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From: Turner, Paul <Paul.Turner@racq.com.au>
Sent: Friday, 16 March 2018 11:16 AM
To: Mark Bailey
Cc: Tam van Alphen
Subject: RACQ pre-budget submission
Attachments: 16.03.2018 Letter to Hon. Mark Bailey re. RACQ pre-budget submission.pdf

Please see attached RACQ's pre-budget submission. We would, of course, appreciate the opportunity to discuss it with you and your officers prior to the finalisation of the State Budget.

Thanks again and please do not hesitate to contact me if you have any questions.

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16 March 2018

Hon. Mark Bailey MP
Minister for Transport and Main Roads
GPO Box 2644
Brisbane Qld 4001

Dear Minister

RACQ Submission to the Queensland Government Budget Process 2018-19

The RACQ is pleased to provide a pre-budget submission to Queensland Treasury.

The RACQ represents 1.7 million Queensland members and advocates for improved transport outcomes and safe, affordable and sustainable mobility on their behalf.

RACQ's submission urges the Queensland Government to increase investment in quality transport infrastructure. Under-investment in transport systems and safe, high quality roads not only short-changes motorists, but is detrimental to Queensland's future prosperity and the safety and health of our communities.

Our submission to the Queensland Government Budget Process specifically asks that the 2018-19 State Budget:

1. Support RACQ's ten policy priorities for safe, affordable and sustainable mobility
2. Allocate funding to RACQ's priority transport projects
3. Allocate funding to progress the transport projects and policies promised during the 2017 Queensland election.

The RACQ appreciates the commitments that your government has already made to roads, safety and transport infrastructure and we hope to see this expanded in the 2018-19 State Budget. If you wish to discuss this submission, please do not hesitate to contact me on 07 3872 8908 or at paul.turner@racq.com.au.

Yours faithfully,

NR

Paul Turner
Chief Communication Officer RACQ
(Encl.)

Copy:

The Hon. Jackie Trad, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships

The Hon. Cameron Dick, Minister for State Development, Manufacturing, Infrastructure and Planning

RACQ Group comprises The Royal Automobile Club of Queensland Limited ABN 72 009 660 575, RACQ Insurance Limited ABN 50 009 704 152, The Road Ahead Publishing Co. Pty Ltd ABN 72 009 716 465, RACQ Investments Pty Ltd ABN 80 009 693 896, RACQ Investments No.2 Pty Ltd ABN 59 060 316 216 and RACQ Community Fund Pty Ltd ACN 097 992 106 as trustee for RACQ Charitable Trust Fund ABN 65 370 893 161

Summary

The Royal Automobile Club of Queensland (RACQ) welcomes the opportunity to provide comment ahead of the 2018-19 Queensland Budget. This submission calls on the Queensland Government to fund key transport projects, endorse RACQ's policy priorities, and honour the commitments it made during the 2017 election.

The RACQ is the independent advocate for Queensland motorists. The RACQ represents 1.7 million members, covering nearly 70 percent of households in Queensland.

Queensland needs safer, good quality roads and transport systems to drive economic growth and cater for our growing population. The RACQ acknowledges the budgetary pressures the Queensland Government faces, but believes it is a false economy to reduce government investment in better roads and transport systems. Ultimately Queenslanders pay for this in terms of reduced productivity and lost lives.

The RACQ campaigned strongly for improved transport outcomes in the lead up to the 2017 state election. The importance of safe, affordable and sustainable mobility was highlighted in RACQ's *2017-2021 Mobility Matters to every Queenslander* policy document. This document outlined RACQ's ten policy priorities as well as our priority road and transport projects throughout Queensland.¹

RACQ's election priorities for safer roads and affordable and sustainable transport options included national and state-controlled highway upgrades, a continued freeze on vehicle registration fees, greater fuel-price transparency, and funding to reduce vehicle theft and improve road safety (a full list of RACQ's policy priorities are provided in Table 1). The RACQ also asked for more on-road police and we are pleased that the re-elected Queensland Government committed to employing an additional 535 police personnel.

In addition to policy priorities, RACQ's *2017-2021 Mobility Matters to every Queenslander* outlined key transport projects needed to reduce congestion and deliver better roads and rail (see Table 2 for the list of projects). Funding promises were made to a number of these projects and the RACQ welcomes the commitment to progress the following projects:

Cross River Rail	Coopers Plains (level) crossing upgrade	Completion of 'Cairns Southern Access' - all 4 stages	Bruce Highway Pine River to Caloundra Road Interchange Upgrade	Upgrades to the Mount Lindsay Highway
Pacific motorway upgrades (between Varsity Lakes and Tugun; and from the Gateway Motorway to Loganholme)	Centenary Motorway Bridge upgrade – planning study	Accelerated delivery of Bruce Highway Cooroy to Curra Section D construction (including Gympie Bypass)		



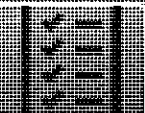
¹ RACQ's *2017-2021 Mobility Matters to every Queenslander* policy document can be found at <https://www.racq.com.au/about/racq/lobbying-on-behalf-of-our-members>



The RACQ expects to see funding allocations in the 2018-19 Budget or in the Queensland Transport and Roads Investment Program (QTRIP) pertaining to these projects. We also expect to see funding allocated to the other projects promised by the returned government. Both the projects and the transport policies announced during the 2017 election are shown in Table 3.

Transport is a major issue for Queensland and it is vitally important to increase investment in good road and rail projects to ensure Queensland's future prosperity and productivity. We also need transport to be accessible and affordable. Affordable motoring is important for Queenslanders, particularly those living in rural and regional districts, and in outer south-east Queensland suburbs. In these areas, limited public transport combined with a higher proportion of low income households and the need to travel considerable distances to reach employment or services, can result in significant transport disadvantage.

This submission to the Queensland Government Budget Process asks that government considers the need to invest strongly in transport infrastructure and in doing so, that the 2018-19 State Budget:

-  1. Support RACQ's proposals for better, safer, affordable and sustainable mobility
-  2. Allocate funding to RACQ's priority transport projects
-  3. Invest in funding to progress the transport projects and policies promised in the 2017 Queensland election



1. Support RACQ's ten policy priorities for safe, affordable and sustainable mobility

In the lead up to the 2017 state election the RACQ promoted ten policy priorities for safe, affordable and sustainable motoring. The RACQ asks the government to consider the merits of these policies during the budgeting process.

Table 1: RACQ policies for safe, affordable and sustainable mobility

Safety	Affordability	Sustainability
Upgrade the safety of Queensland roads to national NRS or better. The national standard was set in 2009 and has since improved. It should be 3 star or better by 2025.	Improve the safety and health of Queensland roads.	Conduct an annual road and transport capital expenditure audit to ensure Queensland's road network is safe and sustainable.
Improve the road network in rural and remote areas and encourage the use of public transport in urban areas.	Reduce the cost of transport for Queenslanders by improving the efficiency of the transport system.	Improve the efficiency of the public transport system in Queensland.
Ensure that Queensland's road network is safe and sustainable and that it is used in a way that is safe and sustainable.	Improve the safety and health of Queenslanders by improving the efficiency of the transport system.	Improve the efficiency of the public transport system in Queensland.
Reduce the cost of transport for Queenslanders by improving the efficiency of the transport system.	Improve the safety and health of Queenslanders by improving the efficiency of the transport system.	Improve the efficiency of the public transport system in Queensland.



Upgrade the safety of Queensland roads to achieve 95% of travel on the national network and 90% of travel on the state network, at AusRAP 3-star or better by 2022

The major highways and network links in Queensland should be upgraded to improve safety standards and reduce the prevalence of serious crashes and fatalities. Investing in better, safer roads pays for itself many times over, in terms of limiting the recurring cost of deaths and traumatic injuries, welfare payments and hospital and health care expenses.

The Australian Road Assessment Program (AusRAP) star ratings measure the inherent safety of the road infrastructure. Roads are assigned a score from one star (least safe) to five stars (most safe). RACQ considers that the focus of government should be on eliminating one-star and two-star sections of national and state highway in Queensland. Better roads save lives and reduce the associated economic costs. When a two-star AusRAP-rated road is improved to three stars, the crash costs per vehicle kilometre travelled are halved².

The Queensland Road Safety Action Plan 2017-2019 has already set a target for Queensland's national roads of 90% of network travel at AusRAP 3-star by 2022, however no star rating target has been set for the state road network.

At present, 90% of travel on the national network and 84% of travel on the state network achieves 3-star or better. To minimise deaths and injuries across Queensland, the RACQ advocates for a target of achieving 95% of travel on the national network and 90% of travel on the state network, at AusRAP 3-star or better by 2022. To achieve these targets, continued capital investment in the state and national road network are required, as well as low-cost, high impact safety treatments such as wide centre lines, safety barriers, roadside hazard removal and intersection upgrades.

Increased on-road Police patrol presence to provide a higher level of visible enforcement of unsafe driving behaviours

In 2016, 251 fatalities and 6,261 serious injuries were recorded on Queensland roads.³ While education and engineering countermeasures help provide longer-term road safety improvements, effective enforcement can achieve crash reductions in the shorter term and is viewed as a cost-effective means of enhancing road safety.

RACQ members support visible on-road police patrols, targeting high-risk groups and locations. Increasing the number of marked police patrols on our roads is an effective way to combat the Fatal Five behaviours - speeding, drink or drug driving, not wearing a seatbelt, and driving when fatigued or distracted. These behaviours put the driver at greater risk of crashing and injuring not only themselves, but others.

The Queensland Police Service has a Road Policing Command that specialises in traffic policing services and education activities throughout Queensland. RACQ advocates for increasing the number of police officers assigned to Queensland's Road Policing Command by 5% each year to enable an active and visible on-road presence.

² Australian Automobile Association, *Comparing Risk Maps and Star Ratings: AusRAP Technical Working Paper*, 2008, p12

³ Finalised figures for 2017 are not yet available



The RACQ has welcomed government's commitment to employ an additional 535 police personnel, but it is unclear as yet how many of these will be deployed to the Road Policing unit.

Queensland Government to fund, provide crash data and support both ANCAP and UCSR car safety rating programs

Ideally motorists should make vehicle purchases based on safety attributes, but they first need accurate and consistent information. Therefore, the RACQ is advocating for the safety rating system on new cars to be linked to the safety rating system on used cars. If all motorists purchased cars with comprehensive safety features like airbags and electronic stability control, there would be a reduction in permanent disability and death.

The Australasian New Car Assessment Program (ANCAP) is an independent, non-regulatory consumer information and vehicle safety advocacy organisation. ANCAP is funded by motoring clubs and transport departments in Australia and New Zealand.

ANCAP uses a one to five-star rating system for tested new vehicles based on a series of crash tests and the fitment of safety features. ANCAP also acts as an advocate to influence government policy on vehicle safety and to car manufacturers to improve the safety performance of vehicles being sold in the Australian market.

To assess second-hand vehicles, Used Car Safety Ratings (UCSR) are prepared by Monash University and calculated from real-world crashes and the injury outcomes. Monash use around seven million police-reported crashes to build robust crash ratings on a wide range of vehicles. Given a vehicle will be resold several times during its life, the UCSR ratings provide highly valuable information to consumers shopping for a safe second-hand vehicle.

RACQ supports both the ANCAP and UCSR programs and believes there are opportunities to further improve the supply of vehicle safety information by merging the two rating systems into a single source.

The RACQ advocates for ongoing commitment from the state government (as well as the federal government) to be an active contributor to both programs and ensure the programs receive adequate funding to allow their ongoing testing, crash analysis and consumer information activities.

Address vehicle theft by restoring Queensland funding for the National Motor Vehicle Theft Reduction Council

The RACQ wants government to keep Queenslanders safe by targeting crime reduction such as motor vehicle theft and reinstating funding for the National Motor Vehicle Theft Reduction Council (NMVTRC).

The NMVTRC was established in 1999 as a joint initiative of Australian state and territory governments and the insurance industry, in order to advance reform and cooperation between industry, government and community stakeholders to reduce vehicle theft.

Since its inception, the NMVTRC has facilitated over \$500 million of external investment in vehicle crime reduction measures. Over this period vehicle crime in Australia has reduced by



more than 65% - from 142,000 thefts in 2000/01 to 51,300 in 2014/15, reducing the cost to the Australian community from an estimated \$1 billion to \$600 million per year.⁴

The major beneficiaries of the NMVTRC's reform process are Australian motorists (with the nation's vehicle owners saving a total of more \$154 million to 2014), and insurers (with savings from vehicle loss and damage totalling more than \$223 million). In addition, there are other flow-on benefits, such as substantial savings in police, court and corrections costs that result from reduced levels of car crime.

In 2012, the Newman state government ceased funding contributions to the NMVTRC and Queensland lost the vital theft reduction programs provided by this organisation.

Queensland is the only state not providing a financial contribution to the council. Recent data suggests that the removal of NMVTRC programs and services from Queensland is having a negative impact, with the 2016/17 passenger/light commercial vehicle theft rate for Queensland tracking 24% higher than it was in 2015/16 (compared to a national increase of 6%).⁵

During the 2017 election a commitment was made to review NMVTRC funding. The RACQ therefore again asks the Queensland Government to reinstate funding for the Council and awaits the outcome of the review.

Implement transparent real-time fuel price reporting

Fuel prices in Queensland are some of the highest in Australia. Brisbane is consistently more expensive than Sydney, Melbourne, Adelaide and Perth; and our regional cities, like Cairns, are among the most expensive in Australia. In their review of Cairns and Brisbane fuel markets, the Australian Competition and Consumer Commission (ACCC) attributed the high prices to a lack of competition.

The RACQ encourages Queensland motorists to drive competition by purchasing from the cheapest retailers, but it is not always simple for motorists to find the cheapest fuel in their area. With limited data on all the price comparison services, the cheapest sites often go unnoticed and under frequented. To address this failure and drive competition in fuel retailing markets, the RACQ advocates for the introduction of transparent real-time fuel price reporting in Queensland.

Real time fuel price reporting would deliver transport savings to Queensland's motorists and it would address the problems associated with current commercially available services, including lack of brand and/or geographic coverage and poor timeliness of data. This is a critical issue for our members.

Freeze vehicle registration charges for three years to ease the financial burden on Queensland motorists

The RACQ wants the state government to forgo annual registration increases for three years. Queensland motorists contribute \$1.7 billion in registration tax revenue each year and are charged more than the average of other States and Territories for registration.⁶

⁴ A paper provided to RACQ by NMVTRC: Re-engagement of the Queensland Government in national collaboration on the development of strategic responses to vehicle crime, March 2016

⁵ <https://carsafe.com.au/quick>

⁶ Excluding CTP



On average, Queensland motorists spend over \$200 per week on transport costs making it the third largest household expense behind housing and food.⁷

Although the state government has said it will replace the annual 3.5% registration increases with annual CPI increases from 2019-20, this is not enough. Queensland has the highest charges in the 6 and 8 cylinder categories and the second highest in the 4 cylinder category.

Affordable motoring is important to all Queenslanders. Motorists living in rural and regional areas often rely on larger vehicles to travel long distances or drive on unsealed parts of the network. Many Queenslanders also have limited access to public transport alternatives and rely on cars for mobility.

If a three-year freeze on registration was introduced in July 2018, RACQ estimates that Queensland motorists would collectively save \$230 million over the three-year period.

Eliminate stamp duty on all new cars to help make Queensland's vehicle fleet safer and cleaner

The RACQ calls for vehicle registration duty (vehicle stamp duty) to be removed on new cars to encourage fleet turnover to safer, cleaner vehicles. On a \$25,000 four-cylinder car the saving would be \$750, and on a \$40,000 six-cylinder car it would be \$1,400.

Queensland vehicle registration duty is between 2% and 4% of the GST-inclusive price of a car. The stamp duty rate varies depending on the number of cylinders of the vehicle and while not specified, the sliding rate of stamp duty suggests that the tax is aimed at increasing fleet turnover to more fuel efficient vehicles. Perversely, the added financial burden of vehicle stamp duty in Queensland discourages fleet turnover. The average age of passenger vehicles in Queensland increased from 9.4 years in 2012 to 9.5 years in 2017.⁸

The removal of stamp duty on motor vehicles would deliver an economic benefit to Queensland motorists and provide an incentive to increase vehicle fleet turnover, allowing greater penetration of new fuel-efficient and safer vehicles.

It is disappointing that the government plans to increase stamp duty on new cars costing \$100,000 or more, by 2%. Motorists already pay \$530 million in stamp duty each year, and it is estimated that the extra 2% in duty will cost motorists a further \$75 million over three years. The RACQ asks the government to reconsider this policy. It is a double tax hit on motorists who already pay a Luxury Car Tax on these vehicles, and it is revenue that is not reinvested back into transport infrastructure, rather it goes straight into consolidated revenue. It is also a policy that will discourage motorists from buying some of the safest and most environmentally friendly vehicles, which are often priced over \$100,000.

Queensland's annual roads and transport capital expenditure to be a minimum of 2% of Gross State Product

The Queensland road network requires ongoing investment to cater for population growth and economic sustainability, and more needs to be done to improve the condition of roads,

⁷ Australian Bureau of Statistics, 2017, Household expenditure survey, 2015-2016, Canberra

⁸ Australian Bureau of Statistics, 2017, *Motor vehicle census, 2017*, Canberra



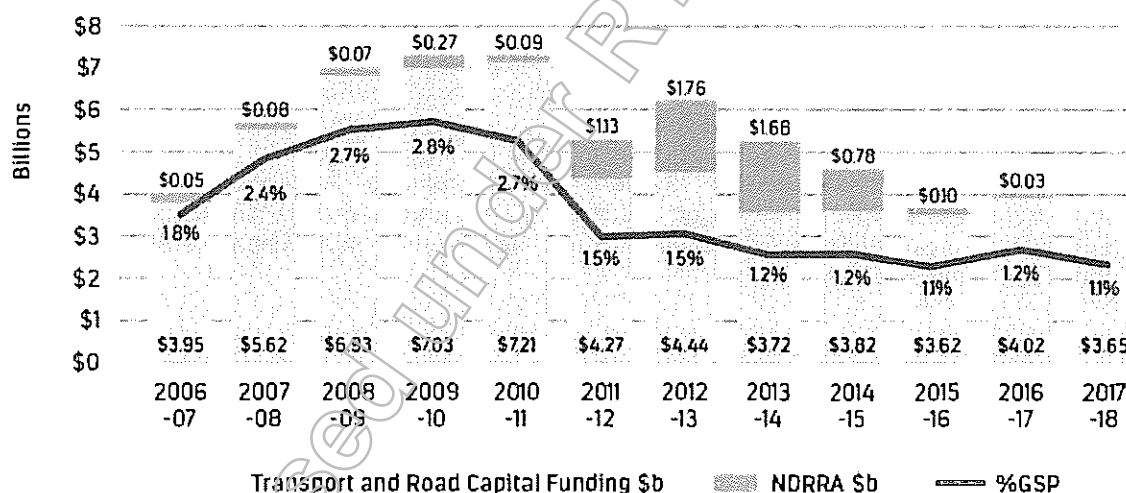
particularly with respect to reducing congestion, improving flood immunity, regular maintenance and enhancing safety.

The RACQ asks the government to commit a minimum of 2% of Gross State Product (GSP) to capital funding for transport and road infrastructure annually. Without increased funding, highways and urban road networks will become progressively more unsafe and congested.

The 2017 Queensland Audit Office report on Integrated Transport Planning identified a \$4 billion renewal backlog for the road network that is forecast to increase to \$9 billion over the next 10 years, and Queensland's budgeted capital funding for transport and road infrastructure has fallen to the lowest level in more than a decade.

Figure 1 shows budgeted capital funding for transport and road infrastructure and any additional road funding under the Natural Disaster Relief and Recovery Arrangements (NDRRA). The budgeted capital funding, excluding NDRRA funding, is shown as a percentage of Gross State Product (GSP).⁹ At its peak the percentage of GSP for roads and transport capital expenditure reached 2.8%. The relatively high levels of funding from 2008-9 to 2010-11 were in part attributable to additional investment to combat the Global Financial Crisis.

Figure 1: Queensland Government budgeted transport and road capital funding (excluding NDRRA funding) as a percentage of Gross State Product (GSP)*



*Includes ports and excludes capital grants and excludes Natural Disaster Relief and Recovery Arrangements (NDRRA) funding. NDRRA funding for 2017-18 is not included. Sources: Budget Paper No. 3, 2006-07 to 2017-18; advice from TMR; QTRIP 2010-11 - 2013-14 to QTRIP 2015-16 -2018-19; TMR annual report 2016-17; <https://data.qld.gov.au/dataset/gsp-factor-cost-industry-components/resource/99f59524-db21-465a-8898-a9686b55deba>

Currently, capital funding for transport and road infrastructure as a percentage of GSP is 60% less than it was at the peak in 2009-10 and nearly 40% less than 2006-07. This means that not only has funding in Queensland failed to keep up with inflation, but it has failed to improve productivity or cater for population growth. Since 2006 Queensland's population has grown by 22%.

⁹ NDRRA funding was excluded to offset funding spikes arising from flood and cyclone repairs.



Implement an integrated public transport authority that administers the delivery of all public transport services in Queensland

The RACQ supports good public transport that improves accessibility and mobility for Queenslanders and that increases the efficiency and resilience of the transport network.

The RACQ calls on the government to establish an integrated public transport authority to administer the delivery of all public transport services in Queensland. RACQ believes that this would consolidate the responsibility for the delivery of public transport and result in several benefits to Queenslanders including increased patronage, reduced congestion on roads, better access for people with a disability and improved network optimisation.

Public transport in Queensland is provided by rail, buses, ferries and light rail and is administered by the Queensland Government, councils, and in south east Queensland, TransLink.¹⁰ In Brisbane, specifically, the process of delivering public transport is complex. While public transport in Brisbane is co-ordinated by TransLink, rail services are operated by Queensland Rail and bus services are operated by both the Brisbane City Council's Brisbane Transport subsidiary and private operators. Ferry services on the Brisbane River are operated by Transdev Brisbane Ferries.

Recently, the efficiency and reliability of public transport in south-east Queensland has come under increasing scrutiny, with ongoing issues associated with reduced and overcrowded services. Furthermore, the multiple "silos" involved in the provision of public transport in Queensland acts as a barrier to adopting a whole-of-system approach to the operation and planning of public transport services.

The establishment of a single authority would deliver a range of benefits to government including reduced costs, by removing overlapping and shared services, and the potential to further optimise reliability, efficiency and accessibility through the adoption of mobility enhancing technology and services.

All upgrades to state-controlled roads in urban areas to include a segregated bicycle path or on-road bicycle lanes, or a high quality signed parallel route for bicycles and mobility scooters

Improved cycling facilities are necessary to increase the safety of bike riders. Cyclists are vulnerable road users and are more likely to be injured in the event of a crash than motor vehicle occupants. As a motoring club, RACQ takes its responsibility seriously to help reduce crashes, and the deaths and injuries they cause. The RACQ encourages all road users to act responsibly on the road and we promote the use of engineering, education and enforcement measures to improve safety.

RACQ research has shown that 33% of people would like to ride a bike more if there was a safer route. If the proportion of bicycle commuters rose by 10%, the displacement of motor

¹⁰ TransLink is a division of the Department of Transport and Main Roads that manages the coordination, integrated ticketing and zoning for public transport services covering Brisbane and the rest of south east Queensland. It contracts Queensland Rail, Brisbane Transport and private bus operating companies to operate public transport services.



vehicles from the road network would result in congestion benefits. These congestion benefits, and safety outcomes, are best achieved when separated infrastructure is available.

The RACQ supports the growth of bicycle mode share to reduce congestion and improve our mobility, but safety is paramount. This is why RACQ advocates for all upgrades to state-controlled roads in urban areas to include a segregated bicycle path or on-road bicycle lanes, or a high quality signed parallel route for bicycles and mobility scooters. The RACQ would also like to see the development of a strategy focused on improved safety, connectivity and level of service to bicycle riders across Queensland.

2. Allocate funding to RACQ's priority transport projects

RACQ's 2017-2021 Mobility Matters to every Queenslanders outlined key transport projects needed to reduce congestion and deliver better roads and rail. These are shown in Table 2.

Queensland needs strong investment in transport projects like these to improve safety and mobility and deliver efficiency and productivity gains. In particular, a project with strategic importance is to improve an inland alternative route to the Bruce Highway.

Motorists, local government and the freight industry have long campaigned for an alternative to the Bruce Highway. Road closures due to incidents and flooding on the Bruce Highway are a major issue as there are no alternative routes of a suitable standard. Many inland sections of road, including the D'Aguiar and Burnett Highways and Gregory and Kennedy Development Roads, require significant attention such as road widening and removal of roadside hazards. The RACQ sees value in upgrading an alternative route for road safety, productivity and efficiency improvements, as well as delivering much needed network redundancy when the Bruce Highway is closed.

Capital investment in transport infrastructure should be a key platform for maintaining sustained economic growth and investment in infrastructure is fundamental to boosting productivity. *Investing in high-quality infrastructure has the capacity to stimulate and enhance the productivity of the economy in both the short and long term. It is an investment that has a multiplier effect throughout the economy, generating lasting economic, social and environmental benefits.*¹¹

Providing high quality transport systems and addressing capacity constraints and bottlenecks improves travel times and trip reliability and boosts the productivity of supply chains and mobility of labour. This means businesses can get products and services to market at a lower cost and in a timely manner. Over the long term, these improvements in business efficiency and competitiveness can grow domestic and export market opportunities for Queensland industry.

A number of RACQ's priority transport projects received full or partial support from the returned government during the 2017 election. These appear in red font in Table 2.

¹¹ Department of Infrastructure and Regional Development, 'Infrastructure' at <https://infrastructure.gov.au/infrastructure/> (accessed 1 March 2018).



Table 2: RACQ priority transport projects

National Highways

- Pacific Motorway – complete six lanes and interchange upgrades between Varsity Lakes and Tugun
- Pacific Motorway - upgrade to eight lanes from Gateway Motorway to Loganholme, to improve safety and capacity
- Deliver the 10-year \$8.5 billion plan for the Bruce Highway and bring forward the Gympie Bypass

State-controlled roads

- Develop north-south inland alternative route to the Bruce Highway – complete dual lane seal, widening, safety and flood improvements along Gregory and Kennedy Development roads and Gregory Burnett, D’Aguilar and Kennedy highways
- Mt Lindesay Highway - safety works package including duplication to Jimboomba¹²
- Brisbane railway level crossing upgrade program: Boundary Road (Coopers Plains), South Pine Road (Alderley), Cavendish Road (Coorparoo), Warrigal Road (Runcorn), Kianawah Road / Lindum Road (Wynnum West)

Public transport and rail

- Progress Cross River Rail
- Gold Coast light rail – extend the light rail line south to Coolangatta and the airport
- Beerburrum to Nambour rail upgrade project

RACQ Top Ten Greater Brisbane projects

- Pacific Motorway – complete six lanes and interchange upgrades between Varsity Lakes and Tugun and upgrade to eight lanes from Gateway Motorway to Loganholme, to improve safety and capacity
- Progress Cross River Rail
- Railway level crossing upgrade program: Boundary Road (Coopers Plains), South Pine Road (Alderley), Cavendish Road (Coorparoo), Warrigal Road (Runcorn), Kianawah Road / Lindum Road (Wynnum West)
- North-South Urban Arterial – provide arterial standard link to relieve pressure on the Bruce Highway between North Lakes and Gateway Motorway
- Upgrade Centenary Motorway Bridge to eight lanes, with associated enhancements along the route from Legacy Way to the Ipswich Motorway
- North West Transport Corridor (Stafford Road to Carseldine) – provide arterial standard link to relieve pressure on Gympie Road and progress South Pine Road / Stafford Road intersection upgrade
- Complete Ipswich Motorway Upgrade (Darra to Rocklea) – complete Stage 1 and 2 including widening to six lanes, service roads and interchange improvements
- Pedestrian and cycle bridge from the Brisbane CBD to Kangaroo Point, with other potential walk and cycle links to New Farm and Hawthorne
- Expand Cycle Network program to increase the provision of segregated bike paths and on-road bicycle lanes to separate bicycles from cars on major roads in urban areas
- Extension of the Springfield rail line to Ripley

¹² Safety works package includes: lane and shoulder widening, safety barriers or removal of roadside hazards, ATLM / rumble strips, wide centre line treatments, intersection improvements and additional overtaking lanes / opportunities.



RACQ Regional Queensland projects

Cairns (Far North Queensland)

Kennedy Developmental Road and Highway – safety works package, including flood improvements to provide suitable inland alternative route to the Bruce Highway¹³

- Captain Cook Highway upgrades – widen corridor, improve roadside safety, add overtaking lanes and provide safe cycling infrastructure
- Complete 'Cairns Southern Access' - all 4 stages - which includes Edmonton to Gordonvale Duplication

Townsville (North Queensland)

- Gregory Developmental Road – safety works package, including flood improvements to provide suitable inland alternative route to the Bruce Highway¹³
- Complete dual lane seal along the Hann Highway
- Flinders Highway – safety works package, including flood improvements and overtaking lanes to provide a safe and efficient road¹³

Mackay / Whitsunday

- Peak Downs Highway – Safety works package¹³
- Gregory Developmental Road – safety works package, including flood improvements to provide suitable inland alternative route to the Bruce Highway¹³
- Duplication of the Sarina to Mackay link of the Bruce Highway to improve safety, capacity and flood immunity

Rockhampton (Central Queensland)

- Capricorn Highway (Rockhampton to Emerald) – safety works package, including flood improvements and overtaking lanes to provide a safe and efficient road¹³
- Gregory Highway – safety works package, including flood improvements to provide suitable inland alternative route to the Bruce Highway¹³
- Deliver Rockhampton Northern Access upgrade stage 2

Wide Bay / Burnett

- Burnett Highway – safety works package, including flood improvements to provide suitable inland alternative route to the Bruce Highway¹³
- D'Aguiar Highway (Caboolture to Kingaroy) – safety works package along the D'Aguiar Highway linking Burnett Highway to Caboolture¹³
- Accelerate delivery of Bruce Highway Cooroy to Curra Section D construction (including Gympie Bypass)

Sunshine Coast

- Progress Beerburrum to Nambour rail upgrade project
- Steve Irwin Way – safety works package, including duplication where required¹³
- Complete Bruce Highway six lane upgrade between Pine River and Caloundra Road and deliver Bruce Highway Maroochydoore Road to Mons Road upgrade

¹³ Safety works package includes: lane and shoulder widening, safety barriers or removal of roadside hazards, ATLM / rumble strips, wide centre line treatments, intersection improvements and additional overtaking lanes / opportunities.



Gold Coast

- Gold Coast light rail – extend the light rail line south to Coolangatta and the airport
- Pacific Motorway – complete six lanes and interchange upgrades between Varsity Lakes and Tugun and upgrade to eight lanes from Gateway Motorway to Loganholme, to improve safety and capacity
- Develop Intra-Regional Transport Corridor (IRTC) from Stapylton-Jacobs Well Road to Nerang-Broadbeach Road as a multi-modal corridor to relieve pressure on the M1

Toowoomba / South-West Queensland

- Carnarvon Highway – safety works package¹⁴
- New England Highway – safety works package¹⁴
- Publish the Toowoomba Second Range Crossing toll prices and justifications and invest any project savings in upgrades between Toowoomba and Brisbane

Southern Queensland

- Cunningham Highway – safety works package along the Cunningham Highway¹⁴
- Mt Lindesay Highway - safety works package including duplication to Jimboomba¹⁴
- Investigate Salisbury to Beaudesert rail corridor - passenger rail to Flagstone

 Projects in red received full or partial support from the returned government during the 2017 election

3. Allocate funding to progress the transport projects and policies promised during the 2017 Queensland election

The Queensland Government should progress the positive transport policies it committed to during the 2017 election and provide funds in the 2018-19 State Budget, or in QTRIP, to progress its transport projects. The ability to efficiently move people and goods on quality roads is essential to improved productivity.

Queensland will need increased road capacity and efficiency improvements in the transport network to cater for future growth in traffic. Vehicle kilometres travelled in Queensland are expected to increase by 2.8 percent annually to 2020.¹⁵ Without upgrades to our highways and freight routes, vehicle operating costs and travel times will increase, leading to greater productivity losses.

The RACQ appreciates the commitments made to roads, safety and transport infrastructure during the election campaign. The RACQ expressed public support for a number of election initiatives, including the safety and congestion related road and rail upgrades. We did, however, oppose the plan to increase transfer duty costs on new cars priced at more than \$100,000 and we ask the government to reconsider this policy.

¹⁴ Safety works package includes: lane and shoulder widening, safety barriers or removal of roadside hazards, ATLM / rumble strips, wide centre line treatments, intersection improvements and additional overtaking lanes / opportunities.

¹⁵ Bureau of Infrastructure, Transport and Regional Economics (BITRE), 2012, *Traffic Growth in Australia*, Report 127



Table 3: Transport-related election promises

Policies

- Review funding to the National Motor Vehicle Theft Reduction Council
- Employ an additional 535 police personnel
- Limit registration and driver licence fees to a CPI increase from 2019-20
- Continued funding for ANCAP and UCSR and the rollout of the Safe Cars mobile application
- Reinstate the statutory warranty for older second-hand vehicles sold by dealers
- Provide affordable legal avenues by lifting the jurisdictional limit at the Queensland Civil and Administrative Tribunal to \$100,000
- Push for 'lemon laws' at a national level
- Extend the 50% concession for Public Transport to an additional 19,000 veterans that are DVA white card holders aged under 64
- Extra 2% stamp duty on new cars of more than \$100,000¹⁶


Projects

- \$206 million to help fund the upgrade of the southern M1 between Varsity Lakes and Tugun and ensure the M1 is at least six lanes from Brisbane to the border
- \$25 million to upgrade the Oxenford (Exit 57) interchange on the Pacific Motorway
- \$16 million to develop a business case for future upgrades of the M1 corridor between Eight Mile Plains and the Logan Motorway
- Progressing Cross River Rail
- Establishing the Bruce Highway Trust, with a total investment of \$1 billion annually
- Committing \$200 million annually to the Bruce Highway Trust and providing an initial injection of \$175 million for targeted safety and flood resilience projects
- Completing the Bruce Highway 'Cairns Southern Access' - all 4 stages; and Pine River to Caloundra Road interchange Upgrade (Caboolture-Bribie Island Road to Caloundra Road/Steve Irwin Way)
- Bringing forward the upgrade of the Townsville Ring Road to dual carriage way between Douglas and Bohle Plains
- Completing the Gympie bypass with the construction of the final missing link — Cooroy to Curra (Section D)
- Investing a further \$20 million to continue upgrading the Mount Lindesay Highway
- \$4 million to prepare a business case and technical designs for a new Centenary Motorway bridge over the Brisbane River

¹⁶ The RACQ remains opposed to this increase. Queensland motorists already pay \$530 million in vehicle stamp duty and the money is not reinvested back into the road or transport infrastructure, it goes into consolidated revenue.



- \$26 million for the Stafford Road to South Pine Road link road
- Constructing 3 new stations on the existing Gold Coast line as part of the Cross River Rail project
- \$44 million for an additional 650 car parking spaces at Springfield Central train station
- 300 more park n ride spaces at Salisbury Station
- \$18 million to upgrade Loganlea train station
- 50:50 funding to upgrade the Coopers Plains level crossing
- \$50 million over five years to fix up the Mount Isa to Townsville railway line
- Widening the Oxley road rail underpass to four lanes
- \$75 million for Northern and Eastern Transitways
- \$14 million to help build walking, cycling and horse-riding trails on disused rail corridors

 Items in red relate to policies or projects advocated by RACQ during the 2017 election

Conclusion

The Queensland Government has sizeable debt and a limited tax base from which to derive additional revenue. The RACQ acknowledges that managing Queensland's debt will require fiscal restraint but urges the government not to sacrifice Queensland lives and future economic prospects in the process, by forgoing vital road and transport investment.

Mobility is important for all. We must invest in roads and transport to improve safety, capacity and resilience and to drive productivity improvements that benefit business and major sectors of Queensland's economy. The RACQ and its 1.7 million members expect their government to deliver the best outcomes for Queenslanders and commit to a safe, affordable and sustainable transport system.

Karleigh Auguston

From: Tam van Alphen
Sent: Friday, 23 February 2018 6:01 PM
To: Mark Bailey; @Minister Bailey Media
Subject: FW: SA Gov supports mandatory real time fuel price reporting
Attachments: Post-Fuel Check Pricing Behaviour in Sydney.pdf

This is Lynham lead – have been playing phone tag with their office.

From: Michael, Dr Rebecca [mailto:Rebecca.Michael@racq.com.au]
Sent: Friday, 23 February 2018 10:19 AM
To: Tam van Alphen ; Talbot Speechley
Cc: Turner, Paul
Subject: SA Gov supports mandatory real time fuel price reporting

Hi Tam and Talbot,

This morning the SA Labor government committed to legislating for real time fuel price reporting if re-elected in this year's election. The limitations of the current arrangements in SA in relation to fuel price reporting mirror those in QLD – banded prices and incomplete brand coverage.

<http://www.news.com.au/national/south-australia/xenophon-backs-raa-call-for-realtime-fuel-pricing-to-cut-petrol-costs/news-story/c950d78b7baab68631a1dc837bdafb88>

Acknowledging the Ministers' concerns about the potential impact of transparent fuel price reporting on small brand and non-aligned independent retailers, the attached analysis was undertaken this week by the RACQ to examine the pricing behaviour in the Sydney unleaded petrol market since the introduction of Fuel Check. In summary there is no evidence of large brand retailers engaging in predatory pricing behaviour towards the smaller independents.

To further inform the discussion on the likely impact of transparent real time fuel price reporting on smaller brands and independents, the RACQ liaised with NRMA to meet with the NSW Fair Trading Commissioner yesterday to discuss these issues. The Commissioner reported that:

1. There was no evidence of small chains and non-aligned independent retailers exiting the NSW fuel market because of Fuel Check.
2. The Commission has received positive feedback back from small chain and non-aligned independent retailers reporting an increase in business following the introduction of Fuel Check. Examples being sites situated away from the major arterials in the Sydney's inner west.

Given that the positive response to Fuel Check expressed by the NSW Fair Trading Commissioner appears to be at odds with the feedback provided to the Queensland government by the NSW government and the ACPMA (as mentioned in our meeting on Monday), the RACQ intends to meet with NSW Fair Trading and a number of small brand and non-aligned independents for their views of the impact of Fuel Check on pricing behaviour. We will also look to discuss learnings from the scheme, estimates of compliance costs and opportunities for improvement should it be implemented in Queensland.

The RACQ appreciates the genuine commitment expressed by Ministers Lynham and Bailey to address the cost of living pressures exerted by high fuel prices and we would like to invite government to join us as we meet with stakeholders to discuss the merits and impacts of Fuel Check.

I would also like to reiterate that, while the RACQ remains committed to the introduction of mandatory transparent real time fuel price reporting in Queensland, we are keen to work with government and stakeholders to develop a

solution that does not inhibit additional competition in the Queensland fuel retailing market. To the contrary, we firmly believe that transparent pricing will benefit lower cost retailers who underwrite cheaper fuel with reduced overheads and less visible locations. With transparent pricing, motorists will be able to find and reward these retailers.

As always, please do not hesitate to contact me should you require any further information about the analysis provided or arrangement for upcoming meetings with key stakeholders.

Thanks and regards,

Dr Rebecca Michael
Head of Public Policy

60 Edward Street
Brisbane, QLD, 4000
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Karleigh Auguston

From: Tam van Alphen
Sent: Thursday, 26 April 2018 12:18 PM
To: Mark Bailey; Steven Patch
Subject: FW: Thanks

From: Turner, Paul [mailto:Paul.Turner@racq.com.au]
Sent: Thursday, 26 April 2018 12:14 PM
To: Tam van Alphen <Tam.VanAlphen@ministerial.qld.gov.au>
Subject: Thanks

<https://live.racq.com.au/2018/04/government-backs-motorists-on-presumed-guilt-in-crashes/>

Paul Turner
Chief Communication Officer

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<https://www.racq.com.au/>" style='position:absolute;margin-left:0;margin-top:0;width:219.75pt;height:46.5pt;z-index:251659264;visibility:visible;mso-wrap-style:square;mso-width-percent:0;mso-height-percent:0;mso-wrap-distance-left:0;mso-wrap-distance-top:0;mso-wrap-distance-right:0;mso-wrap-distance-bottom:0;mso-position-horizontal:left;mso-position-horizontal-relative:text;mso-position-vertical:absolute;mso-position-vertical-relative:line;mso-width-percent:0;mso-height-percent:0;mso-width-relative:page;mso-height-relative:page' o:allowoverlap="f" o:button="t">

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Karleigh Auguston

From: Turner, Paul <Paul.Turner@racq.com.au>
Sent: Friday, 23 February 2018 10:27 AM
To: Mark Bailey
Subject: FW: SA Gov supports mandatory real time fuel price reporting
Attachments: Post-Fuel Check Pricing Behaviour in Sydney.pdf

Hi Minister, please see below sent by Rebecca to Tam today. I hope this helps us progress real time fuel prices in Queensland.

--

Paul Turner
Chief Communication Officer

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Brisbane, QLD, 4000
PO Box 4 Springwood, QLD 4127
T +61 7 3872 8908
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E Paul.Turner@racq.com.au
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Sent: Friday, 23 February 2018 10:19 AM
To: tam.vanalphen@ministerial.qld.gov.au; talbot.speechley@ministerial.qld.gov.au
Cc: Turner, Paul
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As always, please do not hesitate to contact me should you require any further information about the analysis provided or arrangement for upcoming meetings with key stakeholders.

Thanks and regards,

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Dr Rebecca Michael
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Examination of Pricing Behaviour in the Sydney Unleaded Petrol Market

RACQ Public Policy Dept.

Date 23 February 2018

Released under RACQ - TMR



This paper presents an interim examination of retail pricing behaviour in the Regular Unleaded Petrol (RULP) market in Sydney. The analyses presented use pricing data sourced from the NSW Fuel Check Programme.

Figure 1, and Tables 1 and 2 present the relative pricing behaviour of the majors, supermarkets and key independents, for the year following the introduction of Fuel Check. These figures and tables present monthly average prices.

Figure 2 presents the daily average prices for the latest price cycle in Sydney.

Figure 1: Monthly Average RULP Prices of Sydney October 2016 to October 2017, Split by Brand

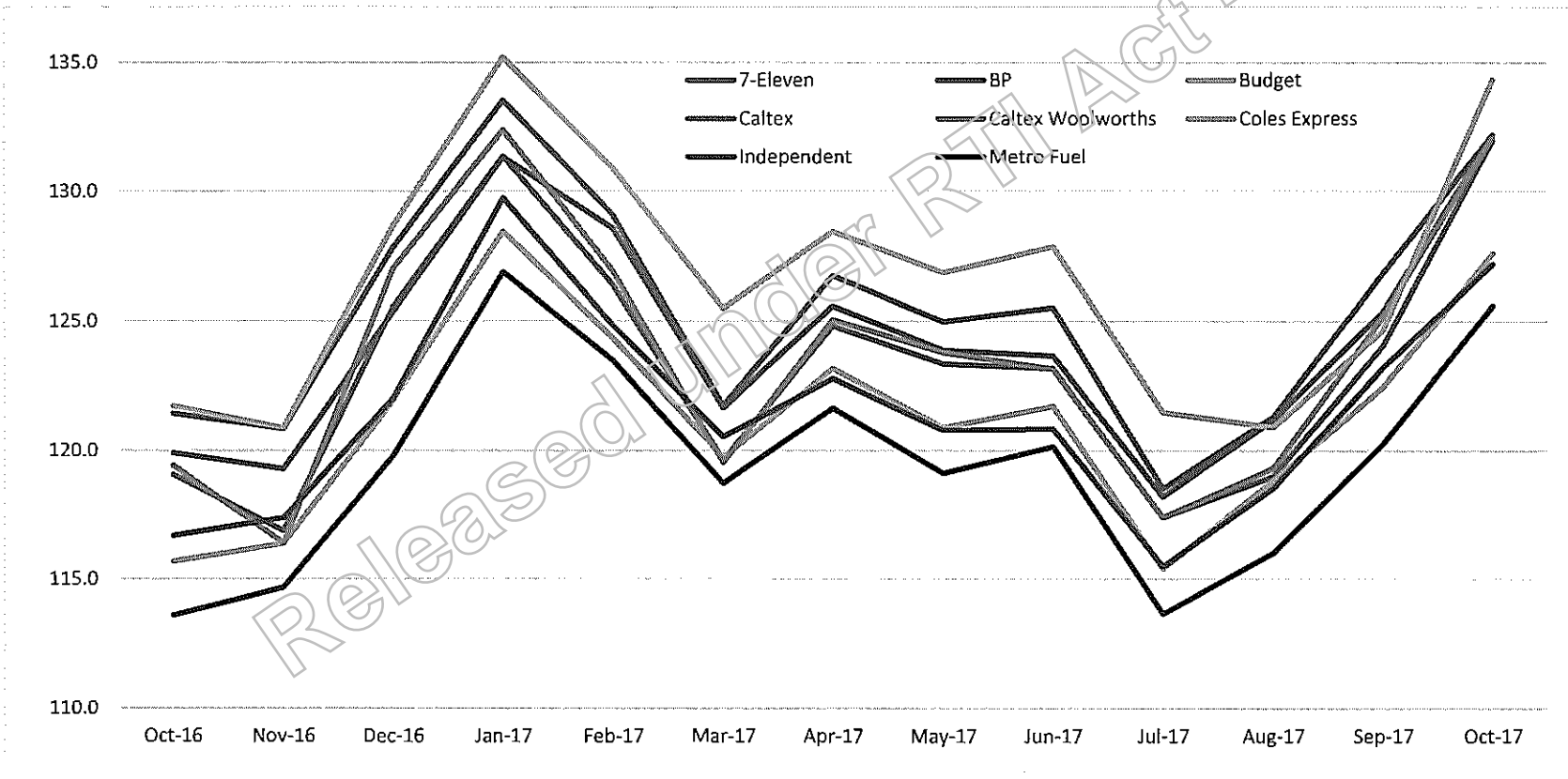




Table 1: Monthly Average RULP Prices of Sydney October 2016 to October 2107, Split by Brand

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Coles Express	121.7	120.9	128.7	135.2	130.9	125.5	128.5	126.9	127.9	121.5	120.9	124.6	134.3
Caltex	121.4	120.8	127.8	133.5	129.1	121.7	126.7	125.0	125.5	118.5	121.3	126.8	132.2
BP	119.9	119.3	125.4	131.3	128.6	121.7	125.6	123.9	123.7	118.2	121.2	125.4	132.1
Caltex Woolworths	119.4	116.4	127.0	132.4	126.9	119.5	125.0	123.8	123.1	117.4	119.3	125.2	132.1
7-Eleven	119.1	116.9	125.5	131.4	126.4	119.6	124.8	123.3	123.2	117.4	119.0	124.0	132.0
Independent	116.7	117.4	122.0	129.7	124.8	120.5	122.8	120.8	120.8	115.5	118.5	123.2	127.2
Budget	115.7	116.4	121.9	128.5	124.3	119.7	123.2	120.9	121.7	115.4	118.9	122.5	127.6
Metro Fuel	113.6	114.7	119.8	126.9	123.5	118.7	121.7	119.1	120.2	113.6	116.0	120.3	125.6
Sydney	118.6	117.8	124.9	131.1	126.9	120.7	124.8	122.9	123.2	117.2	119.3	123.9	130.5

Table 2: Monthly Deviations from the Average RULP Price of Sydney October 2016 to October 2107, Split by Brand

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Coles Express	3.2	3.1	3.8	4.1	4.0	4.8	3.7	4.0	4.6	4.3	1.6	0.7	3.8
Caltex	2.9	3.0	3.0	2.4	2.2	1.0	2.0	2.1	2.3	1.3	2.0	2.9	1.6
BP	1.3	1.5	0.5	0.2	1.7	1.0	0.8	1.0	0.4	1.0	1.9	1.4	1.6
Caltex Woolworths	0.9	-1.4	2.1	1.3	0.0	-1.2	0.3	0.9	-0.1	0.2	0.0	1.2	1.6
7-Eleven	0.5	-0.9	0.7	0.2	-0.5	-1.1	0.0	0.5	-0.1	0.2	-0.3	0.1	1.4
Independent	-1.9	-0.4	-2.8	-1.4	-2.1	-0.2	-2.0	-2.1	-2.4	-1.7	-0.7	-0.7	-3.3
Budget	-2.9	-1.4	-2.9	-2.7	-2.6	-1.0	-1.6	-2.0	-1.5	-1.8	-0.4	-1.5	-2.9
Metro Fuel	-5.0	-3.2	-5.1	-4.2	-3.4	-2.0	-3.1	-3.8	-3.1	-3.5	-3.3	-3.7	-4.9

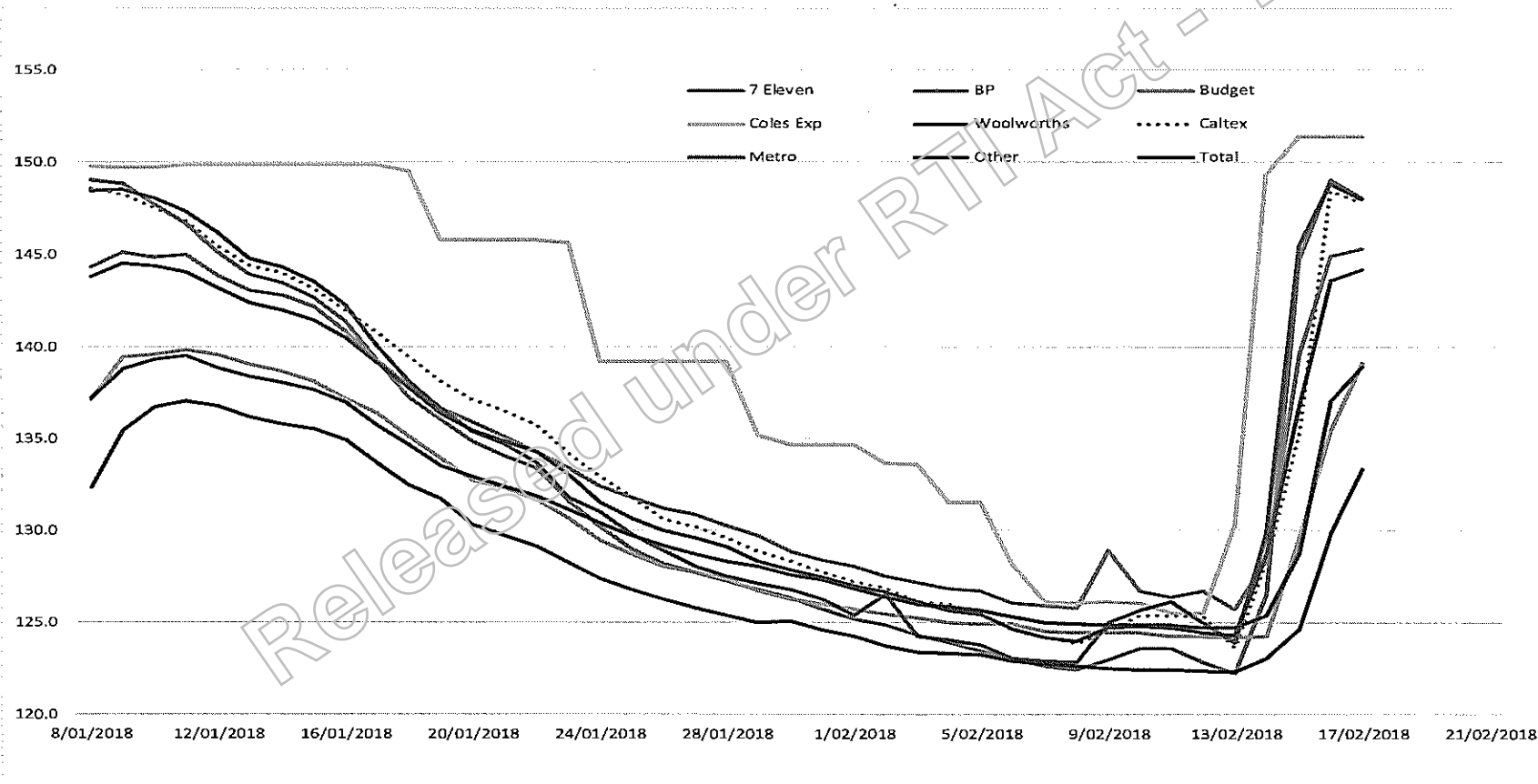
Considering the Figure 1, and Tables 1 and 2 the following behaviour can be observed:

1. The independent brands (Metro Fuel, Budget, and the non-aligned Independents) have offered the cheapest in the Sydney every month since the introduction of Fuel Check
2. Metro Fuel is the cheapest brand in the Sydney market (of the brands presented. Note the brand Speedway is slightly cheaper than Budget)
3. While prices have fallen since the introduction of Fuel Check, the relative pricing of the brands has remained unchanged



4. Coles Express, Caltex and BP have remained consistently higher than average
5. Caltex Woolworths and 7-Eleven have remained close to the average
6. Metro Fuel, Budget, and the non-aligned Independents have retained price below the average Sydney price
7. There is no evidence of predatory pricing practices, that is a major retailer consistently undercutting a competitor with the aim of driving them out of business

Figure 2: Daily Average RULP Prices of Sydney January and February 2018, Split by Brand





Considering the Figure 2 the following behaviour can be observed:

1. Fig 2 shows that Coles Express in the most expensive brand in the Sydney market
2. It also shows that Budget is the cheapest brand
3. The relative pricing practices and position observed in the monthly analysis is also evident in the daily average prices
4. During the price hike of the cycle Metro Fuel, Budget, and the non-aligned Independents move to price 10 cpl below the maximum price. This behaviour has been evident in the Sydney market prior to Fuel Check, and has been unchanged following the introduction of Fuel Check

Key Findings

1. The relative pricing behaviour of the brands has remained unchanged since the introduction of Fuel Check, however, the average Sydney price has fallen
 - a. The Majors and Coles Express remain the most expensive brands in Sydney
 - b. Woolworths and 7-Eleven price close to the average price
 - c. Metro Fuel, Budget, and the non-aligned Independents consistently price substantially below the average
2. There is no evidence of predatory pricing practices, that is a major retailer consistently undercutting an independent retailer with the aim of driving the independent retailer out of business

Karleigh Auguston

From: Tam van Alphen
Sent: Wednesday, 7 March 2018 11:29 AM
To: Mark Bailey
Subject: FW: Update on fuel price reporting
Attachments: 064V1903.pdf

For info

From: Tam van Alphen
Sent: Wednesday, 7 March 2018 11:29 AM
To: Talbot Speechley
Subject: FW: Update on fuel price reporting

Hey Talbot – as you guys are lead on this, just let me know if you need me to do anything to assist.
Thanks
Tam

From: Michael, Dr Rebecca [<mailto:Rebecca.Michael@racq.com.au>]
Sent: Wednesday, 7 March 2018 11:27 AM
To: Talbot Speechley <Talbot.Speechley@ministerial.qld.gov.au>; Tam van Alphen <Tam.VanAlphen@ministerial.qld.gov.au>
Cc: Turner, Paul <Paul.Turner@racq.com.au>
Subject: Update on fuel price reporting

Hi Tam and Talbot,

Following on from our meeting with Ministers Lynham and Bailey, we responded to concerns raised during the meeting by providing further analysis on the impact of mandatory fuel price reporting in Sydney which suggests that there was no evidence of predatory pricing behaviour post the introduction of Fuel Check.

We have also been approached by fuel retailers and association bodies since our meeting to discuss the outcomes of meetings they have subsequently had with the Ministers on the matters of fuel prices, reporting and competition.

RACQ is keen to work with all stakeholders to address the high fuel prices and would find it useful to these discussions to understand the position or approach government is forming on these issues. This is particularly salient in light of comments made by Rod Sims at the recent Senate Estimates hearing where he stated that:

- The ACCC does not have the power to mandate a fuel price reporting scheme
- The currently available commercial price reporting schemes are not comprehensive
- State based schemes are preferable to national scheme
 - He sees value in the stable weekly cycle in Perth and would not want a national scheme to disrupt the Perth weekly cycle

Are you available soon to discuss how things are progressing?

Thanks and regards,

Dr Rebecca Michael
Head of Public Policy

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Brisbane, QLD, 4000
PO Box 4 Springwood, QLD 4127

T +61 7 3872 8650

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COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

ECONOMICS LEGISLATION COMMITTEE

Estimates

(Public)

THURSDAY, 1 MARCH 2018

CANBERRA

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SENATE

ECONOMICS LEGISLATION COMMITTEE

Thursday, 1 March 2018

Members in attendance: Senators Bushby, Kim Carr, Colbeck, Georgiou, Hanson, Hume, Ketter, Leyonhjelm, Lines, Ian Macdonald, McAllister, O'Neill, Patrick, Rhiannon, Steele-John, Watt, Williams.

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TREASURY PORTFOLIO**In Attendance**

Senator McGrath, Assistant Minister to the Prime Minister

Department of the Treasury

Mr John Fraser, Secretary

Corporate Services and Business Strategy Group

Mr Matt Flavel, Deputy Secretary, Corporate Services and Business Strategy Group

Mr Robert Twomey, Chief Financial Officer, Chief Financial Officer Division

Ms Phoebe Burgess, Head of HR, Risk and Governance, People and Organisational Strategy Division

Ms Shannon Kenna, Division Head, Communications and Parliamentary Division

Mr Mike Webb, Chief Information Officer, Information Services Division

Macroeconomic Group

Mr Nigel Ray, Deputy Secretary

Dr John Swieringa, Acting Division Head, Macroeconomic Modelling and Policy Division

Dr Michael Kouparitsas, Principal Adviser, Macroeconomic Modelling and Policy Division

Ms Laura Berger-Thomson, Principal Adviser, Macroeconomic Modelling and Policy Division

Ms Lisa Elliston, Division Head, International Policy and Engagement Division

Mr Chris Legg, Chief Adviser, International Policy and Engagement Division

Mr Warren Tease, Division Head, Macroeconomic Conditions Division

Dr Angelia Grant, Chief Adviser, Macroeconomic Group

Fiscal Group

Mr Michael Brennan, Deputy Secretary, Fiscal Group

Mr Jonathan Rollings, Division Head, Budget Policy Division

Mr Adam McKissack, Principal Adviser, Budget Policy Division

Ms Vicki Wilkinson, Division Head, Social Policy Division

Ms Joanne Evans, Principal Adviser, Social Policy Division

Mr Nathan Dal Bon, Principal Adviser, Social Policy Division

Ms Jessica Carew, Principal Adviser, Social Policy Division

Mr Robert Jeremenko, Division Head, Retirement Income Policy Division

Mr Darren Kennedy, Principal Adviser, Retirement Income Policy Division

Mr Ian Beckett, Principal Adviser, Retirement Income Policy Division

Ms Michelle Dowdell, Principal Adviser, Retirement Income Policy Division

Ms Kate Phipps, Division Head, Commonwealth-State Policy Division

Structural Reform Group

Ms Meghan Quinn, Deputy Secretary, Structural Reform Group

Mr Hamish McDonald, Chief Adviser, Structural Reform Group

Mr Paul McCullough, Chief Adviser, Structural Reform Group

Mr Damien Dunn, Principal Adviser, Structural Reform Group

Mr Tom Dickson, Principal Adviser, Structural Reform Group

Ms Louise Butler, Principal Adviser, Structural Reform Group

Mr Simon Milnes, Senior Adviser, Structural Reform Group

Mr Merrick Peisley, Senior Adviser, Structural Reform Group

Revenue Group

Ms Maryanne Mrakovcic, Deputy Secretary, Revenue Group

Mr Tony McDonald, Acting Division Head, Corporate and International Tax Division

Miss Lynn Kelly, Chief Adviser, Corporate and International Tax Division
Ms Kathryn Davy, Principal Adviser, Corporate and International Tax Division
Mr Geoff Francis, Principal Adviser, Corporate and International Tax Division
Mr Brendan McKenna, Principal Adviser, Corporate and International Tax Division
Ms Marisa Purvis-Smith, Division Head, Individuals and Indirect Tax Division
Mr Patrick Boneham, Principal Adviser, Individuals and Indirect Tax Division
Mr Graeme Davis, Acting Division Head, Tax Framework Division
Mr Tom Reid, Division Head, Law Design Office
Mr Simon Writer, Principal Adviser, Law Design Office
Mr Tony Regan, Principal Adviser, Law Design Office
Mr Chris Leggett, Principal Adviser, Law Design Office
Mr Matt Brine, Division Head, Tax Analysis Division
Ms Karen Payne, Chief Executive Officer, Board of Taxation Secretariat
Mr Michael Atfield, Secretary, Board of Taxation Secretariat

Markets Group

Mr John Lonsdale, Deputy Secretary
Ms Diane Brown, Division Head, Financial System Division
Mr James Kelly, Chief Adviser, Financial System Division
Ms Julie Greenall-Ota, Principal Adviser, Financial System Division
Mr Jerome Davidson, Principal Adviser, Financial System Division
Ms Elizabeth Williamson, Division Head, Consumer and Corporations Policy Division
Ms Emily Martin, Principal Adviser, Consumer and Corporations Policy Division
Ms Kate O'Rourke, Principal Adviser, Consumer and Corporations Policy Division
Mr Roger Brake, Division Head, Foreign Investment Division
Ms Victoria Anderson, Chief Adviser, Foreign Investment Division
Ms Jessica Robinson, Principal Adviser, Foreign Investment Division
Mr Warren Tease, Chief Adviser, Financial System Division

Australian Charities and Not-for-profits Commission

Dr Gary Johns, Commissioner

Australian Taxation Office

Mr Chris Jordan, Commissioner of Taxation
Mr Neil Olesen, Second Commissioner, Client Engagement Group
Mr Andrew Mills, Second Commissioner, Law Design and Practice Group
Mr Ramez Katf, Chief Information Officer, Enterprise Solutions and Technology
Ms Jacqui Curtis, Chief Operating Officer, Corporate and Enabling Services Group
Ms Melinda Smith, Chief Service Delivery Officer, Service Delivery Group
Ms Frances Cawthra, Chief Finance Officer
Ms Michelle Crosby, Deputy Commissioner, Business Reporting and Registration
Mr Jeremy Hirschhorn, Deputy Commissioner, Public Groups
Mr Mark Konza, Deputy Commissioner, International
Ms Deborah Jenkins, Deputy Commissioner, Small Business
Mr Timothy Dyce, Deputy Commissioner, Indirect Tax
Mr William Day, Deputy Commissioner, Private Groups and High Wealth Individuals
Mr James O'Halloran, Deputy Commissioner, Superannuation
Ms Louise Clarke, Deputy Chief Tax Counsel Network (Public Advice and Guidance)

Ms Debbie Hastings, Deputy Commissioner, Review and Dispute Resolution
Mr Brad Chapman, Deputy Commissioner, Australian Taxation Office People
Mr Jonathon Todd, ATO General Counsel, ATO Corporate

Australian Securities and Investment Commission

Mr James Shipton, Chair
Mr Peter Kell, Deputy Chairman
Mr John Price, Commissioner
Ms Cathie Armour, Commissioner
Ms Jane Eccleston, Senior Executive Leader, Investment Managers and Superannuation
Mr Warren Day, Senior Executive Leader, Assessment and Intelligence
Mr Gregory Kirk, Senior Executive Leader, Strategy Group
Mr Michael Saadat, Senior Executive Leader, Deposit Takers, Credit and Insurers
Ms Sharon Concisom, Senior Executive Leader, Market Enforcement
Ms Natasha Haslam, Senior Manager, Financial Services Enforcement
Ms Joanna Bird, Senior Executive Leader, Financial Advisers
Ms Louise Macaulay, Senior Executive Leader, Financial Advisers

Productivity Commission

Mr Peter Harris, Chair
Ms Karen Chester, Deputy Chair

Commonwealth Grants Commission

Mr Michael Willcock, Secretary
Mr Anthony Nichols, Branch Head
Mr Gary Markham, Acting Director Corporate Services

Australian Competition and Consumer Commission and Australian Energy Regulator

Mr Rod Sims, Chairman
Ms Rayne de Gruchy, Chief Operating Officer
Ms Jeanne Pratt, Executive General Manager, Merger and Authorisation Review Division
Mr Marcus Bezzi, Executive General Manager, Specialised Enforcement and Advocacy Division
Mr Scott Gregson, Executive General Manager, Enforcement Division
Mr Tim Grimwade, Executive General Manager, Consumer, Small Business and Product Safety Division
Mr Michael Cosgrave, Executive General Manager, Infrastructure Regulation Division
Mr Peter Maybury, Chief Finance Officer
Ms Michelle Groves, Chief Executive Officer, Australian Energy Regulator
Mr Peter Adams, General Manager, Wholesale
Ms Sarah Proudfoot, General Manager, Retail
Mr Warwick Anderson, General Manager, Networks

Australian Prudential Regulation Authority

Mr Wayne Byres, Chairman
Mrs Helen Rowell, Deputy Chairman
Mr Geoff Summerhayes, APRA Member
Mr Pat Brennan, Executive General Manager, Policy and Advice Division
Mr Mark Adams, Executive General Manager, Specialised Institutions Division
Mrs Therese McCarthy Hockey, Executive General Manager, Strategy and Chief Risk Officer

Committee met at 09:02

CHAIR (Senator Hume): I declare open this meeting of the Senate Economics Legislation Committee. The committee will continue its examination of the Treasury portfolio with questions for the Australian Competition

and Consumer Commission, the Australian Energy Regulator and the Commonwealth Grants Commission. The hearing will then follow the order as set out in the circulated program. Officers called upon for the first time to answer a question should state their name and position for the *Hansard* record, and witnesses should speak clearly into the microphone. I ask photographers and cameramen to follow the established media guidelines and the instructions of the committee secretariat. Please ensure that senators' and witnesses' laptops and personal papers are not filmed.

Commonwealth Grants Commission

[09:03]

CHAIR: I welcome the Assistant Minister to the Prime Minister, Senator the Hon. James McGrath, representing the Treasurer, and officers of the Commonwealth Grants Commission. Minister or officers, would you like to make an opening statement?

Mr Willcock: No opening statement from us, thank you.

Senator KETTER: My questions relate to the Productivity Commission's horizontal fiscal equalisation review and I refer you to the CGC's submission DR61, which responds to the technical queries from the Productivity Commission and, specifically, the response to question 3. My question is: can you confirm for the committee that under the Productivity Commission's model for equalisation to the second strongest state, which is one of the PC's preferred models from the draft report, your conclusion is that the other states—that is, all other states and territories apart from Western Australia—would be unable to deliver services to the average level that is currently provided?

Mr Willcock: Yes, as your question proceeded, the commission did put in a further submission to the PC's review process to comment or respond on issues raised in the PC's draft report on HFE. In doing so, the commission highlighted the implications of moving equalisation to equalisation on the basis of the fiscal capacity of the second strongest state. In doing so, it highlighted that that would result in all other states, other than the strongest state, having less GST share than they would under current arrangements. Current arrangements work on the basis that states are equalised so that they all have the same fiscal capacity to provide the average standard of services. If, under the alternative proposal floated by the PC in its draft report, seven jurisdictions were to have less GST, then they would, indeed, have less money to provide the average standard of services.

Senator KETTER: What does that mean in a practical sense, to say that these jurisdictions are unable to deliver services to the average level?

Mr Willcock: It simply means that the amount of money available—well, sorry. All Australian states make money from their own revenue resources by tapping their own state tax bases. They also receive Commonwealth funding support in the form of payments for specific purposes or tied grants. With the amount of money available to each Australian state that arises from their own state revenue bases and payments for specific purposes, that total is, in itself, insufficient for any state to fund all of its government service delivery needs as currently delivered. That's why the GST comes in and equalises—but raises—the fiscal capacity of every state so that they have the capacity to provide those services.

Senator KETTER: What's the impact on, say, Queensland of the Productivity Commission's model?

Mr Willcock: The Commonwealth Grants Commission submission that you mentioned to the PC put forward some figures, and it suggested that—and this is using figures for the 2017-18 fiscal year, because that's the only figures we had at the time—at that stage we were operating on the basis that current arrangements would deliver \$14.963 billion of GST revenue to Queensland. Under the Productivity Commission's proposal, that would be \$14.235 billion or \$729 million less in GST. That would then mean that Queensland would need to consider raising additional revenue of its own by increasing state taxes, reducing the quality of certain services or reducing the scope of certain services—for example, providing a lesser range of services or adding to state debt levels to fund the provision of services at the pre-existing level. That's not just Queensland; of course, that would apply to all the other states as well.

Senator KETTER: Apart from Western Australia.

Mr Willcock: On the basis that Western Australia happens to be the fiscally strongest state at the moment. Of course, the PC's proposal would be true presumably not just in current circumstances, where WA happens to be the strongest state. At any future time, when some other state becomes the fiscally strongest, it would then move to that state that would have the benefit of those arrangements.

Senator KETTER: With this term 'average level of service', can you put a figure on that?

Mr Nichols: By average—let's say, arithmetical calculation in a way that looks at the total spend by particular areas of service delivery and divides that spend by the total population of all the states—that generates the average spend by states on that particular level of service. What the commission's work does is then adjust that average up and down, depending upon circumstances outside states' control.

Senator KETTER: Is that figure that corresponds to the average level of service something that's in one of your reports or is it something you could take on notice for me?

Mr Nichols: We could take on notice the actual number. We publish it in our annual supplementary information.

Senator KETTER: Thank you very much. You've mentioned the Queensland example. Perhaps for the other states as well, could you just give us a sense of how much these decreases would affect specific services in the states and territories?

Mr Willcock: The calculations that we provided to the Productivity Commission had different absolute dollar amounts for all the different states and territories. The way that we worked this out however delivers, if you like, the same dollars per capita for each of those other jurisdictions, which would mean that each of the other seven states would have \$147 per capita less in GST. That would amount to: \$1.167 billion for New South Wales, \$920 million for Victoria, \$256 million for South Australia, \$77 million for Tasmania, \$60 million for the ACT and \$36 million for the Northern Territory.

Senator KETTER: This might be a little bit outside of your remit, but to what extent do you think that does impact on states and territories' capacity to deliver their services? Is this a serious impact?

Mr Willcock: The Commonwealth Grants Commission submission to the PC made it very clear that it wasn't advocating a particular approach to HFE, per se. The commission's job is to provide recommendations to the Commonwealth Treasurer on how to divide the GST pool annually, in a way which delivers horizontal fiscal equalisation in accordance with the generally accepted definition of horizontal fiscal equalisation, which has been in place more or less—well, with some minor changes—since 1980, since the current all-state equalisation arrangement was put in place. It was reaffirmed by all governments on various occasions, such as in 1999 with the intergovernmental agreement prior to the introduction of the GST, when the funding pool fundamentally changed, and most recently in another intergovernmental agreement in 2011. The commission's submission to the PC was simply to draw out the implications of the alternative, so-called equalisation to a reasonable standard approach that the PC had put forward in its draft report and to indicate what the GST funding implications for all jurisdictions would be if that were implemented, in contrast to the current full equalisation arrangements. As the commission says, it's a matter for governments as to what form of equalisation the commission should be charged to implement.

Senator KETTER: Just finally, then—

Senator McGrath: We should also note that it is a draft report and that the 2017 figures aren't representative of the proposed model in future years. I just think that should be placed on the record.

Senator KETTER: On the latest figures—it's my final question, Mr Willcock—the majority of states and territories would have to either raise taxes or cut services in order to accommodate a change in accordance with the PC's recommendation?

Mr Willcock: Or increase debt. As Senator McGrath made clear, this is all on the basis of calculations done for 2017-18 or against, if you like, the benchmark of the 2017-18 GST distribution model. As we go forward, each state's share of GST, of course, changes as their own circumstances change relative to all other states' circumstances. If and when the model for distributing GST were to change, what the upsides or downsides for different jurisdictions might be at that time would certainly be different from what's illustrated in the commission's submission to the PC.

Senator BUSHBY: Most of my questioning was going to be along the lines of what Senator McGrath has just highlighted, and that is that this is actually a draft report. It's not the final report that Senator Ketter has been asking you questions on. Essentially, the questions he was asking were hypotheticals, based around a series of cameos that were contained in a draft report, which is a report of the PC and not a report of the government. I see you nodding, Mr Willcock, you're acknowledging that is the case?

Mr Willcock: Indeed.

Senator BUSHBY: Your answers are purely based on answers to certain cameos that were posed in a draft report which may not be the final report and was giving figures that were based around what are essentially hypothetical scenarios, where there is no certainty in any shape or form that they would ever eventuate?

Mr Willcock: Absolutely. You're quite right.

Senator BUSHBY: One final question: for the commission to actually act on any changes, what would need to happen? How much distance is there between what a Productivity Commission draft report actually says and the commission actually making changes to the way it would deal with the distribution?

Mr Willcock: Formally and in accordance with our legislation, the commission operates pursuant to terms of reference issued to us by the Commonwealth Treasurer. Most typically, annually, we receive terms of reference to deliver and make recommendations to the Treasurer on how to divide the GST pool up to deliver HFE. We also have separate terms of reference from time to time to do longer term reviews of the methodology that we use to make those recommendations. Any change to the way that the commission develops its recommendations to share out the GST revenue would need to be made pursuant to terms of reference from the Treasurer. Which stops slightly short of your question, in the sense that the Productivity Commission will report and then it will be up to government to determine what—

Senator BUSHBY: Yes, the Productivity Committee report, no matter what it says, has no determinative value in terms of outcomes, other than as a factor that may be considered in terms of general policy considerations going forward?

Mr Willcock: Indeed. Like all Productivity Commission reports, it's not self-executing. It is a report to government. It's up to government to then determine its own position in response.

Senator GEORGIU: The average GST revenue per capita in Australia is \$2,553; is that correct?

Mr Nichols: The average?

Senator GEORGIU: Across all the states.

Mr Nichols: That average changes from year to year, as the size of the pool changes and the sum of state populations changes.

Senator GEORGIU: Okay, but roughly—

Mr Nichols: Yes, it's correct.

Senator WILLIAMS: Excuse me, is that the net GST? Does that include what businesses pay and then claim back? Do you see what I'm saying?

Mr Willcock: That's the GST pool to be distributed to the states, once those costs of administering it—the ATO's administration and other costs—are taken out.

Senator WILLIAMS: The cake there to be split.

Mr Willcock: Indeed.

Senator GEORGIU: The average GST carve up—or pool, should I say—for WA per capita is about \$878 roughly?

Mr Nichols: On 2017-18, yes, it's 34 per cent of \$2,500.

Senator GEORGIU: Given that's a dreadful figure for Western Australia, if the PC review on GST is released in May, how soon can the recommendations on that report be factored, through the Commonwealth Grants Commission, into revising the HFE formula? Has the Treasurer released any terms of reference?

