any difference in terms of the ratio?

Mr Griew: It probably does, actually—

Mr Warburton: No, it doesn't.

Senator MASON: So the government contribution has gone down $100 and the student contribution has gone up $200?

Mr Warburton: Only in real terms.

Senator MASON: Only in real terms!

Mr Griew: It moves it up and down by $100 over that period of time, and has moved up from $16,270 since 2007, so we have—

Senator MASON: That is all I want to know. There has been so much debate about that. Has Australia slipped in OECD rankings on public higher education spending either as a percentage of GDP or per capita as a result of the combined effect of the budget cuts announced in the budget as well as those in MYEFO? What effect have they had in terms of our international position?

Mr de Carvalho: It is very difficult to say, because we do not actually know what contemporaneous public funding is in other countries. The latest data we have on public funding in other jurisdictions is from 2009. That is published in the OECD's Education at a glance publication, which was released just last year, I believe. So it is difficult to say, on the basis of these changes, what our ranking will be, because it depends on a range of factors. It depends on different rates of growth of GDP in different countries, as well as different funding policies. But, as it stood in 2009, the OECD Education at a glance gives some information there. It gives a round figure.

Mr Griew: I happen to have the figure in front of me. Australian expenditure is at 0.37 per cent of GDP against an OECD average of 0.29 per cent, and puts us ninth out of the 30 advanced economies, using the figures we have just given you.

Senator MASON: The figures you have just given me—

Mr Griew: Sorry—giving you that data in the appropriate year.

Senator MASON: Sorry—giving you that data in the appropriate year.

Senator MASON: Sorry—giving you that data in the appropriate year.

Mr Griew: It includes the government contribution and the government contribution by way of a loan, which is the strength since 1989 of the Australian higher education funding system.

Senator MASON: I have been to estimates far too long to be taken in by it. I know what you are saying—

Senator Farrell: There is no intention to take [inaudible] anything that has been said.

Senator MASON: With the greatest of respect, unless you had been around you would not know what question to ask. When I ask about public funding, most people would think it is the government contribution. But because I know the area, and you would as well, Minister, that actually means you are talking about funding including the government contribution—the Commonwealth Grants Scheme—plus the student contribution. Sure, that is in the form of a loan. But if you talk about funding—to play semantics here—
Senator Farrell: You are getting philosophical again!

Senator MASON: I don't mind that. What about funding from international students? Isn't that funding as well? Doesn't that go to cross-subsidise?

Mr Warburton: It is certainly revenue.

Senator MASON: If you are going to draw the line somewhere—

Mr Griew: But it is not funding that the government or the taxpayer of the country underwrites. With respect, the value of the taxpayer support of the student loan scheme in Australia is both internationally regarded and not a trivial matter for the taxpayer.

Senator MASON: I agree with that. In terms of the public contribution—that is, the Commonwealth Grants Scheme—where do we rank in the OECD?

Mr Griew: I do not have that figure, but University Australia has made an argument, based on leaving the HELP scheme out, where they say we would be considerably lower.

Mr Taylor: It is 25th out of 29.

Senator MASON: We are very low in that sense. Mr Griew, I take your point and I am not denying it. It is just that you have to be open and frank. Public servants answer questions and unless you know what precisely you mean you can be taken in. So we are 25th out of 29 in terms of public funding?

Mr Griew: In 2009.

Mr Warburton: That excludes factors such as the government expense involved in loans. There are elements missing from it.

Senator MASON: Yes, there is a little bit in that.

Mr Griew: We expense quite a bit there. It is a non-trivial expenditure. To compare a country that does not have an income-contingent loan scheme with one that does internationally is—

Senator MASON: Yes, finance costs. I know that. Although one of the bigger issues is going to be the growing student debt—$26 billion is it?

Mr Griew: Yes, which is why we expense the movements and all the relevant parameters so that that is a manageable part of our higher education financing system and one that is internationally reputed.

Senator MASON: What is the tipping point, Mr Griew? In your discussion with Senator Rhiannon before—you can raise the student loan, and of course you can. And you are right. It has meant in effect that more students than ever before have been able to go. And it has added somewhat to the number of disadvantaged young people going to university, not dramatically, but it has a bit. What is the tipping point?

Senator Farrell: The numbers are quite significant. There are 190,000 more students now than when you were in government.

Senator MASON: I know the argument. Is there a tipping point.

Senator Farrell: What is wrong with the argument?

Senator MASON: It is true that more people from a disadvantaged background are going, but there are far more less-academically-prepared, non-disadvantaged people going by far in
absolute numbers. That is actually what has happened. We can debate this later on. This is not
the forum for that.

Mr Griew: Which is why, with respect, there has been a fairly significant investment in
support for those students through a variety of equity and enabling programs and sub-bachelor
places and so on. The overall system has increased in value from just over $8 billion to $14
billion this year and will be over $17.5 billion by 2017. The measures taken, shifting a bit
more of the support for students onto the loan scheme, and an efficiency dividend, do need to
be seen against that trajectory.

Senator MASON: I am not saying it is all wrong, but it is a very complex issue.

Senator Farrell: Why don't you tell us what you are planning to do.

Senator MASON: If we ever get back into government we will
have some ideas about this! Let's see what happens.

Senator Farrell: What about telling us before the election. We have told you what we are
doing, so people can make a judgment about it.

Senator MASON: You will know before the election. Mr Griew, is there a tipping point?
You know the point. There is a huge debate in the United States about student debt, where it
is about $1 trillion.

Mr de Carvalho: And the reason it is a much more significant debate in the United States
than it is here is that they do not have an income-contingent loan scheme, like we do.

Senator MASON: But that does not mean there is not a tipping point.

Mr de Carvalho: But the tipping point would be different for each individual. An
individual's appetite for debt is an individual matter. We do know, based on analysis done by
the Grattan Institute, that the lifetime difference in earnings between a person with an
undergraduate degree and a person with a year 12 certificate is in the order of $1 million.
When you put that up against that—

Senator MASON: I know all that. Comparing the average Australian tertiary student to
the average American tertiary student, who is in more debt?

Mr de Carvalho: I could not tell you.

Senator MASON: The Australian.

Mr de Carvalho: Okay.

Senator MASON: And that probably shocks people here.

Mr de Carvalho: As you know—

Mr Griew: But they also have a very highly subsidised loan.

Senator MASON: Sure, but you see my point: it is still debt. I want to make the point
because this is glibly thrown around. I am not saying it is a huge issue now but, potentially,
over the medium term this will become an issue.

Mr de Carvalho: But of course you never see students in the US leave. They are under
immediate pressure to repay their debt. Often you will find students who have gone into high-
cost courses feeling the pressure to go into high-paying jobs, precisely to do that. We in
Australia have a tradition whereby students going into potentially high-cost courses are
feeling freer to take up perhaps more publicly spirited levels of remuneration, such as lecturers in law or into politics!

Senator MASON: Quite right!

Mr de Carvalho: So we have a different dynamic here.

Senator MASON: I just wanted to make the point. The issue of debt gets lost a bit. I always ask questions about the Education Investment Fund. Can I quickly grab the statistics. What is the current balance of the Education Investment Fund?

Mr Hart: Senator, you wanted a balance?

Senator MASON: Yes, the current balance of the EIF, if you could.

Mr Hart: To how many decimal places?

Senator MASON: Just roughly.

Mr Hart: $4.065 billion as at 31 March.

Senator MASON: What is the total interest earned so far by the fund and its predecessor?

Mr Hart: $1.059 billion by EIF, and from its predecessor HEEF it was $455.7 million.

Senator MASON: How much of the funds have been committed?

Mr Hart: $4.395 billion.

Senator MASON: How many spent?

Mr Hart: $3.4783 billion has been spent.

Senator MASON: And how much committed but unspent does that mean?

Mr Hart: $916.6 million.

Senator MASON: So the current uncommitted balance of the fund is that?

Mr Hart: No, the uncommitted balance is $3.148 billion. So that, together with the $916, gives you the current balance.

Senator MASON: Yes, that makes sense. Have all the Regional Priorities Round announcements been made? Has that all been done?

Mr Hart: To date 10 university projects have been announced. There may be further announcements, but that is a matter for the government.

Senator MASON: Of the $500 million that was committed for the Regional Priorities Round, how much has been spent thus far?

Mr Hart: Those 10 university projects valued at $292.56 million.

Mr Griew: That is a commitment, not a spend.

Mr Hart: Yes, that is a commitment, not a spend.

Senator MASON: So $292 million has been committed?

Mr Hart: Yes.

Senator MASON: Thank you very much for the statistics. Can I ask some policy questions about the EIF. There has been debate in the press recently. Are you aware of the criticisms made of the government's handling of the EIF by the chairman of the advisory board, Mr Phillip Clark, as reported in the Australian on 1 May?
Mr Griew: Yes, we are aware of that.

Senator MASON: Mr Clark has been quoted as saying:
We have no idea where the fund is headed, and the government has declined our numerous offers to help them with a strategic plan …
We've lost sight of the whole concept of what this fund was set up to do. I think it's a real pity. Mr Clark is a chair of a government appointed advisory board. I would have thought that those are fairly stinging criticisms. Where is the fund headed?

Mr Griew: The fund has made a substantial contribution to excellence in infrastructure in tertiary education and the future direction of the fund is a matter for the government. There is a considerable work program still to roll out as well.

Senator MASON: I think what Mr Clark is talking about are policy directions.

Mr de Carvalho: At this stage the direction of the fund remains according to its stated objectives, which includes to build a competitive Australian economy by supporting world-leading strategically focused infrastructure. I think that is an important phrase, that it is strategically focused. You can see that that is how the government has gone about its task with respect to the various rounds of the EIF. It is not just a general infrastructure program for buildings in general. Each round has a purpose.

Mr Hart: On that, I think you could say that all four of the rounds, the competitive rounds, have achieved those objectives. I think Mr Clark’s view is that he would like to see more systematic rounds happening at a particular period in time. However, it has always been under the operation of EIF that the government has decided when, where or how those rounds will operate and given regard to current fiscal circumstances as well in the timing of the announcement of those rounds.

Senator MASON: But it is more than that, though. Isn't it something fundamental—that is, no money has been put into the round and its long-term future surely then is very much in doubt? Originally, when the coalition had the HEEF, the Higher Education Endowment Fund, it was going to rely just on the interest that was going to be expended. Now we are expending the capital. It is an existential problem: where are we going? The money will be expended. Where is the future?

Dr Hart: Based on the figures I told you before, there is over $3 billion uncommitted, even with all future announcements to be rolled out. So I think there is the capacity for that fund to be utilised as intended by the government moving forward, subject to a further announcement at some point in time.

Senator MASON: Have you had a look at the Audit Office's administration of grants from the Education Investment Fund? Have you seen that?

Mr Carvalho: Yes.

Senator MASON: It was not such a happy finding, was it?

Mr de Carvalho: I am not sure that you could say that, Senator. It said that the administration of the fund was generally pretty good. It had only two recommendations.

Senator MASON: It says:
The administration of the second and third EIF grant funding rounds by DIISRTE and its predecessor departments has been in the main satisfactory.
It also says there are:

... other areas where there was scope for improvement in DIISRTE’s administration of the funding rounds ...

and they include certain things. But this is the worrying one, and it takes me back to when I used to examine Ms Paul in relation to the Building Education Revolution. Paragraph 24 on page 20 says:

DIISRTE did not have processes in place for monitoring and reporting on progress against the Australian Government’s strategic objectives in establishing the EIF. While the department captured information on the implementation of individual infrastructure projects, the construction of infrastructure and the acquisition of attendant equipment are only a means to the achievement of the EIF’s strategic objectives, not an end in themselves.

That is what Mr Clarke is talking about. He is not talking about the management of a particular infrastructure project; it is about the strategy of it. I would not be happy with that.

Mr de Carvalho: Specifically, the recommendation that we have accepted is that the department work on the development of performance indicators in relation to the long-term objectives of the scheme. It is significant as to the long-term objectives. So the question that arises is: how long term is long term and when do you start measuring the performance indicators, given that the infrastructure investments are typically ones that amortise over a long time and also ones that typically take some time for their impact to be felt? We have accepted that recommendation and we will be developing performance indicators that align with the strategic objectives of the fund.

Mr Griew: We take that recommendation seriously, and a serious piece of work will flow from it. The issue that you are raising is serious. I am not sure that that is the same thing that Mr Clarke was saying. It is about making sure that the policy objectives of the scheme are now delivered, with the investment already made. He is making a point, extrapolated by Dr Hart, that we need also to think about the future. But, even with the significant investment already made, we are enjoined here by the Audit Office to have a look in a very systematic way at the objectives achieved not just in the delivery of that infrastructure but in its impact and its outcome—and we will be doing that.

Dr Hart: Regarding the issue of the performance indicators and evaluation, as we have moved along and implemented projects and they have come to a conclusion, we have done some work internally in trying to evaluate and commence the task of developing performance indicators. The fact that we do not have performance indicators in place means that we have not set ones that revolve around the expenditure of money or the completion of building because we do realise the longer term objectives in terms of how that infrastructure is successful in its aim of facilitating world-class tertiary education facilities and research facilities—and many of these projects are still only newly completed.

Senator MASON: But you cannot get around the fact that you do not have the mechanisms in place to determine whether a strategic direction has been met. That is what the Auditor-General is saying. It is a fairly robust criticism, not a light criticism.

Mr de Carvalho: And we have accepted it. The point we are making is that the terminology used is 'when the long-term objectives are met'. When will we know when the long-term objectives are met? It will be in the long term. We had to develop sensible
performance indicators that capture whether the objectives of the funds have been met in the long term. We are not rejected the criticism.

Senator MASON: Good. Mr Clark said: 'The government chose not to take our advice and I was told that it was in the hands of the Prime Minister's media department. It seems they were running the country on that particular day.' I am still quoting the article in The Australian. Why did the government decide to spread the announcement of the latest funding round over a period of six months or so?

Mr Griew: That is entirely a matter for government—and it should be noted that the minister said that that was not an accurate comment.

Senator MASON: That does not mean that it was or that it was not. But the Minister said that; I understand. It is a different issue.

Mr Griew: I am recording that the minister clearly said this was not an accurate comment.

Senator MASON: Mr Clark clearly said that.

Mr Griew: It is a difference of view about where exactly decisions were being made.

Senator MASON: Do you agree with Mr Clark that drip-feeding the announcement, as opposed to doing it all once like other grants programs, might create uncertainty among universities?

Mr Griew: When it comes to governments announcing grants they make, every government and every minister will make their own choice at a particular point in time.

Senator MASON: It seems that, with regard to these grants, the government chose to disregard the board's advice. At least, that is what Mr Clark is saying.

Mr Griew: We have a high-quality board that has given exemplary advice on projects. That is their absolute expertise, which the government has been very keen to receive, has been very engaged with and has been very respectful of. I think it would be fair to say that the view the minister would have is that the announcement strategy, once the expert advice of the board has been taken, is a matter for the minister, with respect.

Senator MASON: But is the government taking Mr Clark's criticisms seriously?

Mr Griew: I understand that the minister subsequently spoke to Mr Clark. I myself was in a meeting with Mr Clark and Mr Evans, when he was the minister last year, which was a very respectful and cordial meeting where a number of issues were discussed. Clearly Mr Clark was frustrated in that article. He is a guy we have a very high regard for but it would be very unfair to portray the minister as not been engaged with what he has to say.

Senator MASON: Does the government still retain confidence in Mr Clark?

Mr Griew: That is a question you would have to ask the government. But there is no sign that that is even a question, and I think the minister has said as much.

Senator MASON: I ask because Mr Clark's criticisms, again, were rather robust, not just a side glance.

Senator Farrell: We are used to robust criticism.

Senator MASON: Yes, I know you are, Minister. Can I go to continuing issues with red tape. Are you aware of Universities Australia's submission to the opposition's deregulation task force chaired by Senator Sinodinis?
Mr de Carvalho: Yes, their submission is on their website.

Senator MASON: That is right. They made it public in April. Do you agree with the submission's main conclusion that universities spend about $280 million a year on regulatory compliance and reporting to federal and state governments?

Mr de Carvalho: As you would be aware, in April the LH Martin Institute released a report that had been commissioned on this very subject by PhillipsKPA—a very well-known and respected consultancy—

Senator MASON: And I will ask you about that next, but go ahead.

Mr de Carvalho: It goes to the issue of quantum. Essentially, the PhillipsKPA report found in the order of $26 million a year across the sector is expended by universities in meeting the reporting requirements of 18 of the department's data collections. Clearly, the methodology—

Senator MASON: That is a much narrower scope.

Mr de Carvalho: Yes, agreed. The methodology used by Universities Australia is not something that I can comment on, but I think they estimated the number of staff that would be used in meeting compliance, regulatory and reporting arrangements and grossed that up across the sector. I cannot comment on the validity or the robustness of that particular finding.

Senator MASON: You would not dispute it?

Mr de Carvalho: No, I would not.

Mr Griew: He is not in a position to say.

Senator MASON: You are not in a position to dispute it?

Mr de Carvalho: I am not in a position to engage with it.

Mr Griew: Or endorse it.

Mr de Carvalho: The other important point that was made by the PhillipsKPA report was that the substantial amount of reporting effort that is done by universities in order to report to us is data collection that they would do in any case—even if the government was not asking them—for their own internal management purposes. The $26 million is not purely the marginal cost; it is the total cost, of which a substantial amount would be borne by universities in any case for their own internal administration.

Mr Griew: What we essentially have here is a range of figures put on a problem. That said, we absolutely accept that there is a problem here. PhillipsKPA made a number of suggestions which the group that Mr de Carvalho set up with the sector has been working through. The minister has not only announced the review that was spoken of but has also given us a clear instruction to go ahead and implement the recommendations from the review to reduce the red-tape burden, whatever the quantum in dollar terms, and we will be doing that expeditiously.

Senator MASON: I think it is fair to say that Dr Nicoll said earlier that she is working alongside techs to do something similar.

Mr Griew: That is right.

Mr de Carvalho: The National Advisory Group on Higher Education Data and Information has been asked by the minister to provide him with advice on the response to the
reporting requirements review. Minister Emerson has most recently indicated that we do not need to wait for that NAGHEDI advice to move on the low hanging fruit, the no brainers, in relation to our reporting requirements, and that is what we are doing.

**Senator MASON:** Universities Australia argue that a typical university is required to report on over 50 different datasets to the department annually, comprising 200 reporting instances per year. Is that right? It seems a hell of a lot to me. Do you have a figure?

**Dr Taylor:** Only the figure that is in the review of reporting requirements. It is about that, by memory, but I will have to look through it.

**Senator MASON:** That is a lot. Has the reporting burden increased or decreased over the last several years?

**Dr Taylor:** One of the review's arguments was that it had gradually increased.

**Senator MASON:** It has become worse.

**Dr Taylor:** I must say, that was part of our initiation of a review of reporting requirements, because there comes a time in a department where you need to have a good look at what you are doing, and that is why we commissioned the review.

**Senator MASON:** In terms of compliance costs and so forth and overall Commonwealth expenditure on higher education, is there some relationship that is better or worse than other areas?

**Mr de Carvalho:** If you look at the total revenue to the sector—Dr Taylor will correct me if I am wrong—it is in the order of—

**Dr Taylor:** It is in the order of 1.3 per cent of total university expenditure, just using the $280 million figure. These are very rough calculations on other sectors that have also used rough numbers to do rough comparisons. Victorian public schools, for example, have estimated their compliance costs at 1.2 per cent of expenditure compared to an Australian industry group study that showed that companies were at 3.9 per cent of expenditure in reporting—

**Senator MASON:** I cannot swear by this, but funding for higher education research is roughly $10 billion a year.

**Dr Taylor:** Total expenditure of Australian universities was $21.9 billion in 2011.

**Mr de Carvalho:** That is all sources of revenue spent.

**Senator MASON:** It is about 1½ per cent if it is $20 billion and about three per cent if it is $10 billion, roughly.

**Mr Grieve:** All of that said, as new parts to the system are added, and there has been a big increase in funding, some of which has been tied to new parts of the system, programs tend to add reporting. New programs may duplicate some basic reporting. There is undoubtedly overlap between what the regulator gathers on what the department gathers. There is plenty of room here for a gain to be made. Not only were we on that path but the minister has now absolutely laid down the law that this will happen faster.

**Senator MASON:** Let's go to the review that Dr Emerson and Ms Bird announced, asking Professor Kwong Lee Dow and Professor Braithwaite to head it. When will the review report by? Do we have a date for that?
Mr Griew: The expectation is that they will report by the end of July.

Senator MASON: That is quick. How will it be done—inviting submissions or holding meetings?

Mr Griew: I think the choice as to whether to invite submissions will be overtaken by the submissions arriving, if my contacts in the sector are anything to go by.

Senator MASON: Stakeholders and peak groups will—

Mr Griew: Yes, that is right. The two professors doing the review, Kwong Lee Dow and Valerie Braithwaite, start from an incredibly high level of knowledge of the sector and of the issues, and Professor Braithwaite is an internationally known regulatory expert. One of the things that they will do as well as getting a large amount of written material is hold meetings with all of the key players. They will do that fast and intelligently. That is my initial sense of the two of them.

Senator MASON: I suppose, if they are to report by the end of July—that is in eight weeks or so; it is not long. The review has been asked to consider, among other things, whether the model of—this is an interesting phrase—'earned autonomy' is warranted. What prompted the government to include that particular specific item within the scope of the review? Was it an original idea or did it come from stakeholders—the idea of 'earned autonomy'?

Mr Griew: It is in some ways, I think, a capture of a discussion which has been going on between the sector and a number of ministers. You could read it as a very specific proposal or as a more general idea. In the sense of the general idea of keeping regulation proportional and, for organisations with very low risk and a proven track record, backing off considerably—that has clearly been a part of the discussion between the sector and ministers. Ministers have been keen to get some expert advice about what form that direction might take—if that is the direction recommended.

Senator MASON: What is the definition, in the recent government document, Assuring quality while reducing the higher education and regulatory burden, of 'long-established, compliant, high-performing university'? Is that just the Group of Eight or is it all Australian universities?

Mr Griew: That is why I was keen to be clear in my previous answer—that I do not think there is a specific proposal on the table here. These reviewers are very senior people and the ministers have asked them to come back with their advice. I think your question presumes that there is some sort of proposal here which is detailed in that kind of way, which is not the tenor of the engagement. Even on face value, I cannot imagine any gain in getting into imagining which particular grouping of universities you would want to bestow that descriptor on.

Senator MASON: I agree. But already, you would be aware, the different groups of universities are talking about what that means and reading the entrails of these documents. You know how it is. There is much discussion in the sector about the meaning of these documents.

Mr Griew: Sure.

Senator MASON: While people are reading—as when, perhaps, they read the Bible—perhaps they are saying, 'That is not a good idea.' But you can see what has happened already.
People are worried about whether they will fit in or whether they will not fit in—will my university make the grade or will it not?

**Ms Borthwick:** 'Earned autonomy' is a common framework in regulatory policy. There is no intention to do anything other than examine whether or not it is an appropriate framework for tertiary education, higher education.

**Mr Griew:** I would not be encouraging universities to worry themselves down the path of wondering, 'Am I in or out?' to some proposition. To all the university people I have talked to, I have said, 'I am sure that Professor Kwong Lee Daw and Professor Valerie Braithwaite will be very interested in hearing from you about your ideas on how to balance the system.'

**Senator MASON:** Let me give you another example. On the media release from Dr Emerson and Ms Bird, it says:

The review will also evaluate whether a model of 'earned autonomy' is warranted, where providers with a history of excellence and achievement are largely exempt from reporting requirements.

Is that excellence in research and ERA points—ERA achievement and research achievement—or is it a reputation of past compliance with regulatory requirements? They are two quite different things. Which one is it?

**Mr Griew:** With respect, Senator, you might want to be drawn, with the universities, into reading that phrase in a specific way. But that is not how it is intended. It would be unhelpful to the universities or the exercise to do so.

**Senator MASON:** People are reading too much into it?

**Mr Griew:** If they are going down the path of saying, 'This must mean there is a set of criteria which someone has clearly in mind,' then they are. It is an attempt by ministers to say to universities: 'We are taking this seriously. We have heard a lot of what you are talking about. We get the gist here of what you are wanting to have seriously explored and we want some expert advice on that.'

**Senator MASON:** So the professors themselves, having spoken to stakeholders, will be determining, in effect, what constitutes earned autonomy—

**Mr Griew:** No, they will be providing advice to government on their views. Bearing in mind that Professor Braithwaite has spent her entire career working on—

**Senator MASON:** I am not criticising anyone. I am just trying to understand the process. The process would be that they would give advice on what earned autonomy might mean?

**Mr Griew:** Yes, and whether they think that it is a useful framework or what variant or other frameworks they might suggest a government.

**Senator MASON:** I want to ask a different set of questions on the tax deductibility of self-education expenses. I understand that it is a Treasury decision at any rate, but is the government reviewing its decision?

**Mr Griew:** The Treasury at the instruction of the Treasurer, I understand, issued a discussion paper and will be seeking comments.

**Senator MASON:** Has your department had much input into that?

**Mr Griew:** It is a Treasury matter. We have our view, but our view will be inside government and between departments, not through public channels.
Senator MASON: Was the department informed before the Treasury came up with that idea, Mr Griew?

Mr Griew: We were not part of working up that proposal.

Senator MASON: I did not think you would be. That is a good answer! In terms of policy, what impact do you think this cut will have on continuing education and the upskilling of professionals—conference attendance and so forth? This is a concern, as you would know—

Mr Griew: We are obviously aware of concerns among professional organisations and in the universities. They will undoubtedly detail those and quantify them and put them to Treasury. To be fair to Treasury, we are also aware of some of the concerns from a tax policy point of view that Treasury has had with some of the claims that have been eligible under this program. It is not our area. It is a Treasury program. It looks like they have the right process in place to discern from the feedback they will now get the policy objectives they had from those that they may not have been trying to achieve.

Senator MASON: Sure. But are you feeding in the educational concerns?

Mr Griew: They put out a paper. They will get feedback from the sector directly, I would think. I do not think the sector will rely on us to convey their views.

Senator MASON: People do not like going into battle against the Treasury, Mr Griew. It is not something that anyone enjoys.