Mr Willcock: We don't have terms of reference reflecting any PC recommendations or report. This isn't anything that we control at all, but I suppose the process would be that the PC will report—it's currently scheduled to report on 15 May—and it will then be up to government to determine how to respond to that report and the timing of its response. As I mentioned earlier, we typically annually receive terms of reference to make recommendations to the Treasurer for how the GST pool could be distributed amongst the eight states and territories. The commission would certainly seek to implement any terms of reference. If the terms of reference are different from the sorts of terms of reference that we've been receiving in recent years the commission would, of course, seek to implement them. The timing of the government's response is something that no-one knows.

Senator GEORGIU: Western Australia's GST allocation was heavily reduced last year, following an update in population figures from the Bureau of Statistics, costing the state around \$200 million in GST. Has such a large revision taken place previously? Was there any warning to Western Australia that this might occur? Given the population updates from the ABS only occur after every census, is there a better and more stable way to determine population forecasts that feed into the CGC's processes?

Mr Willcock: As yet, the results of ABS's 2016 census have not actually flowed through into the CGC's methodology for determining, or working out how to distribute the GST. So any change to WA's population or population growth rate that was identified in the 2016 census has not, as yet, had any impact on WA's GST.

Senator GEORGIU: But it will in the future?

Mr Willcock: Sure.

Senator McGrath: One thing I should say, from the government's perspective, is that we get to see the final report. It comes out in May; the government will respond in due course. I think some assumptions might be made about how the government will respond to the final report. I think we should wait until the report comes out and the government will give its response in due course.

Senator GEORGIU: That's fine. What hurdles, if any, do the Grants Commission face in adopting and implementing the changes in the PC report, if the government decides to take on those recommendations?

Mr Willcock: Again, depending on the final form of any PC report, and any government decision flowing from that, I don't envisage that the commission would have significant difficulties in implementing propositions along the lines of those ventilated in the draft PC report.

Senator McGrath: But we should wait until the final report comes out.

Senator GEORGIU: In the final report, will the Grants Commission take into account the three-year lag period? Is it working with the PC to address this lag period in your calculations, or your review on it?

Mr Willcock: Separate to the PC's review of HFE, the commission itself is conducting its own review into its methodology. This is a separate review that was initiated following the receipt of terms of reference from the Treasurer, and is being undertaken, if you like, in parallel to the PC's process. Part of the commission's own review of its methodology was to look at a range of issues arising under the current methodology, which include what the appropriate period of assessment for the commission should be when it looks at individual states' circumstances to measure what their fiscal capacity is, and therefore what their need for GST funding is. Currently, as you mentioned, the commission uses a three-year rolling average period to, if you like, get a measure of states' relative fiscal capacities. Over the years, different time periods have been used for that assessment, up until, I think, around 2010. The period was a five-year rolling average at that time. Because of concerns that five years was too long a period, it was decided to shorten the period from five years to three years to make it a bit more contemporaneous. One of the issues that the commission has been consulting on is whether there is a case for changing that three-year rolling average, including by making it shorter or even going so far as relying on state government budget estimates or forecasts. This is something that the commission has been consulting on. It issued a discussion paper last year and received submissions from certainly all of the affected stakeholder jurisdictions. This is an issue that the commission can continue to consider as it goes through the review of its methodology.

The methodology review the commission is conducting is due to report in early 2020. It will certainly therefore have ample opportunity to take account of any commentary that the PC report has on this issue of the three years, or some other period, for taking a snapshot, a measure, of states' relative fiscal capacity.

I should just mention that there are, I suppose, the balancing considerations. One, I think everyone acknowledges that it is desirable for GST shares delivered to each state to be pretty reflective of each state's current budget circumstances. On the other hand, there's also a concern that having a measure of state fiscal capacities that's too short could bring a lot of volatility into GST shares. For example, if you have just a single year snapshot of fiscal capacities, any volatility that then arises would have very big swings in each state's GST share. So, the virtue, if you like, of three-year averaging is that it brings a bit of smoothing through time of each state's GST share. I would note that certainly most states value the relative degree of predictability and certainty or confidence that they have about their likely GST share into the future. Most states believe that it assists their own budget planning to have that sort of relative stability in GST shares through time and would therefore say that having a shorter assessment period, say, down to only one year, or even relying on a budget forecast, would impute or bring in a lot of volatility into the GST shares and hence affect the rest of their state budget management planning challenge.

CHAIR: Thank you very much to the Commonwealth Grants Commission. If there are no further questions from senators, we'll let you go. And thank you for coming back today, as opposed to last night.

Australian Competition and Consumer Commission

Australian Energy Regulator

[09:28]

CHAIR: Thank you very much for joining us, and thank you for being patient. I realise we pushed out the agenda for you. Mr Sims, do you have an opening statement for the committee?

Mr Sims: No. We'd like to leave maximum time for questions.

CHAIR: Mr Sims, last year you released a draft report into retail electricity pricing. I'm wondering whether you can remind the committee with a bit of an update of the key draft findings of the key drivers of retail energy prices in the Australian energy market, and give us an update on how the final report is progressing?

Mr Sims: As you said, we're doing this in two stages. The first report, which came out in September, was explaining what had driven electricity prices up. We were very keen to do that, because we thought there had been a bit of a misunderstanding on some of that. Roughly, the largest contribution was increases in network costs—the poles and wires. Then the next biggest increase was an increase in retail costs, which was very surprising to us. We hadn't expected that one. And then a roughly equal 16 to 17 per cent contribution from rising wholesale prices and green subsidy costs. So, about 40 per cent network; about a quarter retail costs and margins; and about 16 to 17 per cent to the green subsidies and wholesale prices of electricity. Having identified those drivers—and we're talking over a 10-year period, but that's how long the prices have been going up, and they went up a lot in that early part of the period, as well as recently—our objective is to come up with recommendations to get the prices down and to restore Australia's competitive advantage in electricity and to provide relief to low-income households. We're aiming to come up with recommendations to address all four of those issues to see what we can do to get those prices down.

CHAIR: With respect to South Australia in particular, you commented that the impact on power prices of the closure of the Northern Power Station was potentially underestimated. I wonder whether you could describe for the committee some of the market issues that have pushed up prices in South Australia following the closure of the Northern Power Station.

Mr Sims: In South Australia the wholesale prices were a larger contribution than the numbers I've just mentioned. The Northern Power Station not only took capacity out of the system, but increased the market power of AGL. There was also an effect obviously from the Hazelwood closure. With Hazelwood and Northern closing, that definitely shrank the supply/demand balance and increased the market power of the existing players. I do know my AER colleagues, who are here, have looked extensively into how all that unfolded. If you want more detail, my colleagues on my left have encyclopaedic knowledge on this topic.

CHAIR: I would be interested in your opinions, but I would also like to contextualise those. Obviously, the affordability and reliability of power in the South Australia has been an issue of considerable debate in the last few months, so could you contextualise it around the state's energy policy framework and whether you believe that particular policy framework is hurting consumers?

Mr Sims: I will pass that to my colleagues on my left. Our focus is affordability, whereas the AER is looking at things in the whole.

Ms Groves: We are probably not in a position to comment on South Australia's energy policy mix. As a whole I think we can probably provide some information around what has been happening in the wholesale market in South Australia in perhaps a little more detail, though my colleague Mr Sims has, I think, captured it at a high level. But we certainly could talk a little more around what's happening in the wholesale market in South Australia at this point in time.

CHAIR: If you could expand on it for a moment that would be terrific.

Ms Groves: I will ask Mr Adams.

Mr Adams: Over the last 18 months or so there has been a whole series of events that have impacted on prices across the Australian energy network. We produced a report late last year that looked at some of the issues that were driving New South Wales prices. We are currently preparing a report that looks at the impact of the closure of Hazelwood Power Station. You need to remember that we have a national electricity market that is integrated, and energy flows between all regions, so changes in one region often impact on neighbouring regions and the rest of the market. On our Hazelwood report, obviously, a large amount of low-cost, brown-coal generation coming out of the marketplace, as Mr Sims pointed out, changes the supply-demand balance, and we've certainly seen the impacts of that. That report will be out by the end of March. It covers the details specifically of the changes pre and post the Hazelwood Power Station.

CHAIR: I'm not entirely sure whether to direct this question to the Australian Energy Regulator or to you, Mr Sims. In regard to the government's efforts to deal with the affordability issues—things like working with the major retailers, securing domestic gas supplies and the limited merits review—can you comment on the impact that those particular actions have had on domestic electricity prices?

Mr Sims: I will pass to my colleagues again, but, clearly, getting gas prices down will be important. I think my colleagues will have a better estimate of the effect of that. I think we're both enthusiastically in favour of

getting rid of limited merits review. That will unquestionably lower prices for consumers and most of the retail things that are going on in terms of the detail following the Prime Minister's meeting with the AER issues.

Ms Groves: I will answer initially on the limited merits review question as one of the implications. We do consider that the removal of the limited merits review will have an impact on particularly how network businesses engage with their customers and with us going forward. We have already seen, I think, really good engagement between the network businesses, who are being very responsive to their customers' requests. In the most recent round of applications, we've received a number of proposals from network businesses for the next round of resets, as we call them, and we're seeing very good engagement, very good responsiveness, of those businesses to their customers. And we are seeing, I think, proposals that are much more in line with what communities' expectations would be. We don't know yet whether or not those proposals are still exactly where they should be, and that's the process we are going through. But what we are seeing is, I think, very flat prices or revenue requirements for these businesses going forward, which is, as Mr Sims has pointed out, a contrast to where we had seen network prices in the past. I will ask Ms Proudfoot to talk briefly around the changes that are happening with engagement with retail customers.

Ms Proudfoot: Following the Prime Minister's roundtables with the eight retailers last year, we have been undertaking a range of work, as have the energy retailers and various consumer groups, aimed at improving the types of information that customers receive to increase the confidence that they have to access the better deals in the market and to better monitor and understand what's going on. One of the commitments that was made by the retailers who attended the meetings with the Prime Minister was to report to us on the number of customers who were on a market contract where they had signed up and had a benefit period—generally, that is some form of discount—and that benefit had expired and they had not moved from the contract and so they were no longer enjoying the benefit. In the period since then, we have received three lots of reports, and the retailers at the moment are doing this voluntarily. We've seen that approximately 180,000 customers have now moved from an original 560 or so. They've now moved on to an offer where they're receiving a benefit period again.

You may also be aware that the retailers wrote to all those customers to remind them that there are better options out there and that they can visit our website, Energy Made Easy, to compare those offers. They did similar with the customers who were on the standing offers. We don't yet have reports on those, but we get those as part of our regular reporting framework, and we will be reporting on that in our annual report at the end of the year.

CHAIR: Ms Proudfoot, one of those requirements of the retailers is to provide simpler fact sheets on their rates and on their retail energy offers. How far through the process are we on those fact sheets?

Ms Proudfoot: That's correct, Senator. That's a piece of work that we're leading with the retailers and consumer groups. We formed a reference group to assist us in developing those new fact sheets. On 30 January we released a draft retail pricing information guideline that includes detail of the new fact sheet, which we're calling a basic plan information document. It's a much higher level document and it's aimed at appealing to customers and being perhaps less impenetrable than the current energy price fact sheet is. It includes details of key fees, discounts that are available and what a customer will need to do to access the discounts, particularly the conditional discounts. For the first time it will include a table of a comparison rate that looks at three consumption bands and what the annual estimate of those would be so that customers can easily look across a few of these few basic plan documents and identify which household they might most relate to and what that would look like for an annual cost. We are hopeful to have the final guideline out in April, noting that we are consulting on it at the moment. We have also worked with the behavioural economics team of the Australian government to inform our work in terms of what is likely to motivate consumers, what will appeal to them and how we can get people to take advantage of the savings that are there in the market.

CHAIR: Fascinating. Thank you, Ms Proudfoot. Mr Sims, you said last year that the Renewable Energy Target was not an affordability mechanism. Labor has promised a 50 per cent renewable energy target by 2030. Are you afraid that this will potentially exacerbate affordability issues in the Australian retail electricity market?

Mr Sims: I've always thought the Renewable Energy Target was to meet the sustainability objective. Where we are now, though, is we're finding that, with technology changes around the world, renewable energy is coming very close to fossil fuel energy, so I suspect there's not much in it anymore from an affordability point of view. I still think affordability has got much more to do with poles and wires, market power issues and the sorts of retail issues you've talked about, and seeing if we can get more generation of whatever type into the system—but preferably from new players so we get a bit more competition into the system. Obviously, those renewable energy schemes have cost money. They've contributed about 16 per cent to the rise of energy costs—

CHAIR: That's quite surprising. That's a pretty significant contribution.

Mr Sims: They were largely done as a cross-subsidy to be absorbed by the energy sector going forward.

CHAIR: When you say 'absorbed by the energy sector', you essentially mean absorbed by the consumer?

Mr Sims: Energy consumers, that's right. Going forward, my view would be that you've pretty much now got parity with the prices, and, in certain cases, the renewable energy can be cheaper. Hopefully, we don't need those costs going forward.

CHAIR: Thank you, Mr Sims.

Senator STEELE-JOHN: It's good to be back with you, although not great to be back in this room so soon after we left late yesterday! I want to take you, first of all, to the *Communications sector market study* draft report, which was released on 30 October 2017. It recommended:

... the Government consider whether NBN Co should continue to be obliged to recover its full cost of investment through its prices—

and that other options should be examined, including direct budget funding. In your assessment, to what extent is the requirement of NBN Co to make a commercial return compromising its ability to deliver fast, reliable and affordable networks for all Australians?

Mr Sims: This was a market study looking out over a three- to five-year period. When that report was written, there was a lot of discussion over the variable pricing—the so-called CVC pricing—and suggestions about whether that was inhibiting best use of the network. We also said we'd look to see what NBN's pricing changes were, to see what effect that had. Since then, NBN has changed its pricing, in December, and people have taken up more CVC. What we were saying back then was: you've got to keep those options on the table, but we need to see how this plays out. We need to see how our speed claim guidance plays out, our monitoring scheme plays out, and the lower NBN pricing. We believed then, and still believe now, that it was too soon to know whether there needed to be any review of the valuation of NBN—it's something you need to keep an eye on as you go forward. Particularly when we wrote this study, consumers, we believed, didn't have a good understanding of what they were getting for what they paid. I think with the better speed claims advertising and with NBN lowering its prices considerably on CVC, in effect, we can now start to see what prices people are willing to pay for what service. Only once you understand that can you think about what we term 'issues that should be kept on the table'. It's certainly too early to do that now, but I think those issues probably do need to be kept on the table.

Senator STEELE-JOHN: Specifically on the CVC—and I understand that it has been modified by NBN—to what extent, as it is currently planned to exist, is the pricing structure employed by NBN, including the CVC, contributing in your opinion to the quality of service experienced by end users—particularly in regard to reliability, speed and congestion, as well as the affordability of these services?

Mr Sims: I'll pass over to my colleague, who's the expert in the area. But I think it's got a bit to do with the retail service providers not provisioning enough CVC.

Mr M Cosgrave: There are two issues in relation to that: firstly, in relation to pricing, there are both short-term and long-term initiatives being introduced by NBN. Longer-term initiatives are still under consideration and discussion between NBN and the sector. We're keeping across that closely and expect some further briefing in the relatively near future. Secondly, in relation to service levels, you'll be aware that the ACCC initiated a public inquiry into wholesale service level standards in December of last year, focusing upon both service levels in absolute terms and the enforceability of current service levels that exist in contracts between NBN and retail service providers. Submissions to that inquiry close tomorrow. We are expecting a substantial number of submissions and we'll give fairly urgent consideration as to where we go next once we've considered that material.

Senator STEELE-JOHN: Following on from that, Mr Cosgrave, you've produced some guidelines for RSPs in relation to their advertising speeds. What requirements do you place on NBN, in terms of slow speeds being experienced on the network they own, operate and maintain?

Mr M Cosgrave: As I just said, the current inquiry looks at the wholesale service levels that are in place contractually between the NBN and the retailers, and at the issues around enforceability of those service levels.

Senator STEELE-JOHN: But you'd agree you can't just chase the symptoms of the problem in many ways, can you? You'll always need to, at some point, come back to dealing with the wholesale level?

Mr Sims: Could I just jump in? We've had two problems—one, I hope, we've dealt with, so we can narrow down on the other one. We had problems where retail service providers were selling NBN services that NBN couldn't deliver, particularly on fibre to the node, where they were selling a 100-megabit-per-second service and—

Senator STEELE-JOHN: They couldn't deliver it.

Mr Sims: One in two could, but one in two couldn't. But now we've got court-enforceable undertakings from most providers where they promise not to do that, to check what NBN can deliver and only sell what NBN can deliver. That's a crucial change, because that now means they'll only sell what NBN can deliver. If you're not getting the speed you expect, it should be up to whether or not the retail service providers have provisioned enough CVC off NBN—have they bought enough capacity? With the speed guidance we've got out there, which they're largely following, they'll be advertising that, if you buy 50 megabits per second, you can certainly get 30 megabits per second in the peak period, and we'll be able to tell whether they can do that or not. So I think we're going to get much better behaviour this year.

Senator STEELE-JOHN: Moving swiftly on, can I take you to Productivity Commission report No. 83 in regards to the USO. It makes the observation that the Regional Broadband Scheme includes only a very narrow levy base and could result in distortions to the telco market. Can you comment on your assessment of the RBS and the effects that it might have on the market in its proposed form?

Mr Sims: I cannot, but I am sure Mr Cosgrave can.

Mr M Cosgrave: The current policy initiative targets fixed-service providers. There is a current debate around the extent of any subsidy mechanisms. That's ultimately a policy matter for government.

Senator STEELE-JOHN: But, in your opinion, would such a narrowly based levy have distorting effects on the market?

Mr M Cosgrave: Well, not necessarily. One of the issues in this context is the extent to which the levy is imposed on people who are directly competing for service with the NBN. There is a debate as to the extent to which, say, mobile and wireless players are directly competing or are direct substitutes for the NBN. So it's a matter of policy debate. It is possible to have more than one view on the issue.

Senator STEELE-JOHN: Do you have a view on the issue yourself?

Mr M Cosgrave: Not from a personal perspective.

CHAIR: We're not allowed to ask for a view, Senator Steele-John; you know that.

Senator STEELE-JOHN: On 22 December the ACCC informed *BBC World News* that internet neutrality laws were not needed in Australia and that you have 'not seen evidence of Australian ISPs looking to inappropriately block access to internet content'. But, as you know, anticompetitive conduct is not limited to blocking internet; it also includes preferential treatment of content, such as Netflix and iView. Can you speak to how it is within the ACCC's powers to regulate these deals between internet and content providers and what the ACCC has done in this regard to date?

Mr Sims: I'll just make a brief comment and then pass to Mr Cosgrave. We monitor this fairly carefully. We think it is an important issue. Generally we have a more competitive market than the US does, so the test really is: is it damaging competition when this is done? And we don't see much evidence of that happening. We think that if it does happen then people have plenty of other alternatives. And we don't get many complaints on it from various entities. Michael, do you want to add to that?

Mr M Cosgrave: The finding you mentioned was one from our draft market study. It is based upon the absence of complaints. It's an area where, if there was conduct occurring by larger providers, you would absolutely expect that it would be the subject of complaint to the ACCC, and we've not seen that.

Senator STEELE-JOHN: You'd be aware that the March 2012 convergence review final report noted that the ACCC's existing powers to address competition issues as they relate to content services in the communications market focus on anticompetitive conduct and economic market analysis, which are 'too narrow to address evolving content-specific issues such as exclusive rights arrangements and bundling net neutrality issues that inhibit competition'. So, can you comment on whether your powers are too narrow to address the evolving content-specific issues in the communications market? And I'd just make the comment that you haven't experienced any complaints in this space but you'd be aware of the very fast-developing nature of this sector, the presence of these regulations in other jurisdictions and the conversations in the US around the impact of the recent legislative decisions there. So, I'm struggling to understand, in the absence of something that globally we see to be a problem, why you wouldn't be proactive in a space that can be quite troubling.

Mr Sims: We watch this very carefully. We just have not seen evidence, so in a sense I believe we are being proactive by looking very carefully at this. In the US they have a very different market structure. They often have very limited competition to get broadband, because of the way their structure has evolved. So it is an issue there.

My guess is that if I was sitting in the US I'd probably have some active regulation. But we judge that our powers are sufficient. It is very rare that someone says we don't have enough powers in telco. We've got strong powers.

Senator STEELE-JOHN: So you disagree with the findings of the convergence report?

Mr Sims: I don't have that top of mind. What I say is that we're monitoring the issue. We don't see any problems yet.

Senator STEELE-JOHN: Would you be able to take on notice to take a look at that report and get me a response? You've got Netflix—

CHAIR: All right. I think we've had enough commentary. Thank you, Senator Steele-John.

Senator WILLIAMS: Is there any current court action against any egg producers in Australia, or has that all been fixed up?

Mr Sims: I think it's all been fixed up.

Senator WILLIAMS: Good to hear. In relation to new car dealers, the ACCC released the final report of its market study into the new car retailing market in December last year. You have many concerns about new car dealers. I've been told by several car dealers that manufacturers can impose unreasonable demands on them, including new signage, showroom revamps et cetera, at the dealer's expense or risk the franchise. One dealer told me that, in the case of one manufacturer, if a motorist brought a car in under warranty and the dealer's mechanic spent, say, three hours on the car and couldn't find a problem then the manufacturer didn't pay for those three hours. It was simply a cost that had to be borne by the franchisee. There seem to be a lot of problems in this motor vehicle industry. I know they work on very small margins. Are you aware of these imbalances in this industry?

Mr Sims: Very much so. We've had a lot of interaction with the dealers. I've spoken to them on a number of occasions, and my people have as well. In relation to the consumer guarantee issue, which we were focused on, it was in our view very much an issue with the manufacturers, because they set the rules within which the dealers operate.

Senator WILLIAMS: They often bully, in my opinion.

Mr Sims: Well, certainly the dealers have complained to us a lot about a range of imbalances, and we had our issues in our market study and completed our market study, but we did say that that's an issue that certainly could do with a bit of a look at. It's certainly on our radar, and we've had discussions.

Senator WILLIAMS: Good. I'll give you another example. A dealer told me that the state marketing manager might say, 'Righto: this month we've got to sell 5,000 cars in the state', and they might have only 4,000 and be getting towards the end of the month and they'll say to the dealers, 'You will register five cars as demos.' Then they go on as sales for the month to meet target. Of course, the dealership's got to register the five and be stuck with them in many cases. It seems quite unfair. But I will be launching an inquiry into franchising in a few weeks time. I'd appreciate it if the ACCC could have an input—

Mr Sims: We certainly would.

Senator WILLIAMS: No doubt you'll be called as witnesses. Now the insurance industry one has wound up, but there have been many complaints with 7-Eleven, Caltex, Domino's, Retail Food Group et cetera, so I think we need to have a good look at this industry and see what we can do to in many ways protect the franchisees.

On another issue, in 2010 the ACCC did an inquiry into mobility scooters. I think Peter Kell did the media release. He said in that media release that since 2000 more than 70 people were killed and that 500 people a year suffer serious head and limb injuries from scooter accidents. Are you aware of the inquiry that is running at the moment on that?

Mr Sims: Not too much, but my colleagues to my right do.

Senator WILLIAMS: Please, Mr Grimwade—the Rural and Regional Affairs and Transport Committee's having a brief look at that industry to see whether we can make it safe.

Mr Grimwade: Yes, we're aware of the committee's inquiry, and we actually intend to provide a submission to that inquiry, given our work between 2010 and 2013, where we produced guidance for users of mobility scooters. We procured some work in relation to a survey, looking at the demographics of users of mobility scooters, and we also got a consultant's report, along with other stakeholders, on injury data relating to mobility scooters.

Senator WILLIAMS: I think Monash University have kept some statistics on those issues as well.

Mr Grimwade: I think they were part of the group that worked together between 2010 and 2015.

Senator WILLIAMS: It's quite alarming not only that 70 were killed over that period of time of about 10 years but that 500 a year had head and limb injuries. It's obviously something that needs to be addressed to try to make it safer for everyone, including the people using them and the people on the footpaths.

Senator KETTER: Mr Sims, these questions might be better directed at Mr Grimwade, because I think he has more information on it. This is about the Takata airbag issue. I note that in August of last year, Mr Grimwade, you gave evidence to the House Standing Committee on Economics in relation to, in particular, the alpha airbags, and you said:

... it's critical that the alpha airbags be replaced immediately.

I'm just interested as to why the ACCC came to that view at that particular time. In particular, was there a risk of serious injury occurring?

Mr Grimwade: The alpha bags are a critical risk to consumers. The alpha bags—just for the benefit of the committee—were manufactured poorly. They are categorised as a group of airbag inflators manufactured between 2000 and 2002—particular types from particular factories in the US and Mexico. They had been voluntarily recalled. There were five manufacturers who were voluntarily recalling them. There were 115,000 that were supplied to Australian consumers. There are now 25,000 remaining in Australia. We're not sure whether all are being driven. Given that they are quite old vehicles, we expect that many might be in scrapyards. We have worked with the manufacturers—particularly Honda, Nissan, BMW, Toyota and Lexus—and we were satisfied with the performance of those voluntarily recalling manufacturers in relation to the alpha airbags. They were conducting extensive communication campaigns. For instance, I know that Honda had got to the point where it was using private investigators. It was doorknocking to locate various consumers who might have vehicles with the alpha inflator.

Senator KETTER: There have been deaths overseas, I understand, in relation to—

Mr Grimwade: There have been 23 deaths, including one in Australia, and 230 serious injuries from misdeployments of affected Takata inflators, but not all those deaths have come from alpha bags. Indeed, most have come from the non-alpha bags, and the tragic death in Sydney last year was not from an alpha inflator; it was from another one, a beta inflator.

Senator KETTER: You say that it's critical that these airbags be recalled and you agree that there was an imminent risk of serious injury or even death in the case of these airbags?

Mr Grimwade: There was certainly a serious risk of injury or death should one of the inflators misdeploy. I should say that with alpha inflators, like the other inflators, the risk of deployment is conditional on a number of different factors, including the humidity of the location, the size of the vehicle and the age of the inflator.

Senator KETTER: Are you familiar with section 132J of the Competition and Consumer Act, which gives the minister a compulsory recall power?

Mr Grimwade: Yes.

Mr Sims: In essence, though, that requires that you feel that a mandatory recall could add something to what was happening, and that part of the test couldn't be satisfied.

Senator KETTER: Can you explain why that's the case, given that it was assessed that it's critical that these airbags be recalled?

Mr Grimwade: For a compulsory recall to be triggered, the minister has to be satisfied that the manufacturers or the suppliers conducting the voluntary recall haven't conducted effective action or satisfactory action to recall the alpha inflators.

In relation to the alpha inflators: we don't think we would have had a case to justify a compulsory recall just specifically for those, because it was those inflators that the manufacturers were actually doing a lot more to recall and replace. It was the other inflators that were being recalled by a much larger contingent of manufacturers—indeed, there were eight manufacturers who weren't recalling them at all—where we had grounds to recommend a compulsory recall.

Senator KETTER: If you have section 132J, which provides for compulsory recall, in what circumstances, if not this particular circumstance, would those powers be used for? When would they be used?

Mr Sims: The essential test is that you'll get a better outcome from a mandatory recall than you will from the current voluntary recall. However it's worded, that's the essential thing we have to be satisfied of. With alpha bags, essentially there have now been about four million cars recalled—as Mr Grimwade said, about 100,000 alpha bags. We felt they were doing everything they should in relation to alpha bags. So we didn't think there was any need for a mandatory recall, since they were doing everything they could through the voluntary recall.

You only go to mandatory if you think there's a gap—if there's a problem. The problem we've seen, which has led to the compulsory recall of the non-alphas—well, it's all bags, but it was really driven by the non-alpha bags—was that we felt the performance of some manufacturers wasn't good enough, that they weren't communicating well enough and they weren't doing enough to track people down. And, as Mr Grimwade said, there were about 800,000 vehicles that the manufacturers, such as VW and Holden, weren't recalling at all. But none of that applies to the alpha bags.

Senator KETTER: I'm not sure where this other limb of the test comes from. I'm looking at section 132J(1) at the moment, and it says:

(1) If it appears to the Commonwealth Minister that consumer goods of a particular kind create an imminent risk of death, serious illness or serious injury, he or she may, by written notice published on the internet, certify that:

... ..

(b) a recall notice for consumer goods of that kind should be issued without delay.

Where does—

Mr Sims: They're already being recalled. There was a voluntary recall doing a very good job, so the imminent risk wasn't going to be affected by moving from voluntary to mandatory. How many recalls do we have a year?

Mr Grimwade: About 600. We have about 600—

Mr Sims: Mostly they're voluntary, and often they're goods that are dangerous. But if the voluntary recall is moving as fast as you can, you don't move to a mandatory recall. I mean, that's—

Senator KETTER: Whose assessment is that? Was that the minister's assessment?

Mr Sims: Well, on our advice, yes.

Mr Grimwade: I think your question goes to a compulsory recall without delay, rather than a compulsory recall under which we would conduct a safety investigation and consult and issue a proposed recall notice before a final recall notice. The chairman's response is absolutely correct: a compulsory recall would not have achieved anything more than the voluntary recall was already achieving in relation to alpha bags. But the compulsory recalling of all airbags—all the beta bags, with the four million others—would clearly achieve a much more effective safety outcome than the voluntary recalls were doing.

Senator KETTER: Okay. Look, I might come back to that, but I do want to talk about fuel prices.

CHAIR: Senator Ketter—

Senator BUSHBY: I've got a couple of follow-up questions.

CHAIR: Senator Ketter, I can come back to you on fuel prices. Senator Bushby.

Senator BUSHBY: Thank you. Just on that last point: the point was made—I think Mr Grimwade made the point, no, it might actually have been you, Mr Sims—that the ministerial decisions were made with the benefit of advice from the ACCC. Is it the case that all decisions that were made were consistent with your advice?

Mr Sims: Yes. The decisions that were made were consistent with our advice, that's right. Could I just give you a brief bit of history? The Takata airbag issue, as with virtually as all motor vehicle recalls—well, I think all—was handled by the Department of Infrastructure. In the middle of last year the question of whether more needed to be done came up. Given that one potential outcome would be a mandatory recall and that the Department of Infrastructure doesn't have those powers, that's when the issue transferred to us. It was about mid last year. We took the view that we needed to do a safety investigation. That meant getting expert advice, putting out compulsory notices to get information from the manufacturers, consulting with the manufacturers, and finding which airbags were available overseas. We had to go through that process, and I think we have a much better recall that is well-structured as a result of going through all that process.

Senator BUSHBY: Initially—without going to the details of it—the ACCC formed the opinion, generally, that a voluntary recall process was the appropriate way forward? The government formed that opinion, based on advice?

Mr Sims: If I could separate it out, with the alpha bags we took the view that the voluntary recall was working well. Clearly, they're dangerous airbags—one in two. We just advise people: don't drive the car. We took the view that with the alpha bags the voluntary recall was working appropriately, so there was nothing extra to be gained from mandatory recall. With the non-alpha bags, the ones that become more dangerous over time—it's only after six years, at minimum, and sometimes nine years or longer—we felt the recall wasn't going fast enough. That was our instinct back in August, but, since we had only just taken over the area, we felt we needed to know a lot more. We needed to work out who was recalling, why they recalling and what they were doing, because, once we do a

mandatory recall, it's sort of set. They're not things you can incrementally adjust. So, to get it right, we felt we needed to do all the work that we did in that five-month period.

Mr Grimwade: I just want to make it quite clear, the alpha bags are subject to compulsory recall. All Takata inflators are subject to compulsory recall.

Senator BUSHBY: And have been for some time?

Mr Grimwade: No. The compulsory recall was announced yesterday, in fact.

Senator BUSHBY: I actually have personal experience. I have a 2008 Subaru Tribeca that was recalled. I bought that privately in Queensland, took it to Tasmania, registered it down there and never had it serviced at a Subaru dealer, yet Subaru Australia contacted me directly. They tracked me down, found me, and sent me letters, saying, 'Come in and get your airbags replaced,' which I subsequently did. They went to the trouble of finding me, even though there was no trail other than registration.

Mr Sims: There have been good experiences and there have been bad experiences. Not with the alpha bag, but with the non-alpha bag.

Senator BUSHBY: I don't know whether mine was an alpha bag or not.

Mr Sims: With the alpha bags, they know how dangerous they are, because they were was mismade. That danger was apparent around 2009-10. A small number of bags were mismade. Only in the last couple of years have people worked out that it doesn't matter how well they're made; there's an inherent design fault in the affected bags, and, as I say, we needed to get on top of that. This is a hellishly complex area. Each car manufacturer that has got that bag, albeit with a defect, have got different thickness of the casing, different composition of the propellant. Getting your mind around which ones to recall and which ones not to just took a long time. We didn't have to bother with that with the alpha bag. They were terrible; companies knew that and they were getting rid of them.

Senator BUSHBY: It was clear.

Mr Sims: It's a small number of manufacturers, because you're talking about cars sold between 2001 and 2004. The complexity was in the others, and that's where we sensed enough wasn't being done, and we did all the work and recommended to the minister last month.

Senator BUSHBY: Which gets us to what happened yesterday. Could take us through what the announcement was yesterday. With alpha bags there's now a compulsory or mandatory recall? Take us through what was announced yesterday, and what that means consumers should do now.

Mr Sims: I'll have a shot, at a high level, and then pass to Mr Grimwade. Basically, it's a staged recall between now and the end of 2020 that gets all airbags recalled in order of priority, in terms of the risk that they pose. So, some are no risk now, but let's get them out of the system before they become a risk. Others are a risk now; let's deal with those straightaway. Secondly, they've got to have a communication strategy that both is directed at the consumer but also is directed at letting the broad population know there's a problem, in a stronger way than is being done now. Thirdly, they've got to set up a web-based database where you can enter your 17-character vehicle identification number and tell whether your vehicle is subject to a recall and, if so, when. That's the essence of it.

Mr Grimwade: I might just expand on Mr Sims' comments to reflect Senator Ketter's questions. Within the compulsory recall, alpha airbags need to be replaced pretty much immediately.

Senator BUSHBY: And they're basically the cars that—I heard something yesterday—if you've got one, don't drive it.

Mr Grimwade: We've said that for some time. We've also included a requirement in the compulsory recall that anyone with an alpha bag can have it towed or a technician can come out to it, so they don't need to drive it, and it's addressed immediately. A number of the manufacturers were doing this already. As Mr Sims says, the rest of the recall requires the manufacturers to stage their recall over 10 quarters, and to meet particular targets of replacement in each of the quarters. In doing so, they have to prioritise the highest-risk inflators according to the particular priority factors I mentioned before.

Amongst the obligations on manufacturers, they're required to provide us, within a month, with an initiation schedule. They will identify every make and model that's affected with one of these defective airbags and the date at which they intend to initiate the recall of that category or particular vehicle, which we will publish, and which they're required to publish. That will indicate, for the benefit of the consumer, when their vehicle will be replaced. They're also required to develop a VIN look-up database, which, for many of them, doesn't exist at the moment. A consumer can simply enter their VIN into their manufacturer's database and find out: first, whether the

replacement is already completed; second, whether it's future, that is, it's subject to future recall, and they can find out when they can expect to hear from their manufacturer; and third, whether it's active, that is, the manufacturer has now scheduled that vehicle for recall. The manufacturer is obliged to do all sorts of things to communicate that to the consumer, but the consumer can look up this database or the schedule to identify if their vehicle is active or if their vehicle is critical. Already on our website, for many months, we've identified those with alpha bags, so people have had an opportunity to identify whether they have such an airbag.

Senator BUSHBY: What time line do the manufacturers have to comply to have all those databases set up?

Mr Grimwade: They're required to have the VIN look-up database done by 1 July. It's from that period that we're going to—

Senator BUSHBY: Bearing in mind that that's relating to airbags that aren't the alpha airbags—the airbags of greatest concern.

Mr Grimwade: That's correct.

Senator BUSHBY: Mr Sims mentioned that over a number of months you've been considering the nature of different airbags. You've been assessing the information and you've come to the conclusion this stage was necessary. It was announced by the minister yesterday. When did you provide the advice to the minister that you needed to go to this next stage?

Mr Sims: Early February, and we've been engaging with the minister. In early February we gave him quite a lot of information, and we've been engaging with him since then.

Senator BUSHBY: So it's pretty fair to say that since early February, when you provided that information, the minister has responded to that directly and has worked through that as quickly as possible to put in place the measures that were announced yesterday?

Mr Sims: We have engaged with him. We've had a number of meetings with him—I've had a couple, and Mr Grimwade has had a few. Yes, I think it has been a fairly efficient process.

Mr Grimwade: I can't emphasise how complex and technical the science is behind these inflators and to identify which are subject to recall and which aren't.

Senator BUSHBY: I can imagine.

Senator KETTER: I do want to follow up on this particular issue, because your testimony has raised further questions in my mind. One can't help but draw the conclusion that we've only delayed the inevitable by having the mandatory recall yesterday, as opposed to back in August when we formed the view that it was critical the alpha airbags be replaced. Over that six-month period of delay, hasn't the situation deteriorated?

Mr Grimwade: Can I just say, there wasn't a six-month delay. We were working intensely, often around the clock, with an investigation team of 12 staff working right through Christmas. There are a couple of reasons why it would have been, I think, a very poor decision to have issued a compulsory recall without consultation—which the legislation permits us to do. My honest belief is that we would have ended up with a higher risk for consumers, and certainly higher costs for industry. We wouldn't have known about, for instance, the fact that there were 850,000 cars out there with affected inflators that hadn't been recalled, because that information came through the use of our formal information-gathering powers. We weren't aware of that. If we weren't able to conduct our investigation, we wouldn't have understood the supply chain issues. So we spoke to all the major manufacturers that compete with Takata to provide alternative inflators. There's a lot of difficulty. There are only three major manufacturers around the world that provide alternatives. There are 100 million being replaced around the world. There's global competition for these inflators. So there is a shortage of global supply.

In addition to that, it takes between eight and 12 months to design, to test, to develop and then to produce particular inflators that are suitable for particular parts of particular cars. Understanding this, and understanding the supply chain issues—not to mention, for instance, the availability of workshop capacity and so forth—it was necessary for us to actually develop a staged recall process. We wouldn't have known any of this if we had gone out and issued a compulsory recall uninformed—

Senator KETTER: But in your evidence earlier, you said the death in Australia, I think, was from a non-alpha airbag.

Mr Grimwade: That's correct.

Senator KETTER: So isn't it the case that you've formed the view that all of these airbags, including the alpha bags, were defective and that there should have been a mandatory recall at that time, given there was a critical risk of death or serious injury?

Mr Grimwade: There are some Takata bags that aren't being recalled, because they use a particular type of desiccant, 13X. That is addressing the deterioration of the propellant. They're not being recalled in the US or elsewhere; they're not recalled here. Again, we wouldn't have understood which inflators we should be recalling. But a really important issue is, if you recall all the inflators at once and you do not understand the supply chain issues, manufacturers may not prioritise the highest risk inflators, and so the highest risk inflators might be displaced by low-risk inflators, such that you actually have higher risk inflators out there for longer than you otherwise would have through this compulsory recall process. It was absolutely imperative for us to conduct consultation and investigation. Even after we issued a proposed compulsory recall in September—one month after August we issued, as required, a proposed recall—that developed and changed into the staggered process we've got now, because of our inquiries.

Mr Sims: And I could add we had commission meetings each week on this topic as new information unfolded. So we were—not only the 12 people working through Christmas and on weekends, but the whole commission—very focused on this issue.

Senator KETTER: But isn't it the case that, if the risk of a malfunction increases over time, you accept that the delay in issuing a mandatory recall has increased that risk of injury between August and yesterday?

Mr Sims: The mandatory recall is actually going to reduce the time within which all these inflators are going to be replaced. So, without it, we would be in a much worse situation. That's why we've issued it today. The inflators themselves, yes, become riskier as they age, but that's not the only factor. The scientific evidence has demonstrated that these airbags can last 25 years. So they're perfectly safe for a long period of time. The worst of the worst, in the worst conditions, will present a safety risk in between six and nine years. So we needed to understand all this to identify what should be prioritised first and how to stagger the recall process.

Mr Sims: Back in August or September we would have been shooting in the dark a bit. The information we've now got means that we're right at the frontier of knowledge worldwide on these airbags. We know it backwards—whereas back then, having just taken over the area, there was a lot we didn't know.

Senator KETTER: Who pays for the inconvenience costs of hiring a substitute car while the airbags are being fixed?

Mr Grimwade: The manufacturers have to pay for the whole recall process. If a car is presented to a dealer for replacement and it takes more than 24 hours to replace that vehicle, then the consumer is entitled, under our compulsory recall, to a loan or a hire car.

Senator KETTER: I would like to move on to fuel prices.

CHAIR: There are a number of senators with questions. I'm just checking on the timing. Are you happy to keep pushing through, Mr Sims, and delay the break a little while?

Mr Sims: Sure. We'd certainly rather finish up than have a break and come back, if I could possibly do it. That would be great. Let's push on.

Senator KETTER: I'll try and be as quick as I can, Mr Sims. The last time we spoke was, I think, in October, and I raised with you the issue of BP's acquisition of the Woolworths service stations. Can you tell us briefly what your concerns are there? Because you've opposed that acquisition.

Mr Sims: Indeed. Thank you for the question. We spent about a year going through price information in all the main cities—basically, each time the petrol price changed, over a period, all through those markets, by each retailer. We had people tied up on this for months. It became clear that BP prices up to 3c a litre more than Woolworths. Secondly, when you look at those price cycles in the cities, BP moves faster in the up part of the cycle and slower down, compared to Woolworths. Woolworths does price lower and has a more dampening effect on the cycle. Given Woolworths's size in the market, we were very concerned that a high-price player would be taking out a low-price player, and a very important low-price player. There's no low-price player as big as Woolworths, that's for sure. You've got other ones like United and 7-Eleven, but they play a much smaller role. We were very concerned about the overall price level of petrol going up, per se, but also the cycles being more aggressive. So we're concerned for consumers paying more for petrol.

Senator KETTER: You've called on consumers to take up fuel price websites and apps, and shop around in response. Are you monitoring that? Do you have a sense of how that's going? Are consumers taking that up?

Mr Sims: They are, increasingly. We need to do more here. When you look at the petrol market, you can benefit yourself in three ways. Because you have these fuel price cycles, where the price can go up 25c in a couple of days and then take weeks to come back down, if you time when you purchase—not get it absolutely right, but just time broadly when you purchase—you can save yourself a lot of money in a way you can't

otherwise. It's very irritating for consumers with these price cycles, but you can actually save money. We provide advice on our website about when to buy. Of course, you can get apps, such as 7-Eleven's, in which they'll hold the price that you happen to identify for a week after you click on it in the app. So there are various things you can do. Where to buy is another factor. Irrespective of the stage in the cycle, in most cities there's a reasonable variation on price. We're not suggesting people drive across town unnecessarily, but as you're making your journey you might detour a bit. Also, we've been saying who you buy off matters. Coles and BP are generally higher priced than Woolworths and United. So there's a lot consumers can do. Ours is a monitoring role. We see our role as helping consumers navigate this complex market. It's a big-ticket item.

Senator KETTER: Yes, absolutely, and there is a lot of frustration in Queensland in relation to this matter. Do you have the power to force real-time disclosure of prices?

Mr Sims: No, we don't. That would take government legislation. Our power is to enforce the Competition and Consumer Act. That has been done in New South Wales and the Northern Territory. At the moment they are the only two states that have implemented that. There is FuelCheck in New South Wales, and something in the Northern Territory came in—I've just forgotten the name, but it's got 'fuel' in it—in November.

There is, of course, information that you can get from the private websites, such as MotorMouth and GasBuddy, but those sites aren't as comprehensive as the government imposed sites. So various motoring organisations are lobbying their state governments to get those schemes in.

Senator KETTER: Would it be preferable to implement such a system at a national level rather than state-by-state?

Mr Sims: I'm not sure, Senator. The answer is actually no, on reflection. In Perth they already have a system that they own where you have to let people know the price the day before. In Perth you've got this regular cycle. It's a weekly cycle. It works like clockwork. I'm absolutely stunned that this is what happens. But the good news for motorists is if they buy on a Monday they will always get cheaper fuel. They will reliably pay significantly less for their fuel, and people do—more than one-quarter of people buy on a Monday. So you wouldn't want to impose something nationally that wiped out what Perth has got. My own view is it should be a state-by-state thing.

Senator KETTER: Have you done any further work on policy changes that might be required to allow more entrants into the market?

Mr Sims: Well, it's a difficult one. Obviously we've opposed BP Woolworths, which we think would make the market a lot worse. Encouraging new entrants is more a local thing to do because it has got a lot to do with planning approvals. I know in the Northern Territory they were thinking about—and maybe they did do it; I'm sorry, my memory is letting me down a bit—opening up a site provided you were going to price in a certain way. So I think those things are best done locally. We've been pointing out what can be done, but we've never thought it appropriate that we have powers to do that sort of thing.

Senator KETTER: Is this something that you could take on notice for me—to look at what policy options would be available to facilitate new entrants to the market?

Mr Sims: Yes, indeed, we can do that.

Mr M Cosgrave: We can also describe what recommendations we've made in our various market studies in the past year.

Senator KETTER: I've just got a couple more questions on this issue. Your website on petrol prices has a graph showing retail prices and the Singapore international benchmark price. Are you concerned that this gap has been widening in recent times? Are there policy changes at a national level best placed to tackle this issue?

Mr Sims: We are concerned about that. The margins have gone up. Our most recent quarterly report said that margins were about 4c higher than they had been on average and they are now higher than since we've been monitoring petrol. That is the gap that you're talking about. That is of concern to us. We think it's got a bit to do with the fact that Coles is now pricing higher and that has led the market up, but it's hard to work out why that has happened. Certainly the profits of the petrol industry at the moment are looking pretty good. We are urging consumers to exercise their rights to buy from the lower-priced players and to buy at the right time. We actually think not only this can help consumers individually save money when they fill up the tank but the more that the companies suffer a loss of volume when they price higher, which Coles has done a bit, the more consumers send signals that high prices aren't going to pay off for them. It has a real disciplining effect on the market. Our main focus is helping consumers navigate this complex market.

Senator KETTER: I appreciate your work in that regard, but the last time you investigated the fuel price cycle and its impacts was in 2007. There have been quite a lot of changes to the market since that time. There seems to be a strong suggestion that petrol retailers are maximising their margins and their profits, and you've identified that. Are you willing to take a fresh look at the fuel price cycle?

Mr Sims: Most definitely, Senator. It is on our list. It will be the second or third study we do this year. Under the monitoring direction we can do both quarterly reports and deep dive studies. That's the second or third one we will be doing this year. We accept it's been a long time since we've looked at it. I keep saying to people that we only have a small number of resources in each of the many areas we look at, but that's going to be prioritised. We'll do that this year, definitely.

Senator KETTER: Will that be a deep-dive study?

Mr Sims: Yes, it will.

Senator IAN MACDONALD: I'm a bit confused. I see advertisements on the TV and I've looked at your Energy Made Easy website. You have to know the answers to understand what questions to ask. I come from North Queensland, where TV ads at night say 'Get a quote from another retailer,' but in North Queensland—say, Rockhampton or Mackay, with 100,000 people in each town; Townsville, with 200,000; Cairns, with 100,000; and smaller places in between—there is only one retailer. Is that your understanding?

Ms Proudfoot: Yes, Senator. For the most part, residential customers in North Queensland are supplied by Ergon Retail. The area is open to competition, but at the moment there aren't a lot of retailers outside of Ergon who have taken up the opportunity to enter the market.

Senator IAN MACDONALD: Is that something the ACCC is interested in—that there is only one retailer, a state-owned retailer?

Mr Sims: I think the essential problem is that they get a cross-subsidy. In Queensland they've always had a system with Energex in the south and Ergon in the bulk of the state. They cross-subsidise so that you equalise the network costs, which would otherwise be massively different. Because it's Ergon getting the cross-subsidy, nobody else can compete.

Ms Proudfoot: That's right.

Mr Sims: So it's basically a policy issue from the Queensland government, and not one we can do much of anything about.

Senator IAN MACDONALD: You'd be aware that the state government dumped \$4.1 billion worth of debt on the two state-owned distributors, which of course then adds general revenue debt to the poor old payer of electricity prices in North and Central Queensland.

Ms Groves: We regulate the network prices for the two distribution networks in Queensland. The way that we set those revenues is based, essentially, on questions around debt, and the cost of financing those businesses are based on benchmark approaches. So the particular financing practices of the individual businesses don't drive the outcomes of the returns that they get. Different owners structure their businesses differently across the National Electricity Market for a variety of reasons. Our framework is aimed at ensuring all energy consumers face an efficient benchmark cost. So we look to—

Senator IAN MACDONALD: Does that mean you don't take into account externalities, like any debt that is dumped on these retailers from the general revenue of the state of Queensland?

Ms Groves: I think that's correct, yes.

Senator IAN MACDONALD: So you don't take that into account?

Ms Groves: We don't.

Mr Sims: We use an average benchmark of what a typical business, as distinct from that business, would do.

Ms Groves: A typical efficient business.

Senator IAN MACDONALD: Have either of you been referred, either formally or informally, to a report in the *Townsville Bulletin* of 23 February, of a small business owner who owns tenpin bowling facilities both in Townsville and in Bundaberg, 1,000 kilometres to the south. He says, according to the paper, that he was paying 32.8 cents per kilowatt hour in Townsville, and 27.5 cents per kilowatt hour in Bundaberg. Has that particular case been referred to you? If hasn't, should it be?

Ms Groves: No, I'm not aware of that particular case. Consumers do face different electricity costs across the NEM, and within regions there are a variety of reasons why that might be the case. I'm not particularly aware of

the details of this one, or what might explain the differences for that particular small business, but there are a variety of potential reasons they may face different costs at different locations.

Senator IAN MACDONALD: Can you give me an example of the variety of reasons? Just one-word examples would do.

Ms Groves: What I'm not aware of is whether or not the customer is being supplied by the same retailer in both locations.

Senator IAN MACDONALD: One is the state government owned Ergon and the other is the state government owned Energex.

Ms Groves: Oh, in terms of the network costs. The network costs for the businesses can be different because they do have some different cost drivers, and that can translate through to network tariff differences on some regional bases. There are mechanisms that ensure those costs in regional centres are kept more in line with the costs in South-East Queensland in the Energex area, but there still are some differentials based on location.

Senator IAN MACDONALD: So your cross-subsidy comment before is irrelevant?

Ms Groves: No. These are essentially Queensland government policies, but there are mechanisms in place that, for some customers, ensure that, if they're in regional Queensland, they do not see the full costs of what would normally be the supply by Ergon, which has a higher cost of supply. It has a very large area it needs to cover, and it supplies a smaller number and more widely spread set of consumers. They're some of the key drivers for costs of electricity networks.

Senator IAN MACDONALD: So 32c versus 27c for exactly the same businesses, both along the coast of Queensland and both well outside the capital city—that doesn't strike any curiosity in your mind?

Ms Groves: My other question would be: is that just the network component of it or is it the retail energy price?

Senator IAN MACDONALD: That's what he's paying for his electricity bills. He says he is paying \$500 a day for electricity for a tenpin bowling place, which he says, in this newspaper report, is simply unaffordable. It means another two small businesses will soon go out of business because they can't afford the electricity price.

Ms Groves: That's referring, then, to the total price. Network charges are one component of that price. The cost structures of other components of the price, including the retail cost structures, do differ not only across regions—

Senator IAN MACDONALD: So, if we had a coal-fired power station in the north, the network charges—the poles and wires—would be lower. Is that what you're sort of saying? We in the north pay more because there's a long transmission from Central Queensland to the north?

Ms Groves: No, I'm not saying that. The cost for the customer will be made up of their wholesale energy costs, their network costs, which are a combination of both transmission and distribution costs, and their retailer costs. These are all of the issues that Mr Sims has set out as components of energy bills.

Senator IAN MACDONALD: My time is relatively short. Mr Sims, where there is a monopoly supplier in that situation, where it is the same business and the same electricity in the same state, is that something that you can't look into because it's state government owned? Clearly they're gouging.

Mr Sims: Let me just say a couple of quick things—I realise time is short. Certainly prices for electricity right down the east coast are way too high, and they will drive companies out of business. We are very alive to it. There's just no doubt about it, and that's why we're focused on doing what we can to get the prices down. Secondly, when I went to the public forums in Townsville, certainly there were cases where Ergon, as the retailer, was putting on fixed charges in some places that it wasn't in others, and that's an area we can look at. I don't have more detail on that, but that's something that is there. But, the fact that you've got the cross-subsidy does, of course, lower prices for North Queensland and raise them for South Queensland. That creates the monopoly, so, given that that's come out of government policy, the answer to your question is: no, there's nothing we can do about that situation.

Senator IAN MACDONALD: I'll leave it there, but I'll ask this gentleman who's quoted in the *Townsville Bulletin*. I'll contact him and see if of his own accord or he'll allow me to refer those cases to both of you—

Mr Sims: If you pass his number on, between the two of us, we can get in touch with him, Senator, definitely. We're very keen to talk to him.

Senator PATRICK: Just quickly, with your indulgence, Chair, I might ask Senator McGrath whether he's given any thought to releasing the Productivity Commission's letter, as we discussed last night?

Senator McGrath: No, I've taken it on notice. I can't give you a more substantive answer than that.

Senator PATRICK: I'm just trying to help you avoid a media storm.

Senator McGrath: I know you are. I've taken it on notice; I can't do more than that.

Senator PATRICK: You know, Senator Johnson made bad comments about South Australia and he's gone. Sam Dastyari made comments about our soccer team. I'm really fond of you—there's a curse, that's all, if you upset us.

Senator McGrath: I haven't said anything bad about South Australia. I love South Australia; I lived for a while.

CHAIR: Leaving romance aside—

Senator McGrath: I love Queensland more though; I do have that bias.

Senator PATRICK: Mr Sims, just turning to gas prices and the inquiry that is underway, you've explained in one of your recent press releases that the east coast wholesale gas prices remain higher than the Asian LNG spot prices and you've indicated we are still paying \$2 to \$4 per gigalitre higher than we perhaps would, if it weren't for a lack of supply. Is there any update on that? That's quite a recent release.

Mr Sims: Sure. There are two issues. The LNG plants in Queensland now set an export price for gas that affects the whole east coast market. We calculate a benchmark price based on the LNG price, and our view is that, in Queensland, prices are, say, a couple of dollars higher than they should be—so there's a bit of market power being exercised in terms of prices in Queensland—and that does flow down the east coast. Separately, we've made the point that, in the case of the southern market, which includes Victoria, New South Wales and South Australia, that market can pay up to \$4 more than it otherwise would, depending on whether it's got its own gas supply. If you have surplus gas in the south—at the moment, you've got a deficit of gas in the South. At the margin, the gas has got to come down from Queensland. If you think there's an \$8 price in Queensland at the moment, which is broadly right, you've got to add \$2 to get that gas down south. That makes a \$10 price in Victoria. If, on the other hand, you had a surplus of gas in the south—in South Australia, Victoria, New South Wales—then the alternative price of those selling to you would be to actually send it to Queensland, which would be \$8 minus \$2 equals \$6. So, the south is paying up to a \$4 penalty for having to rely on Queensland gas. So, there are two different issues going on there.

Senator PATRICK: So, the Bass Strait gas is not assisting in that regard? I would have thought there would have been sufficient gas coming from Bass Strait at this point in time to, notwithstanding export demand, at least fulfil those needs.

Mr Sims: The south, as a whole, is in deficit, so, yes, Victoria does produce more gas than it consumes. However, that market, because the way the pipeline system works, is its own market. Therefore gas producers can sell equally to South Australia, New South Wales, Victoria, and so you've got to think of that market as a whole. As a whole, they're short of gas and, at the margin, the price is set by bringing gas from Queensland.

Senator PATRICK: And you expect that to remain over the next how long—this deficit you're referring to?

Mr Sims: Bass Strait is about 45 years old, and it's an old, depleting field. We hope more exploration can be done to boost supply, but it really is, ultimately, a decision for governments. Both Victoria and New South Wales, and Tasmania for that matter, have effectively got moratoriums or restrictions on local gas exploration and development, so, given that the offshore fields are depleting, while ever those restrictions apply there'll be a deficit in the south for some time to come.

Senator PATRICK: The restrictions have been talked about quite publicly and by very senior officials and politicians. However, there was also the gas security mechanism that was introduced and could have been exercised by government, but they chose not to. Rather, they got an agreement from the gas suppliers. So, in effect, we've been given an assurance, by people up to and including the Prime Minister, that there wouldn't be a deficit because they had reached an agreed position with the gas suppliers. What you're telling me is that, in actual fact, the suppliers haven't come good on that promise that was made to the Prime Minister?

Mr Sims: No, I think, actually, they have. We were forecasting a supply deficit of anywhere between about 60 and 100 petajoules of gas for the east coast. Our most recent report, in December, suggested that the likely outcome was a fairly balanced market, and probably the most likely outcome was that you would have a 10- or 20-petajoule surplus. There could be circumstances where that would turn into a deficit. As a direct result of that meeting with the Prime Minister, the LNG producers did two things: they exported less gas onto the spot market—which I think was pretty strange for them to have sought to do in the first place, but anyway they cut back on that—and they also narrowed down their contractual commitments so they could put more gas onto the

market. They've done that. If you get more gas from Queensland then you've still got that transport penalty to get it down south, so the deficit I was referring to was in the south. Nowadays, in our gas market we've got a surplus in the north and a deficit in the south. Overall the market's fairly balanced, but it is very tight.

Senator PATRICK: Have you had any companies contacting you? I know that you talked with former Senator Xenophon's office and gave a contact point to enable us to forward companies who might have been concerned. Do you have a portal for companies to come to you and say, 'Look, we're in real trouble here'?

Mr Sims: Absolutely.

Senator PATRICK: Are you seeing a decline in calls? What's the status, from your perspective, of industry and any hurt that's occurring?

Mr Sims: Mr Cosgrave may be able to add to this, but we actually, more proactively, got out and contacted the companies.

Senator PATRICK: Yes.

Mr Sims: We were talking to at least a third of the industrial customers that needed gas. In our September report, we reported that they were getting one offer at ridiculously high prices. You had then around 20 companies that, in September 2017, did not have a gas contract for 1 January 2018, and without that gas contract they had to close their business. We proactively worked with many of those. We sometimes talked to the gas suppliers, and it's hard to know exactly what effect we had, but we were there and monitoring—it was a very unusual thing for the ACCC to do, but we were playing a role, I think. In the end, all those companies eventually got gas and they got it at sensible prices. But sometimes, before we intervened, these companies were told, 'No, there's no gas for you.'

Senator PATRICK: This goes to Senator Macdonald's question about gouging: one of the benefits that flow from you doing an inquiry is your power to look into what's really happening. Without necessarily naming trouble spots, have you witnessed any conduct that might fall into the category of gouging?

Mr Sims: We certainly saw prices that were higher than they should have been, which we think was due to the exercise of some market power. What are we going to do now? Our main focus late last year was tracking these companies and making sure they got gas. In 2018, we're going to look at each part of the value chain and take a closer look, particularly at the retailers, and see what their margins are. Using our information-gathering powers, we've got a very good handle on how much these people are paying for gas. We know what the people on the other end are paying for it; we want to see where the money is going in the middle. So that's a key focus of work this year.

Senator PATRICK: I will move very quickly to organic products.

CHAIR: Senator Patrick, you've had your 10 minutes. I think we might go to Senator Ketter, and then we'll come back to you, if you like. I'm just very conscious of time, and the Hansard people probably need a break as well.

Senator KETTER: I've just got a further follow-up question, just coming back to the Takata airbag situation. You've conceded that the death in Australia was from a beta version of the airbag. Why didn't the ACCC believe that there was an imminent risk of serious injury or death from the non-alpha bags? And you've already conceded that you were unhappy with the recall process that was occurring at the time. Why didn't the powers under section 132J get used back in August or September of last year under those circumstances?

Mr Grimwade: Just so I can confirm: you're asking why we didn't issue a compulsory recall immediately, without consultation?

Senator KETTER: Yes.

Mr Grimwade: To be frank with you, if we did that, I'm certain we would have got it wrong. We would have either recalled too few inflators, leaving a large number of affected inflators that were unknown to us out there, or we may well have recalled a wider range of airbags that didn't need to be replaced. The consequence of that would have been putting a lot of pressure on manufacturers and dealers to replace them immediately. And then, without the priority factors being applied, those of high risk may not have been replaced quickly or at all. As I mentioned before—

Senator KETTER: There was a death with the beta—

Mr Grimwade: Absolutely, and we took that extremely seriously. It was following that death that we launched our safety investigation and put a task force of 12 people on it to work for the next however long it took to get a regulatory solution that was going to deliver better safety outcomes for Australian consumers. That's what we did.

Mr Sims: There was already a voluntary recall. So in coming up with a mandatory one, you've got to come up with something that's noticeably better. Just turning the voluntary one into a mandatory one doesn't change much.

Senator KETTER: No, what I'm talking about is the recall that was occurring in relation to the beta version, where we have had a death. You were concerned about the progress of that recall?

Mr Sims: That's right.

Senator KETTER: Why didn't you instigate a mandatory recall back in August or September?

Mr Sims: Because we just couldn't. Sorry to be blunt here: yes, there was a death with those beta bags, but there was a voluntary recall going on. Our sense was that there wasn't good enough communication and a few other things, but we didn't know what else was happening. We didn't know what else should be done. You don't get many cracks at this; you've got to get it right.

Back in August we just looked at all the things that we didn't know and that we needed to know, and so we launched an immediate safety investigation when the issue came to us from the Department of Infrastructure. Mr Grimwade has talked about the 12-person team working around the clock to get the information to get this right. As Mr Grimwade said, had we not done that there was a real chance that a mandatory recall back in August would have had the wrong order of bags being recalled; it certainly would not have been recalling bags that should be recalled, because we just didn't know about them. We didn't know which affected Takata airbags were in what cars until we issued our compulsory information-gathering notices.

Mr Grimwade: Nor did we know how they could be replaced, and when they could be replaced.

Mr Sims: We're happy to take this up in another forum, because it's a big issue.

Senator BUSHBY: It's probably fair to say, Mr Sims, that the fact that, tragically, a death occurred underlined the need to ensure the response was the right one, and to have not taken the time that you've taken to look into it in the depth that you have and to have done something immediately at the time could have been characterised as a knee-jerk reaction, rather than an informed decision that proceeded in a way that appropriately recognises the gravity of the potential consequences?

Mr Sims: Yes. I think we think it would have been knee jerk, and I think we think it would have come up with an inadequate and possibly misfired—pardon the pun—recall. It would not have had the same effect.

Senator McALLISTER: Mr Bezzi, I just wanted to ask about your remarks last year at one of the public hearings for the Productivity Commission's inquiry into competition in the financial system. You said:

... we have been conducting a number of investigations into the financial sector and we are aware of investigations conducted by our international counterparts in benchmark rates and foreign exchange markets. Those investigations indicate that there is a culture of collaboration, even, in some instances, collusion between traders across financial institutions. We consider this culture may arise from systemic issues which warrant further analysis.

Are these still concerns for the ACCC?

Mr Bezzi: As a general matter, yes. As a general matter, we are concerned about these things. We do have some investigations that I'm not able to go into in any detail that touch on some of these issues.

Senator McALLISTER: So you are undertaking—

Mr Sims: Investigations as to whether there's a breach of the act. They're always confidential investigations.

Senator McALLISTER: It's not a thematic investigation into the issue more broadly, it's a specific investigation into a potential breach.

Mr Bezzi: That's right.

Mr Sims: We're doing two things. We've got our financial services unit, which at the moment is looking at how banks go about pricing their interest rates—that will conclude in June of this year. That's new work we've been given from the Treasurer. But separately we've got our continuing business-as-usual work investigating breaches of the act, and we certainly have some investigations underway that involve the financial sector.

Senator McALLISTER: Thanks. Perhaps, without going to the specifics of this investigation, you might explain for us how these questions around collusion in relation to benchmark rates and foreign exchange markets engage the provisions of your act?

Mr Bezzi: They arise because, under the Competition and Consumer Act, it's unlawful for competing businesses to collude with each other to fix prices, to share markets, to engage in bid rigging. They're very serious offences. They're criminal offences. They're known as cartel offences, and we investigate them. I should say, you may not be aware, we took action against Macquarie Bank and the ANZ Bank in December 2016. The outcome was announced—the decision was made in court—and that involved similar conduct to the sort of conduct that

you're describing and that I was referring to. That was a collaboration between traders involved in setting a non-deliverable forward rate for foreign currencies, mainly done in South-East Asia.

Senator McALLISTER: In terms of the overall regulatory behaviour for the financial sector, how does your work interact with that of ASIC, for example—perhaps APRA, but probably ASIC—in terms of this kind of conduct?

Mr Bezzi: We've worked closely with ASIC on a number of investigations where there is some overlap. By that, I mean that sometimes we see conduct that can be described as market manipulation or as collusion. We work closely with them to determine who's best placed to deal with the particular matter. ASIC had some cases relating to BBSW, which were the subject of some discussion between us, and we agreed that it was better for them to pursue those cases than for us to do so, for example.

Senator McALLISTER: Okay. Have you formalised any agreement with ASIC about how you establish this demarcation, or is it on a case-by-case basis?

Mr Bezzi: It's on a case-by-case basis, but we've had a lot of interaction over the last two or three years in this area, and that interaction continues.

Mr Sims: It's hard. Until you get the specific facts, you don't know whether it's a cartel or a market manipulation issue, so it has to be case by case. They're just a block and a half away, so we see them quite a lot.

Senator McALLISTER: Right. In your time working with them, have you had to navigate a circumstance where both of you were conducting an investigation at the same time?

Mr Bezzi: Into broadly the same conduct, yes. The instance that I referred to is an example. We were looking at the same sets of issues. In fact, we were doing some preliminary investigation work and we needed to form a view about whether we would put resources into pursuing the matter. We had discussions with them. We made a decision to allow them to pursue the matter.

Senator McALLISTER: Okay. Thanks very much.

Senator BUSHBY: We talked about the specific concerns around the Takata airbags. Some of the cars that were first fitted with airbags would be over 30 years old now—obviously, these aren't the ones that are subject to this. Are there any general concerns with either the safety or the efficacy of airbags that are 30-plus years-old now? Is that something that's come up? I'm just curious about this.

Mr Grimwade: That issue hasn't come up. Our understanding is that the risk is because of the use of phase-stabilised ammonium nitrate in these particular inflators. Other propellants used are guanidine nitrate—things that are more stable but more costly, I think. The issues that we've been focused on have really only come up with a particular type of inflator.

Mr Sims: I think it was just a design fault. It was a new design. I think we shouldn't have wider concerns.

Senator BUSHBY: In a broader way, it sparked a thought that a lot of cars aren't really designed to last for 30 to 40 years, but some do, and about the extent to which things that are put in there—that are probably only designed for a useful life of eight to 10 years—are still out there being used 20 to 30 years later. That's not particularly what I wanted to come back to ask about.

On fuel, I note that you were quoted recently, Mr Sims, talking about fuel prices in Launceston. You were saying that there is no doubt that Launceston motorists were paying too much at the bowser. Very briefly, given that we don't have very much time and I do want to ask another question, do you have any comment on that for the benefit of the committee?

Mr Sims: We stand by that. We think prices are probably four to five cents too high in Launceston. We're urging people to work out where to buy from and who to buy from, and to seek out the lowest-priced sellers, because there are differences in prices—I mean, United is a very good player in Tasmania.

Senator BUSHBY: That's been quite useful. I won't dwell on that, but maybe we will at later meetings of this committee. I've asked questions about this before, but on the issue of access to motor vehicle repair information: I know you've done a lot of work on that and came to some conclusions late last year.

Mr Sims: Yes.

Senator BUSHBY: Could you give us a brief update on where that all landed?

Mr Sims: That's now a recommendation that sits with government. We've liaised with our minister and the Department of Treasury on options to take that forward. Our report came out late last year. It was Christmas, so we're just starting a new year, but I understand that it's being actively examined. We're going to be pushing hard, but it's essentially now a policy issue for government.

Senator BUSHBY: What did you recommend, though?

Mr Sims: My apologies. We recommended that there be legislation, regulation, standard, various ways to do it put in place that requires the manufacturers to provide the same data that they give their dealers to help repair cars—that same data should go to independent repairers. We feel that needs some regulatory or legislative compulsion, because it's not in their interest otherwise to do it.

Senator BUSHBY: Is that a similar sort of scheme that you're recommending to what they do in the US?

Mr Sims: Yes, it is. We very much looked to the US scheme and had a great eye to that. Partly what lends strength to our elbow is the fact that we're not reinventing the wheel here; we're doing what has been done in some other jurisdictions.

Senator BUSHBY: It sounds like a very good recommendation. Hopefully those who are making decisions in the ministers' offices are listening to my comments on that.

Mr Sims: That would be great.

Senator PATRICK: I alluded to some questions on organics. There is a concern that for some of Australia's legitimate producers of organic products or produce there's an absence of legislation here that protects the brand. What work does the ACCC do to ensure companies who claim their products are organic meet the standards?

Mr Gregson: Our role in relation to organics marketing is to deal with any misleading that occurs or misrepresentations that occur. We don't have an ongoing monitoring or regulatory role other than enforcing the law. We're currently looking at a number of matters that have been referred to us involving organic claims. We tend to have regard to voluntary standards that exist, although our ultimate test is what the reasonable person on the street would think. We have been assisted by industry in trying to understand some of the marketing ploys and understanding what consumers understand 'organic' to mean.

Senator PATRICK: So there are investigations on foot; is that what you're suggesting?

Mr Gregson: Yes. We get a relatively large number of matters across the board come to us. Our job is to try to find those that have the biggest impact. So we've been spending a bit of time working on scanning the marketplace and working with industry to determine if there are matters for us to look at. There is a sample of matters that we're actively pursuing at the moment. Investigations do have the habit of shifting as we go through, and we've shifted paths a couple of times in the last few months on that.

Senator PATRICK: As you mentioned, the standards here are voluntary. Do you have a view on switching across to perhaps mandatory or compulsory standards and maybe increasing penalties? Do you have a sense as to the nature of the problem and whether we're in the right place in that regard? I understand also that the legislation is state based for some of the organic standards. Or is that not the case? Can it be done federally?

Mr Gregson: Certainly it would be open to government to consider Commonwealth approaches to dealing with it. It's probably an area outside our role. Our role is just to look at misleading conduct. We understand the Department of Agriculture and Water Resources have been approached, and they're the ones who are probably best able to comment on the policy pros and cons of further standards or legislation.

Senator PATRICK: But, in some sense, you're a holder of at least some government knowledge as to the problem by way of the number of complaints and the gravity of complaints that you get.

Mr Gregson: Sure. But, on that front, we've assisted departments and other stakeholders, and I should say it's not the biggest issue that comes through our reports. When we look at matters, we're not seeing it as the highest priority matter for the ACCC.

Senator PATRICK: I have some questions on Infinity Cables, but I will put them on notice.

CHAIR: Thank you very much, officers of the ACCC.

Proceedings suspended from 11:14 to 11:31

CHAIR: We welcome officers from APRA. Mr Byres, do you have an opening statement for the committee?

Mr Byres: I do have a short opening statement, which is being circulated to you. I would like to go through a couple of things, but in the interests of time, I will skim through the statement.

CHAIR: Thank you.

Mr Byres: I wanted to start this morning by highlighting the importance of the recent crisis management bill which, with the welcome endorsement of this committee, was recently passed into law by the parliament. That bill delivers a long-awaited and much-needed strengthening of our crisis management powers. Put simply, it gives us enhanced tools to fulfil our key purpose in relation to banking and insurance, and that is to protect bank depositors and insurance policyholders. That purpose is very much at the heart of all we do, and the legislation is designed

with that protection very much in mind. With the bill now passed, the task ahead for APRA is to invest in the necessary preparation and planning to make sure the tools within the new legislation can be used effectively when needed. We've got a lot of work to do in the period ahead to make sure that we, along with other agencies in the Council of Financial Regulators, are ready to use the powers when the time comes. But that's far from the only issue on our plate.

With the goal of giving industry participants and other stakeholders more visibility of our work program, we recently released a new publication outlining our policy priorities for the year ahead. The initial feedback that we've received has welcomed the improved transparency of the future pipeline of regulatory initiatives and the broad time line for them. That publication is one example of our ongoing efforts to improve our processes of engagement and consultation. Another is that we've just embarked on our most substantial program of industry engagement to date, as we seek input into the design and implementation of our next-generation data collection tool. Through that process, all of our stakeholders will have the opportunity to tell us at an early stage of its design what they'd like to see the new system deliver, as well as to influence how we roll it out.

More generally, I thought it would be timely to briefly recap ways in which APRA is accountable for the work we do. At a time when parliament has moved to strengthen the powers that APRA has, we fully accept that these accountability measures take on added importance. Those measures are many and varied. They start with the obvious measures, such as our annual report, our corporate plan, annual performance statement, and our assessment against the government's Regulator Performance Framework. We also make appearances before committees such as this to answer questions, and we now meet with the Financial Sector Advisory Council in their role reporting on the performance of regulators. Our annual budget and the industry levies that fund us are set by the government, which also issues a Statement of Expectations. We comply with the requirements of the Office of Best Practice Regulation in making our regulation, and our prudential standards for banking and insurance may be disallowed by parliament, should it wish. We've recently taken the steps to set out an overview of all of our accountability requirements—including some that we impose on ourselves—on our website, so that they can be better understood by our stakeholders.

We will also be subject to additional scrutiny this year through two other means. The first is the royal commission: we've already provided documents and information to the commission, and we'll continue to cooperate fully as it undertakes its important work. We've already provided documents and in to the commission and will continue to cooperate if ally as it undertakes its important work. Then we will be subject to extension sieve international scrutiny from the IMF over the year ahead as part of the 2018 Financial Sector Assessment Program, or FSAP, as it's known. The FSAP looks at financial vulnerabilities and regulatory arrangements in Australia, providing a report card on Australia and, in particular, APRA against internationally accepted principles of sound regulation. As was the case previously, we expect the IMF would find things we could do better, but we're ready along with other members of the regulatory community to give our full cooperation and, obviously, look forward to their feedback.

Finally, anticipating some questions on the issue of housing, I've circulated some charts attached to the statement which I thought might be useful for the discussion. With those somewhat rushed opening remarks, Chair, we'd be very happy to answer the committee's questions.

CHAIR: Thank you very much for providing a copy of the your opening statement. I assume the committee is happy to table that. Thank you, I might kick off the questions by asking a little bit about the non-ADI regulation and also housing lending that you mentioned. be happy for us to table that. Are you concerned about any macroprudential risks associated with non-authorized deposit-taking institutions?