Mr Griew: I would certainly—and I am sure Treasury would agree with us—encourage universities to give feedback. There is certainly no intent to do damage here. I am sure Treasury would be dead interested in the input from universities and from professional bodies.

Senator MASON: I have other questions which I will put on notice.

CHAIR: I think that is a sterling idea, Senator Mason.

Proceedings suspended from 19:29 to 20:31

CHAIR: The committee will come to order. We now turn to outcome 2, with the department. Senator Mason.

Senator MASON: I will commence with questions about international science collaboration. The Australian Academy of Sciences recently noted that, 'While the Australian government has invested in strengthening research collaboration with India and China in the last two years, it maintains approximately 30 mostly unfunded bilateral government-to-government agreements for science and technology cooperation. Our global approach lacks strategic coordination and commitment, which risks alienating existing powers with which the Australian government is actively engaged in official science cooperation dialogue, such as the US and the EU, and ignores emerging and established powers elsewhere, particularly in Asia.' Is the department aware of these concerns?

Ms Kelly: Yes, the department is aware that the Academy of Science has put forward some criticisms. The strategy for engaging countries other than India and China, where we have specific funds, has been to open up to international collaboration many of our mainstream programs. The ARC programs, the National Competitive Grants Program, the linkage program, the Cooperative Research Centres program and a lot of CSIRO's programs are all open to engage international research partners in a way that was not necessarily the
case five or six years ago. It is the case that the program that we have had historically, the International Science Linkages Program, was always a very small program. Its role was more to coordinate workshops—the seeding of cooperation rather than actual cooperation itself, which tended to be funded through the mainstream programs in any case.

**Senator MASON:** What will be done to improve coordination and cooperation with respect to international science collaboration? It may be seeding, in the sense of a seeding program, but if the department heeds the call from the Academy of Science what will you do to reinvigorate that program?

**Ms Kelly:** We do continue to have ongoing discussions with the Europeans, the Americans and Asian countries such as Japan and Korea, with which we do not have specific funds. What we seek to do is seed collaborations and then fund them through existing programs.

**Senator MASON:** Australia, I am informed, currently has only two science and innovation counsellors in Australian embassies worldwide, and that is in the United States and the United Kingdom. There are no science and innovation counsellors in the research and innovation powerhouse countries in the Asia-Pacific. The Australian Academy of Science has argued that an expanded network of science and innovation counsellors would 'foster government-to-government links to support international science and innovation collaboration augmenting Australia's diplomatic capacity and our ability to project a modern image of Australia to the rest of the world'. What is the basis for not having any science and innovation counsellors in our own region, the Asia-Pacific?

**Ms Kelly:** This was one of the major pluses when DEEWR came back into university research and the teaching and learning side came back to the department, bringing back the counsellor network. That network is now focused in particular on education and science and, more broadly, on innovation. We have roughly 47 counsellors around the world, of which about 12 are A based. The counsellor network you were referring to in earlier questions—

**Senator MASON:** I was going to ask you about that because there are not that many education counsellors either. What does A based mean?

**Ms Kelly:** Sorry, it means Australian based. We have 12 Australian posted officers overseas in our counsellors network and then we have about another 35 locally engaged staff.

**Senator MASON:** You are not arguing that the education counsellors supplementing the science and innovation counsellors are sufficient, are you? I was trying to make the argument earlier that there were in fact not sufficient education counsellors in places like South America and the Middle East. You would have heard that earlier on.

**Ms Kelly:** There are very close links between the work we do and the work they do in terms of education and science and research. In fact, even when their job was just to be education counsellors, they had the problem that they found themselves moving into the science and research area, because they are often dealing with universities and institutions that deal with both education and science and research. They were very keen to see their role expanded and they saw it is a pretty natural progression. It has been working like that for 12 months or so and it works quite well.

**Dr Russell:** I am very keen to utilise that network as effectively as possible for the broader purposes of the department. There are fixed costs in having people in locations and I am keen
that we do not have people there who just focus on one small aspect of the department's responsibility. So I am keen to get them to broaden their involvement in the countries in which they find themselves to represent the department and to further the broader agenda of the department. As Ms Kelly has been saying, we have made progress there to view the network differently.

Senator MASON: I do not have any problem with the idea of education counsellors augmenting the science and innovation counsellors. The issue is that I am not even convinced there are enough education counsellors. I am just not convinced that, given it is Australia's largest service export industry, we are doing sufficient. Anyway, that is a matter for government.

Ms Baly: I would like to refer you back to the conversation we had earlier about the role Austrade plays in this. The education counsellors play quite a different role in the network now to what they did prior to 2010, when they had a role for the promotion and marketing of Australian international education, the export industry that you spoke about. They do not have that role any more. That role is undertaken by Austrade. That has freed the counsellors up to focus very much more on the government-to-government and policy links and the capacity to pick up some of the science and innovation role as well.

Senator MASON: Are you suggesting that Austrade is doing sufficient to sell Australia's educational wares?

Ms Baly: Austrade has a much larger footprint in the region and indeed across the world than our network has ever had or probably ever will have.

Senator MASON: They pick it up because there are not enough education counsellors, surely?

Ms Baly: No, they pick it up because it is their responsibility to pick it up.

Senator MASON: Yes, but there are also education counsellors, aren't there?

Ms Baly: They have education people within the Austrade network. They have education specialists within the Austrade network.

Senator MASON: Are there science and education counsellors?

Ms Baly: Yes, there are.

Senator MASON: Are there education counsellors?

Ms Baly: They are the same. They are education and science counsellors.

Senator MASON: Austrade can pick up aspects of that, but these are specialists, aren't they?

Ms Baly: Which ones are you talking about—the Austrade ones?

Senator MASON: The science and innovation counsellors.

Ms Baly: The education and science counsellors are our departmental people who are posted offshore.

Senator MASON: Wouldn't they be the best people to sell Australia's largest services export industry?
Ms Baly: They no longer have that role. In fact, that responsibility was transferred to Austrade in 2010, along with some significant proportion of the resources that were in the network at that time.

Senator MASON: But we currently have two science innovation counsellors, don't we? Is that right or wrong?

Ms Baly: They are all education and science counsellors.

Ms Kelly: The two that we had were amalgamated with—

Senator MASON: Hold on, this is a ridiculous conversation. If we have these counsellors, wouldn't they be the best people to sell Australia's educational and innovation—

Ms Baly: They do it in a different way is what we are saying. What our network of counsellors do is provide the government-to-government policy level support that underpins the promotional work that Austrade does.

Senator MASON: My point is that there are not science and innovation counsellors in South America, for example. We had that discussion earlier.

Ms Baly: Austrade has people in South America.

Senator MASON: Austrade does, but you do not have those particular counsellors in South America.

Ms Baly: We do not have anyone in South America. The point you were making about whether our counsellors or Austrade counsellors are the best placed to market Australian education is—

Senator MASON: I think education people are the best placed to sell education. Or is that stupid?

Ms Baly: The decision was taken some years ago to build these facilities.

Senator MASON: But that doesn't mean it was the right decision—honestly! Is there any intention to expand Australia's existing network of science and innovation counsellors?

Ms Kelly: No. As I said earlier, we are not reducing it but we are doing the best we can to most effectively utilise the resources within the funding envelope that we have.

Senator MASON: I want to move on to Cooperative Research Centre funding, which is something we have discussed before in these estimates. In February this year the Prime Minister announced $70 million of funding for the 15th Cooperative Research Centre round. That is a bit less than half of the $150 million the government originally budgeted for with respect to CRC funding. There were complaints about it at the time from Professor Peacock, who is the CEO of the Cooperative Research Centre Association. Why was only $70 million out of the budgeted $150 million awarded in the 15th CRC round?

Ms Fellows: The amount of funding that we award in a round is dependent on the number of applications we receive, the number of competitive applications that are recommended for funding and the grant that they are asking for. In the 15th round it was a particularly small field. I think we had a total of nine applications. Of that, seven might have gone through to round 2 and, from that, a smaller field was put through for a funding recommendation.

Senator MASON: So there were not enough applications of sufficient quality to justify the expenditure of $150 million?
Ms Fellows: The bids that came in were much lower than what had happened in the past rounds.

Senator MASON: So even the applications were not for sums that added up to $150 million?

Ms Fellows: No. So none of the applications were actually reduced. They were funded for the full application amount.

Senator MASON: The successful applications added up to $70 million?

Ms Fellows: That is correct.

Senator MASON: What was the sum of the unsuccessful applications?

Ms Fellows: I do not have that information with me. I would need to take that on notice.

Senator MASON: That would be fine. Thank you. Will that $80 million surplus go to the 16th round?

Ms Fellows: The $150 million was never flagged as the amount that would be available for the round. For the 16th round, this is the first time we have ever put the amount that is available for the round.

Senator MASON: So will it just be $150 million again? What is likely to happen? Will there not be an amount?

Ms Fellows: For the 16th round we have announced up to $240 million.

Senator MASON: That sounds like $150 million plus $90 million. Okay. Thank you. I asked earlier today about the exclusion of theology colleges from research funding. Did you hear that?

Ms Kelly: Yes, I heard you.

Senator MASON: I could go through that again but I think the committee has been pretty well informed. Just to reiterate, the policy reason for that is nothing to do with theology; it is simply a matter of being a table A provider. If a private higher education provider could demonstrate a benchmark capacity in research, should they have equal access to the pool of government research funding? That is a policy question, but is your answer still the same? It is a distinction between those in table and those who aren't, and that is that?

Ms Kelly: Yes. I think it is a distinction between what it means to be a university and how a university should be funded.

Senator MASON: The point I am making is that some private higher education colleges could well have research in specific areas that might even be better than the universities, and I think theologians in these colleges would argue that that is the case. So it is just a policy decision that they do not qualify, and that is that? It is as clear is that?

Ms Kelly: That is the decision.

Senator MASON: I want to go to the science integrity charter. The Community and Public Sector Union has called on the government to adopt a science integrity charter for the federal public sector to 'establish clear consistent principles for organisations and staff involved in science, research and innovation and to ensure that the best research outcomes are achieved and that scientific advice is independent and verifiable'. The science integrity charter initiative has been supported by, among others, the CSIRO Chief Executive, Dr Clark, who
gave evidence this morning, and the Chief Defence Scientist, Dr Alex Zelinsky. Does the
government intend to progress the development of a science integrity charter? Is that
something on the horizon?

**Ms Campbell:** The CPSU wrote to former Minister Evans late last year advocating the
adoption of a whole-of-public sector science integrity charter. At the time, I believe that the
minister's staff had discussions with the CPSU, and the minister asked the department to
similarly have a chat with them about what such a charter might contain and how the proposal
might be progressed. Some of the practical difficulties that have been identified in a whole-of-
public-sector charter relate to some potential conflicts with the Australian Public Service Act.
The act, of course, already requires integrity of its officials, but the act does not extend to
science agencies such as DSTO, the CSIRO or a number of other regulatory bodies. One of
the practical constraints, I think, was how a charter might address the desires that the CPSU
had laid out in a way that did not conflict either with the act or with the statutes of other
bodies in the science field. I understand the CPSU continues to be a keen supporter of such a
charter.

**Senator MASON:** What has happened, Ms Campbell? Where are we? Is it still being
looked at?

**Ms Campbell:** It is not actively been looked at at the moment.

**Senator MASON:** Is it under active consideration?

**Ms Campbell:** We provided some advice to the minister at that time. I understand that
some subsequent discussions may have been held with the Australian Public Service
Commissioner on the matter.

**Senator MASON:** It is an interesting idea, but I do not know enough about it.

**Ms Campbell:** The other thing I would add, Senator, is that we did also identify for the
CPSU that there exist already within this portfolio science charters, responsibility for science
charters, in agencies including ANSTO, the CSIRO and the Australian Institute of Marine
Science, so they already have in place integrity charters of their own.

**Senator MASON:** Thank you very much, Ms Campbell.

**Senator COLBECK:** I have a clarification to start with. As a result of the ministerial
reshuffle in March there are now two ministers with the term 'science' in their title. Can we
get a sense of the responsibilities of Minister Emerson and Minister Farrell? Who is doing
what?

**Ms Kelly:** Minister Emerson is responsible for major funding programs, major funding
decisions and appointments. Minister Farrell has responsibility for the science agencies and
for the SKA project. To be comprehensive, Senator, I might need to give you a full list on
notice. Questacon and the Australian Astronomical Observatory both report to Minister
Farrell. International Science reports to Minister Emerson. I can supplement that with a
comprehensive list on notice.

**Senator COLBECK:** I would appreciate that, thank you. Let us go to something that is in
Minister Farrell's responsibility, the SKA. The government is spending around $24½ million
over the forward estimates. Over how many years is the government required to commit to
spending on the SKA? Can you give us an annual profile?
Dr Boyle: Sorry, Senator, could you repeat the question?

Senator COLBECK: There is $24.5 million over the forward estimates. How far back are we required to commit to spending on the SKA and can you give us a yearly profile at this stage for all of the money?