Mr Byres: Not particularly at this point. The government proposed that legislation more as a reserve power. That's certainly as the way we've always seen it. If risks in the housing market grow and if the non-ADI lending sector grows in size and importance then it may be useful to have those tools and to be able to use those tools, but at this point the non-ADI lending sector is still a very small portion of the total housing lending market. Most housing lending still occurs through the ADI sector, which is regulated by us. So at this stage we're not anticipating using those powers. There is nothing in the pipeline.

CHAIR: What do those powers entail?

Mr Byres: Should we come to the view that the activities of the non-ADI sector in aggregate are a material risk to financial stability, we could make rules in the same way that we make prudential standards for the banking industry to try and find ways to reduce or modify risk-taking behaviours.

CHAIR: Can you give us an example of the types of institutions that would be caught under that umbrella?

Mr Byres: There is a number of different mortgage originators, finance companies and other sorts of vehicles that are not ADIs, so they don't take deposits from the public, but they are funded through other means, they compete with the banks to make housing lending, but at this stage, as I said, it's a relatively small part of the total housing lending market. The Treasurer has always refer to the powers and I've always referred to the powers as a reserve power, and I've said publicly previously that it's not a power that, once the law is passed into parliament, we're looking to use immediately.

CHAIR: All right. On the banks: during last year's House of Representatives Economics Committee hearings, the heads were asked about their strategies to comply with APRA's new limits on interest-only loans. I wonder if you could update the committee as to whether APRA's satisfied with how the major banks are responding to those changes.

Mr Byres: And here I would refer to the second chart down in the right-hand column. This is the chart that shows that interest-only lending within the system, not the just the major banks, has been reduced significantly over the last six months. It's now running at about 20 per cent of all new lending, so well below the 30 per cent benchmark that we set, and the chart below that shows the industry broken down into some different peer groups: the major banks, the other large and medium ADIs and then small ADIs. In the year to December 2017, which is the right-hand column in each of those charts, they are all now tracking well below the benchmark, so we would say we're comfortable with the way the industry has adapted to that benchmark.

CHAIR: The second round of macroprudential measures announced last year built on the ones from 2014. Perhaps you could for the benefit of the committee talk about how those measures have built upon the last round of measures and potentially the effects those new measures have had on, in particular, the change in the owner-occupier rate of housing?

Mr Byres: So, I would start with a caveat. Everyone likes to use the word 'macroprudential'. I think there are many things we do that are both macro and micro impacts, and so I tend not to use that term.

CHAIR: Just 'prudential' then?

Mr Byres: I know what everyone else means, so I'll answer your question. There have been a range of things that we have been doing. Some have been top-down benchmarks designed to signal to people where we think our risk tolerance is and where their risk tolerance should be. It's always been the case that, if they wanted to go above those benchmarks, they could, but they'd hold additional capital. That would be the likely outcome if they wished to operate in a higher-risk manner. At the same time, we've done work at very much a micro level, looking at lending policies and lending standards with a view to encouraging the industry to strengthen their lending standards. Our view—and we've said this publicly on many occasions—is that the industry had competed away sound lending standards and we were not comfortable with the direction it was heading in. Credit standards had been eroded and so we've spent a lot of time in the last few years trying to get lending standards back to where we think is a more comfortable level, particularly given we're in an environment of what we call heightened risk: high debt-to-income ratios in the household sector, very low interest rates, subdued income growth et cetera.

Collectively, the summary answer to your question is we think the quality of lending that the banking system is doing today is certainly higher and better than it was a few years ago. We've still got some more work to do before we would declare ourselves completely comfortable, but we certainly feel the industry is writing better quality business today than it was a few years ago.

CHAIR: The Treasurer described the new prudential—I don't want to say the word 'macroprudential' now; you've turned me off it.

Mr Byres: Everyone uses it. You may as well too!

CHAIR: He described the new prudential measures that you are implementing as a scalpel as opposed to a chainsaw with regard to housing affordability. Is that something you would agree with?

Mr Byres: We do what we do. I think it is easier for us to target particular sorts of activity than to change tax rates. It's also probably easier for us to target particular sorts of activity than to have the Reserve Bank change interest rates, which apply to everybody across the board. So I think that with these measures we can certainly be more nimble than some other measures that might be used, although other people have accused us of using blunt measures, so I think it's in the eye of the beholder, to be honest.

CHAIR: Fair enough. Capital city prices have obviously moderated over the last few months. Are there any key markets that APRA are monitoring more closely than others with respect to these potential risks that may be on the horizon?

Mr Byres: I wouldn't say there's anywhere in particular. All markets have different dynamics to them, and we've been very clear in saying that our target is not to seek to set the right level of house prices or determine what the right level of house price growth is. It's a factor in our consideration and tells us something about supply and demand—both the demand for housing and the supply of credit—but it's certainly not something we are targeting in some way, and we're not seeking to set house prices at any particular level or target a particular level of growth of house prices.

CHAIR: Thank you. Finally, can you let the committee know how much extra funding APRA will receive in order to perform your enhanced regulatory responsibilities?

Mr Byres: In terms of the non-ADI?

CHAIR: I suppose that's what we were discussing initially, wasn't it?

Mr Byres: Yes. I would have to take that on notice. There was a small amount improved in the budget. We'll take that on notice but are happy to provide that to you.

CHAIR: But there was an increase?

Mr Byres: There was an increment to our funding to allow us to implement the new requirements.

CHAIR: Terrific. Thank you. Senator McAllister.

Senator McALLISTER: Thanks very much. Mr Byres, you mentioned in passing that some people have said that your macroprudential interventions, much as you dislike the term, have been too blunt. I did want to ask you about the Productivity Commission's report into those measures. When you were considering a benchmark to limit the flow of new interest-only lending to 30 per cent, did you consider that banks could respond by increasing interest rates on all interest-only loans, notwithstanding the objective was just to slow the growth of new loans?

Mr Byres: We certainly knew it was a possibility. We certainly didn't go into this thinking there was no way that could be an outcome.

Senator McALLISTER: So you contemplated it?

Mr Byres: Well, yes, and the way we designed the measure was to be very specific, targeting the flow of new lending, so it is the flow of new lending in a particular quarter, relative to the total flow of new lending in that quarter. So it has no direct impact on the existing stock of loans, and you can't really comply with that new benchmark or adhere to that new benchmark by doing something with the other part of the portfolio. So we were conscious in the way we designed it and the way we specified it that it very clearly focused on the volume of new lending.

Senator McALLISTER: Yes, I understand that, but the PC draft report essentially says that, from the deposit-taking institutions' point of view, it was the logical choice to raise it across all loans, as new lending was restricted and, if all institutions raised interest rates, there was little risk that existing borrowers would move to a competitor and re-finance.

Mr Byres: Yes, I can understand that logic, and, as I said, it was something that we contemplated was a possibility. With these things, though, there are always many moving parts, and one of the other things that's playing out in the background of all of this is the FSI recommendation, recommendation 1, about stronger capital requirements in the banking system, which the government endorsed and we are tasked with implementing, and we've put out a couple of discussion papers that talk about how we propose to go about that. We have flagged that one way in which we intend to strengthen the capital requirements, given the risks in the system, is to focus them on housing. So banks, in thinking about their pricing and thinking about their portfolio allocation, are not responding purely to this particular benchmark but also responding to the fact that we've been very clear in flagging and we've just started our consultation process on higher capital requirements for those sorts of lending. So these two things are coming together; it's not just the benchmark that is influencing bank behaviour.

Senator McALLISTER: The draft finding from the PC was, nonetheless, that the action to slow interest-only lending on residential property led to a windfall gain for the banking sector.

Mr Byres: Well, I can't deny that they have raised rates and they have done that on the back book and that, all other things being equal—and quite often all other things are not equal—that related to their revenue.

Senator McALLISTER: At a hearing of the House Economics Committee last year, you were asked whether it was appropriate for banks to attribute increases in interest-only rates across both new and existing loans to APRA's interventions. I think in your answer you declined to criticise the banks for their actions. Do you think it was appropriate that the banks responded in this way?

Mr Byres: It is an option that's available to them to set their prices as they wish. I was asked a specific question about whether a specific quote was true or misleading, and I didn't want to enter into a debate and I'm not a lawyer about disclosure matters, but the point I was trying to make was that particular quote from the particular bank had said that regulatory initiatives were driving what they had done, and, as I said, they were responding not only to the benchmark that we had established but also to this broader push that we had flagged for some time that there would be higher capital requirements against certain higher risk lending categories, and interest-only lending was one of those things we had flagged.

Senator McALLISTER: The PC has argued very strongly that there was a very direct relationship between the intervention in relation to interest-only loans and the application of these rate increases across all loans. I hear your counterargument that it was in response to a number of drivers, not simply the one intervention, but, nonetheless, the PC has said that this was completely unsurprising, that, faced with the opportunity to reprice their loan book as a consequence of regulatory changes, banks did just that. They go on to say that this additional cost impost—part of which, through the tax deductibility of interest on housing investment loans, is now being paid by all Australian taxpayers—was not an objective of the regulator and means that the intervention could have been better focused.

Mr Byres: I'm not going to challenge the calculation. I think it's a fairly simple calculation and you can do it pretty readily to get to the numbers that the Productivity Commission has quoted. It is, though, one of those classic 'all other things being equal' calculations, and the assumptions behind it are that everything else would continue unchanged if APRA weren't making these interventions, and I don't actually think that's a valid assumption to make. We are going to talk some more with the Productivity Commission about this, because I do think they have rightly said that the intervention we made in establishing that benchmark was certainly the trigger for banks to act, but I don't think it was the sole driver of the actions, and we will talk about the nuances within them.

Senator McALLISTER: In that last quote that I read out, the PC is essentially saying that, because of the interaction with negative gearing, an increase in interest rates paid by investors is subsidised by taxpayers, and they see that as an externality that arises from this policy intervention. Do you accept that?

Mr Byres: I guess it's a fact, and it's a fact of tax policy, and we don't set tax policy; we don't advise on tax policy. For us, tax policy, monetary policy, a whole raft of things, are just taken as given. Every time interest rates move in the economy, whether it's because of a regulatory change from us or whether it's the Reserve Bank changing the official cash rate, the interest expense that various people incur will change, and the tax deductible amounts that they have, either through negative gearing or through other sorts of interest deductions, will change as well. So any change in the interest rates to the community, up or down, will have some implications for the budget through interest deductibility, and I don't think there's any way you can design something that avoids that.

Senator McALLISTER: Is it a factor in the thinking of the Council of Financial Regulators when you meet?

Mr Byres: On the tax issue?

Senator McALLISTER: Yes—the budget impacts and also, I suppose, given there is quite an active debate around the fairness of the negative gearing arrangements, I guess the distributive impacts of a change of this kind.

Mr Byres: I would say we haven't specifically focused on that specific impact, as we've talked about this, but Treasury is involved in all of these discussions, so they would be attuned to understanding what implications would be. They've never provided me with any advice on tax outcomes.

Senator McALLISTER: That's all right. The Treasurer confirmed yesterday that they disagree with Treasury advice on negative gearing. So we can move on from that. The PC has suggest that, for future macroprudential interventions, clear objectives should be set, banks' responses should be forecast and the Council of Financial Regulators should keep a tabled analysis of these. Is that the way you approach it at the moment?

Mr Byres: In essence, yes, though perhaps not with the formality that the PC has suggested, but we have some fairly simple objectives, which are to raise lending standards in the industry, and until we're comfortable with lending standards where they are, to make sure that lending, particularly to higher risk classes of mortgage lending, remains perhaps more subdued than it might otherwise do. We think on that measure, which is the prudential measure that we are primarily concerned about, we've made some good progress.

Senator McALLISTER: Just to confirm your evidence to Senator Hume earlier—the stated objectives of these measures were prudential soundness and system stability, not improving housing affordability?

Mr Byres: You are absolutely correct. It's about the first two and not about housing affordability. That's not an issue that's within our mandate.

Senator McALLISTER: Do you see these measures as permanent? Is there a point in time when you might consider winding them back?

Mr Byres: The two that we have specifically and explicitly declared as temporary measures are the 10 per cent benchmark for investor lending growth and the 30 per cent benchmark for interest only lending. The other work that we're doing in terms of improved lending standards, making sure people check borrowers' expenses properly and measure income correctly, and fraud control type mechanisms—I don't see anything temporary about those.

Senator McALLISTER: That's the new normal.

Mr Byres: We want those as the new normal. But the 10 and the 30, which are the two things that people most frequently call macroprudential in nature, we see as temporary.

Senator McALLISTER: Do you have a sense of when you might review those? Is there a timetable that you're considering?

Mr Byres: I'd say we keep them under constant review. They're a regular discussion each quarter at the Council of Financial Regulators. I think the 10 per cent investor growth benchmark, which we introduced some years ago now, is probably reaching the end of its useful life. The more recent 30 per cent interest-only benchmark we've only just put in place. We'd like to see how the industry settles and where it settles before we think about removing that anytime quickly. But both are under review, and obviously as circumstances change we'll modify as need be.

Senator McALLISTER: Chair, can I impose on the committee one last clarifying question?

CHAIR: That's all right. I'll take it off your next session.

Senator McALLISTER: Why is it that you think the 10 per cent benchmark is nearing the end of its useful life?

Mr Byres: Largely because, at an aggregate level, demand seems to have subsided. If you look at the chart, which is the second one on the left-hand column, industry aggregate lending growth to investors has hovered around only five per cent for a few years, so it would seem that general dynamics in the market mean that it's potentially becoming redundant, although some institutions are still growing quite quickly. But also it was put in place because we were particularly uncomfortable with the lending standards in which many of those loans were being granted. As those lending standards have been improved, the other one is no longer needed. It plays less of a role. It doesn't mean you don't care about the issue anymore, but its purpose is less now than it was.

Senator McALLISTER: I understand.

CHAIR: I should make a correction. Senator McAllister was absolutely right: I did in fact mean housing market risk, not housing affordability. It just rolls off the tongue these days.

Senator RHIANNON: In relation to your investigation into mortgage fraud, which APRA has not made public, has APRA found any evidence of illegal misconduct in the mortgage market by the major lenders?

Mr Byres: I wouldn't say what we've done is specifically a review of mortgage fraud. We've looked generally at lending practices across the board and the controls that banks have to make sure they get accurate information from borrowers et cetera and make a reasonable assessment of a borrower's ability to repay. Part of that is controls to make sure borrowers give true and fair information, but that's not the entirety of the exercise. The second part of your question, if I had it right, was: have we identified any systemic—

Senator RHIANNON: Any evidence of illegal misconduct.

Mr Byres: Illegal misconduct—not at this point; there's nothing that's been brought to my attention.

Senator RHIANNON: Brought to your attention—is it anywhere else within the organisation?

Mr Byres: I'm sure if someone had something of that nature in APRA, I'd know about it.

Senator RHIANNON: Do you need to take it on notice?

Mr Byres: I'm happy to take it on notice.

Senator RHIANNON: Thank you. Has APRA already provided this research or these findings to the royal commission?

Mr Byres: I'm not sure that the royal commission wants people to know what information we have or have not provided, but I can say that if they asked for it we would obviously give it. We would give all information that we were asked to give.

Senator RHIANNON: Shouldn't you also be proactive in providing the information?

Mr Byres: We'll wait and see what the royal commission asks. We could give them a whole raft of information, swamp them with things that are not relevant to them. We are talking with the royal commission about the issues that they are interested in. They have approached us not just for documents but for discussions on particular issues to improve their understanding, and obviously we're standing ready to help them as and when needed.

Senator RHIANNON: Has APRA in the last five years ever held back information from the public? I'm referring to information on a bank that APRA has identified as breaching mortgage lending laws.

Mr Byres: I don't think so, but I'll take that on notice. I do have to say, though, we have quite strict secrecy provisions that prohibit us from talking about information relating to individual institutions in the public. But if there was something that was a clear breach of the law then those issues would be, at the very least, handed over to other regulatory authorities.

Senator RHIANNON: I didn't ask for a specific bank. I said, 'A bank that APRA has identified as breaching mortgage lending laws.' Will you take that on notice?

Mr Byres: I'll take that on notice.

Senator RHIANNON: I'm interested, how do you actually choose to disclose or not disclose such information?

Mr Byres: Generally, the disclosures we make are not about individual institutions because of section 56 of the APRA act. As a general point, we're unable to disclose protected information, which is information about the affairs of an individual institution. We tend to talk through our discussion papers, through speeches, through other things about observations at the industry level.

Senator RHIANNON: What does it say about the job you are doing with mortgage fraud that the royal commission has prioritised this as the first issue that they are looking at?

Mr Byres: I said before this committee about three years ago that we were unhappy with mortgage lending standards. We thought they had got to very low levels and, in some cases, lacked common sense. So I can understand why the royal commission would think this is an area they want to look at. It's also the largest asset class on the balance sheet of the banking system, so if you're going to look for something that's important to the stability of the system and where most consumers are interacting with the banking system, it's an obvious place to start.

Senator RHIANNON: Is it also because you've been too slow to act on this? Is that a factor?

Mr Byres: We've devoted a lot of resources to this over the last little while. I think you can always say that when regulators have to intervene in the way we've intervened that, with the benefit of hindsight, you wish you would have done something sooner. That doesn't mean what you did at the time when you made any particular decision or didn't act was necessarily the wrong decision. So, of course, you wish you had got on to issues earlier—that's always a regulator's dilemma.

Senator RHIANNON: So you do think you should have got on to it earlier?

Mr Byres: No, I've said before I wish we had. But you make decisions on the information you have at the time. The more we've looked at this, the more we've dug into it, the more we've identified the need for improvements in the industry.

Senator RHIANNON: So do you think the banks are the target of the royal commission or is it your lax regulation, these failures?

Mr Byres: That's a question for the government.

Senator RHIANNON: But you could comment on it.

Mr Byres: There's an item within the terms of reference that invites the royal commission to comment to comment on the effectiveness of regulators. I'm sure they'll do that.

Senator RHIANNON: If we can't trust the banks to be honest with the information they collate to provide to you, what implication does this have for our understanding of financial system stability?

Mr Byres: I'm not sure of the first premise that says we can't rely on the banks to be honest about information they supply to us.

Senator RHIANNON: So you're satisfied with the information they provide to you? I thought that was—

Mr Byres: At a general level, yes. We've got substantial information-gathering powers, if we need to use them. There have been improvements needed in bank reporting in recent years, but it's not been a case of deliberate misreporting or other sorts of things that might suggest any sort of untoward behaviour.

Senator RHIANNON: A report in August last year by LF Economics, a macroeconomic research body, stated:

The unfortunate reality for victims of mortgage control fraud is that our regulators do not investigate allegations brought to their attention despite forensic evidence (paper trails) demonstrating evidence of fraud.

The evidence strongly suggests the regulators have done nothing to combat white-collar criminality in the mortgage market. That is a very serious allegation that points right at APRA from a research house that has spent a few years researching illegal conduct by mortgage lenders. Is there any truth to their opinion?

Mr Byres: To the extent that there were shortcomings in the way banks had been making credit decisions. As I said, we've been working to get those credit standards improved. When it comes to meeting responsible lending obligations to individual customers, that's primarily ASIC's responsibility. The responsible lending laws are enforced by ASIC. We work together on this issue. As I said, we've spent a lot of time focused on this issue over the last three or more years; in fact, we've devoted a very large amount of resources to it; and it's probably been one of the biggest commitments we've made.

Senator RHIANNON: I'll just go back to the question again. I asked: is there any truth to their opinion? The way you answered it, it sounded like a yes.

Mr Byres: I don't have their report in front of me, so I'm not sure of their precise opinion. If their general—

Senator RHIANNON: But I read it out quite clearly and I'm happy to read it out again.

Mr Byres: Could you, please?

Senator RHIANNON: LF Economics stated:

The unfortunate reality for victims of mortgage-controlled fraud is that our regulators do not investigate allegations brought to their attention, despite forensic evidence (paper trails) demonstrating evidence of fraud.

The evidence strongly suggests the regulators have done nothing to combat white-collar criminality in the mortgage belt.

Mr Byres: Their particular conclusion there, that regulators have done nothing, I think is clearly wrong.

Senator RHIANNON: In terms of the statement, though, the way you have answered in the more fulsome way, it sounded as though there was agreement or considerable agreement. Is that a fair comment?

Mr Byres: No. As I said, it's difficult for me. There's a subtle but an important distinction: issues around lender fraud are largely ASIC's responsibility. We have been focused on potential fraud—mechanisms by which banks prevent fraud by borrowers. We work together on those issues. But, again, I would make two points: we have recognised that there's a need for improved standards in the industry and we've been slowly but surely seeing that improvement. But I would certainly reject the idea that there's been no action at all.

Senator RHIANNON: I won't push it any further, but, when you say 'have recognised a need for improved standards', that certainly suggests you have some common position with that. In Britain, their financial regulator has capped mortgage lending to borrowers at 4.5 times their incomes. Should there be a similar cap on mortgage loan-to-income ratios here in Australia?

Mr Byres: We've certainly contemplated that, but decided that wouldn't be one of the tools we'd use at this point in time. We do keep track of it, and it is one of the charts—in the bottom right-hand side of the charts that were attached to my opening statement. I don't have the 4½ times; I have a six-times figure. We flag that as something we watch carefully, because we do think that's a higher-risk form of lending, obviously. The reason we haven't gone down that path and we've chosen to use other methods is that the loan-to-income ratio is not the best measure of borrower leverage. What you actually would like to know is the borrower's total debt rather than just the individual loan. Unfortunately, until now, we haven't had a way in which banks can identify a borrower's full set of liabilities. I've called that previously a blind spot that exists in the system. The new comprehensive credit reporting regime that the government is mandating will help fix that blind spot.

Senator RHIANNON: Thank you. Chair, I just have two short questions and then I'm finished. Could I ask them, please?

CHAIR: As long as they take less than two minutes, yes.

Senator RHIANNON: Thank you. If APRA were to hypothetically ban lenders from providing property investors loans to purchase an investment property where the rent will not cover the interest repayment costs and other running costs, such as negative gearing, would this make house prices more affordable and reduce risks in Sydney—

CHAIR: I think that's beyond hypothetical, Senator Rhiannon.

Senator RHIANNON: and Melbourne housing markets? Okay. Does APRA have data on what the average cash—not equity—deposit is relative to the size of the purchase price in Sydney and Melbourne?

Mr Byres: We may have, but I'd have to take that on notice. Particularly, I'm not sure that we have city-by-city data, but I'll take it on notice.

Senator RHIANNON: Thank you.

Senator HANSON: As I understand the role of APRA, is the oversight body providing regulation of the banking community, especially in areas such as the retention of capital reserve funds against lending and calls by depositors on their funds, and compliance by the banks with the regulations and directions of APRA in the bank mode of operation. Is that correct?

Mr Byres: Broadly speaking, that's a summary—yes.

Senator HANSON: In view of that role and in view of the extremely large number of complaints by borrowers against various banks on application completions without consent or instruction by the applicants, what action has APRA taken to ensure the banking code of conduct is adhered to?

Mr Byres: Here is where there's a division of responsibilities. Responsibilities around responsible lending—which are essentially the issues that you talked about: banks making loans to individual customers that those individual customers can repay—are primarily supervised by ASIC. Our responsibility is actually on the other side of the balance sheet: making sure that banks have, as you talked about, appropriate capital and other liquidity et cetera, to make sure depositors get their money back. So our primary focus is protecting depositors. ASIC is primarily focused on whether borrowers are getting responsible loans.

Senator HANSON: In light of that, with regard to the ANZ bank takeover of the Landmark book and taking into account that, approximately eight months' later, ANZ placed so many borrowers under that loan book into default, did APRA notify ANZ on or around that date that its reserve funds were not compliant with the APRA regulations and that the bank was required to correct that imbalance, which resulted in triggering the default notices against numerous farmers who had not, in fact, defaulted in their interest repayments?

Mr Byres: I don't think so, but I'll take that on notice and will confirm that for you.

Senator HANSON: Thank you. Taking into account the fact that APRA must have been aware of those numerous defaults, did APRA take any action to satisfy itself that the ANZ bank was compliant in all respects to APRA's own regulation oversight of the banking industry?

Mr Byres: Did APRA take any action in relation to ANZ and Landmark?

Senator HANSON: Yes. Did you actually investigate when ANZ took over Landmark's clientele books? They actually didn't have the funds. They were not compliant with your regulations and the loans, and then they had to start foreclosing on the customers who were not behind in their repayments. Was the bank investigated by APRA—that they were actually complying with the rules and regulations? And, if not, why not?

Mr Byres: I'm sure we were monitoring ANZ to make sure they were compliant with rules and regulations. I can't remember the exact time of the Landmark acquisition, but I'm certainly not aware of any suggestion that ANZ didn't have sufficient funds or didn't meet the prudential requirements that we set. But, again, I'll take it on notice. I'm happy to confirm that for you.

Senator HANSON: Has any investigation been done into it that you're aware of? I think it was around 2014.

Mr Byres: Not by us.

Senator HANSON: Were complaints put into APRA by the clientele, by customers, with regards to—

Mr Byres: It's quite possible. It's quite possible that Landmark customers—but I don't have those facts and figures here. Again, I'm happy to tell you what complaints we got, on notice.

Senator HANSON: But, if you did get a number of complaints, you would have investigated. But you're not aware of any investigation?

Mr Byres: I'm not aware. Depending on the nature of the complaints, we may have passed the issues to ASIC, because they may have been more appropriate for them to investigate. As I said, I'm not aware of any investigation. I'm happy to take it on notice and confirm, but I think the answer will be we didn't undertake one.

Senator HANSON: Thank you. In the last session of parliament, the Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Bill 2017 was passed. According to the report on this bill by the Senate Economics Legislation Committee, this parliament understands that bank deposits are protected by the Financial Claims Scheme, the FCS. I note the committee report states:

The FCS provides protection to deposits held in financial institutions and to policies with general insurers in the event that a financial institution fails. The FCS will be activated by the Australian Government when an institution fails; and once activated will be administered by APRA.

The question that many voters are very worried about, and I am anxious to have verified by APRA, is: are bank deposits currently protected by the FCS—that is, is the Financial Claims Scheme currently activated?

Mr Byres: Sorry, is it currently—

Senator HANSON: Activated.

Mr Byres: Well, it's not currently activated in the sense that it's only activated when a bank fails. But, if it is activated—so, if a bank fails and the government activates the scheme—then depositors in ADIs up to the amount of \$250,000 are protected.

Senator HANSON: Basically, then, you're saying—

Mr Byres: The legislation is there; it's available. If the circumstances arise that a bank fails, the mechanisms are there for it to work. The government, in a sense, switches it on, and we go through the process then of making sure that depositors, as I said, up to the limit of \$250,000 per ADI, get their money.

Senator HANSON: You're protecting it. The bank accounts are protected.

Mrs Rowell: APRA have undertaken a lot of work over the last couple of years around implementation of the Financial Claims Scheme, working with industry to put in place prudential standards around reporting to us and reporting to the Reserve Bank on the amounts that are protected—and also running trial runs on the provision of information to the Reserve Bank—to test, when the FCS is activated, that banks, APRA and the RBA will actually be able to effectively get money to depositors within the time frames that are specified.

Senator HANSON: I'm getting—

CHAIR: As a follow-up—sorry, Senator Hanson—you're absolutely right. There was considerable concern from a particular group called the Citizens Electoral Council, who actually are a political party. But I understand APRA submitted to that particular legislation inquiry and testified to that extent, and so did the RBA and so did ASIC, and they said that those powers are not at all a threat to depositors' funds.

Mr Byres: As I said in my opening statement, our core purpose, set out in the Banking Act, is to protect depositors. The FCS is there to make sure that particularly retail depositors but also depositors with amounts up to \$250,000 are not at risk of losing their money, should a bank fail.

Senator HANSON: So that's guaranteed by the government? It's definitely there—there are no problems with that guarantee?

Mr Byres: That's right. The way it works is that, if needed, there's an appropriation that exists that can be drawn on to give depositors their money, and then there's a mechanism by which that cost is spread over the rest of the industry and recouped from the rest of the ADI sector. So it's not a cost to the taxpayer, and it's certainly there to protect the depositors.

Senator HANSON: I've had a lot of concerns from people getting in touch with my office, and they're actually really concerned. The crisis resolution powers and other measures act empowers APRA to make determinations in secrecy to access private depositors' accounts in a time of financial crisis to meet monetary demands. Would APRA state categorically the act does not grant APRA that power?

Mr Byres: Well, I'm a bit unsure of the specific act; I don't know whether any of my colleagues have an answer. Clearly, under that power—under that whole arrangement, when you have a bank failure—part of the information we need is: who are the depositors, what are their accounts and how much money have they got, so that we can exercise the Financial Claims Scheme to get them the money. If it's information about depositors, it's essential we have that information so that we make sure the payments go to the right people who are eligible to receive them for the right amounts.

Senator HANSON: We've got passed, guarantee the depositors there up to \$250,000. What I'm saying, in reverse now, if there's a crisis in this country, can depositors' moneys be taken from them?

Mr Byres: In the Banking Act, essentially if you have less than \$250,000, the Financial Claims Scheme kicks in, you get your money. For all depositors—be they individual people, be they businesses or be they large

corporates—who have more than \$250,000, the next thing the Banking Act says that for the assets to the bank, depositors have priority over everybody else. So other creditors of the bank—

Senator HANSON: My question was—

Mr Byres: So they're first in the queue.

Senator HANSON: My question was: in a crisis in this country can you enact to actually take the money out of depositors' accounts, as happened in Crete and Greece?

Mr Byres: No. We do not have the power—

Senator HANSON: You cannot take—

Mr Byres: We do not have the power to bail in—as is the sort of the common-language term—depositors' money.

CHAIR: Senator Hanson, I think that question has been asked and answered numerous times. We might move on.

Senator KETTER: Just a couple of questions in relation to the APRA levy. Can you tell me who decides on the amount raised through the APRA levy?

Mr Byres: Our budget is obviously in the budget papers. We have our expected expenditure, and it is in the budget papers. If we wish to change that—to seek more funding—we go through all of the usual budget approval processes. So the quantum of our total spending is determined by the government and ultimately approved by the Treasurer. Then we have a process which is, again, set out in legislation, through which there is a process; we, in a sense, have a time management system in APRA, where we allocate the time we spend to the different industry sectors. And then there are formulas which determine, in a sense, a maximum, a minimum and a floating rate that allocates the costs across all of the institutions we supervise. Those rates are approved by the government before the levies are finalised.

Senator KETTER: Okay. Well, I'm sure you're aware that there's concern out there in relation to the backlog at the Superannuation Complaints Tribunal and the transition across to AFCA. Can you tell us whether the APRA levy could be raised to provide additional funding for the SCT to deal with that backlog of cases?

Mr Byres: Well, it's certainly theoretically possible. Strictly speaking, it's not called the APRA levy, because increasingly it's been used for things other than APRA. But there are things that the government has used that levy process to raise money for, other than APRA. So, yes, it could be.

Senator KETTER: So, that—

Mr Byres: But that's a matter for the government, not—

Senator KETTER: Sure. And what about the costs associated with the transition to AFCA? Is that the same boat?

Mr Byres: Yes, it's really a question for the government in terms of who it wants to allocate those costs to and how it wants to collect them.

Senator KETTER: Okay. I want to skip across to your annual report—

Senator McGrath: I just need to clarify one thing, is that legislation has been passed to establish a one-stop shop, which will be industry-funded, just so you're aware of that, to place that on the record.

Senator KETTER: Thank you. Your annual report, and there was a delay in the release of the annual superannuation bulletin. And I understand that you released that annual data on the superannuation sector around the end of January each year. Can you tell us what's the reason for the delay?

Mrs Rowell: I'll answer that, Senator Ketter. We don't have a specific time by which we release the annual statistics. In part it depends on the processes that we need to go through around review of data quality and going back to institutions with queries to make sure that the data, when we publish it, is appropriate and accurate. That process normally is completed to enable us to release the statistics sometime in February. This year it's taking a little bit longer for various reasons, partly to do with some changes in our internal processes, partly to do with various data quality validations and questions. So we are anticipating having the annual publications out in March.

Senator KETTER: Can you tell me more about those changes in your internal processes? Wouldn't this process be largely automated?

Mrs Rowell: There's a substantial part of the process that is automat but, in the final steps of the process for releasing the publications at present, much of the work that needs to be done around ensuring that confidential

data is not released and ensuring that any adjustments to submitted statistics are made, needs to be done manually rather than automatically. And so at this stage that's really the key to the process this year—that's taking a little longer than it has in previous years.

Senator KETTER: Would you categorise that as some sort of research paper that addresses concerns about how data is being used?

Mrs Rowell: I'm not quite sure what you're referring to there, Senator.

Senator KETTER: Well, in terms of—you said there were concerns about the data.

Mrs Rowell: These are just our normal validation processes which check the consistency of information from the quarterly returns to the annual returns; also large movements in figures from one period to the next; and just going back and checking that all of the information that has been submitted is accurately reflected in the information that has been provided to us.

Senator KETTER: So—

Mrs Rowell: It also needs to adjust for things like mergers and acquisitions that take place within the industry, and making sure that the statistics are accurate and those sorts of things. There are a number of steps in our processes around releasing our publications that need to be gone through before we're satisfied that they're of suitable quality to release.

Senator KETTER: Okay. So is the delay anything to do with resourcing at APRA or whether you're planning to release additional information for analysis?

Mrs Rowell: It's not to do with the release of additional information. It's partly to do with systems limitations, which we are seeking to address through a major project to revamp our data collection and analysis and publication processes. And, as with all things that APRA has to do, we need to make careful decisions about resources and we don't always have the resources we need to do everything that's on our plate.

Senator KETTER: Okay. And can you tell me whether APRA has provided any data to the Productivity Commission to assist with their review of the superannuation system?

Mrs Rowell: We have been in significant liaison with the Productivity Commission and provided them with various data and information to assist them.

Senator KETTER: And that data that you provided, is it publicly available?

Mrs Rowell: Some of the data that is provided is part of our published statistics and some of it is not. Some of it is confidential information that is not able to be published at this stage but we are able to provide to other regulators to support their activities.

Senator KETTER: Can you tell me why that data is confidential?

Mrs Rowell: Because when we introduced the data collection—and this is the same across all of our industries—we go through a process of consultation with industry about what data should be made confidential and what data should be made non-confidential. When we did that process with the superannuation industry back in 2003, the industry were very firmly of the view—or parts of the industry, depending on which statistics or information you were talking about—felt very strongly that some of the information should not be publicly released.

Senator KETTER: Have you provided the Productivity Commission with the June 2017 fund level data at this stage?

Mrs Rowell: I'd need to take that on notice. I believe we have provided some information based on June 2017 data to the Productivity Commission, but what specifically, I'd need to take on notice.

Senator KETTER: Have you provided the Productivity Commission with MySuper asset allocation data at the product level?

Mrs Rowell: The MySuper asset allocation data is publicly available.

Senator KETTER: At the product level?

Mrs Rowell: MySuper is a product, and so MySuper data is available at the product level.

Senator KETTER: You do collect asset allocation data at the product level? Is that publicly available?

Mrs Rowell: The asset allocation information for MySuper products is available at the MySuper product level.

Senator KETTER: Okay. We will just—

Senator McALLISTER: In aggregate? I actually genuinely don't know the answer to this question, Mrs Rowell—

Mrs Rowell: There is an Excel publication that is released on a quarterly basis that includes all of the information that we collect for MySuper products, and asset allocation information of each fund—there's a line item in that spreadsheet—that has the asset allocation for each MySuper product.

Senator KETTER: I just wanted to turn to those statistics that have been released. That was on Tuesday this week. I just had the opportunity to have a look at the performance of industry funds and the retail funds. Can you confirm that the difference in returns there, the outperformance of industry funds is 2.31 per cent?

Mrs Rowell: It depends what period you're talking about, Senator Ketter, and I would say, as I have said on many previous occasions, that aggregate sector information on performance is not meaningful, and it is more relevant to look at the distribution of performance across the various funds, in the population, where the picture is quite varied, with a number of industry funds, but also some retail funds performing well over the different periods, and a number of industry funds, retail funds and corporate and public sector funds, for that matter, across all segments.

Senator KETTER: Sure. But I'm talking about the year-end December 2017 figures, your own figures.

Mrs Rowell: Well, the figure would be as per the publication, which I'm sure—I don't have that detailed breakdown with me.

Senator KETTER: Now, I understand we've had this conversation on a number of occasions.

Mrs Rowell: Many occasions.

Senator KETTER: I'm interested in whether you're doing any work to drill down on what I would call an outperformance by the industry fund sector. Perhaps one of the areas you could look at is the comparison of asset allocation between the two sectors. Your data very helpfully does provide a breakdown of asset allocation within industry funds and retail funds. Can you confirm that the asset allocation between those two areas is—the differences are fairly small?

Mrs Rowell: Well, again, it depends whether you're talking about MySuper default products specifically, or the whole RSE operations of—

Senator KETTER: I'm referring to tables 3D and 5D of your recent bulletin.

Mrs Rowell: I don't have those tables with me. At an industry aggregate level, or sector level, there are some differences in asset allocation across the different parts of the industry, but when you get down to individual funds, you get much more dispersion or variation in asset allocations. So, again, particularly when you're looking at choice products there is quite varied asset allocation and of course retail trustees have a much heavier proportion of choice products. When you're looking at the default products, even there, there is variation in asset allocation across the different products, because they set their risk and return targets and their risk appetite, if you like, at different levels, and so that risk appetite would be reflected in different asset allocations and that can play out in different returns. So it's really important to focus on what is the stated objective in terms of risk and return that the trustee has set, and how is the trustee delivering against that. That is absolutely something we look at on a regular basis and raise any questions we have with the relevant funds.

Senator McGrath: I think we might maybe take that on notice in terms of any additional information to be found.

Senator KETTER: Senator McAllister has a question.

Senator McALLISTER: I just have a quick one, Mrs Rowell. Can I just clarify, you said that you report at product level, but is that the aggregate impact within an RSE for product? My understanding is that, of course, each RSE may have a number of different MySuper products. Do you disaggregate it down to that level?

Mrs Rowell: The separate MySuper products would be reported separately and the information—

Senator McALLISTER: For each—within each category for each RSE?

Mrs Rowell: I believe so, but I can confirm that on notice.

Senator McALLISTER: Okay, that would be useful. Thank you.

Senator KETTER: Could you take on notice this issue of the difference in asset allocation?

Mrs Rowell: Yes. The other point I wanted to make on that is, again as you would know, some of those MySuper products have a single diversified asset allocation and others have a life-cycle asset allocation, which means that the investment strategy changes over the different ages or with different parameters, so you get quite different asset allocations supporting those different life-cycle stages as well.

Senator KETTER: Nevertheless, it's a useful distinction to make. Otherwise you wouldn't be collecting industry fund data and retail fund and corporate fund data. There is a reason we classify these funds on a different basis.

Mrs Rowell: To be honest, if I had the choice I wouldn't classify them and I'd just look at it at an individual fund level and ignore the category altogether.

Senator KETTER: That's interesting. I'm interested in whether you could come back to me as to what extent you see asset allocation as being different. Can you tell me what else is driving the difference in returns between the two categories, industry versus retail? I put to you that this is an important issue for ordinary Australians, isn't it, the question of people's return for their retirement?

Mrs Rowell: Return for retirement, and other elements of what superannuation is expected to deliver, are very important. That's the whole purpose of our member outcomes package, which we're consulting on at the moment, which is how we make sure that funds are delivering quality, value-for-money outcomes for members. Investment performance is one element of that, but there are a number of other components as well.

Senator KETTER: What will APRA be doing with these results, in terms of future investigations or analysis?

Mrs Rowell: We're already undertaking a lot of work. We've identified what we've called the outlier population, and we've had a very heavy focus on those over the last six or seven months and we're seeing good traction there in terms of some of those funds deciding to wind up products, merge with other funds, transfer their members to other funds or change the problematic features of what they were offering to ensure that it is better value and providing quality outcomes for members. That work is ongoing. We are continually reviewing who is on our radar and those conversations that we have. That's very much a case of us looking at the data and what is being delivered to members in various ways, and if we have any concerns raising those with the individual funds and getting them to address it.

Senator KETTER: My final area of questioning is in relation to this area of APRA's look-through powers, and, in particular, in relation to investment fees where you have related parties. We had a response to question on notice 158 from last estimates—I'm not sure whether it was yourself, Mrs Rowell, or Mr Byres—in which you indicated to us that, 'Where trustees are investing in related party wholesale trusts, where investment fees are paid within the investment bill and bundled into the unit price, trustees are able to report zero investment expense'. You have justified that that's allowable. I put it to you that if one was to say that there was conservatively a 0.5 per cent investment cost then that puts retail funds investment costs in 2015-16 at around \$2.6 billion, whereas they report around \$392 million to APRA. Why is it okay for those investment fees to not be reported in the same manner as other super funds without wholesale related party fund managers?

Mrs Rowell: As I said on previous occasions around this, you need to distinguish between the information that is reported to APRA, which is based on financial statements, and the information which is disclosed to members, which is an ASIC matter where there is a requirement to disclose all of the elements of costs—although that disclosure is currently under review, as you would know. From an APRA perspective, we currently rely on what the accounting framework requires in terms of the allocation of expenditure into different buckets. We agree that that is not particularly satisfactory at the moment. We are looking to get that changed, partly, ideally, through the legislation that would allow look through, and us to implement look-through reporting to a more granular level than we are able to at the moment. Irrespective of whether that particular element of the bill passes, there is some work that we are doing and it's part of our member outcomes package, which is to review our reporting standards and, if need be, move away from the current accounting framework to something that more explicitly requires the appropriate allocation of expenditure to categories, including investments and other operational expenditure.

CHAIR: Potentially, would you be looking at replicating what ASIC have asked for in their RG 97—

Mrs Rowell: We always seek to have alignment between ASIC reporting and APRA reporting on consistent items, where that is possible and appropriate. It's not always exactly the same, but to the degree that we can leverage the same reporting elements and follow what ASIC does, and utilise that, that is better for the industry, in terms of having consistent reporting across the two regulators.

Senator KETTER: Isn't it true that you already have look-through powers under the Financial Sector (Collection of Data) Act 2001?

Mrs Rowell: We have look-through powers in some areas, including in relation to investments. When we did the reporting requirements back in 2013, with the implementation of the Stronger Super reforms, the consultation with industry raised a number of serious concerns around the implementation of detailed reporting, in some areas, which is why we opted to go with financial statement reporting in the initial implementation. Now, three or four

years down the track, it has become clear that that isn't giving us the information we need and isn't providing appropriate transparency. We are tackling that through the member outcomes package and it will be a feature of our post-implementation review of Stronger Super.

Senator KETTER: But whilst neither the standards require it—you do have the power to do it currently.

Mrs Rowell: We would need to go through the consultation process with industry and develop the specifics, in terms of what would be reported and how it would be reported, so it's not something we can snap our fingers and do. In a limited way, in relation to investments, we currently do have some look-through powers.

CHAIR: Just as a follow-up to that, do you have look-through powers with regard to political donations or advertising expenditure?

Mrs Rowell: We don't have look-through powers on other expenditure, only on investment expenditure.

Senator KETTER: Given you do have the power and you say there would be some steps taken, why do you consider it okay not to have look-through power disclosure here?

Mrs Rowell: It was part of the original consultation with the industry where we, initially went out with proposals to collect quite significant amounts of information. The industry raised a number of concerns and issues through that process, so the final implementation led to a reduced set of reporting standards, which is what we are currently working with. We have observed how that's operated over the last few years, noted the deficiencies and are now acting to address them.

Senator KETTER: Just remind me what you're doing to address the issue.

Mrs Rowell: There are two elements or packages of work that are in train. One is our member outcomes consultation, which is making changes to both the prudential and reporting standards around implementation of the member outcomes work. Part of that will be looking at putting in place requirements for trustees to undertake an outcomes assessment, have appropriate strategic and business-planning practices and strengthen the oversight and monitoring of expenditure. We are also doing a post-implementation review of the full Stronger Super prudential framework, including both the prudential reporting standards and guidance. That is likely to lead to review of some aspects of the prudential framework as well, including the reporting on expense.

Senator KETTER: I don't want to labour this point, but you do support government legislation that expands the look-through powers to other cost areas.

Mrs Rowell: We do.

Senator KETTER: It seems inconsistent that you're not using your existing powers to explore investment fees.

Mrs Rowell: We probably would have done it back in 2013, except for the strong pushback from industry.

Senator KETTER: Any particular part of the industry?

Mrs Rowell: It was fairly widespread. Different parts of the industry had different concerns about the reporting framework, because it was a very significant change in the reporting requirements at that time. We had to make some decisions on the most immediate priority and how we could get the right balance between getting useful additional information and not having undue burden on industry.

CHAIR: I've got a couple of follow-up questions to Senator Ketter's questions. Specifically, I want to ask you about some of the member outcomes and accountability reforms. Some industry participants have suggested that the government's reforms contain carve outs that benefit one sector of the superannuation industry over other sectors. Does any of the legislation, as it relates to APRA's remit, provide carve outs for any RSE licences?

Mrs Rowell: So APRA's prudential framework applies to all RSE licensees in a consistent way. Certainly the package of reforms that we are consulting on at the moment, in relation to member outcomes assessments and the like, will apply across the board. So there will be no carve outs.

CHAIR: Does APRA believe that the government's reforms will enable it to more effectively supervise the superannuation industry for the benefit of members of the APRA regulated funds?

Mrs Rowell: There are a number of elements to the government's reforms. We are supportive of the ones that are particularly relevant to us. They include: the enhanced directions powers, the enhanced MySuper product criteria and authorisation and cancellation provisions, the expense reporting look through, the proposal to have a MySuper outcomes assessment, the governance reforms, and the changes in ownership as well. So there are a number of those elements that would give us better ability to respond to industry issues in a more timely and better way than we are currently able to.

CHAIR: You have answered almost all of my questions in your answer, but I do just want to clarify your position on one of those particular recommendations. I'm interested in APRA's position on legislating a minimum one-third of independent directors, including an independent chair, and whether APRA believes that will strengthen governance arrangements for superannuation funds, specifically for the benefit of members?

Mrs Rowell: APRA's longstanding view is that the addition of independent directors, suitably qualified and experienced and capable, to boards in any industry, including the superannuation industry, is of value and does improve outcomes. Particularly in the superannuation space, we are of the view that the appointment of independent directors will improve the capability and the decision-making on boards, which, again, would ultimately lead to better outcomes for members.

CHAIR: Excellent. Thank you very much. That's all I had. Oh my goodness, I can't believe we finished earlier than we thought we were going to! Thank you very much to the officers of APRA for appearing before us today, we will let you go. I also thank Minister McGrath and the officers of Treasury and all the witnesses who have given evidence.

Proceedings suspended from 12:47 to 13:53

JOBS AND INNOVATION PORTFOLIO

Australian Nuclear Science and Technology Organisation

[13:53]

CHAIR: We will now commence examination of Industry, Innovation and Science. The Senate has referred to the committee the particulars of proposed expenditure for 2017-18 and related documents for Industry, Innovation and Science, part of the Jobs and Innovation portfolio. The committee has set 8 March 2018 as the date by which senators are to submit written questions on notice and has fixed Thursday 26 April 2018 as the date for return of answers to questions taken on notice. 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 Senate hearings. If you need assistance, the secretariat has copies of the rules. In particular, I draw witnesses' attention to an order of the Senate of 13 May 2009, specifying the process by which a claim of public 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).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

I now welcome Minister Cash, the secretary of the department, Dr Heather Smith PSM and officers from ANSTO. Minister or officers, would you like to make an opening statement?

Senator Cash: I don't have an opening statement, Chair.

Dr Paterson: Thank you, Chair. I would like to make an opening statement. I'm pleased to report that on 20 December 2017, following an 18-month long process, Australia became a fully active member of Generation IV International Forum—GIF—a partnership through which we will contribute to international work on the development of future energy technologies. Australia's role on this global stage will see us sharing our expertise in nuclear research and technology and will further our non-proliferation and nuclear safety objectives as a nation. I look forward to continuing to share with the committee the work and achievements of this important group. I'm happy to take questions.

CHAIR: Thank you, Dr Paterson.

Senator KIM CARR: Minister, is it your intention to stay here for the entire session of the department's estimates?

Senator Cash: Until Senator Canavan comes in for his part of the portfolio.

Senator KIM CARR: For resources?

Senator Cash: Correct.

Senator KIM CARR: So you'll be here for the cross-portfolio?

Senator Cash: That will depend on a timing schedule. Senator Canavan was scheduled to do that.

Senator KIM CARR: So if we can get the cross-portfolio on before—

Senator Cash: That's fine.

Senator KIM CARR: You are the senior minister in the portfolio, aren't you?

Senator Cash: Both Matt Canavan and I share the portfolio, and obviously the responsibilities are set.

Senator KIM CARR: I understand that. But you are the senior minister in the portfolio?

Senator Cash: We are joint ministers.

Senator KIM CARR: In terms of seniority in the cabinet, who is most senior?

Senator Cash: Senator Carr, if you would like me to be here for cross-portfolio, I'm more than happy to. It was literally a timing schedule for me.

Senator KIM CARR: So you're happy to do cross-portfolio?

Senator Cash: Yes, absolutely. It was a timing schedule. That's why he was coming in.

Senator KIM CARR: That's all I'm asking. I'm not seeking to be difficult. We have agencies here. I understand officers from the agencies have travelled from interstate, so I'm more than happy if we could deal with those. Perhaps next time we could put cross-portfolio at the beginning, Madam Chair.

CHAIR: I'm quite happy to take any submissions you may have on the agenda, Senator Carr.

Senator KIM CARR: I know there are different ways of dealing with this on other committees, and it has been advertised this way, but if you could, Minister, that would be appreciated. So if I could begin with Dr

Paterson, in terms of the question of waste management, are you currently responsible for managing the low- and intermediate-level nuclear waste?

Dr Paterson: For the Commonwealth intermediate-level waste and low-level waste that is generated in ANSTO, ANSTO takes responsibility for that waste as part of our ongoing operations.

Senator KIM CARR: How much of that material is there?

Dr Paterson: In terms of the intermediate-level waste, we have had intermediate-level waste returned from France, and I will give a summary on notice of the holdings. There is the waste component and then there are the containers that contain the waste. It's important to distinguish between the two.

Senator KIM CARR: I understand that. There is an amount of material that's required to be returned from overseas, is there not, or has it all come back?

Dr Paterson: It has not all come back at present. The return from France was in relation to fuel that was used in the HIFAR reactor, which is currently in a possess and control state prior to decommissioning. There is a holding of waste in the United Kingdom. That waste is in a fairly similar form to the waste that will be returned from France, in a very similar container, and that's due to be returned in the early part of the next decade.

Senator KIM CARR: There is a volume of material currently at Lucas Heights, is there not?

Dr Paterson: In terms of the waste holdings from the operations of the Australian Atomic Energy Commission, which became ANSTO, and the ANSTO operations from the formation of ANSTO, there is a holding of both intermediate and low-level waste.

Senator KIM CARR: Is it stored in drums?

Dr Paterson: It's often stored in drums. The vast majority is in the form of material that is in drums. We also have liquid holdings, and we have some quite specialised wastes relating to previous missions of the Atomic Energy Commission. We also have some material which is potentially able to be sent to countries interested in utilising it for their own peaceful research and technology purposes. We tend to classify it in some detail and I'm prepared to provide a summary of the holdings that we have.

Senator KIM CARR: If you could, please. It's been put to me that this material should stay at Lucas Heights. Is that possible?

Dr Paterson: The holding of waste in a science and technology facility is not a good thing to do. The science and technology mission of ANSTO provides massive benefits to our society, beginning with nuclear medicine and new nuclear medicine introduction in the future, as well as operating facilities for our research communities at universities and in industry. That is the primary use of our site at Lucas Heights. We have a small site at Clayton, which doesn't have significant waste holdings, which has got a medical cyclotron, which is used to develop new techniques to provide development of new drugs, new imaging procedures and so on. The Australian synchrotron, which is also a licenced facility, has no significant nuclear waste holdings, although there is some activation of the synchrotron through its normal operations.

It would be unusual for a nuclear science and technology facility to, through the course of time and without consultation and reflection, become a de facto long-term waste holding facility. That would be extremely unusual. Countries globally have tended to agree that there needs to be a dedicated approach to this that doesn't just deal with an individual institution's waste. For instance, at the level of the Commonwealth there are wastes held by our counterpart organisations like the CSIRO. There's a small amount of waste, for example, at ARPANSA, our regulator, in Melbourne. The Department of Defence holds some waste as well. One needs to think about this holistically, even from a Commonwealth perspective. The Commonwealth inventory is important in terms of planning for a low-level final repository and for a store for any intermediate-level waste. Our national legislation is not just Commonwealth legislation, it is national legislation. Because it's national legislation, it's important that the Commonwealth, in discussion with the states and territories, comes up with an agreed and holistic approach to the management of intermediate-level wastes and low-level wastes that are held as a result of, for example, medical procedures. In a number of cases there are old mining facilities that had some radioactive materials associate with them, and so on. So from a national perspective and from ANSTO being a governmental agency, we take the view that we must help and support all actors in understanding their waste holdings and work with them to get a comprehensive but singular approach to all Commonwealth and national wastes in the form of a national waste repository for low-level waste and a store for intermediate-level waste.

Senator KIM CARR: Of course there is hospital waste, isn't there?

Dr Paterson: Yes. There's a large amount of hospital waste. Typically, hospitals have had sources that are used historically for treatment. They have other sources that are shorter term in nature that are to do with other

forms of therapy. And they generate waste during the course of, for example, treating patients who receive nuclear medicines either for diagnostic or for therapeutic purposes. There are many hospitals across Australia—in fact, probably a couple of times a year we assist hospitals to think through and manage their wastes—the decommissioning of buildings, for example. ANSTO provides services to universities that had undertaken research into minerals, for example, where there has been a concentration build-up of waste material in university buildings. So waste is not a locational problem at Lucas Heights; it's a distributed opportunity to have a leadership position in smaller countries that don't have nuclear power programs to have a world-class management process for the wastes that are generated to public benefit across the health sector, the industry sector, the science and technology sector, so that we could demonstrate that as a country the leadership position we hold—we stood on the board of the International Atomic Energy Agency—that we in that position can demonstrate that we are always thinking carefully and properly about these things.

Senator KIM CARR: There have been reports of nuclear waste being stored in filing cabinets, for instance. Does that happen very often?

Dr Paterson: We have, when asked to evaluate certain facilities, found sources in filing cabinets. We've found them in basements, below stairs—so it's certainly the case that if there isn't a clear management approach at both the state level and the federal level, over time it becomes more difficult to manage. And that's why there's been such a keen interest, from all of the people who produce benefits from the use of nuclear technology in the work that they do, that the Commonwealth, with the general agreement of the states, has been developing ideas in relation to a national waste repository.

Senator KIM CARR: How many doses of radiopharmaceuticals do you issue a year now?

Dr Paterson: In the context of Australia, on a weekly basis about 10,000 doses of diagnostic nuclear medicine are utilised in hospitals across Australia. We also supply a similar diagnostic capacity into New Zealand. At present, in a bulk form, we are providing about 16 per cent of global supply of Mo-99, which is the parent product of technetium-99m, which is the most widely used diagnostic isotope. It is only produced in nuclear reactors and it is responsible for 80 per cent of all diagnostic procedures in nuclear medicine. That's about 44 million diagnostic procedures a year globally, and I'm proud to say that ANSTO is now responsible for about nine million of those.

Senator KIM CARR: Does that have a residue—does a waste product come from that?

Dr Paterson: The waste product that is generated is in the form of liquid wastes that arise from the chemistry of extracting the Mo-99 out of the target plates that are irradiated in the reactor and, of course, from the operation of the reactor—there's some waste associated with that as well. But the basis on which we do this, globally, is that the disproportionate public benefit of those medical procedures—and indeed, the research that takes place in using research reactors—offsets the limited residual risk of managing that nuclear waste. There's a good understanding of how to manage nuclear waste globally. There are well-established processes for the types of waste that we have here in Australia. We've got excellent contractual arrangements with the French and with the UK, and now a new contractual arrangement is being finalised with the French to deal with the waste materials from our fuel, for example, for the full life cycle of the OPAL reactor. So, well ahead of time, we have a plan, and we have a predictable set of outcomes; and a plan and predictable outcomes should lead, I hope, to a national waste repository and store that meets the global standards that I've been talking about.

Senator KIM CARR: Is it the case that ARPANSA actually has some regulatory conditions upon your operations which go to the issue of the management of waste?

Dr Paterson: I've had discussions with the regulator and been in meetings with the regulator, where ARPANSA has indicated clearly that there has to be a disposal pathway in relation to all intermediate-level waste. This is good practice because the intermediate level wastes are stored, and then for a period of time a final disposition pathway is developed through research, investigating best practice in other countries, working with other small countries in the IAEA to develop that final disposal pathway. I'm pleased to say that we are involved in some of that work in the International Atomic Energy Agency, and are invited to their meetings to reflect on those final pathways. The position that the regulator has taken is that Australia, in order to continue to operate our facilities, should have disposal pathways that are being researched in order to provide assurance both to the public and to the broader community of nuclear science and technology organisations that we, indeed, are managing the whole lifecycle of waste. I can say without equivocation, Senator, that I fully support the regulator in this regard. Predictability is very important in the work that we do, so far from in any way disagreeing with the regulator, I tend to share the view that has been taken.

Senator KIM CARR: So is it the case that if the country doesn't sort out the waste issue your operations at some point may well come into question?

Dr Paterson: I think that's a question for the regulator but I would hate to see a situation where a lack of leadership and a lack of attention to the future created a condition where the present important supply, which I have outlined to you, was not able to be sustained in a way that helped our society.

Senator KIM CARR: You've mentioned the molybdenum-99 manufacturing facility. Is that completed yet?

Dr Paterson: The practical completion has been achieved. The cold commissioning reports have been submitted to the regulators. We've had our first inspection by the TGA from a medical perspective. So we're in the process of finalising those processes, which I hope will lead to a hot commissioning phase. That phase can be relatively short, and then we'll be able to produce nuclear medicines first for Australia and then subsequently, when the regulatory actions are complete, for the overseas setting as well.

Senator KIM CARR: When do you expect that regulatory process to have been concluded?

Dr Paterson: We never anticipate the actions of regulators—

Senator KIM CARR: I appreciate that, but you must have some sort of projection as to how long this will take.

Dr Paterson: Towards the end of March.

CHAIR: Dr Paterson, in previous estimates I've told you that I went to visit the synchrotron site in Victoria and it was absolutely fantastic. I was blown away by what was being achieved there. I wonder if you have any recent updates for the committee in any areas that the synchrotron is working on now?

Dr Paterson: Thank you very much, indeed, Chair. We have continued to work in a range of fields with the synchrotron. As you know, it's a multi-user facility and attracts people from all over the country. Recently, at Science meets Parliament, we asked two of our beamline scientists to share with the parliament and the people they visited some of the work that is happening in the medical area.

One of the really exciting things is in the area of heart valve replacement. Heart valve replacement continues to develop. Often with those who benefit from heart surgery, if they have a very long period of survivability, those heart valves start to wear out a little bit, so the next generation of heart valves will be made with different, more resilient, materials, and they'll also be lighter. That puts less stress on the heart as the heart operates. Dr Katie Sizeland, who is one of our young beamline scientists, has been working in this field and utilising the facilities at the synchrotron to qualify these next-generation materials. The benefit for society out of this is that the patients will have reduced recovery times, the surgery becomes less invasive and, because the surgery is less invasive and the recovery times are shorter, the overall burden on the health system is reduced.

Another one which I find a very interesting is about the taking of medicines. It is a really challenging issue if you get new types of medicines that can break down if they are not absorbed by the body correctly. Dr Adrian Hawley, who also attended Science meets Parliament, is working on new oral delivery mechanisms for taking medications normally injected or absorbed into the body in other ways. That work is in order to improve both malarial medications, which obviously would mostly serve developing countries, and some cardiovascular medications, which are hard to administer by other means. The interesting thing is that they've gone all the way back to milk to do this. They take some of the components of milk and use them as the 'container', if you will. Milk is no longer in a container; it becomes a container for these medicines, to take them through the gut in a way that they can be absorbed.

They are just two examples of the many. Normally this work is done with other groups from other universities. It is exciting for us to bring the power of the synchrotron to the partnerships we have with the university sector, and the medical research sector is particularly exciting.

CHAIR: I'm so glad you brought up Science meets Parliament week, particularly the dinner. I know I saw you there, but I sat with one of the superstars of SEM, Dr Veronica Power. What an extraordinary woman she is! I know ANSTO is one of the great champions of increasing the involvement of women, both in its organisation and in science and technology more broadly. Do you think you could tell us how ANSTO is addressing the issue of gender equality and diversity in the workplace?

Dr Paterson: When the discussion started in Australia about joining with the Athena SWAN program in the UK, I took the opportunity ahead of the meeting that took place in Australia to visit the research unit in the UK that developed the thinking behind Athena SWAN because, to me, it was tremendously important to understand what had happened in that setting as we started to think about it in Australia. ANSTO was invited to the first meeting, which was chaired by Brian Schmidt and other colleagues from the sector. I sent one of our senior

managers and one of our emerging women leaders in the organisation to attend that meeting. When I was briefed on the day following the meeting, I was moved to write to Professor Schmidt to say that ANSTO would like to participate in the first pilot of SAGE. When I hadn't heard from him early in January, I phoned him up, and he said, 'We were only expecting to get going in March, but you're the first in the queue.' It is, I think, important that our organisations are absolutely committed to gender equity, that the women in science have career pathways that are much more predictable than they were in the past and that they are able to be afforded opportunities to have all of the richness of child-bearing and child-rearing in partnership with their partners but without a negative impact on their careers.

So ANSTO is, indeed, a member of the SAGE process—Science in Australia Gender Equality. We are completing our first submission for a bronze award that will go in later in March. It's been a wonderful journey just understanding the things that are going well in ANSTO but also the things that are not going so well. And I think we all have to reflect on some of the blockages that you just don't see until you think about it differently. I think that the SAGE process has got off to an excellent start. I've attended the Sydney meeting and the Brisbane meeting—the two annual meetings that have been held so far—and I find the energy that it creates and the commitments and the thinking that it generates are absolutely important. So, we will remain committed to the science and gender equity process in Australia. But I must say that, in my executive, we've been working overtime to get a better gender balance, and I now am pleased to say that there are three women on ANSTO's executive. The three women who are on ANSTO's executive command 80 per cent of the resources of ANSTO because they are the head of our nuclear science and technology and landmark infrastructure group, Dr Simone Richter; Jayne Senior, who runs our businesses; and Pamela Naidoo, who has recently been appointed as Group Executive, Nuclear Operations. They command a very substantial proportion of ANSTO's activities. This is very exciting for us, because, at the top end of a historically male-dominated nuclear industry in Australia, we now have three incredibly talented women on the executive of ANSTO.

CHAIR: That's very encouraging. Thank you, Dr Paterson, and thank you for your contribution to the Science meets Parliament week; it was terrific. Senator Rhiannon.

Senator RHIANNON: I want to ask some questions about the involvement of the Brewarrina Shire Council with regard to a possible national radioactive waste facility being located in that council area. Was Brewarrina council approached by ANSTO, or a representative on behalf of ANSTO, to initiate the nomination process for a national radioactive waste facility?

Dr Paterson: Not to my knowledge. I met with somebody from that council who indicated they were initiating a process. We had a brief discussion. But I know nothing more about that.

Senator RHIANNON: You said, 'Not to my knowledge.' As ANSTO is a big organisation, can you take it on notice to ascertain whether it was ANSTO that approached Brewarrina council or Brewarrina council that approached ANSTO?

Dr Paterson: I would not be in a position to make such an investigation, because we have many people in our organisation who operate in their private lives in all sorts of different capacities, and they may, indeed, have been involved through other capacities. What I can say is that, to my knowledge—and I'll investigate in terms of our communications—from an ANSTO perspective, there was no employee of ANSTO who was involved in initiating the process you described.

Senator RHIANNON: Could you take it on notice? I'm not asking for anything to do with private lives; I'm asking that, because you spoke in a personal capacity, you would check if ANSTO in any way has been involved. Has Brewarrina council put forward any preliminary information regarding their intention to nominate as a location for this waste facility?

Ms Weston: The questions you're asking are probably better addressed to the department, a bit later on. There's leadership being undertaken by Senator Canavan on considering the location for storage of waste. The department is on a bit later on this afternoon. The policy work is being done in the department. We'll try and get some people here. They're just not here right now.

Senator RHIANNON: Could I just check with the chair: what time is that on, please?

Ms Weston: It's after dinner, I think.

CHAIR: It is. It's after dinner.

Senator RHIANNON: So I shouldn't be pursuing it with ANSTO; I should be pursuing it with the department?

Ms Weston: Yes.

Senator RHIANNON: Thank you for clarifying.

Senator KIM CARR: Just briefly, as to the synroc facility: where's that at, at the moment, Dr Paterson?

Dr Paterson: Synroc is a material which was conceptualised by Dr Ted Ringwood at the Australian National University in the mid to late seventies. His idea, which is a very profound idea, was that, if you made a synthetic rock that had similar properties to the most ancient rocks on earth, you would have a predictable way of storing waste in those rocks, because, from what are called natural reactors—reactors that happened to operate on the planet over a billion years ago—where there were large amounts of uranium, in those ancient rocks, we know exactly how far the waste has moved over the last billion years. Once you know how far the waste has moved in the last billion years, and you can create a rock—a synthetic rock, which is what synroc means—that has the same properties, you can provide very strong assurance to the public that that is a safe waste form. So Ted Ringwood's idea is a very profound idea.

ANSTO, over the last few decades, has continued to pursue that idea, first from a chemistry point of view, to get the chemistry of how you put these rocks together, from the processing point of view, of how you then create the synthetic rock, to the point we're at today, where we also know that the economics of producing synroc are attractive. So, if you've got the chemistry, you've got the process engineering and you've got the economics, you've got the basis of creating a sustainable waste form in the form of synroc.

As we were conceptualising the work for the liquid wastes on the site, we used the liquid intermediate-level wastes that are produced in the production of nuclear medicine as a test case for the development of an engineering concept for a synroc plant. A number of years ago, that reached some level of engineering maturity, where we felt that it would be important to put that idea forward to government as part of the package that involved the establishment of the new ANSTO nuclear medicine facility. The engineering is advanced. We have a pilot facility which will do cold testing. By cold testing, we mean testing non-nuclear materials that simulate nuclear materials. At very small scale, we've demonstrated this already in the laboratory many times. But it's important now because, if we're processing intermediate-level waste in such a facility, we'll be moving into a situation where that takes place in hot cells, and so, by having a cold facility, you can really do all of the detailed engineering that you need to do. A number of elements of that plant are in place. The engineering team that has been assembled to do the work has been fantastically creative and inventive and has eliminated some challenging aspects of building this type of facility. In fact, I think if we had built it in the 1980s, it probably would have been a bit early. We've had to wait for some technology developments which have reduced the total amount of radioactive activity that's present in the liquid form at any time. We have a much better understanding of the hot isostatic pressing. That is the combination of heat and pressure that you use to make the synthetic rock. The quality of the engineering is being independently reviewed internally, and we've also had one external independent review.

Over the next period of time, as the ANM plant is completed and begins operations, the intention is to begin the construction of the synroc plant. In fact, the site has been cleared and the fence is up. We are fairly shortly going to begin construction of the world's first operational-scale synroc plant at Lucas Heights. The process of developing that and talking about it internationally in waste management forums and conferences has created considerable interest. A number of institutions have approached us to stay in touch with the development of the synroc plant.

From an economic point of view, instead of taking your intermediate-level waste and putting it into cement, where the volume increases by a factor up to 10, putting it into synroc, you can reduce the volume of that liquid by a factor of four. Four times 10 is 40; so the volume of your waste form goes down by up to a factor of 40. The economics of nuclear waste is the economics of volume. So, if the volume goes down, the overall life-cycle cost goes down. So the reason for synroc is not just to test Ted Ringwood's proposal; it is a very practical economic approach to intermediate-level liquid wastes of the type that are found attached to nuclear medicine production facilities. In fact, those are some of the people who are very interested in it. It is also very useful for difficult and intractable wastes that are produced in the nuclear power industry and, in fact, a whole lot of wastes and residues that are associated with programs that have taken place across the world. I anticipate that, during the course of this calendar year, we will progress conversations on at least two continents in relation to future applications of synroc technology at very senior levels and decommissioning agencies and other areas.

Senator KIM CARR: Do you have any sense of how long it will take to recoup the Commonwealth investment?

Dr Paterson: The Commonwealth investment will be recouped and fully paid for by the nuclear medicine facility for which we are building this plant. For any international nuclear medicine sales, we attach a charge which will pay for the waste, so that we don't incur Australian costs for waste that is attributable to overseas

activities. The aspiration that ANSTO has—and at the moment it has to be turned into a more detailed business plan—is that we will maintain, for decades, what is called architect engineering capability—the ability to develop in Australia solutions for waste forms around the world. If you can control the architect engineering capability, the other countries that you go to build the bricks and mortar, the hot cells and they do all of the stuff that they will want to do for their own countries, but the inner workings of these facilities could be retained as intellectual property for Australia.

Senator KIM CARR: And you're not anticipating bringing the waste to this country, are you?

Dr Paterson: I don't think that that's a practice that we would anticipate for the volumes of waste that we're talking about. We think value creation right across the planet with the best waste solution, based on work that initiated in Australia and engineering that is controlled from an intellectual property point of view from Australia, is the most obvious business model to pursue at this point in time.

Senator KIM CARR: Will ANSTO be making a submission to the Senate inquiry into the dump that's being proposed in South Australia?

Dr Paterson: I have been approached by the department to discuss this. It makes a great deal of sense to me that we do, indeed, make a submission to that inquiry. I think it's a very timely inquiry. It's a critical point in the journey. I believe that we can make a very strong case for leadership in the management of waste forms, for the full life cycle of intermediate-level waste in Australia, for the inherent safety of operations of these facilities, and for a comprehensive national solution to the challenge of managing nuclear waste in Australia for the benefit of our society.

Senator KIM CARR: All of that has been pretty easy so far today, Dr Paterson. I'd like to talk to you about something that might be a little bit more interesting, the National Measurement Institute's amalgamation. Where is that at?

Dr Paterson: We had a board meeting in February in which I updated the due diligence process that we are undertaking in concert with the department and with the NMI. The board accepted and received the report that we gave. That indicated that there is strong synergy in the science and the national strategy aspect. There are still some matters which are open, and I have reported those matters to the department, and they are taking up those aspects of the discussion at the moment.

Senator KIM CARR: Are you familiar with the market sounding project that KPMG has undertaken to the cost of \$141,000?

Dr Paterson: I have not studied the document myself, but I've heard that terminology used.

Senator KIM CARR: This is a report that was undertaken by KPMG to the privatisation of the Australian Forensic Drug Laboratory, the Australian Sports Drug Testing Laboratory, the Ultra Trace Analytical Laboratories, the Analytical Services Branch. Is that the case?

Dr Paterson: I haven't seen that report; I want to pass that to—

Ms Weston: As part of the department's appearance later on, we will have the NMI available to answer those questions. But it is the case that we did do a market sounding, and I think we answered that question and provided you the report after last estimates. But I think the report did indicate that it wasn't appropriate at the time to proceed with any outsourcing in that way.

Senator KIM CARR: Privatisation?

Ms Weston: Yes.

Senator KIM CARR: That's right. Because there was a series of problems associated with loss of capacity?

Ms Weston: Loss of capacity. There are also some parts of the economy that can't do the things that—

Senator KIM CARR: That's right.

Ms Weston: There wasn't interest in doing things that the NMI did.

Senator KIM CARR: That's right. There was a consultation with a number of international companies. We actually need this work done, particularly in regard to sports medicine and a whole series of drug-testing facilities for police and other law enforcement agencies—so this is quite an important service that's actually provided. Is that the case, Ms Weston?

Ms Weston: At the moment there is no intention to outsource those activities.

Senator KIM CARR: I see. Dr Paterson, if this body is taken over by ANSTO, is it your intention that those services would be maintained?

Dr Paterson: There are very important synergies in our study to date. If I take the example of chemical-based forensics, there is a very strong traceability and forensic capability in the NMI that is based on chemistry we undertake on behalf of Australia nuclear forensics. One can see the immediate utility of putting a chemical forensics capability that serves the Federal Police and state police groups and the nuclear together, because sometimes the chemistry and the nuclear do overlap. So that's a very good example of a capability, the nuclear forensics capability was developed by ANSTO in the national interest. We have continued to invest in those capabilities. In fact, we run regular workshops in the region on nuclear forensics to develop the overall capability to trace the management of nuclear material in our region. Similarly with chemicals, I think there is great utility in using the very precise techniques that have been developed by the NMI, which are genuinely world-class, in synergy with the nuclear techniques to provide even greater assurance to government and to the stakeholders of the government that these will have a lasting, single-management footprint.

Senator KIM CARR: Dr Paterson, are you aware that the National Measurement Institute has begun consultations to increase certain fees by up to 340 per cent?

Dr Paterson: I'm not directly across all of that. I do know from discussions with senior officials in the department that the economic model needs to be robust for the operation of the National Measurement Institute. Indeed, that's one of the conditions that our board has put on it: that there is a clearly demonstrable operational model that is sustainable into the future.

Senator KIM CARR: Minister, is it the intention of the government to fatten the National Measurement Institute before privatisation?

Senator Cash: This is a matter that's currently sitting with the department, so any information in relation to that would be provided by the department.

Ms Weston: There is no plan. The current plan we are looking at is the sustainability of the NMI, and we are talking with ANSTO, as Dr Paterson has indicated, to see what synergies there can be and whether it works that the two groups are together. It is a due diligence exercise at the moment. We are working through it carefully and thoroughly. We haven't made a decision about that integration, but there are certainly no plans at the moment about privatisation.

Senator KIM CARR: Dr Paterson, have you looked at the EB for both your staff and the National Measurement Institute staff? Do they match?

Dr Paterson: They have both been looked at. There are differences. I think that's probably the summary that I could give at the moment. How that consequentially impacts any future decision would be dependent on that decision.

Senator KIM CARR: I see. That's a critical issue, is it?

Dr Paterson: It's not on the most critical list. It is an important one to ensure that staff are treated well and that, if there is indeed a change in the management arrangements, they are brought into a setting where they feel that they can excel and where they feel that they can be looked after and well treated within that setting.

Senator KIM CARR: Ms Weston, there has been no decision taken about the amalgamation.

Ms Weston: Correct.

Senator KIM CARR: Has there been a decision taken about what to do with the National Measurement Institute other than amalgamation?

Ms Weston: If the amalgamation doesn't look like it will work and the board are unhappy with that arrangement, the division will remain a division of the department. We have no other plans for anything other than this integration examination at the moment.

Senator KIM CARR: Can you indicate to the committee when you expect a decision to be made on that matter?

Ms Weston: I can't quite indicate, but I do expect that some time this year we will be in a position to know whether the integration is feasible.

Senator KIM CARR: Thank you.

CHAIR: Perfect timing, Senator Carr. Senator Bushby, do you have a question for ANSTO?

Senator BUSHBY: Yes, a follow-up question initially to some questions you had about some of the breakthroughs, particularly in the medical area. I understand that ANSTO is contributing to a clinical trial of a new treatment for pancreatic cancer. I was recently involved in a select committee looking into the treatment of

rare cancers and some of the challenges of treating pancreatic cancer. I'm very interested to hear what your involvement is and how that is going.

Dr Paterson: Thank you, Senator. In fact, yesterday, I was talking to a team that is involved in this. The company is an Australian company called OncoSil. They have developed a new treatment for pancreatic cancer. As people may be aware, pancreatic cancer is a very aggressive form of cancer. Nineteen out of 20 people who are affected by this disease die from the disease itself. It's because of the key role that the pancreas plays in integrating all of the things that happen around our gut that it is such a serious and difficult cancer to treat.

This company has come up with a really novel approach of encapsulating a particular isotope, phosphorus 32, into a plastic matrix, and then using the insertion of that plastic matrix as a device to release that radiation in a predictable way into the cancer-affected areas, without affecting the non-cancer-affected areas. P-32 is an interesting isotope, because, of course, our DNA has phosphorus in it, and for many years it was used scientifically to understand how DNA works. This is a very different application. This is using the properties of P-32 to deal with a very aggressive cancer. So it's a well-understood isotope. The particular development which is so interesting is the ability to get a highly activated form of phosphorus 32 into contact with the cancer. These clinical trials are at an early stage. They are taking place in Australia and in other countries. I believe that, over the period that they've been evaluating this, in terms of the patients who have been treated, 100 per cent of them showed no spread of the disease up to 16 weeks after implantation.

Senator BUSHBY: 100 per cent. That's incredible.

Dr Paterson: It's a small group at the moment. We mustn't overanticipate it. A significant number of the patients had a 70 per cent reduction in the size of the tumour after 12 weeks. It's going after the progression of the disease, but it is also going after the continuation of the disease, if I could make that distinction. This is a wonderful early indication of the utility of this type of treatment.

Senator BUSHBY: And ANSTO's involvement is?

Dr Paterson: ANSTO is producing the P-32 in the OPAL reactor. If this were to develop, it is my understanding that the facility that actually encapsulates the P-32 might be co-located in Lucas Heights, with ANSTO, because that would be the obvious way to get the best activity out of the P-32 into the device and to the clinicians. We should always be very cautious with trials and not overclaim, but these are factual statements about the utility.

Senator BUSHBY: What is the time line of the trials from here and when they're likely to reach a point—

Dr Paterson: Normally, the development of these trials takes two routes. One is that you have to go through all of the stage 2 and stage 3 trials. There is also the other route, which is for cases where there is literally no other treatment available. The TGA has a scheme for compassionate use, so that might become available as well. But this company, I think, still has to develop its ultimate supply chain. I will leave that to the company, but it is exciting for ANSTO to be invited to be involved in this. It's because of the particular aspects of the design of the OPAL reactor that makes it a particularly good reactor to produce the type of P-32 that they want. So there is a distinct advantage to potentially locate this facility in Australia, because, without going into too much technical detail in this case, we have a very cool reactor where it's not meant to be hot, and that makes us work better.

Senator BUSHBY: I will take your word on that. It sounds fantastic. I look forward to hearing more about how that goes down the track. Just one final thing: did I hear you say in your opening statement that ANSTO is partnering or working with international groups on nuclear energy technologies?

Dr Paterson: Yes; correct. There is a prohibition in Australian law against nuclear power in the country, but there is a great opportunity to know what is going to happen with the next generation of nuclear reactors, from about 2035. These are called generation IV reactors. The current generation reactors are called generation III-plus reactors. Generation IV reactors are represented by six designs, which the people who are thinking about the future of nuclear energy think might have particular utility. Some of these designs operate at higher temperature. That means you get more energy out in the form of electricity because the temperature difference drives the amount of electricity you can produce. Some of those reactors actually burn the spent fuel from the current generation of reactors. So, instead of putting the spent fuel underground, you will take it out of its fuel assemblies and put it into these reactors. I'm not sure if the senators know this, but we only burn five to 10 per cent of the uranium in the current generation of power reactors, so there is about 80 or 90 per cent left. If you can burn that fuel in the next generation of reactors, you don't have to mine the fuel. You can use the fuel that's already available; it has already been processed and so on.

Senator BUSHBY: What percentage of that fuel would be used or burnt in a gen IV reactor?

Dr Paterson: Typically, these are called high-burn reactors. If you got exactly the right fuel cycle—and that's what the research is about—you could burn all of it.

Senator BUSHBY: All of it, did you say?

Dr Paterson: Yes.

Senator BUSHBY: So that would leave no waste?

Dr Paterson: It would dramatically reduce the amount of waste. Instead of spent fuel being a burden of cost, it becomes an opportunity to fuel—by calculations that I've seen done by some of my peers—about 3,000 years of uranium fuel available out of the ground already for the planet.

Senator BUSHBY: The anticipated use under a gen IV?

Dr Paterson: In the gen IV scenario. It genuinely almost looks like a renewable resource.

Senator BUSHBY: Interesting. At the same time, it has the potential to remove a lot of the concerns in an environmental sense around nuclear?

Dr Paterson: Absolutely. You know the challenge of spent fuel and the challenge of waste are fairly similar. There is public concern. People have the sense that this is a large volume of material that could be used in other ways. In fact, a number of countries like France, for example, reprocess their fuel in order to get more utilisation out of it. A large number of countries choose to store their spent fuel. The great thing about storing is that it is available for that next generation of reactors, and that's the opportunity.

The other part of this is that this is not just a 'sign a form and you can join' thing. You have to have real technical knowledge that you can bring to these discussions, because it's mainly technical discussions. It's the work that we do on safety cases—the work that we do on things like Synroc and the waste, which I was talking to Senator Carr about a moment ago—and our work on materials. We were technically evaluated by the countries that were members already and found have to sufficient knowledge to contribute in a valuable way, and the leadership team that's working on it is doing an exceptional job.

Senator BUSHBY: Fantastic, I look forward to hearing more about that as well.

Senator COLBECK: The processes you were just describing to Senator Bushby, would they be similar to some of the proposals that were coming out of South Australia? Their proposal was to utilise spent rods and use that as the basis for an industry, if you like, in South Australia—that is, they would take in spent material, then use it for generation of energy and, at the same time, utilise and reduce the amount of waste that was remaining in the global sector.

Dr Paterson: Yes. There were two strands of thinking in the South Australian discussions. The one was to have the spent fuel and then consider building reactors that could burn that spent fuel in order to provide electricity in the South Australian setting. That's often associated with a General Electric reactor design called the prism reactor, which has the utility of being able to burn the spent fuel. The other part of the South Australian discussion was simply to become the store for spent fuel, which, if one thinks about it, has a potential utility with this next generation of reactors. If you've taken title to that fuel, you would have a great resource to then redeploy in that generation of reactors. These are scenarios, not plans, but I—

Senator COLBECK: No, I understand that, but I was aware that there have been some discussions, particularly out of South Australia, about making that a future industry for the state, if you like, utilising that spent resource.

Senator COLBECK: Yes. We are monitoring this on a global setting. There are other countries keen to do this. Mongolia is an example. Certainly a number of countries around the world are thinking about the opportunity that is created by fourth-generation reactors and that sort of access you're describing.

Senator COLBECK: But, it is a potential opportunity?

Dr Paterson: Certainly. If one looks at the economics and the rational economics of it, I think it is an opportunity.

Senator COLBECK: Thank you.

Senator LEYONHJELM: Just a quick follow-up to the P-32 comments you were making: how do you make phosphorus radioactive?

Dr Paterson: I will generalise the question: how do you make anything radioactive? It's a great question. So most nuclei of atoms—that's the bit in the middle; the electrons go around the outside. The bit in the middle of the atom has got a number of protons that tell you what its chemistry is and it has a number of neutrons which tell you how stable it is. Stable nuclei have about the same number of protons and neutrons, but if you have excess of

protons or an excess of neutrons relative to that nucleus, then as you get further and further away from that balance they become radioactive. That radioactivity is because the stability of the nucleus is reduced. If you take P-32, for example, you would take a more normal phosphorus atom, you would inject an extra neutron in there, that extra neutron makes it is less stable, and, according to a statistical law, the total number of phosphorus atoms that you have in that group of radioactive atoms, they decay with a half-life that is well known.

Senator LEYONHJELM: What injects the additional neutron into the atom?

Dr Paterson: There are two ways to do it. One way is to use a nuclear reactor, which in our case is a neutron factory. Within the reflector vessel of the reactor, large numbers of neutrons are produced.

Senator LEYONHJELM: So you bombard it?

Dr Paterson: They get captured by the atom in question and that results in this change. The other thing that one can do sometimes is introduce the neutron into another compound and then it decays in a way that it becomes something else. The interesting thing is the old philosopher's stone legend was can we turn lead into gold? That's in fact what we do with nuclear science and technology—we turn one element into another—thereby answering the question it cannot be done with chemistry, only with physics.

Senator LEYONHJELM: I got a little leaked supply, if you're short. Was this technology to make phosphorus radioactive? Is it done elsewhere in the world? Did you develop the technique and who are you competing with?

Dr Paterson: P-32 has been around a long time. As I say, it was used very extensively in the understanding of DNA and how DNA worked in the early days, because what you would do was feed phosphorus into an organism, and it would incorporate it into the DNA and then you could use the radioactivity in the DNA to find out where the DNA was and how it worked. Many research reactors over the years have made P-32. But what you want to be able to do in this particular case is to make the P-32 in combination with the device that is going to go into the body in a way that optimises the production of the P-32 and doesn't damage the device, and that's the particular advantage that the OPAL reactor has. Many people can make P-32, but can you make cool P-32, which is the differentiator that we have in the reactor thereby having the most utility in the device.

Senator LEYONHJELM: Alright. I don't think I will understand it if I push it any further.

Dr Paterson: I won't try to explain it further then.

CHAIR: I think that's all the questions that senators have. Thank you very much to ANSTO. Can I just say, Dr Paterson, that your knowledge is just extraordinary. The work you do is fascinating and your enthusiasm is contagious. Thank you very much for appearing at estimates. It is always a pleasure.

Dr Paterson: Thank you, I will take the message back to the team.

Senator McALLISTER: Minister, I have a question in fact for you. In relation to remarks made by the Prime Minister in the House just now in relation to—

CHAIR: Is that relevant to this committee, Senator McAllister?

Senator McALLISTER: It is relevant to the minister in her role as minister.

Senator BUSHBY: This isn't question time in the Senate. This is a committee of estimates to look at the portfolio.

CHAIR: We have very limited time and are already running behind.

Senator McALLISTER: I don't actually think this will take long to sort out, Chair, and I think it is probably in the minister's interest to address this now.

CHAIR: I don't think I can rule on this one, Senator McAllister, without knowing in advance, so perhaps you and I could go outside and have a private meeting and we could discuss it then.

Proceedings suspended from 14:53 to 15:04

Anti-Dumping Commission

CHAIR: The committee will now reconvene, and we have before us the Anti-Dumping Commission. Senator Carr, do you want to kick off the questions?

Senator KIM CARR: Commissioner, good afternoon. You have been reappointed as the commissioner, have you?

Mr Seymour: Yes.

Senator KIM CARR: Congratulations. How long is your term?

Mr Seymour: Three years.

Senator KIM CARR: That's very good, very good indeed. I look forward to working with you. You obviously enjoy the job?

Mr Seymour: Yes, I do.

Senator KIM CARR: How would you rate the performance of the commission?

Mr Seymour: The commission celebrates its fifth birthday on 1 July. It was a greenfield sort of project, I guess. We set it up out of the customs department in Melbourne, relocating the capability from Canberra to Melbourne. It happened at a time—as I may have said previously—when there was a perfect storm for a need to build a new and more strengthened capability. It was a time when demand for trade remedy services went up exponentially. So, it was certainly an interesting first few years to manage capability-building internally, given the complexity of the task, and at the same time manage the number of cases that came through the door. As I think I've said previously, the antidumping system in Australia is wholly demand driven. It's a reflection of the pressure that Australian domestic manufacturers face and their belief that they may have been materially injured through dumping that motivates them to make application to me for investigations, and then for final decision by the minister.

Senator KIM CARR: You've had a look at the steel report the Senate has done, I take it. The recommendations, particularly 20 to 28, call for specific actions in regard to the commission's work. Have you had a chance to assess those?

Mr Seymour: The government has made its response to the steel report, and that's captured, essentially, the needs of the antidumping system.

Senator KIM CARR: You have nothing to add to those?

Mr Seymour: No, not at this stage.

Senator KIM CARR: Question No. 131 points to the number of matters. You mentioned the demand driven system that you're now responding to. The Anti-Dumping Commission has increased the number of investigations from 65 to 92. What's caused that increase in demand?

Mr Seymour: That's a good question. The prevailing view from industry is that the pressure—it's probably a lag indicator—from a relatively high Australian dollar for some time led to export competition pressure, essentially. That's meant that they've been less competitive. But I think the main issue remains the oversupply of certain steel products from China.

Senator KIM CARR: Yes, it's a global supply question. Do you think your budget is adequate to cover the increased workload?

Mr Seymour: I think that, with the way the scheme has been designed and implemented, I have the ability to meet all of my statutory obligations within a reasonable time period. As I've said previously to this committee, for those more complex cases I take longer time than the statutory requirement of 155 calendar days, for the simple reason that they are very complex. I'm on the record as saying that I doubt that really complex matters can be done adequately in 155 calendar days. Additionally, I went through a major transformation exercise inside the commission—I call it a business model review—where we wholly transformed the way we undertake our investigations. We received good support from the government through the department for some supplementary funding to assist us in that regard. We're now, I would think, recognised as a better practice trade remedy investigating authority globally.

Senator KIM CARR: How much was the extra funding?

Mr Seymour: It was two financial years ago and it was about a million dollars all up.

Senator KIM CARR: Right, I see. That was two-year funding. I thought it might have been additional.

Mr Seymour: Yes, that's right. That's been reflected in the question I answered last time.

Senator KIM CARR: The trade remedy forum members were told in December that the next trade forum meeting will be held in May. Is that still the case?

Mr Seymour: That's definitely my intention as the presiding officer, yes.

Senator KIM CARR: What is the percentage of the circumvention measures that now relate to steel and aluminium?

Mr Seymour: Circumvention?

Senator KIM CARR: Yes. Last time around you told us it was 64 per cent for steel and nine per cent for aluminium.

Mr Seymour: That was for all matters. That wasn't just circumvention.

Senator KIM CARR: I see.

Mr Seymour: Circumvention is just one aspect of the casework that we do.

Senator KIM CARR: What is it, then, in regard to circumvention for steel and aluminium?

Mr Seymour: It's very high. We've completed eight and we have two on foot at the moment. The vast majority of them are steel or aluminium related.

Senator KIM CARR: Can you give me a number?

Mr Seymour: I think it's about eight—eight out of 10.

Senator KIM CARR: Eight out of 10—80 per cent?

Mr Seymour: Yes.

Senator KIM CARR: All right. The Prime Minister's visit to the United States recently in regard to the proposed tariff arrangements that the US government is examining—has there been any response from the United States on those matters?

Mr Seymour: This is a matter that's not within my area of responsibility.

Senator KIM CARR: No, but I want to go to the question of what the consequences are for you.

Mr Seymour: Sure. I just wanted to make the statement that I'm not responsible for representing Australia's interest in that forum.

Senator KIM CARR: Has there been any response that has an effect in terms of your work?

Mr Seymour: My understanding, and I think it's on the public record, is that the President has until the middle of April to make a decision as to what type of remedy he wishes to apply, both in steel and in aluminium, on recommendations from the Secretary of Commerce.

Senator KIM CARR: Yes.

Mr Seymour: There are a variety of scenarios that are in the report. Certainly, the view domestically from Australian steelmakers and aluminium manufacturers is that any material change to tariff or quota arrangements into the US for those products will pose a risk for other markets, of which we will certainly be one.

Senator KIM CARR: So there will be a knock-on effect?

Mr Seymour: The knock-on effect would be that you could expect to see some increase in volumes of those goods into other markets, but I'd be speculating in terms of how much that might mean.

Senator KIM CARR: Right. You don't have any update on the figures that you've already given us?

Mr Seymour: Figures on?

Senator KIM CARR: In terms of the questions in regard to steel and aluminium—19 measures were from China, eight from Korea, six from Taiwan and six from Malaysia.

Mr Seymour: Yes, thank you. You're referring to the overall number of measures by country. There are four major markets that trade steel into Australia currently: China, Korea, Taiwan and Thailand. I would expect that they would continue to trade into Australia. There are 22 measures in relation to OneSteel and 17 in relation to BlueScope, currently. The vast majority of those—I think it's about 34 per cent—relate to Chinese sales into Australia. It's a globally traded commodity and, on the basis that there is still overcapacity in the world steel market, you would expect to see that if one market—a large market like the US—takes a stronger stand through a tariff or quota regime, then some of that would find its way into other markets, including Australia. And I don't want to speculate on the amount, because I simply don't know.

Senator KIM CARR: I've got a series of questions I'd like to put on notice regarding section 232 actions following the measures in the United States. I particularly go to the question of industry stakeholder correspondence with you—information from either DFAT or the department of industry in regard to those investigations. I will put those on notice, if I could.

Mr Seymour: Right.

Senator KIM CARR: On 9 February, the assistant minister, Zed Seselja, delayed a review decision on the dumping of paper from Brazil, China, Indonesia and Thailand, citing special circumstances. Is that correct?

Mr Seymour: That's correct.

Senator KIM CARR: Are you able to provide a breakdown of the number of decisions by type that have been delayed by the minister—by various ministers, of course, in the portfolio—over the last 12 months?

Mr Seymour: I don't have that information.

Senator KIM CARR: That would be on notice.

Mr Seymour: I'll take it on notice, thank you.

Senator KIM CARR: And a breakdown by country.

Mr Seymour: Sure.

Senator KIM CARR: Thank you. I put those on notice. That concludes my questions for the Anti-Dumping Commission.

CHAIR: Thank you, Senator Carr. I think that other senators still have questions, but I have put a hard marker in for the tea break at 3.15, so the committee will now suspend and resume at 3.30 pm with the Anti-Dumping Commission. Thank you.

Proceedings suspended from 15:14 to 15:30

Senator LEYONHJELM: Following up on some of the points Senator Carr was making earlier, there has been some media in recent times in relation to the increased number of determinations by you, particularly in relation to steel. I'm not entirely familiar with the process, but has the government responded to your determinations in relation to steel?

Mr Seymour: Thank you for the question. The process provided for in the scheme and the legislation is that if I'm satisfied that there is a prima facie case to be pursued, I initiate certain statutory powers of my own, which I deploy, if you like, through the course of the investigation, including putting provisional measures on certain goods if I'm satisfied the threshold for that has been met, and then, through a very open and transparent process with all parties concerned, including governments, undertake a full and comprehensive investigation. When I've concluded that investigation and I'm satisfied there is a case, I recommend measures to the minister. In the time that I've been in the role, which is now four years and seven months, I can't think of a case that I've recommended that hasn't been adopted by the government—which isn't to say that case then stands, because as part of our very balanced, fair, independent and robust system, there is a strong element of merit review, so a party that receives a measure is able to have that matter reviewed by an independent panel of experts who then look at my work and either affirm it or, given the complexity, particularly of the arithmetic involved in calculating dumping or countervailing margins, might recommend an alteration to the rate, which is a very common aspect of the system globally. In those cases the minister receives a recommendation by that panel member and then makes a new decision, essentially varying the first decision. The process I've outlined is why I'm able to say we in Australia have a confident trade remedy investigating authority and system, because we have put a great emphasis, through that reform process I spoke of earlier, on ensuring we are absolutely evidence-led, independently-driven and apply the law as it's provided for, mainly in the Customs Act part XVB, to the facts. On that basis alone the recommendations are made to the minister.

Senator LEYONHJELM: Has the minister accepted your recommendations or determinations in relation to steel?

Mr Seymour: Yes. As I think I said in earlier hearings, steel makes up the vast majority of our work. That's a reflection of the earlier comment I made about the very significant overcapacity in the global steel market. That's simply a function of that overcapacity, so you'd expect domestic steelmakers to come under some pressure as a result of dumping of steel products in the Australian market from other markets.

Senator LEYONHJELM: As a result of that, are you aware of price rises in steel?

Mr Seymour: There are many reasons why retail prices rise in the Australian market. The scheme I administer is interested only in remedying the injury experienced by the Australian domestic steelmaker as a result of the dumping of those goods from other markets. How they then use that to best effect in a competitive sense domestically is a matter for them. The test around injury is very interesting, though, because it involves an assessment of price and volume in the domestic market. That's where we are able to take a view that we believe the dumping of those goods has caused material injury to the domestic player.

Senator LEYONHJELM: I understand how the process works. You are looking at injury to the complainant, the competitor to the imported products. I'm interested in whether you are aware of the effect the minister's acceptance of your determination has on the overall price of steel and, as a consequence of that, on the purchasers of steel building products.

Mr Seymour: There are many effects in the market. One of them is a flow-on effect from a trade remedy decision. The remedying of the injury will put the domestic player in a better position than when they were experiencing the injury, and that would be best reflected in either price or volume. Along with other demand-

driven aspects in the domestic steel market, it's also the case that the Australian steelmakers—this is very much on the public record—have gone through significant reform themselves over the last few years. BlueScope is probably a good example, stripping out significant costs from their operation at Port Kembla and returning them to a very competitive position in the marketplace. I think trade remedy has contributed to a level playing field for BlueScope in the domestic market.

Senator LEYONHJELM: I understand where you're coming from. I have some familiarity with the process. I'm interested in whether or not you as commissioner pay any heed to the consequences of adoption of your determinations. That includes the effect on price and on the import costs of the customers of those products. In other words: have steel prices risen and have the building companies that buy steel products had anything to say about the effect on them?

Mr Seymour: The scheme doesn't provide me with any obligations other than through reviews of measures. These measures are in place for up to five years, and so parties are able to seek a review of their particular rate, typically after 12 months. To the extent that we then go and review the dumping behaviour, if you like, we get to look again at what's going on in the marketplace, but in the broader sense—which is why I said earlier I'm less interested in the retail implications for the supply chain, for the simple reason that the scheme doesn't provide me with any post-decision interest in that area—only to the extent that the test of injury includes price suppression. To the extent that there is price suppression or depression in the domestic market through the dumping of goods, you could expect to see some changes in prices domestically as a result of the remedy, but it's contained into that small test only, not into the broader economy. There's no test in that regard in the legislation.

Senator LEYONHJELM: I'm trying to establish your remit, if you like. There are two potential victims. One is the domestic manufacturer who's competing with 'dumped', for want of a better word, imports. Then there are the consumers of those products, whether manufactured locally or imported, who, if anti-dumping measures are applied, will pay higher prices than otherwise. I'm trying to understand which of those you take into account, if not both. I hear what you are saying about the level playing field. That is looking at it from the point of view of the local supplier. I take it you have nothing in your remit which looks at the other victim, which is the person or consumer who pays a higher price.

Mr Seymour: It's a very interesting area, but it's not inside my remit in the legislation. My last comment would simply be that the domestic legislation reflects international treaty obligations at the World Trade Organization, specifically the Anti-Dumping Agreement.

Senator LEYONHJELM: I'm aware of that.

Senator McALLISTER: Minister, is it the case that you have unreservedly withdrawn the comments you made yesterday in relation to staff working for Mr Shorten?

CHAIR: Is this question relevant to either activities or expenditure of the portfolio, and specifically to the Anti-Dumping Commission?

Senator McALLISTER: I've asked my question.

Senator Cash: I'm happy to answer it. If you review the *Hansard* from yesterday, you will see that yes, I withdrew those comments.

Senator McALLISTER: I saw that you withdrew them, but it seemed to me that you withdrew them conditionally. You said:

If anyone has been offended by my remarks, I withdraw them.

I'm interested to understand whether you have—

Senator IAN MACDONALD: Chair, can I raise a point of order.

CHAIR: A point of order has been raised.

Senator IAN MACDONALD: Notwithstanding that the minister is happy to do this—and that is good of the minister; clearly she has nothing to hide—I have a lot of questions about this portfolio and about anti-dumping, and don't want to waste my time in this portfolio talking about things that happened in another committee on another day about a matter that has absolutely nothing to do with this department. I object to the minister's answering the question. I object to the question being asked.

Senator McALLISTER: On the same point of order: I note the senator's concerns about time. I don't think this will take long, but it goes to questions that are relevant to the minister in all of her ministerial roles, and I'd like to hear her answer to the question.

CHAIR: Would the question be more relevant when we discuss the cross-portfolio, were it phrased appropriately?

Senator IAN MACDONALD: It has nothing to do with the portfolio of Industry, Innovation and Science. If Senator McAllister can indicate how it is related to Industry, Innovation and Science, I would be happy to change my mind. It's clearly a political fishing expedition, and I have serious questions to ask.

CHAIR: Senator McAllister, could you explain to the committee how it is related to the specific portfolio.

Senator McALLISTER: The minister is required, as are all ministers, to act with integrity and to uphold confidence in the office. This discussion goes to that issue and her performance as a minister in general. She's indicated she's willing to answer the question. I don't see why we would not allow her to do so.

CHAIR: I understand that, and I haven't ruled the question out of order just yet, but I remind Senator McAllister that the opposition hasn't showered itself in glory this week. You won't be getting vertigo from the moral high ground after Senator Carr's comments today to my colleague, Senator Paterson, calling him a Nazi, so I think we should tread very lightly here.

Senator KIM CARR: If you check the record, that is not correct. This question goes to the portfolio responsibilities of the minister. Senator McAllister is entitled to seek that the question be answered. That is what she has sought to do.

Senator IAN MACDONALD: I know the minister can answer it; I know she perhaps wants to—she has nothing to hide; that is very clear—but I want to ask questions on the Industry, Innovation and Science portfolio and don't want to waste my time and the committee's time on something that has absolutely nothing to do with this portfolio. The minister is a representative minister, so even that tenuous link is not sustainable. I ask that we continue with anti-dumping questions.

CHAIR: On the point of order: the minister has said she would be happy to answer the question. We should do her the courtesy of allowing an opportunity to do so. Senator McAllister, I suggest you tread lightly here and keep your question within the remit of the portfolio.

Senator McALLISTER: Minister, I asked whether you had withdrawn those remarks unreservedly.

Senator Cash: You asked whether I had withdrawn the remarks, and I said the *Hansard* will reflect that I withdrew the comments yesterday in the Senate estimates.

Senator McALLISTER: I think the *Hansard* will reflect that I asked if you had withdrawn them unreservedly. May I ask you this now.

Senator IAN MACDONALD: This is question time, not arguing time.

Senator McALLISTER: It's not question time, actually.

Senator Cash: Can I clarify, though. The comments were made—and may I suggest people have a look at the actual transcript—in response to highly inappropriate questions from Senator Doug Cameron. I withdrew the comments yesterday and I'm more than happy to withdraw them unreservedly. In fact, I was the one who stated that staff should not be named in Senate estimate hearings, despite the fact that, hearing after hearing, Senator Cameron is very happy to name my staff and make insinuations against them. So, whilst, yes, I am more than happy to withdraw the comments unreservedly, may I suggest people have a very, very good look at the *Hansard* transcript. Senator Doug Cameron is nothing more and nothing less than a bully, and that was on display yesterday.

CHAIR: Thank you, Minister.

Senator McALLISTER: I have a point of order, Madam Chair. The standing orders do ask members and senators to refrain from reflecting on the motivations and actions of other senators. I ask Senator Cash to consider whether she would withdraw her comments about Senator Cameron being a bully.

Senator IAN MACDONALD: On the point of order, that is a statement of fact.

Senator Cash: Senator Cameron's actions stand for themselves and I will not be lectured to by Senator Cameron. He actually should withdraw the insinuations he made about my staff, which are clearly on the *Hansard* record. But, as I said, I withdrew the comments yesterday and I will withdraw them unreservedly.

Senator McALLISTER: Thank you, Minister.

CHAIR: Senator Macdonald has some questions for the Anti-Dumping Commission.

Senator IAN MACDONALD: How many actions are live within your section at any one time? For that, perhaps now is the time that we could pick.

Mr Seymour: In the calendar year 2017, we completed 125 cases. This is a significant workload and it's up from the completion of 88 cases in 2016. This reflects, as I said earlier, continued strong demand for remedy to the injurious effects of dumping and subsidisation from products entering the market from overseas. The Anti-Dumping Commission is basically tailor-made and purpose-built to respond to those demand driven circumstances.

Senator IAN MACDONALD: Just as an aside, what staff have you got in your section and what are they? Are they lawyers, trade experts, accountants or police investigators, perhaps? How many are there and what are they?

Mr Seymour: I'd always start by saying they're wonderful. They truly are. They work very hard and I have nothing but the utmost respect for all of them.

Senator IAN MACDONALD: I say that about my staff. I know the minister says that often about her staff too.

Mr Seymour: We have 74 point something full-time equivalent staff members. I don't know what the 'point' is—I can never work that bit out; that's obviously for others to work out. We also currently have 12 contractors. Between those two groups, we have a mix of accountants, including CPAs and chartered accountants, trade lawyers, economists, policy and regulatory experts, and a range of public servants whom you would describe as experts in corporate management. So the challenge has always been to meld those competencies together, using an investigative doctrine that has as its centrepiece the notion of full collaboration around the highly technical aspects of the legislation—and it is extremely technical, and I think we've discussed this in the past many times. It is a significant challenge for my staff to build real knowledge and expertise in the area. It's very, very important for me that they are properly supported to do that because, as I said earlier, this system is subject to merits review. Something like 75 per cent of all of our work goes to merits review through the Anti-Dumping Review Panel, and it's also subject to quite regular judicial review through the Federal Court. We're often arguing our case in the Federal Court. Between those two review mechanisms, the emphasis with my staff is on the highest possible quality of outcome based on the facts. A lot of effort goes into ensuring that we gather the facts properly. We have a bit of a rule that we're not interested in adjectives, we're only interested in the facts. We're not interested in how they're spun, we just want to know what they are, and then we apply the law to the facts.

Senator IAN MACDONALD: You'd never make a politician then.

Mr Seymour: That's right.

Senator IAN MACDONALD: You're dealing with facts. Does your staff, at times clandestinely, travel in other countries to gather evidence?

Mr Seymour: Yes. That's a key feature of our work. I'd correct one comment: we don't do it in any covert way. It's very open and very transparent. We pay full respect to the government of the country that we're visiting. We have very strong, I guess you'd call them, information disclosure obligations as a member of the World Trade Organization to act extremely transparently in that regard. We get very good cooperation from governments when we do travel. My team was just mentioning earlier that we do something like 85 per cent by volume of goods subject to a verification visit in market, which basically means that a lot of my officers get on the plane and go to Asian markets and other markets on a very regular basis to investigate and to verify the data put forward by the exporter to establish whether the dumping has occurred and whether the dumping has caused injury. It's an extremely forensic exercise, but it is done very openly and very transparently and it's done on a very disciplined basis.

Senator IAN MACDONALD: I must have a very long conversation with you one day, but we're running out of time today. I think you might have mentioned this, but, of the cases that have been closed in the last year, 100 and—

Mr Seymour: 125.

Senator IAN MACDONALD: How many of them ended up in anti-dumping penalties or in action being taken positively? How many were dismissed as unsustainable claims?

Mr Seymour: That's an extremely good question, because people have very different views about the impact. I asked that question of my keeper of statistics the other day. It's currently running at 55 per cent positive, 45 per cent negative, which is pretty interesting. These are done purely on the law to the facts. If the facts don't support me recommending to the minister a measure, I don't recommend the measure and I will terminate the case. The 55 to 45 is an interesting split.

Senator LEYONHJELM: What is your definition of 'positive'?

Mr Seymour: Where a measure is imposed.

Senator LEYONHJELM: I see. I'd probably put it the other way.

Mr Seymour: Yes. And this changes it. It's demand driven, so, very recently, I terminated cases on wind towers from Vietnam. A couple of years ago former Senator Xenophon would smile and question me regularly on solar panels from China. That was terminated. There was dumping but there was no injury caused by the dumping, so I terminated the investigation. In other words, it is literally the law to the facts that determines the outcome.

Senator IAN MACDONALD: Thank you, Mr Seymour. Keep up the good work.

CHAIR: That was fascinating. Thank you to the Anti-Dumping Commission. We'll let you go. Sorry to hold you up today. I now call on officers of CSIRO.

Commonwealth Scientific and Industrial Research Organisation

[15:54]

CHAIR: Good afternoon to the officers of CSIRO. Good afternoon, Dr Marshall. Have you got an opening statement for us?

Dr Marshall: No, thank you.

CHAIR: We might kick-off questions with Senator Carr.

Senator KIM CARR: We're short of time today. I've prepared quite a considerable amount of material, as usual, but we're just not going to get time to deal with it in the way we normally would, so I advise you that there'll be material put on notice. But perhaps I could begin by asking Mr Roy if it's the case that you will be leaving shortly?

Mr Roy: After 15 years with CSIRO, I will be leaving in the middle of the year.

Senator KIM CARR: I'm sorry to hear that. What are the circumstances of your departure?

Mr Roy: It's just that I joined CSIRO with probably a three- to six-year horizon. A lot of people, like me, who join fall in love with the place, and I think the time is right now to move on to other challenges.

Senator KIM CARR: Dr Marshall, is there a broader management restructure underway, or is it just a one-off change that we're looking at?

Dr Marshall: If I could have your indulgence, I'd just like to acknowledge Craig's outstanding service to the organisation over the past 15 years. And because of those contributions to CSIRO—

Senator KIM CARR: You have seen a lot of changes in that time.

Dr Marshall: He's also made outstanding contributions to this nation and I would like to thank him publicly for everything that he's done. It's with a sense of sadness, but also, I guess, one of excitement that I look forward to seeing what Craig goes on to do next. I'm sure he will be as successful there as he's been in CSIRO.

Senator KIM CARR: We wish him well. So is there a broader management restructure underway?

Dr Marshall: There are some new positions that we're creating.

Senator KIM CARR: What is the nature of the new positions that are being created? This was an open invitation for you to name what the restructure is.

Dr Marshall: Sure, thank you. We're creating four new positions. One is called 'People', which will be responsible for taking care of our people. There'll be a position called 'Growth', which will be responsible for the growth of our impact, the growth of our science and the growth of our capabilities. There'll be a chief scientist role, to ensure that the voice of every CSIRO scientist is present at the executive team during every meeting. And we'll bring the CEO of Data61 onto the executive team to reflect the importance of data and digital technology and the fact that it is transforming, literally, every part of our economy and every part of CSIRO.

Senator KIM CARR: A chief scientist role within the CSIRO? Is that what you said?

Dr Marshall: Yes.

Senator KIM CARR: How do you determine the chief scientist within the CSIRO?

Dr Marshall: We're going through a recruiting process at the moment.

Senator KIM CARR: I would have thought you had 6,000 chief scientists!

Dr Marshall: We have many outstanding scientists. I felt that it was good to have someone whose role was really to be the voice of science at the executive team, as opposed to being attached to a particular part of the organisation. To represent the whole—

Senator KIM CARR: What has the response been from the rest of the staff to this innovation?

Dr Marshall: A lot of interest in all the roles, but probably most particularly the chief scientist role.

Senator KIM CARR: I bet there is. So, it's been out for consultation, has it?

Dr Marshall: Yes.

Senator KIM CARR: I see. Perhaps you can enlighten the committee on how staff have responded?

Dr Marshall: I think it's generally positively.

Senator KIM CARR: I see. Well, we'll come back to that, no doubt. There's been a public announcement to this effect, has there?

Dr Marshall: There's been an all-staff email to communicate with staff and then ongoing conversations throughout the organisation.

Senator KIM CARR: I see. You're reducing a few positions in the organisation—is that part of this restructure as well?

Dr Marshall: We're creating some new positions, but the changes haven't been implemented yet so it's probably premature to say what the outcomes will be.

Senator KIM CARR: So how many jobs in the manufacturing division are being reduced?

Dr Marshall: Sorry, Senator, that's not part of this.

Senator KIM CARR: It's not part of that?

Dr Marshall: No.

Senator KIM CARR: I see. That's a different exercise, is it?

Dr Marshall: Yes, it's the exercise we briefed you on last year.

Senator KIM CARR: I know you have briefed me on this. I'm not suggesting you haven't. I'm just trying to understand if there are any linkages between the creation of these new executive positions and the reduction of staff in other parts of the organisation.

Dr Marshall: None that I'm aware of.

Senator KIM CARR: So one is not paying for the other?

Dr Marshall: No, Senator.

Senator KIM CARR: And is there any connection here with external revenue for these positions?

Dr Marshall: The new positions?

Senator KIM CARR: Yes.

Dr Marshall: Not really, no.

Senator KIM CARR: So these positions are exempt from the normal external revenue targets?

Dr Marshall: We've had this conversation before.

Senator KIM CARR: We have, and we'll continue to have it, I have got no doubt. But I'm just wondering if you've discovered a way in which you can exempt external revenue targets for the executive.

Dr Marshall: Like all organisations, CSIRO have a budget and we have to operate within our budget. CSIRO's budget is particularly complex because we have almost \$500 million of external revenue in addition to the \$749 million roughly that we get in appropriation from the federal government, so it's quite complex to balance the external, which of course is uncertain and subject to market forces. But we've had this conversation before.

Senator KIM CARR: We have. I need an update on the staffing disposition, if you wouldn't mind—you can take that on notice—particularly the effect in Victoria. I'm interested in the number of positions at Waurin Ponds and at Clayton that will be affected by these changes. What do you expect to be the headcount in manufacturing at the end of the process?

Mr Roy: Do you want us to pick up any of these now or do you want to place them on notice?

Senator KIM CARR: Have you got them there?

Mr Roy: We have some. Because we're partway through the process with manufacturing—

Senator KIM CARR: I see. You want to take that on notice, do you?

Mr Roy: I can say that the change in staff in manufacturing has come back a little bit from when we briefed you. It's approximately 30 staff members that we're looking at at the moment and we're still in the process of rolling that out.

Senator KIM CARR: All right. Why don't you take that on notice, and I'll get the accurate figures?

Mr Roy: We will.

Senator KIM CARR: Thank you. How is the deep space communication complex at Tidbinbilla funded?

Dr Marshall: The project is running very well. In fact, we launched dish 36 last year to support NASA's Mars mission. It's a remarkable facility and a credit to Australia and our position in space.

Senator KIM CARR: It is a remarkable facility, I agree with you. There's no question. I don't think anyone would argue the toss about that. How is the project funded?

Dr Marshall: CDSCC is primarily funded from NASA.

Senator KIM CARR: Is it funded on a year-to-year basis or is there a long-term contract now?

Dr Marshall: My understanding is that there is a long-term contract.

Mr Roy: It sits under the umbrella of a treaty between the two countries. Inside that CSIRO and NASA have an agreement, which is generally a five-year agreement.

Senator KIM CARR: How old is the facility?

Mr Roy: It continues to be upgraded, but I can't answer as to when it was first established. Maybe someone can help us with that.

Senator KIM CARR: Does anyone know?

Mr Roy: Not here. We may be able to get to it through the hearing.

Senator KIM CARR: It has been there for a while, hasn't it?

Mr Roy: It has.

Senator KIM CARR: It was built as part of the moon facilities or before the moon facilities, wasn't it?

Mr Roy: Certainly we participated in bringing some of the original lunar pictures back.

Senator KIM CARR: The Apollo program?

Mr Roy: Yes.

Senator KIM CARR: I wonder what its value is for NASA.

Dr Marshall: It's a unique facility. There is no other facility like it in the Southern Hemisphere.

Senator KIM CARR: There is none?

Dr Marshall: There is one in the Northern Hemisphere as well.

Senator KIM CARR: How many staff are employed at the facility?

Mr Roy: Between 80 and 90. I can get you the exact number, if you have an interest, but it's that sort of number.

Senator KIM CARR: What sort of work do they undertake?

Mr Roy: Right through from sitting in the operations centre controlling the various things that they control to engineering, support staff and managing the relationship with NASA.

Senator KIM CARR: There's been an outstanding enterprise agreement dispute there, hasn't there?

Mr Roy: We are in the late stages of a negotiation of an EA; that's correct.

Senator KIM CARR: The late stages?

Mr Roy: Late stages, as in close to take it to a vote. There are 179 clauses in the agreement. We've agreed to about 85 per cent of those, so 153 are agreed. We have 11 not agreed, and 15 with the various parties are still being considered with counterproposals having been put to each of them. We believe we're reaching the end of the natural point where it's appropriate to take steps to put that to staff.

Senator KIM CARR: I'm particularly concerned about the suggestion that there have been staff brought into Tidbinbilla to operate the complex. Is there any truth to that suggestion?

Mr Roy: In what regard?

Senator KIM CARR: Strike breakers—people have been brought in to actually—

Mr Roy: That's not something I'm aware of.

Senator KIM CARR: You're not aware?

Mr Roy: In terms of bringing them into the facility, I'd have to check.

Dr Marshall: Perhaps I can help a little : people from JPL in the US came out recently to see how—

Mr Roy: Jet Propulsion Laboratory.

Senator KIM CARR: Where are they from?

Dr Marshall: They're from NASA—NASA, effectively, has a delivery arm, one of which is JPL, and the other is Goddard. The JPL team came out, because the Tidbinbilla team had managed to do something that no-one in the world had ever managed to do and JPL wanted to understand how they did it. The big dish down there is enormously heavy. They had to replace the friction pads that the dish runs on. Normally, you have to remove the dish to do that, but they figured out how to do it in situ, which is seemingly an impossible and remarkable achievement. JPL wanted to understand how this was possible so that they could learn. I want to give a shout-out to the unique team and their engineering capability.

Senator KIM CARR: You're saying that the purpose of those people who came in from the United States was to find out how we did things?

Dr Marshall: Under the treaty, JPL and NASA staff often come to the site to work with the team. They often bring new technology, new capability. In this case, the Tidbinbilla team was able to teach the JPL staff something, which was a nice change.

Senator KIM CARR: So it was a routine visit, was it?

Dr Marshall: The visit I'm talking about certainly was.

Senator KIM CARR: Dr Marshall, were there people brought onto the site to try and bust the bans that the union had put on?

Dr Marshall: I'm not aware of a union ban.

Senator KIM CARR: You're not aware of any bans at the site?

Mr Roy: There are some bans.

Senator KIM CARR: Mr Roy, can you help me with this?

Mr Roy: There have been a small series of one-hour bans of work and an overtime ban.

Senator KIM CARR: This is by ETU members?

Mr Roy: There are three unions out there that are covered under the agreement.

Senator KIM CARR: Who imposed the bans?

Mr Roy: My understanding is each of the unions—I'm not negotiating this one personally, so I don't have as much information.

Senator KIM CARR: Do you have anyone here who can help me with this?

Mr Roy: We can either take it on notice or see if we can get some answers.

Senator KIM CARR: I want to know whether or not CSIRO has been engaged in strike-breaking activity.

Mr Roy: I have been handed a note saying quite definitively that no-one has come in to do standard work not being done under a ban. It appears that that's the case. That's the evidence we've got today.

Senator KIM CARR: That's the evidence you're putting to the committee?

Mr Roy: That's the evidence we've got today.

Senator KIM CARR: And you're putting a proposition forward for balloting. Is that with the support of the other negotiating partners in this?

Mr Roy: We haven't got to that stage yet. I believe the last negotiation meeting was either this morning or yesterday, so this is still very live. I haven't had the feedback from those negotiations yet.

Senator KIM CARR: The sticking points—you said that 11 items were not agreed to. Can you indicate what those 11 items are?

Mr Roy: I can. Pay is one of them—I can lead off with that one straightaway.

Senator KIM CARR: How many items relate to pay?

Mr Roy: There's one around the maintenance of the status quo in terms of some of the commitments by the various parties. There's an occupational health and safety clause that we're yet to agree on. I don't have the substance of the clauses; I have the main themes of the clauses. There hasn't yet been agreement on the exact

wording of the consultation provision that sits in the agreement, so you get the flavour of what's in there. I dare say that, like a lot of these—you've been involved in a lot; I've been involved in a lot—it will come down to the pay equation at the end of the negotiation.

Senator KIM CARR: Is CSIRO bound by the federal government's wages policy?

Mr Roy: For a long period of time we have been covered by the policy of the government of the day around that, and our offer to staff is consistent with that.

Senator KIM CARR: And that includes the maintenance people at Tidbinbilla?

Mr Roy: The CSIRO employees at Tidbinbilla are included.

Senator KIM CARR: Is that the nub of the problem?

Mr Roy: It's one of the issues. There are some other smaller ones we're working through—I shouldn't have said 'smaller ones'. There are others we are working through, but I think the significant one will be the pay issue at the end.

Senator KIM CARR: That's 2.8 per cent, is that right?

Mr Roy: Our offer to staff is two per cent annualised over three years, front ended with three per cent on signing and two per cent after 12 months.

Senator KIM CARR: What's the difference? What's the argument about, then?

Mr Roy: The current proposal from the unions, notwithstanding anything that might have happened this morning in negotiations, was six per cent over two years rather than over three years.

Senator KIM CARR: Is it the situation that this is not a CPSU site or a CPSU Staff Association site—there are other unions?

Mr Roy: There are other unions.

Senator KIM CARR: I understand there are. But that's not a usual feature of—

Mr Roy: That's not typical. Our normal negotiating party is the CPSU, through our staff association.

Senator KIM CARR: Would that account for the difficulties here, do you think? There is an unusual set of industrial relations partners.

Mr Roy: I'm not actually classifying them as difficulties; I'm saying these are normal parts of negotiation as part of an EBA. You get to an end. When you've got 100-plus clauses or 179 clauses, there will be some you agree on and some you disagree on.

Senator KIM CARR: Mr Roy, the dispute has been going on now for some time, has it not?

Mr Roy: The EBA lapsed in June 2017.

Senator KIM CARR: Are you surprised it's taken so long to resolve?

Mr Roy: I was going to give you a different answer, Senator, based on how long it's taken some of the others. We'd like to resolve them all as quickly as we possibly can. We've got two parties who appear to be negotiating in good spirit, and once that's concluded, the staff will then have the opportunity to vote on the package of offer to the staff at CDSCC. The other thing we're very conscious of is that we have over 5,000 other staff who have just signed up to an agreement of six per cent over three years. All of CSIRO operates in the same family, and we'd hate to undermine the offer we've just put on the table to the other 5,400 staff we have in the organisation on the basis of selecting one group as particularly special. Everyone in CSIRO is special.

Senator KIM CARR: What drew my attention to this is the media reports on it. I know the effort you've put in and that you have had, I think, reasonable levels of success on pay and conditions. This struck me as a little unusual—particularly the claims about the use of strike breakers.

Mr Roy: That wasn't a subject of my knowledge coming here. I've had a note dropped in front of me saying that knowledge is confirmed. That's the case.

Senator KIM CARR: Thank you very much, Mr Roy.

Senator IAN MACDONALD: Mr Roy and Chair, I will associate myself with Dr Marshall's comments on Mr Roy.

Mr Roy: Thank you.

Senator IAN MACDONALD: I have been around at estimates perhaps a little bit longer than you—

Mr Roy: Absolutely!

Senator IAN MACDONALD: I wish you all the best for the future, and thanks for what you've done. With these pay disputes that Senator Carr has been questioning you about, on behalf of those who might be associated with Senator Carr, you have a certain ceiling on what you can pay as wages; that's what you're given in the budget. So if anyone gets more than what you're offering, it means you've got to put someone else off to pay for that. Is that it, generally speaking?

Mr Roy: We need to follow an obligation stating that any increase is affordable within our budgets without any further consultation.

Senator IAN MACDONALD: But the end result is that if you did pay what's being sought by the unions, it would mean you'd have to save money from somewhere, and the easiest way is to put other staff off.

Mr Roy: The other point to make on this particular case is that we're 100 per cent funded by NASA. We have a funding envelope from NASA to support the centre, so they're all parts of considerations.

Senator IAN MACDONALD: Alright. I want to move on to something a lot more positive. Dr Marshall, it was good to see you up in Townsville at AIMS. The minister was there as well, along with the Prime Minister, to announce that fabulous \$60 million for more work on the reef. It's \$60 million over a series of years, and it's split up between, as I understand, CSIRO, AIMS, GBRMPA and the universities. Can you just tell me the differentiation?

Dr Marshall: Certainly, Senator. I will tell you a little bit, and then I'll let Peter Mayfield, our expert, give you more detail. It's a fantastic collaboration between a number of agencies. CSIRO and AIMS are jointly leading it. There are also a number of universities that you know well in that area. The reef is a very complex ecosystem. We know that part of it is affected by temperature rises in the water—bleaching. But we also know that it is affected by water quality—crown of thorns, sedimentary run-off, fertiliser and so on—and cyclones and storms. It is a very complex ecosystem. Australia has a fantastic record of making environmental interventions. That is because we study them really carefully and use the best science before we do anything. That is why this is such an important program to really scope out about what could be done before we come back to government with any sort of plan. I will let Dr Mayfield give you more detail.

Dr Mayfield: The announcement up in Townsville was a broad package. It was \$60 million. That was made up of \$10.4 million to look at COTS management, and that would be working through GBRMPA. There was \$36.6 million to look at the management of sediment and nutrient run-off, ultimately to improve water quality for the reef. There was \$4.9 million for extra field officers to monitor and assist with some of the programs. And then there was \$6 million in funding for the RRAP—the Reef Restoration and Adaptation Program. That is a program that is being done with AIMS, the CSIRO and five other partners—James Cook University, Queensland University of Technology, the University of Queensland, the Great Barrier Reef Foundation and also GBRMPA. That is a scoping design phase study looking at potential interventions to address impacts on the reef from changes in temperature. That will run for 18 months and it is currently in scope.

Senator IAN MACDONALD: I had the pleasure of having a much longer chat with the director of the Australian Institute of Marine Science. My understanding is that a lot of the research will be to genetically modify—my words—the reef so that it is resilient to what is happening in the world around it. We are not just wringing our hands and saying the reef is bleaching, woe is us and the world is dead—as a very vocal small section of Australian society are trying to portray to the world. The science you and others are doing is to work out how to let the reef be resilient to nature's differences.

Dr Marshall: It is not so much genetic engineering—

Senator IAN MACDONALD: I shouldn't use that term. I know that scientists get twitchy about that!

Dr Marshall: It is true to say that, when there is a cyclone or a bleaching event, coral is damaged. In the case of bleaching, basically the polyps leave. What we have measured over the last 40 years or so is that, in general, after a bleaching event there is a decline in coral cover and then there is regrowth—the same as happens after a cyclone. Sometimes, what grows back is different from what was there originally. On the southern and central portions of the reef, we have seen strong regrowth. On the very far northern portions, the regrowth has been less and slower. We presume that is because the temperature effects are higher closer to the equator. Clearly, some corals respond more favourably to bleaching, for example, than others. We want to understand why that is and whether it is possible to make interventions to encourage the growth of those corals and thereby make the reef more resilient.

Senator IAN MACDONALD: In very warm climates like the Red Sea or the Dead Sea—one or the other—there are corals that thrive in hot water. Again, that is my terminology and not quite the words you would use. I have often asked the question: why don't we transplant some of those Red Sea corals into the Barrier Reef if the

waters are getting warmer? Having said that, the last report was that the water is getting cooler, which makes that a little bit difficult. Is that the sort of thing you are looking at?

Dr Marshall: It is something we're looking at. Again, it is a scoping study to understand what is possible and to really get the science right. I emphasise what I said before. I lived in the US for 26 years. The US has a terrible track record of making environmental interventions. It is really hard. I am amazed at how successful the Australian interventions have been. I mean, remember how many flies there used to be before we introduced the dung beetle? There was the rabbit plague. There was the prickly pear, which was the first big project CSIRO worked on back in 1916. It is amazing to me that we have made at least five of these massive environmental interventions that have worked. Around the world, that is quite unique. So if anyone can do this I think it is Australia.

Senator IAN MACDONALD: It is one of the reasons why Australia has an enviable reputation in marine science—and congratulations to you.

Senator COLBECK: You have done the time series stuff over 40 years now. You have described the fluctuations in the condition of the reef. When water temperature rises you get a bleaching event or when there is a cyclone you will get a breaking event. To a certain extent, the reef has a life cycle. That belies the perception that it is a static environment. The reef varies over time, as most natural environments do: they are not static; they are alive, and they will vary according to season and time. How much of a sense of that cycle does that time series give us now? Forty years is a reasonable period of time but in some ecosystems it is not actually a long time. If you look at the carbon cycle of a forest, it might be 60 to 100 years. So where do we sit, and what level of confidence do we have in the time cycle?

Dr Marshall: I sit on the chairman's panel for the Great Barrier Reef Foundation. I will answer you to the best of my knowledge and then I will hand back to Dr Mayfield, who can give you more detail. In that long series of coverage measurement there is a gradual design in coverage, which we believe is caused by other factors such as the slow degradation of water quality. If you look at the data in the far north, it looks like the bleaching events are becoming more severe. I will let Dr Mayfield give you the details.

Senator COLBECK: The thing I am a little bit concerned about is the perception that the reef stays the same all the time. But there is a cycle to it and it is not a static environment such?

Dr Marshall: That is one of the challenges with any environmental intervention: simply leaving it alone can also be not the right thing to do.

Dr Mayfield: There are cycles of damage, regrowth and repair of the reef. In the most recent cycles there have been two very severe bleaching events, which, as we understand it, are unprecedented in the history.

Senator COLBECK: In our recorded history, I suppose you are saying.

Dr Mayfield: But some are recoverable. Depending on the extent of the damage, the length of time for recovery gets longer. Part of the program is looking at how we can assist that, how we can make that faster and, ultimately, make the reef more resilient.

Senator IAN MACDONALD: There was a much-publicised visit to the reef recently by Mr Shorten. Did any CSIRO personnel accompany Mr Shorten on the trip?

Dr Marshall: Which trip was this?

Senator IAN MACDONALD: The trip Mr Shorten made to the Great Barrier Reef with a very wealthy millionaire from Point Piper. It has been in the newspapers the last couple of days. No CSIRO employee went with them or was consulted while they were up there?

Dr Marshall: Not to my knowledge.

Senator IAN MACDONALD: The wealthy millionaire from Point Piper is something to do with the ACF.

Dr Marshall: I don't know anything about that.

Senator IAN MACDONALD: Could you take that on notice and check. He just changed his register of interests yesterday or the day before, but I think it happened about a month ago.

There are 64,000 jobs that depend on the reef. Coming from the reef area, I know that well. How does your involvement help secure that massive number of jobs that rely on all aspects of the reef for their employment?

Dr Marshall: There is a lot of excitement about bleaching and there have been some very sensational films shown. I think there is a risk that people overseas start to feel like the reef is a lost cause—and that is nowhere near true. We do need to take care of it—it is a unique asset for Australia—

Senator IAN MACDONALD: Yes. That's why we're putting \$60 million into it.

Dr Marshall: But if people start to think it is hopeless they will stop coming. We don't want that because tourism is a \$6 billion industry—and, beyond the science, that is one example of a way to significantly help that industry. A few years ago we did a program called eReefs. It is online. You can see the real-time effects of sedimentary run-off—where it goes and what it does. That awareness has made a big difference to people's understanding and land management practices, which has been a really strong improvement. So there are a lot of things we can do that are about sharing information from what we measure to, for example, make industry more aware and help them change some of their practices.

Senator COLBECK: Earlier you talked about run-off and seasonal conditions. Is there a website you can go to get a sense of how and where the effects take place?

Dr Marshall: The eReefs website. If you google eReefs you will come up with—

Dr Mayfield: There are a number of dashboards on that site, which show run-off conditions, temperature conditions and a range of other ecological factors. I think GBRMPA also provide information on surveys they do on the reef.

Senator IAN MACDONALD: Have the Australian Institute of Marine Science been called for this estimates?

CHAIR: No, they haven't.

Senator KIM CARR: Can I ask you on notice to give us a funding profile of the money that the government announced on 22 January—

CHAIR: The \$60 million?

Senator KIM CARR: The funding profile for the CSIRO. How much of the money went to the CSIRO and how does that work in terms of the out-years?

Mr Roy: Yes, we'll take that.

Senator KIM CARR: Thank you.

CHAIR: I have a couple of questions about some of the work you've been doing around carbon capture and storage technology. In particular, what has been going on in the Latrobe Valley?

Dr Mayfield: We do work with a range of different locations in Australia. In the Gippsland, we work with CarbonNet. That is a project that is looking at capturing and then finding sources in the Gippsland for sequestration—and possibly in Bass Strait. We also do work at the Otway Basin with CO2CRC and we do work in the South West Hub in Western Australia, south of Perth.

CHAIR: How close are we to making carbon capture and storage, or geosequestration, commercially viable?

Dr Mayfield: At this stage, we are still working towards large-scale demonstration. At the CO2CRC site at Otway we are demonstrating monitoring and measuring technologies that can demonstrate where the plume under the ground goes and where it stays. So that is getting to the technical positioning of the technology. In terms of the capture side of it, we are yet to have a large-scale capture project to start demonstrating the economics better.

CHAIR: There are some opportunities, surely, in the Latrobe Valley for that.

Dr Mayfield: Yes.

CHAIR: Particularly with carbon capture storage, I am interested in whether it is potentially viable for brown coal as opposed to black coal.

Dr Mayfield: Yes. There is another project in the Latrobe Valley with Kawasaki Heavy Industries, which is looking at technology to generate hydrogen from brown coal and incorporating carbon capture in that as a pilot project. That is at a small scale at this stage. I believe there will be an announcement this week or thereabouts.

CHAIR: Can you see a time in the future, Dr Mayfield, when, potentially, Australia—Victoria specifically—can use its immense brown coal resources in such a way that it generates the energy that we need but still maintains a low-emissions environment, using the technology that you're talking about?

Dr Mayfield: CSIRO is working on CCS technology with the view that we think there's a range of applications which will benefit from having relevant CCS capability. We see that as a technology of the future, that's why we're investing in it.

CHAIR: Terrific. I have a couple more questions about a program that you run with BHP, Dr Marshall. I understand it's an awards program for STEM. Is it with students, adults, universities or schools? It's with BHP, isn't it?

Dr Marshall: It's a wonderful example of corporate social responsibility index at work, that a big mining company like BHP donates to fund and incentivise STEM education. You asked if they were adults. I tell you

what, they think like adults. They are amazing. They are so smart, it's scary. I talked to the kid that won. He built a robotic window cleaner for skyscrapers. It's a drone that you lower down and it washes the window and, then, it hovers off and moves to the next window and washes it again. I asked him how on earth he built this. He said: 'I met you a year ago'—and I remembered we did—and you introduced me to the team at Clayton. They have a whole engineering team and they taught me the engineering process, like how you do risk assessment at each step.' There's a framework—we gave it to him, apparently—and he went off by himself and then used it. He came up with 600 steps to design this product.

CHAIR: How old is this kid?

Dr Marshall: Fifteen.

CHAIR: Oh my!

Dr Marshall: The future is in very safe hands. They're amazing, these kids. It's a wonderful program. In fact, I invite all of you, if you're able to when we do the awards, to see these kids. We have a big show. They actually bring their inventions and we talk to them, and they're incredible.

CHAIR: That would be terrific. What else is CSIRO involved in to encourage young people into STEM? I know there's something you do that's about coding skills, which is something I've never fully understood but I know is very important.

Dr Marshall: We have a number of programs where we match up teachers with scientists, both from within CSIRO and from many partners, including industry partners, to augment their skills, and we do thousands of school visits every year. Also, we have a couple of programs—coding for girls is a Data61 program. Do you want to mention the others?

Mr Roy: Yes, we've got the Digital Careers program, which raises awareness of people's knowledge of coding and ICT more generally. We partner with SAP around that program—so, industry partners as well. It began in 2014. We had 10,000 participants in the first year and there were 65,000 in the most recent year, so it's very important. Equally, when we talk around bringing diversity into science, gender diversity is important, as well as bringing people from low-socioeconomic backgrounds and Indigenous people into science. We have a tremendous program with the BHP Billiton Foundation with Indigenous STEM, which we spoke of at the last hearing. These are the sorts of things that we're doing.

In terms of the number of people that we engage with, CSIRO's programs last year engaged with 130,000 primary and secondary students and over 2,000 teachers. In addition to providing awards to some of the great science students and entrepreneurs coming through, we also recognise the teachers. Some of the great teachers accompany them to the awards in the US as well. We had 30,000 people take part in community programs, and over 300 organisations participated in the scientists in school STEM program as well, which the chief executive was talking about. It's quite comprehensive, this work where we're trying to support Australian youngsters and adolescents in getting really fascinated by science—to become passionate about science and how they can change the future.

CHAIR: That is very encouraging, indeed. That's all I have for CSIRO. I thank CSIRO for appearing today. Thank you very much, Dr Marshall. Please do keep senators informed as to when that awards ceremony is. I think we would all be fascinated.

Dr Marshall: It would be a pleasure.

Office of Innovation and Science Australia

[16:34]

CHAIR: I now call on Dr Day and the Office of Innovation and Science Australia.

Senator KIM CARR: Are they here?

Senator Cash: They're on their way; unfortunately they may find it a little hard to get in with locked doors.

Senator KIM CARR: While we're waiting, could I ask the minister about the response to the Ferris review—the three F's review. Have we got any indication of when there'll be a response to the three F's review?

Senator Cash: As you know, Mr Bill Ferris and I—well, I was supported by Mr Ferris—released the ISA 2030 Plan earlier this year on 30 January. The government is currently considering the recommendations. It is a comprehensive report and it's across a number of portfolios. The government will be providing a response—

Senator KIM CARR: Sorry to interrupt you, Minister—that's the wrong review. The review was given to the government—

Senator Cash: Sorry, I thought you said the ISA 2030 Plan.

Senator KIM CARR: No, this is the Ferris review—the three F's review. I believe the government received the review on 4 April 2016. I'm wondering when we are likely to get a response?

Senator Cash: The government is currently considering its position, and we'll provide a response in due course.

Senator KIM CARR: I thought that's what you'd say.

Senator Cash: Sorry, I apologise—I thought for some reason you said the ISA 2030.

CHAIR: Welcome, Dr Day. Do you have an opening statement? I'm very glad you are the Office of Innovation and Science Australia and not the office of navigation!

Dr Day: Indeed!

CHAIR: Do you have an opening statement for us?

Dr Day: No, we don't.

Senator KIM CARR: I've got a lot of material here. I'm sorry—the time has got away from us today, so I'll indicate to you that there is a lot of material on notice. I do appreciate the fact that ISA briefed me recently on your report. I acknowledge that you've put a lot of work into the report. This is the latest report that's been issued. There has been a series of reports and we've yet to see a response from the government on them, so I trust that your work is not going up in smoke.

Could I go specifically to the recommendations you've made in regard to R&D? What was the basis for the assertions that you've made—now in two reports—about the reductions in the R&D caps and other measures to reduce the R&D benefits? What were the modelling arrangements that you put in place behind those recommendations?

Dr Day: The source of the underlying analysis and thinking behind the recommendations in our 2030 plan is the so-called three F's review—the Ferris, Finkel, Fraser review—of the R&D tax incentive. We relied on the modelling that was undertaken for that review in considering the recommendations that we put forward.

Senator KIM CARR: There was no modelling put forward in that—do you have modelling for these assertions?

Dr Day: Modelling was undertaken but, as you can imagine, where it concerns matters of taxation, there are provisions in the tax act that prevent release of some of that information.

Senator KIM CARR: Well, this is advice that you've provided; it's not to do with individual companies. Are you saying that you're inhibited from providing the committee with that material because of the tax act?

Dr Day: My advice is that any questions about the information modelling that was relied upon in the three F's review and which we subsequently relied upon would need to be directed to the Treasury.

Senator KIM CARR: That goes for all the recommendations—the one per cent intensity trigger?

Dr Day: The modelling was done on the package of recommendations.

Senator KIM CARR: I see. Last year's MYEFO revealed decreasing payments relating to the R&D tax incentive of \$128 million in 2017 and \$698 million over the forward estimates. Do you have any understanding of why that's happened?

Dr Day: The estimates that are in MYEFO are produced by the department, so I think you have to direct your question to the department on that.

Mr Lawson: The revenue estimates come from Treasury, of course, but there are a series of changes going on. We have increased participation by small- and medium-sized enterprises, especially those in a loss-making situation, which gives a very high return on their expenditure. You also have parameter changes from year to year. So there will be a complex range of arguments about why the Treasury numbers change from year to year.

Senator KIM CARR: That's the point I'm trying to get to. If there is a reduction in the scheme at the moment because of, I suggest, the previous changes that have been made, will the scheme be adversely affected by further reductions in the benefits?

Mr Lawson: To clarify, there was an increase in the cost of the scheme where some numbers—

Senator KIM CARR: There were a series of reductions of benefits in the scheme in the previous budget. There were various caps put on entitlements. That is the case, isn't it, Mr Lawson?

Mr Lawson: Yes. There was a \$100 million cap put on the claim by large companies—

Senator KIM CARR: Yes. You don't think that has any effect on the payments?

Mr Lawson: It's a complex matter. On that specific thing, where you put a restriction on those companies, that will provide a cap. But there was also a reduction in the number of companies—mining companies especially—making very large claims because of the reduction in their investment activity.

Senator KIM CARR: That's right.

Mr Lawson: As I said, there is a range of activities and it is very hard to, without getting into the specific Treasury data—

Senator KIM CARR: That's all right. Dr Day, won't your recommendations have an effect, if they are implemented, of further reducing the cost of the scheme?

Dr Day: It depends on the extent to which the various parameters are varied in line with what we say. The thrust of our recommendations is that the policy intent of the R&D tax program is to stimulate additionality. We think that there are certain elements where the program as currently structured is not meeting those objectives as well as it could.

Senator KIM CARR: I put it to you, Dr Day, that your original brief was that you had to meet a funding envelope of budget neutrality for all your recommendations.

Dr Day: No, we weren't given a brief of that kind.

Senator KIM CARR: I see. There was no implicit understanding that that was the intent?

Dr Day: No.

Senator KIM CARR: I see. So it won't matter to your recommendations if the cost of the scheme actually increases?

Dr Day: As I say, we want to have greater confidence that the scheme is generating greater additionality. If the scheme is successful in generating additional R&D and that increases the cost of the scheme, that's the kind of failure I can live with.

Senator KIM CARR: I see. There are other aspects. As I said, there's a lot of material I want to put to you. I would seek your further detailed answers.

Dr Day: I'm very happy to provide that.

Senator KIM CARR: Did you consider the role and performance of the industrial growth centres as part of your 2030 plan?

Dr Day: Yes, we certainly did. We spoke with all of the growth centres and we reviewed all of their sector competitiveness plans, which were released over the course of last year. As you would be aware, many of the growth centres are still relatively early in their existence, so it is difficult to form a definitive view on how they're performing. But I think you'll find our comments in our report are broadly supportive of the growth centres as a very useful component of our innovation system.

Senator KIM CARR: So you did do that?

Dr Day: Yes, we did.

Senator KIM CARR: That's clear in the report, do you think?

Dr Day: I hope so.

Senator KIM CARR: What about the CRC Program, the Entrepreneurs' Program and these wider industry support programs? Did you look at those?

Dr Day: Again, we didn't have scope to do a detailed review of each of those programs individually. We relied on existing reviews that had been undertaken recently or the most recent reviews that were available and we supplemented that with interviews and conversations with people involved in all of those programs.

Senator KIM CARR: Is it the case, though, that if you had actually looked at them yourself you might have got a different view from those other reviews?

Dr Day: I can say with reasonable confidence that the board is a careful inquisitor of the evidence that's presented to it. It did question all of the data that we put in front of it. So, where reviews had been done, it was satisfied with the findings.

Senator KIM CARR: Then how do you account for the views, for instance, of Ai Group? It said in its pre-budget submission:

There does not seem to be a strong policy case for further savings from the Incentive.

That is the tax incentive. Can you respond to that claim?

Dr Day: I'm not sure what evidence they're bringing to bear—

Senator KIM CARR: You have read their pre-budget submission?

Dr Day: No, I haven't.

Senator KIM CARR: Are you familiar with their assertions?

Dr Day: I'm familiar with their general policy position; I'm not familiar with that particular position.

Senator KIM CARR: They say they are concerned particularly about cuts to the R&D incentive, especially in light of the nearly \$700 million reduction that was included in MYEFO?

Dr Day: As my colleague has advised, the projections in MYEFO reflect a number of variables and changes in the scheme as a whole. There are many factors that go into those projections.

Senator KIM CARR: That public evidence has no effect on your opinion?

Dr Day: As I say, our opinion was formed on the basis of reviewing the evidence that was available as to the additionality and spillovers achieved by the program.

Senator KIM CARR: What about we take specific examples—for instance, Dulux. It is a big R&D company in this country. It's a big manufacturer. It has said the introduction of the intensity threshold would have quite a serious effect on its operation. It has just recently invested \$165 million in a new paint factory in Melbourne. What do you say to its claims that this would have quite a serious impact on its operations?

Dr Day: Certainly I have the greatest of respect for Dulux and for their innovative capacity. Our focus in thinking about the policy settings on the R&D tax incentive is: is it achieving its goal of supporting R&D that would not otherwise have occurred? The evidence that we were able to review as part of developing our plan suggested that the additionality effect was stronger where companies were more R&D intense. We also note that, amongst the top 1,000 companies around the world, R&D intensity is typically closer to three to four per cent. So we didn't feel that one per cent was an onerous threshold to put on companies to spend on R&D.

Senator KIM CARR: I have some questions regarding a number of contracts. I will leave you to deal with those.

Dr Day: I'm happy to take them on notice.

Senator KIM CARR: Did you consider any national missions other than the ones that were actually included in the final report?

Dr Day: Yes. Early on in the process we solicited ideas from both within and outside the board. As part of our consultation process we invited participants to contribute ideas to our process. In the end, the objective of the plan was not to map out a road map of multiple missions. We wanted to lay out what we meant by 'missions' and use an example as a way of crystallising that. We expect, hope and have outlined in our report that any future missions will be subject to a clear and public process. In fact, we think that one of the great benefits of missions is the public nature of that process.

Senator KIM CARR: Dr Day, I'm told that you had a proposal to consider fast broadband and renewable energy technology—is that true?

Dr Day: To be honest, Senator, I can't remember off the top of my head. It wouldn't surprise me if we did get proposals of that kind. I would have to take it on notice as to whether we received a specific proposal on that.

Senator KIM CARR: Perhaps you can tell me why they were dumped?

Dr Day: Sorry?

Senator KIM CARR: Why were they not proceeded with?

Dr Day: The review and analysis of candidate missions was something that was done in consultation with the board. We assessed them against the criteria, and we've included in our report a sense of what we think the criteria are that make for successful missions. As I say, it was not our objective to develop a long list through this process. We wanted to have an exemplar we could put forward, and we were satisfied that we found one.

Senator KIM CARR: They weren't dumped because they were politically sensitive, were they?

Dr Day: No.

Senator KIM CARR: Thank you. There's one thing that you could clear up for me. Mr Ferris told the Australian Financial Review innovation summit:

In less than 3 weeks ... the independent statutory board which I chair, will deliver its national innovation strategy report to the Federal Government.

In response to question No. 79: three days later, Mr Ferris met with Minister Laundy—I think he was the assistant minister at the time, wasn't he?—and the release of the plan was subsequently delayed. Was there any feedback from the assistant minister's office that caused that delay?

Dr Day: I don't think it would be fair to characterise it as causing the delay. Certainly we take feedback from the minister's office; we take feedback from many parties. I wouldn't say that it was the cause of the delay.

Senator KIM CARR: A three-month delay?

Dr Day: I don't believe it was three months.

Senator KIM CARR: I think you'll find, if you check the calendar, that it does fit. A substantial delay.

Dr Day: I can assure you that I and my team were working very, very diligently during that period to make sure that the plan met the quality standards that the board set for us. That was, I think, the main cause of the delay.

Senator KIM CARR: Fair enough. As an independent statutory authority, you're not governed by ministerial interventions of that type, are you?

Dr Day: I think it's fair to say that our chair and our board are all very independently minded.

Senator KIM CARR: Thank you very much. I will put the rest of my questions on notice.

CHAIR: I wanted to ask a couple of questions of Dr Day. Last month—and I think this has been mentioned before—I saw the Bill Ferris press conference with the minister and Assistant Minister Seselja when Innovation and Science Australia's 2030 strategic plan was released. Could you talk me through the elements of that particular plan and what it's intended to do?

Dr Day: For sure. Thank you for the question, Senator. Our 2030 plan was something that was asked of ISA when we were first created as part of the National Innovation and Science Agenda. We were tasked to prepare a long-term vision for the Australian innovation system. Our report reflects our view on how government can support that agenda most effectively.

CHAIR: What's the title of the review?

Dr Day: The report is *Australia 2030: prosperity through innovation*. It's available on the web.

CHAIR: And all good bookstores!

Dr Day: Not quite in bookstores, but on the web anywhere you'd like to find it. Our job was to look out to the future about what could help Australia to realise its full innovation potential. The report is structured in three sections. The first section is really, I guess, a narrative about the innovative future that Australia can face. Our board is very positive about the potential of innovation to deliver prosperity to Australians, but, as I think we say in the report, we need to be confident but not complacent. I think the big worry the board has is that, potentially, 26 years of uninterrupted economic growth has lulled us into complacency. To some extent, our report is a call for action.

In section B of our report we outline, under five imperatives, the actions that we believe government should take to support that agenda. There are 30 recommendations in there. As you're running late, I won't go through them in great detail. We think that they provide a clear road map for the future. In section C, we talk about how that might roll out some of the implementation challenges that we'll face. I've said in many public forums that I think the key to innovation is to recognise that there are not many silver bullets; it's hard work and it's hard grind, but if you can continuously work on improving your system you can actually be a highly innovative country. That's the context of our report and the contents of our report.

I'm very happy to say that when we launched it we did so at a site in Western Sydney owned by Astor Industries, which has had a long history as a car manufacturer and is currently transitioning some of its product lines into innovative technologies, including spectacle frames—including the ones I'm wearing. That's a joint effort between a company called Dresden Optics Newtown, who do the retail side, the R&D side, design side and the retail side, and Astor Industries, who do the manufacturing side. I think it's a great example of the innovative future that Australia can look forward to if we can get the various settings right.

CHAIR: I think that's absolutely right. Thank you very much for that, Dr Day. The work that you do is extraordinarily important. Just yesterday in the Treasury portfolio we were talking about how, even though we've had nearly 27 years now of consecutive economic growth, productivity measures have actually fallen over those years, which is quite frustrating, and innovation is the key to driving productivity growth in the future. Thank you very much for all the work that you're doing; it is very, very important.

Senator IAN MACDONALD: I probably should have asked this at the beginning: this is a new office, isn't it?