Dr Boyle: Yes, I can. We have commitments out to financial year 2015-16. In the next financial year it is $3.36 million, in 2014-15 it is $3.78 million and then in the year 2015-16 it is $0.73 million. That includes the departmental expenses, and then the administrative expenses include $10 million in 2013-14 and $9.5 million in 2014-15. Let me restate that. In summary, the total budget in 2013-14 is $8.36 million, forward estimate in 2014-15 is $7.65 million and then in 2015-16 it is $6.94 million.

Senator COLBECK: So I scrap those initial numbers that you gave me?

Dr Boyle: Yes. I am sorry; I was reading off the departmental and administrative expenses.

Senator COLBECK: Where do they fit into the equation?

Mr Luchetti: The earlier figures that Dr Boyle gave you were the original figures from the 2011 budget announcement in regard to the SKA, which was a profile of $40 million over a four-year period. What is in the portfolio budget statement for this year is where we are up to with our current spending and what is forecast for the future.

Senator COLBECK: So what is that $24½ million?

Mr Luchetti: In 2011, $40.2 million was identified for the SKA project, of which $27½ million was allocated to a contingency reserve because the government needed to understand exactly what our future commitments would be in regard to the preconstruction phase of the project. What we have provided you in the portfolio budget statement is a re-profiled profile, if you like, for the funding for the next four years. That is obviously with the benefit of knowing where the project is at this point in time.

Senator COLBECK: Is that all that we will be spending at this stage if that is as far out as we need to commit?

Mr Luchetti: That is right.

Dr Boyle: It is, yes.

Ms Kelly: That commits to the end of the preconstruction period. It does not cover any construction of SKA.

Senator COLBECK: So we have no obligation to commit to anything beyond that?

Ms Kelly: The government has been very strongly supportive of the project on the basis that we would, along with other partner countries, be a funder of the construction of the instrument, but there has been no specific commitment. The international SKA organisation is currently working on a funding model which would indicate how the funding for the stage 1 construction would be split up between countries. The amount that would be asked for from Australia and from other countries involved in the project is not yet clear. The government obviously cannot consider it until a funding model has been arrived at.

Senator COLBECK: You have given me numbers that total $22.95 million and the budget says $24.5 million, so there is about $1.5 million missing out of that.
Dr Boyle: The $1.5 million is the revised budget for 2012-13. I was giving you the forward numbers.

Senator COLBECK: That is the revised amount for this year.

Dr Boyle: That is correct.

Senator COLBECK: The contingency reserve had $27.5 million in it and that has now been re-profiled into these numbers?

Dr Boyle: That is correct.

Mr Luchetti: That is correct.

Senator COLBECK: How much was spent on the total bid phase of the project?

Ms Kelly: I think we will have to take that on notice.

Senator COLBECK: How much have we spent since that process ended? Would that be the $1.5 million this year?

Mr Luchetti: The bid phase probably effectively ended in May 2012 when we had an announcement. For the 2012-13 period the departmental expenses were $2.3 million, then on top of that we had made a payment to the SKA office as part of Australia's membership of the SKA organisation. That totals $250 million, which works about to be about $320,000 dollars, and there is a slightly larger payment that we are in the process of paying, which is just over $1 million. So, all up, for the 2012-13 year it is roughly $4 million that we have paid since the end of the bid process.

Senator COLBECK: How does that sit alongside the $1.5 million that you told me had been reprofiled before?

Mr Luchetti: The 1.5 reflects the administered payments, so these figures do not include the departmental costs; it is only administrative payments.

Senator COLBECK: Are there departmental costs in each of those years?

Mr Luchetti: Yes. For 2013-14 our departmental expenses are costed at $3.3 million, in 2014-15 at $3.7 million and in 2015-16 at $731,000.

Senator COLBECK: They were the numbers that you gave me at the outset.

Dr Boyle: They were the earlier ones.

Senator COLBECK: So 3.36, 3.7 and 0.73.

Mr Luchetti: Yes.

Senator COLBECK: How much has been spent in total on the project, both post and pre the bid, by the CSIRO? Do you know?

Ms Kelly: Are you asking for the funding that has been spent on ASKAP, the SKA precursor instrument?

Senator COLBECK: I am asking how much has been spent in total on the project by the CSIRO, both pre and post the bid.

Ms Kelly: The design and construction of the SKA pathfinder has involved expenditure of $122.6 million by the CSIRO.

Senator COLBECK: That is it?
Ms Kelly: That would be the major part of it, but there may be some other smaller items that we would have to check with the CSIRO. There was also an additional $1 million spent on the purchase of the Boolardy pastoral lease by the CSIRO.

Senator COLBECK: Can you tell us what that $24½ million over the next few years will be spent on?

Mr Luchetti: That is predominantly on Australia's participation in the preconstruction phase, and that is related to work packages associated with the project. As the project has moved into the preconstruction phase the SKA office has released tenders for a range of activities associated with preparing the project to get it construction-ready. That has been around low frequency aperture arrays, the dish's infrastructure, signal data processing, central signal processing and a range of other things. We are supporting Australian companies to actually participate in those work packages.

Dr Boyle: We have just recently run a grants process in the department to provide $18.8 million for Australian institutes and industries to support their competitiveness in this preconstruction phase. Typical beneficiaries are people like the Curtin University of Technology at $4 million and Aurecon Australia Pty Ltd at $3.5 million. The CSIRO have a work package in building the antennas and receivers at $6.2 million. RPC Technologies, a manufacturing company specialising in composite dishes, have been awarded $400,000 and Swinburne University has been awarded $638,000. I have a full list here, Senator, that I would be happy to provide you with.

Senator COLBECK: If you could table that, it would be really handy. What was the funding source for that?

Mr Luchetti: These are future commitments that the government has just made to these companies.

Senator COLBECK: So that $18.8 million comes out of that $24.5 million?

Mr Luchetti: That is right.

Ms Kelly: These companies have applied for tenders with international SKA organisations who participate in the design stage. If they win those tenders then these grants will flow to them. The grants are dependent on them winning the tenders.

Senator COLBECK: When will we know that the tender process has been finalised? So effectively when will we know we are committed to the money?

Dr Boyle: The middle of August.

Senator COLBECK: So the tenders for all those projects close at that time?

Dr Boyle: That is right. They will be submitted to the International Project Office on Friday of this week, and then the project office will take a month or two to review those tenders. We understand that most of those tenders will be submitted on a non-competitive basis—that is, there is likely to be only one consortium applying for each of the work packages. So we would have a fairly high degree of confidence that they would be successful.

Senator COLBECK: And there are other packages to come out that will take up the remainder of that?

Dr Boyle: Yes. In total, there are 10 applicants who have been successful in gaining grants from this $18.8 million program. Of course each of those applicants represents a particular
consortium and it will contain other industries in many cases beneath them. We are looking at about 20 beneficiaries from this grants program across universities, CSI and industry.

**Mr Luchetti:** I think you are asking, working from your figure of $24 million, what the difference of $6 million is. That relates to further contributions to Australia's membership of the SKA organisation. That is half paid at the moment. We have paid 500,000 euros of the one million euros that the membership costs. The other amount is a contribution to the organisation to help them with their day-to-day operational costs and management of other work package activities.

**Senator COLBECK:** So it is one million euros to the membership and three million euros to—

**Mr Luchetti:** It is closer to AU$5 million.

**Senator COLBECK:** So the total on a contribution is $5 million?

**Mr Luchetti:** To the SKA organisation, yes. It is probably just a fraction over $5 million. I will get you the figure.

**Senator COLBECK:** So we have put in 500,000—

**Mr Luchetti:** We have put in 500,000 euros to date. A lot of the figures that we are working on roughly have an exchange rate of 78c to the euro.

**Senator COLBECK:** I am starting to work out that you are short of money at that rate because I was assuming that you had spent this year's $1.5 million. The $18.8 million leaves you about $4 million to get up to $22.95 million.

**Mr Luchetti:** From the figures that I have, it is $18.8 million for the work packages and it is roughly AU$1.5 million for the SKA membership, converting that from a million euros. Then the remaining amount is roughly $6 million. So it is closer to AU$6 million for our contribution to the SKA office. Keep in mind that, of that $24.4 million that you are working from, we have also made payments in 2011-12 and 2012-13 towards the project. That is why that will be just above the $24.4 million that you have.

**Senator COLBECK:** That is what I was assuming—that the $1.5 million had already been spent. So I still cannot get, with $18.8 million, $1.5 million and another $6 million, within a $22.95 million cap.

**Mr Luchetti:** I am not quite sure where you are—

**Senator COLBECK:** You said there was $24.5 million in the budget. We started with that. We said $1.5 million was this year's expenditure, and then you gave us $8.36 million, $7.65 million and $6.94 million, which adds up to $22.95 million, say $23 million, plus the $1.5 million. There is the $24.5 million that we have talked about. That is the way that the numbers rolled out before. Now you are saying that $18.8 million of that is going to the projects—I have no argument with that—you have another $1.5 million for membership and another $6 million on top of that as contribution. It does not stack up: 18.8 plus 6 is 25.

**Mr Luchetti:** I think we should take it on notice. I am comfortable with the figures we have given you, but I am not quite sure where our disconnect is.

**Dr Boyle:** It may be that there were payments in 2011-12, as well as 2012-13.
Senator COLBECK: I think I have run through the number with you relatively well. If you have a table or something that you can table for us—

Mr Luchetti: We do.

Dr Boyle: We would be happy to provide them to you.

Senator COLBECK: and a list of those projects, that would be of use.

Senator CAMERON: It looks to me as if the coalition austerity cuts are going to focus in on SKA.

Senator COLBECK: I just want to make the numbers add up. That is all I am interested in doing.

Senator CAMERON: It seems to me that there is a bit more behind it than that. I think we need to highlight the benefits of SKA. I have had a look at some of the arguments that have been put up, not just here but internationally. They say there are economic, environmental, social, technological, legal and political outcomes. This was in a presentation in Rome, Italy, in March 2010. Was anyone there?

Ms Kelly: Yes.

Senator CAMERON: What are the benefits of Australia’s involvement in this project?

Ms Kelly: There are a range of benefits, including scientific and technological benefits and the fact that we will have a large project happening in the remote area near Geraldton, but Prof. Boyle can provide more detail.

Dr Boyle: Perhaps the best example of the benefits returned of a program of a scale of the SKA is the wireless LAN case in CSIRO, which I think we are all well aware of, which of course began its life as a search for black holes using radio telescopes. There is a clear linkage between challenging engineers to identify extreme solutions to scientific problems.

There are many cost-benefit studies that look at the overall economic benefit of siting large-scale infrastructure in countries. For example, Germany has done some analysis of siting things like the European Southern Observatory in Munich. The return-on-investment numbers translate into any ratios between two and four, depending on the models that you use.

In terms of inspiring a science-aware society, the SKA has also been used in a number of cases simply because the scale of the endeavour can inspire people. It can inspire children, and even adults, in what is possible from science. The SKA will be a megascience program. It is demanding the leading edge of technology, developing computers that are 100 times faster than any we have ever built. There are many countries—I think 10 countries—that have signed up to participate in this and that see the benefits of taking part in the design and of working with academia and industry to develop some of these leading edge technologies for the future benefit of society.

Senator COLBECK: Perhaps that is why the coalition offered bipartisan support for it and in fact was congratulated by Minister Evans for that bipartisan support. Perhaps that is why that bipartisan support has existed for so long.

CHAIR: Order, Senator Colbeck!
Senator CAMERON: Senator Colbeck seems a bit agitated. I am not surprised, because it looks as though it is on the hit list. Dr Philip Diamond, the PrepSKA coordinator from the University of Manchester, says you really do not know all of the outcomes that you could achieve. He says that Thomas J Watson, the founder of IBM, said that there might be a world market for five computers. Obviously when laser was invented there was no conceivable application, is that right?

Dr Boyle: That is right.

Senator CAMERON: Explaining electromagnetism to the then-Chancellor of the Exchequer William Gladstone, Michael Faraday was asked 'But after all, what use is it?' He famously but perhaps apocryphally replied 'Why Sir, there is every probability you will be able to tax it.' There might be some taxing on this, but on the science it says it will increase the stock of useful knowledge, is that correct?

Dr Boyle: Yes.

Senator CAMERON: It will create new films, is that correct?

Dr Boyle: Yes.

Senator CAMERON: Supply skilled graduates and researchers? Creation of new scientific instrumentation and methodologies, is that correct? Develop networks and stimulation of social interaction. People are working on it. Enhance problem-solving capacity—you need to say yes because Hansard cannot pick up a nod.

Dr Boyle: Yes.

Senator CAMERON: So all of them you have said yes, and there is the provision of social knowledge. So if the coalition hit team are looking at this then it would not be a good thing because it has got lots of benefits that are not quite clear at the moment, is that correct? You will not know some of the benefits.

Dr Boyle: It is very difficult to see the full scale of the benefits that the SKA will bring, but certainly the investment that has been put into the SKA to date from both sides has already allowed Australia to position itself in a leadership role—not only to host the SKA but to operate it and take the scientific benefit from it.

Ms Kelly: Even with what we know, we did do cost-benefit studies before we launched our bid for this project and they came out positive based on what we do know, and as Professor Boyle has said there are a lot of additional things that we expect will come out that we cannot predict at the moment. Two of the biggest challenges are in the area of superfast computing and power, because it will be very power hungry and so solutions are needed in both those areas which have much broader application to industry and society et cetera. We do expect that there will be big technological spin-offs.