Dr Day: It is new. Well, it's an evolution of what was previously the Innovation Australia board as part of the National Innovation and Science Agenda. The role and remit of that board was expanded, and the Office of Innovation and Science Australia was created.

Senator IAN MACDONALD: Do you have a board or are you a part of the department?

Dr Day: I personally am part of the department, and the Office of Innovation and Science Australia is housed within the Department of Industry, Innovation and Science. There are currently 13 senior people on the board, and the secretary is an ex officio member of that board.

Senator IAN MACDONALD: Are those board members scientists or people—

Dr Day: I can list their names to give you a sense. There is a mixture. There are high-profile business people, like Scott Farquhar, the founder of Atlassian; Daniel Petre, a prominent venture capital investor; Paul Bassat, the co-founder of SEEK and a venture capitalist; and Maile Carnegie, formerly of Google and now at ANZ Bank. We also have scientists, in the form of the Chief Scientist, Alan Finkel, who is the deputy chair of the board; and Bronwyn Harch from QUT, who is leader of the Food Agility CRC. We have experts in the field, like Bronte Adams, who runs a consultancy on public policy and innovation. I mentioned the secretary. I'm probably going to get in trouble for missing out some—

Senator IAN MACDONALD: That's sufficient.

Dr Day: Does that give you a sense?

Senator IAN MACDONALD: Does the board actually suggest to the office that they should be funding this particular thing or that they should be helping in this particular way? What does the board actually do?

Dr Day: In the context of the 2030 plan, the board is an advisory board. We are providing advice to government. My office will agree with the board on a program of works and topics or issues that they think want to be investigated. My office will then go away, do that work and report back to the board. In the case of the 2030 plan, we had a very close iterative working relationship where we would go away, investigate issues and report back to the board. Ultimately, they very much shaped the content of this report and how it was presented.

Senator IAN MACDONALD: But you do more than tabling a report?

Dr Day: Absolutely.

Senator IAN MACDONALD: Are you sort of like a cooperative research centre?

Dr Day: Not really, in the sense that we don't have research or research funding of our own to hand out. We have three essential functions in the system. The first, as I say, is to provide advice. This is obviously a very public, concentrated and detailed piece of advice, but we are also engaging regularly with the government on other issues as and when they come up. We are asked for input on various bills, as they go through the government process, to provide that perspective of the innovation system to government consultation processes.

The second role we have is oversight responsibility for a number of programs within the innovation system that seek to leverage, if you like, external expertise. To give you an example, the CRC Advisory Committee is comprised of a number of people, drawn from across industry, and that committee is responsible for identifying and recommending to the minister what applications should be funded. Our oversight responsibility for that process is to make sure that we are appropriately drawing on the private sector expertise that is delivering quality outcomes to government. We have a governance and quality-assurance role in those processes.

The third function that the board serves is to be an advocate for our innovation system. Our board members are frequently in the press, advocating for our innovation system and pointing to both the successes and the areas where the system could be improved.

Senator IAN MACDONALD: If you'll indulge me with a little parochial issue—do all the board members come from Sydney, Melbourne or Canberra?

Dr Day: No. We certainly have some Sydney, Canberra and Melbourne based board members. From memory—in fact, I don't even need a memory; I've got a sheet right here—Bronwyn Harch from QUT, who I mentioned, is from Queensland, and through last year we were fortunate to have two international board members. One was Beth Comstock from GE, who is based in New York. She stepped off the board at the end of last year when she left GE, but her contribution to the report was invaluable. We also have Saul Singer, author of the definitive book on the rise of Israel as an innovation nation, *Start-Up Nation*, as a member of our board.

Senator IAN MACDONALD: Can you tell me, without going into names, how many are from Western Australia, Northern Territory and Queensland proper? QUT is Brisbane's great institution. Brisbane is a wonderful city, but it's practically New South Wales.

Dr Day: I'm sure Bronwyn would be upset to hear you say that she's not a real Queenslander.

Senator IAN MACDONALD: Well, she's from Brisbane. It's all part of my constituency, so I have to be careful. This is really a shot over the bow of the minister, and I suspect the board was appointed before this minister was the minister.

Dr Day: Correct.

Senator IAN MACDONALD: But I always like ministers to be aware that there are equally bright people up in the sticks—in the provinces, so to speak—and that they should always be considered. The minister might be interested in the question: how many are from Western Australia?

Dr Day: Yes, I can confirm that at the moment we don't have anyone from Western Australia on the board. But, as I mentioned, we have a couple of vacancies because Beth Comstock stepped down at the end of the year and Rufus Black, who was on the board, also stepped down—he has been appointed as the vice-chancellor at University of Tasmania. I think he started yesterday. So, we do have a couple of vacancies. I can imagine that the minister might have some views on suitable Western Australians.

Senator IAN MACDONALD: The minister might like to talk to me about—

Senator Cash: Queenslanders!

Senator IAN MACDONALD: some clever people in the north as well!

CHAIR: Thank you very much, Dr Day, for appearing before the committee today. We'll let you go and we'll move on to the cross-portfolio. I remind senators that the dinner break this evening is scheduled for 6.15, and I think we'll try and stick to that timetable. We have an hour and 10 minutes on the cross-portfolio. Sorry, forgive me—we're going to program 1, not cross-portfolio; I'm looking at the wrong part of the agenda.

Senator KIM CARR: I thought we agreed to go to cross-portfolio.

CHAIR: No, we didn't agree. We haven't had a meeting to change the agenda.

Senator KIM CARR: I asked the minister at the beginning of the proceedings.

Senator Cash: You asked would I be at the cross-portfolio, and I said I would after dinner.

Senator KIM CARR: No—after the officers from the agencies left.

CHAIR: Senator Carr, we've adjusted this program twice already.

Senator KIM CARR: What is the problem with doing cross-portfolio now?

CHAIR: This is the second time in the last couple of days. You've had plenty of opportunities to contribute to that process and you've chosen not to.

Senator KIM CARR: No, I haven't chosen not to. I wasn't aware.

CHAIR: That's because you're not a voting member of the committee.

Senator KIM CARR: The point is: what specifically is the problem with doing cross-portfolio now?

Senator IAN MACDONALD: I may not be here after lunch, but I do have questions for program 1, supporting science and commercialisation. In fact, I'm very keen to find out—

CHAIR: I don't think we're going to change the program for one senator who is not a voting member of the committee.

Senator KIM CARR: I am a voting member of the committee.

CHAIR: Sorry, forgive me—you might be on the references committee. Yes, I think you might be.

Senator IAN MACDONALD: I think he's a proxy for Senator McAllister.

CHAIR: Sorry, yes—you're a proxy for Senator McAllister. I'm quite happy to have a meeting over it, if you like.

Senator KIM CARR: Let's have a meeting.

CHAIR: Can all the voting members please step outside?

Proceedings suspended from 17:05 to 17:06

CHAIR: The agenda will continue as printed, and we'll continue with program 1 of the Department of Industry, Innovation and Science. Dr Smith, I understand you have an opening statement. Did you want to give it at this section or after dinner, when we do the cross-portfolio?

Dr Smith: It's up to you, Chair. I'm happy to go with either.

CHAIR: I think we should probably do the opening statement now.

Dr Smith: Thank you for the opportunity to make an opening statement. I'd like to update the committee on the Jobs and Innovation portfolio, which was established in December 2017. The portfolio comprises two Australian government departments—one is the Department of Jobs and Small Business and the other is the Department of Industry, Innovation and Science, of which I've been secretary since 18 September last year. The portfolio is divided into four areas of ministerial responsibility: Minister Cash, the Minister for Jobs and Innovation; Minister Canavan, the Minister for Resources and Northern Australia; Minister Laundy, the Minister for Small and Family Business and Minister for the Workplace and Dereregulation; and Minister Seselja, Assistant Minister for Science, Jobs and Innovation. I should note that there were no machinery-of-government changes involved in our department.

Under these new portfolio arrangements, my department continues its previous work. Importantly, we work very closely with the Department of Jobs and Small Business to ensure that intersecting opportunities are there for policy development and implementation under the government's jobs and innovation policy agenda. The two departments have a common purpose: to stimulate jobs, investment and economic growth.

The department has welcomed the new portfolio. We see this as an important development for the Australian Public Service in the way that we work to deliver on the government's agenda, particularly on the key issues of the future of work, where technology and innovation associated with digitisation are creating both challenges and opportunities for business and for citizens. We will also focus on how we do business together between the two departments, in particular how we collaborate and where we can align our processes to ensure the portfolio performs at the highest level. We have a collective focus on understanding how science, technology and innovation are impacting on business and on sectors of the economy and the transitional and transformational issues this is giving rise to, including the uneven impacts on individuals, industries and regions and the skills required for jobs of the future. This focus, in turn, is underpinning our advice to government and will inform how we design, deliver and evaluate the programs we are responsible for. Thank you, Chair, for the opportunity to update the committee.

CHAIR: Thank you, Dr Smith.

Senator KIM CARR: Could we have a copy of that statement.

CHAIR: Yes, I was just going to ask whether we could have copies of that and table that.

Senator KIM CARR: I have some questions, if I could.

CHAIR: Absolutely. You may kick it off.

Senator KIM CARR: Minister, following that new portfolio arrangement, perhaps you could assist me with some matters that go to the portfolio administration. Who decided the allocation of ministerial responsibilities?

Senator Cash: Well, that's obviously a decision for the Prime Minister.

Senator KIM CARR: No, that's across the government. Within the portfolio?

Senator Cash: Again, it is decided in conjunction with the Prime Minister.

Senator KIM CARR: I see. So the response to the charter letter?

Senator Cash: The response to the charter letter—what do you mean?

Senator KIM CARR: The Prime Minister's charter letter?

Senator Cash: Yes.

Senator KIM CARR: And that's entirely consistent with the charter letter?

Senator Cash: Sorry, I'm not quite following you.

Senator KIM CARR: It was consistent with the charter letter from the Prime Minister, was it?

Senator Cash: What was?

Senator KIM CARR: The allocation of responsibilities within the portfolio.

Senator Cash: Yes.

Senator KIM CARR: So you've made no decision in regard to the allocation for the junior ministers and the parliamentary secretaries?

Senator Cash: Again, I'm not sure we're on the same page, Senator Carr. The Prime Minister is ultimately responsible for the appointment of the ministry.

Senator KIM CARR: Yes.

Senator Cash: That's it.

Senator KIM CARR: Well, that's clear. But, within a portfolio, the cabinet minister makes an allocation of responsibilities for junior ministers and parliamentary secretaries. Has that changed under this government?

Senator Cash: No. It's done in conjunction with the Prime Minister.

Senator KIM CARR: So were you responsible for the allocation of responsibilities within the portfolio for the junior ministers and the parliamentary secretaries?

Senator Cash: Sorry, I think you mean the minister and the assistant minister.

Senator KIM CARR: Yes, and they're known as parliamentary secretaries.

Senator Cash: So Mr Laundry and Senator Seselja.

Senator KIM CARR: Under the MOP(S) Act, they are parliamentary secretaries, known as assistant ministers.

Senator Cash: Yes.

Senator KIM CARR: I think you'll find that is the technical designation. But that's correct. You made the decision, did you not?

Senator Cash: Yes, but obviously it's signed off by the Prime Minister.

Senator KIM CARR: Of course it was, but you made the decision?

Senator Cash: Yes, but signed off by the Prime Minister.

Senator KIM CARR: Can you give us a list of their particular responsibilities?

Senator Cash: I can take that on notice.

Senator KIM CARR: Thank you. I particularly want to know who's responsible for the various statutory authorities within the portfolio.

Senator Cash: I can take that on notice for you.

Senator KIM CARR: And who they report to.

Senator Cash: Yes.

Senator KIM CARR: Thank you. Madam Secretary, how many APS staff have been allocated to the minister's office?

Dr Smith: To Minister Cash's office?

Senator KIM CARR: Yes.

Dr Smith: 'Allocated' is not the word. I would say there are two staff that are temporarily in the minister's office.

Senator KIM CARR: There will be the DLOs, won't there?

Dr Smith: The DLOs, yes.

Senator KIM CARR: So there will be more than two, won't there?

Dr Smith: There are two temporary staff from the department, apart from the DLOs.

Senator KIM CARR: So there are two DLOs?

Mr Schwager: There are two DLOs in Minister Cash's office, yes.

Senator KIM CARR: Thank you. And there are two APS staff appointed temporarily to the minister's office?

Dr Smith: Temporarily, that is correct.

Senator KIM CARR: Which is consistent with the Public Service Act.

Dr Smith: It is.

Senator KIM CARR: There's one acting as the chief of staff at the moment?

Senator Cash: Correct.

Dr Smith: Not from our department. Oh, I see. Sorry. Yes, we do have an SES officer who is currently acting as the chief of staff.

Senator KIM CARR: That's right.

CHAIR: Senator Carr, can I just confirm that these questions are about program 1, Supporting science and commercialisation?

Senator KIM CARR: If you want to play these games, Senator, these are directly from the secretary's statement. You could have done it the other way, but the secretary has made a statement about the portfolio administration. I am following up questions directly from the portfolio secretary's statement—

CHAIR: Well, let's try and keep—

Senator IAN MACDONALD: Please don't shout at the chair, the secretary or the minister.

CHAIR: That's all right, Senator Macdonald. I think that women being bullied by Labor Party members—

Senator KIM CARR: Well, if you think that's bullying—

CHAIR: is a common occurrence in this organisation.

Senator KIM CARR: This is all very interesting, but it's got nothing to do with proceedings.

CHAIR: Would you like to ask some questions about program 1, Supporting science and commercialisation?

Senator KIM CARR: I've asked questions directly from the secretary's statement, entirely consistent with the standing orders. Madam Secretary, is that not the case? Do you have two officers currently seconded to the minister's office?

Dr Smith: Yes, as I mentioned before.

Senator KIM CARR: One is an acting chief of staff?

Dr Smith: Yes.

Senator KIM CARR: How long are they entitled to be in that position?

Senator Cash: I think that's set out under the act.

Senator KIM CARR: It is.

Dr Smith: So I would expect that staff member to be there for 12 weeks.

Senator KIM CARR: Twelve weeks. And that time must be coming to an end shortly?

Dr Smith: No. The staff member has been there for probably—

Mr Schwager: Just a few weeks.

Senator KIM CARR: Thank you. I recall the department appointed people to my office at the time, so it's a custom and practice of this department.

Dr Smith: It's a very standard practice, yes.

CHAIR: Can I have a copy of Dr Smith's opening statement, please, because I don't remember staffing being discussed in your opening statement.

Dr Smith: No, I did not discuss staff.

Senator KIM CARR: No, you discussed the ministerial arrangements within—

CHAIR: Can we move on to program 1, please.

Senator KIM CARR: I'm going to go to the rest of the statement in a moment. How many other APS staff has the department allocated to other ministers or parliamentary secretaries in the portfolio?

CHAIR: I don't remember staffing being discussed in the opening statement. If we could discuss program 1, I think that would be terrific.

Senator KIM CARR: This is a statement presented to the committee by the secretary.

CHAIR: There was nothing about staff, yet you're asking about staff. We can discuss that in the cross-portfolio.

Senator KIM CARR: This is where the secretary has made a statement.

CHAIR: I understand you want to catch a plane back to Melbourne, but we're here to ask the department questions in the order on the program, which has been set out for days.

Senator KIM CARR: I'm sorry, but these are the normal standing orders of this committee.

CHAIR: I think you're making the standing orders up as you go along.

Senator IAN MACDONALD: Ask him which standing order.

Senator KIM CARR: Do we have a copy of this statement?

Dr Smith: We're just getting it.

CHAIR: If you've mentioned staffing in there, I will allow the questions about staffing.

Dr Smith: I haven't mentioned staffing, but I'm happy to answer your questions.

Senator KIM CARR: Yes, thank you very much. I'm sure you are.

Dr Smith: We have no other departmental staff in the other—

Senator KIM CARR: In any other ministerial offices.

Dr Smith: That's correct.

Senator KIM CARR: Thank you. Minister, given the role of the department, as the secretary's just outlined, specifically in regard to the industry responsibilities, how many companies have you met with in your time since your appointment as the minister for industry?

Senator Cash: I have met with many stakeholders. I would obviously need to take it on notice if you want a list of them. I don't know if I would be able to provide—

Senator KIM CARR: I understand. I don't want a list of them. I'm concerned that a number of companies are reporting to me that they've had trouble getting an appointment with you.

Senator Cash: If you could tell me who those companies are, I would be able to respond to them. But you can't just make an allegation and put something to me, you can't just say anything you like.

Senator KIM CARR: I'm giving you the opportunity to respond.

Senator Cash: If you could tell me who the companies are, I will obviously be able to—

Senator KIM CARR: How many companies in the automotive industry have you met with?

Senator Cash: Again, I'd have to take that on notice. If you could put to me who the companies are, I will be able to call them.

Senator KIM CARR: I'm certainly not going to do that—any more than I want to name individuals in your office who were actually at the meetings.

Senator Cash: Then you can't put an allegation to me.

Senator KIM CARR: Are there any grounds for complaints from companies that they are having difficulty getting appointments with you because you're too busy?

Senator Cash: No. If my diary is full and a particular stakeholder says that they would like to meet with me at a particular point in time, obviously they will be advised that I am unavailable. But I make every effort to meet with stakeholders. In the event that I am not able to meet with stakeholders, I seek to ensure that the relevant adviser is available. In the event that the relevant adviser is not available, I am able to speak with the minister or the assistant minister to ascertain their availability. But I have an incredibly busy schedule and I do what I can to ensure that stakeholders are met with. It would be good if you could give me the names of these stakeholders.

Senator KIM CARR: How significant is the role of manufacturing in your responsibilities?

Senator Cash: It's incredibly significant. It's part of my portfolio.

Senator KIM CARR: How many manufacturers have you met with?

Senator Cash: Again, I would have to take that on notice.

Senator KIM CARR: Thank you, if you wouldn't mind. I'm particularly concerned, as you know, about the situation with the automotive industry at the moment. A number of companies are having some difficulties. In terms of the national interest registration processes, how many applications have you dealt with? These are matters that do go to the minister directly.

Senator Cash: I'll get the relevant adviser.

Senator KIM CARR: I'm interested to know how many applications for the national interest tests under the Automotive Transformation Scheme you have actually considered?

Senator Cash: As I said, I will get the relevant departmental officer.

Ms Facey: In terms of national interest applications, we currently have 17 applications pending. At October last year, which was the last estimates, we had five applications pending.

Senator KIM CARR: How many have been rejected?

Ms Facey: Over the life of the scheme there have been six rejected, two of which were rejected since the last estimates in October.

CHAIR: Thank you, Senator Carr. I've given you three extra minutes and two extra questions. I'm going to turn the call over to Senator Macdonald. If, during the break, you could go through—

Senator KIM CARR: I've read this.

CHAIR: You've read it already—that's amazing! It only just landed on your desk! If you can show me where the secretary mentions staffing, I will be very pleased to see it.

Senator KIM CARR: The simple matter is: if the secretary makes a statement such as 'under the new portfolio arrangement that continues our previous work and works closely with,' that is open season to ask any question I like about the work of the department.

CHAIR: I can't see anything about staffing in that statement. But, if you can point out the relevant section, I'd be very pleased to see it.

Senator KIM CARR: You have to get up a lot earlier than that if you're going to try and shut me down!

CHAIR: Senator Macdonald, you have the call.

Senator IAN MACDONALD: Chair, I wonder if you could ask Senator Carr to be civil to the chair, the minister and the secretary. Just because they're women, it doesn't give him an opportunity to shout at them.

Senator O'NEILL: That is completely inappropriate.

Senator IAN MACDONALD: Well, why is he shouting?

Senator O'NEILL: Probably because he's outraged by the behaviours generally. It's got absolutely nothing to do with women. That's just a throwback to another time, Senator Macdonald.

Senator IAN MACDONALD: Do you know what bullying is?

Senator O'NEILL: I do know what bullying is. I've been subject to it many times, like many women. Your comment was completely inappropriate. It's like a pattern with you guys.

Senator IAN MACDONALD: Big men shouting, thinking they're at a union meeting, at women—

Senator O'NEILL: We've seen plenty of it from you. That was completely inappropriate.

CHAIR: Senator Macdonald has the call.

Senator IAN MACDONALD: This is a new department, which you've given us some indication of, incorporating other departments. What exactly is Program 1.1: Science Awareness, Infrastructure and International Engagement? Is that a branch within the department, and what's its role? I would ask the same about 1.2: Business Research, Development and Commercialisation. What do they do, so we'll know where to direct questions in relation to supporting science and commercialisation?

Dr Smith: I'll ask Sue Weston to start.

Ms Weston: There's one outcome for the department, and it is:

Enabling growth and productivity for globally competitive industries through supporting science and commercialisation, growing business investment and improving business capability and streamlining regulation.

Program 1, under that, is supporting science and commercialisation, and there are a number of subprograms under that: science awareness, infrastructure, international engagement, and business research, development and commercialisation.

Senator IAN MACDONALD: Thank you for that, Ms Weston. So what does the department do in the role of science awareness?

Ms Weston: I'll ask one of my colleagues to come up. The department, through the National Innovation and Science Agenda, was funded to run programs that, for instance, improve STEM engagement with younger children and women in STEM, and a number of other programs including general science awareness, like National Science Week and Prime Minister's Prizes for Science. They're examples of the sorts of activities that come under that heading.

Senator IAN MACDONALD: So it's generally to promote an interest in science with business and with students?

Ms Weston: Yes. I might ask my colleague to give you a fuller understanding.

Senator IAN MACDONALD: And I'm going to ask you the same question in relation to infrastructure and international engagement, so if there are other officers—

Ms Weston: We'll be ready for that.

Senator IAN MACDONALD: Okay, thanks.

Ms Urquhart: Science engagement activities are undertaken by a number of entities in the portfolio, and we have a major program under the National Innovation and Science Agenda that supports a number of elements. I

might focus on the National Innovation and Science Agenda program initially. As part of its agenda, the government is supporting a range of communication and engagement activities and events. They're very much directed, in this portfolio, at supporting and engaging all Australians with science, consistent with the science statement—a government policy statement that was issued in March last year—which specifically had the objective of seeking to enrich and engage all Australians with science. That particular measure, under the National Innovation and Science Agenda, is called 'Inspiring all Australians in Digital Literacy and STEM'. The government initially invested over \$34 million between 2016-17 and 2019-20, directed at those sorts of activities about inspiring participation and excellence in STEM among all Australians. That program has a companion piece in the department of education, which goes specifically to encouraging and inspiring STEM participation in schools. But, in this portfolio, what you see is the activity very much focused on community engagement. Of course, we're very fortunate to have Questacon within the portfolio, as a division of the department, which takes a leading role in engaging Australians in activities in STEM.

Senator IAN MACDONALD: So that's where Questacon comes in? Okay. They do a wonderful job in promoting science awareness. Thank you for that. Now I know where to direct questions there. Now, can someone tell me what infrastructure and international engagement—

Ms Weston: Ms Urquhart can answer that as well. We have something on commercialisation following that, which is in the next subprogram.

Senator IAN MACDONALD: Right.

Ms Urquhart: My division is called the Science and Commercialisation Policy Division. We work very closely with the Department of Education and Training, as I mentioned before, on STEM, but also in relation to research infrastructure. I should note that the Department of Education and Training has the lead, under the administrative orders, on research infrastructure, policy and funding. But, nonetheless, we're very closely engaged with them in working on issues related to research infrastructure investment from government.

In addition to that, we work very closely with the science agencies—CSIRO, ANSTO and AIMS—who play an important role and run their own infrastructure. You have what they call some landmark pieces of infrastructure—the RV *Investigator*, for example, with CSIRO—and other tools like the sea simulator with the Australian Institute of Marine Science. A relatively recent project in the last couple of years within my division was the move of the Australian Synchrotron from ownership by a collection of consortia across state governments and other institutions to ownership by ANSTO. That was a very successful project. The government stabilised the platform of core funding for the Synchrotron. No doubt Dr Paterson mentioned there has now been quite a response in partnering with ANSTO to co-invest in new beam lines to bring the standard of the Synchrotron up to competitiveness.

Senator IAN MACDONALD: And what does 'international engagement' mean?

Ms Urquhart: I also undertake international engagement activities as they pertain to science and innovation, partnering with other countries, within our division. We have responsibility for the Global Innovation Strategy, another component of the Innovation and Science Agenda. It has a number of elements. It has two collaboration program elements. One is a smaller-scale grants funding program, on which we partner with the Academy of Technological Sciences. This is because the Academy of Technological Sciences worked with us a number of years ago on supporting small-scale collaborations between small to medium enterprises and researchers internationally in Europe, and it was a very successful pilot activity. So, under the Innovation and Science Agenda we had the opportunity to partner with the academy again.

It's a very successful partnership, because in addition I guess to the small-grant funding that enables the connection between SME partners and researchers, particularly with countries in Europe but also other significant innovation and science players globally, the involvement of the academy has meant that you have fostering institutions on either side of the collaboration. And that's an important ingredient in making what is for some SMEs their first international collaboration a successful one.

We have another program called global innovation linkages, which has more partners involved and larger funding available to seed that sort of scale of collaboration—up to \$1 million in funding for multiple players—but must have at least one Australian industry player and researcher involved in that collaboration. We have a regional collaboration program that we work with the Academy of Science on. That's very much about partnering within the region to ensure that Australia is a constructive player in terms of some of the challenges we face as a region and are able to collaborate with others. For example, we've engaged in activities around marine science and earth observation and so on regionally, particularly with APEC.

So, those are three elements. What I should say about the global innovation strategy is that perhaps none of us who are involved in the development of the Innovation and Science Agenda expected the enthusiastic reaction that we would get from international partners. It's fair to say that the department has been inundated with requests to strike innovation and science agreements with Australia, and certainly in the last period of time—at least over the last 18 months—the department's been responsible for striking quite a number. We've got seven new arrangements: Israel, Brazil, Italy, the US—and you might ask, well, didn't we already have arrangements with these countries? I guess the Global Innovation Strategy positioned us to be able to strike new arrangements that had a particularly strong innovation and science focus, as opposed to some of the older agreements that might have been focused purely on science—so, really enabling us to work with partners and learn from their experiences, particularly around collaboration and commercialisation, two areas of policy we're particularly keen to improve in.

Senator IAN MACDONALD: Just so I can understand: could you just give an example of some of the science agreements? What's the one, say, with Italy? What does it relate to? Are there any that come immediately to your mind so you can give me an idea of what—

Ms Urquhart: Some of the collaborations that I would particularly highlight, and my colleague the general manager for science policy can fill in the gaps for me—I would highlight in particular the collaboration with New Zealand. We obviously have a close working relationship with New Zealand anyway, but we have under the Australia New Zealand Leadership Forum been very engaged with New Zealand, particularly on innovation. The chair of the CSIRO board, David Thodey, represents Australia on an innovation working group under the Australia New Zealand Leadership Forum. We've worked very closely with him in striking a new memorandum and being able to work very closely with New Zealand.

That sort of arrangement underpins things like New Zealand investing in the new beamline for the Synchrotron, and us being able to compare closely the sorts of infrastructure New Zealand has need of and we have need of and make comparisons about where we might get best value together to also be able to share experiences and international engagement together—for example, the Square Kilometre Array, where we are both members of that organisation. So, as you can see, New Zealand is quite a special partnership.

Senator IAN MACDONALD: Perhaps I could go to Mr Grassia—and if my estimation is right, you'll be the right one to ask about what the arrangement is with Italy!

Mr Grassia: With the Italian government we originally had a lower-level memorandum of understanding that's been elevated to a treaty-level agreement. That has helped us to potentially unlock funding from the Italian side so that their researchers might be able to collaborate with us around research, science—

Senator IAN MACDONALD: But are you looking at a specific area—on better motorcars or better drones or better—

Mr Grassia: It's a broad framework under the agreement that allows research and science mostly around civilian activities. But, for example, astronomy may be an area where we could collaborate with the Italian research community. That could extend to other fields of science and research innovation.

Senator IAN MACDONALD: But why pick Italy? Or why not pick Italy? And I'm really only using this as an example to try to work out how this all works out.

Mr Grassia: My understanding is that the framework allows governments to facilitate the connections—not in the same sense that the research community needs to do that, but in some cases to help government and researchers to decide the kinds of areas that they might usefully collaborate on, whether that be research, but also helping to guide participants on both sides to funding mechanisms and collaboration mechanisms. In the case of New Zealand or Italy or even Singapore, which is another agreement we have, it's helping to find the places where that collaboration might usefully happen. And research infrastructure's been the one that's been of most interest, where communities from both sides, Australia or another country, will say, 'Well, you know, we have a mutual interest in doing something'—say, around animal health laboratories, using the infrastructure here and the expertise here to support perhaps a research gap or a capability gap in another country. In a way, it's trying to avoid duplication in some cases where there are expenses.

Senator IAN MACDONALD: Okay. And don't take me wrong on this—I come from Ayr in North Queensland, where most of my friends are second-, third- or fourth-generation Italians, and I love them and I love Italy—but I hadn't realised that Italy had any sort of reputation in the science area.

Ms Urquhart: Italy is one of a number of countries that we have noted for its performance on science and innovation, and we've got a range of indices that we apply to different partners and potential partners. But Dr Grassia mentioned also that in particular we're working very closely with Italy in a consortium in relation to the

antenna for the Square Kilometre Array. That is one example of where there is an incredibly important relationship between Australia and Italy in the science realm.

Senator IAN MACDONALD: Okay. I think I'm challenging the chair's goodwill at the moment, so I'd better leave it there. But thank you very much for that. That's been very useful.

Senator O'NEILL: I want to just refer to the statement from Dr Smith. I've got a few questions around the section where you were talking about science and technology and innovation impacting on different businesses and sectors—

CHAIR: Sorry—if I could just interrupt you for a moment there, Senator—I just want to make sure it's all right with the secretary if we table your opening statement and that that's all right with the committee as well. Yes? Thank you.

Senator O'NEILL: I'm particularly interested in the section where you talked about including the uneven impacts on individuals, industries and regions. My questions go to programs around dealing with the uneven impact, particularly on women. Minister, yesterday's behaviour in the employment committee shows that you may not be the appropriate women's advocate. In light of this, do you think you're the right person to chair the women's advisory panel?

CHAIR: Senator O'Neill, I'm going to rule this question out of order. You've already mentioned that it was an issue that occurred in another estimates committee, not this estimates committee. We have already dealt with this issue once today. I have given everybody a fair bit of rope—

Senator O'NEILL: I can see that you're going to attempt to run cover for the minister in hiding. Her body's here but her answer—

CHAIR: I understand you want to do it before the journalists go to bed, but this isn't appropriate—

Senator O'NEILL: This is entirely appropriate.

CHAIR: I'm going to rule the question out of order.

Senator O'NEILL: Point of order!

CHAIR: It is not specifically about program 1.

Senator O'NEILL: I have made very clear to you the point in which the secretary raised the issue of uneven impacts on individuals. This is relating to gender. This is a very important initiative, policy, related to science and innovation that was announced by Minister Sinodinos in February 2017. I'm sure there are very good reasons for the minister to answer this question, particularly in light of what happened yesterday, but I'm asking her about matters related, intimately, to her portfolio responsibilities. My question to the minister is: do you think you're the right person to chair the women's advisory panel on science and innovation?

CHAIR: I've already ruled this question out of order.

Senator O'NEILL: It's totally related to the issue.

Senator Cash: I'm actually delighted to have the opportunity—and I think I said in my speech at Science meets Parliament—to ensure that a focus of the portfolio is on an increase in the number of women in STEM, just as in my former portfolio as Minister for Women I focused on increasing the number of women who participate in the workforce. I now have a unique opportunity to ensure that the government is working with the industry to identify where the gaps are and to actively address them. In fact, at the Science meets Parliament dinner I had the opportunity to meet, without a doubt, some of the most amazing women in Australia, the superstars of STEM. I was delighted, at the Science meets Parliament dinner, to make a funding announcement that we would double the number of superstars in STEM from 30 to 60. Not only that, we would ensure that they were given funding for the next four years over the forward estimates. I was delighted by the response that was given to me by everybody in the room. People recognise that we have an issue with women in STEM. I am delighted to have this unique opportunity, in this current role, to ensure we are focusing on that.

CHAIR: To follow up on that, I attended that Science in Parliament of dinner.

Senator Cash: It was an amazing dinner.

CHAIR: It was extraordinary. And I sat next to an extraordinary woman, Dr Veronica Power, one of the superstars of STEM.

Senator Cash: She is an amazing woman.

Senator O'NEILL: Point of order, Chair! Do I have the call?

CHAIR: Not yet, you don't. She was the greatest fan of yours, Minister. She thought you were an extraordinary role model. She didn't stop speaking about you all night. I thought it was a terrific event and you should be congratulated for it, Minister. Senator O'Neill you have the call.

Senator O'NEILL: The senator has been provided with additional information. Clearly, she's uncomfortable and needs some support.

CHAIR: I'm sorry, I didn't understand that. Could you say that again for the *Hansard* transcript.

Senator O'NEILL: Hansard got it.

CHAIR: I couldn't understand it.

Senator O'NEILL: Senator Cash—

CHAIR: No; could you repeat what you said, for the *Hansard* transcript. I didn't catch it so I doubt that Hansard did.

Senator O'NEILL: Senator Cash, I have a question for you. You have made some comments about a speech you made some time ago. In the interim period, your actions yesterday, I am sure, will have changed the view of many of those amazing women. I would put to you that that was then and this is very much now. Do you believe your actions yesterday advanced or helped the status of women—

Senator IAN MACDONALD: Chair, can I take a point of order?

CHAIR: Yes.

Senator IAN MACDONALD: I have questions. I have some more on program 1. I also have some on program 2. I can't see how what Senator Cash might have done in a different committee, on another day, can fit in program 1 or program 2, which is what we're due to—

Senator O'NEILL: Point of order!

Senator BUSHBY: Chair, on a point of order.

CHAIR: Yes, Senator Bushby.

Senator BUSHBY: This is on the point of order that Senator Macdonald raised. For your benefit, you weren't here earlier but Senator Cash made it clear that she has unreservedly withdrawn those comments. So it's not appropriate to continue to ask her about them.

CHAIR: You have a point of order, too, Senator O'Neill.

Senator O'NEILL: I do. My point of order is that the senator is well and truly able to answer questions about science and innovation. I'm not asking her about anything with regard to employment. I'd like to. I would have loved to have asked her more questions yesterday, but that closed up. She sent in an alternative minister.

Senator IAN MACDONALD: How does your question relate to science?

Senator O'NEILL: My questions relates to science and innovation, absolutely, and I'd like to continue with a line of questioning—

CHAIR: I thank all three senators, but I don't think any of you actually have a point of order. You can continue your questions, Senator O'Neill. You have four minutes and seven seconds left.

Senator O'NEILL: Senator Cash, during your Science meets Parliament speech, you acknowledged the real challenges that actually face women. Given the events of yesterday, though, would you consider yourself to be one of those challenges?

Senator Cash: Senator O'Neill, you're actually demeaning what we are doing in relation to women in STEM. I'm not going to sit here now and get into an argument in relation to the insinuations that were made about my chief of staff by Senator Cameron. Anybody can go online if they want to see the type of bully that Senator Cameron is, both in question time in the senate—

Senator O'NEILL: Senator Cash, you should withdraw that.

Senator Cash: and in estimates.

Senator O'NEILL: You should withdraw that comment, Senator Cash.

Senator Cash: He will be judged by his actions.

Senator O'NEILL: Chair.

CHAIR: I think if we're going to talk about bullying, we should potentially talk about Senator Carr's behaviour today in estimates as well. I don't think we want to go there, Senator O'Neill. Why don't we let the Minister answer her question?

Senator IAN MACDONALD: It's a matter of fact.

Senator O'NEILL: Chair, Senator Cash should withdraw that comment. I was there. I saw the encounter.

CHAIR: I've read the transcript. I think she's got a point. Why don't you continue asking questions?

Senator O'NEILL: You're not ruling on yesterday. I'd like to have an answer to my question.

CHAIR: We're not talking about yesterday. This is a completely different estimates.

Senator O'NEILL: How can you continue, Minister Cash, to believe that you can actually be the chair of the Women's Advisory Panel after what's happened in the past 24 hours? How can you possibly think that you have a right to take that leadership role?

Senator Cash: I am absolutely delighted by the opportunity—

CHAIR: I think that question was asked and answered.

Senator Cash: and Senator O'Neill, can I say I am very, very good myself at obviously embellishing things, and you're doing a very good job here right now—

Senator O'NEILL: That's the second round of applause I've received today from the minister.

Senator Cash: in having feigned outrage, but, as I said, I have a fantastic opportunity to focus on increasing the number of women in STEM, and I intend on doing that.

Senator O'NEILL: Minister, you have a view that you've put clearly, but I expect that there'll be many other people who have a very, very different view, and they've been all over Twitter in the last 24 hours.

Senator Cash: Senator O'Neill, if you would like me to start reading out all of the support emails that I have received and the phone calls that have come into my office saying, 'Would you like further information?', I'm more than happy to provide them to you. I am happy to do that, but I don't think that's going to serve either of us well. If you want to ask genuine questions about what we are doing to enhance the position of women in STEM, I would be delighted to provide you with an answer.

Senator O'NEILL: My questions have all been genuine, and I do have another one. A department spokesperson told Innovation Australia.com that, 'The members of the Women's Advisory Panel will be chosen from individuals who have demonstrated advocacy of female participation in industry, innovation and science, as well as self-nominated candidates.' Does the department think that, given Minister Cash's failure to herself advocate for women in the workplace, she's an appropriate person to chair the Women's Advisory Panel?

Senator IAN MACDONALD: Point of order.

CHAIR: Point of order, Senator Macdonald, I think that that question is extraordinarily inappropriate and out of order, Senator O'Neill. Perhaps you should rephrase it or consider moving on.

Senator O'NEILL: Next Thursday is International Women's Day, a day to celebrate the achievement of women—

Senator IAN MACDONALD: What science area is this?

Senator O'NEILL: but also time to reflect on what more needs to be done to finally achieve gender equality—

CHAIR: Is there a question about science in this, Senator O'Neill?

Senator O'NEILL: In your speech to the Press Club when you were Minister for Women, you stated, 'As Minister for Women, I feel both immense privilege and responsibility to use my time in this position to make an enduring difference in the lives of women in Australia.' What difference were you seeking to make yesterday to the lives of all the female staff who work in the building?

CHAIR: I don't think that this is a relevant question to this portfolio. However, Minister, if you choose to take this opportunity to give us an answer—

Senator Cash: I'm delighted to. In my former role and in this role, I'm actually able to focus on policy outcomes. We had some fantastic achievements in relation to delivering positive policies for the women in Australia, in particular in relation to increasing women's workforce participation. As I said, I am delighted by the opportunities that I have now to focus policy on increasing the number of women in STEM and, in particular, to have made the announcement at the Science meets Parliament dinner that we would double the number of Superstars of STEM—fabulous Australian women, outstanding Australian women—and also provide them with the funding over the next four years so that they can continue.

CHAIR: Thank you very much, Minister, and thank you, Senator O'Neill, for that fascinating insight into Supporting Science and Commercialisation, Science Awareness, Infrastructure and International Engagement,

Business Research, Development and Commercialisation. Does anyone else have a question about program 1?
Senator Macdonald.

Senator IAN MACDONALD: I do. Not about your last portfolio, Minister, which is not this estimates but about the current portfolio and this estimate. Just briefly—and it might be Ms Urquhart again—as I recall, some years ago, in the Howard ministry, I think, had a very good commercialisation program called 'commercial connect' or something like that. Does that now come within this program 1.2?

Mr D Wilson: You may be referring to a program called Commercialisation Australia, which is now referred to and called Accelerating Commercialisation. The program is aimed at trying to assist some firms that are trying to take new ideas to the market. They encounter a lot of barriers in terms of access to skills, the networks, the financing. Often it is because there is some risk around taking that idea, whether it's a new technology, whether it's a business process et cetera. The program is focused on assisting those firms, both through advice from commercial experts and also through a matching grant if they're successful—to a competitive process, to take that product, develop a prototype and develop it further along the commercialisation pathway.

Senator IAN MACDONALD: You hear so many comments, and I hear a lot of comments as I go around my constituency, where people say they've got a great idea but they can't get funding within Australia so they've got to look overseas. In fact, as I understand it, a lot of Australian inventions now become American inventions or European inventions because that's where people go. I think history is littered with examples of this. But does this program that you're talking about help those sorts of people, people who have a brilliant idea but need to commercially develop? We heard, I think, from the CSIRO about the drone that washes windows with a 15-year-old. If he wanted to commercialise—using him or her; I think it was a him—would this program help in that?

Mr D Wilson: It certainly is one of our key programs. There are a number of things that the government's doing to help those firms take that idea further. And you're right that companies—especially if they don't have a track record, if they're new or if there is a risk associated with it—say it is a technology or an idea—investors can be shy in putting money in that. Quite possibly it won't translate into something that's going to be sold to consumers or into a supply chain. Certainly, from a country like Australia, where in terms of the size of the market, we need our companies to be really thinking in a globally competitive environment. That's where they're acting now, and that's where they're working. They need to be thinking about, and in most cases will be looking to go to, an overseas market. What we'd like to try and do is have more of those firms build here in Australia, keep their intellectual property and—the value-adding, which really can translate back to our economy's benefit. They can build the skills in their workforce here and employ people in higher skilled jobs. You ultimately have better outcomes for the Australian economy in terms of living standards et cetera. That program very much does provide that advice to those companies that may never have done that before but it also can help firms that are—

Senator IAN MACDONALD: So it provides advice on how to set up a business or how to apply for venture capital, that sort of thing?

Mr D Wilson: Correct. Look, it can be a range of things. Those companies may—how they've structured the business, what are the right skills they need—have a great idea but they may not have the right staff or the right connections into the people that can help them grow that business. And also how they can access investment—and it may not be going to the bank, because there might be too much risk around that. So whether it's venture capital or whether it's other forms of early investment: it can be from angels or those types of investors that are prepared to take more of a risk at that early stage of the idea, with the hope that it can then start downgrading some of that risk and start really delivering.

Senator IAN MACDONALD: Do you have people in your section who have the skills and the background to actually advise people on the range of matters you've just been talking about?

Mr D Wilson: With the program I talked about, it actually is a sort of private-public partnership model. In the department, we have our program and policy areas, but the program engages around about 20—

Ms Forsyth: 22.

Mr D Wilson: Twenty-two commercial advisors. These are people who have got that depth of experience. They've grown companies from an idea through to a successful outcome, in many cases multiple times. Some of them have more experience in commercialising research that's been developed out of our universities. But others are people who have had their successes, and they've had their failures as well, so they know how to look at a business and say: 'I can see an opportunity here, but we need to make sure we understand better: what's the market opportunity? Is it 100 people in Australia or is it a million people worldwide? Can it go into a supply chain, ultimately into a bigger part of the system?'

Senator IAN MACDONALD: Do your people advise people who are seeking your help there—things like keeping royalties so that they get a quid out of it, and don't get bullied by big companies to signing up for next to nothing?

Mr D Wilson: Yes, absolutely.

Ms Forsyth: Absolutely. I was going to say, I have an example of a company that's been through the program, through Accelerating Commercialisation, and the outcomes that have been achieved, if that's of interest to you, Senator.

Senator IAN MACDONALD: Yes.

Ms Forsyth: We have a company called Clipchamp. They're based in Queensland. They've developed and they own unique proprietary technology focused on the compression and conversion of large video files. Since receiving the grant—they received \$499,120 from us—they've raised \$1.45 million in capital. They have increased their monthly revenue by 1,751 per cent and they've increased their personnel by 200 per cent. That's the grant as well, but it's also with the advice of that commercialisation adviser, who has been able to guide them along the way.

Senator IAN MACDONALD: I say, a little flippantly, are they listed on the stock exchange? And what's their number so I can put my \$100 into it!

Ms Forsyth: I don't know that, sorry.

Senator IAN MACDONALD: But thank you for that example, because it helps me, more often than not. I was in Russia recently, and the ambassador told me that the bloke who discovered laser beams was born in Atherton in Queensland but went back to Russia at an early age—of course, I suspect Australia doesn't get any of the money from laser beams these days.

With regard to the business research and development; again, that's really what you're talking about, is it? Is that one program—business research, development, and commercialisation?

Ms Urquhart: There are a suite of programs that are directed, I guess, at different points in the pipeline of getting an idea to market. Accelerating Commercialisation is one element of the Entrepreneurs Programme. There is another element called Innovation Connections that addresses industry research collaboration domestically, which is obviously very important, too. In addition, in the space of start-ups and generating new products and services, there's the Incubator Support initiative, again within the Entrepreneurs Programme, that seeks to support incubator activity, particularly in regional areas. There's Austrade's Landing Pads initiative internationally, where there are landing pads are established to receive and connect start-ups through distinct programs. There's the Biomedical Translation Fund and the CSIRO Innovation Fund, both of which are about addressing the problem you referred to earlier, Senator, in terms of accessing capital at key points in the product development life cycle. There's also the Business Research and Innovation Initiative, which is about trying to leverage government procurement in order to, I guess, give SMEs and research an opportunity to collaborate and bid in, to help government solve some of the problems that it might encounter. And then there are a suite of other measures. We were talking about the R&D tax incentive earlier. There are tax incentives for early-stage investors, and early-stage ventures capital partnerships. All of those are part of the innovation and science agenda and really represent the start-up and commercialisation pipeline component of that agenda.

Ms Weston: Senator, you have already mentioned the CRC program, which is another program that sits in this innovation and collaboration space.

Senator IAN MACDONALD: So this area looks after all the CRC programs?

Ms Weston: We look after them. A couple live in Defence, but we look after them administratively. But the rest are managed here.

Senator IAN MACDONALD: That's interesting. Thank you, Chair, that's exhausted me. I'm aware my time's out. I do have some questions in program 2.

CHAIR: Thank you. Senators, do you have program 1 questions? Are they questions on program 1, Supporting science and commercialisation; 1.1, Science awareness, infrastructure and international engagement; or 1.2, Business research, development and commercialisation? Or are they questions on program 2, Growing business investment and improving business capability; 2.1, Competitive marketplace; 2.2, Business and market development; or 2.3, Economic transition? Could you let me know which? Was it program 1 or program 2?

Senator KIM CARR: Program 1. We haven't finished with program 1 yet.

Senator O'NEILL: Program 1.

CHAIR: Continuing with program 1. You have 10 minutes.

Senator KIM CARR: You'll find the program is only a guide to action. You'll find that senators can continue asking questions until they are complete.

CHAIR: They certainly can, but the dinner break is coming up, Senator Carr, so I don't think we can.

Senator KIM CARR: Well, that's a separate matter. I wouldn't want to interrupt the dinner break.

CHAIR: Clearly.

Senator KIM CARR: They can continue to ask questions for as long as they have questions.

CHAIR: I'm happy to keep with this exchange as long as you like, because we're getting into the dinner break. But if you would like to get on with the questions, please do so. Have you got the call, or has Senator O'Neill got the call?

Senator KIM CARR: Senator O'Neill has the call.

CHAIR: Senator O'Neill, if you'd like to continue asking your questions, please ask your colleague to stop interjecting, and we can get on with it.

Senator O'NEILL: I'd like a clear call from you, and then I can get on with my questions.

CHAIR: I'm happy to give you a very clear call, Senator O'Neill. Good luck with that.

Senator O'NEILL: Thank you very much. Minister Cash, I was asking you a series of questions about your role as an advocate for women in light of a very public conversation that happened in the last 24 hours and how that impacts on your capacity to lead in science and innovation and initiatives for women. I refer to a speech that you gave—

CHAIR: In this portfolio or in a previous portfolio, Senator O'Neill?

Senator O'NEILL: I gave a reference to a speech that you gave when you were Minister for Women.

CHAIR: In a previous portfolio that doesn't appear in front of Economics estimates.

Senator O'NEILL: Chair, have I got the call or not?

CHAIR: I'm just clarifying that the speech was given under a previous portfolio.

Senator O'NEILL: Can I just get the question out before you seek clarification.

CHAIR: I'd like a clarification before you finish the question so I know whether to rule it in or out of order. Was the speech in a previous—

Senator O'NEILL: You can't rule it in or out until I finish the question.

CHAIR: I understand, but that's why I'm after the clarification.

Senator O'NEILL: Well, let me get on with the question.

CHAIR: Was that speech given in a previous portfolio, or was it given in this portfolio?

Senator O'NEILL: It relates directly to science and innovation and to women in science and innovation.

CHAIR: Does it relate to the Economics portfolio?

Senator O'NEILL: All my questions are in light of the opening statement from the secretary, who put on the agenda the uneven impacts on individuals, industries and regions with regard to transition and transformation issues in the portfolio area that the minister is directly responsible for. So gender questions around this are important, Chair. As a woman, I hope you would allow me to ask questions that I think women across the nation are genuinely interested in.

CHAIR: I don't give special treatment to women, and I should hope that you wouldn't either.

Senator O'NEILL: The question that I have, Minister Cash, is in light of what's happened in the last 24 hours, in which your capacity to be an advocate for women has clearly been impacted, I would say in a negative way. You might say there's been no impact. But my last question, which you didn't answer, was about the difference that you were seeking to make when you referred in your recent speeches to the lives of all female staff, to females generally. How were these comments going to impact positively on the lives of women working in this building yesterday and the lives of women who want to work in science and innovation?

Senator Cash: Well, Senator O'Neill, I'm happy to take you through exactly what the government is doing to ensure that women have an opportunity to participate in STEM. One of the issues you will probably yourself understand is that women do face real challenges in the science sector. In particular, in a speech that I gave—I think at Science Meets Parliament—I noted the fact that only 16 per cent of university and VET graduates in STEM are women. One of the interesting facts that I pointed to—which I have to say I was shocked by—was that

much of the gender imbalance starts at school. But then it continues, as you know, through tertiary studies. Many young girls don't see themselves in a science based career. This was a very interesting fact. When asked to draw a scientist, two-thirds of children aged 9 to 11 draw a man. And that is something that we do need to change. We need to ensure that when you do think of a scientist, you basically think of boys and girls or girls and boys.

Senator O'NEILL: Is that what was happening yesterday, minister, when you thought of female staffers?

Senator Cash: That is why I was delighted to provide the additional funding for the Superstars of STEM program, to allow that to continue that over four years so they have continuity and to increase the role models in the Superstars of STEM from 30 to 60. As I have been in the portfolio, I've also had the opportunity to be briefed on the SAGE project, the Science in Australia Gender Equality project. This is exceeding the expectations of the government. We funded its expansion. Chair, for the record, 45 organisations—

Senator O'NEILL: Chair, a point of order, if I may.

CHAIR: No, I'm actually interested in the answer, Senator O'Neill.

Senator O'NEILL: Point of order, Chair.

CHAIR: Sorry, excuse me, Minister. Point of order. Senator O'Neill.

Senator O'NEILL: I can appreciate the comments that the minister is making do relate to science and innovation. However, they are not an answer to my question.

CHAIR: I'm ruling these answers directly relevant to your question, Senator O'Neill. I'm interested in the answer.

Senator BUSHBY: The second part of your question was all about how you promote women in science.

CHAIR: I don't intend to shut down Minister Cash.

Senator Cash: Forty-five organisations—which is now nearly half of Australia's publicly funded research sector—have now joined SAGE. This includes two of the agencies which we had here today, CSIRO and ANSTO. In fact, I think you heard from Dr Adi Paterson about his commitment to ensuring that there are more women at ANSTO, but in particular the three women that he highlighted who are exceptionally capable women in this organisation. Can I also say that, since the launch of SAGE, universities and other research organisations involved in the project have been looking at their practices in terms of how you get more women and girls, or girls in particular, to study science, technology, engineering and maths. For example, we've seen improved arrangements for carers leave. And they've introduced support programs and funding schemes for staff with carer responsibilities.

Senator O'NEILL: Minister, can I get a clarification on that. Does carers leave include parental leave?

Senator Cash: They've also expanded on-campus childcare places, and they're setting up parenting rooms. They've also undertaken women-only recruitment processes for positions in disciplines where women are underrepresented. Based on all the feedback that we are getting, these are starting to make a difference.

Senator O'NEILL: In terms of respect for women in the workplace, clearly there are some places where that is happening. But I put to you again that the speech that you made and the policies that you're talking about, that were in full flight prior to yesterday, are compromised now. Initiatives for women that you should be leading, as Acting Minister for Women, are compromised based on what happened yesterday. Can I go to another speech in which you talked about—

CHAIR: Was there a question there?

Senator O'NEILL: equality, and women being treated with respect. That's something that we both agree on. But I find that very difficult to reconcile with your actions yesterday, which—

CHAIR: That's eight sentences but no questions, Senator O'Neill.

Senator O'NEILL: Please explain how your comments yesterday encourage respect towards women. In light of this, how can you remain the chair of the women's advisory panel for science and innovation?

CHAIR: This is the fourth time you have asked this question, Senator O'Neill.

Senator Cash: Senator O'Neill, you have been sent in to undertake a performance, and I am more than happy to sit here and watch you do that. I completely disagree with everything you are saying. If you would like me to start going through all of the emails that I have received in relation to what has been occurring, I'm more than happy to. But, again, I don't think that benefits anybody.

Senator IAN MACDONALD: I wouldn't mind having that.

Senator Cash: If you want to talk about policy in this portfolio, please ask questions.

Senator O'NEILL: One of the ways in which making good policy in this portfolio is supposed to happen is with the women's advisory panel.

Senator IAN MACDONALD: What's the question?

Senator O'NEILL: My question is: given what's happened in the last 24 hours, how can you continue to head up the women's advisory panel?

CHAIR: Senator O'Neill, if you don't have any other questions on this particular program—because that one has been asked and answered five times—we should move on to program 2.

Senator O'NEILL: Minister, do you consider yourself still a suitable person to lead the women's advisory panel?

CHAIR: Six times! I'm going to rule the seventh time out of order.

Senator Cash: Yes.

Senator O'NEILL: You do. Thank you for your answer. Do you see your comments yesterday as respectful with regard to challenging the attitudes of Australians with regard to women?

Senator Cash: I suggest you have a very good look at the transcript, Senator O'Neill.

Senator O'NEILL: A lot of people have.

CHAIR: I don't think it's appropriate, Minister. You don't need to refer to things that happened in other estimates hearings. This is the economics estimates hearing. You may answer questions about the portfolio before us: the science, innovation and industry portfolio.

Senator O'NEILL: Do you think that your words and actions yesterday have perpetuated very damaging attitudes that condone or excuse misogynistic behaviour and will impact negatively on this very, very important program?

Senator Cash: When you ask a serious question, I will answer it.

Senator O'NEILL: That is a serious question.

CHAIR: Senator O'Neill, I'm going to rule it out of order. I think that you're asking questions about an estimates hearing that happened in a completely different—

Senator O'NEILL: Could I ask a question of the department?

Senator IAN MACDONALD: And she's asked it five or seven times.

Senator Cash: Why is Senator Carr not allowed to ask these questions, given he's apparently got the proxy for somebody—

Senator O'NEILL: Senator Carr can ask as many questions as he'd like.

Senator Cash: He's not allowed to ask these questions.

CHAIR: Are there any questions about program 1? We can continue with questions about program 1.

Senator O'NEILL: Chair, my time is not completed. Can I continue?

CHAIR: You just heard the buzzer.

Senator O'NEILL: You spoke for most of my time.

Senator IAN MACDONALD: Because you didn't ask a single question about science.

Senator O'NEILL: I've got more questions for the department.

CHAIR: About program 1?

Senator O'NEILL: Yes.

CHAIR: I might ask a question about program 1 while I'm here.

Senator BUSHBY: I'm just confirming that we're going to dinner at—

CHAIR: We're going to dinner in three minutes. Would you like to return with program 2 or would you like to return with program 1?

Senator KIM CARR: What time will you be going, Minister?

Senator Cash: Senator Carr, I've already indicated to you that I would be here for the duration of my responsibilities. Why would you say that I wouldn't be? I've already said that I would be.

Senator IAN MACDONALD: Because he's rarely here after 6 o'clock.

Senator Cash: Senator Carr is never here after dinner. We all know that.

Senator KIM CARR: That's right.

Senator Cash: He likes to shoot through. Your reputation goes before you, Senator Carr.

CHAIR: Senators, we might draw a hard line in the sand. But, considering we have two minutes to go, unless somebody has an urgent question on—

Senator O'NEILL: I've got another question.

CHAIR: Industry, Innovation and Science, particularly program 1—supporting science and commercialisation; science awareness; infrastructure; international engagement; business research, development and commercialisation—

Senator O'NEILL: Yes, Chair, I have a question. I'm seeking the call.

CHAIR: Senator O'Neill.

Senator O'NEILL: Thank you. Does the department believe that it remains appropriate that Minister Cash continues in her role—

CHAIR: You can't ask that question. That's an opinion, Senator O'Neill, and I'm ruling it out of order. If we're going to continue with this line of questioning, we should let everybody cool off and we will suspend the hearing until a quarter past seven.

Senator Cash: Chair, could I just confirm for the benefit of officials: I know we're still in cross-portfolio and we will continue to move—

CHAIR: We are not in cross-portfolio, Minister. We are actually in program 1. I know it doesn't feel like it. I'm quite happy to stay on program 1 until—

Senator Cash: Chair, there's just one correction that needs to be made to the record in relation to the chief of staff in my office. It's actually, obviously, the acting chief of staff. We just wanted to make sure that was corrected for the record.

Senator KIM CARR: I did say that.

Senator Cash: I just wanted to make sure.

Proceedings suspended from 18:13 to 19:15

Dr Smith: It would be inappropriate for me to answer the first part of your question. I would say that the department will support the minister in all of the activities that a minister would normally undertake, including supporting the women's advisory panel. We are happy to give some background on the women's advisory panel.

Senator O'NEILL: Because it hasn't been going fast in its establishment, has it?

Dr Smith: I'll ask Mr Wilson to provide some background.

Mr D Wilson: Former Minister Sinodinos announced the advisory round table in February last year, and plans were underway for holding the first meeting table until the time he went on leave, so that meeting had to be postponed. The meeting was going to be rescheduled, but the availability of scheduling for Senator Cash, the acting minister at the time, didn't allow for that to go ahead. The plan was for October, I think.

Senator O'NEILL: You've had a bit of trouble with availability in the senator's diary on a number of occasions, not just around this matter.

Ms Weston: We have been working on trying to find a time that suits all the panel, or as many of the panel as possible. We now have a better indication of when that will happen and, of course, it was unfortunate that Senator Sinodinos was on leave. We have now got to a point where we are able to have the panel, the round table.

Senator O'NEILL: Minister Sinodinos announced this round table as a top-line priority. How do you explain the passing of a year—I understand what you've just said—if this is a top priority for the department?

Ms Weston: The advice from women and supporting women in STEM and entrepreneurship is a high priority, and we have been able to move on quite a number of the other elements that came out of the National Innovation and Science Agenda, such as the WISE program and the SAGE program that you heard a little bit more from Dr Paterson about this morning along with the Male Champions of Change. So we have progressed on a number of these measures that are supporting women in the STEM and entrepreneurship space. The other round table has had delays—we were looking for the attendance of the minister at the time, Minister Sinodinos, but he was on leave. We have progressed other elements so, in terms of a priority, we have been able to deliver on priorities around women in STEM and entrepreneurship.

Senator O'NEILL: The advisory panel, as I understand it, is supposed to be consulting on policy related to science and innovation, particularly around women. It's concerning that this seems to be a low priority to get the panel together that should be adjudging the other programs and contributing to them.

Ms Weston: Aside from that, we have had some other round tables that have engaged with women. In the preceding time before Senator Sinodinos, we had a panel that Karen Andrews, the assistant minister, chaired. We had a leader in engineering and mathematics, Elanor Huntington, so we have been able to do some of the consultations that you are talking about. And of course—

Senator O'NEILL: In a fairly ad hoc manner?

Ms Weston: No, not ad hoc; it was organised.

Senator O'NEILL: Did they replicate what the panel's supposed to be doing?

Ms Weston: I would also note that the ISA board, the Innovation and Science Australia board, has women representatives on it.

Senator O'NEILL: If that was the case, why was a special women's advisory panel constituted unless it was seen that there was a need to respond to a paucity of women participating in science, technology, engineering, maths and the innovation and science space, more broadly?

Ms Weston: I don't think the terms of reference related to a paucity, but it is important. The minister at the time and our current minister do see it as important to continue a dialogue with women, and I think that's what's going to happen when this group gets together.

Senator O'NEILL: So, Minister, the department referred potential candidates at the start of May last year. However, the department didn't make the first offer until nearly six months after the announcement. What was the hold-up once you became involved in the portfolio; and who's been fulfilling the role of the panel in the year that it's taken to set up?

Senator Cash: I'd need to get the department to answer that, given that that was six months that I was not in the portfolio. So perhaps the department could provide further information.

Senator O'NEILL: I think that they've just given me a reasonable indication of what they attempted to do in the meantime. But how long have you been in the portfolio, Minister?

Senator Cash: In an official capacity, for two months, give or take—over the Christmas period, obviously.

Senator O'NEILL: I note in your comments the other day, Minister, that two—and I'm quoting you here—'token blokes' have now been selected. They were the words that you used. Why is the inclusion of men in this panel tokenistic, in your view?

Senator Cash: Could you refer me to those comments?

Senator O'NEILL: Two 'token blokes'?

Senator Cash: Could you refer me to when they were said?

Senator O'NEILL: Last week, I believe.

Senator Cash: I did not say that. I do not recall saying that. If you could refer me to it, so I could look at the source document and who's quoted me as saying that.

Mr D Wilson: I don't have that article in front of me, but I'm fairly sure—and we will double check—that that quote or that statement at the end of the article was not attributed to the minister.

Senator Cash: No. So if you could refer that to me so I can have a look at it and see who is quoting me saying something I haven't said, that would be appreciated.

Senator O'NEILL: Can you please advise what industries the five private-sector women that are going to be on this panel are coming from?

Senator Cash: In the first instance, could you please advise me why you have put to me that I stated something, twice, which I have not stated, so I can actually ascertain who is misquoting me?

Senator O'NEILL: I'll have a look at that as soon as I've—

Senator Cash: If you've got it in front of you, you can pass it up now. Chair, I'm happy to accept it now so I can—

Senator O'NEILL: Mr Wilson has indicated he's familiar with the article. Do you have a copy?

Senator Cash: If you've got a copy—

Senator O'NEILL: Yes. It's by Denham Sadler.

Mr D Wilson: Correct, in InnovationAus.com. Yes. I don't have that in front of me, but I know that line—

Senator O'NEILL: And it's in quotation marks; it says 'token blokes':

The panel is to be made of women from the private sector, research institutions and government, along with some 'token blokes'.

Senator Cash: I haven't seen the article.

CHAIR: I'm happy to have the article tabled.

Senator O'NEILL: So, Minister, you deny that you said that?

Senator IAN MACDONALD: No, the minister has asked for you to show her the article.

Senator O'NEILL: In the interim, can you please advise what five private sector women are. Where are they from?

Mr D Wilson: We'll have to take that on notice. I don't have the details of the sectors they're from.

Senator Cash: Senator O'Neill, I absolutely did not say that, and it's not quoting me as saying that. That's actually, by the looks of it, the journalist who said that.

Senator O'NEILL: Okay.

Senator IAN MACDONALD: Chair, I want to raise a point of order.

CHAIR: A point of order, Senator Macdonald.

Senator IAN MACDONALD: This is an appalling abuse of procedure by Senator O'Neill, who is alleging the minister said something, in their relentless attack on one of the best ministers that this country has seen for a long, long time.

Senator O'NEILL: There might be 25,000 people in the last 24 hours who are very much not of that opinion.

Senator IAN MACDONALD: That's why they're resorting to the sorts of lies we've just had from Senator O'Neill, in attributing something to Senator Cash when clearly it wasn't, and I really think you should—

Senator O'NEILL: Chair, is there a point of order?

Senator IAN MACDONALD: censure Senator O'Neill for this—

Senator O'NEILL: Chair, I can rephrase my question.

Senator IAN MACDONALD: misuse of the avenues of parliament to malign people maliciously and wantonly.

CHAIR: Thank you, Senator Macdonald. I don't think it's a point of order. But, Senator O'Neill, I do warn you that, if you're going to quote the minister, I think you should be able to quote the source accurately.

Senator O'NEILL: Well, I think you can see why it would look it's being quoted. It has got quotation marks—

Senator IAN MACDONALD: Perhaps you could apologise to the minister?

Senator O'NEILL: I'd like to ask the minister a different question based on her response.

Senator IAN MACDONALD: A point of order, Madam Chair.

CHAIR: A point of order, Senator Macdonald.

Senator O'NEILL: Why is the inclusion of men—

Senator IAN MACDONALD: Could I ask that Senator O'Neill apologise to Senator Cash, as she was very, very, very keen for Senator Cash to do. This is a deliberate lie about Senator Cash, and think Senator O'Neill should apologise.

CHAIR: Thank you, Senator Macdonald. I do think that Senator O'Neill has cast aspersions on the minister unnecessarily and inappropriately, and it probably is appropriate to apologise. Senator Ketter.

Senator KETTER: I just want to address that point of order. All that Senator O'Neill was doing was referring to a published media article—

CHAIR: She was misquoting an article.

Senator KETTER: No, she wasn't. The article itself has the words in question in quotations.

Senator O'NEILL: It does.

Senator KETTER: So it's a reasonable assumption that—

Senator IAN MACDONALD: She was accusing Senator Cash of doing it.

Senator KETTER: She was quoting—

Senator O'NEILL: I was.

Senator KETTER: from a published article.

Senator O'NEILL: I was quoting from a published article.

Senator IAN MACDONALD: Which, apparently, on any normal reading, would indicate that it's not Senator Cash.

CHAIR: I think, Senator O'Neill, if you acknowledge that there was an error of judgement in suggesting that the minister said those words then we can move on.

Senator O'NEILL: So can I—

CHAIR: Sorry; can you just acknowledge that it was an error of judgement—suggesting that the minister said those words in quotations, without checking.

Senator O'NEILL: It was from my interpretation of the article, which has quotation marks, so I think it's a reasonable—

CHAIR: I understand, but perhaps you could acknowledge that you misinterpreted that article.

Senator O'NEILL: I would like to rephrase my question with that knowledge now.

CHAIR: Would you like to acknowledge that you misinterpreted the article and cast aspersions on the minister?

Senator O'NEILL: I'd just like to acknowledge that it is in quotes in the article, and it wasn't an unreasonable—

CHAIR: I think you've already established that—

Senator O'NEILL: The minister's now clarified it, and I've got a question for the minister about what she thinks about men in this panel—

CHAIR: but I'm wondering whether, potentially, you should suggest to the minister that you potentially misinterpreted that article and, therefore, cast aspersions on the minister unnecessarily—

Senator IAN MACDONALD: The senator was very keen to get Senator Cash to apologise for some comments about Senator Cameron, which are true—

Senator O'NEILL: Is that a point of order, Chair, or have I got the call?

CHAIR: We are still waiting to see whether you are going to acknowledge that you have misinterpreted that article and then cast aspersions on the minister—

Senator O'NEILL: I'll acknowledge—

CHAIR: That you misinterpreted the article?

Senator O'NEILL: that the article contains quotation marks that looked like they were the senator's comments. I would like to rephrase my question: what is your view about the inclusion of two men on this panel?

Senator Cash: I think it's appropriate to have men on the panel, because obviously we need to have all views informing the panel in terms of what its goals are.

Senator O'NEILL: Are the men from research, government or the private sector?

Senator Cash: I will refer you to the secretary in relation to the composition of the panel.

Mr D Wilson: I can answer. The two males are from the private sector.

CHAIR: Thank you, Senator O'Neill. Your time's up. I have some questions specifically for the department on this special women's advisory panel. Can you remind me what date that panel was announced and what date it was convened.

Mr D Wilson: Let me just refer to my notes. A former minister, Senator Sinodinos, announced the panel at a venture capital conference in, I think, late February 2017. Sorry, I'm just trying to find the exact date.

CHAIR: When was the panel first convened?

Mr D Wilson: After a process of providing some advice to the then minister's office, regarding nominations and candidates for membership, the first invitations to panel members were made in August. The final ones were made in September. All of those members that were invited, those 10—the eight women and two men—accepted those invitations.

CHAIR: Thank you. You might not be able to answer this, Mr Wilson, as you might not have been with the department at the time, but was there a special women's advisory panel under the department between 2007 and 2013?

Mr D Wilson: I'd have to take that on notice. I don't have that in front of me.

CHAIR: Can you tell me, potentially, whether there was any program specifically to encourage STEM studies or STEM pursuits for women run by the department between 2007 and 2013?

Mr D Wilson: We'd have to take that on notice as well.

CHAIR: Would that suggest to you, if you cannot recall a specific STEM program for women between the years of 2007 and 2013—

Senator O'NEILL: It's so long ago they can't remember.

CHAIR: They may well not have been working there, but they still represent the department—

Senator O'NEILL: It's pretty irrelevant to 2018, to women graduating from school today.

CHAIR: Potentially the leadership role of ministers that were responsible for this department at that time did not prioritise the advancement of women in science?

Ms Urquhart: There certainly wasn't a dedicated program for women in STEM run in the department in my recollection, and I worked in science policy at the time. We do need to take it on notice, however, because, as I mentioned earlier, the Department of Education and Training has also been very active in the STEM space, and it would be important that we check those facts about particular programs that might have gone to encouraging women and girls in STEM schooling and careers.

CHAIR: Thank you, Ms Urquhart. So that would suggest that there wasn't a particular leadership role taken for women in science between the years of 2007 and 2013.

Senator KETTER: Chair, I think you're verballing the witness there.

Ms Weston: At that time, during that period, we also had the skills and higher education portfolio. I think Ms Urquhart said that we do need to check across to that other department, because they were part of our department at the time.

CHAIR: Thank you, Ms Weston. Are there any further questions on program 1?

Senator O'NEILL: Yes, please. Senator Hume asked the question: when did the panel convene? Has the panel convened?

Mr D Wilson: No, it hasn't.

Senator O'NEILL: No, it hasn't.

Mr D Wilson: We expect that the first meeting will be held shortly. We're working with Minister Cash's office to finalise arrangements for that first meeting.

Senator O'NEILL: We have established that there are eight women and two men. The men are from the private sector, is that correct?

Mr D Wilson: That's correct, yes.

Senator O'NEILL: Who are they, and what parts of the private sector do they represent?

Mr D Wilson: I'd have to take that on notice, Senator; I haven't got the names in front of me.

Senator O'NEILL: Is there nobody here, with all these people, that can help you with this?

Ms Weston: I think that's exactly what Mr Wilson has suggested.

Mr D Wilson: Yes; as I say, we can provide that on notice, in terms of the names. Yes.

Senator O'NEILL: It's a whole year that we've been waiting for this. There are eight women on the panel, is that correct?

Senator O'NEILL: Sorry, Ms Weston?

Ms Weston: No, I was just conferring with my colleague.

Mr D Wilson: So the panel has not been publicly announced, the membership of that. But I'm sorry, Senator, I didn't catch your question.

Senator O'NEILL: My question was: who are the eight women, and what fields do they represent? Research, government, private sector? Friends with the minister?

Mr D Wilson: We can take that on notice. We expect that it will be publicly announced in a short period of time. But we can come back to you with those names and what sectors they're in.

Senator O'NEILL: Do you have any idea about the people who have been selected?

Mr D Wilson: The make-up comes from a mixture of private sector—including also research and science—backgrounds. For the women members, it's a mixture of both private sector and research scientists.

Senator O'NEILL: What's the composition of research, private and government members?

Mr D Wilson: I'll have to take that on notice, too.

Senator O'NEILL: What if I told you that I understand it's supposed to be two research, five private and one government member?

Ms Weston: Senator, did you say that 'it was supposed to be'? Is that what you said?

Senator O'NEILL: Yes. Is that correct?

Ms Weston: Where's that information coming from?

Senator O'NEILL: I'm asking the department if you have any information about this. Is there a structure to this panel? Who is on it? How were they invited? It's a year since it was announced as a priority project, and we still don't have access to the names of the people or the structure of this women's advisory panel. It just goes to the whole sense of the tokenistic response to issues that genuinely affect women, and the delay in response, from the government.

Senator Cash: Can I say, Chair, just in relation to this: Senator O'Neill—

Senator O'NEILL: Do you have the answer, Senator?

Senator Cash: No; I appreciate your comments, but I think that Ms Weston has articulated the work that was done, in particular under former Senator Sinodinos, to ensure that we were delivering on the commitments made under NESAs. I don't like to raise this issue, but one of the reasons there was a delay, as you know, is that Senator Sinodinos had to seek treatment for an illness.

Senator O'NEILL: I have no problems with Senator Sinodinos—but the department didn't stop its work, Minister. If it was a headline issue, the department was able to—

Senator Cash: I just wanted to put that comment on the record.

Senator O'NEILL: And I agree. Senator Cash, no problem—

Senator IAN MACDONALD: Can we have the minister answer the question without being interrupted by Senator O'Neill—

Senator O'NEILL: It's all right, we're understanding what's going on.

Senator IAN MACDONALD: And interrupting me when I'm making a point of order.

Senator O'NEILL: Minister—

Senator IAN MACDONALD: Could you give her a lesson in some manners?

Senator O'NEILL: You are so condescending, Senator Macdonald.

CHAIR: Senator O'Neill, your last question wasn't a question, it was a—

Senator IAN MACDONALD: Well, you should stop interrupting people when they're talking.

Senator O'NEILL: Senator Cash, the department supposedly continued with this process. There's no reason why there should have been such a long delay. Do you have any idea about who is on the panel?

Senator Cash: Yes, I do, and there will be an announcement shortly, I'm pleased to say.

Senator O'NEILL: So if you do know, what's the structure of the—

Senator Cash: There'll be an announcement shortly.

Senator O'NEILL: What is the structure of the panel?

Senator Cash: The government is going to be announcing that shortly.

Senator O'NEILL: How did you discern who was going to be eligible for the panel?

Senator Cash: That was a decision that had already been made by Senator Sinodinos.

Ms Weston: Senator, in late August the panel members were all in place—and you will recall that Minister Cash was acting for Minister Sinodinos, and he was likely to return towards Christmas time, that sort of time frame. And so when that didn't happen, of course, then the planning for who would actually be able to chair that meeting—because it was a meeting where the minister wanted to hear personally; it wasn't one where the

department or another person could step in. So there was that time delay for that very good reason that there was an expectation of the minister returning. And when that didn't happen, then we took whatever steps we've taken now to set up this meeting that is going to be held shortly.

Senator O'NEILL: Can I ask your response to this comment from Senator Sinodinos. He said the purpose of this women's advisory panel as he described it, which has been in abeyance for a year is:

.... to keep us honest and to say, 'this is what's working and what isn't, and if you really want to help women then this is what you have to do'.

Do you consider that the department has failed to deliver this in a timely way?

Ms Urquhart: That's an accurate quote about Minister Sinodinos's vision for the roundtable. We continue to work on the structure with that objective in mind. We're very close to finalising it, as the minister said, for an announcement. What I think is important to emphasise is that the roundtable is considered to be a very useful mechanism for the minister in terms of consultation and advice in relation to the portfolio. In the meantime, particularly through the women in STEM and entrepreneurship measure of the Innovation and Science Agenda, we've had a number of mechanisms where we've been in close consultation with a number of women's groups across the sector, whether it be science and gender equity and the 40-plus members of that organise in relation to their activities on situation for women in STEM in research institution or whether it be through the Male Champions of Change in STEM group where we've had the opportunity to work with male CEOs of both research entities and private sector bodies on the sorts of mechanisms that they can bring to play in their organisations in a very real way. At the same time, representatives of the department, like myself, have spoken to forums like the SAGE forum in Brisbane last year, where I facilitated a panel. So there's been a lot of activity. The women in STEM and entrepreneurship grants program sees us partner with every grant applicant on an activity in relation to the participation of women and girls in STEM. So the consultation, the advice—the partnership—is going on across many measures. At the same time, we are looking forward to staging the first meeting of the women's advisory roundtable for the portfolio.

Senator O'NEILL: In your very earliest remarks you indicated that Senator Sinodinos thought it was an important way for him to engage. Is the structure such that we should expect the minister, who was then Senator Sinodinos, will be now Senator Cash in that role for the government?

Ms Urquhart: The portfolio he described then as Industry, Innovation and Science, and certainly it's the case that the structure of the body as we have provided advice to the minister is to reflect that. At the same time we've been very conscious of the broader portfolio, and indeed that's been part of the discussion that we continue to have with the minister and her office about the representation on that panel.

Senator O'NEILL: So the proposal is that the minister, now Senator Cash, will be the government minister on that panel?

Ms Urquhart: Yes.

Senator O'NEILL: Can I just signal once again how deeply concerning that is and how many women I think will think that's entirely inappropriate after the comments the senator made yesterday.

Dr Smith: Can I just go back to your previous question, where you used the words 'department' and 'fail'. I think you will find that there are many people in the department who are very passionate about ensuring we really work very closely with a whole range of groups, but particularly with women and to encourage more women in STEM, particularly these two women at the table, who have been doing that for a number of years. Thinking about how we translate the department's role is important, because there are a lot of passionate people in this department who've been working on this issue for a long time. I'd just like that to be put on the record, please.

Senator O'NEILL: Thank you.

CHAIR: Thank you, Senator O'Neill. We will move to program 2.

[19:43]

Senator KETTER: If I could firstly ask about the contract for the Facebook page for the growth centres. In question on notice SI-89, I think it was, the department advised that PR firm Porter Novelli Australia had won a \$246,839 contract to set up a Facebook page for the growth centres. Are you able to tell me something about that?

Mr Power: Yes. We have let that contract and the contract's progressing with Porter Novelli. That Facebook page is about to be launched very soon, so that's progressing.

Senator KETTER: The contract commenced on 2 November last year—is that correct?

Mr Power: I'll just check that.

Mr Lawrence: Yes, that's correct.

Senator KETTER: Can you explain to me how it takes four months to set up a Facebook page?

Mr Lawrence: The department is working with Porter Novelli and six growth centres. That requires working with six marketing managers from growth centres to make sure that they all agree on the content and that they agree on the imagery as well, so that it represents all the growth centres as well as the initiative.

Senator KETTER: Did the contract stipulate when the page was to go live?

Mr Lawrence: It did not set a specific date.

Senator KETTER: What's the date that you expect it to be up and running?

Mr Lawrence: I suspect it will be probably as early as next week.

Senator KETTER: Next week? Has that date been confirmed or settled, or is this still up in the air?

Mr Lawrence: I'm pretty certain it is next week; it may even be as early as tomorrow.

Senator KETTER: Okay, I'm going to ask you to take that on notice anyway—

Mr Lawrence: Sure.

Senator KETTER: just in case it doesn't happen tomorrow. Can you tell me how many meetings of the Growth Centres Communications Advisory Committee have occurred since 2 November?

Mr Lawrence: I'd have to take that on notice, but I think it is at least twice.

Senator KETTER: Also, could you tell me if Porter Novelli has attended each of those meetings?

Mr Lawrence: Porter Novelli chairs those meetings; the department attends as an observer and an interested party.

Senator KETTER: Now, in the response to question on notice SI-89, the department confirmed that there are currently eight communication media managers employed by the growth centres. You might want to take this on notice, but I would like to know the pay scales for those roles, and a breakdown and the aggregate cost for all of those communication and media managers.

Mr Lawrence: I'd have to take that on notice.

Senator KETTER: Yes, thank you. Do these growth centre media managers attend the Growth Centres Communications Advisory Committee?

Mr Lawrence: Yes, they do.

Senator KETTER: Do they currently have any responsibility for website content?

Mr Lawrence: They have responsibility for the website content on the individual growth centre websites.

Senator KETTER: Can you also advise how many people are currently in the industry department's communications media team?

Mr Lawrence: I'm not responsible for that team, so I'd have to take it on notice—unless one of my colleagues can help?

Ms Cook: I think we can attempt to answer your question.

Senator KETTER: My question was in relation to how many media or communications staff you have in the department's team.

Ms Cook: In the branch there are different roles that are undertaken by communications officers. If you're looking at the definition of those communications staff who do what we call public affairs—writing speeches, dealing with media queries, running campaigns and also doing media monitoring and managing the contract—that would be in the order of probably 20. But, there are also other staff who look after what we might call program marketing and also internal communications and online publishing, and we also have some other functions. I would probably take the final number on notice, just because we do have some staff who are part-time and we also have a number of interns et cetera. I would take a final number on notice.

Senator KETTER: I don't know a lot about Facebook, but I'm struggling to understand how we can spend nearly a quarter of a million dollars on external contractors for a Facebook page that's not yet up and running, when you have eight media and communications staff in the growth centres themselves and 20 similar advisors employed by the department. One can't help but draw the conclusion this has been a giant waste of taxpayer money, and the Facebook page isn't yet live. I'm going to ask you, Dr Smith, can you help me out here?

Dr Smith: I distinguish between the two. The growth centres are quite separate from the department's media.

Senator KETTER: Okay. So, please help me understand why this isn't a waste of money.

Mr Lawrence: For sure. Each of the growth centres works as an independent not-for-profit company, and they determine their own communications and their social media things. The contract to Porter Novelli is more than just a Facebook page. It does—as the question on notice said—revolve around a paid and earned media, advertising and editorial strategy as well. They're also providing advice to the department on the content that appears on our own website to promote the initiative.

Senator KETTER: But can you explain why the tender couldn't have been done by any or all of the eight media staff? I know enough about Facebook to understand that it takes one person to set up a Facebook page, and not very long.

Mr Lawrence: This is not a Facebook page for the individual growth centres; this is a Facebook page for the overarching initiative, and we needed a coordinating role to ensure that the message was consistent coming from all the growth centres and didn't just promote one growth centre over the others.

Senator KETTER: Okay. It's just really hard to understand how a quarter of a million dollars can be spent in that regard. Can you just help me out with that?

Mr Lawrence: The quarter of a million dollars is the whole contract, and there are actually two elements to that. One of the elements is for benchmarking awareness research, which is being undertaken by Woolcott research. As the question on notice says, that's for just over \$78,000, and the rest is for the communications strategy work undertaken by Porter Novelli.

Senator KETTER: Yes, you've mentioned that. That \$78,000 was for benchmarking and tracking market research to monitor the impact of the Industry Growth Centres communication strategy.

Mr Lawrence: Yes.

Senator KETTER: What does that involve?

Mr Lawrence: That involved Woolcott research reaching out to firms, small businesses and industry associations to determine their awareness of the growth centres, so we can benchmark the awareness out there and develop a communication strategy around that.

Senator KETTER: In the response you've given us, there is a benchmark of: a critical mass of followers and influencers that the firm will need to generate. Have you determined what that benchmark will be?

Mr Lawrence: That hasn't been determined yet.

Mr Power: Can I just add that, in relation to the value-for-money component, of course when we let the contracts we go through the process of value for money that we do for all procurements. We assess the tenders and we achieve value for money. Obviously, when you procure those services you determine what the value is and the best value for money by testing the market, which is what has occurred here.

Senator KETTER: Sorry, I'm still struggling, but time is of the essence so I'm going to move on to some questions I have in relation to the Australian Building Codes Board—more particularly, the work that the Building Ministers' Forum has been doing in relation to combustible cladding. I understand the last meeting of the Building Ministers' Forum was held on 11 December, and the communique from that forum says that cladding audits and reviews are underway across the states and territories. Can you outline the nature of the reviews and the results to date, and how many have been completed?

Mr Savery: I can't actually answer your question, because the ABCB isn't responsible for the Building Ministers' Forum. It's the department, so it's better that the question is addressed to Dr Anne Byrne.

Dr Byrne: The building ministers have responsibility for taking forward a number of audits. As you know, across each of the jurisdictions the Commonwealth is also undertaking a series of audits. The precedent for this was around the activities that occurred as a result of the Grenfell Tower fire in London, as you're aware, and the Prime Minister wrote to first ministers in June 2017 to seek their support to ensure that each jurisdiction would properly map the activities it had underway to audit cladding on high-rise buildings. The Building Ministers' Forum, which Commonwealth chairs, was charged to be responsible for pulling together that information. Since that time, the building ministers have a number of mechanisms available to them to provide advice. One mechanism is the Building Regulators' Forum. The building ministers have tasked the Building Regulators' Forum to prepare combined information across all the jurisdictions in relation to the activities that they have underway with the targeted audits. So this body of work is ongoing; it's not finalised. But I think it would be fair to say that all jurisdictions are taking the cladding audits very seriously and a number of them have very extensive activity underway, including in relation to Victoria, for example, where formal audit processes have been undertaken and formal reports have been prepared and released publicly. I'd say, in terms of what the ministers are doing, they're

continuing their combined efforts to undertake the audits and to determine what action each jurisdiction should take in response to any identified problem with cladding materials on high-rise buildings.

Senator KETTER: What I'm very interested in is if there is a table of results from the reviews so far, what the results are and how many buildings we are looking at here with potentially dangerous cladding on them.

Dr Byrne: Certainly I can say that we have prepared a table. I would like permission to seek advice from colleagues in the jurisdictions about the availability of that material, since the material has been provided to us as a collective. I would need to check with the Building Regulators' Forum and to check with jurisdictions about their comfort.

Senator KETTER: Yes, I'm happy for you to do that.

Dr Byrne: Certainly we have the material available.

Senator KETTER: Can you tell me how many of the reviews have been completed?

Dr Byrne: I'd have to take that on notice.

Senator KETTER: The communique from the Building Ministers' Forum on 6 October indicates that the Building Ministers' Forum ministers:

... recognise the public safety concern and clear risk arising around the use of cladding that does not comply with the National Construction Code (NCC). All Ministers agreed that they will use their available laws and powers to prevent the use of aluminium composite cladding with a polyethylene (PE) core for class 2, 3, or 9 buildings of two or more storeys, and class 5, 6, 7 or 8 of three or more storeys ...

Can you tell me what types of structures PE core cladding is now allowed to be installed on.

Mr Savery: To put it in as simple language as I can, it's generally buildings below three storeys, but there will be variations on that, depending on the intended use of buildings. They're typically described as type C buildings in the National Construction Code, and that relates to both the type of occupancy of building in terms of its intended use as well as the form of construction. So the code is essentially designed around the likely risk to occupants of buildings based on classification use et cetera. The materials are also used quite extensively in things like signage and for the facade treatment of things like car showrooms, so that's where you might typically find it. That's where it still would be permissible to use it.

Senator KETTER: There was evidence before our Senate committee inquiry into non-conforming building products from one of the importers that the price difference between PE cladding and fire-resistant cladding is just a few Australian dollars per square metre. Do you have any information that contradicts that evidence?

Mr Savery: No.

Dr Byrne: No. We have no evidence that confirms it either.

Senator KETTER: Mr Savery, is it your understanding that, for a two-storey building which perhaps uses 170 square metres of cladding, the price difference between fire-resistant cladding and PE cladding would be approximately \$680?

Mr Savery: No, I'm not able to answer that question. We don't look at what the price of products is.

Senator KETTER: The October communique mentions the development of an established and implemented system of permanent labelling on cladding products to prevent substitution. Can you tell me where that is up to?

Dr Byrne: The building ministers have established another group, the senior officers group, and that's been charged to look at some options for ministers to bring back to the next meeting of building ministers on labelling. While I can't tell you the conclusion from that, I can say that the officials are working through a range of options, and the ministers, at their next meeting, will be given those options to consider and then they'll be able to make a choice about what type of labelling method they might think's appropriate to adopt.

Senator KETTER: In relation to the testing standards for external wall assemblies, regarding the use of aluminium composite panels, does it currently or will the National Construction Code specify that only panels which pass AS 5113 are allowed to be used for all those types of buildings that were mentioned in the Building Ministers' Forum's communique?

Mr Savery: On the basis that states and territories don't maintain some form of ban or prevention of the use of products which would override anything that's in the National Construction Code, if a product is tested to AS 5113 and passes that test, or is part of some performance solution that would include aspects of the AS 5113 test, those products could be used in type A and type B construction.

Senator KETTER: That's the problem, though, isn't it—that deemed-to-comply aspect is where we come unstuck here.

Mr Savery: No, if you comply with the code, you don't come unstuck. One of the really important aspects of the audits that the states and territories have conducted is the identification of significant levels of noncompliance. So the issue is not the code; the issue is non-compliance with the code. There seems to be a misunderstanding about this. The code's very clear. What's happening is there are significant levels of noncompliance. AS 5113 doesn't exist as a test under the code at present. It will be called up under amendment 1 to National Construction Code 2016 on 12 March as a verification method. It's not a mandatory requirement; it's a way of demonstrating compliance with the code. Passing the test AS 5113 in its own right is not the only thing that you have to do to demonstrate compliance with the code in order to put a potentially combustible product on the exterior of a building. You also have to include sprinkler systems within the building and demonstrate other fire safety measures, so it's not as simple as passing a single test.

Senator KETTER: You've said that AS 5113 will be called up by the code from 12 March?

Mr Savery: Correct.

Senator KETTER: So, from that time, this PE core cladding will not be allowed in those types of buildings that I talked about?

Mr Savery: No; that's not the case.

Senator KETTER: That's not the case?

Mr Savery: The code is structured such that, as you've just indicated, you can use a deemed-to-satisfy pathway and if you use the deemed-to-satisfy pathway, under the code, you have to pass or demonstrate that you can meet AS1530, which is a different test standard. That is a noncombustibility test standard. You can use a verification method, which is AS5113, which allows for limited combustibility, but you have to be able to demonstrate that you meet a range of criteria and offset any combustibility risks with a series of other provisions that are outlined in that verification method, including sprinklers. Or you could a performance solution. In order to satisfy the performance requirements, that performance solution is going to have to demonstrate that the building products—the materials and the design—will not result in the spread of fire, will not compromise the evacuation of occupants from a building that may be on fire and will not impede the intervention of fire brigades in fighting a fire. You've got to meet those three performance requirements.

The reason that you're seeing significant levels of noncompliance is that most are using 'deemed to satisfy' and they're not meeting the deemed-to-satisfy requirements. They are prescriptive requirements, not performance solutions.

Senator KETTER: Or they're seen as a loophole?

Mr Savery: No; people are saying the performance solution ones are loopholes. Most of the noncompliance is occurring under deemed-to-satisfy, not performance. They're prescriptive requirements.

Senator KETTER: I'd love to have more time to debate that with you, Mr Savery, and it would be a worthwhile debate. Finally, I want to ask about the next meeting of the Building Ministers' Forum. Are you able to tell us whether that's in April and if there a specific date for that?

Dr Byrne: The tentative date is 27 April in Melbourne, but I do want to stress that it's tentative, subject to all ministers agreeing.

Senator KETTER: Can you tell me whether Professor Shergold's report will be presented to that meeting?

Dr Byrne: Professor Shergold and Ms Bronwyn Weir's report will be available ministers for consideration at that meeting.

Senator KETTER: Will the report be immediately released to the public?

Dr Byrne: That will be a matter for ministers.

CHAIR: I have a couple of questions about program 2 and specifically about the Industry Growth Centres. I was in Ballarat and I met this fabulous woman, Elizabeth Lewis-Gray, who run a company called Gecko, which is a mining equipment business. She is the chair of one of the Industry Growth Centres. She is such an extraordinary woman and Gecko Industries is an incredible success story. She chairs the Mining Equipment and Technology and Services Growth Centre. I just think she is fabulous. Can you tell us more about the Industry Growth Centres? If the participants are anything like Elizabeth, I think we are doing very well indeed.

Mr Lawrence: All the growth centres are chaired by industry leaders. They have strong industry backgrounds and are well respected in their sectors, like Ms Lewis-Gray is. They all come from varying backgrounds. For example, Ken Fitzpatrick, who chairs the Oil, Gas and Energy Resources Growth Centre, is well respected in the sector and he also sits on bodies like NOPSEMA and others. All the growth sectors are doing a variety of

activities in their sectors to take them forward—from helping exporters export for the first time to helping firms bring commercialised products to market for the first time. They're also working with firms to collaborate with universities and researchers for the first time.

CHAIR: What are the industry growth centres? Can you name them for me or describe them?

Mr Lewis: There's the Advanced Manufacturing Growth Centre, AMGC; the Cyber Security Growth Centre, known as AustCyber; the Food and Agribusiness Growth Centre, known as Food Innovation Australia Ltd, FIAL; the Mining Equipment, Technology and Services Growth Centre, METS Ignited; the Medical Technologies and Pharmaceuticals Growth Centre, known as MTPConnect; and the Oil, Gas and Energy Resources Growth Centre, known as National Energy Resources Australia, NERA.

CHAIR: And they all operate in their own separate silos; so I can understand why it would be very difficult to coordinate those silos when you were trying to do joint marketing. Something like a Facebook page must be quite difficult to coordinate. So I can understand that. Can you potentially give us an example of the success stories and the good work that the Industry Growth Centres have done?

Mr Savery: For example, the Food and Agribusiness Growth Centre, Food Innovation Australia Ltd, have been working with small food companies to help them export for the first time. I can give you some examples. A Sydney based firm, Luv Suv, is exporting healthy food snacks to 13 countries. Another Sydney firm, Nut Roasters, is exporting hand-roasted nuts to six countries, which has resulted in a 200 per cent increase in their export sales. A Western Australian firm, Great Southern Truffles, is exporting truffles to Hong Kong and the United States—and that's not chocolate truffles; that's the fungus type truffles. A Melbourne based firm, Crazy Dragon, is exporting dumplings to China.

CHAIR: Wow! That's like ice to Eskimos

Mr Savery: A Sydney firm, Sugar Free Solutions, is exporting diabetic-friendly cake and muffin mixes to the Middle East and South East Asia.

CHAIR: Were these organisations start-ups before they were assisted by the Industry Growth Centre? How did they get to the Industry Growth Centre? How did they become part of the process?

Mr Savery: In this case, Food Innovation Australia runs a range of workshops around the country to teach firms how to export—so export 101—and then takes them on a journey once they've completed those workshops. The growth centre has developed a catalogue of Australian companies. It lists those companies on that catalogue and buyers from around the world can review companies before they come on an inward-buyer mission or whether they participate or meet the firms at a trade show. So there's a bit of brokering done there beforehand. The firms have often participated in growth centre-led trade shows, which, in many cases, has been the first time that Australia has presented itself at these trade shows as a unified brand. They've been able to, if you like, corral the states so that Australia is represented as Australia under a 'brand Australia' type arrangement as opposed to New South Wales, Victoria et cetera. So that's bringing some critical mass. They are partnering with Austrade on that.

CHAIR: That's excellent. I congratulate your department on some excellent work that really is advancing Australia's small businesses and larger businesses and developing new products and helping them grow. It's fantastic. Who can I speak to in the department about the Entrepreneurs' Program?

Mr Power: The Entrepreneurs' Program is delivered through AusIndustry. I have some responsibility for the policy nature of the program.

CHAIR: Can you update the committee on the delivery of the Entrepreneurs' Program and give us an indication on how many businesses have benefitted from the grants and how those grants help those businesses create jobs?

Ms Forsyth: Thank you for your question. We have provided 22,389 services to Australian businesses with grants valued at \$215.8 million.

CHAIR: Can you give me an example of some of the businesses that have received those grants and what they do?

Ms Kay: My colleague Clair Forsyth gave Senator Macdonald a great example of this earlier. As we said there are four elements to the Entrepreneurs' Program, and we've got a range of stories from each of the elements. My particular responsibility looks after business management. One of our businesses is Allied Grain Systems. It designs and builds grain silos. They have increased their turnover from \$200,000 to \$14 million, and 60 per cent of their revenue is coming from commercial work. That is through accessing some advice from one of our business advisers and through access to a grant to help improve their business capability.

CHAIR: That's extraordinary.

Ms Kay: Yes.

CHAIR: What a great success story. Again, congratulations on doing terrific work. I look forward to hearing an update at the next estimates and some other success stories. It's now a quarter past eight, and I'd like to let the committee know that we have a particular witness that we called specifically for a quarter past eight. It was by an order of the Senate that she appear. So we are not going to suspend the committee, but we're going to ask the department to stay because we will continue with outcome 2 after we've spoken to this particular witness.

Senator Cash: Okay, so Senator Canavan will take over for this part.

CHAIR: Thank you for your participation today, Minister Cash.

Senator Cash: Are we coming back to outcome 2.

CHAIR: We are coming back to outcome 2.

Senator Cash: For how long, just for the officials because we've got them, obviously, other officials sitting outside for the resources part of it?

CHAIR: We're hoping that we will get through as quickly as possible. I'd ideally like to get to it before the tea break—before the evening break at 9.00 pm.

Senator Cash: Could we dismiss outcome 2?

CHAIR: We are moving to outcome 3 after the break. Sorry, unless other senators have questions for outcome 2?

Senator IAN MACDONALD: There are 100 public servants sitting outside, or it seemed to be at dinner time, all highly qualified, all going to do great work, but it seems like we're not going to finish the program and I'm wondering whether we should send 2.4 and 2.6 home now.

CHAIR: I'd be comfortable doing that as long as the opposition is quite happy to put their questions on notice?

Senator IAN MACDONALD: Let me finish. You said this person at a quarter past eight was an order of the Senate. I thought this committee decided that at its last private meeting, and that being the case, it was the committee that decided it would be at this time. I thought it would come after we'd done with program 2 and program 3, and then we would move on to Ms Beauchamp and then the other one. If that's not to be the case, and this person doesn't form part of this estimates committee, and the committee has decided as a special favour to do it, it should be for a fixed period of time, which I think we've scheduled as half an hour.

CHAIR: Yes. I don't think we are going to take any more than half an hour. I'm hoping we will get through this in 15 minutes.

Senator IAN MACDONALD: Whether we are or whether we're not, this person isn't part of this estimates committee. This was done as a concession. I don't think it was an order of the Senate, was it?

CHAIR: It was an order of the Senate for her to appear.

Senator KETTER: She accepted the request.

Senator IAN MACDONALD: Yes, but it was then up to the committee. I don't know how this fits in to this particular portfolio.

CHAIR: I've got to say, I'm scratching my head as to how it fits into the portfolio. I thought this department secretary is no longer responsible for the department, but it was an order of the Senate that she appear and I'm not entirely sure. It was an order of the Senate that she be invited. She accepted the invitation. This was the time that we allocated to her.

Senator IAN MACDONALD: All I'm saying is that this shouldn't then be part of the normal rule that, as long as senators want to ask questions in estimates, we have got to keep going.

CHAIR: No, I agree.

Senator IAN MACDONALD: This is entirely outside.

Senator BUSHBY: Let's see how we go between now and the dinner break and if it's a need to test out at that point, then we will.

CHAIR: Can I just announce for the department, I'm terribly sorry, but there are some more questions for program 2, so I'm afraid people from program 2 can't leave just yet.

Dr Smith: We have released those who were involved in program 1.

CHAIR: Program 1 should be fine.

Dr Smith: Okay, thank you.

CHAIR: But, program 2, not just yet. Hopefully, we can resume with program 2 in a few moments. I now call to the committee Ms Glenys Beauchamp.

Senator Cash: Sorry, Chair. Can I just confirm, is outcome 2 finished?

CHAIR: No.

Senator Cash: Okay, sorry.

CHAIR: The department are excused for a few minutes. I'm sorry about this. In the meantime, can I welcome the minister, Matt Canavan. Welcome Ms Beauchamp. Thank you very much for appearing before us. I think that there are only a couple of questions, certainly not from government senators yet. Senator Cameron has questions for you.

Senator CAMERON: Thanks, Chair. Ms Beauchamp, thanks for agreeing to come along. This shouldn't take long. I just want to clarify some issues. You were the Secretary of the Department of Industry, Innovation and Science for the period 21 September to 17 September 2017?

Ms Beauchamp: No. I commenced, in my new position, as Secretary of the Department of Health on 18 September.

Senator CAMERON: Yes, but you were the secretary until 17 September?

Ms Beauchamp: Until the 15th. I think that was the formal date.

Senator CAMERON: It's wrong on your page, but, anyway, that's okay. During that period, Senator Canavan was the Minister for Resources and Northern Australia?

Senator Canavan: Not for the entire period. I believe I resigned as the Minister for Resources and Northern Australia on or about 25 July last year.

Senator CAMERON: Yes. Ms Beauchamp, at any time did the then Minister Canavan raise with you or any other senior official in the Department of Industry, Innovation and Science the appointment of former Deputy Prime Minister Joyce's former media adviser to a departmental role?

Ms Beauchamp: I can speak on behalf of myself. Minister Canavan did not raise that with me. I cannot speak for other senior officials.

Senator CAMERON: Okay. Are you aware of whether Senator Canavan raised the issue with your department of the employment of the former Deputy PM's adviser with any other agency associated with the department?

Ms Beauchamp: No, I'm not aware of that at all.

Senator CAMERON: Okay, that's fine. Thank you.

CHAIR: No more questions for the witness?

Senator CAMERON: I have one last question: did any of the staff or officers from Senator Canavan's office raise this issue with you?

Ms Beauchamp: No, they did not.

CHAIR: Ms Beauchamp, thank you very much for appearing before the committee. May I apologise that you have travelled all this way to answer three questions that could have been done over the phone. Thank you very much.

Ms Beauchamp: Thanks very much, Chair.

CHAIR: I'd now like to call back to the committee the department. We are on, specifically, program 2. Senator Patrick has some questions.

Senator PATRICK: Yes, I've got some questions in relation to advanced manufacturing. I'd like to go through the five different subprograms within this program and get a status of the programs—how much has been committed in cases where we've committed funding already and, if not, how far off we are to seeking applicants, and so forth. Can I start with the advanced manufacturing research projects fund? It's a \$24 million fund over two years. Can someone give me an update on where that's up to, please?

Dr Richards: The \$24 million is a composite of two elements. The \$20 million was a supplement to the CRC Program, for CRC projects in advanced manufacturing, as a separate petition. Those projects were announced, I think, on 18 December—sorry, 6 December.

Senator PATRICK: So I presume they will close at some stage soon?

Dr Richards: The selected projects were announced.

Senator PATRICK: The selected projects were announced? Okay.

Mr Lawson: Perhaps I could add a little bit on that.

Senator PATRICK: Thank you, Mr Lawson.

Mr Lawson: The fourth round for those co-operative research centre projects opened on 3 July 2017 and closed on 29 August 2017. On 6 December 2017, the government announced \$33 million in funding for 15 successful CRC projects as part of that selection round. Eight of those 15 projects were supported by \$20 million in additional funding from the AMF for the larger scale advanced manufacturing research programs. You will remember that the intention of using this existing program was to get this done quickly.

Senator PATRICK: I'm sure it is on a website somewhere, but could you provide a list of those who were successful?

Mr Lawson: Yes, we can do that. It is on the website. We can provide that on notice.

Senator PATRICK: Fantastic. And the \$4 million?

Dr Richards: The \$4 million is the Advanced Manufacturing Early Stage Research Fund, and that will be delivered through the Advanced Manufacturing Growth Centre. We've been through arrangements with the growth centre, and we expect that that program will open in the next week or so.

Senator PATRICK: Okay.

Mr Lawson: I might add to that. You'll remember these were the programs for smaller grants and that we had to develop a new program to enable that to occur, so it has taken a bit longer to deliver than using the existing programs. But it is ready now to deliver.

Senator PATRICK: The existing program was—

Mr Lawson: The CRCPs.

Senator PATRICK: Yes, but—

Mr Lawson: The Advanced Manufacturing Growth Centre, we were going to use that unit to do that—that was the not-for-profit organisation that the previous discussions were about, the growth centres. It has an active program of engaging with small and medium enterprises, so it was focusing on the smaller companies. But it is new money for them, they needed to gear up to do that, and we understand it's about to open for applications.

Senator PATRICK: So it opens next week—and how long will the applications be open for, or thereabouts?

Dr Richards: It's being done as a drawdown program, so it will remain until funds are expended.

Senator PATRICK: All right.. And there will be some criteria that will be advertised with—

Dr Richards: Yes, there will be merit criteria to pass.

Senator PATRICK: Perfect. Moving to the advanced manufacturing Innovation Labs, what's the status of those? Two were going to be funded—one in Victoria, one in South Australia.

Dr Richards: The program applies to South Australia and Victoria. There is a consultation paper currently released. I think that will close on 19 March. The consultation paper was released on 19 February.

Senator PATRICK: Just describing that program, the idea there was to set up some sort of facility in each state?

Dr Richards: We had the options of facilities or to make use of the existing facilities. When we consulted with the industry sectors, their concern was mostly about making best use of the fund in the way that people accessed existing infrastructure. So most of the program will be directed at assisting people with design services before they go to a lab facility or the like.

Senator PATRICK: But there is a lab facility being set up, because I'm pretty sure that was a core part of the agreement that was reached with government? That was the agreement between the Nick Xenophon Team and the government.

Dr Richards: I'm not privy to those agreements. I don't have the policy authority.

Mr Power: Too bad! There is a test lab facility or measure which is also operating at the moment to set up physical infrastructure labs. There are five of those that will be set up under that program. What Dr Richards is talking about is that, when we've gone out and had some early conversations with stakeholders about what is the gap in the market, what will they most benefit from, I think what they've fed back and we're now testing with

people in this consultation paper is there is a need for accompanying services for business when they go on approach and use physical labs, such that they are able to have their business plan and have their forward-looking plan accompanied by how they can take and use that infrastructure back into their business. That's what we're starting to test now through that paper, but, in answer to your question, there is both this measure, which will provide support services around those labs, and a separate test lab measure which will put in place physical labs.

Senator PATRICK: Where will the physical labs be funded from?

Mr Power: There's a test lab measure and I believe that is \$5 million.

Senator PATRICK: But that's not funded out of this program?

Mr Power: No, it's not funded out of this program. It's a separate measure.

Senator PATRICK: Where are they located?

Mr Power: That hasn't yet been settled. We're currently doing some early consultation with businesses and jurisdictions on that, but those funds are available, I believe, in the next financial year.

Senator PATRICK: I'm just looking at the announcement that was made that did reflect the agreement. It indicated that innovation labs will be established in South Australia and Victoria and will 'serve industry in a variety of roles including test centre facilities and business capability development'. What I might do, with your permission, Minister, is take this back to a discussion with the department, if that's okay with you.

Senator Canavan: I'm not responsible for this area, but I'm sure that accommodation can be looked at.

Senator PATRICK: Thank you. What about maintaining engineering excellence?

Dr Richards: The consultation paper for that program's out in parallel with the innovation labs.

Senator PATRICK: I wonder if I might be directed to where the consultation paper is on the web.

Mr Lawson: We'll make sure we provide that to you.

Senator PATRICK: Thank you very much. Removing tariffs on prototype import vehicles was a budget measure, wasn't it? That's already in play?

Dr Richards: That's in play and was backdated to 1 January 2017.

Senator PATRICK: Has there been any feedback from industry in relation to that?

Dr Richards: There has been very positive reaction.

Senator PATRICK: That's good.

Mr Lawson: Although it was a budget measure, it was backdated to 1 January 2017, so it applied from then to prevent any confusion.

Senator PATRICK: I know it's not really spent, but do we know how much—

Mr Lawson: It was a measured \$13.5 million tariff concession. Because it's foregone revenue, there isn't really a way of measuring how much has been done thus far. Certainly, in our discussions with the two major automotive companies that are bringing in vehicles and parts of vehicles to do work, they're doing more R&D than I expected them to be doing when we started this. So it's a very positive story we're getting from Ford and Holden about their level of activity. The implication of that is that they'll be using this even more than we probably expected.

Senator PATRICK: The big one is the Advanced Manufacturing Growth Fund. What is the status of that?

Ms Facey: We're now into round 2 of the program.

Senator PATRICK: That's about to close, isn't it?

Ms Facey: It closed at five o'clock yesterday. We are still analysing the actual types of applications. We received 75 applications for funding, so that's well subscribed. We'll be having a committee meeting at the end of May and expect announcements not to be too long after that.

Senator PATRICK: In relation to the first round, remind me how much of that \$47.5 million was spent—how many applications, how many successful applications and how much was spent.

Ms Facey: For round 1 of the program, we received 95 applications, of which 91 were eligible. When the outcomes were announced, 20 companies were successful and they were to share in funding of \$29.96 million. Since that time, two of the companies have decided not to go ahead with the projects. The outcome of all of that is that originally we had \$15.3 million left over after round 1, we had an extra \$2 million from those companies deciding not to proceed, and we also had some funding left over from an earlier program, the Victorian innovation

investment fund, which funded companies in Geelong and Melbourne's north, of \$1.1 million. So, all up, we have \$18.4 million available for round 2 of the program.

Mr Lawson: I might add that the \$30 million or thereabouts that was provided in grants supported total investment of about \$120 million, or a little bit less.

Senator PATRICK: That's not a bad return.

Mr Lawson: Yes.

Senator PATRICK: I won't identify the companies, but why did two companies pull out? What happened there?

Ms Facey: As you'd appreciate, it's a big ask for companies to go ahead with these kinds of investment projects, so it was for purely commercial reasons on their part.

Senator PATRICK: So that meant they perhaps couldn't meet their commitment?

Ms Facey: Exactly—they couldn't meet their commitment.

Mr Lawson: It might also be worth saying that the game with these programs is not to give money to people who are definitely going to do the project anyway. You deliberately choose those ones where you're seeking investment beyond that which would happen. In my view it's a good sign that a couple of them had a stretched target and didn't quite make it.

Senator PATRICK: I agree with you; that does sound very positive. Former Senator Xenophon had a couple of discussions about benchmarking how successful the program is so that we can go back in two or three years, talk to the minister and say, 'This ought to be done again.' How are you going in terms of establishing benchmarks? I presume, for the advanced manufacturing fund, that money funded a number of programs there. You're getting into that, so maybe that's the easiest one: what are the benchmarks you're looking at?

Ms Facey: The sort of thing we're looking at for the Advanced Manufacturing Growth Fund is the amount of investment that's been undertaken in the fund. We're keeping track of how much investment has actually been undertaken. It's early days yet.

Senator PATRICK: Is there any way that you'll be able to reach into the companies and find, five years from now, that the companies have actually tripled in size or anything like that?

Mr Lawson: We have formal evaluation processes that we apply to such grants programs. When you design the programs you make sure they're evaluation-ready, that you have collected enough data to do those sorts of exercises. The thing about asking people for information is that you need to get it back later, so you don't want to impose an overly excessive bureaucratic thing.

Senator PATRICK: I understand.

Mr Lawson: There aren't a huge number of companies here, with these 20 companies. It's a manageable thing. One would expect that we will keep an eye on them and be able to report on what the net impact of those programs has been. That's how we do our grants programs.

Ms Facey: I will just add that the actual targets are in the portfolio budget statements, so we will be reporting formally on the amount of investment that's undertaken in relation to this program.

Senator PATRICK: Something you said, Mr Lawson, reminded me of a further question. The Advanced Manufacturing Growth Fund was obviously targeted at South Australia and Victoria, but it did allow for companies that were not in Victoria or South Australia to set up an operation in Victoria and South Australia. I'm just wondering whether or not that has occurred, whether or not we've attracted someone from somewhere else into either South Australia or Victoria. If you need to, you can take that on notice.

Ms Facey: I'll take that on notice. My understanding is that that hasn't happened, but we'll take it on notice to double-check.

Senator PATRICK: Thank you very much.

CHAIR: Thank you. We will resume after the break with program 3. Officers for program 2 are dismissed.

Proceedings suspended from 20:39 to 20:56

CHAIR: The committee will now resume with the Department of Industry, Innovation and Science. We are looking at program 3 and also cross-portfolio corporate and corporate as well. Both the opposition and the government are going to put their questions on notice so we only have questions from Senator Steele-John and Senator Patrick, I think.

Senator STEELE-JOHN: Oh, hallelujah, praise the Lord! We're nearly at the finish line, everybody. In the government's response to the Senate inquiry into the future of Australia's video games industry, they noted that the NISA includes 24 initiatives, many of which are relevant to the video game industry. Could you outline for us the 24 initiatives that are directly relevant to the video game industry? I should have preceded that by saying it was a NISA question. I apologise.

Dr Smith: We'll just get the relevant officer for you.

Ms Clough: I can quickly run through the measures. Can I confirm that it's how the measures might relate to the games industry. Is that correct?

Senator STEELE-JOHN: You don't have to go through all 24, just those directly relevant to video game development.

Ms Clough: We might have to take that one on notice. There isn't a measure specifically for that particular sector but there may be some measures that might be quite generic in nature.

Senator STEELE-JOHN: I suspect there would be in relation to—

Mr Lawson: If we talk about the EBS venture capital programs and the angel things, I suspect they're likely to be relevant.

Ms Clough: The NISA changes did make more attractive the Early Stage Venture Capital Limited Partnerships program. That program basically provides tax concessions to investors, and those tax concessions and the arrangements for investing in the program were enhanced through the NISA. Last year a record \$1.4 billion worth of committed capital was invested through fund managers that are licensed under that scheme. That could be something that companies that are in the gaming sector would be benefiting from.

Senator STEELE-JOHN: I've got a couple of examples here that might be helpful. The government noted as relevant in its response the early stage investor tax incentive. That might be relevant to the industry. I believe it also cited the Incubator Support element of the Entrepreneurs' Program as a scheme that would suit developers. I'll just get a couple of things on notice. With those two schemes but also any you identify as additionally relevant, would you be able—again, this will be on notice—to provide me with the number of game developers that have applied to the particular initiative or generally that are supported by the NISA, and the value of the support that has been given to the developers? Would you be able to take that on notice?

Ms Clough: Yes, certainly.

Mr Lawson: I might mention that the early stage investor program is a program where people make an application to the tax office in their normal tax return, so that information will never be made public about who they are. So we won't be able to give you a number of these things—

Senator STEELE-JOHN: In relation to that.

Mr Lawson: The tax things are probably some of the major things that will be relevant, and those are things where the confidentiality of tax prevents us from naming names.

Senator STEELE-JOHN: No worries at all. I'll just finish back on the Incubator Support element of the Entrepreneurs' Program. Could you comment on the appropriateness of these schemes to game developers, and the number of developers who have applied—but you've agreed to take that on notice. Applications that have been successful would probably be useful as well, and the total value put through the scheme. Have you got any commentary just generally on the appropriateness?

Ms Kay: The Incubator Support program funds incubators and accelerators rather than the companies using them themselves. Because the Incubator Support program is still in its relatively early stages, we are still getting companies on board, so incubators are attracting new companies all the time. We might be able to get some of that information for you on notice, but we don't fund the game developers specifically through that program.

Senator STEELE-JOHN: Would there be any additional comment from NISA in relation to the games industry and how you plan to actively reach out and ensure the industry can avail itself of what you offer? Have you done any proactive work in that space?

Ms Clough: Not specifically for the games industry. A lot of our programs are technology neutral—so I'm sort of moving beyond the programs that were announced as part of the NISA process. For example, programs such as the R&D tax incentive are open to any industry sector to apply for as long as they're doing eligible R&D as defined under the program. So we do have other broad based technology neutral programs that, if you are doing R&D in the gaming sector, you would be able to apply for.

Senator STEELE-JOHN: I guess we'll see, once you get us those figures, the extent to which that's been taken up by the particular sector. Thank you so much for your time, and, with that, I'm out of here.

Senator PATRICK: I just want to have a quick chat to someone about FOI. It's a general issue, but I'm going to have to make a declaration here. It's about my FOI to the department. I'm not going to go to the decision itself. The decision is still pending. The response of the department raises a concern with me that I'd like to explore a little bit. I do so stating that I do a lot of FOIs and I spend a reasonable amount of money on FOIs. Obviously, when an FOI goes in, the agency assesses the amount of time it might take to fulfil an FOI, and, above a certain charge, the citizen is asked to pay the money. I do regularly end up paying money for these things.

I put an FOI in asking for the 2016-17 diary entries of Mr Bruce Wilson, the head of the resource division, that related specifically to the national radioactive waste management facilities at Kimba and Hawker. The purpose of the FOI, even though I don't have to give that, was simply to see the interaction that Mr Wilson may have had with anyone to do with that particular project. It's not unusual for FOIs on diaries to be made. The Attorney-General recently went to the full Federal Court and had to hand over his diary, and the Prime Minister has in the past. There's a number of precedents around diary requests. Typically, as I have done in this request, I have simply asked for the Outlook view of the week. I'm not trying to get into too much detail, but I'm trying to understand the Outlook view.

What surprised me about the response in this instance was that the department has come up with a cost to me of \$450 for 47 pages. As I've said, I do FOIs quite regularly. Recently I got an entire tender document of 700 pages, and I don't think it cost me that much money. I just want to explore this in particular, because it worries me this could happen to any constituent. The fact that it's me this time around is somewhat irrelevant. I've got eight hours of search and retrieval time for someone to look at someone's Outlook diary or, in fact, just to print it out, and then I've got 21.59 hours to make a decision. That seems to me to be quite a long time to simply look at a page, particularly if, for example, a diary entry is not related to Kimba or Hawker and simply gets redacted—you can almost draw a line through it. I'm wondering if you could potentially have a look at that. I can't imagine anyone taking that amount of time. It seems so unreasonable that it would take 30 or 40 hours to deal with 47 pages.

Dr Smith: We will take a look at it. I'm not the decision-maker.

Senator PATRICK: I understand that.

Dr Smith: With a FOI, as you know, they are quite separate from the secretary, but we can take you through the process for FOI and give you as much information as we can on the current status of your request.

Senator PATRICK: I don't want to be seen to be interfering with the decision or trying to expedite it at all. It just seems that, to get a charge of \$450 for 47 pages—and remember with an FOI you get the first five hours for free—that's never happened to me before. I get charges all the time, and they're always quite reasonable, even if I get a wad of paper that thick that's completely redacted—sometimes that happens to me—but this just seems a bit odd.

Dr Smith: We will take a look at that for you.

Mr Moran: I might be able to shed some light on your question. The bulk of the charge amount in this case related to the review or decision-making element of the request processing. One of the reasons that figure might have been slightly higher than expected is that it includes time for consulting with potentially affected third-parties, not just the review of the documents. In this case my understanding is that there were eight third-parties with whom the department needed to consult. That would have accounted for a considerable proportion of the decision-making element of the charge.

Senator PATRICK: I have been through the process and even have had, as an adviser to Senator Xenophon, requests in relation to consultation. Mostly they are standard letters, so that would be a standard letter to eight people saying in this case that I gave: 'Senator Patrick is looking for access to this. Do you have any objection?' And you get a response. It still seems quite a large charge. I've agreed to pay it and I understand that I have complaint rights, but just as a general principle that seems so far out of reasonableness I felt it proper to raise that publicly.

Mr Moran: We can look at that. Another point to make of course is that that is an estimated charge and it is possible that the process will actually not take as long as we've estimated and of course then we can revise the charge downward once we've completed the consultation process.

Senator PATRICK: Sure. Thank you very much.

CHAIR: Are there any further questions for program 3? If not, we will move to resources and program 2.4, including NOPTA.

[21:12]

Senator RHIANNON: Was the Brewarrina Shire Council approached by a department representative, ANSTO or a representative on behalf of ANSTO to initiate the nomination process for a national radioactive waste facility?

Senator Canavan: I might ask for some assistance, but I note that ANSTO is not part of this portfolio. I have some officials here who are in charge of the radioactive waste program. They may be able to assist.

Mr B Wilson: I have been leading the radioactive waste project. I have not been approached by the Brewarrina Shire Council. I am aware that they are potentially interested in making a nomination, but at this stage they haven't approached me. I don't know if my colleague Mr McCleary can add anything to that.

Mr McCleary: They have approached us for information. We have advised them to go through our guidelines that are on our website. We've actually sent a copy of those guidelines to them to assist them in thinking about that nomination, and we've had some discussions on that, but that's all.

Senator RHIANNON: Has the council flagged any potential locations for the facility?

Mr McCleary: Not to my understanding.

Senator RHIANNON: Have they indicated that they've initiated consultations with the community?

Mr McCleary: No. We spoke to them some months ago. Part of our guidelines requires communities and volunteer-nominated sites to have had some community consultation. Some months ago—this was October last year—they had not had any of those discussions, to our understanding.

Senator RHIANNON: You haven't had consultation; you haven't had exchange with them since last October?

Mr McCleary: I'd have to take that on notice, but I don't believe so. We've had nothing formally in writing from them.

Senator RHIANNON: Could you take it on notice, please?

Mr McCleary: Sure.

Senator RHIANNON: Has Brewarrina council indicated that they've had any consultations or any interactions with the local Aboriginal community?

Mr McCleary: Not to my knowledge.

Senator RHIANNON: Can you take it on notice, please?

Mr McCleary: Yes, I can.

Senator RHIANNON: Have you had meetings with the council or is it more by correspondence?

Mr McCleary: No. We had one informal meeting near Sydney. I wasn't at that meeting; one of my staff was at that meeting, but that's the only meeting we've had with them.

Senator RHIANNON: That was the one last October, was it?

Mr McCleary: It would have been around October, yes. I'll confirm the date of that informal discussion.

Senator RHIANNON: With regard to correspondence, when was the last correspondence that you had on this matter with the council?

Mr McCleary: I don't think we've had any formal written correspondence. We've had a number of phone calls. I don't know of any discussions since October or November.

Senator RHIANNON: When you say 'informal', you're talking about a conversation on the phone? That's as far as its gone?

Mr McCleary: Yes, because we've given them guidelines to assist them in their process, if they wish to nominate—

Senator RHIANNON: The guidelines are the ones that are on the website?

Mr McCleary: Yes.

Senator GEORGIU: I have some questions on NOPTA. In 2016—

Senator Canavan: Senator Georgiou, I might just allow the NOPTA officials to come to the table. They are just here.

Senator GEORGIU: In 2016, it was reported that Woodside Petroleum was back-peddalling on \$175 million of drilling commitments it had made after the first three holes in an eight-hole drilling program came up dry. If a company makes a commitment like Woodside did and then fails to honour that commitment, are there any terms

in the lease which impose some form of penalty to that company? Would the exploration opportunity be released so that other interested parties could take up that opportunity?

Mr Waters: There is no penalty as such, unless of course the titleholder is non-compliant with the work program. There are options available to titleholders in the event that they don't wish to continue the program or they've completed their work program for a particular year and, for whatever reason they may choose, they may elect to seek to surrender the title, in which case there is an option for them to enter into what is known as 'good standing arrangements'. That is where there is a commitment for payment—this is a contract between the Commonwealth and the titleholder—and the good standing arrangements can be discharged in a number of ways. It's difficult to answer your question in the way you've asked it. It's not a penalty as such.

Senator GEORGIU: Okay. Is NOPTA aware of how many cases involve companies with exploration commitments that have not been met?

Mr Waters: We would have those records, but, as to the actual quantum and the titles involved, I would need to take that on notice.

Senator GEORGIU: If you could take that on notice, that would be great. NOPTA has been carrying out use-it-or-lose-it reviews for retention leases. How many of these reviews are progressing? Has NOPTA reported to the minister yet?

Mr Waters: I think you're referring to the commerciality reviews that we're doing on 10 retention leases in the North West Shelf project. That review is nearing completion. We're putting the final touches on the report over the next few weeks and we'll be advising the joint authority ministers and their delegates shortly.

Senator GEORGIU: Will that report be made public?

Mr Waters: No, it won't be.

Senator GEORGIU: Why's that?

Mr Waters: The information provided to us from the title holders and the third parties who have also made submissions is given under certain terms of confidentiality. In addition there are a range of legislative and regulatory confidentiality provisions that prevents that kind of information being made public.

Senator GEORGIU: Trillions of cubic metres of gas are sitting off the coast of Western Australia, which could create thousands of jobs for West Australians and solve the east coast energy crisis. They are all caught up in retention leases. When will at least some title holders have their retention leases revoked as a result of NOPTA's reviews?

Senator Canavan: I'll let Mr Waters answer some of that question, but I think some of it goes to some policy issues much more appropriate for myself to deal with. We are, as you know, trying to take as much action as we can to alleviate the crisis in gas in the east coast market. I would suggest, at this stage at least, gas resources off the North West Shelf are not a viable means to alleviate that crisis because there's a lack of infrastructure that connects those gas resources with the east coast. There is no physical pipeline, nor are there receipt terminals for LNG either. That being said, your general point about the need to ensure that our offshore resources are developed on a commercial basis is at the front and centre of our mind, and that is why Mr Waters is conducting these commerciality reviews. I would also note that it's been a challenging few years for the gas industry with the oil price being subdued and therefore the commerciality of some of these operations being tested. Mr Waters might want to add a bit more on what's occurring in Western Australia.

Mr Waters: Invariably the barriers to commerciality, bringing fields online, fall between either the technical complexities of the particular field or alternatively the available infrastructure to take the raw gas and produce it into LNG or other products. Those two things obviously don't happen overnight. It takes time not only for companies to resolve the uncertainties with the particular fields but also for the infrastructure to become available. That's one of the reasons for this review that we've conducted on these ten retention leases. It's because of those two things. They are all retention leases where the uncertainties are being resolved and infrastructure, particularly in the North West Shelf production plans, over time—I'm talking the next five years or so—will become available. We believed this was an opportune time to look at those leases collectively, rather than on a piecemeal basis when the renewals come up. This way we're able to inform our joint authority ministers, both Western Australia and the Commonwealth minister, so they can take a more strategic collective view as to the resource management issues. That's what we're trying to achieve.

Senator GEORGIU: Why were only ten being looked at?

Mr Waters: They are the ten that feed to the North West Shelf Project, simply because of their proximity to the Onslow gas trains.

Senator Canavan: The intent of your question is spot on, Senator. There is a challenge to ensure more gas is developed to backfill the North West Shelf Project. Mr Waters is leading the technical assessment of the resources and their commerciality. In my discussions with producers operating in the North West Shelf area, I'm always keen to stress the need to cooperate and try and find solutions to this. The work Mr Waters does helps me in those discussions, and I'm comfortable with the progress that is being made on that. Getting these projects up does require a fair amount of cooperation and discussion between a number of companies, but from my assessment progress is being made on that.

Senator GEORGIU: When a gas company tells NOPTA that certain reserves are not yet ready to develop, does NOPTA verify this through independent third-party engineers or other experts, or do you simply take the gas company's word for it?

Mr Waters: We certainly just don't take the gas company's word for it. They do provide us with data and we have in house a number of technical experts—geological, geophysical, petroleum and reservoir engineering, as well as commercially qualified people. On occasions—and this is very rare—we will engage a third party firm to look at the data as well, depending on the nature of what's happening. We've done that, I think, three times since we commenced operations in January 2012. We don't simply rely on what has been stated in the application, and we will, on occasions, go back to the applicant with a request for further information so that we can satisfy ourselves as to the veracity of what we are being told.

Senator GEORGIU: Why isn't consulting third parties not done as a standard practice?

Mr Waters: There hasn't been a need to. As I said, we have in-house capacity to be able to do these assessments. That is why NOPTA was established. As I said, under exceptional circumstances, we found it prudent to go to a third party. They were in the earlier days specifically around the Browse project.

Senator PATRICK: Mr Waters, thank you for coming here; I know you have come from Western Australia. I have some follow-on questions. In relation to the 10 leases that you've opened up for commercial review, you're processing them as a job lot; that's effectively what you've said. You will go back to the minister with one. The state ministers, I presume, are involved in this as well?

Mr Waters: The Western Australian responsible minister and Minister Canavan.

Senator PATRICK: But it's going back as one proposal that contains the 10 answers?

Mr Waters: It's a consolidated report examining all 10 retention leases, the submissions made by the titleholders as well as those third-party submissions that were received, our analysis of each of them as individual fields and then our view collectively as to how these 10 retention leases will move forward.

Senator PATRICK: I respect the fact that you have said there are details in the report that are confidential; but, in terms of responses, I presume if you initiate a review, you're going to get at least 10 respondents for the 10 leases. So the entity that holds the lease will, I presume, respond to the commercial review?

Mr Waters: Yes.

Senator GEORGIU: We've got at least 10. How many other third parties were interested in these 10 leases?

Mr Waters: We invited all 10 to submit a third-party submission on each of the other nine. It should be borne in mind that we're not talking necessarily about single entities in this case; we're talking about joint venture partners. So, it is not uncommon that a joint venture partner appears on more than one title in the whole project.

Senator GEORGIU: I guess you're firewalling all of the responses as well.

Mr Waters: Indeed.

Senator GEORGIU: That seems like a great approach. Were there any third parties that were not in the 10? Did some outsiders come in and take a look?

Mr Waters: I believe there were, but to answer you definitively I would have to take that on notice.

Senator PATRICK: I'm not after the names of the companies. I'm just trying to get a feel for how responsive the market was to the call for a commercial review.

Mr Waters: It was well received by the companies, and they responded enthusiastically and positively to provide the kind of data outside a normal application process, and we found them quite happy to engage with us, not just in writing formally, but in meetings that we had with them.

Senator PATRICK: So it would be fair to say—I don't want to verbal you—you're quite happy with the response in terms of numbers?

Mr Waters: Yes. I'm happy with the way they responded to the request.

Senator PATRICK: And we're going to have a good competition, effectively? If you've got 10 of these leases and only the entity that had the current lease responded on that one and nine over here—is it sort of like that? Or is it different?

Mr Waters: Generally speaking, all companies had a view about the whole basin. Companies do form a basin-wide approach—naturally from their own commercial perspective—it's as if they put on a hat saying, 'Okay, if we owned the entire basin, what would we do?'

Senator PATRICK: Okay, perfect.

Mr Waters: So we had that kind of free exchange of information.

Senator PATRICK: I will tell you why I'm asking these questions. It's because I know this is a policy, per se; it's not a one-shot. That's my understanding. It is a policy of 'use it or lose it' that will be enduring. Would that be correct, Minister?

Senator Canavan: That is not the exact characterisation we place on it. There is a commitment at the COAG level but the Commonwealth government along with state and territory governments conduct a 'use or lose it' review and the commerciality tests that Mr Waters has spoken about are part of that process. We're also doing a south-eastern offshore review at the moment as well. We have a process of retention leases which puts requirements on tenement holders or acreage holders to conduct work. If they seek to extend the life of their tenement, they must test that they can actually produce gas within a certain period of time. We don't use the term 'use it or lose it' as such, but there are tests in place whereby, if they're not going to or don't have credible plans to use an area, it can be pre-pushed to the market. Mr Waters is there anything you wanted to add to that.

Mr Waters: Only that that's the process we go through—

Senator PATRICK: You mentioned the south-east and one other area, you said. I guess that's where I was going. Are you going to take what you did with those 10 leases and do the same thing in other locations? It sounds like you—

Senator Canavan: Senator Patrick, this approach, I presume, will inform what we do next. As I said earlier to Senator Georgiou, I think the work Mr Waters has done has been of great value. The south-east review was a little different in looking at what the resources were. I might see if Mr Waters wants to say anything about that. They are really the only two existing gas production areas we have offshore in Australia, so in some senses we've covered them at the moment. But, Mr Waters, is there anything else—

Senator PATRICK: So the south-east is clearly of interest to me and probably the other eastern-state senators, so I would love a—

Mr Waters: It's rather interesting the distinction. In many respects that area we're looking off the North West Shelf—even though there are some mature fields and the project has been in operation for 20 years or more—we would still describe it as a relatively immature area. Whereas of course in Bass Strait we're dealing with a whole different range of issues with the fields being far more mature. That's why we just don't do the whole lot all at once, because there are specific issues that need to be catered that make one area relevant to itself and comparisons forward. There will be more reviews of this nature. The idea is not just doing a lease-by-lease approach, but actually looking at a far more strategic perspective, especially from the availability of infrastructure. That's been the real issue over many years. And may I just correct an answer I gave you earlier?

Senator PATRICK: Sure.

Mr Waters: We have received in fact eight submissions from third parties with regard to those—

Senator PATRICK: Okay. Completely new parties?

Mr Waters: Yes.

Senator PATRICK: Fantastic. Going back to the south-east, have you actually opened that up yet or are you just preparing for that?

Mr Waters: We responded to a request from the minister to provide data to the department of industry through the resources division for the compilation of a report. There were other agencies other than NOPTA providing input into that; we were but one of the contributors to it.

Senator Canavan: Some of that information has been provided. I'd welcome the opportunity for my officials to brief you on those results. I don't have them off the top of my head, but they confirm that there's not an inordinate amount of gas left in the Bass Strait and related areas. There is some gas still there and, as expected, the quality of the resource is declining from a cost perspective, as well as a product perspective—there's not the same amount of oil associated with the gas as there was in previous developments in the Bass Strait. But I'm very

mindful of the issues you're raising. That's why I asked for this advice—to inform decisions we make in the Bass Strait. I have waited on a number of retention leases to get this information so we could make the right decisions.

In a related context, I also welcome the decision that was made late last year for the Gippsland Basin Joint Venture—to end the joint marketing arrangements. And I credit the ACCC for the work they did to investigate that. Fortunately, it didn't need to go to court. A decision was made, or agreed to, that those joint marketing arrangements would be finished. That, potentially, opens the scope for more competition. I think there are two things we need to be mindful of in southern gas markets. Yes, there is a supply issue—the Bass Strait is declining and becoming more costly—but, as the ACCC pointed out, there's also been a decline in competition, because some of the gas in your part of the world, Senator Patrick, in South Australia, has flowed to Queensland, and that has left other producers in Southern Australia in a very strong competitive position. If we can introduce more competition, even if it's not more gas, that may deliver better results for gas consumers.

Senator PATRICK: Sure. I did have a talk to the ACCC about that, and your advice is consistent with theirs; that's always good. But just to clear it up in my mind, in the North West Shelf we have 10 retention leases that were open to, in effect, a commercial review. In the south-east, did you actually do a commercial review or are you saying that you did some prep work and decided—

Senator Canavan: No. I'll let Mr Waters describe what it was, but the information that I requested was about the resource and the availability of production in those areas. There are already a number of retention leases that come up—

Senator PATRICK: Which may or may not lead to the same sort of activity in the North West Shelf?

Mr Waters: We did a review of the entire Bass Strait, not only the reserves and those areas covered by retention leases, which cover a modest amount of gas reserves. As the minister just said, it is becoming more expensive to extract this type of gas, so the commercial nature is changing significantly.

Senator PATRICK: I'm just trying to get to the answer. Have we or have we not tested commercially what's happened at—

Mr Waters: No, that wasn't the focus of the review we did.

Senator Canavan: Although that forms an element of a retention lease application.

Mr Waters: It does.

Senator PATRICK: Okay. More broadly, obviously there are other pockets around the place where there is prospect for commercial viability if there were infrastructure. Minister, from a planning perspective, are there ways you can expedite or encourage common infrastructure that would make other fields more attractive?

Senator Canavan: That's a pretty broad question. There are some things that government's doing, and they may or may not be directed to your line of questioning, so feel free to pull me up if I'm going on a tangent. In the budget last year, albeit not managed by this portfolio, money was put aside to do some cost-benefit studies on large-scale pipelines, including one that I think you'd be familiar with, the Tennant Creek to Moomba proposal, as well as an east-west pipeline. There were additional funds put aside to look at other barriers to gas coming to market, including infrastructure barriers. That's managed by the Department of the Environment and Energy. In this area of government, we are conducting a gas acceleration program at the moment, which is a \$26 million fund to try and bring more gas to market immediately. That fund closed for applications in February—on 12 February, I think; someone correct me if I'm wrong. It has received a healthy list of applications. Included in the criteria is that you can seek funds, with that amount of money, obviously, for small-scale connections to bring gas to an existing market. There are a few things we're doing there to try and expand more gas in the market. One other issue is the access to existing pipelines themselves. There are a number of reforms going on there with transparency and a stricter access regime as well.

Senator PATRICK: Just on the east-west pipeline—and there may be some sensitivities there—are there proposals in place for getting gas from the North West Shelf into the east coast market?

Senator Canavan: I can't comment on the development of the government's cost-benefit study. That would have to be put to the Department of the Environment and Energy, unless there are officials here who are working with them on that, so I'm not sure of the status of that. On the public record, there are others that are interested in potentially looking at constructing such a pipeline, and there are also related proposals around regasification facilities. Gas could be brought from anywhere, not just the North West Shelf but other parts of the world as well.

CHAIR: Senator Patrick, how much longer have you got to go?

Senator PATRICK: I'm almost done. In fact, I was just about to say that it sounds like you're doing a lot of good stuff, Minister, but I reserve the right to complain about prices in the future.

Senator Canavan: Most consumers do.

Senator PATRICK: Well, that's the language that constituents come to me with—price. Thank you very much, Minister, and thank you, Chair.

CHAIR: Thank you, Senator Patrick. I have some questions about coal specifically. Who's the right person to direct those to?

Senator Canavan: I don't mind talking about coal.

CHAIR: I love talking about coal. Obviously, coal is one of our major exports; I think it's our second largest export, isn't it?

Senator Canavan: That's correct.

CHAIR: Has it increased in the last 12 months or so?

Senator Canavan: It's been a significantly stronger year for coal exports in the last year. I believe they're up 35 per cent. There have been decreases prior to that. It's the highest ever annual amount of coal exports on record since 2011. As is often commented, there have been declines in the use of coal in some parts of the world, but in our part of the world, there continues to be strong demand for coal in the Asian region, and the projections are that that will continue. The International Energy Agency projects that coal demand will increase by 249 million tonnes of coal equivalent to 2040, and that's an even greater increase in the Asian region because there are some declines in other parts of the world. I'm not sure if someone else wants to add anything to that. Mark Cully is the chief economist, and he has a lot of these figures at his fingertips.

Mr Cully: I think the minister knows the figures better than I do off the top of his head.

Senator Canavan: Maybe on coal.

CHAIR: He has coal for breakfast.

Mr Cully: Did you have a specific question?

CHAIR: I did. My specific question is about the high efficiency low emission power stations. You can't open a newspaper or an *Economist* or a *Time* magazine without seeing an article on these high efficiency low emission power stations that seem to be popping up all the way around the world. They do seem to be focused with some of our major export destinations like China, Japan and India. Can you tell me a little bit more about the prevalence of these high efficiency low emission power stations?

Mr Cully: I'm afraid I'm probably going to have to take any questions specifically on that on notice.

Mr Lawson: Mr Cosgrave will be the expert on HELE.

Mr J Cosgrave: Your specific question was on deployment of HELE power stations overseas?

CHAIR: With our major trading partners.

Mr J Cosgrave: We use figures from the IEA's Clean Coal Centre. Basically, they have a global database on the deployment of HELE. HELE is a broad term which generally represents supercritical and ultra-supercritical power stations. I will check the exact figures, but I think currently operating HELE plants would be about 340.

CHAIR: How many of those are in Japan, China and India?

Mr J Cosgrave: Currently in China, 198 operating; Japan, 21 operating; and India, 22 operating.

CHAIR: They are our three major trading partners for coal, are they not?

Mr J Cosgrave: Three of them. Taiwan, there are two; South Korea, six.

CHAIR: This might be a difficult question to answer. Can you estimate the cost of electricity from a new coal-fired plant, a HELE plant?

Mr J Cosgrave: You can. It does depend on many assumptions going into that overseas. Electricity in China from their coal and their system is likely to be reasonably cheap, in terms of labour as well. There are estimates of HELE forecast in Australia, but they are very broad estimates.

CHAIR: How does the cost of electricity generated from a HELE plant compare to that from, say, wind energy?

Mr J Cosgrave: Again, in broad terms—and I will get Mr Cully in to back me here—in recent studies of levelised cost of electricity there are probably three sources of information we would use. One would be the CO2CRC's brand of costs, from about 2015. I will just check their range—

Mr Lawson: I might help. CO2CRC 2015 data had black coal ultra-supercritical at \$80 a megawatt hour and wind at \$103 a megawatt hour: The Finkel review in 2017 had black coal ultra-supercritical at \$81—about the

same number—and a lower number for wind, because prices were going down, to \$92. The Minerals Council also put out some numbers in 2017. They put out quite a range. The HELE from \$40 to \$78 and the wind from \$64 to \$115. So, it's quite a complicated calculation because sometimes you see levelised cost of electricity, which is just for marginal electricity. But what you really need is electricity that is dispatchable all the time. So, a true comparison of nuclear or coal or hydro, that could be made available all the time, as opposed to solar that operates for maybe 12 hours on average a day, and wind that is highly variable, you have to make calculations for having an extra amount of those intermittent things—you have to pay twice, and then you have to pay for battery storage or things, as well. So, the comparison is—in the end, those are the numbers out from reasonable reviews, but until somebody actually makes the investment and tries to build one—

CHAIR: That was my next question. Is there interest from the private sector in building a HELE power station in Australia?

Senator Canavan: I certainly have spoken to proponents who are interested, although I think it's incumbent upon me to mention that the real concern from investors that are interested is a lack of policy certainty over the long term, both from the perspective that in some state governments at the moment there is an effective ban or disallowance on even the consideration of a high-efficiency, low-emissions coal-fired power plant. Obviously, that is a fair restriction. But also, over time, there is uncertainty about the policy settings for lower-emissions policies or carbon abatement policies. That's why I think the government is very committed to trying to find an agreement with the states and territories, and this parliament, too, through the National Energy Guarantee, where we can provide certainty to investors and do so in a way that is technologically neutral and potentially allows people who are interested in building some of these plants to bring these technologies here. As has been mentioned, there are hundreds of them operating overseas, often using our coal, and more are being planned as well. So, they are obviously a technology that does work. I see it firsthand when I travel in the region. There is still a great interest in using these latest coal-fired power technologies both to deliver lower emissions but also reliable and affordable power.

CHAIR: Whenever we talk about coal and, particularly, these HELE power stations, we tend to be speaking about black coal, because that's what we export. But I'm from Victoria, and we have the second-largest deposit of brown coal in the world and at least a thousand years of supply. I'm wondering whether there's been any analysis done of the establishment of a HELE power station in the Gippsland region?

Senator Canavan: Certainly, there are technologies that allow for brown coal HELE, so to speak. I believe the Finkel review did have some figures on the cost of brown coal HELE. Mr Lawson or Mr Cosgrave might be able to help me. But, just before I do that, my understanding is that brown coal HELE plants have been built in Germany. In our region, as you mentioned, Senator Hume, it tends to be a black coal technology. Brown coal still has higher carbon emissions than black coal HELE. However, you get large reductions from an existing subcritical or non-HELE brown coal fired power plant to a HELE plant. You get a larger percentage reduction because you start from a higher base.

CHAIR: I think I saw a review that suggested that a HELE power station in the Latrobe Valley would cost about \$2 billion and take about six years to build but it would have less than half the emissions of Hazelwood and 40 per cent of those of Yallourn.

Senator Canavan: Yes, I've seen figures around that 40 per cent figure. Obviously it depends on the technology used, and these are just proposals. There have been people in the public domain expressing interest in building a brown coal HELE plant. Obviously that would need to ultimately be agreed to and discussed with the Victorian government.

CHAIR: I would imagine that the decision of the Labor government in Victoria to increase the royalties on brown coal by 300 per cent would not make that a particularly appealing investment option.

Senator Canavan: I don't think that's an attractive environment for thermal baseload power generation in your state, unfortunately Senator Hume. Not only do they seem resistant to the use of coal; as you mentioned, they have bans and moratoria on gas as well, which is an alternative thermal baseload option. In the government's view, that's certainly contributing to the energy situation we see in Victoria, where the reliability of the electricity system is put under strain, costs have increased significantly, and those industries and businesses that rely on gas as a feedstock are also suffering from high prices and a lack of availability.

CHAIR: Thank you, Minister. Has anyone else got any questions for the Resources group?

Senator KETTER: We're going to put ours on notice.

Senator IAN MACDONALD: I had some, but I can just put them on notice if that means we can go home.

CHAIR: Well, we've still got to move on to the Office of Northern Australia, which I know is an area of particular interest.

Senator Canavan: Can Resources go home?

CHAIR: I think we can let Resources go home; thank you very much.

Northern Australia Infrastructure Facility

[21:52]

CHAIR: I now call on the Office of Northern Australia and the Northern Australia Infrastructure Facility. Senator Ketter, would you like to kick off questions?

Senator Birmingham: With NAIF, is there an opportunity for an opening statement?

CHAIR: Did NAIF have an opening statement?

Ms Walker: We did have one, but we're happy to table it.

CHAIR: If you table it, that would be terrific.

Senator KETTER: My questions relate to NAIF. Ms Walker, can you confirm that the NAIF investment mandate specifies that the NAIF can't consider or approve finance for projects which have not received all relevant regulatory, environmental and native title approvals required?

Ms Walker: Senator, I'm having a little bit of difficulty hearing you. I think your question was about whether the NAIF can approve projects without the regulatory approval?

Senator KETTER: Yes, it's about your investment mandate and whether you're able to approve projects prior to all relevant regulatory, environmental and native title approvals having been obtained.

Ms Walker: Yes. If I can point you to section 15 of the investment mandate, we are able to consider and approve investment proposals conditional upon those regulatory approvals. We're not allowed to actually fund until those approvals are in place.

Senator KETTER: I'm going to ask you about the Onslow Marine Support Base in Western Australia.

Ms Walker: Yes.

Senator KETTER: Can you confirm that the first loan was approved in October of last year?

Ms Walker: September. I believe it was around 30 September. Anyway, the end of September.

Senator KETTER: September, right.

Ms Walker: Yes, it was approved. It was subject to obtaining those environmental approvals and other regulatory approvals. It was conditional upon that.

Senator KETTER: Can you point to where in the investment mandate it allows for that conditional approval?

Ms Walker: Yes, that's in the investment mandate and it's section 15.

Mr Thatcher: Section 15.1.

Ms Walker: Section 15.1 says:

The facility—being NAIF—may consider and approve investment proposals conditional upon the project proponent obtaining all relevant regulatory, environmental, and Native Title approvals and arrangements as required by the relevant jurisdiction.

But the second limb, which is in 15.2, says:

The facility must not provide financial assistance to projects that have not received all relevant regulatory...approvals.

So you can't advance the money, but you can approve the deal conditional upon that.

Senator KETTER: I understand that with the Onslow Marine Support Base project, according to the Western Australia EPA website, the current status is that they are recommending approval.

Ms Bellettini: Yes, that's correct. That approval process is still in that stage.

Senator KETTER: Digging into this website a bit further I discovered that there was a two-week public appeal period, which closed on 19 February?

Ms Bellettini: Yes, that's correct.

Senator KETTER: Then after that the minister in Western Australia will make the final decision?

Ms Bellettini: That's my understanding.

Senator KETTER: I think that was the website as at 1 February. Are you able to give us any updates about that?

Ms Walker: I don't believe that the process has run its course yet.

Senator KETTER: Do you know if there have been any appeals lodged?

Ms Walker: My understanding is there haven't been.

Mr Thatcher: No appeals have been lodged.

Senator KETTER: To paraphrase what you're saying, you can approve a loan prior to all the regulatory approvals being obtained, provided that you don't advance the actual money to the proponent?

Ms Walker: Correct.

Senator KETTER: I will ask about a review of NAIF, which I understand has been conducted by Mr Tony Shepherd. Minister, are you able to tell us whether a review has been conducted?

Senator Canavan: A review has been conducted. It focused around the investment mandate for the NAIF, as well as the broader governance of NAIF and the relationship with states and territories. The review is completed. It is currently with government and no decisions have been taken yet.

Senator KETTER: Are you able to provide the terms of reference of that review?

Senator Canavan: I can take that on notice. It hasn't been provided previously, so I can take that on notice.

Senator KETTER: Who is Tony Shepherd?

Senator Canavan: Mr Shepherd is a businessman primarily, but he has extensive experience in infrastructure development and was chosen because of that expertise.

Senator KETTER: Is this the same Mr Shepherd of the Commission of Audit?

Senator Canavan: Yes, I'm informed it is—going a few years back, I think, yes.

Senator KETTER: Can you just remind me again what the purpose of the review was. You said it was to look at the investment mandate.

Senator Canavan: Yes, it was to look broadly at the effectiveness of the mandate as well as the relationship the NAIF has formed with the states and territories and the governance, primarily with an aim of improving the effectiveness of the Northern Australia Infrastructure Facility.

Senator KETTER: Minister, are you essentially telling us here that there were problems with the governance of the NAIF that you—

Senator Canavan: Not at all. There are of course always opportunities to make sure that things are working well. As you'd appreciate, there has been a significant amount of critique, sometimes I think for purposes that aren't about the NAIF itself but about stopping particular projects. But it was an opportune time to conduct a relatively short review. In particular, Mr Shepherd spent time talking to state and territory governments to get their assessment of what could be improved, and we will consider the review in due course.

Senator KETTER: Was the work of Mr Shepherd subject to a tender? How was that—

Senator Canavan: I'll ask my department.

Mr Lawson: It was a direct source process that's on AusTender. We considered people who were able to do the project, and Mr Shepherd had a wide range of experience that we thought made him the right sort of person to do this in a reasonably quick time.

Senator KETTER: When was the tender published?

Dr Locke: The tender was published on 11 January 2018, contract notice CN347 9121.

Senator KETTER: It looks like it was a fairly quick review. How long was Mr Shepherd engaged—

Mr Lawson: I might clarify that the publication date occurred after the tender was done. It happened in December. The actual process happened over the December-January period.

Senator KETTER: The actual review?

Mr Lawson: Yes.

Senator KETTER: So you're saying that the tender was published on 11 January, but the work was done over Christmas?

Dr Locke: That's right. The AusTender notice specified the contract period as being 5 December to 22 December.

Senator KETTER: So wouldn't the—

Senator Canavan: To be helpful, I think the situation might be because it was a direct source tender, but Mr Lawson might be able to explain the administrative processes.

Senator KETTER: Normally you publish a tender before—

Mr Lawson: It was a direct source tender. We decided who we wanted to do the job and we negotiated a contract with that person. It is published on AusTender that we have done this. There are rules about when that should be done and we no doubt followed all of those rules.

Senator KETTER: So was the appointment of Mr Shepherd a decision of the department or, Minister, was it your decision?