Senator CAMERON: Is that what is described here as the green spin-offs for the project: cost, energy efficiencies and alternative power sources?

Dr Boyle: Yes. One of the largest challenges the world faces is to be able to deal with a data avalanche in the next 10 or 20 years, but to do it in a sustainable way by powering the computers that will process the data and the data houses that will store that data and the fibre optic network systems that will transmit that data to the rest of the world.
Senator CAMERON: That will help the minister next time the secretary provides him a data avalanche. It will help the minister, will it? These scientists have got no sense of humour!

Dr Boyle: We will have plenty of smart algorithm play, Senator.

Senator CAMERON: No, I give up! Thank you very much.

Senator COLBECK: Can we move on to the Inspiring Australia program. There is no funding for that, according to the budget papers, beyond next year. Is that because the program has met its objectives and no more needs to be spent, or are there other reasons?

Ms Kelly: It is a terminating program so if the program is to be continued then it would need to go back to budget next year.

Senator COLBECK: So the government has decided that that program is a terminating program?

Ms Kelly: Yes, that is right. It is not an ongoing program. That does not necessarily mean it will terminate, but it means that it will require a new submission to government for funding if it is to continue in next year's budget.

Senator COLBECK: How many cycles has it been through? Is it a one-off program at this stage?

Ms Kelly: It has been through one cycle in its current form. There have been previous science communications programs that have had some of the elements of the current Inspiring Australia program, such as the National Science Week support and support for the Prime Minister's science awards. They were funded under previous programs and now have been picked up under Inspiring Australia.

Senator COLBECK: Okay. Can you give us an indication of each of the individual science education programs that the government currently funds or part-funds?

Ms Kelly: I am sorry, Senator; because we were informed that Questacon, which looks after these issues, was not required at these estimates, I do not have that detail with me. I do not have anyone with me from Questacon who could answer that question, but we could take it on notice and provide it.

Senator COLBECK: Okay. Could you take on notice for me, then, each of the individual science education programs the government currently funds or part-funds; the spending profile for each of them over the forward estimates; and an indication of the year when government expenditure is currently due to end.

Ms Kelly: Just to be clear, Senator: obviously, you are talking about our portfolio here—

Senator COLBECK: Yes.

Ms Kelly: Are you talking about elements under Inspiring Australia or something else? Because Inspiring Australia is our main science communications program.

Senator COLBECK: I am after each of the individual programs, whether or not they are under Inspiring Australia. I am looking at science across the portfolio—yes, all science education, please.

Ms Kelly: Did you say 'across the portfolio'?

Senator COLBECK: All science education.

Ms Kelly: So do you want CSIRO as well?
Senator COLBECK: Yes, please. What is the current total expenditure on R&D, and what proportion of GDP is it? Do you have a broad number for that?

Ms Kelly: For 2012-13, expenditure across government on science research and innovation is $8.934 billion, which is about 2.2 per cent of GDP.

Senator COLBECK: So it has now fallen below $9 billion, obviously. What is it scheduled to be in 2013-14 and 2014-15?

Ms Kelly: Across government, it is scheduled to be $8.644 billion for science research and innovation.

Senator COLBECK: $8.644 billion—in 2013-14?

Ms Kelly: Yes.

Senator COLBECK: And in 2014-15?

Ms Kelly: We do not have it beyond that.

Senator COLBECK: Do you have any benchmarking against other countries?

Ms Kelly: We do. It might take us a while to find it. There is a great deal of benchmarking against other countries on a whole range of indicators in the Australian Innovation System Report annually.

Senator COLBECK: Okay. Just quickly, let's say: what are we compared to India?

Ms Kelly: You want us to get—

Senator COLBECK: Just do a quick comparison for me with India, as far as proportional GDP.

Ms Kelly: Australia and India did you say?

Senator COLBECK: Yes, please.

Ms Kelly: Do you want us to take that on notice?

Senator COLBECK: You do not have that number handy?

Ms Kelly: I do not think so.

Senator COLBECK: But I would find it in that report?

Ms Kelly: I am just looking. I'm not sure about India. We'll have a look and see if we can find it.

Senator COLBECK: Has the science division undertaken or commissioned any analysis of the role and importance of precincts in enhancing science and research outcomes for governments?

Ms Kelly: The science and research division has not.

Dr Porteous: The precincts are still in the process of developing the work plans. The science and research division works closely with the innovation divisions as those plans are developed. It would be our expectation that as those precincts identify their priorities for research and the means in which they intend to engage with researchers, there would be many opportunities for research to be commissioned but perhaps also for new ways of engaging industry and research together that could be trialled.
Senator COLBECK: Could you point me to any studies or research that specifically conclude that precincts improve research industry collaboration, other than other potential policy choices?

Dr Porteous: That question might be better directed to the precincts area in Outcome 1.

Senator COLBECK: Okay, we’ll have a look at that. Have you been asked for advice on the establishment of the government’s industry precincts, including to ensure that precincts are being established in areas where the country has identified strategic research priorities? If you have, by whom and when?

Dr Porteous: Again, that question would be better put to the precincts areas.

Senator COLBECK: Would you know if you had been asked for advice?

Dr Porteous: There is a whole-of-department coordination on the precincts, so I have been in many discussions where those questions have come up.

Dr Russell: As the Chief Scientist this morning said, Professor Chubb was consulted about the precincts and is in fact on the precincts board.

Senator COLBECK: Yes, I recall that.

Dr Russell: I might also mention that John Grill, who is the chair of the precincts board is very keen that the precincts be evaluated, and part of his mission is to do that as we get more experience with the precincts themselves.

Ms Kelly: The other area that is relevant is CSIRO, of course. It has been building research precincts around the country for its own critical mass purposes. To some extent, that fed into advice on where precincts would be most sensibly located and what they should focus on. To some extent the precincts are building on the work, in some areas, that CSIRO already had in train.

Senator COLBECK: Is there a relationship between the country's National Research Priorities and the work that the government says will be performed in the innovation precinct?

Ms Kelly: The strategic research priorities that the Chief Scientist has been working on?

Senator COLBECK: The country’s National Research Priorities.

Dr Porteous: The National Research Priorities have been overtaken by the strategic research priorities that the Chief Scientist has been developing in broad consultation. Those are being considered by the government. We are expecting an announcement shortly. However, I think the precincts which have already been announced—which are in advanced manufacturing and in food manufacturing—are likely to be the sorts of things that you would see in strategic research priorities.

CHAIR: Thank you, Dr Porteous.

Proceedings suspended from 21:30 to 21:45
RESOURCES, ENERGY AND TOURISM PORTFOLIO

In Attendance

Senator Ludwig, Minister for Agriculture, Fisheries and Forestry
Senator Farrell, Minister Assisting on Tourism

Department of Resources, Energy and Tourism
  Mr Blair Comley, Secretary
  Mr Bruce Wilson, Acting Deputy Secretary
  Mr Subho Banerjee, Deputy Secretary

Corporate Services Division
  Mr Greg Field, Head of Division
  Mr Sam White, Chief Financial Officer
  Mr Matthew Roper, Chief Legal Counsel

Outcome 1

Resources Division
  Ms Tania Constable, Head of Division
  Ms Kathy Harman, General Manager, Minerals Productivity Branch
  Mr Michael Sheldrick, General Manager, Uranium, Taxation and Radioactive Waste Branch
  Mr Demus King, General Manager, Offshore Resources Branch
  Mr Graeme Waters, General Manager, National Offshore Petroleum Titles Administrator (NOPTA)

Energy Division
  Mr Brendan Morling, Head of Division
  Mr Paul Johnson, General Manager, Energy Market Governance and Demand Side Policy Branch
  Mr Josh Cosgrave, Acting General Manager, Energy Security Branch
  Dr Chris Locke, General Manager, Electricity and Gas Markets Branch
  Mr Oliver Story, Manager, Demand Side Policy, Energy Market Governance and Demand Side Policy Branch

Clean Energy and Energy Efficiency Division
  Ms Margaret Sewell, Head of Division
  Ms Helen Bennett, General Manager, Renewables and Environment Policy Branch
  Mr Martin Squire, General Manager, Low Emissions Coal and CO2 Storage Branch
  Ms Sarah Clough, General Manager, Industrial Energy Efficiency Branch
  Mr Dominic Zaal, Manager, Energy Efficiency Opportunities, Development and Evaluation
  Mr Helen Cox, General Manager, International Branch
CHAIR: The committee will come to order. I welcome Mr Comley, the new Secretary of the Department of Resources, Energy and Tourism—welcome to your first estimates in the economics committee—and, of course, Senator the Hon. Joe Ludwig. The Senate has referred to the committee the particulars of proposed expenditure for 2013-14 for the Resources, Energy and Tourism portfolio. The committee must report to the Senate on 25 July 2013 and has set 19 July 2013 as the date by which answers to questions on notice are to be returned. Under standing order 26, the committee must take all evidence in public session. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, which I now incorporate in Hansard.

The extract read as follows—

Public interest immunity claims

That the Senate—
(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:
   (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
   (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer’s statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(Extract, Senate Standing Orders, pp 124-125)

Department of Resources, Energy and Tourism

The committee will begin consideration of the Resources, Energy and Tourism portfolio with questions for the Department of Resources, Energy and Tourism, followed by Geoscience Australia. I welcome the Minister representing the Minister for Resources and Energy,
Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry; the secretary, Mr Blair Comley; and officers of the department. Minister, or Secretary, would you like to make an opening statement?

Senator Ludwig: I will not, but I think—

Mr Comley: Yes, just very briefly. I just note that since the last estimates this department appeared at there has been a machinery of government change. The machinery of government change, which took effect in March—I cannot remember the exact date—led to the addition to the department of the energy efficiency functions that were previously in the Department of Climate Change and Energy Efficiency.

CHAIR: Thank you, Mr Comley.

Senator SIEWERT: I want to ask you about an issue that is in the 'Regional Australia: strengthening communities' budget papers, but it specifically relates to this portfolio around the Kimberley. It says:

Kimberley LNG Precinct
The Government is working with the Western Australian Government, Woodside Energy and the Kimberley Land Council to move forward with the Kimberley Liquefied Natural Gas precinct at James Price Point.

I am wondering what that program is. Is it still current given the announcement by Woodside?

Mr Comley: In a sense it is not a specific program in terms of being a funded program; it is part of our general activities. As you are aware, the joint venturer, Woodside, announced that they did not intend to proceed with James Price Point. The engagement that the department has with the joint venturers is that they discuss with us potential development options that they may raise. But, as yet, the joint venturers have not formally put a proposal to the department with respect to any alternative development.

Senator SIEWERT: So they have formally advised you that they are not proceeding with the onshore development of Browse as in the processing plant?

Mr Comley: I might ask Ms Constable to continue, but it is important to be clear here that there is a distinction between Woodside the operator and the joint venturers. The reason I am being careful is that Woodside as the operator have advised us in the same way they have advised the public and the stock exchange, because of their disclosure obligations, that they would not be intending to bring forward something with respect to James Price Point, but as yet the joint venturers have not formally said that as the joint venturers. Ms Constable, do you want to add anything?

Ms Constable: Just to add to the comments Mr Comley made about James Price Point, at this stage of year 4 of the program for the Browse venture, they are compliant with the conditions that have been set. We are waiting to hear from the joint venture about their final investment decision on the Browse project.

Senator SIEWERT: And that is due by the end of this financial year, is it?

Ms Constable: That is correct. It is due before 25 June 2013.

Senator SIEWERT: If I recollect correctly from our previous discussion, if they do not bring their final investment proposals, that makes them non-compliant.
Ms Constable: Not as it stands. At this point in time, in the discussions that we have had with the joint venture and with Woodside as the operator, we expect to hear from them within the next few weeks in terms of their final investment decision. They were also required to put forward a commerciality report before 25 June. We believe at this stage that they are compliant with the conditions that have been set.

Senator SIEWERT: Sorry to interrupt. Could you be more specific about that—about them being compliant with the conditions that have been set?

Ms Constable: As it stands with the work program, at year 3, which ended at the end of December 2012, they were fully compliant with the conditions of their work program. There are some additional conditions that they are required to meet, including being in a position to take a final investment decision before 25 June 2013 and putting forward a commerciality report. As it stands today we are waiting on those two issues to be brought forward. They have made some contact with the National Offshore Petroleum Titles Administrator, our technical advisor within the department, and we expect that they will be fully compliant with those conditions that they are required to meet by 25 June 2013.

Senator SIEWERT: Am I correct in interpreting that that means they will be compliant by saying, 'We are not going to have that final investment plan'?

Ms Constable: We are not in a position to provide that information to you at this stage, Senator. That is up to the joint venture to come forward with their proposal by 25 June.

Mr Comley: And just to be clear, it is ultimately up to the joint authority to decide whether someone is compliant. Ms Constable is completely correct on the existing work program, because in a sense that is non-contentious and has been executed in the program. When the joint venturers come forward with the next proposal it will be ultimately up to the joint authority to make that decision as to whether they are compliant with the revised proposal—if there is a revised proposal.