Dr Locke: Our department.

Mr Lawson: It's the department's review, so it's our decision.

Senator KETTER: I presume that the minister signed off on that?

Mr Lawson: Yes, we would have checked with the minister.

Senator Canavan: I was certainly consulted on that decision.

Senator KETTER: So there were no other potential people considered to conduct the review?

Mr Lawson: No.

Senator KETTER: Minister, you've indicated you've received a copy of the review.

Senator Canavan: Yes.

Senator KETTER: Was that tabled at the last Northern Australia Strategic Partnership meeting?

Senator Canavan: No, it wasn't. But, as I mentioned, Mr Shepherd consulted with state and territory governments extensively while conducting the review and, once the government considers the review, we'll discuss the matters further with state and territory governments.

Senator KETTER: So what does the review say about NAIF?

Senator Canavan: Unfortunately, because it is a decision before government at the moment, I can't go into that at this stage, but it is being considered. It was a relatively quick review and we're trying to go through the government process as quickly as possible as well.

Senator KETTER: Can you tell me how much the tender was for?

Dr Locke: The contract value on the AusTender notice was \$55,000. That was the budgeted amount. The actual was less than that. The actual was \$45,000.

Senator KETTER: The actual amount paid?

Mr Lawson: It was \$45,000.

Senator KETTER: So \$45,000 for work of just over two weeks.

Mr Lawson: No, I think we said the timing on the tender notice was from 5 December to 22 December. We actually agreed to extend it slightly over the Christmas period, if I remember correctly.

Senator Canavan: That was definitely the case.

Senator KETTER: When was it extended to?

Mr Lawson: We received the report on 17 January.

Senator KETTER: It started on 5 December and finished on, let's say, 17 January. That's a bit over a month's work, and it cost \$45,000.

Mr Lawson: Yes, for a very senior person doing high-quality work that's a very reasonable price.

Senator Canavan: It was very good value, I think.

Senator KETTER: Minister, can you provide a copy of the review for the committee?

Senator Canavan: Once the government has gone through its process, we'll make decisions on whether or not the report is made public. I just can't provide an answer for you right now on that.

Senator KETTER: Can you tell us what's the next step in terms of the government's consideration of this report?

Senator Canavan: We're working through the normal government processes and considering the review to government.

Senator KETTER: When will you be releasing the review?

Senator Canavan: Just to repeat my answer before, no decision has been made on that topic, although I'm not ruling that out either, I stress. It'll obviously be linked to the length of time it takes for the government to consider. As I mentioned earlier, we're trying to get through that as quickly as possible, given it was a quick review and we're keen, obviously, to implement as any recommendations as precipitately as we can.

Senator KETTER: Were there any media releases in relation to this review?

Senator Canavan: I'm not aware of any, no.

Senator KETTER: One is left with the concern that this is another secret working group or secret review of the NAIF.

Senator Canavan: The consultation around this review was very much confined, as I mentioned, to state and territory governments, and Mr Shepherd also consulted with proponents who had who had interacted with the NAIF, and with the NAIF itself. It was, as has been described, a relatively brief as well as a value-for-money, I think, review. It wasn't ever intended to be an extensive public consultation. I note that there is already a Senate inquiry into the NAIF as well, which is conducting a broader opportunity for people to make submissions on the NAIF, and, of course, the government is following and will consider any recommendations from that process as well.

Senator KETTER: I apologise, I didn't quite get that ID number for the tender. Would you be able to provide that again?

Dr Locke: Yes, the contract's notice was CN3479121.

Senator KETTER: Thank you very much for that. And, Minister, how would you respond to the accusation here that the review, being provided to Mr Shepherd, is another 'jobs for mates' type of situation?

Senator Canavan: I think that's an unfair characterisation of Mr Shepherd's skills and experience. I think he's abundantly well qualified, and also a well-respected businessman, so he was eminently appropriate to conduct this review. I don't have any evidence to the contrary.

Senator KETTER: I think it's quite clear that Mr Shepherd has very close links to the Liberal Party?

Senator Canavan: I can't comment on that. I'm not a member of the Liberal Party myself. But—

Senator WATT: I bet you thought about it in the last few days.

Senator Canavan: We're very close and considerate friends in this place, Senator Ketter. Mr Shepherd, as I say, has got extensive skills and experience in business. He's well respected in this field, and I think, notwithstanding your comments, Senator Ketter, from my conversations with people broadly across the political divide, Mr Shepherd is well respected for his business experience and his particular expertise in infrastructure finance.

Senator KETTER: Can we go back to Ms Walker? On the Onslow project, could you confirm that funds have not been issued yet for that particular project?

Ms Walker: I can confirm that.

Senator KETTER: Can you also confirm the estimated date for the issuing of those funds?

Ms Walker: I can't give you a date. I think it will be soon but it will not be before all of those approvals are finally issued. I expect it's going to be in the next few weeks but, as I say, one of the conditions of that is that those approvals are in place.

Senator BUSHBY: One of the similarities between Northern Australia and Tasmania, my home state, is—both great parts of the country, but at different ends of the country—that more water falls on both than is currently used. The vast majority of that water flows out to sea without being put to productive use. I'm aware the government is investing at both ends of the country to make better use of that water resource—in Tasmania and in Northern Australia. Could the Minister advise the programs and funding that have been made available for water projects in the North?

Senator Canavan: The advice I have is that so far \$210 million has been invested or allocated to water investments through the National Water Infrastructure Development Fund. It's a fund administered by the Department of Agriculture and Water Resources, but it was a key part of the Australian government's white paper—

Senator BUSHBY: Is that a national—

Senator Canavan: It's a national fund but it has a dedicated amount allocated to Northern Australia which was a key component of our Northern Australia Development white paper.

Senator BUSHBY: Is the \$210 million the national figure?

Senator Canavan: That is the figure for Northern Australia. I don't have the figure for the rest of the country. That would be a matter for the Department of Agriculture and Water Resources. That's gone towards 15 projects so far and also three water resource assessments which have been conducted by the CSIRO, \$15 million. The large capital contribution of that \$210 million is for the Rookwood Weir, which I note has also received a funding commitment from the state government and we are working on that now. As you say, Senator Bushby, there is a significant amount of water resources in Northern Australia—60 per cent of Australia's water falls in that 40 per cent of the country, and there's a lot of potential for agriculture. Mr Coffey, did you want to add anything on those projects?

Mr Coffey: There are three significant water resource assessments occurring by CSIRO. They are due for completion by June this year. And they're in the three jurisdictions in the North which will inform opportunities—whether it is irrigated agriculture, soil suitability for crops, water storage, usage of water and the like. They'll be significant water studies in the three areas—the Fitzroy, the Darwin region and the Mitchell in Queensland.

Senator BUSHBY: What is the spread of water feasibility projects across Northern Australia?

Mr Coffey: There's a number right across the three states. I can give you the exact numbers. There are 15 feasibility studies: 10 in Queensland, one in the Northern Territory, three in Western Australia and then there's a cross-border one involving the Ord which looks at both the NT and—

Senator BUSHBY: Have those studies been completed or are they under way?

Mr Coffey: They are all under way. Two of those feasibility studies have been completed. The Oakover Valley in Western Australia and Rookwood Weir. There are 10 further studies to be completed by April this year and the remainder April 2019.

Senator BUSHBY: It's all very nice to say we are investing \$210 million in this, but it's got to deliver outcomes. How will improving water security assist those living in the North?

Mr Coffey: These water feasibility studies will inform future development and also inform water supply in those regions where these studies are occurring. Obviously, there is a lot of rain that occurs in Northern Australia, but it occurs in a short amount of time and then you have long periods with very little rain. With increased population under the white paper, population growth is a critical factor. Obviously, we then need to plan for higher water consumption both for growing food and agriculture and also for—

Senator BUSHBY: Economic development and economic opportunity for those who live there?

Mr Coffey: That's right.

Senator Canavan: The three CSIRO water resource assessments that Mr Coffey was referring to build on or seek to do the same thing that the Flinders and Gilbert water resource assessment did. It was completed by the CSIRO in 2014 or around that time. That has then led to the Queensland government having the evidence to be able to issue more water licences on the Flinders and Gilbert rivers. There is huge potential for agriculture there. The Rookwood Weir project I spoke about earlier has the potential to deliver 76,000 megalitres of water entitlements. That would help droughtproof both Rockhampton and Gladstone. In the business case, the Queensland government completed on the Rookwood Weir, it noted that Rockhampton could run out of water in less than a year if there was a significantly bad dry season. This project would avoid that outcome, as well as supporting agriculture as well. Estimates are that 2,100 jobs could flow from the Rookwood Weir through agriculture and related services.

I will also just take the opportunity to clarify an answer I said earlier. I mentioned that the National Water Infrastructure Development Fund was administered by the Department of Agriculture and Water Resources. It had been administered by that department. In recent machinery of government changes, but it was moved to the Department of Infrastructure and Transport.

Senator BUSHBY: It's important to correct the record. On the Rookwood Weir: I don't know a lot about it, because it's not my state, but nonetheless you have convinced me of the value of investing in it. Has there been a business case done on that or has that been progressed?

Senator Canavan: Yes, the Queensland government completed that business case last month. I'm trying to look for when we received it. It has been provided to Infrastructure Australia. That was on 9 February. They are currently consulted with the Queensland government about that business case. We're expecting to hear something back from them in the next couple of months.

Senator BUSHBY: Has the federal government committed funding to the Rookwood Weir?

Senator Canavan: We have committed \$132 million to the project: \$2 million was the funding for the business case and the \$130 million was a contributor to the capital costs—at the time, 50 per cent of the capital costs. The more recent business case has estimated a higher capital cost for the Rookwood Weir project. One of the tasks we are looking at with Infrastructure Australia is that business case. The Queensland government has asked us to increase our contribution to keep it at the 50 per cent, and we're considering that at the moment.

Senator WATT: Minister, congratulations on your reappointment to the role. I was a bit worried about you there for a little while.

Senator Canavan: Thanks, Senator Watt.

Senator WATT: You know I'm always in your corner. Since the last estimates and, in fact, since the hearing we had about the NAIF in Cairns, Aurizon has obviously made some public comments concerning its proposal for a rail line. I was actually just trying to find this, but I couldn't find it in time: have they withdrawn their application to the NAIF?

Ms Walker: Have now withdrawn it, yes.

Senator WATT: Thanks, I will come back to that a bit later. You'll remember at a previous estimates hearing I asked some questions about potential conflicts of interest involving a NAIF board member, Ms Way-McPhail. Can NAIF advise what steps it took after I raised those concerns about potential conflicts of interest involving Ms Way-McPhail, given that she is an LNP donor and supporter and has business interests which may conflict with her duties on the NAIF? Can you tell me what steps you've taken since I raised those concerns?

Mr Thatcher: As I think we've raised in previous Senate inquiries, we have a very strict conflicts of interest policy and we're confident that that conflicts of interests policy, which we've outlined the details of before, has been complied with. I don't think there has been needed to be any further steps taken.

Ms Walker: And it had been complied with before the issues that you had raised were raised.

Senator WATT: So no additional steps have been taken since I raised those concerns?

Mr Thatcher: No additional steps that we haven't otherwise always taken under our conflicts of interests policy and the general law under public governance, performance and accountability legislation.

Senator WATT: Did NAIF provide any further advice to Ms Way-McPhail after I raised those concerns about how she should manage any conflicts of interests?

Mr Thatcher: We have discussed this before. As I raised before, all the directors are well aware of all their obligations under their conflicts of interest policy and the law. We have no doubt at NAIF that they have complied with all those obligations.

Senator WATT: That doesn't answer my question, which was: whether, after I raised those concerns, you provided any further advice to Ms Way-McPhail as to the management of her potential conflicts?

Mr Thatcher: I don't think there's been any need to provide further advice. I suppose the answer to that question is no.

Senator WATT: There wasn't anything additional there. With the highly partisan Facebook comments and the business interests, there was nothing there that required any further action or advice to Ms Way-McPhail?

Mr Thatcher: Not specific advice to Ms Way-McPhail, because all the directors are generally aware of their duties and they are aware of what has been ventilated in Senate hearings. As I said before, we're quite confident that all of those obligations have been complied with.

Senator WATT: So no further steps were taken by NAIF to ensure that her decisions aren't compromised by either her business interests or what would appear to be her political partisanship?

Ms Walker: Senator, we have had this conversation.

Senator WATT: I haven't asked these specific questions.

Ms Walker: Look, I would have to check the record. Our response on this issue from the beginning has been that we have a protocol and we are very confident that it has been followed. We've also explained that the reason that we don't disclose who has recused themselves is also best practice for privacy reasons, because recusals are in relation to board deliberations and specific projects. For that reason, we don't disclose who has recused themselves on what project. We have consistently said to the Senate inquiry and also the hearings that we are confident that all board members have complied with their obligations. I'm just not understanding how you think we can help you further on that issue, in that we've said that we already think that all of the relevant obligations, under our own policies and under the PGPA Act, have been complied with. If it is something—

Senator WATT: All I was trying to establish was whether anything further had been done since those concerns had been raised with you. It sounds like the answer is no, because you are confident you have got policies in place. I think you've answered my questions as much as you can. Now, Ms Walker, just going back to that Cairns hearing, you might remember that was really early February, from memory, or the end of January. On that day, I raised with you a regional ABC Radio appearance that you'd made around the time of that and, in fact, it was the day after federal Labor announced the creation of a new tourism infrastructure fund using some of the funds currently allocated to the NAIF. At the time, you said that you didn't recall that interview, but I'm assuming since then you've had a chance to go back and have a look at that interview or the transcript of it?

Ms Walker: I haven't pulled the transcript out exactly, but I have had a discussion with some of the team, yes

Senator WATT: Including your media adviser?

Ms Walker: Yes.

Senator WATT: You might have seen that in that interview the presenter said that the Northern Australia Infrastructure Facility, with you as its spokesperson, says that federal Labor's goal of financing tourism infrastructure can already be achieved without starting a new organisation. Did the minister direct you or ask you to come out and dismiss Labor's policy as 'unnecessary'?

Ms Walker: No, absolutely not.

Senator WATT: Okay. Was it recommended to you by Mr Wakeley, your director of communications, that you do that?

Ms Walker: No. We put out a press release, I think, around that same time, and there was an interview that I was asked to give. The issue of whether NAIF can contribute to tourism is an issue that has been raised, and so we put out the press release to clarify that issue. From memory—and I think we've got it in the opening statement—we have 18 projects we're looking at that are in the tourism space, so it's always important that we clarify, where we can, what our mandate is to increase awareness, because it's a very important sector to us.

Senator WATT: I understand that. Did Mr Wakeley prepare that press release? Was he involved in the preparation of it?

Ms Walker: Press releases are prepared by a number of people. He probably had input—I don't remember specifically on that one.

Senator WATT: But he's the director of your communications team, so—

Ms Walker: Yes, so you would expect that he would've had some. But it's never one person that produces—

Senator WATT: Sure. And he would have been involved in briefing you before you did that interview where you talked about federal Labor's policy?

Ms Walker: From what you are saying, I was asked a question about federal Labor's policy. Is that what the interview—

Senator WATT: It appears that way, yes.

Ms Walker: I was asked a question, and then I clarified NAIF's position, which is that we can already put any of the \$5 billion towards tourism at the moment—so we already have a capability to do that, specifically for tourism.

Senator WATT: Where I'm getting to is: do you think it's appropriate for a public servant in your position to be expressing opinions about a political party's policies—whether it be the coalition, the government, or whether it be the opposition, Labor. Isn't that really the role of ministers or people like Minister Canavan and me?

Senator Canavan: I will let Ms Walker add to my answer. I'm not aware of these particular comments, but I think Ms Walker has clarified that what she was at least attempting to do was to clarify the operation of the NAIF and ensure the factual information was correct, and that's entirely appropriate, although I don't have those particular comments in front of me. But it's entirely appropriate for the NAIF to ensure that the information in the public domain about what they can do and what projects they can assess is correct, because they're a customer-facing organisation and they do rely on people coming through the door. I haven't seen the particular comments you are raising. Ms Walker, do you have anything to add?

Ms Walker: That is exactly what I was doing. I was looking to clarify what our mandate is and to comment on the NAIF's capability and the NAIF's mandate. I was asked a question. I tried to answer the question in terms of what our capability was and is.

Senator WATT: Okay. I can see that Mr Wakeley is here. It might be that he wants to participate in these questions as well. You might also remember that at the last hearing we had of the inquiry, in Cairns, we

established that the NAIF had provided unreliable information to either the Queensland government or to the media about the status of Aurizon's application to the NAIF. The Queensland government had been told that Aurizon's application was inactive, whereas an unnamed spokesperson for the NAIF—who turned out to be Mr Wakeley—told *The Australian*, and possibly other media, that it was an active application. Do you remember our talking about that?

Ms Walker: I do remember. I also remember that at the time I confirmed there was nothing in what they had provided to the Queensland government that was not accurate, and that the report that had been provided to the Queensland government reported that that transaction, at that time, was inactive, and that what Mr Wakeley was doing in comments to the media was to try to confirm what was already on the public record, which was that just because that transaction was inactive, did not mean it was not proceeding.

I have written to the Treasurer and I've tabled that to the Senate inquiry—I think you probably have a copy of that. And so, what I said to you in Cairns is still the case and that's what I put on the record back to the Deputy Premier of Queensland.

Senator WATT: But you will recall that it did create great confusion there for a few days about whether it was an active or inactive proposal?

Ms Walker: Look, Senator—

Senator WATT: And it led to some political difficulty for the Queensland government, with people accusing it of misrepresenting the situation and—

Senator Canavan: Can I add that I was aware of this particular situation, Senator Watt? Yes, there seemed to be a difference in semantics almost, and that was unfortunate. For what it's worth, I believe that the NAIF has clarified the situation with the Queensland government. I'm always happy to discuss the NAIF projects with the Queensland government and make sure we're all on the same page. I want to work with them to get NAIF projects across the line. Any confusion that you refer to is a perception, obviously, so I'm not going to dispute that some people were confused—that's up to them to describe. But any confusion, I think, was clarified in the appropriate way. While I was aware of the situation, I think it was something that was able to be resolved relatively quickly and that we can move forward.

Senator WATT: Has Mr Wakeley been talked to or counselled about having provided different information to the media than what NAIF had been providing to the Queensland government?

Senator Canavan: I've only got advice on this since it happened, Senator Watt, so I'll let Ms Walker talk about that. But I don't quite accept that characterisation of the events. My characterisation of events is that I do think it was a misunderstanding about the terminology that the NAIF uses, relative I suppose to what might be the colloquial meaning. My understanding is that the Queensland government had been consulted on the status of projects; that's the advice that I received. They were aware of the definition of 'inactive', so to speak. There was a specific definition, despite it having a different colloquial interpretation, obviously. So, while I understand that some confusion may have arisen, I also believe that the Queensland government had been kept informed about the status of that particular project, as well as others throughout this process.

Senator WATT: The point is, as you know, that this is a highly-politically-charged issue connected to the Adani project, where certain people were putting pressure on the Queensland government about whether it would or would not veto any loan. The Deputy Premier, relying on information she received from NAIF, advised the media that it was an inactive project, and then you've got the media adviser for NAIF out there telling media outlets that in fact it was an active project. You've got to admit that that causes political difficulty—

Ms Walker: But, Senator—

Senator Canavan: I would hope—

Senator WATT: Whether it was intended or not—

Senator Canavan: While we do communicate through the media often for different reasons and purposes, I would also hope that we can communicate directly with each other. I've been trying to seek a meeting with Ms Trad for some time. I hope that we can catch up soon, because I do want to work with them on this issue. So if there ever is confusion, I'm sure you, probably, or someone could track down my number and give me a call at anytime because I'm happy to clarify such a situation. I wasn't aware of this until it arose and I was advised on it. I don't think it's the most significant thing to have occurred. We can, as I said, clarify the matter and then move forward together.

Senator WATT: Ms Walker, I take it that you don't have any concern that Mr Wakeley's conduct was politically motivated in the information that he was providing to journalists?

Ms Walker: It was absolutely not politically motivated. That is not a role that we play, and I don't think you could point to anything that we have done of that nature. In fact, the letter that I've sent back to the Deputy Premier makes it absolutely clear that it was—let me try to quote from it—'not intended to convey a message that was in any way inconsistent.'

As I pointed out, we are in regular contact with the Queensland government; we meet regularly with the relevant departmental representatives. If there had been any confusion on their part, they could have put a very quick call in and we would have answered it. Again, if you do want to labour this point: the definition of 'inactive'—which is, for internal purposes only, it's not for publication—makes it very clear that, and these are the words: 'Note, the proponent has not formally withdrawn their request for funding at this stage.' That was the point that Mr Wakeley was trying to make. So—

Senator WATT: From everything you have said, it doesn't sound like you had any concern that Mr Wakeley's conduct was politically motivated?

Ms Walker: It absolutely was not politically motivated. Am I sorry that the Deputy Premier was upset by it? Yes, of course I am. Yes, I am.

Senator WATT: Are you aware that, prior to working for NAIF, Mr Wakeley was a senior media adviser for the former Queensland Premier, Campbell Newman?

Ms Walker: Yes, I'm aware of that.

Senator WATT: And you're aware that he was also an adviser to a New South Wales Liberal government minister for a period of time—I think immediately before he came to NAIF?

Ms Walker: Yes.

Senator WATT: He disclosed his past employment, I presume, in applying for the job?

Ms Walker: Yes.

Senator WATT: That's fine. Everyone is entitled to change jobs. Are you aware of his pretty active social media presence and engagement?

Ms Walker: No, not really.

Senator WATT: A bit like Ms Way-McPhail's?

Ms Walker: I'm not really active at all on social media, so I'm not—

Senator WATT: Does anyone have a bit of a look at whether your senior staff who are communicating NAIF's position to the media are being politically partisan on social media?

Ms Walker: No. I personally haven't checked it.

Senator WATT: As I say, Mr Wakeley is here, so, if he wants to answer any of this himself, that's fine. I've actually got, if it's useful, a few copies of some of Mr Wakeley's social media commentary.

CHAIR: Would you like to table that?

Senator WATT: I would. I would like to table that. There are a few copies there. I'm raising this partly because of the concerns about this particular incident in providing politically difficult information to the media, and I have previously raised concerns around senior people in the NAIF, particularly a board member, Ms Way-McPhail, and her highly partisan social media activity. I'm not going to go through every single one, because there are quite a few there. There's a nice photo of Mr Wakeley with his former employer, Mr Newman, launching a book. Mr Wakeley tweeted in June 2016:

Under Labor, extraordinarily massive debt deficit.

#electionin6words

He's re-tweeted another former Queensland Premier, Peter Beattie, who observed:

Queensland has delivered another Federal—

Ms Walker: Sorry, but I did say that I haven't seen this. Is this while Mr Wakeley has been employed by NAIF?

Senator WATT: I'll come to that. The ones I'm going through at the moment—

Senator Bushby interjecting—

Senator WATT: Well, it's certainly opinionated, and it's a question of whether that's appropriate for someone who's the media representative of a body which has already had concerns raised around politicisation. There are some tweets in there that Mr Wakeley posted prior to his employment with the NAIF. As I say, he was pretty

happy about the election of a federal coalition government. He called Queensland 'the smart state'. Then there's one in May 2017 where he is re-tweeting the Queensland opposition leader Tim Nicholls referring to the 'absolute arrogance of Kate Jones', one of the Queensland government's ministers and Queensland Labor. I acknowledge that those tweets were posted prior to his employment with NAIF. But even since he's been employed by NAIF in this role, where he is your public representative to the media, in November 2017—after he started with you—I think it was possibly Queensland election day or the day before, he tweeted:

Election spending numbers will be interesting. My casual observation is that @QLDLabor has spent far more than the @LNPQLD. Negative Labor ads everywhere I look.

And then there's one in December 2017—again, after he became your media representative—referring to Mark Bailey, a Queensland government minister:

@MarkBaileyMP was a no-show at my daughter's year 6 graduation last night. I was looking forward to saying hi to my local member—something I can't do on twitter since he's had me blocked for almost three years.

Does any of that concern you about the behaviour and public position of your public representative?

Senator Canavan: This is the first I've been made aware of Mr Wakeley and the first I've seen of any of these social media elements. I would like to take that question on notice and have a look at it for you, Senator Watt. I've got to respect the independence of the Northern Australia Infrastructure Facility, obviously. I'll take some advice on what their social media policies are, and we'll come back to you on that, Senator Watt.

Senator WATT: Ms Walker, I take it you weren't aware of this online commentary from your media representative, Mr Wakeley?

Ms Walker: I've said that I was not aware.

Senator WATT: Do you think it's appropriate for your director of communications to be publicly antagonising a group that you've described as a significant stakeholder, being the Queensland government and its ministers?

Senator Canavan: Senator Watt, can I say that I think, at a general level, this is obviously always a difficult issue to manage in the modern—

Senator WATT: Not really.

Senator Canavan: Sorry, I think it is, because there's a balance, obviously, between someone's right to express their views—

Senator WATT: I reckon there's not one other public servant in here who has done this.

Senator Canavan: I know of previous examples of it, Senator Watt. But, as I say, given that this is the first I've seen this, and I've got to respect the independence of the statutory agency, let me take some advice and we'll come back to you.

Senator WATT: Ms Walker, does it give you any concern, having seen this, that your media director is communicating with journalists about the status of confidential projects—and I'm particularly thinking of that Aurizon one, in a manner which could be damaging to the Queensland government, given these views that he has expressed?

Ms Walker: I've already given you my views on that specific instance. I don't think it was in any way politically motivated. I stand by that. I don't think you can draw a bow in that instance. I've explained to you what the discussion was about. I've explained to you also that the concept of 'inactive' does not mean that a project has not been proceeding, and that was an issue that was causing confusion. Again, I think I've said everything I can on that. I don't think that anybody, having understood the report, would have been confused that the Aurizon project, at that point, still had not been categorised as not proceeding, which of course is what ultimately happened when they withdrew their application. So I don't think that that instance was politically motivated, and I just don't think I can add to that.

Senator WATT: I won't take too much longer on this. In 2014, the Department of the Prime Minister and Cabinet issued guidance about the conduct of public servants, and it specified that if an employee becomes aware of another employee who is engaging in conduct that may breach this policy—about the conduct of public servants—there is an expectation that the employee will report the conduct to the department. I take it that no-one in NAIF has reported Mr Wakeley's conduct to the department? That's actually probably more a question for the department.

Senator Canavan: Can I up-front say that I don't believe employees of the Northern Australia Infrastructure Facility are employed under the Public Service Act, so the guidelines you've quoted may not—

Senator WATT: Wouldn't apply, or may not.

Senator Canavan: May not. Obviously, statutory agencies might have their own policies and guidelines, and I've already taken on notice to get back to you about that. Does the department have anything to—

Dr Smith: That's what we understand.

Senator WATT: Minister, does it give you any concern that NAIF has been getting a bit of a bad rap out there, rightly or wrongly, and we've already demonstrated that a board member whom you know very well had been behaving in a highly partisan fashion until we brought it to this committee's attention. We've now got the media director doing the same thing. There may or may not be others. What does that say for the independence of the NAIF?

Senator Canavan: The first thing I would say is that, given it's independent, I'm not going to—

Senator WATT: I think we're starting to wonder.

Senator Canavan: If I may, I will answer the question. Given its independence, I'm not going to sit here after only having just received evidence from yourself, and, obviously, I think it's appropriate that I go away and have a look at that before making any judgements. In terms of Ms Way-McPhail, as you say, she was an independent board director, so I don't think it's appropriate for me to direct her one way or another. That's a matter for the NAIF, because this cuts both ways, too, of course. While I understand that the comments you have raised here or the allegations or evidence you've provided here is partisan in one direction, there also could be times where it's partisan in another direction. It's not appropriate for me to direct—

Senator WATT: I haven't seen any progress—

Senator Canavan: It's not appropriate for me to direct independent bodies in that way. Let me take some advice on it. You've just provided this evidence. This is the first time I've seen it. This is the first time I've been aware that Mr Wakeley works for the Northern Australia Infrastructure Facility. I will come back to the committee, having taken it on notice.

Senator WATT: I'm conscious that Mr Wakeley hasn't had an opportunity to defend himself. He is here, if he did want to say anything, if I'm getting something wrong.

Senator Canavan: Given I've taken it on notice, I'd appreciate the opportunity to take a look at it myself first.

Senator WATT: I should just put on the record that I'm not for a moment saying that a former staff member to a minister has no right to work in a public body. I've been a former staffer.

Senator Canavan: Yes, so have I.

Senator WATT: The issue is about the ongoing political conduct of an officer in an independent organisation.

Senator WATT: I accept that.

CHAIR: Thank you very much to the Department of Industry, Innovation and Science, and also to the officers of the Northern Australia Infrastructure Facility. There being no further questions, the committee's consideration of the 2017-18 additional estimates will conclude. I thank Minister Cash, Minister Canavan, officers of the Department of Industry, Innovation and Science and all witnesses who have given evidence in this committee. Thank you to Hansard for their endless patience and also to the secretariat.

Committee adjourned at 22:46

Tam van Alphen

From: Tam van Alphen
Sent: Tuesday, 22 May 2018 2:57 PM
To: Michael, Dr Rebecca
Cc: Mark Bellaver; Tim Shipstone
Subject: Re: Access to Q-Trip/State Budget Papers Prior to Release

All good, talk soon!

Sent from my iPad

On 22 May 2018, at 2:54 pm, Michael, Dr Rebecca <Rebecca.Michael@racq.com.au> wrote:

Hi Tam,
Thanks for that...much appreciated. Apologies if this had already been sorted. Look forward to hearing from Tim.
Thanks and regards,

Dr Rebecca Michael
Head of Public Policy

60 Edward Street
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E Rebecca.Michael@racq.com.au
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From: Tam van Alphen <Tam.VanAlphen@ministerial.qld.gov.au>
Sent: Tuesday, 22 May 2018 2:42 PM
To: Michael, Dr Rebecca <Rebecca.Michael@racq.com.au>
Cc: Mark Bellaver <Mark.Bellaver@ministerial.qld.gov.au>; Tim Shipstone <Tim.Shipstone@ministerial.qld.gov.au>
Subject: Re: Access to Q-Trip/State Budget Papers Prior to Release

Hi Rebecca,

As previously discussed, happy to set up a detailed briefing with Tony (GM and numbers man) on QTRIP before release.

Tim will be in touch to sort logistics.

Cheers and talk soon,
Tam

Sent from my iPad

On 22 May 2018, at 12:27 pm, Michael, Dr Rebecca <Rebecca.Michael@racq.com.au> wrote:

Good morning Tam and Mark,

Recently RACQ wrote to Minister Bailey and Deputy Premier Trad seeking embargoed access to road and transport funding allocations ahead of the release of the upcoming State Budget. We have not yet received a reply.

In previous years, RACQ has been able to review Q-TRIP allocations the day prior, which has enabled us to better identify and summarise investment in Queensland roads and transport ahead of anticipated media enquiries once the Budget is handed down.

As you would understand, quantifying funding for road and transport projects is complicated by previous years allocations, under-spend, forward estimates, deferred spending, and intergovernmental funding splits and made even more challenging with investment spread across a number of Budget papers depending on the project. Navigating these challenges to confirm budget allocations in the recent Federal Government Budget meant that RACQ had to adopt a cautious approach while analysing budget papers and responding to requests from media outlets (within minutes of the Budget being handed down) on the outcomes for Queensland.


Taking this experience on board, I would like to re-confirm our request that RACQ be granted embargoed access to Q-Trip and/or other State Budget papers ahead of the 12th June release. This would better enable RACQ to form a considered and well informed summary of road and transport investment and potentially publicly identify and celebrate anticipated funding wins for key projects in a timely manner.

I look forward to your reply.

Thanks and regards,

Dr Rebecca Michael
Head of Public Policy

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Tam van Alphen

From: Michael, Dr Rebecca <Rebecca.Michael@racq.com.au>
Sent: Wednesday, 7 March 2018 11:27 AM
To: Talbot Speechley; Tam van Alphen
Cc: Turner, Paul
Subject: Update on fuel price reporting
Attachments: 064V1903.pdf

Hi Tam and Talbot,

Following on from our meeting with Ministers Lynham and Bailey, we responded to concerns raised during the meeting by providing further analysis on the impact of mandatory fuel price reporting in Sydney which suggests that there was no evidence of predatory pricing behaviour post the introduction of Fuel Check.

We have also been approached by fuel retailers and association bodies since our meeting to discuss the outcomes of meetings they have subsequently had with the Ministers on the matters of fuel prices, reporting and competition.

RACQ is keen to work with all stakeholders to address the high fuel prices and would find it useful to these discussions to understand the position or approach government is forming on these issues. This is particularly salient in light of comments made by Rod Sims at the recent Senate Estimates hearing where he stated that:

- The ACCC does not have the power to mandate a fuel price reporting scheme
- The currently available commercial price reporting schemes are not comprehensive
- State based schemes are preferable to national scheme
 - He sees value in the stable weekly cycle in Perth and would not want a national scheme to disrupt the Perth weekly cycle

Are you available soon to discuss how things are progressing?

Thanks and regards,

Dr Rebecca Michael
Head of Public Policy

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COMMONWEALTH OF AUSTRALIA

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SENATE

ECONOMICS LEGISLATION COMMITTEE

Estimates

(Public)

THURSDAY, 1 MARCH 2018

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SENATE

ECONOMICS LEGISLATION COMMITTEE

Thursday, 1 March 2018

Members in attendance: Senators Bushby, Kim Carr, Colbeck, Georgiou, Hanson, Hume, Ketter, Leyonhjelm, Lines, Ian Macdonald, McAllister, O'Neill, Patrick, Rhiannon, Steele-John, Watt, Williams.

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TREASURY PORTFOLIO**In Attendance**

Senator McGrath, Assistant Minister to the Prime Minister

Department of the Treasury

Mr John Fraser, Secretary

Corporate Services and Business Strategy Group

Mr Matt Flavel, Deputy Secretary, Corporate Services and Business Strategy Group

Mr Robert Twomey, Chief Financial Officer, Chief Financial Officer Division

Ms Phoebe Burgess, Head of HR, Risk and Governance, People and Organisational Strategy Division

Ms Shannon Kenna, Division Head, Communications and Parliamentary Division

Mr Mike Webb, Chief Information Officer, Information Services Division

Macroeconomic Group

Mr Nigel Ray, Deputy Secretary

Dr John Swieringa, Acting Division Head, Macroeconomic Modelling and Policy Division

Dr Michael Kouparitsas, Principal Adviser, Macroeconomic Modelling and Policy Division

Ms Laura Berger-Thomson, Principal Adviser, Macroeconomic Modelling and Policy Division

Ms Lisa Elliston, Division Head, International Policy and Engagement Division

Mr Chris Legg, Chief Adviser, International Policy and Engagement Division

Mr Warren Tease, Division Head, Macroeconomic Conditions Division

Dr Angelia Grant, Chief Adviser, Macroeconomic Group

Fiscal Group

Mr Michael Brennan, Deputy Secretary, Fiscal Group

Mr Jonathan Rollings, Division Head, Budget Policy Division

Mr Adam McKissack, Principal Adviser, Budget Policy Division

Ms Vicki Wilkinson, Division Head, Social Policy Division

Ms Joanne Evans, Principal Adviser, Social Policy Division

Mr Nathan Dal Bon, Principal Adviser, Social Policy Division

Ms Jessica Carew, Principal Adviser, Social Policy Division

Mr Robert Jeremenko, Division Head, Retirement Income Policy Division

Mr Darren Kennedy, Principal Adviser, Retirement Income Policy Division

Mr Ian Beckett, Principal Adviser, Retirement Income Policy Division

Ms Michelle Dowdell, Principal Adviser, Retirement Income Policy Division

Ms Kate Phipps, Division Head, Commonwealth-State Policy Division

Structural Reform Group

Ms Meghan Quinn, Deputy Secretary, Structural Reform Group

Mr Hamish McDonald, Chief Adviser, Structural Reform Group

Mr Paul McCullough, Chief Adviser, Structural Reform Group

Mr Damien Dunn, Principal Adviser, Structural Reform Group

Mr Tom Dickson, Principal Adviser, Structural Reform Group

Ms Louise Butler, Principal Adviser, Structural Reform Group

Mr Simon Milnes, Senior Adviser, Structural Reform Group

Mr Merrick Peisley, Senior Adviser, Structural Reform Group

Revenue Group

Ms Maryanne Mrakovcic, Deputy Secretary, Revenue Group

Mr Tony McDonald, Acting Division Head, Corporate and International Tax Division

Miss Lynn Kelly, Chief Adviser, Corporate and International Tax Division
Ms Kathryn Davy, Principal Adviser, Corporate and International Tax Division
Mr Geoff Francis, Principal Adviser, Corporate and International Tax Division
Mr Brendan McKenna, Principal Adviser, Corporate and International Tax Division
Ms Marisa Purvis-Smith, Division Head, Individuals and Indirect Tax Division
Mr Patrick Boneham, Principal Adviser, Individuals and Indirect Tax Division
Mr Graeme Davis, Acting Division Head, Tax Framework Division
Mr Tom Reid, Division Head, Law Design Office
Mr Simon Writer, Principal Adviser, Law Design Office
Mr Tony Regan, Principal Adviser, Law Design Office
Mr Chris Leggett, Principal Adviser, Law Design Office
Mr Matt Brine, Division Head, Tax Analysis Division
Ms Karen Payne, Chief Executive Officer, Board of Taxation Secretariat
Mr Michael Atfield, Secretary, Board of Taxation Secretariat

Markets Group

Mr John Lonsdale, Deputy Secretary
Ms Diane Brown, Division Head, Financial System Division
Mr James Kelly, Chief Adviser, Financial System Division
Ms Julie Greenall-Ota, Principal Adviser, Financial System Division
Mr Jerome Davidson, Principal Adviser, Financial System Division
Ms Elizabeth Williamson, Division Head, Consumer and Corporations Policy Division
Ms Emily Martin, Principal Adviser, Consumer and Corporations Policy Division
Ms Kate O'Rourke, Principal Adviser, Consumer and Corporations Policy Division
Mr Roger Brake, Division Head, Foreign Investment Division
Ms Victoria Anderson, Chief Adviser, Foreign Investment Division
Ms Jessica Robinson, Principal Adviser, Foreign Investment Division
Mr Warren Tease, Chief Adviser, Financial System Division

Australian Charities and Not-for-profits Commission

Dr Gary Johns, Commissioner

Australian Taxation Office

Mr Chris Jordan, Commissioner of Taxation
Mr Neil Olesen, Second Commissioner, Client Engagement Group
Mr Andrew Mills, Second Commissioner, Law Design and Practice Group
Mr Ramez Katf, Chief Information Officer, Enterprise Solutions and Technology
Ms Jacqui Curtis, Chief Operating Officer, Corporate and Enabling Services Group
Ms Melinda Smith, Chief Service Delivery Officer, Service Delivery Group
Ms Frances Cawthra, Chief Finance Officer
Ms Michelle Crosby, Deputy Commissioner, Business Reporting and Registration
Mr Jeremy Hirschhorn, Deputy Commissioner, Public Groups
Mr Mark Konza, Deputy Commissioner, International
Ms Deborah Jenkins, Deputy Commissioner, Small Business
Mr Timothy Dyce, Deputy Commissioner, Indirect Tax
Mr William Day, Deputy Commissioner, Private Groups and High Wealth Individuals
Mr James O'Halloran, Deputy Commissioner, Superannuation
Ms Louise Clarke, Deputy Chief Tax Counsel Network (Public Advice and Guidance)

Ms Debbie Hastings, Deputy Commissioner, Review and Dispute Resolution
Mr Brad Chapman, Deputy Commissioner, Australian Taxation Office People
Mr Jonathon Todd, ATO General Counsel, ATO Corporate

Australian Securities and Investment Commission

Mr James Shipton, Chair
Mr Peter Kell, Deputy Chairman
Mr John Price, Commissioner
Ms Cathie Armour, Commissioner
Ms Jane Eccleston, Senior Executive Leader, Investment Managers and Superannuation
Mr Warren Day, Senior Executive Leader, Assessment and Intelligence
Mr Gregory Kirk, Senior Executive Leader, Strategy Group
Mr Michael Saadat, Senior Executive Leader, Deposit Takers, Credit and Insurers
Ms Sharon Concisom, Senior Executive Leader, Market Enforcement
Ms Natasha Haslam, Senior Manager, Financial Services Enforcement
Ms Joanna Bird, Senior Executive Leader, Financial Advisers
Ms Louise Macaulay, Senior Executive Leader, Financial Advisers

Productivity Commission

Mr Peter Harris, Chair
Ms Karen Chester, Deputy Chair

Commonwealth Grants Commission

Mr Michael Willcock, Secretary
Mr Anthony Nichols, Branch Head
Mr Gary Markham, Acting Director Corporate Services

Australian Competition and Consumer Commission and Australian Energy Regulator

Mr Rod Sims, Chairman
Ms Rayne de Gruchy, Chief Operating Officer
Ms Jeanne Pratt, Executive General Manager, Merger and Authorisation Review Division
Mr Marcus Bezzi, Executive General Manager, Specialised Enforcement and Advocacy Division
Mr Scott Gregson, Executive General Manager, Enforcement Division
Mr Tim Grimwade, Executive General Manager, Consumer, Small Business and Product Safety Division
Mr Michael Cosgrave, Executive General Manager, Infrastructure Regulation Division
Mr Peter Maybury, Chief Finance Officer
Ms Michelle Groves, Chief Executive Officer, Australian Energy Regulator
Mr Peter Adams, General Manager, Wholesale
Ms Sarah Proudfoot, General Manager, Retail
Mr Warwick Anderson, General Manager, Networks

Australian Prudential Regulation Authority

Mr Wayne Byres, Chairman
Mrs Helen Rowell, Deputy Chairman
Mr Geoff Summerhayes, APRA Member
Mr Pat Brennan, Executive General Manager, Policy and Advice Division
Mr Mark Adams, Executive General Manager, Specialised Institutions Division
Mrs Therese McCarthy Hockey, Executive General Manager, Strategy and Chief Risk Officer

Committee met at 09:02

CHAIR (Senator Hume): I declare open this meeting of the Senate Economics Legislation Committee. The committee will continue its examination of the Treasury portfolio with questions for the Australian Competition

and Consumer Commission, the Australian Energy Regulator and the Commonwealth Grants Commission. The hearing will then follow the order as set out in the circulated program. Officers called upon for the first time to answer a question should state their name and position for the *Hansard* record, and witnesses should speak clearly into the microphone. I ask photographers and cameramen to follow the established media guidelines and the instructions of the committee secretariat. Please ensure that senators' and witnesses' laptops and personal papers are not filmed.

Commonwealth Grants Commission

[09:03]

CHAIR: I welcome the Assistant Minister to the Prime Minister, Senator the Hon. James McGrath, representing the Treasurer, and officers of the Commonwealth Grants Commission. Minister or officers, would you like to make an opening statement?

Mr Willcock: No opening statement from us, thank you.

Senator KETTER: My questions relate to the Productivity Commission's horizontal fiscal equalisation review and I refer you to the CGC's submission DR61, which responds to the technical queries from the Productivity Commission and, specifically, the response to question 3. My question is: can you confirm for the committee that under the Productivity Commission's model for equalisation to the second strongest state, which is one of the PC's preferred models from the draft report, your conclusion is that the other states—that is, all other states and territories apart from Western Australia—would be unable to deliver services to the average level that is currently provided?

Mr Willcock: Yes, as your question proceeded, the commission did put in a further submission to the PC's review process to comment or respond on issues raised in the PC's draft report on HFE. In doing so, the commission highlighted the implications of moving equalisation to equalisation on the basis of the fiscal capacity of the second strongest state. In doing so, it highlighted that that would result in all other states, other than the strongest state, having less GST share than they would under current arrangements. Current arrangements work on the basis that states are equalised so that they all have the same fiscal capacity to provide the average standard of services. If, under the alternative proposal floated by the PC in its draft report, seven jurisdictions were to have less GST, then they would, indeed, have less money to provide the average standard of services.

Senator KETTER: What does that mean in a practical sense, to say that these jurisdictions are unable to deliver services to the average level?

Mr Willcock: It simply means that the amount of money available—well, sorry. All Australian states make money from their own revenue resources by tapping their own state tax bases. They also receive Commonwealth funding support in the form of payments for specific purposes or tied grants. With the amount of money available to each Australian state that arises from their own state revenue bases and payments for specific purposes, that total is, in itself, insufficient for any state to fund all of its government service delivery needs as currently delivered. That's why the GST comes in and equalises—but raises—the fiscal capacity of every state so that they have the capacity to provide those services.

Senator KETTER: What's the impact on, say, Queensland of the Productivity Commission's model?

Mr Willcock: The Commonwealth Grants Commission submission that you mentioned to the PC put forward some figures, and it suggested that—and this is using figures for the 2017-18 fiscal year, because that's the only figures we had at the time—at that stage we were operating on the basis that current arrangements would deliver \$14.963 billion of GST revenue to Queensland. Under the Productivity Commission's proposal, that would be \$14.235 billion or \$729 million less in GST. That would then mean that Queensland would need to consider raising additional revenue of its own by increasing state taxes, reducing the quality of certain services or reducing the scope of certain services—for example, providing a lesser range of services or adding to state debt levels to fund the provision of services at the pre-existing level. That's not just Queensland; of course, that would apply to all the other states as well.

Senator KETTER: Apart from Western Australia.

Mr Willcock: On the basis that Western Australia happens to be the fiscally strongest state at the moment. Of course, the PC's proposal would be true presumably not just in current circumstances, where WA happens to be the strongest state. At any future time, when some other state becomes the fiscally strongest, it would then move to that state that would have the benefit of those arrangements.

Senator KETTER: With this term 'average level of service', can you put a figure on that?

Mr Nichols: By average—let's say, arithmetical calculation in a way that looks at the total spend by particular areas of service delivery and divides that spend by the total population of all the states—that generates the average spend by states on that particular level of service. What the commission's work does is then adjust that average up and down, depending upon circumstances outside states' control.

Senator KETTER: Is that figure that corresponds to the average level of service something that's in one of your reports or is it something you could take on notice for me?

Mr Nichols: We could take on notice the actual number. We publish it in our annual supplementary information.

Senator KETTER: Thank you very much. You've mentioned the Queensland example. Perhaps for the other states as well, could you just give us a sense of how much these decreases would affect specific services in the states and territories?

Mr Willcock: The calculations that we provided to the Productivity Commission had different absolute dollar amounts for all the different states and territories. The way that we worked this out however delivers, if you like, the same dollars per capita for each of those other jurisdictions, which would mean that each of the other seven states would have \$147 per capita less in GST. That would amount to: \$1.167 billion for New South Wales, \$920 million for Victoria, \$256 million for South Australia, \$77 million for Tasmania, \$60 million for the ACT and \$36 million for the Northern Territory.

Senator KETTER: This might be a little bit outside of your remit, but to what extent do you think that does impact on states and territories' capacity to deliver their services? Is this a serious impact?

Mr Willcock: The Commonwealth Grants Commission submission to the PC made it very clear that it wasn't advocating a particular approach to HFE, per se. The commission's job is to provide recommendations to the Commonwealth Treasurer on how to divide the GST pool annually, in a way which delivers horizontal fiscal equalisation in accordance with the generally accepted definition of horizontal fiscal equalisation, which has been in place more or less—well, with some minor changes—since 1980, since the current all-state equalisation arrangement was put in place. It was reaffirmed by all governments on various occasions, such as in 1999 with the intergovernmental agreement prior to the introduction of the GST, when the funding pool fundamentally changed, and most recently in another intergovernmental agreement in 2011. The commission's submission to the PC was simply to draw out the implications of the alternative, so-called equalisation to a reasonable standard approach that the PC had put forward in its draft report and to indicate what the GST funding implications for all jurisdictions would be if that were implemented, in contrast to the current full equalisation arrangements. As the commission says, it's a matter for governments as to what form of equalisation the commission should be charged to implement.

Senator KETTER: Just finally, then—

Senator McGrath: We should also note that it is a draft report and that the 2017 figures aren't representative of the proposed model in future years. I just think that should be placed on the record.

Senator KETTER: On the latest figures—it's my final question, Mr Willcock—the majority of states and territories would have to either raise taxes or cut services in order to accommodate a change in accordance with the PC's recommendation?

Mr Willcock: Or increase debt. As Senator McGrath made clear, this is all on the basis of calculations done for 2017-18 or against, if you like, the benchmark of the 2017-18 GST distribution model. As we go forward, each state's share of GST, of course, changes as their own circumstances change relative to all other states' circumstances. If and when the model for distributing GST were to change, what the upsides or downsides for different jurisdictions might be at that time would certainly be different from what's illustrated in the commission's submission to the PC.

Senator BUSHBY: Most of my questioning was going to be along the lines of what Senator McGrath has just highlighted, and that is that this is actually a draft report. It's not the final report that Senator Ketter has been asking you questions on. Essentially, the questions he was asking were hypotheticals, based around a series of cameos that were contained in a draft report, which is a report of the PC and not a report of the government. I see you nodding, Mr Willcock, you're acknowledging that is the case?

Mr Willcock: Indeed.

Senator BUSHBY: Your answers are purely based on answers to certain cameos that were posed in a draft report which may not be the final report and was giving figures that were based around what are essentially hypothetical scenarios, where there is no certainty in any shape or form that they would ever eventuate?

Mr Willcock: Absolutely. You're quite right.

Senator BUSHBY: One final question: for the commission to actually act on any changes, what would need to happen? How much distance is there between what a Productivity Commission draft report actually says and the commission actually making changes to the way it would deal with the distribution?

Mr Willcock: Formally and in accordance with our legislation, the commission operates pursuant to terms of reference issued to us by the Commonwealth Treasurer. Most typically, annually, we receive terms of reference to deliver and make recommendations to the Treasurer on how to divide the GST pool up to deliver HFE. We also have separate terms of reference from time to time to do longer term reviews of the methodology that we use to make those recommendations. Any change to the way that the commission develops its recommendations to share out the GST revenue would need to be made pursuant to terms of reference from the Treasurer. Which stops slightly short of your question, in the sense that the Productivity Commission will report and then it will be up to government to determine what—

Senator BUSHBY: Yes, the Productivity Committee report, no matter what it says, has no determinative value in terms of outcomes, other than as a factor that may be considered in terms of general policy considerations going forward?

Mr Willcock: Indeed. Like all Productivity Commission reports, it's not self-executing. It is a report to government. It's up to government to then determine its own position in response.

Senator GEORGIU: The average GST revenue per capita in Australia is \$2,553; is that correct?

Mr Nichols: The average?

Senator GEORGIU: Across all the states.

Mr Nichols: That average changes from year to year, as the size of the pool changes and the sum of state populations changes.

Senator GEORGIU: Okay, but roughly—

Mr Nichols: Yes, it's correct.

Senator WILLIAMS: Excuse me, is that the net GST? Does that include what businesses pay and then claim back? Do you see what I'm saying?

Mr Willcock: That's the GST pool to be distributed to the states, once those costs of administering it—the ATO's administration and other costs—are taken out.

Senator WILLIAMS: The cake there to be split.

Mr Willcock: Indeed.

Senator GEORGIU: The average GST carve up—or pool, should I say—for WA per capita is about \$878 roughly?

Mr Nichols: On 2017-18, yes, it's 34 per cent of \$2,500.

Senator GEORGIU: Given that's a dreadful figure for Western Australia, if the PC review on GST is released in May, how soon can the recommendations on that report be factored, through the Commonwealth Grants Commission, into revising the HFE formula? Has the Treasurer released any terms of reference?

Mr Willcock: We don't have terms of reference reflecting any PC recommendations or report. This isn't anything that we control at all, but I suppose the process would be that the PC will report—it's currently scheduled to report on 15 May—and it will then be up to government to determine how to respond to that report and the timing of its response. As I mentioned earlier, we typically annually receive terms of reference to make recommendations to the Treasurer for how the GST pool could be distributed amongst the eight states and territories. The commission would certainly seek to implement any terms of reference. If the terms of reference are different from the sorts of terms of reference that we've been receiving in recent years the commission would, of course, seek to implement them. The timing of the government's response is something that no-one knows.

Senator GEORGIU: Western Australia's GST allocation was heavily reduced last year, following an update in population figures from the Bureau of Statistics, costing the state around \$200 million in GST. Has such a large revision taken place previously? Was there any warning to Western Australia that this might occur? Given the population updates from the ABS only occur after every census, is there a better and more stable way to determine population forecasts that feed into the CGC's processes?

Mr Willcock: As yet, the results of ABS's 2016 census have not actually flowed through into the CGC's methodology for determining, or working out how to distribute the GST. So any change to WA's population or population growth rate that was identified in the 2016 census has not, as yet, had any impact on WA's GST.

Senator GEORGIU: But it will in the future?

Mr Willcock: Sure.

Senator McGrath: One thing I should say, from the government's perspective, is that we get to see the final report. It comes out in May; the government will respond in due course. I think some assumptions might be made about how the government will respond to the final report. I think we should wait until the report comes out and the government will give its response in due course.

Senator GEORGIU: That's fine. What hurdles, if any, do the Grants Commission face in adopting and implementing the changes in the PC report, if the government decides to take on those recommendations?

Mr Willcock: Again, depending on the final form of any PC report, and any government decision flowing from that, I don't envisage that the commission would have significant difficulties in implementing propositions along the lines of those ventilated in the draft PC report.

Senator McGrath: But we should wait until the final report comes out.

Senator GEORGIU: In the final report, will the Grants Commission take into account the three-year lag period? Is it working with the PC to address this lag period in your calculations, or your review on it?

Mr Willcock: Separate to the PC's review of HFE, the commission itself is conducting its own review into its methodology. This is a separate review that was initiated following the receipt of terms of reference from the Treasurer, and is being undertaken, if you like, in parallel to the PC's process. Part of the commission's own review of its methodology was to look at a range of issues arising under the current methodology, which include what the appropriate period of assessment for the commission should be when it looks at individual states' circumstances to measure what their fiscal capacity is, and therefore what their need for GST funding is. Currently, as you mentioned, the commission uses a three-year rolling average period to, if you like, get a measure of states' relative fiscal capacities. Over the years, different time periods have been used for that assessment, up until, I think, around 2010. The period was a five-year rolling average at that time. Because of concerns that five years was too long a period, it was decided to shorten the period from five years to three years to make it a bit more contemporaneous. One of the issues that the commission has been consulting on is whether there is a case for changing that three-year rolling average, including by making it shorter or even going so far as relying on state government budget estimates or forecasts. This is something that the commission has been consulting on. It issued a discussion paper last year and received submissions from certainly all of the affected stakeholder jurisdictions. This is an issue that the commission can continue to consider as it goes through the review of its methodology.

The methodology review the commission is conducting is due to report in early 2020. It will certainly therefore have ample opportunity to take account of any commentary that the PC report has on this issue of the three years, or some other period, for taking a snapshot, a measure, of states' relative fiscal capacity.

I should just mention that there are, I suppose, the balancing considerations. One, I think everyone acknowledges that it is desirable for GST shares delivered to each state to be pretty reflective of each state's current budget circumstances. On the other hand, there's also a concern that having a measure of state fiscal capacities that's too short could bring a lot of volatility into GST shares. For example, if you have just a single year snapshot of fiscal capacities, any volatility that then arises would have very big swings in each state's GST share. So, the virtue, if you like, of three-year averaging is that it brings a bit of smoothing through time of each state's GST share. I would note that certainly most states value the relative degree of predictability and certainty or confidence that they have about their likely GST share into the future. Most states believe that it assists their own budget planning to have that sort of relative stability in GST shares through time and would therefore say that having a shorter assessment period, say, down to only one year, or even relying on a budget forecast, would impute or bring in a lot of volatility into the GST shares and hence affect the rest of their state budget management planning challenge.

CHAIR: Thank you very much to the Commonwealth Grants Commission. If there are no further questions from senators, we'll let you go. And thank you for coming back today, as opposed to last night.

**Australian Competition and Consumer Commission
Australian Energy Regulator**

[09:28]

CHAIR: Thank you very much for joining us, and thank you for being patient. I realise we pushed out the agenda for you. Mr Sims, do you have an opening statement for the committee?

Mr Sims: No. We'd like to leave maximum time for questions.

CHAIR: Mr Sims, last year you released a draft report into retail electricity pricing. I'm wondering whether you can remind the committee with a bit of an update of the key draft findings of the key drivers of retail energy prices in the Australian energy market, and give us an update on how the final report is progressing?

Mr Sims: As you said, we're doing this in two stages. The first report, which came out in September, was explaining what had driven electricity prices up. We were very keen to do that, because we thought there had been a bit of a misunderstanding on some of that. Roughly, the largest contribution was increases in network costs—the poles and wires. Then the next biggest increase was an increase in retail costs, which was very surprising to us. We hadn't expected that one. And then a roughly equal 16 to 17 per cent contribution from rising wholesale prices and green subsidy costs. So, about 40 per cent network; about a quarter retail costs and margins; and about 16 to 17 per cent to the green subsidies and wholesale prices of electricity. Having identified those drivers—and we're talking over a 10-year period, but that's how long the prices have been going up, and they went up a lot in that early part of the period, as well as recently—our objective is to come up with recommendations to get the prices down and to restore Australia's competitive advantage in electricity and to provide relief to low-income households. We're aiming to come up with recommendations to address all four of those issues to see what we can do to get those prices down.

CHAIR: With respect to South Australia in particular, you commented that the impact on power prices of the closure of the Northern Power Station was potentially underestimated. I wonder whether you could describe for the committee some of the market issues that have pushed up prices in South Australia following the closure of the Northern Power Station.

Mr Sims: In South Australia the wholesale prices were a larger contribution than the numbers I've just mentioned. The Northern Power Station not only took capacity out of the system, but increased the market power of AGL. There was also an effect obviously from the Hazelwood closure. With Hazelwood and Northern closing, that definitely shrank the supply/demand balance and increased the market power of the existing players. I do know my AER colleagues, who are here, have looked extensively into how all that unfolded. If you want more detail, my colleagues on my left have encyclopaedic knowledge on this topic.

CHAIR: I would be interested in your opinions, but I would also like to contextualise those. Obviously, the affordability and reliability of power in the South Australia has been an issue of considerable debate in the last few months, so could you contextualise it around the state's energy policy framework and whether you believe that particular policy framework is hurting consumers?

Mr Sims: I will pass that to my colleagues on my left. Our focus is affordability, whereas the AER is looking at things in the whole.

Ms Groves: We are probably not in a position to comment on South Australia's energy policy mix. As a whole I think we can probably provide some information around what has been happening in the wholesale market in South Australia in perhaps a little more detail, though my colleague Mr Sims has, I think, captured it at a high level. But we certainly could talk a little more around what's happening in the wholesale market in South Australia at this point in time.

CHAIR: If you could expand on it for a moment that would be terrific.

Ms Groves: I will ask Mr Adams.

Mr Adams: Over the last 18 months or so there has been a whole series of events that have impacted on prices across the Australian energy network. We produced a report late last year that looked at some of the issues that were driving New South Wales prices. We are currently preparing a report that looks at the impact of the closure of Hazelwood Power Station. You need to remember that we have a national electricity market that is integrated, and energy flows between all regions, so changes in one region often impact on neighbouring regions and the rest of the market. On our Hazelwood report, obviously, a large amount of low-cost, brown-coal generation coming out of the marketplace, as Mr Sims pointed out, changes the supply-demand balance, and we've certainly seen the impacts of that. That report will be out by the end of March. It covers the details specifically of the changes pre and post the Hazelwood Power Station.

CHAIR: I'm not entirely sure whether to direct this question to the Australian Energy Regulator or to you, Mr Sims. In regard to the government's efforts to deal with the affordability issues—things like working with the major retailers, securing domestic gas supplies and the limited merits review—can you comment on the impact that those particular actions have had on domestic electricity prices?

Mr Sims: I will pass to my colleagues again, but, clearly, getting gas prices down will be important. I think my colleagues will have a better estimate of the effect of that. I think we're both enthusiastically in favour of

getting rid of limited merits review. That will unquestionably lower prices for consumers and most of the retail things that are going on in terms of the detail following the Prime Minister's meeting with the AER issues.

Ms Groves: I will answer initially on the limited merits review question as one of the implications. We do consider that the removal of the limited merits review will have an impact on particularly how network businesses engage with their customers and with us going forward. We have already seen, I think, really good engagement between the network businesses, who are being very responsive to their customers' requests. In the most recent round of applications, we've received a number of proposals from network businesses for the next round of resets, as we call them, and we're seeing very good engagement, very good responsiveness, of those businesses to their customers. And we are seeing, I think, proposals that are much more in line with what communities' expectations would be. We don't know yet whether or not those proposals are still exactly where they should be, and that's the process we are going through. But what we are seeing is, I think, very flat prices or revenue requirements for these businesses going forward, which is, as Mr Sims has pointed out, a contrast to where we had seen network prices in the past. I will ask Ms Proudfoot to talk briefly around the changes that are happening with engagement with retail customers.

Ms Proudfoot: Following the Prime Minister's roundtables with the eight retailers last year, we have been undertaking a range of work, as have the energy retailers and various consumer groups, aimed at improving the types of information that customers receive to increase the confidence that they have to access the better deals in the market and to better monitor and understand what's going on. One of the commitments that was made by the retailers who attended the meetings with the Prime Minister was to report to us on the number of customers who were on a market contract where they had signed up and had a benefit period—generally, that is some form of discount—and that benefit had expired and they had not moved from the contract and so they were no longer enjoying the benefit. In the period since then, we have received three lots of reports, and the retailers at the moment are doing this voluntarily. We've seen that approximately 180,000 customers have now moved from an original 560 or so. They've now moved on to an offer where they're receiving a benefit period again.

You may also be aware that the retailers wrote to all those customers to remind them that there are better options out there and that they can visit our website, Energy Made Easy, to compare those offers. They did similar with the customers who were on the standing offers. We don't yet have reports on those, but we get those as part of our regular reporting framework, and we will be reporting on that in our annual report at the end of the year.

CHAIR: Ms Proudfoot, one of those requirements of the retailers is to provide simpler fact sheets on their rates and on their retail energy offers. How far through the process are we on those fact sheets?

Ms Proudfoot: That's correct, Senator. That's a piece of work that we're leading with the retailers and consumer groups. We formed a reference group to assist us in developing those new fact sheets. On 30 January we released a draft retail pricing information guideline that includes detail of the new fact sheet, which we're calling a basic plan information document. It's a much higher level document and it's aimed at appealing to customers and being perhaps less impenetrable than the current energy price fact sheet is. It includes details of key fees, discounts that are available and what a customer will need to do to access the discounts, particularly the conditional discounts. For the first time it will include a table of a comparison rate that looks at three consumption bands and what the annual estimate of those would be so that customers can easily look across a few of these few basic plan documents and identify which household they might most relate to and what that would look like for an annual cost. We are hopeful to have the final guideline out in April, noting that we are consulting on it at the moment. We have also worked with the behavioural economics team of the Australian government to inform our work in terms of what is likely to motivate consumers, what will appeal to them and how we can get people to take advantage of the savings that are there in the market.

CHAIR: Fascinating. Thank you, Ms Proudfoot. Mr Sims, you said last year that the Renewable Energy Target was not an affordability mechanism. Labor has promised a 50 per cent renewable energy target by 2030. Are you afraid that this will potentially exacerbate affordability issues in the Australian retail electricity market?

Mr Sims: I've always thought the Renewable Energy Target was to meet the sustainability objective. Where we are now, though, is we're finding that, with technology changes around the world, renewable energy is coming very close to fossil fuel energy, so I suspect there's not much in it anymore from an affordability point of view. I still think affordability has got much more to do with poles and wires, market power issues and the sorts of retail issues you've talked about, and seeing if we can get more generation of whatever type into the system—but preferably from new players so we get a bit more competition into the system. Obviously, those renewable energy schemes have cost money. They've contributed about 16 per cent to the rise of energy costs—

CHAIR: That's quite surprising. That's a pretty significant contribution.

Mr Sims: They were largely done as a cross-subsidy to be absorbed by the energy sector going forward.

CHAIR: When you say 'absorbed by the energy sector', you essentially mean absorbed by the consumer?

Mr Sims: Energy consumers, that's right. Going forward, my view would be that you've pretty much now got parity with the prices, and, in certain cases, the renewable energy can be cheaper. Hopefully, we don't need those costs going forward.

CHAIR: Thank you, Mr Sims.

Senator STEELE-JOHN: It's good to be back with you, although not great to be back in this room so soon after we left late yesterday! I want to take you, first of all, to the *Communications sector market study* draft report, which was released on 30 October 2017. It recommended:

... the Government consider whether NBN Co should continue to be obliged to recover its full cost of investment through its prices—

and that other options should be examined, including direct budget funding. In your assessment, to what extent is the requirement of NBN Co to make a commercial return compromising its ability to deliver fast, reliable and affordable networks for all Australians?

Mr Sims: This was a market study looking out over a three- to five-year period. When that report was written, there was a lot of discussion over the variable pricing—the so-called CVC pricing—and suggestions about whether that was inhibiting best use of the network. We also said we'd look to see what NBN's pricing changes were, to see what effect that had. Since then, NBN has changed its pricing, in December, and people have taken up more CVC. What we were saying back then was: you've got to keep those options on the table, but we need to see how this plays out. We need to see how our speed claim guidance plays out, our monitoring scheme plays out, and the lower NBN pricing. We believed then, and still believe now, that it was too soon to know whether there needed to be any review of the valuation of NBN—it's something you need to keep an eye on as you go forward. Particularly when we wrote this study, consumers, we believed, didn't have a good understanding of what they were getting for what they paid. I think with the better speed claims advertising and with NBN lowering its prices considerably on CVC, in effect, we can now start to see what prices people are willing to pay for what service. Only once you understand that can you think about what we term 'issues that should be kept on the table'. It's certainly too early to do that now, but I think those issues probably do need to be kept on the table.

Senator STEELE-JOHN: Specifically on the CVC—and I understand that it has been modified by NBN—to what extent, as it is currently planned to exist, is the pricing structure employed by NBN, including the CVC, contributing in your opinion to the quality of service experienced by end users—particularly in regard to reliability, speed and congestion, as well as the affordability of these services?

Mr Sims: I'll pass over to my colleague, who's the expert in the area. But I think it's got a bit to do with the retail service providers not provisioning enough CVC.

Mr M Cosgrave: There are two issues in relation to that: firstly, in relation to pricing, there are both short-term and long-term initiatives being introduced by NBN. Longer-term initiatives are still under consideration and discussion between NBN and the sector. We're keeping across that closely and expect some further briefing in the relatively near future. Secondly, in relation to service levels, you'll be aware that the ACCC initiated a public inquiry into wholesale service level standards in December of last year, focusing upon both service levels in absolute terms and the enforceability of current service levels that exist in contracts between NBN and retail service providers. Submissions to that inquiry close tomorrow. We are expecting a substantial number of submissions and we'll give fairly urgent consideration as to where we go next once we've considered that material.

Senator STEELE-JOHN: Following on from that, Mr Cosgrave, you've produced some guidelines for RSPs in relation to their advertising speeds. What requirements do you place on NBN, in terms of slow speeds being experienced on the network they own, operate and maintain?

Mr M Cosgrave: As I just said, the current inquiry looks at the wholesale service levels that are in place contractually between the NBN and the retailers, and at the issues around enforceability of those service levels.

Senator STEELE-JOHN: But you'd agree you can't just chase the symptoms of the problem in many ways, can you? You'll always need to, at some point, come back to dealing with the wholesale level?

Mr Sims: Could I just jump in? We've had two problems—one, I hope, we've dealt with, so we can narrow down on the other one. We had problems where retail service providers were selling NBN services that NBN couldn't deliver, particularly on fibre to the node, where they were selling a 100-megabit-per-second service and—

Senator STEELE-JOHN: They couldn't deliver it.

Mr Sims: One in two could, but one in two couldn't. But now we've got court-enforceable undertakings from most providers where they promise not to do that, to check what NBN can deliver and only sell what NBN can deliver. That's a crucial change, because that now means they'll only sell what NBN can deliver. If you're not getting the speed you expect, it should be up to whether or not the retail service providers have provisioned enough CVC off NBN—have they bought enough capacity? With the speed guidance we've got out there, which they're largely following, they'll be advertising that, if you buy 50 megabits per second, you can certainly get 30 megabits per second in the peak period, and we'll be able to tell whether they can do that or not. So I think we're going to get much better behaviour this year.

Senator STEELE-JOHN: Moving swiftly on, can I take you to Productivity Commission report No. 83 in regards to the USO. It makes the observation that the Regional Broadband Scheme includes only a very narrow levy base and could result in distortions to the telco market. Can you comment on your assessment of the RBS and the effects that it might have on the market in its proposed form?

Mr Sims: I cannot, but I am sure Mr Cosgrave can.

Mr M Cosgrave: The current policy initiative targets fixed-service providers. There is a current debate around the extent of any subsidy mechanisms. That's ultimately a policy matter for government.

Senator STEELE-JOHN: But, in your opinion, would such a narrowly based levy have distorting effects on the market?

Mr M Cosgrave: Well, not necessarily. One of the issues in this context is the extent to which the levy is imposed on people who are directly competing for service with the NBN. There is a debate as to the extent to which, say, mobile and wireless players are directly competing or are direct substitutes for the NBN. So it's a matter of policy debate. It is possible to have more than one view on the issue.

Senator STEELE-JOHN: Do you have a view on the issue yourself?

Mr M Cosgrave: Not from a personal perspective.

CHAIR: We're not allowed to ask for a view, Senator Steele-John; you know that.

Senator STEELE-JOHN: On 22 December the ACCC informed *BBC World News* that internet neutrality laws were not needed in Australia and that you have 'not seen evidence of Australian ISPs looking to inappropriately block access to internet content'. But, as you know, anticompetitive conduct is not limited to blocking internet; it also includes preferential treatment of content, such as Netflix and iView. Can you speak to how it is within the ACCC's powers to regulate these deals between internet and content providers and what the ACCC has done in this regard to date?

Mr Sims: I'll just make a brief comment and then pass to Mr Cosgrave. We monitor this fairly carefully. We think it is an important issue. Generally we have a more competitive market than the US does, so the test really is: is it damaging competition when this is done? And we don't see much evidence of that happening. We think that if it does happen then people have plenty of other alternatives. And we don't get many complaints on it from various entities. Michael, do you want to add to that?

Mr M Cosgrave: The finding you mentioned was one from our draft market study. It is based upon the absence of complaints. It's an area where, if there was conduct occurring by larger providers, you would absolutely expect that it would be the subject of complaint to the ACCC, and we've not seen that.

Senator STEELE-JOHN: You'd be aware that the March 2012 convergence review final report noted that the ACCC's existing powers to address competition issues as they relate to content services in the communications market focus on anticompetitive conduct and economic market analysis, which are 'too narrow to address evolving content-specific issues such as exclusive rights arrangements and bundling net neutrality issues that inhibit competition'. So, can you comment on whether your powers are too narrow to address the evolving content-specific issues in the communications market? And I'd just make the comment that you haven't experienced any complaints in this space but you'd be aware of the very fast-developing nature of this sector, the presence of these regulations in other jurisdictions and the conversations in the US around the impact of the recent legislative decisions there. So, I'm struggling to understand, in the absence of something that globally we see to be a problem, why you wouldn't be proactive in a space that can be quite troubling.

Mr Sims: We watch this very carefully. We just have not seen evidence, so in a sense I believe we are being proactive by looking very carefully at this. In the US they have a very different market structure. They often have very limited competition to get broadband, because of the way their structure has evolved. So it is an issue there.

My guess is that if I was sitting in the US I'd probably have some active regulation. But we judge that our powers are sufficient. It is very rare that someone says we don't have enough powers in telco. We've got strong powers.

Senator STEELE-JOHN: So you disagree with the findings of the convergence report?

Mr Sims: I don't have that top of mind. What I say is that we're monitoring the issue. We don't see any problems yet.

Senator STEELE-JOHN: Would you be able to take on notice to take a look at that report and get me a response? You've got Netflix—

CHAIR: All right. I think we've had enough commentary. Thank you, Senator Steele-John.

Senator WILLIAMS: Is there any current court action against any egg producers in Australia, or has that all been fixed up?

Mr Sims: I think it's all been fixed up.

Senator WILLIAMS: Good to hear. In relation to new car dealers, the ACCC released the final report of its market study into the new car retailing market in December last year. You have many concerns about new car dealers. I've been told by several car dealers that manufacturers can impose unreasonable demands on them, including new signage, showroom revamps et cetera, at the dealer's expense or risk the franchise. One dealer told me that, in the case of one manufacturer, if a motorist brought a car in under warranty and the dealer's mechanic spent, say, three hours on the car and couldn't find a problem then the manufacturer didn't pay for those three hours. It was simply a cost that had to be borne by the franchisee. There seem to be a lot of problems in this motor vehicle industry. I know they work on very small margins. Are you aware of these imbalances in this industry?

Mr Sims: Very much so. We've had a lot of interaction with the dealers. I've spoken to them on a number of occasions, and my people have as well. In relation to the consumer guarantee issue, which we were focused on, it was in our view very much an issue with the manufacturers, because they set the rules within which the dealers operate.

Senator WILLIAMS: They often bully, in my opinion.

Mr Sims: Well, certainly the dealers have complained to us a lot about a range of imbalances, and we had our issues in our market study and completed our market study, but we did say that that's an issue that certainly could do with a bit of a look at. It's certainly on our radar, and we've had discussions.

Senator WILLIAMS: Good. I'll give you another example. A dealer told me that the state marketing manager might say, 'Right: this month we've got to sell 5,000 cars in the state', and they might have only 4,000 and be getting towards the end of the month and they'll say to the dealers, 'You will register five cars as demos.' Then they go on as sales for the month to meet target. Of course, the dealership's got to register the five and be stuck with them in many cases. It seems quite unfair. But I will be launching an inquiry into franchising in a few weeks time. I'd appreciate it if the ACCC could have an input—

Mr Sims: We certainly would.

Senator WILLIAMS: No doubt you'll be called as witnesses. Now the insurance industry one has wound up, but there have been many complaints with 7-Eleven, Caltex, Domino's, Retail Food Group et cetera, so I think we need to have a good look at this industry and see what we can do to in many ways protect the franchisees.

On another issue, in 2010 the ACCC did an inquiry into mobility scooters. I think Peter Kell did the media release. He said in that media release that since 2000 more than 70 people were killed and that 500 people a year suffer serious head and limb injuries from scooter accidents. Are you aware of the inquiry that is running at the moment on that?

Mr Sims: Not too much, but my colleagues to my right do.

Senator WILLIAMS: Please, Mr Grimwade—the Rural and Regional Affairs and Transport Committee's having a brief look at that industry to see whether we can make it safe.

Mr Grimwade: Yes, we're aware of the committee's inquiry, and we actually intend to provide a submission to that inquiry, given our work between 2010 and 2013, where we produced guidance for users of mobility scooters. We procured some work in relation to a survey, looking at the demographics of users of mobility scooters, and we also got a consultant's report, along with other stakeholders, on injury data relating to mobility scooters.