Senator SIEWERT: We established last time though that when it comes down to its effect on the joint authority over—

Mr Comley: In Commonwealth waters the procedural issue is that if there is no agreement between the Western Australian minister and the Commonwealth minister then the Commonwealth minister determines the outcome of the joint authority. The reverse applies for Western Australia.

Senator SIEWERT: For the leases—

Mr Comley: Yes.

Senator SIEWERT: Can I just ask what you mean by 'expect them to be fully compliant'? That is what you always expect: people to be fully compliant. Is that what I interpret from your comments?

Ms Constable: The discussions that have been held so far with the joint venture and Woodside have been very positive. We have received some information that relates to the conditions that were set regarding this particular title. Some of that information has come forward, as I said, to the National Offshore Petroleum Titles Administrator, and the Titles Administrator is working with Woodside as the operator to ensure that the information that
they require to provide technical advice to the joint authority is there in time for the operator to meet their conditions.

Senator SIEWERT: Okay; thank you. I have a question about the changes around processing at James Price Point. Now that they have made an announcement from Woodside that they are not proceeding with the location facilities at James Price Point, and there has been subsequent public discussion around floating, will that necessitate changes to the conditions?

Ms Constable: The conditions are set as they relate to conditions around the expectations on the project at 2009. Woodside has made some announcements as it relates to Woodside as the operator. The next step is for the joint venture to come forward and be in a position to take a final investment decision. At that point, the joint authority will then consider what is being brought forward as the joint venture's position before taking further action. I am not in a position to say what that action might be, because—at this stage—the operator and the joint venture are fully compliant with the conditions that are before them.

Senator SIEWERT: So this statement in here—because that decision has not been made, you have not been informed and the joint authority has not made any decisions—that part of your work program still stands until that point. Is that the correct interpretation?

Ms Constable: That is correct, but what you have in front of you is the regional Australia department's work program.

Senator SIEWERT: But it is actually under 'resources, energy and tourism'.

Mr Comley: I would say to you that essentially we have an ongoing work program, wherever the major projects are involved, that will lead to a decision by the joint authority. That is nothing unusual. Wherever there is likely to be a decision on leases, then we are involved.

Senator SIEWERT: The point I am making is that yes, it is the regional one, but I would have thought that it is fair enough for me to interpret that 'current initiatives: resources, energy and tourism' applies to you.

Ms Constable: Absolutely. Yes, that is correct.

Senator SIEWERT: I have a couple of short questions around acreage release. You provided on notice some answers to some questions around how much acreage is on the short list and then is on the final list for release. Are you able to update that either on notice or now: in terms of the latest round, how much was released from the short list—that is, if it was the same acreage release from in the final list as on the short list? And, if not, what was the acreage difference?

Mr King: The Minister for Resources and Energy launched the 2013 Offshore Petroleum Exploration Acreage Release on 27 May this year. That release contains 31 areas across six offshore basins. The areas include waters offshore of the Northern Territory, Ashmore and Cartier Islands, Western Australia and Victoria. The areas vary in size from one particular block of 80 square kilometres to 168 graticular blocks of 13,675 square kilometres. I think you were looking for the difference between the overall size of the last acreage release and this one?
Senator SIEWERT: No, I beg your pardon. It was how the draft list that was put out earlier in the year—or the end of last year, I cannot remember the date—compares with the final list. That goes up; how does that compare with the final list that was actually released? Does that make sense?

Ms Constable: It remains the same.

Senator SIEWERT: So there was not any difference between the short list—

Ms Constable: No, there was not a difference.

Senator SIEWERT: So for the last number of years, there has been no difference between the short list and the—

Ms Constable: Are you talking about the list that went up as a draft at the end of last year? We put that up on the website at the end of the year, so that people can observe what is there. As to what is the final list, that remains the same. The draft list and where it has ended up is the same.

Senator SIEWERT: Yes. The comment that I was making is that in your answer to my question from last time was that, over the last four or five years, the draft list has always been the same as the final list.

Ms Constable: It has not changed dramatically from the last few years. That is correct.

Senator SIEWERT: Is the draft list more about giving industry a signal about where you are going next?

Ms Constable: That is correct.

Senator SIEWERT: Rather than commenting on what should or should not be released?

Ms Constable: It is to give notice of where the blocks might be released and to provide interested parties enough time to consider those blocks in preparation for an application. There is additional time to do that, of course, through the acreage release process. But it is to give time for potential applicants and other interested parties to observe where we are actually putting out acreage.

Senator SIEWERT: You might need to take this on notice or, a double bang, take it on notice since this is my last question. What is the number of times in the last five years that acreage has been released and particular areas not taken up or been returned? Does that make sense?

Ms Constable: I understand where you are going. We will have to take that on notice.

Senator SIEWERT: Yes, if you could take it on notice. Then, if you know, what is the rate or percentage of the amount that has been released that has actually then led to physical exploration? In other words, how successful are they in terms of taking on acreage and then actually having it lead to physical exploration programs?

Ms Constable: I will take that on notice.

Senator BUSHBY: Thank you to the officers of the department for assisting us tonight—although you would all rather be somewhere else! There have been repeated references in the media to excessive delays in onshore resources project approvals. I appreciate that most of those approval processes are primarily state or territory government responsibilities, with additional review by SEWPaC in certain cases that trigger EPBC Act related action.
Nevertheless, I would anticipate that DRET does have and would maintain a clear and obvious interest in these projects. What does DRET understand to be a typical time frame for onshore project proponents to wait for a decision, positive or negative, on their project? I guess it might vary, depending on scale, projects et cetera. But, in general, do you have any assessment or do you look at the time taken and draw any benchmarks against those times?

Ms Constable: We certainly do take an active interest in looking at the exploration activities both onshore and offshore. It varies depending on the acreage that is released onshore. There are a number of approvals that need to be gone through. It may relate to native title, environmental approvals, planning approvals and land-use approvals. There are a whole range of assessment and approvals that are required both at a state level and, in some instances—where it relates to nationally environmentally significant areas and has native title attached to it—it will also acquire federal approvals. That can take some time. It does vary. It can be as little as 18 months, but there are some cases that have taken much longer, depending on the types of activities that need to be undertaken and the assessment and approvals that need to be undertaken.

We have seen, over the last few years, some additional time frames that have been added to some of these approvals—particularly as it relates to environmental approvals between state and federal entities. But there have been very positive approaches by the federal departments concerned, and also the states, to work together to actually streamline those time frames as much as they possibly can. A good example of that is through the strategic assessment processes. We have seen successful strategic assessments in Western Australia and, more recently, good examples in Queensland.

Senator BUSHBY: Do you benchmark times? If there is a native title assessment required, is there a benchmark, an ideal or an aim—a time line to get those through? If a proponent came to you and said, 'Look, we are looking at doing a major onshore project,' do you give them advice about the likely time that these things will take, based on experience and benchmarking?

Mr Comley: Just before Ms Constable answers: obviously in practice those approvals are coordinated by the SEWPaC, so they are really questions for SEWPaC. In the case of native title it is not this this department either. I think that is probably the Attorney-General's Department.

Ms Constable: That is correct.

Mr Comley: Just in that context, we are happy to be as helpful as possible at this point in time, but they are not benchmarks, if there were benchmarks, of what we can control.

Senator BUSHBY: No, I understand that it is outside your control but ultimately it is your remit to try and assist viable and sustainable projects to get through to completion. As part of that process I would assume you would talk to them initially about what approvals might be required and no doubt they would be interested to know your experience and your feedback on the time lines that that is likely to take. I am talking more in terms of benchmarks, not so much in terms of delivering but in terms of how you assess how things are going in terms of how proponents can actually achieve those.

Mr Comley: I understand the thrust of the question. Maybe Ms Constable will keep going, bearing in mind what we are responsible for and what we are not.
Ms Constable: We certainly have not done any benchmarking of late. We do provide advice to proponents from a whole-of-government perspective and seek to ensure that they are put in touch with the right departments and the right people. I will refer you to the recent report that was released by the Productivity Commission around exploration activity, and there is certainly some good work that is highlighted—where there are some challenges and improvements to be made but also some good examples of what is working on the ground. That report has only been released in the last week, but it is a good report that I would refer you to.

Senator BUSHBY: I have not looked at that, so I probably should. You mentioned, Ms Constable, that there were some additional approvals—environmental and so on—that were adding to the workload, I guess, of achieving approvals. Has the department noticed that any of the approvals are actually taking longer? I know you have talked about some of the good work that has been done but are any of the approvals that are required taking longer to be delivered upon?

Ms Constable: There are certainly some cases where they have taken longer—

Senator BUSHBY: I am not just talking about individual cases; a trend really is what I am looking for.

Ms Constable: There is a trend. Certainly the community expectations around project requirements and what they would like to see, how it might affect particular communities and additional information being required in some areas on scientific issues—groundwater is a good example—have added to the time that assessment approvals have taken on some projects.

Senator BUSHBY: Has the department had any feedback from proponents regarding the time taken or the difficulty in achieving approvals as a disincentive to any of those proponents actually proceeding?

Ms Constable: There is anecdotal evidence coming from projects. Project proponents have said that the additional time for assessments and approvals have added to the costs associated with projects and act as a disincentive to projects progressing in a timely manner.

Senator BUSHBY: So it adds to the cost but also the time taken as well, which I suppose in a sense relate to the cost as well.

Ms Constable: The costs and time, that is correct.

Senator BUSHBY: Anecdotally, obviously we have all heard that, but I am interested in whether you, as a department, have received feedback from people you have been speaking to. From what you are saying, you have.

Ms Constable: Yes, we have.

Senator BUSHBY: I have just a final question on this. You talked about some of the reasons for why it is taking longer—community concerns and so on. But is the department satisfied that the project approval processes at each level—state and federal, and local where it is relevant—are being managed appropriately and are being completed within reasonable time frames? Or do you have concerns at any of those levels about how the approvals processes are being managed?
Ms Constable: At a whole-of-government level we are always striving to make sure that we are getting a more efficient outcome and that projects are occurring in a more timely manner. There is always room for improvement. That is certainly very topical for the minister and for the department. The department is working with other federal departments and state departments through our standing committee on energy and resources to ensure that we get a better outcome. We have not been completely satisfied with that and we note that there is certainly room for improvement, and we have been working towards that.

Senator BUSHBY: I have a couple of quick questions about coalmining. What feedback has the department received regarding levels of financial stress that Australian coal operations are currently operating under?

Ms Constable: There have been meetings held with the department that have suggested that coalmines in Australia are under cost pressures for all sorts of reasons such as the high Australian dollar, labour inputs. The cost of projects overall have increased over the last few years. I would say that there are a number of coalmine projects, thermal and metallurgical coal, particularly in Queensland and New South Wales, that are certainly under stress. Project proponents and the Australian Coal Association have indicated that coalmining in Australia is certainly facing additional cost pressures.

Mr Comley: They have also stressed that one of the most important things, of course, is the changes in the prices of thermal coal and coking coal, which always brings to light where the tension is.

Senator BUSHBY: Obviously market prices and exchange rates are largely out of control of government. There are other factors, such as you mentioned labour and generally the cost of projects. Are there other factors that are also impacting?

Ms Constable: They are the major factors.

Senator BUSHBY: Can you tell me how many coal industry jobs has actually disappeared in the past 12 months?

Ms Constable: I do not have that number at hand, but I would say that over the last few years about 9,000 jobs overall that have disappeared in the coal sector. I would have to get you the exact figures and timeframes. The figures are right but the exact timeframe I will have to take on notice.

Senator BUSHBY: How many are still employed in the coal industry?

Ms Harman: Sorry, Senator, could you please repeat your question?

Senator BUSHBY: We just heard that 9,000 jobs have been lost in the coal industry over the last few years. I am wondering how many are still employed directly in the industry.

Ms Harman: I may not have on hand all the job losses that have occurred. I could take you through the job losses.

Mr Comley: Just the total employed and still employed in the coal industry.

Ms Harman: That may take me a moment.

Senator BUSHBY: That is okay. If you have other interesting things you could read out along the way I would probably be interested in that.

Ms Harman: I do not think I have that figure.
Ms Constable: We will have to take that on notice, Senator. Sorry.

Senator BUSHBY: Presumably it is more than the 9,000 already lost, though? Last I heard there were 50,000-odd or that sort of scale. Is the department aware of any disruptions or delays to the construction of the Gorgon project in Western Australia?

Mr Comley: We are certainly aware that there has been a revision to the cost estimates for the Gorgon project. The reason I am hesitating a little bit is to remember the sequence of when announcements are made. We would certainly not be aware of additional delays other than what has been announced by the joint venturers, which was the announcement that, I think, changed the cost and timing schedule and increased the total project cost from $43 billion to $52 billion. That is the most recently available information on the Gorgon project.

Senator BUSHBY: In respect of that announcement, what is the department's understanding of the causes and the dimensions of any impacts from those delays?

Mr Comley: We have had a number of conversations with the joint venture partners. Some of it relates to the nature of the site that they are working on, which poses some logistical problems in terms of moving material and scheduling the work. That has had some impact on the productivity of the site because it can affect the sequencing of the work and, therefore, whether materials are available at the right time. Other elements, I think, may be just related to when you do big one-off projects. You learn on the way as to what the best way to do it is. I think the site is the thing that is quite significant, as well as other productivity issues that have impacted on the overall timing.

Senator BUSHBY: Do other productivity issues include shortage of skilled labour?

Mr Comley: To be honest, that has not been much of an issue raised with me. I think there have been issues raised with me in terms of getting the teams themselves to increase their productivity and sequencing that with supplies available to the island. They have been the main issues raised with me.

Senator BUSHBY: Has a shortage of skilled labour been raised in the context of other construction projects or other offshore projects?

Mr Comley: Yes, some have raised issues of shortage of skilled labour. If you are thinking about the breakdown, people do not come and say: 'There is three per cent associated with this and five per cent associated with that.' It is a general list of concerns.

Senator BUSHBY: Each one of which cumulatively adds to the challenge.

Mr Comley: I think the project proponents themselves, when you have a discussion with them and you actually ask for a breakdown to try and get a sense of what is important from a policy perspective, do not typically give a precise disaggregation, because I think that they think these things interact.

Senator BUSHBY: A lot of these projects seem to use—to some degree controversially—457 visas. Does the department see that the use of 457 visas assists the viability of these projects in meeting a shortage of skilled labour?

Mr Comley: Obviously, overall immigration policy is not the responsibility of the department, but it is clear that some skill shortages are alleviated by the access to 457 visas.

Senator BUSHBY: If they were not available, either absolutely or as easily or readily, would there be consequences for some of these projects in terms of their viability? We
mentioned before the cumulative nature of these things. This will be one of those factors but—

Mr Comley: I think anything that reduces the available pool of labour to a project is going to have implications for that project.

Senator BUSHBY: I note your comment a moment ago that immigration issues are for another department, but have you had any feedback about the 457 visa system, how it works and whether it is working adequately to meet the needs of resource project proponents?

Mr Comley: I will ask Ms Constable to comment. I must admit that in most of the interactions I have had with the larger companies they have certainly found access to 457 as being very useful for their projects. I have not, to be honest, in the three months I have been in the job, had a long list of concerns about the 457 operation, but Ms Constable has been in the area for longer.

Ms Constable: The 457 visas have certainly been used appropriately by the resources sector. They have found, where they have not been able to fill positions with Australian workers, that the 457 visa has been very useful for skilled and semiskilled positions. That has been augmented recently, of course, with the introduction of the enterprise migration agreement process. Some projects have been going through the process of doing appropriate labour market testing to determine whether there are Australian workers available, and, where they are not, have put their projects forward for enterprise migration agreements. So the 457 visa class has certainly been effective for the resources sector over the last few years where we have seen a huge rise in resource projects in Australia. I would certainly say that it has been successful. That has been something that has been put forward by the major resources industry associations as being helpful to the industry. Companies have put those views forward as well.

Senator BUSHBY: Just a final question on that: are you aware of any projects or companies encountering difficulties in securing 457 visas for would-be employees?

Ms Constable: Not recently. We have not had any project proponents come forward and say that they have had difficulties securing 457 visas. Working very closely with the immigration department and through the National Resources Sector Workforce Strategy, which we put into place a few years ago, we had a panel that looked at how we might improve 457 access for the resources sector. The immigration department has certainly worked very hard to make sure that the resources sector, where it has been needed—where they have not been able to secure Australian workers—have been able to use this visa class to secure workers.

I also have the answer to the question you asked on employment in coalmining. The numbers, as they stand at November 2012, are 46,700 direct workers in coalmining.

Senator BUSHBY: I do not know whether you have a figure for the broader employment impact. Is that something that you have readily? If not, maybe take it on notice.

Ms Constable: I will take that one on notice.

Senator BUSHBY: I will leave it at that and maybe come back to something if there is time.

CHAIR: If there is time. Senator Urquhart.
Senator URQUHART: I want to continue on the issue of 457 visas. You indicated that there had been labour market testing. Can you give some detail, because you talked about skilled and semiskilled jobs, on what exactly that encompasses?

Ms Constable: Can you clarify your question? In relation to the labour market testing itself?

Senator URQUHART: You talked about the fact that there had been labour market testing and that 457 visa workers were useful in the resource industry in skilled and semiskilled positions. That is what I understood you to say. I am just wondering what that labour market testing entailed. What sort of a process did that go through? Can you elaborate on that?

Ms Constable: That is really a question for the Department of Immigration and Citizenship, because the labour market testing requirements are specifically enforced by them and they take responsibility for that labour market testing. They would look at the availability of workers and do sampling as part of the enforcement procedures in the department. So that really is a question for that department.

Senator URQUHART: But can you elaborate on what those roles actually are? You talked about skilled and semiskilled, so I am interested as to what sorts of classifications that involved or what it actually entailed.

Ms Constable: The skilled positions relate to positions such as engineers for projects. That is a good example of professional skills that would be required. Semiskilled relates to a whole range of trades, including welders, boilermakers—

Senator CAMERON: That is the first time I have heard a trade described as 'semiskilled', I must say. That is a new definition. Being a tradesman, I have never been described as semiskilled.

Ms Constable: The trade says they relate as the classifications are put forward. That is how they are specified: trades and semiskilled.

Senator CAMERON: Obviously not by tradesmen.

CHAIR: Wait a minute. Senator Urquhart has the call.

Senator CAMERON: Don't panic.

CHAIR: All right. Don't interrupt.

Senator URQUHART: You mentioned that 'semiskilled' is tradespeople. Can you outline again exactly what those trades are? How are they defined when the labour market testing is done? What are the definitions used when trades or semiskilled are called for?

Ms Constable: I will have to take that on notice and refer it to the Department of Immigration and Citizenship.

Senator URQUHART: It would be great if you could take that on notice and get back to me.

CHAIR: Senator Birmingham.

Senator BIRMINGHAM: I promise that I am not stalking you, Mr Comley, but parts of your old department followed you and so have I! I understand that one of the things that followed you across were what we might describe as 'legacy debts', which, I assume, is why
the department is now funded for the energy efficiency programs. Can you tell us how much money remains outstanding under those various energy efficiency programs?

Mr Comley: I will ask Dr Banerjee to lay that out.

Dr Banerjee: At the last estimates, in the other committee, I indicated that the outstanding debts at that stage were in the order of $9.7 million. They are currently $9.61 million.

Senator BIRMINGHAM: They are currently $9.61 million—for the pink batts scheme, the home insulation program, the relevant industry assistance package and green loans?

Dr Banerjee: That is the home insulation package and the industry assistance package. The outstanding debt remaining for green loans is $800,000.

Senator BIRMINGHAM: Is the reduction between February and now due to some of those having been paid, or is it due to more having been written off?

Dr Banerjee: My understanding is that there has been some payment through the mercantile agent.

Senator BIRMINGHAM: What new steps, if any, are being taken to recover the remaining debts? Is it purely continuing work by the mercantile agent or debt collector, or is there something else being done?

Dr Banerjee: The main work that has been undertaken is through the mercantile agent contract that we have discussed previously. The debts that have been transferred over to the mercantile agent, which are in the order of 600 invoices, are continuing to be worked on by the mercantile agents. They are going through their regular processes of following up and trying to pursue that debt. They are also, as per our previous conversations, going through a process called 'debt scoring', which is trying to understand the characteristics of bad debt and, through that, the best avenues for pursuing that debt further.

Senator BIRMINGHAM: All these debts are now at least a year old?

Dr Banerjee: I could check the dates the debt were raised, but certainly the general principle is that they have been in the system for a period of time now.

Senator BIRMINGHAM: A long period of time. In answer to questions on notice back in February, most of them were more than a year old and the remainder were more than six months old. So it is a fair bet that a lot of those that were six month old have ticked over to more than one year old as well.

Dr Banerjee: That is reasonable. I do not have the update of that table in front of me, but I recall the table and I agree that that is likely.

Senator BIRMINGHAM: Is the debt scoring approach likely to lead to further write-offs in debt or guide judgement as to what debts to write off?

Dr Banerjee: It will guide that judgement. The department is also undergoing a process of looking at the population of debts and trying to understand the likelihood of recovery. As we mentioned at the previous estimates, there were some grounds to write off a debt before sending things to the debt collector. These included the person being deceased or companies being deregistered in the meantime. Similarly, when we look at pursuing some of those inquiries through the debt collector, further information comes to light that can then be assessed against those conditions for writing off the debt.
Senator BIRMINGHAM: Thank you. The budget papers indicate a further $2.42 million in administered expenses for the department in this Energy Efficiency Opportunities programs area over the next three years. Is this funding purely now funding to recover these debts? Is there anything else that that funding across 2013-14, 2014-15 and 2015-16 is intended for?

Mr Banerjee: Is that from the PBS?

Senator BIRMINGHAM: That is from the PBS, from page 56.

Mr Divall: I do not believe there are any funds in that table; I cannot see the table. The $2.5 million that you are referring to, is that in relation to home insulation?

Senator BIRMINGHAM: Energy efficiency programs: $800,000 this year, $800,000 next year, $620,000 in 2015-16—and this year being 2013-14, which we are talking about. What is that for?

Mr Divall: I would need to go and check that particular line item. I do not believe it is for the home insulation program, though.

Senator BIRMINGHAM: If by any chance in the next 15 minutes somebody comes up with the answer and you can quickly tell us, that would be great. Thank you. Perhaps I could just quickly touch on the Charities Maritime and Aviation Support Program, which of course is repaying charitable marine and aviation related organisations for their carbon tax liabilities. The departmental website indicates that just 26 organisations have successfully received funding thus far. Is that correct?

Mr Banerjee: Yes, that is correct.

Senator BIRMINGHAM: When I discussed this in the budget estimates last year with the department, the estimate of eligible DGRs was in the order of 200. So are there a lot of organisations that are failing to put in successful applications, or just failing to put in applications? Or did the department have the estimate horribly wrong?

Mr Divall: There are 39 applications received. We have promoted the program to those that we believe are entitled to the program. I think it is fair to say that demand for the program is much lower than what was originally expected.

Senator BIRMINGHAM: Is it that the demand is lower or is it just that a lot of organisations are deciding it is not worth the hassle or the paperwork to recover their costs? I note looking at the list of 26 that there is, basically, just one specific surf lifesaving club. Most surf lifesaving clubs probably actually do use marine fuels but perhaps none of the other hundreds of them around the country have decided it is worth the administrative hassle of claiming back their carbon tax.

Mr Divall: The administrative process is reasonably streamlined. I think we went through the claim form last time when we spoke to you in a previous committee. There are some applicants who receive substantial amounts of money through this particular program and there are others who, on applying, would only come out at $5 or $10 return though the program. Applicants make a decision if they wish to continue with an application or wish to hold that application. But it does vary. It is dependent on the organisation, the breadth of the service they provide and the impact that they are receiving.

Senator BIRMINGHAM: You said 26 have been approved, and I just missed the 30-odd applications received.
Mr Divall: There are 39 applications received.

Senator BIRMINGHAM: So there are 13 pending, or have some of those been rejected?

Mr Divall: One has been rejected, deemed ineligible; nine are awaiting further information from the applicants; and two applicants have withdrawn due to the small amount claimed.

Senator BIRMINGHAM: I will try to quickly get through other matters. What is the exact impact on the Global Carbon Capture and Storage Institute, and equally on the flagship programs, from the significant reductions in funding over the forward estimates?

Ms Sewell: Senator, if I could just break your question into two parts. I think the first one was: what was the impact on the Global CCS Institute. I am sorry, I did not catch the rest of it.

Senator BIRMINGHAM: In the case of the cessation of Australian government funding.

Ms Sewell: The global institute approached the government with a proposal that the funding agreement be terminated and the termination was subsequently enacted by mutual agreement. Basically the institute has been moving down the path, which was very much anticipated by the Australian government when we first established it, in terms of trying to diversify its membership base and diversify its funding support base. The institute has launched a five-year funding strategy and a five-year work program. Some of the early feedback that it has had from its members as a result of the discussions undertaken was that there was some concern about the institute’s reliance on a single, large source of funding. Members had watched some of the decision making around that funding over a couple of years and the institute felt that it was very much in the interests of its members to move away from a single funding source and, on that basis, approached the government to terminate the funding agreement.

Mr Comley: The nature of the determination left, if you like, some seed funding within the Global Carbon Capture and Storage Institute, which is available as they transition to alternative funding models. That amount was, from memory, $100 million.

Ms Sewell: It was a little bit over $100 million. The deed of termination that the government entered into with the institute has set out a number of very specific requirements on the institute over the period up to 2016-17 in relation to how it is to expend that funding and also in relation to ongoing regular reporting back to the Australian government on work programs and progress reports. The institute also agreed, as a result of the termination of the funding agreement, that the government can request ad hoc reporting on any aspect of the institute’s operations or finances over that period. We have also negotiated a number of outcomes that were seen as important in the context of the original purpose in setting up the institute. Basically the headquarters will stay in Australia, the Australian government will get honorary membership until 2020 and the global institute will retain a high commitment to working with the Australian CCS sector to advance CCS in this country.

CHAIR: Thank you, Senator Birmingham, your time has expired. Senator Ludlam.

Senator LUDLAM: I have three quick issues to raise in the brief time remaining. If it was not already canvassed before I got here, I understand that DRET commissioned CSIRO to prepare a report on residential energy efficiency, the residential ratings project. Has that been received by the department and when are you proposing to release it?
Mr Divall: Senator, could I just ask the name of the report you are after?

Senator LUDLAM: The residential ratings project.

Mr Divall: We have an early draft of that, which I have not seen, where we have provided some feedback to CSIRO. It is in early draft and there will probably be a couple of other iterations of that. It is not available at this point in time.

Senator LUDLAM: Could you provide on notice when you expect it to be finalised, the process that you propose to follow in finalising it and who you are consulting with prior to finalisation of the draft and publication?

Mr Divall: I could provide you some response now or I could take it on notice. Effectively we are going to a consultation group in July.

Senator LUDLAM: A public group?

Mr Divall: It will be a group that has expertise in this area. I am happy to take on notice the remainder of your question.

Senator LUDLAM: Do you want to give us an example of the representation on that group? Is it all internal departmental people?

Mr Divall: No, it will not be internal, it will be external.

Senator LUDLAM: Some external as well, thank you. Now I am going to jump halfway across the country to Muckaty. There was quite a significant amount in the budget, an additional $35.7 million over four years, to secure a suitable volunteer site and for initial scoping and design work to establish a regional consultative committee and so on for the national radioactive waste dump. Has the department met with NLC executive members, full council members, TOs or any other NLC representatives regarding the nomination of a second site?

Mr Sheldrick: The department has not specifically met with, I think you said, the Northern Land Council.

Senator LUDLAM: I listed a range of stakeholders, but the key to the question is regarding a second site and who you have met with regarding a second nomination.

Mr Sheldrick: We have not met specifically about an additional nomination. We have had correspondence from the Northern Land Council about their proposal to nominate an additional site.

Senator LUDLAM: Okay. They contacted you, you did not contact them?

Mr Sheldrick: They contacted the minister.

Senator LUDLAM: Could you provide for us the location of that second site, either a map or reasonably precise coordinates of the proposed location?

Mr Sheldrick: We do not have coordinates for the additional site. We understand it is on the station but we do not have any specific details with regard to coordinates.

Senator LUDLAM: So, the Northern Land Council has not provided the government with precise details of a second site?

Mr Sheldrick: That is correct.
Senator LUDLAM: But they have indicated that there may be one and that a nomination could be forthcoming?

Mr Sheldrick: That is correct.

Senator LUDLAM: Could you provide us, again on notice, some indication of how the sum of $35.7 million over the forward estimates is to be broken down, whether it is all departmental costs or whether some of that includes payments to, for example, traditional owners, or the land council, or overseas trips such as the one that, I believe, just occurred in Spain?

Ms Constable: There are a range of initiatives, which sit both in administered and departmental, across the issues you have raised. We are certainly happy to provide you some estimates broadly. We cannot give you specifics because a number of consultancies will need to occur over the next few years. That is a matter of procurement.

Senator LUDLAM: Consultancies, because presumably if you are after a second site, all the work that Parsons Brinckerhoff et al did is now invalid.

Mr Sheldrick: If an additional site is put forward there will need to be some site characterisation work undertaken.

Senator LUDLAM: Understood. So a rough breakdown would be good with particular regard to payments to traditional owners either through the Northern Land Council or directly for further nominations.

Ms Constable: We are not able to give you figures on that. We do not have a second site nomination at this particular stage.

Senator LUDLAM: So that would not be budgeted for yet?

Ms Constable: That is correct.

Senator LUDLAM: Thank you very much for that. My last question is regarding the Toro Energy-Wiluna uranium project in the north-east goldfields of WA. That is under assessment at the moment by the Commonwealth environment minister. I am wondering whether DRET has had any dialogue or provided any additional advice to either the company or to the environment department as they undergo their assessment.

Mr Sheldrick: The minister provided some advice, as is required under the arrangement with the environment minister, at the time the decision was taken.

Senator LUDLAM: Sorry, I should have been a bit clearer, I meant any further advice subsequent to the conditional approval.

Mr Sheldrick: We have not consulted with the environment department subsequently.

Senator LUDLAM: Is DRET aware of criticism about the financial capacity of the proponent to fully realise its clean-up, closure and rehabilitation commitments at Wiluna? I understand that you probably do not do financial analyses of the company—that would be well outside your ambit—but where it goes to the ability of the company to pay its clean-up and rehab costs, is that something you have?

Mr Sheldrick: I am aware of those views being put in the public domain, yes.

Senator LUDLAM: Do they have any bearing on the assessment or advice that you guys would provide to the environment department?
Mr Sheldrick: Not on the advice that we provided prior to the decision being taken.

Senator LUDLAM: Are you aware that one of the conditions, or set of conditions, that the environment minister has levied on the proponent before he will give them the final approval is a closure management plan? I forget exactly what the phrasing is, but it is the long-term care and maintenance management plan. You are aware that that is among the conditions that have been applied?

Mr Sheldrick: That is correct.

Senator LUDLAM: So, if a view is being put that the company will be unable to meet those commitments, doesn't that have direct material bearing on whether that approval should be granted?

Mr Sheldrick: I said I was aware of the commentary in the public domain. I am not aware that it has been shown that that is the case.

Senator LUDLAM: But would you assess or interrogate those claims or are you going to just let it go through to the keeper?

Ms Constable: This is not the department's role in respect of the Toro Wiluna project. It is located in Western Australia. It is a matter of state responsibility to undertake those assessments, and also in relation to the environmental approvals. The state will work with SEWPaC to make sure that all of those considerations are put forward and taking into account before approvals are finally given on any project.

CHAIR: Thank you, Senator Ludlam. The time has come to a close for this section.

Senator CAMERON: Ms Constable, I have just looked at the Department of Immigration and Citizenship website. I can find nowhere where a section 456 visa is classified as semiskilled. It is all skilled. Could you take on notice and provide me with details of why a skilled tradesman would be classified by your department as semiskilled?

Ms Constable: It is possibly a terminology issue. I will certainly take that on notice and give you the correct classifications and all of the types of trades and professions that are listed. As I said, it was—

Senator CAMERON: At least you admit you have made a mistake instead of doing a 'yes, Senator'.

Ms Constable: I will certainly provide that information.

Mr Comley: Senator Birmingham, we have confirmed that the $800,000 a year for energy efficiency is not right. That is actually funding for building energy efficiency programs. The 2.5 is related to building energy efficiency and not debt recovery.

Geoscience Australia

[22:47]

CHAIR: Welcome.

Senator BUSHBY: Dr Pigram, thank you for assisting us this evening. I note that you have recently released your report, the Australian gas resource assessment 2012. Could you please provide a brief outline of your findings in that report in terms of the increasing role of gas in the Australian and global energy mix?
Dr Pigram: A couple of years ago, the minister requested that we develop Australian energy resource assessment document, which is the one I think you are referring to, and the recently updated chapter on gas resources in Australia. In that document, the numbers, from memory, are that Australia has something like 186 TCF of conventional or offshore gas, and around 30 TCF—and I will give you these numbers accurately, if I can take it on notice—for coal seam gas. These are P1 and P2 resources—that is, proven resources. In the unconventional space, to use that phrase in relation to shale gas, there is a speculative number of around 396 TCF, but I have to point out that that particular number is in fact based on an analog assessment of only four basins. It is not a robust methodology. We are working on developing a better methodology to get a better number. To give all of that some context, Australia's annual consumption of gas is one TCF a year. So there is a lot of both conventional and unconventional gas in this country potentially.

Senator BUSHBY: Are you able to indicate at all the potential viability of accessing that gas and how much of it will be commercially viable in the short to medium term?

Dr Pigram: The two categories for conventional and coal seam gas are both P1 and P2 categories, so they are both accessible and will be produced. I think you can be very confident around those numbers. The shale gas number, on the other hand, is not in that category. As I said, it is a speculative number. The shale gas resource in Australia is an interesting question, as to whether it will be viable or not. So to put that in context, in relation to the U.S. where this has been such a significant development, Australia has several different environments, if you like. To start, geologically, most of the rocks that we are looking at are older, so their behaviour and their predictability is less certain. The two exceptions to that are the Canning Basin in Western Australia and the Cooper Basin in Central Australia. The other sites that are being tested are, as I said, much older and therefore less predictable because we are less confident that they can produce.

The other very significant issue for Australia is infrastructure. The one location that has ready infrastructure is the Cooper Basin to the east coast gas markets, as you would appreciate, but many of the other sites are remote and they are not located near any existing infrastructure. In the US you have got the advantage of being able to effectively drill a well almost anywhere and you will have ready access to an existing pipeline network, so the overheads of getting your gas out and getting it into market are much less. I think for Australia the whole question of where unconventional tight gas and shale gas will go as a contribution to Australia's energy portfolio remains a large unanswered question, and it is currently being tested.

Senator BUSHBY: It is a bit of an irony really that coal seam gas is located closer to infrastructure, but, by its nature, it raises the land use issues that coal seam gas is facing, whereas the shale gas is generally located away from where people and other land use might come into conflict—

Dr Pigram: That is correct.

Senator BUSHBY: but then it comes with a cost to get it anywhere you need it to be.

Dr Pigram: That is absolutely the differentiator between the two potential resources. The coal seam gas is under the dividing range, if you like, by and large, and under some of the prime agricultural land. The key issue there is that the big petroleum industries met the
farmers in a very detailed way, and, as I think I said at APPEA, in a very intimate way because of the intensity of the operation. You are quite correct: the shale gas potential in this country is much more remote and will not encounter the same intensity of farming.

**Senator BUSHBY:** Also, I think we went through this at a previous estimates: the method of extraction does not have the same water potential problems.

**Dr Pigram:** That is also an interesting aspect of it. The gas is not held in the shale because of the water; it is just formed in the rock and it is trapped within the rock because it does not have any significant permeability. The issue for shale gas is to bring water to the drill site to be used for fracking. Again, that is an issue in most of the remote areas, being the drier parts of the country: where will all that water be found? That will potentially be sourced from groundwater. One possible upside to that is that it is likely they will be able to use non-potable water, so they will be able to use some of the more saline aquifers, which will mean that that water is not already reserved for agriculture or other human use.

**Senator BUSHBY:** I will move on because we do not have a lot of time.

**Senator CAMERON:** Can I ask a question on that point?

**CHAIR:** Yes.

**Senator CAMERON:** Senator Heffernan, at estimates last week, raised the issue of the huge problems of saline water from the coal seam gas. Has there been any solution to that? He is very concerned that it is going to cause a problem for future farming.

**Dr Pigram:** He is correct in the sense that a lot of the water that is produced from coal seam gas is saline. It has to be processed and have that salt extracted, so most of the water goes through reverse osmosis plants and the salt is extracted. My understanding of that salt is that it is currently stored. It is not being released and the salt water is not being put into the systems—river systems or for plantation use. That salt is accumulating and it is being stored and there is no alternative use for it at the moment, as I understand.

**Senator CAMERON:** I am glad it is five to eleven and Senator Heffernan has not had time to come!

**Senator BUSHBY:** You also recently released the 2013 acreage release.

**Dr Pigram:** Correct.

**Senator BUSHBY:** Just refresh my memory: you do periodically at acreage release make areas available for exploration? What happens to the areas that are not taken up? Do they still remain open, like from previous releases?

**Dr Pigram:** The process is that acreage is released and usually it is done on the basis that companies have expressed an interest. An acreage not being taken up is fairly unusual. I refer to the question earlier from Senator Siewert around what happens, what is the percentage of take-up? It is 100 per cent, because basically we have a work program bidding system, so anything that is put forward is then taken up. Occasionally acreage is not taken up, and there was one area off Western Australia that was not. It may be left there. It has gone through that period and it will come off the register, so to speak, if there is no interest. If a company comes back and expresses interest, it will be relisted. Essentially it is a process of testing the market to see whether there is interest.
Senator BUSHBY: In the current release, is there anything that you think is particularly prospective and exciting?

Dr Pigram: We think it is all exciting. You know the Australian margin pretty well, I think, and you would be aware that there are areas with well-known potential and we do not have to promote those very vigorously. The companies will take up any acreage that becomes available. We do have this time a couple of areas that are adjacent to areas of great interest. In the Bight where BP are active at the moment there are some areas adjacent to the holdings that they have that we think will attract some interest. We have done some work over the last couple of years examining the North Perth Basin and came up with some new concepts there and did some work to demonstrate that there is an active petroleum system in that basin. So we have added two areas to this year’s release. Out of the 31 areas we have nominated two.

Senator BUSHBY: I am getting parochial here; it is my home state. There was nothing around Tasmania, but in previous years there have been areas of the Sorell Basin.

Dr Pigram: That is correct.

Senator BUSHBY: Has there been any exploration in the Sorell Basin as a result of the acreage releases in past years?

Dr Pigram: Can I take that on notice and we will let you know what the activity is in that area?

Senator BUSHBY: Okay.

Dr Pigram: Our future work program is going to examine that area south of Tasmania. We call it the South Tasman Rise. It is in pretty difficult waters and it is quite deep, but, as part of understanding the full potential of the marine jurisdiction, that is one of the areas that we know probably least about, so we will examine that some time in the next few years.

Senator BUSHBY: Thank you.

CHAIR: As there are no further questions, I thank Mr Comley, Dr Pigram and the minister. The committee stands adjourned. We start tomorrow at 9 am.

Committee adjourned at 22:57