Senator WILLIAMS: I think Monash University have kept some statistics on those issues as well.

Mr Grimwade: I think they were part of the group that worked together between 2010 and 2015.

Senator WILLIAMS: It's quite alarming not only that 70 were killed over that period of time of about 10 years but that 500 a year had head and limb injuries. It's obviously something that needs to be addressed to try to make it safer for everyone, including the people using them and the people on the footpaths.

Senator KETTER: Mr Sims, these questions might be better directed at Mr Grimwade, because I think he has more information on it. This is about the Takata airbag issue. I note that in August of last year, Mr Grimwade, you gave evidence to the House Standing Committee on Economics in relation to, in particular, the alpha airbags, and you said:

... it's critical that the alpha airbags be replaced immediately.

I'm just interested as to why the ACCC came to that view at that particular time. In particular, was there a risk of serious injury occurring?

Mr Grimwade: The alpha bags are a critical risk to consumers. The alpha bags—just for the benefit of the committee—were manufactured poorly. They are categorised as a group of airbag inflators manufactured between 2000 and 2002—particular types from particular factories in the US and Mexico. They had been voluntarily recalled. There were five manufacturers who were voluntarily recalling them. There were 115,000 that were supplied to Australian consumers. There are now 25,000 remaining in Australia. We're not sure whether all are being driven. Given that they are quite old vehicles, we expect that many might be in scrapyards. We have worked with the manufacturers—particularly Honda, Nissan, BMW, Toyota and Lexus—and we were satisfied with the performance of those voluntarily recalling manufacturers in relation to the alpha airbags. They were conducting extensive communication campaigns. For instance, I know that Honda had got to the point where it was using private investigators. It was doorknocking to locate various consumers who might have vehicles with the alpha inflator.

Senator KETTER: There have been deaths overseas, I understand, in relation to—

Mr Grimwade: There have been 23 deaths, including one in Australia, and 230 serious injuries from misdeployments of affected Takata inflators, but not all those deaths have come from alpha bags. Indeed, most have come from the non-alpha bags, and the tragic death in Sydney last year was not from an alpha inflator; it was from another one, a beta inflator.

Senator KETTER: You say that it's critical that these airbags be recalled and you agree that there was an imminent risk of serious injury or even death in the case of these airbags?

Mr Grimwade: There was certainly a serious risk of injury or death should one of the inflators misdeploy. I should say that with alpha inflators, like the other inflators, the risk of deployment is conditional on a number of different factors, including the humidity of the location, the size of the vehicle and the age of the inflator.

Senator KETTER: Are you familiar with section 132J of the Competition and Consumer Act, which gives the minister a compulsory recall power?

Mr Grimwade: Yes.

Mr Sims: In essence, though, that requires that you feel that a mandatory recall could add something to what was happening, and that part of the test couldn't be satisfied.

Senator KETTER: Can you explain why that's the case, given that it was assessed that it's critical that these airbags be recalled?

Mr Grimwade: For a compulsory recall to be triggered, the minister has to be satisfied that the manufacturers or the suppliers conducting the voluntary recall haven't conducted effective action or satisfactory action to recall the alpha inflators.

In relation to the alpha inflators: we don't think we would have had a case to justify a compulsory recall just specifically for those, because it was those inflators that the manufacturers were actually doing a lot more to recall and replace. It was the other inflators that were being recalled by a much larger contingent of manufacturers—indeed, there were eight manufacturers who weren't recalling them at all—where we had grounds to recommend a compulsory recall.

Senator KETTER: If you have section 132J, which provides for compulsory recall, in what circumstances, if not this particular circumstance, would those powers be used for? When would they be used?

Mr Sims: The essential test is that you'll get a better outcome from a mandatory recall than you will from the current voluntary recall. However it's worded, that's the essential thing we have to be satisfied of. With alpha bags, essentially there have now been about four million cars recalled—as Mr Grimwade said, about 100,000 alpha bags. We felt they were doing everything they should in relation to alpha bags. So we didn't think there was any need for a mandatory recall, since they were doing everything they could through the voluntary recall.

You only go to mandatory if you think there's a gap—if there's a problem. The problem we've seen, which has led to the compulsory recall of the non-alphas—well, it's all bags, but it was really driven by the non-alpha bags—was that we felt the performance of some manufacturers wasn't good enough, that they weren't communicating well enough and they weren't doing enough to track people down. And, as Mr Grimwade said, there were about 800,000 vehicles that the manufacturers, such as VW and Holden, weren't recalling at all. But none of that applies to the alpha bags.

Senator KETTER: I'm not sure where this other limb of the test comes from. I'm looking at section 132J(1) at the moment, and it says:

(1) If it appears to the Commonwealth Minister that consumer goods of a particular kind create an imminent risk of death, serious illness or serious injury, he or she may, by written notice published on the internet, certify that:

... ..

(b) a recall notice for consumer goods of that kind should be issued without delay.

Where does—

Mr Sims: They're already being recalled. There was a voluntary recall doing a very good job, so the imminent risk wasn't going to be affected by moving from voluntary to mandatory. How many recalls do we have a year?

Mr Grimwade: About 600. We have about 600—

Mr Sims: Mostly they're voluntary, and often they're goods that are dangerous. But if the voluntary recall is moving as fast as you can, you don't move to a mandatory recall. I mean, that's—

Senator KETTER: Whose assessment is that? Was that the minister's assessment?

Mr Sims: Well, on our advice, yes.

Mr Grimwade: I think your question goes to a compulsory recall without delay, rather than a compulsory recall under which we would conduct a safety investigation and consult and issue a proposed recall notice before a final recall notice. The chairman's response is absolutely correct: a compulsory recall would not have achieved anything more than the voluntary recall was already achieving in relation to alpha bags. But the compulsory recalling of all airbags—all the beta bags, with the four million others—would clearly achieve a much more effective safety outcome than the voluntary recalls were doing.

Senator KETTER: Okay. Look, I might come back to that, but I do want to talk about fuel prices.

CHAIR: Senator Ketter—

Senator BUSHBY: I've got a couple of follow-up questions.

CHAIR: Senator Ketter, I can come back to you on fuel prices. Senator Bushby.

Senator BUSHBY: Thank you. Just on that last point: the point was made—I think Mr Grimwade made the point, no, it might actually have been you, Mr Sims—that the ministerial decisions were made with the benefit of advice from the ACCC. Is it the case that all decisions that were made were consistent with your advice?

Mr Sims: Yes. The decisions that were made were consistent with our advice, that's right. Could I just give you a brief bit of history? The Takata airbag issue, as with virtually all motor vehicle recalls—well, I think all—was handled by the Department of Infrastructure. In the middle of last year the question of whether more needed to be done came up. Given that one potential outcome would be a mandatory recall and that the Department of Infrastructure doesn't have those powers, that's when the issue transferred to us. It was about mid last year. We took the view that we needed to do a safety investigation. That meant getting expert advice, putting out compulsory notices to get information from the manufacturers, consulting with the manufacturers, and finding which airbags were available overseas. We had to go through that process, and I think we have a much better recall that is well-structured as a result of going through all that process.

Senator BUSHBY: Initially—without going to the details of it—the ACCC formed the opinion, generally, that a voluntary recall process was the appropriate way forward? The government formed that opinion, based on advice?

Mr Sims: If I could separate it out, with the alpha bags we took the view that the voluntary recall was working well. Clearly, they're dangerous airbags—one in two. We just advise people: don't drive the car. We took the view that with the alpha bags the voluntary recall was working appropriately, so there was nothing extra to be gained from mandatory recall. With the non-alpha bags, the ones that become more dangerous over time—it's only after six years, at minimum, and sometimes nine years or longer—we felt the recall wasn't going fast enough. That was our instinct back in August, but, since we had only just taken over the area, we felt we needed to know a lot more. We needed to work out who was recalling, why they recalling and what they were doing, because, once we do a

mandatory recall, it's sort of set. They're not things you can incrementally adjust. So, to get it right, we felt we needed to do all the work that we did in that five-month period.

Mr Grimwade: I just want to make it quite clear, the alpha bags are subject to compulsory recall. All Takata inflators are subject to compulsory recall.

Senator BUSHBY: And have been for some time?

Mr Grimwade: No. The compulsory recall was announced yesterday, in fact.

Senator BUSHBY: I actually have personal experience. I have a 2008 Subaru Tribeca that was recalled. I bought that privately in Queensland, took it to Tasmania, registered it down there and never had it serviced at a Subaru dealer, yet Subaru Australia contacted me directly. They tracked me down, found me, and sent me letters, saying, 'Come in and get your airbags replaced,' which I subsequently did. They went to the trouble of finding me, even though there was no trail other than registration.

Mr Sims: There have been good experiences and there have been bad experiences. Not with the alpha bag, but with the non-alpha bag.

Senator BUSHBY: I don't know whether mine was an alpha bag or not.

Mr Sims: With the alpha bags, they know how dangerous they are, because they were was inismade. That danger was apparent around 2009-10. A small number of bags were mismade. Only in the last couple of years have people worked out that it doesn't matter how well they're made; there's an inherent design fault in the affected bags, and, as I say, we needed to get on top of that. This is a hellishly complex area. Each car manufacturer that has got that bag, albeit with a defect, have got different thickness of the casing, different composition of the propellant. Getting your mind around which ones to recall and which ones not to just took a long time. We didn't have to bother with that with the alpha bag. They were terrible; companies knew that and they were getting rid of them.

Senator BUSHBY: It was clear.

Mr Sims: It's a small number of manufacturers, because you're talking about cars sold between 2001 and 2004. The complexity was in the others, and that's where we sensed enough wasn't being done, and we did all the work and recommended to the minister last month.

Senator BUSHBY: Which gets us to what happened yesterday. Could take us through what the announcement was yesterday. With alpha bags there's now a compulsory or mandatory recall? Take us through what was announced yesterday, and what that means consumers should do now.

Mr Sims: I'll have a shot, at a high level, and then pass to Mr Grimwade. Basically, it's a staged recall between now and the end of 2020 that gets all airbags recalled in order of priority, in terms of the risk that they pose. So, some are no risk now, but let's get them out of the system before they become a risk. Others are a risk now; let's deal with those straightaway. Secondly, they've got to have a communication strategy that both is directed at the consumer but also is directed at letting the broad population know there's a problem, in a stronger way than is being done now. Thirdly, they've got to set up a web-based database where you can enter your 17-character vehicle identification number and tell whether your vehicle is subject to a recall and, if so, when. That's the essence of it.

Mr Grimwade: I might just expand on Mr Sims' comments to reflect Senator Ketter's questions. Within the compulsory recall, alpha airbags need to be replaced pretty much immediately.

Senator BUSHBY: And they're basically the cars that—I heard something yesterday—if you've got one, don't drive it.

Mr Grimwade: We've said that for some time. We've also included a requirement in the compulsory recall that anyone with an alpha bag can have it towed or a technician can come out to it, so they don't need to drive it, and it's addressed immediately. A number of the manufacturers were doing this already. As Mr Sims says, the rest of the recall requires the manufacturers to stage their recall over 10 quarters, and to meet particular targets of replacement in each of the quarters. In doing so, they have to prioritise the highest-risk inflators according to the particular priority factors I mentioned before.

Amongst the obligations on manufacturers, they're required to provide us, within a month, with an initiation schedule. They will identify every make and model that's affected with one of these defective airbags and the date at which they intend to initiate the recall of that category or particular vehicle, which we will publish, and which they're required to publish. That will indicate, for the benefit of the consumer, when their vehicle will be replaced. They're also required to develop a VIN look-up database, which, for many of them, doesn't exist at the moment. A consumer can simply enter their VIN into their manufacturer's database and find out: first, whether the

replacement is already completed; second, whether it's future, that is, it's subject to future recall, and they can find out when they can expect to hear from their manufacturer; and third, whether it's active, that is, the manufacturer has now scheduled that vehicle for recall. The manufacturer is obliged to do all sorts of things to communicate that to the consumer, but the consumer can look up this database or the schedule to identify if their vehicle is active or if their vehicle is critical. Already on our website, for many months, we've identified those with alpha bags, so people have had an opportunity to identify whether they have such an airbag.

Senator BUSHBY: What time line do the manufacturers have to comply to have all those databases set up?

Mr Grimwade: They're required to have the VIN look-up database done by 1 July. It's from that period that we're going to—

Senator BUSHBY: Bearing in mind that that's relating to airbags that aren't the alpha airbags—the airbags of greatest concern.

Mr Grimwade: That's correct.

Senator BUSHBY: Mr Sims mentioned that over a number of months you've been considering the nature of different airbags. You've been assessing the information and you've come to the conclusion this stage was necessary. It was announced by the minister yesterday. When did you provide the advice to the minister that you needed to go to this next stage?

Mr Sims: Early February, and we've been engaging with the minister. In early February we gave him quite a lot of information, and we've been engaging with him since then.

Senator BUSHBY: So it's pretty fair to say that since early February, when you provided that information, the minister has responded to that directly and has worked through that as quickly as possible to put in place the measures that were announced yesterday?

Mr Sims: We have engaged with him. We've had a number of meetings with him—I've had a couple, and Mr Grimwade has had a few. Yes, I think it has been a fairly efficient process.

Mr Grimwade: I can't emphasise how complex and technical the science is behind these inflators and to identify which are subject to recall and which aren't.

Senator BUSHBY: I can imagine.

Senator KETTER: I do want to follow up on this particular issue, because your testimony has raised further questions in my mind. One can't help but draw the conclusion that we've only delayed the inevitable by having the mandatory recall yesterday, as opposed to back in August when we formed the view that it was critical the alpha airbags be replaced. Over that six-month period of delay, hasn't the situation deteriorated?

Mr Grimwade: Can I just say, there wasn't a six-month delay. We were working intensely, often around the clock, with an investigation team of 12 staff working right through Christmas. There are a couple of reasons why it would have been, I think, a very poor decision to have issued a compulsory recall without consultation—which the legislation permits us to do. My honest belief is that we would have ended up with a higher risk for consumers, and certainly higher costs for industry. We wouldn't have known about, for instance, the fact that there were 850,000 cars out there with affected inflators that hadn't been recalled, because that information came through the use of our formal information-gathering powers. We weren't aware of that. If we weren't able to conduct our investigation, we wouldn't have understood the supply chain issues. So we spoke to all the major manufacturers that compete with Takata to provide alternative inflators. There's a lot of difficulty. There are only three major manufacturers around the world that provide alternatives. There are 100 million being replaced around the world. There's global competition for these inflators. So there is a shortage of global supply.

In addition to that, it takes between eight and 12 months to design, to test, to develop and then to produce particular inflators that are suitable for particular parts of particular cars. Understanding this, and understanding the supply chain issues—not to mention, for instance, the availability of workshop capacity and so forth—it was necessary for us to actually develop a staged recall process. We wouldn't have known any of this if we had gone out and issued a compulsory recall uninformed—

Senator KETTER: But in your evidence earlier, you said the death in Australia, I think, was from a non-alpha airbag.

Mr Grimwade: That's correct.

Senator KETTER: So isn't it the case that you've formed the view that all of these airbags, including the alpha bags, were defective and that there should have been a mandatory recall at that time, given there was a critical risk of death or serious injury?

Mr Grimwade: There are some Takata bags that aren't being recalled, because they use a particular type of desiccant, 13X. That is addressing the deterioration of the propellant. They're not being recalled in the US or elsewhere; they're not recalled here. Again, we wouldn't have understood which inflators we should be recalling. But a really important issue is, if you recall all the inflators at once and you do not understand the supply chain issues, manufacturers may not prioritise the highest risk inflators, and so the highest risk inflators might be displaced by low-risk inflators, such that you actually have higher risk inflators out there for longer than you otherwise would have through this compulsory recall process. It was absolutely imperative for us to conduct consultation and investigation. Even after we issued a proposed compulsory recall in September—one month after August we issued, as required, a proposed recall—that developed and changed into the staggered process we've got now, because of our inquiries.

Mr Sims: And I could add we had commission meetings each week on this topic as new information unfolded. So we were—not only the 12 people working through Christmas and on weekends, but the whole commission—very focused on this issue.

Senator KETTER: But isn't it the case that, if the risk of a malfunction increases over time, you accept that the delay in issuing a mandatory recall has increased that risk of injury between August and yesterday?

Mr Sims: The mandatory recall is actually going to reduce the time within which all these inflators are going to be replaced. So, without it, we would be in a much worse situation. That's why we've issued it today. The inflators themselves, yes, become riskier as they age, but that's not the only factor. The scientific evidence has demonstrated that these airbags can last 25 years. So they're perfectly safe for a long period of time. The worst of the worst, in the worst conditions, will present a safety risk in between six and nine years. So we needed to understand all this to identify what should be prioritised first and how to stagger the recall process.

Mr Sims: Back in August or September we would have been shooting in the dark a bit. The information we've now got means that we're right at the frontier of knowledge worldwide on these airbags. We know it backwards—whereas back then, having just taken over the area, there was a lot we didn't know.

Senator KETTER: Who pays for the inconvenience costs of hiring a substitute car while the airbags are being fixed?

Mr Grimwade: The manufacturers have to pay for the whole recall process. If a car is presented to a dealer for replacement and it takes more than 24 hours to replace that vehicle, then the consumer is entitled, under our compulsory recall, to a loan or a hire car.

Senator KETTER: I would like to move on to fuel prices.

CHAIR: There are a number of senators with questions. I'm just checking on the timing. Are you happy to keep pushing through, Mr Sims, and delay the break a little while?

Mr Sims: Sure. We'd certainly rather finish up than have a break and come back, if I could possibly do it. That would be great. Let's push on.

Senator KETTER: I'll try and be as quick as I can, Mr Sims. The last time we spoke was, I think, in October, and I raised with you the issue of BP's acquisition of the Woolworths service stations. Can you tell us briefly what your concerns are there? Because you've opposed that acquisition.

Mr Sims: Indeed. Thank you for the question. We spent about a year going through price information in all the main cities—basically, each time the petrol price changed, over a period, all through those markets, by each retailer. We had people tied up on this for months. It became clear that BP prices up to 3c a litre more than Woolworths. Secondly, when you look at those price cycles in the cities, BP moves faster in the up part of the cycle and slower down, compared to Woolworths. Woolworths does price lower and has a more dampening effect on the cycle. Given Woolworths's size in the market, we were very concerned that a high-price player would be taking out a low-price player, and a very important low-price player. There's no low-price player as big as Woolworths, that's for sure. You've got other ones like United and 7-Eleven, but they play a much smaller role. We were very concerned about the overall price level of petrol going up, per se, but also the cycles being more aggressive. So we're concerned for consumers paying more for petrol.

Senator KETTER: You've called on consumers to take up fuel price websites and apps, and shop around in response. Are you monitoring that? Do you have a sense of how that's going? Are consumers taking that up?

Mr Sims: They are, increasingly. We need to do more here. When you look at the petrol market, you can benefit yourself in three ways. Because you have these fuel price cycles, where the price can go up 25c in a couple of days and then take weeks to come back down, if you time when you purchase—not get it absolutely right, but just time broadly when you purchase—you can save yourself a lot of money in a way you can't

otherwise. It's very irritating for consumers with these price cycles, but you can actually save money. We provide advice on our website about when to buy. Of course, you can get apps, such as 7-Eleven's, in which they'll hold the price that you happen to identify for a week after you click on it in the app. So there are various things you can do. Where to buy is another factor. Irrespective of the stage in the cycle, in most cities there's a reasonable variation on price. We're not suggesting people drive across town unnecessarily, but as you're making your journey you might detour a bit. Also, we've been saying who you buy off matters. Coles and BP are generally higher priced than Woolworths and United. So there's a lot consumers can do. Ours is a monitoring role. We see our role as helping consumers navigate this complex market. It's a big-ticket item.

Senator KETTER: Yes, absolutely, and there is a lot of frustration in Queensland in relation to this matter. Do you have the power to force real-time disclosure of prices?

Mr Sims: No, we don't. That would take government legislation. Our power is to enforce the Competition and Consumer Act. That has been done in New South Wales and the Northern Territory. At the moment they are the only two states that have implemented that. There is FuelCheck in New South Wales, and something in the Northern Territory came in—I've just forgotten the name, but it's got 'fuel' in it—in November.

There is, of course, information that you can get from the private websites, such as MotorMouth and GasBuddy, but those sites aren't as comprehensive as the government imposed sites. So various motoring organisations are lobbying their state governments to get those schemes in.

Senator KETTER: Would it be preferable to implement such a system at a national level rather than state-by-state?

Mr Sims: I'm not sure, Senator. The answer is actually no, on reflection. In Perth they already have a system that they own where you have to let people know the price the day before. In Perth you've got this regular cycle. It's a weekly cycle. It works like clockwork. I'm absolutely stunned that this is what happens. But the good news for motorists is if they buy on a Monday they will always get cheaper fuel. They will reliably pay significantly less for their fuel, and people do—more than one-quarter of people buy on a Monday. So you wouldn't want to impose something nationally that wiped out what Perth has got. My own view is it should be a state-by-state thing.

Senator KETTER: Have you done any further work on policy changes that might be required to allow more entrants into the market?

Mr Sims: Well, it's a difficult one. Obviously we've opposed BP Woolworths, which we think would make the market a lot worse. Encouraging new entrants is more a local thing to do because it has got a lot to do with planning approvals. I know in the Northern Territory they were thinking about—and maybe they did do it; I'm sorry, my memory is letting me down a bit—opening up a site provided you were going to price in a certain way. So I think those things are best done locally. We've been pointing out what can be done, but we've never thought it appropriate that we have powers to do that sort of thing.

Senator KETTER: Is this something that you could take on notice for me—to look at what policy options would be available to facilitate new entrants to the market?

Mr Sims: Yes, indeed, we can do that.

Mr M Cosgrave: We can also describe what recommendations we've made in our various market studies in the past year.

Senator KETTER: I've just got a couple more questions on this issue. Your website on petrol prices has a graph showing retail prices and the Singapore international benchmark price. Are you concerned that this gap has been widening in recent times? Are there policy changes at a national level best placed to tackle this issue?

Mr Sims: We are concerned about that. The margins have gone up. Our most recent quarterly report said that margins were about 4c higher than they had been on average and they are now higher than since we've been monitoring petrol. That is the gap that you're talking about. That is of concern to us. We think it's got a bit to do with the fact that Coles is now pricing higher and that has led the market up, but it's hard to work out why that has happened. Certainly the profits of the petrol industry at the moment are looking pretty good. We are urging consumers to exercise their rights to buy from the lower-priced players and to buy at the right time. We actually think not only this can help consumers individually save money when they fill up the tank but the more that the companies suffer a loss of volume when they price higher, which Coles has done a bit, the more consumers send signals that high prices aren't going to pay off for them. It has a real disciplining effect on the market. Our main focus is helping consumers navigate this complex market.

Senator KETTER: I appreciate your work in that regard, but the last time you investigated the fuel price cycle and its impacts was in 2007. There have been quite a lot of changes to the market since that time. There seems to be a strong suggestion that petrol retailers are maximising their margins and their profits, and you've identified that. Are you willing to take a fresh look at the fuel price cycle?

Mr Sims: Most definitely, Senator. It is on our list. It will be the second or third study we do this year. Under the monitoring direction we can do both quarterly reports and deep dive studies. That's the second or third one we will be doing this year. We accept it's been a long time since we've looked at it. I keep saying to people that we only have a small number of resources in each of the many areas we look at, but that's going to be prioritised. We'll do that this year, definitely.

Senator KETTER: Will that be a deep-dive study?

Mr Sims: Yes, it will.

Senator IAN MACDONALD: I'm a bit confused. I see advertisements on the TV and I've looked at your Energy Made Easy website. You have to know the answers to understand what questions to ask. I come from North Queensland, where TV ads at night say 'Get a quote from another retailer,' but in North Queensland—say, Rockhampton or Mackay, with 100,000 people in each town; Townsville, with 200,000; Cairns, with 100,000; and smaller places in between—there is only one retailer. Is that your understanding?

Ms Proudfoot: Yes, Senator. For the most part, residential customers in North Queensland are supplied by Ergon Retail. The area is open to competition, but at the moment there aren't a lot of retailers outside of Ergon who have taken up the opportunity to enter the market.

Senator IAN MACDONALD: Is that something the ACCC is interested in—that there is only one retailer, a state-owned retailer?

Mr Sims: I think the essential problem is that they get a cross-subsidy. In Queensland they've always had a system with Energex in the south and Ergon in the bulk of the state. They cross-subsidise so that you equalise the network costs, which would otherwise be massively different. Because it's Ergon getting the cross-subsidy, nobody else can compete.

Ms Proudfoot: That's right.

Mr Sims: So it's basically a policy issue from the Queensland government, and not one we can do much of anything about.

Senator IAN MACDONALD: You'd be aware that the state government dumped \$4.1 billion worth of debt on the two state-owned distributors, which of course then adds general revenue debt to the poor old payer of electricity prices in North and Central Queensland.

Ms Groves: We regulate the network prices for the two distribution networks in Queensland. The way that we set those revenues is based, essentially, on questions around debt, and the cost of financing those businesses are based on benchmark approaches. So the particular financing practices of the individual businesses don't drive the outcomes of the returns that they get. Different owners structure their businesses differently across the National Electricity Market for a variety of reasons. Our framework is aimed at ensuring all energy consumers face an efficient benchmark cost. So we look to—

Senator IAN MACDONALD: Does that mean you don't take into account externalities, like any debt that is dumped on these retailers from the general revenue of the state of Queensland?

Ms Groves: I think that's correct, yes.

Senator IAN MACDONALD: So you don't take that into account?

Ms Groves: We don't.

Mr Sims: We use an average benchmark of what a typical business, as distinct from that business, would do.

Ms Groves: A typical efficient business.

Senator IAN MACDONALD: Have either of you been referred, either formally or informally, to a report in the *Townsville Bulletin* of 23 February, of a small business owner who owns tenpin bowling facilities both in Townsville and in Bundaberg, 1,000 kilometres to the south. He says, according to the paper, that he was paying 32.8 cents per kilowatt hour in Townsville, and 27.5 cents per kilowatt hour in Bundaberg. Has that particular case been referred to you? If hasn't, should it be?

Ms Groves: No, I'm not aware of that particular case. Consumers do face different electricity costs across the NEM, and within regions there are a variety of reasons why that might be the case. I'm not particularly aware of

the details of this one, or what might explain the differences for that particular small business, but there are a variety of potential reasons they may face different costs at different locations.

Senator IAN MACDONALD: Can you give me an example of the variety of reasons? Just one-word examples would do.

Ms Groves: What I'm not aware of is whether or not the customer is being supplied by the same retailer in both locations.

Senator IAN MACDONALD: One is the state government owned Ergon and the other is the state government owned Energex.

Ms Groves: Oh, in terms of the network costs. The network costs for the businesses can be different because they do have some different cost drivers, and that can translate through to network tariff differences on some regional bases. There are mechanisms that ensure those costs in regional centres are kept more in line with the costs in South-East Queensland in the Energex area, but there still are some differentials based on location.

Senator IAN MACDONALD: So your cross-subsidy comment before is irrelevant?

Ms Groves: No. These are essentially Queensland government policies, but there are mechanisms in place that, for some customers, ensure that, if they're in regional Queensland, they do not see the full costs of what would normally be the supply by Ergon, which has a higher cost of supply. It has a very large area it needs to cover, and it supplies a smaller number and more widely spread set of consumers. They're some of the key drivers for costs of electricity networks.

Senator IAN MACDONALD: So 32c versus 27c for exactly the same businesses, both along the coast of Queensland and both well outside the capital city—that doesn't strike any curiosity in your mind?

Ms Groves: My other question would be: is that just the network component of it or is it the retail energy price?

Senator IAN MACDONALD: That's what he's paying for his electricity bills. He says he is paying \$500 a day for electricity for a tenpin bowling place, which he says, in this newspaper report, is simply unaffordable. It means another two small businesses will soon go out of business because they can't afford the electricity price.

Ms Groves: That's referring, then, to the total price. Network charges are one component of that price. The cost structures of other components of the price, including the retail cost structures, do differ not only across regions—

Senator IAN MACDONALD: So, if we had a coal-fired power station in the north, the network charges—the poles and wires—would be lower. Is that what you're sort of saying? We in the north pay more because there's a long transmission from Central Queensland to the north?

Ms Groves: No, I'm not saying that. The cost for the customer will be made up of their wholesale energy costs, their network costs, which are a combination of both transmission and distribution costs, and their retailer costs. These are all of the issues that Mr Sims has set out as components of energy bills.

Senator IAN MACDONALD: My time is relatively short. Mr Sims, where there is a monopoly supplier in that situation, where it is the same business and the same electricity in the same state, is that something that you can't look into because it's state government owned? Clearly they're gouging.

Mr Sims: Let me just say a couple of quick things—I realise time is short. Certainly prices for electricity right down the east coast are way too high, and they will drive companies out of business. We are very alive to it. There's just no doubt about it, and that's why we're focused on doing what we can to get the prices down. Secondly, when I went to the public forums in Townsville, certainly there were cases where Ergon, as the retailer, was putting on fixed charges in some places that it wasn't in others, and that's an area we can look at. I don't have more detail on that, but that's something that is there. But, the fact that you've got the cross-subsidy does, of course, lower prices for North Queensland and raise them for South Queensland. That creates the monopoly, so, given that that's come out of government policy, the answer to your question is: no, there's nothing we can do about that situation.

Senator IAN MACDONALD: I'll leave it there, but I'll ask this gentleman who's quoted in the *Townsville Bulletin*. I'll contact him and see if of his own accord or he'll allow me to refer those cases to both of you—

Mr Sims: If you pass his number on, between the two of us, we can get in touch with him, Senator, definitely. We're very keen to talk to him.

Senator PATRICK: Just quickly, with your indulgence, Chair, I might ask Senator McGrath whether he's given any thought to releasing the Productivity Commission's letter, as we discussed last night?

Senator McGrath: No, I've taken it on notice. I can't give you a more substantive answer than that.

Senator PATRICK: I'm just trying to help you avoid a media storm.

Senator McGrath: I know you are. I've taken it on notice; I can't do more than that.

Senator PATRICK: You know, Senator Johnson made bad comments about South Australia and he's gone. Sam Dastyari made comments about our soccer team. I'm really fond of you—there's a curse, that's all, if you upset us.

Senator McGrath: I haven't said anything bad about South Australia. I love South Australia; I lived for a while.

CHAIR: Leaving romance aside—

Senator McGrath: I love Queensland more though; I do have that bias.

Senator PATRICK: Mr Sims, just turning to gas prices and the inquiry that is underway, you've explained in one of your recent press releases that the east coast wholesale gas prices remain higher than the Asian LNG spot prices and you've indicated we are still paying \$2 to \$4 per gigalitre higher than we perhaps would, if it weren't for a lack of supply. Is there any update on that? That's quite a recent release.

Mr Sims: Sure. There are two issues. The LNG plants in Queensland now set an export price for gas that affects the whole east coast market. We calculate a benchmark price based on the LNG price, and our view is that, in Queensland, prices are, say, a couple of dollars higher than they should be—so there's a bit of market power being exercised in terms of prices in Queensland—and that does flow down the east coast. Separately, we've made the point that, in the case of the southern market, which includes Victoria, New South Wales and South Australia, that market can pay up to \$4 more than it otherwise would, depending on whether it's got its own gas supply. If you have surplus gas in the south—at the moment, you've got a deficit of gas in the South. At the margin, the gas has got to come down from Queensland. If you think there's an \$8 price in Queensland at the moment, which is broadly right, you've got to add \$2 to get that gas down south. That makes a \$10 price in Victoria. If, on the other hand, you had a surplus of gas in the south—in South Australia, Victoria, New South Wales—then the alternative price of those selling to you would be to actually send it to Queensland, which would be \$8 minus \$2 equals \$6. So, the south is paying up to a \$4 penalty for having to rely on Queensland gas. So, there are two different issues going on there.

Senator PATRICK: So, the Bass Strait gas is not assisting in that regard? I would have thought there would have been sufficient gas coming from Bass Strait at this point in time to, notwithstanding export demand, at least fulfil those needs.

Mr Sims: The south, as a whole, is in deficit, so, yes, Victoria does produce more gas than it consumes. However, that market, because the way the pipeline system works, is its own market. Therefore gas producers can sell equally to South Australia, New South Wales, Victoria, and so you've got to think of that market as a whole. As a whole, they're short of gas and, at the margin, the price is set by bringing gas from Queensland.

Senator PATRICK: And you expect that to remain over the next how long—this deficit you're referring to?

Mr Sims: Bass Strait is about 45 years old, and it's an old, depleting field. We hope more exploration can be done to boost supply, but it really is, ultimately, a decision for governments. Both Victoria and New South Wales, and Tasmania for that matter, have effectively got moratoriums or restrictions on local gas exploration and development, so, given that the offshore fields are depleting, while ever those restrictions apply there'll be a deficit in the south for some time to come.

Senator PATRICK: The restrictions have been talked about quite publicly and by very senior officials and politicians. However, there was also the gas security mechanism that was introduced and could have been exercised by government, but they chose not to. Rather, they got an agreement from the gas suppliers. So, in effect, we've been given an assurance, by people up to and including the Prime Minister, that there wouldn't be a deficit because they had reached an agreed position with the gas suppliers. What you're telling me is that, in actual fact, the suppliers haven't come good on that promise that was made to the Prime Minister?

Mr Sims: No, I think, actually, they have. We were forecasting a supply deficit of anywhere between about 60 and 100 petajoules of gas for the east coast. Our most recent report, in December, suggested that the likely outcome was a fairly balanced market, and probably the most likely outcome was that you would have a 10- or 20-petajoule surplus. There could be circumstances where that would turn into a deficit. As a direct result of that meeting with the Prime Minister, the LNG producers did two things: they exported less gas onto the spot market—which I think was pretty strange for them to have sought to do in the first place, but anyway they cut back on that—and they also narrowed down their contractual commitments so they could put more gas onto the

market. They've done that. If you get more gas from Queensland then you've still got that transport penalty to get it down south, so the deficit I was referring to was in the south. Nowadays, in our gas market we've got a surplus in the north and a deficit in the south. Overall the market's fairly balanced, but it is very tight.

Senator PATRICK: Have you had any companies contacting you? I know that you talked with former Senator Xenophon's office and gave a contact point to enable us to forward companies who might have been concerned. Do you have a portal for companies to come to you and say, 'Look, we're in real trouble here'?

Mr Sims: Absolutely.

Senator PATRICK: Are you seeing a decline in calls? What's the status, from your perspective, of industry and any hurt that's occurring?

Mr Sims: Mr Cosgrave may be able to add to this, but we actually, more proactively, got out and contacted the companies.

Senator PATRICK: Yes.

Mr Sims: We were talking to at least a third of the industrial customers that needed gas. In our September report, we reported that they were getting one offer at ridiculously high prices. You had then around 20 companies that, in September 2017, did not have a gas contract for 1 January 2018, and without that gas contract they had to close their business. We proactively worked with many of those. We sometimes talked to the gas suppliers, and it's hard to know exactly what effect we had, but we were there and monitoring—it was a very unusual thing for the ACCC to do, but we were playing a role, I think. In the end, all those companies eventually got gas and they got it at sensible prices. But sometimes, before we intervened, these companies were told, 'No, there's no gas for you.'

Senator PATRICK: This goes to Senator Macdonald's question about gouging: one of the benefits that flow from you doing an inquiry is your power to look into what's really happening. Without necessarily naming trouble spots, have you witnessed any conduct that might fall into the category of gouging?

Mr Sims: We certainly saw prices that were higher than they should have been, which we think was due to the exercise of some market power. What are we going to do now? Our main focus late last year was tracking these companies and making sure they got gas. In 2018, we're going to look at each part of the value chain and take a closer look, particularly at the retailers, and see what their margins are. Using our information-gathering powers, we've got a very good handle on how much these people are paying for gas. We know what the people on the other end are paying for it; we want to see where the money is going in the middle. So that's a key focus of work this year.

Senator PATRICK: I will move very quickly to organic products.

CHAIR: Senator Patrick, you've had your 10 minutes. I think we might go to Senator Ketter, and then we'll come back to you, if you like. I'm just very conscious of time, and the Hansard people probably need a break as well.

Senator KETTER: I've just got a further follow-up question, just coming back to the Takata airbag situation. You've conceded that the death in Australia was from a beta version of the airbag. Why didn't the ACCC believe that there was an imminent risk of serious injury or death from the non-alpha bags? And you've already conceded that you were unhappy with the recall process that was occurring at the time. Why didn't the powers under section 132J get used back in August or September of last year under those circumstances?

Mr Grimwade: Just so I can confirm: you're asking why we didn't issue a compulsory recall immediately, without consultation?

Senator KETTER: Yes.

Mr Grimwade: To be frank with you, if we did that, I'm certain we would have got it wrong. We would have either recalled too few inflators, leaving a large number of affected inflators that were unknown to us out there, or we may well have recalled a wider range of airbags that didn't need to be replaced. The consequence of that would have been putting a lot of pressure on manufacturers and dealers to replace them immediately. And then, without the priority factors being applied, those of high risk may not have been replaced quickly or at all. As I mentioned before—

Senator KETTER: There was a death with the beta—

Mr Grimwade: Absolutely, and we took that extremely seriously. It was following that death that we launched our safety investigation and put a task force of 12 people on it to work for the next however long it took to get a regulatory solution that was going to deliver better safety outcomes for Australian consumers. That's what we did.

Mr Sims: There was already a voluntary recall. So in coming up with a mandatory one, you've got to come up with something that's noticeably better. Just turning the voluntary one into a mandatory one doesn't change much.

Senator KETTER: No, what I'm talking about is the recall that was occurring in relation to the beta version, where we have had a death. You were concerned about the progress of that recall?

Mr Sims: That's right.

Senator KETTER: Why didn't you instigate a mandatory recall back in August or September?

Mr Sims: Because we just couldn't. Sorry to be blunt here: yes, there was a death with those beta bags, but there was a voluntary recall going on. Our sense was that there wasn't good enough communication and a few other things, but we didn't know what else was happening. We didn't know what else should be done. You don't get many cracks at this; you've got to get it right.

Back in August we just looked at all the things that we didn't know and that we needed to know, and so we launched an immediate safety investigation when the issue came to us from the Department of Infrastructure. Mr Grimwade has talked about the 12-person team working around the clock to get the information to get this right. As Mr Grimwade said, had we not done that there was a real chance that a mandatory recall back in August would have had the wrong order of bags being recalled; it certainly would not have been recalling bags that should be recalled, because we just didn't know about them. We didn't know which affected Takata airbags were in what cars until we issued our compulsory information-gathering notices.

Mr Grimwade: Nor did we know how they could be replaced, and when they could be replaced.

Mr Sims: We're happy to take this up in another forum, because it's a big issue.

Senator BUSHBY: It's probably fair to say, Mr Sims, that the fact that, tragically, a death occurred underlined the need to ensure the response was the right one, and to have not taken the time that you've taken to look into it in the depth that you have and to have done something immediately at the time could have been characterised as a knee-jerk reaction, rather than an informed decision that proceeded in a way that appropriately recognises the gravity of the potential consequences?

Mr Sims: Yes. I think we think it would have been knee jerk, and I think we think it would have come up with an inadequate and possibly misfired—pardon the pun—recall. It would not have had the same effect.

Senator McALLISTER: Mr Bezzi, I just wanted to ask about your remarks last year at one of the public hearings for the Productivity Commission's inquiry into competition in the financial system. You said:

... we have been conducting a number of investigations into the financial sector and we are aware of investigations conducted by our international counterparts in benchmark rates and foreign exchange markets. Those investigations indicate that there is a culture of collaboration, even, in some instances, collusion between traders across financial institutions. We consider this culture may arise from systemic issues which warrant further analysis.

Are these still concerns for the ACCC?

Mr Bezzi: As a general matter, yes. As a general matter, we are concerned about these things. We do have some investigations that I'm not able to go into in any detail that touch on some of these issues.

Senator McALLISTER: So you are undertaking—

Mr Sims: Investigations as to whether there's a breach of the act. They're always confidential investigations.

Senator McALLISTER: It's not a thematic investigation into the issue more broadly, it's a specific investigation into a potential breach.

Mr Bezzi: That's right.

Mr Sims: We're doing two things. We've got our financial services unit, which at the moment is looking at how banks go about pricing their interest rates—that will conclude in June of this year. That's new work we've been given from the Treasurer. But separately we've got our continuing business-as-usual work investigating breaches of the act, and we certainly have some investigations underway that involve the financial sector.

Senator McALLISTER: Thanks. Perhaps, without going to the specifics of this investigation, you might explain for us how these questions around collusion in relation to benchmark rates and foreign exchange markets engage the provisions of your act?

Mr Bezzi: They arise because, under the Competition and Consumer Act, it's unlawful for competing businesses to collude with each other to fix prices, to share markets, to engage in bid rigging. They're very serious offences. They're criminal offences. They're known as cartel offences, and we investigate them. I should say, you may not be aware, we took action against Macquarie Bank and the ANZ Bank in December 2016. The outcome was announced—the decision was made in court—and that involved similar conduct to the sort of conduct that

you're describing and that I was referring to. That was a collaboration between traders involved in setting a non-deliverable forward rate for foreign currencies, mainly done in South-East Asia.

Senator McALLISTER: In terms of the overall regulatory behaviour for the financial sector, how does your work interact with that of ASIC, for example—perhaps APRA, but probably ASIC—in terms of this kind of conduct?

Mr Bezzi: We've worked closely with ASIC on a number of investigations where there is some overlap. By that, I mean that sometimes we see conduct that can be described as market manipulation or as collusion. We work closely with them to determine who's best placed to deal with the particular matter. ASIC had some cases relating to BBSW, which were the subject of some discussion between us, and we agreed that it was better for them to pursue those cases than for us to do so, for example.

Senator McALLISTER: Okay. Have you formalised any agreement with ASIC about how you establish this demarcation, or is it on a case-by-case basis?

Mr Bezzi: It's on a case-by-case basis, but we've had a lot of interaction over the last two or three years in this area, and that interaction continues.

Mr Sims: It's hard. Until you get the specific facts, you don't know whether it's a cartel or a market manipulation issue, so it has to be case by case. They're just a block and a half away, so we see them quite a lot.

Senator McALLISTER: Right. In your time working with them, have you had to navigate a circumstance where both of you were conducting an investigation at the same time?

Mr Bezzi: Into broadly the same conduct, yes. The instance that I referred to is an example. We were looking at the same sets of issues. In fact, we were doing some preliminary investigation work and we needed to form a view about whether we would put resources into pursuing the matter. We had discussions with them. We made a decision to allow them to pursue the matter.

Senator McALLISTER: Okay. Thanks very much.

Senator BUSHBY: We talked about the specific concerns around the Takata airbags. Some of the cars that were first fitted with airbags would be over 30 years old now—obviously, these aren't the ones that are subject to this. Are there any general concerns with either the safety or the efficacy of airbags that are 30-plus years old now? Is that something that's come up? I'm just curious about this.

Mr Grimwade: That issue hasn't come up. Our understanding is that the risk is because of the use of phase-stabilised ammonium nitrate in these particular inflators. Other propellants used are guanidine nitrate—things that are more stable but more costly, I think. The issues that we've been focused on have really only come up with a particular type of inflator.

Mr Sims: I think it was just a design fault. It was a new design. I think we shouldn't have wider concerns.

Senator BUSHBY: In a broader way, it sparked a thought that a lot of cars aren't really designed to last for 30 to 40 years, but some do, and about the extent to which things that are put in there—that are probably only designed for a useful life of eight to 10 years—are still out there being used 20 to 30 years later. That's not particularly what I wanted to come back to ask about.

On fuel, I note that you were quoted recently, Mr Sims, talking about fuel prices in Launceston. You were saying that there is no doubt that Launceston motorists were paying too much at the bowser. Very briefly, given that we don't have very much time and I do want to ask another question, do you have any comment on that for the benefit of the committee?

Mr Sims: We stand by that. We think prices are probably four to five cents too high in Launceston. We're urging people to work out where to buy from and who to buy from, and to seek out the lowest-priced sellers, because there are differences in prices—I mean, United is a very good player in Tasmania.

Senator BUSHBY: That's been quite useful. I won't dwell on that, but maybe we will at later meetings of this committee. I've asked questions about this before, but on the issue of access to motor vehicle repair information: I know you've done a lot of work on that and came to some conclusions late last year.

Mr Sims: Yes.

Senator BUSHBY: Could you give us a brief update on where that all landed?

Mr Sims: That's now a recommendation that sits with government. We've liaised with our minister and the Department of Treasury on options to take that forward. Our report came out late last year. It was Christmas, so we're just starting a new year, but I understand that it's being actively examined. We're going to be pushing hard, but it's essentially now a policy issue for government.

Senator BUSHBY: What did you recommend, though?

Mr Sims: My apologies. We recommended that there be legislation, regulation, standard, various ways to do it put in place that requires the manufacturers to provide the same data that they give their dealers to help repair cars—that same data should go to independent repairers. We feel that needs some regulatory or legislative compulsion, because it's not in their interest otherwise to do it.

Senator BUSHBY: Is that a similar sort of scheme that you're recommending to what they do in the US?

Mr Sims: Yes, it is. We very much looked to the US scheme and had a great eye to that. Partly what lends strength to our elbow is the fact that we're not reinventing the wheel here; we're doing what has been done in some other jurisdictions.

Senator BUSHBY: It sounds like a very good recommendation. Hopefully those who are making decisions in the ministers' offices are listening to my comments on that.

Mr Sims: That would be great.

Senator PATRICK: I alluded to some questions on organics. There is a concern that for some of Australia's legitimate producers of organic products or produce there's an absence of legislation here that protects the brand. What work does the ACCC do to ensure companies who claim their products are organic meet the standards?

Mr Gregson: Our role in relation to organics marketing is to deal with any misleading that occurs or misrepresentations that occur. We don't have an ongoing monitoring or regulatory role other than enforcing the law. We're currently looking at a number of matters that have been referred to us involving organic claims. We tend to have regard to voluntary standards that exist, although our ultimate test is what the reasonable person on the street would think. We have been assisted by industry in trying to understand some of the marketing ploys and understanding what consumers understand 'organic' to mean.

Senator PATRICK: So there are investigations on foot; is that what you're suggesting?

Mr Gregson: Yes. We get a relatively large number of matters across the board come to us. Our job is to try to find those that have the biggest impact. So we've been spending a bit of time working on scanning the marketplace and working with industry to determine if there are matters for us to look at. There is a sample of matters that we're actively pursuing at the moment. Investigations do have the habit of shifting as we go through, and we've shifted paths a couple of times in the last few months on that.

Senator PATRICK: As you mentioned, the standards here are voluntary. Do you have a view on switching across to perhaps mandatory or compulsory standards and maybe increasing penalties? Do you have a sense as to the nature of the problem and whether we're in the right place in that regard? I understand also that the legislation is state based for some of the organic standards. Or is that not the case? Can it be done federally?

Mr Gregson: Certainly it would be open to government to consider Commonwealth approaches to dealing with it. It's probably an area outside our role. Our role is just to look at misleading conduct. We understand the Department of Agriculture and Water Resources have been approached, and they're the ones who are probably best able to comment on the policy pros and cons of further standards or legislation.

Senator PATRICK: But, in some sense, you're a holder of at least some government knowledge as to the problem by way of the number of complaints and the gravity of complaints that you get.

Mr Gregson: Sure. But, on that front, we've assisted departments and other stakeholders, and I should say it's not the biggest issue that comes through our reports. When we look at matters, we're not seeing it as the highest priority matter for the ACCC.

Senator PATRICK: I have some questions on Infinity Cables, but I will put them on notice.

CHAIR: Thank you very much, officers of the ACCC.

Proceedings suspended from 11:14 to 11:31

CHAIR: We welcome officers from APRA. Mr Byres, do you have an opening statement for the committee?

Mr Byres: I do have a short opening statement, which is being circulated to you. I would like to go through a couple of things, but in the interests of time, I will skim through the statement.

CHAIR: Thank you.

Mr Byres: I wanted to start this morning by highlighting the importance of the recent crisis management bill which, with the welcome endorsement of this committee, was recently passed into law by the parliament. That bill delivers a long-awaited and much-needed strengthening of our crisis management powers. Put simply, it gives us enhanced tools to fulfil our key purpose in relation to banking and insurance, and that is to protect bank depositors and insurance policyholders. That purpose is very much at the heart of all we do, and the legislation is designed

with that protection very much in mind. With the bill now passed, the task ahead for APRA is to invest in the necessary preparation and planning to make sure the tools within the new legislation can be used effectively when needed. We've got a lot of work to do in the period ahead to make sure that we, along with other agencies in the Council of Financial Regulators, are ready to use the powers when the time comes. But that's far from the only issue on our plate.

With the goal of giving industry participants and other stakeholders more visibility of our work program, we recently released a new publication outlining our policy priorities for the year ahead. The initial feedback that we've received has welcomed the improved transparency of the future pipeline of regulatory initiatives and the broad time line for them. That publication is one example of our ongoing efforts to improve our processes of engagement and consultation. Another is that we've just embarked on our most substantial program of industry engagement to date, as we seek input into the design and implementation of our next-generation data collection tool. Through that process, all of our stakeholders will have the opportunity to tell us at an early stage of its design what they'd like to see the new system deliver, as well as to influence how we roll it out.

More generally, I thought it would be timely to briefly recap ways in which APRA is accountable for the work we do. At a time when parliament has moved to strengthen the powers that APRA has, we fully accept that these accountability measures take on added importance. Those measures are many and varied. They start with the obvious measures, such as our annual report, our corporate plan, annual performance statement, and our assessment against the government's Regulator Performance Framework. We also make appearances before committees such as this to answer questions, and we now meet with the Financial Sector Advisory Council in their role reporting on the performance of regulators. Our annual budget and the industry levies that fund us are set by the government, which also issues a Statement of Expectations. We comply with the requirements of the Office of Best Practice Regulation in making our regulation, and our prudential standards for banking and insurance may be disallowed by parliament, should it wish. We've recently taken the steps to set out an overview of all of our accountability requirements—including some that we impose on ourselves—on our website, so that they can be better understood by our stakeholders.

We will also be subject to additional scrutiny this year through two other means. The first is the royal commission: we've already provided documents and information to the commission, and we'll continue to cooperate fully as it undertakes its important work. We've already provided documents and in to the commission and will continue to cooperate if ally as it undertakes its important work. Then we will be subject to extension sieve international scrutiny from the IMF over the year ahead as part of the 2018 Financial Sector Assessment Program, or FSAP, as it's known. The FSAP looks at financial vulnerabilities and regulatory arrangements in Australia, providing a report card on Australia and, in particular, APRA against internationally accepted principles of sound regulation. As was the case previously, we expect the IMF would find things we could do better, but we're ready along with other members of the regulatory community to give our full cooperation and, obviously, look forward to their feedback.

Finally, anticipating some questions on the issue of housing, I've circulated some charts attached to the statement which I thought might be useful for the discussion. With those somewhat rushed opening remarks, Chair, we'd be very happy to answer the committee's questions.

CHAIR: Thank you very much for providing a copy of the your opening statement. I assume the committee is happy to table that. Thank you. I might kick off the questions by asking a little bit about the non-ADI regulation and also housing lending that you mentioned. be happy for us to table that. Are you concerned about any macroprudential risks associated with non-authorized deposit-taking institutions?

Mr Byres: Not particularly at this point. The government proposed that legislation more as a reserve power. That's certainly as the way we've always seen it. If risks in the housing market grow and if the non-ADI lending sector grows in size and importance then it may be useful to have those tools and to be able to use those tools, but at this point the non-ADI lending sector is still a very small portion of the total housing lending market. Most housing lending still occurs through the ADI sector, which is regulated by us. So at this stage we're not anticipating using those powers. There is nothing in the pipeline.

CHAIR: What do those powers entail?

Mr Byres: Should we come to the view that the activities of the non-ADI sector in aggregate are a material risk to financial stability, we could make rules in the same way that we make prudential standards for the banking industry to try and find ways to reduce or modify risk-taking behaviours.

CHAIR: Can you give us an example of the types of institutions that would be caught under that umbrella?

Mr Byres: There is a number of different mortgage originators, finance companies and other sorts of vehicles that are not ADIs, so they don't take deposits from the public, but they are funded through other means, they compete with the banks to make housing lending, but at this stage, as I said, it's a relatively small part of the total housing lending market. The Treasurer has always refer to the powers and I've always referred to the powers as a reserve power, and I've said publicly previously that it's not a power that, once the law is passed into parliament, we're looking to use immediately.

CHAIR: All right. On the banks: during last year's House of Representatives Economics Committee hearings, the heads were asked about their strategies to comply with APRA's new limits on interest-only loans. I wonder if you could update the committee as to whether APRA's satisfied with how the major banks are responding to those changes.

Mr Byres: And here I would refer to the second chart down in the right-hand column. This is the chart that shows that interest-only lending within the system, not the just the major banks, has been reduced significantly over the last six months. It's now running at about 20 per cent of all new lending, so well below the 30 per cent benchmark that we set, and the chart below that shows the industry broken down into some different peer groups: the major banks, the other large and medium ADIs and then small ADIs. In the year to December 2017, which is the right-hand column in each of those charts, they are all now tracking well below the benchmark, so we would say we're comfortable with the way the industry has adapted to that benchmark.

CHAIR: The second round of macroprudential measures announced last year built on the ones from 2014. Perhaps you could for the benefit of the committee talk about how those measures have built upon the last round of measures and potentially the effects those new measures have had on, in particular, the change in the owner-occupier rate of housing?

Mr Byres: So, I would start with a caveat. Everyone likes to use the word 'macroprudential'. I think there are many things we do that are both macro and micro impacts, and so I tend not to use that term.

CHAIR: Just 'prudential' then?

Mr Byres: I know what everyone else means, so I'll answer your question. There have been a range of things that we have been doing. Some have been top-down benchmarks designed to signal to people where we think our risk tolerance is and where their risk tolerance should be. It's always been the case that, if they wanted to go above those benchmarks, they could, but they'd hold additional capital. That would be the likely outcome if they wished to operate in a higher-risk manner. At the same time, we've done work at very much a micro level, looking at lending policies and lending standards with a view to encouraging the industry to strengthen their lending standards. Our view—and we've said this publicly on many occasions—is that the industry had competed away sound lending standards and we were not comfortable with the direction it was heading in. Credit standards had been eroded and so we've spent a lot of time in the last few years trying to get lending standards back to where we think is a more comfortable level, particularly given we're in an environment of what we call heightened risk: high debt-to-income ratios in the household sector, very low interest rates, subdued income growth et cetera.

Collectively, the summary answer to your question is we think the quality of lending that the banking system is doing today is certainly higher and better than it was a few years ago. We've still got some more work to do before we would declare ourselves completely comfortable, but we certainly feel the industry is writing better quality business today than it was a few years ago.

CHAIR: The Treasurer described the new prudential—I don't want to say the word 'macroprudential' now; you've turned me off it.

Mr Byres: Everyone uses it. You may as well too!

CHAIR: He described the new prudential measures that you are implementing as a scalpel as opposed to a chainsaw with regard to housing affordability. Is that something you would agree with?

Mr Byres: We do what we do. I think it is easier for us to target particular sorts of activity than to change tax rates. It's also probably easier for us to target particular sorts of activity than to have the Reserve Bank change interest rates, which apply to everybody across the board. So I think that with these measures we can certainly be more nimble than some other measures that might be used, although other people have accused us of using blunt measures, so I think it's in the eye of the beholder, to be honest.

CHAIR: Fair enough. Capital city prices have obviously moderated over the last few months. Are there any key markets that APRA are monitoring more closely than others with respect to these potential risks that may be on the horizon?

Mr Byres: I wouldn't say there's anywhere in particular. All markets have different dynamics to them, and we've been very clear in saying that our target is not to seek to set the right level of house prices or determine what the right level of house price growth is. It's a factor in our consideration and tells us something about supply and demand—both the demand for housing and the supply of credit—but it's certainly not something we are targeting in some way, and we're not seeking to set house prices at any particular level or target a particular level of growth of house prices.

CHAIR: Thank you. Finally, can you let the committee know how much extra funding APRA will receive in order to perform your enhanced regulatory responsibilities?

Mr Byres: In terms of the non-ADI?

CHAIR: I suppose that's what we were discussing initially, wasn't it?

Mr Byres: Yes. I would have to take that on notice. There was a small amount improved in the budget. We'll take that on notice but are happy to provide that to you.

CHAIR: But there was an increase?

Mr Byres: There was an increment to our funding to allow us to implement the new requirements.

CHAIR: Terrific. Thank you. Senator McAllister.

Senator McALLISTER: Thanks very much. Mr Byres, you mentioned in passing that some people have said that your macroprudential interventions, much as you dislike the term, have been too blunt. I did want to ask you about the Productivity Commission's report into those measures. When you were considering a benchmark to limit the flow of new interest-only lending to 30 per cent, did you consider that banks could respond by increasing interest rates on all interest-only loans, notwithstanding the objective was just to slow the growth of new loans?

Mr Byres: We certainly knew it was a possibility. We certainly didn't go into this thinking there was no way that could be an outcome.

Senator McALLISTER: So you contemplated it?

Mr Byres: Well, yes, and the way we designed the measure was to be very specific, targeting the flow of new lending, so it is the flow of new lending in a particular quarter, relative to the total flow of new lending in that quarter. So it has no direct impact on the existing stock of loans, and you can't really comply with that new benchmark or adhere to that new benchmark by doing something with the other part of the portfolio. So we were conscious in the way we designed it and the way we specified it that it very clearly focused on the volume of new lending.

Senator McALLISTER: Yes, I understand that, but the PC draft report essentially says that, from the deposit-taking institutions' point of view, it was the logical choice to raise it across all loans, as new lending was restricted and, if all institutions raised interest rates, there was little risk that existing borrowers would move to a competitor and re-finance.

Mr Byres: Yes, I can understand that logic, and, as I said, it was something that we contemplated was a possibility. With these things, though, there are always many moving parts, and one of the other things that's playing out in the background of all of this is the FSI recommendation, recommendation 1, about stronger capital requirements in the banking system, which the government endorsed and we are tasked with implementing, and we've put out a couple of discussion papers that talk about how we propose to go about that. We have flagged that one way in which we intend to strengthen the capital requirements, given the risks in the system, is to focus them on housing. So banks, in thinking about their pricing and thinking about their portfolio allocation, are not responding purely to this particular benchmark but also responding to the fact that we've been very clear in flagging and we've just started our consultation process on higher capital requirements for those sorts of lending. So these two things are coming together; it's not just the benchmark that is influencing bank behaviour.

Senator McALLISTER: The draft finding from the PC was, nonetheless, that the action to slow interest-only lending on residential property led to a windfall gain for the banking sector.

Mr Byres: Well, I can't deny that they have raised rates and they have done that on the back book and that, all other things being equal—and quite often all other things are not equal—that related to their revenue.

Senator McALLISTER: At a hearing of the House Economics Committee last year, you were asked whether it was appropriate for banks to attribute increases in interest-only rates across both new and existing loans to APRA's interventions. I think in your answer you declined to criticise the banks for their actions. Do you think it was appropriate that the banks responded in this way?

Mr Byres: It is an option that's available to them to set their prices as they wish. I was asked a specific question about whether a specific quote was true or misleading, and I didn't want to enter into a debate and I'm not a lawyer about disclosure matters, but the point I was trying to make was that particular quote from the particular bank had said that regulatory initiatives were driving what they had done, and, as I said, they were responding not only to the benchmark that we had established but also to this broader push that we had flagged for some time that there would be higher capital requirements against certain higher risk lending categories, and interest-only lending was one of those things we had flagged.

Senator McALLISTER: The PC has argued very strongly that there was a very direct relationship between the intervention in relation to interest-only loans and the application of these rate increases across all loans. I hear your counterargument that it was in response to a number of drivers, not simply the one intervention, but, nonetheless, the PC has said that this was completely unsurprising, that, faced with the opportunity to reprice their loan book as a consequence of regulatory changes, banks did just that. They go on to say that this additional cost imposed—part of which, through the tax deductibility of interest on housing investment loans, is now being paid by all Australian taxpayers—was not an objective of the regulator and means that the intervention could have been better focused.

Mr Byres: I'm not going to challenge the calculation. I think it's a fairly simple calculation and you can do it pretty readily to get to the numbers that the Productivity Commission has quoted. It is, though, one of those classic 'all other things being equal' calculations, and the assumptions behind it are that everything else would continue unchanged if APRA weren't making these interventions, and I don't actually think that's a valid assumption to make. We are going to talk some more with the Productivity Commission about this, because I do think they have rightly said that the intervention we made in establishing that benchmark was certainly the trigger for banks to act, but I don't think it was the sole driver of the actions, and we will talk about the nuances within them.

Senator McALLISTER: In that last quote that I read out, the PC is essentially saying that, because of the interaction with negative gearing, an increase in interest rates paid by investors is subsidised by taxpayers, and they see that as an externality that arises from this policy intervention. Do you accept that?

Mr Byres: I guess it's a fact, and it's a fact of tax policy, and we don't set tax policy; we don't advise on tax policy. For us, tax policy, monetary policy, a whole raft of things, are just taken as given. Every time interest rates move in the economy, whether it's because of a regulatory change from us or whether it's the Reserve Bank changing the official cash rate, the interest expense that various people incur will change, and the tax deductible amounts that they have, either through negative gearing or through other sorts of interest deductions, will change as well. So any change in the interest rates to the community, up or down, will have some implications for the budget through interest deductibility, and I don't think there's any way you can design something that avoids that.

Senator McALLISTER: Is it a factor in the thinking of the Council of Financial Regulators when you meet?

Mr Byres: On the tax issue?

Senator McALLISTER: Yes—the budget impacts and also, I suppose, given there is quite an active debate around the fairness of the negative gearing arrangements, I guess the distributive impacts of a change of this kind.

Mr Byres: I would say we haven't specifically focused on that specific impact, as we've talked about this, but Treasury is involved in all of these discussions, so they would be attuned to understanding what implications would be. They've never provided me with any advice on tax outcomes.

Senator McALLISTER: That's all right. The Treasurer confirmed yesterday that they disagree with Treasury advice on negative gearing. So we can move on from that. The PC has suggested that, for future macroprudential interventions, clear objectives should be set, banks' responses should be forecast and the Council of Financial Regulators should keep a tabled analysis of these. Is that the way you approach it at the moment?

Mr Byres: In essence, yes, though perhaps not with the formality that the PC has suggested, but we have some fairly simple objectives, which are to raise lending standards in the industry, and until we're comfortable with lending standards where they are, to make sure that lending, particularly to higher risk classes of mortgage lending, remains perhaps more subdued than it might otherwise do. We think on that measure, which is the prudential measure that we are primarily concerned about, we've made some good progress.

Senator McALLISTER: Just to confirm your evidence to Senator Hume earlier—the stated objectives of these measures were prudential soundness and system stability, not improving housing affordability?

Mr Byres: You are absolutely correct. It's about the first two and not about housing affordability. That's not an issue that's within our mandate.

Senator McALLISTER: Do you see these measures as permanent? Is there a point in time when you might consider winding them back?

Mr Byres: The two that we have specifically and explicitly declared as temporary measures are the 10 per cent benchmark for investor lending growth and the 30 per cent benchmark for interest only lending. The other work that we're doing in terms of improved lending standards, making sure people check borrowers' expenses properly and measure income correctly, and fraud control type mechanisms—I don't see anything temporary about those.

Senator McALLISTER: That's the new normal.

Mr Byres: We want those as the new normal. But the 10 and the 30, which are the two things that people most frequently call macroprudential in nature, we see as temporary.

Senator McALLISTER: Do you have a sense of when you might review those? Is there a timetable that you're considering?

Mr Byres: I'd say we keep them under constant review. They're a regular discussion each quarter at the Council of Financial Regulators. I think the 10 per cent investor growth benchmark, which we introduced some years ago now, is probably reaching the end of its useful life. The more recent 30 per cent interest-only benchmark we've only just put in place. We'd like to see how the industry settles and where it settles before we think about removing that anytime quickly. But both are under review, and obviously as circumstances change we'll modify as need be.

Senator McALLISTER: Chair, can I impose on the committee one last clarifying question?

CHAIR: That's all right. I'll take it off your next session.

Senator McALLISTER: Why is it that you think the 10 per cent benchmark is nearing the end of its useful life?

Mr Byres: Largely because, at an aggregate level, demand seems to have subsided. If you look at the chart, which is the second one on the left-hand column, industry aggregate lending growth to investors has hovered around only five per cent for a few years, so it would seem that general dynamics in the market mean that it's potentially becoming redundant, although some institutions are still growing quite quickly. But also it was put in place because we were particularly uncomfortable with the lending standards in which many of those loans were being granted. As those lending standards have been improved, the other one is no longer needed. It plays less of a role. It doesn't mean you don't care about the issue anymore, but its purpose is less now than it was.

Senator McALLISTER: I understand.

CHAIR: I should make a correction. Senator McAllister was absolutely right: I did in fact mean housing market risk, not housing affordability. It just rolls off the tongue these days.

Senator RHIANNON: In relation to your investigation into mortgage fraud, which APRA has not made public, has APRA found any evidence of illegal misconduct in the mortgage market by the major lenders?

Mr Byres: I wouldn't say what we've done is specifically a review of mortgage fraud. We've looked generally at lending practices across the board and the controls that banks have to make sure they get accurate information from borrowers et cetera and make a reasonable assessment of a borrower's ability to repay. Part of that is controls to make sure borrowers give true and fair information, but that's not the entirety of the exercise. The second part of your question, if I had it right, was: have we identified any systemic—

Senator RHIANNON: Any evidence of illegal misconduct.

Mr Byres: Illegal misconduct—not at this point; there's nothing that's been brought to my attention.

Senator RHIANNON: Brought to your attention—is it anywhere else within the organisation?

Mr Byres: I'm sure if someone had something of that nature in APRA, I'd know about it.

Senator RHIANNON: Do you need to take it on notice?

Mr Byres: I'm happy to take it on notice.

Senator RHIANNON: Thank you. Has APRA already provided this research or these findings to the royal commission?

Mr Byres: I'm not sure that the royal commission wants people to know what information we have or have not provided, but I can say that if they asked for it we would obviously give it. We would give all information that we were asked to give.

Senator RHIANNON: Shouldn't you also be proactive in providing the information?

Mr Byres: We'll wait and see what the royal commission asks. We could give them a whole raft of information, swamp them with things that are not relevant to them. We are talking with the royal commission about the issues that they are interested in. They have approached us not just for documents but for discussions on particular issues to improve their understanding, and obviously we're standing ready to help them as and when needed.

Senator RHIANNON: Has APRA in the last five years ever held back information from the public? I'm referring to information on a bank that APRA has identified as breaching mortgage lending laws.

Mr Byres: I don't think so, but I'll take that on notice. I do have to say, though, we have quite strict secrecy provisions that prohibit us from talking about information relating to individual institutions in the public. But if there was something that was a clear breach of the law then those issues would be, at the very least, handed over to other regulatory authorities.

Senator RHIANNON: I didn't ask for a specific bank. I said, 'A bank that APRA has identified as breaching mortgage lending laws.' Will you take that on notice?

Mr Byres: I'll take that on notice.

Senator RHIANNON: I'm interested, how do you actually choose to disclose or not disclose such information?

Mr Byres: Generally, the disclosures we make are not about individual institutions because of section 56 of the APRA act. As a general point, we're unable to disclose protected information, which is information about the affairs of an individual institution. We tend to talk through our discussion papers, through speeches, through other things about observations at the industry level.

Senator RHIANNON: What does it say about the job you are doing with mortgage fraud that the royal commission has prioritised this as the first issue that they are looking at?

Mr Byres: I said before this committee about three years ago that we were unhappy with mortgage lending standards. We thought they had got to very low levels and, in some cases, lacked common sense. So I can understand why the royal commission would think this is an area they want to look at. It's also the largest asset class on the balance sheet of the banking system, so if you're going to look for something that's important to the stability of the system and where most consumers are interacting with the banking system, it's an obvious place to start.

Senator RHIANNON: Is it also because you've been too slow to act on this? Is that a factor?

Mr Byres: We've devoted a lot of resources to this over the last little while. I think you can always say that when regulators have to intervene in the way we've intervened that, with the benefit of hindsight, you wish you would have done something sooner. That doesn't mean what you did at the time when you made any particular decision or didn't act was necessarily the wrong decision. So, of course, you wish you had got on to issues earlier—that's always a regulator's dilemma.

Senator RHIANNON: So you do think you should have got on to it earlier?

Mr Byres: No, I've said before I wish we had. But you make decisions on the information you have at the time. The more we've looked at this, the more we've dug into it, the more we've identified the need for improvements in the industry.

Senator RHIANNON: So do you think the banks are the target of the royal commission or is it your lax regulation, these failures?

Mr Byres: That's a question for the government.

Senator RHIANNON: But you could comment on it.

Mr Byres: There's an item within the terms of reference that invites the royal commission to comment to comment on the effectiveness of regulators. I'm sure they'll do that.

Senator RHIANNON: If we can't trust the banks to be honest with the information they collate to provide to you, what implication does this have for our understanding of financial system stability?

Mr Byres: I'm not sure of the first premise that says we can't rely on the banks to be honest about information they supply to us.

Senator RHIANNON: So you're satisfied with the information they provide to you? I thought that was—

Mr Byres: At a general level, yes. We've got substantial information-gathering powers, if we need to use them. There have been improvements needed in bank reporting in recent years, but it's not been a case of deliberate misreporting or other sorts of things that might suggest any sort of untoward behaviour.

Senator RHIANNON: A report in August last year by LF Economics, a macroeconomic research body, stated:

The unfortunate reality for victims of mortgage control fraud is that our regulators do not investigate allegations brought to their attention despite forensic evidence (paper trails) demonstrating evidence of fraud.

The evidence strongly suggests the regulators have done nothing to combat white-collar criminality in the mortgage market. That is a very serious allegation that points right at APRA from a research house that has spent a few years researching illegal conduct by mortgage lenders. Is there any truth to their opinion?

Mr Byres: To the extent that there were shortcomings in the way banks had been making credit decisions. As I said, we've been working to get those credit standards improved. When it comes to meeting responsible lending obligations to individual customers, that's primarily ASIC's responsibility. The responsible lending laws are enforced by ASIC. We work together on this issue. As I said, we've spent a lot of time focused on this issue over the last three or more years; in fact, we've devoted a very large amount of resources to it; and it's probably been one of the biggest commitments we've made.

Senator RHIANNON: I'll just go back to the question again. I asked: is there any truth to their opinion? The way you answered it, it sounded like a yes.

Mr Byres: I don't have their report in front of me, so I'm not sure of their precise opinion. If their general—

Senator RHIANNON: But I read it out quite clearly and I'm happy to read it out again.

Mr Byres: Could you, please?

Senator RHIANNON: LF Economics stated:

The unfortunate reality for victims of mortgage-controlled fraud is that our regulators do not investigate allegations brought to their attention, despite forensic evidence (paper trails) demonstrating evidence of fraud.

The evidence strongly suggests the regulators have done nothing to combat white-collar criminality in the mortgage belt.

Mr Byres: Their particular conclusion there, that regulators have done nothing, I think is clearly wrong.

Senator RHIANNON: In terms of the statement, though, the way you have answered in the more fulsome way, it sounded as though there was agreement or considerable agreement. Is that a fair comment?

Mr Byres: No. As I said, it's difficult for me. There's a subtle but an important distinction: issues around lender fraud are largely ASIC's responsibility. We have been focused on potential fraud—mechanisms by which banks prevent fraud by borrowers. We work together on those issues. But, again, I would make two points: we have recognised that there's a need for improved standards in the industry and we've been slowly but surely seeing that improvement. But I would certainly reject the idea that there's been no action at all.

Senator RHIANNON: I won't push it any further, but, when you say 'have recognised a need for improved standards', that certainly suggests you have some common position with that. In Britain, their financial regulator has capped mortgage lending to borrowers at 4.5 times their incomes. Should there be a similar cap on mortgage loan-to-income ratios here in Australia?

Mr Byres: We've certainly contemplated that, but decided that wouldn't be one of the tools we'd use at this point in time. We do keep track of it, and it is one of the charts—in the bottom right-hand side of the charts that were attached to my opening statement. I don't have the 4½ times; I have a six-times figure. We flag that as something we watch carefully, because we do think that's a higher-risk form of lending, obviously. The reason we haven't gone down that path and we've chosen to use other methods is that the loan-to-income ratio is not the best measure of borrower leverage. What you actually would like to know is the borrower's total debt rather than just the individual loan. Unfortunately, until now, we haven't had a way in which banks can identify a borrower's full set of liabilities. I've called that previously a blind spot that exists in the system. The new comprehensive credit reporting regime that the government is mandating will help fix that blind spot.

Senator RHIANNON: Thank you. Chair, I just have two short questions and then I'm finished. Could I ask them, please?

CHAIR: As long as they take less than two minutes, yes.

Senator RHIANNON: Thank you. If APRA were to hypothetically ban lenders from providing property investors loans to purchase an investment property where the rent will not cover the interest repayment costs and other running costs, such as negative gearing, would this make house prices more affordable and reduce risks in Sydney—

CHAIR: I think that's beyond hypothetical, Senator Rhiannon.

Senator RHIANNON: and Melbourne housing markets? Okay. Does APRA have data on what the average cash—not equity—deposit is relative to the size of the purchase price in Sydney and Melbourne?

Mr Byres: We may have, but I'd have to take that on notice. Particularly, I'm not sure that we have city-by-city data, but I'll take it on notice.

Senator RHIANNON: Thank you.

Senator HANSON: As I understand the role of APRA, is the oversight body providing regulation of the banking community, especially in areas such as the retention of capital reserve funds against lending and calls by depositors on their funds, and compliance by the banks with the regulations and directions of APRA in the bank mode of operation. Is that correct?

Mr Byres: Broadly speaking, that's a summary—yes.

Senator HANSON: In view of that role and in view of the extremely large number of complaints by borrowers against various banks on application completions without consent or instruction by the applicants, what action has APRA taken to ensure the banking code of conduct is adhered to?

Mr Byres: Here is where there's a division of responsibilities. Responsibilities around responsible lending—which are essentially the issues that you talked about: banks making loans to individual customers that those individual customers can repay—are primarily supervised by ASIC. Our responsibility is actually on the other side of the balance sheet: making sure that banks have, as you talked about, appropriate capital and other liquidity et cetera, to make sure depositors get their money back. So our primary focus is protecting depositors. ASIC is primarily focused on whether borrowers are getting responsible loans.

Senator HANSON: In light of that, with regard to the ANZ bank takeover of the Landmark book and taking into account that, approximately eight months' later, ANZ placed so many borrowers under that loan book into default, did APRA notify ANZ on or around that date that its reserve funds were not compliant with the APRA regulations and that the bank was required to correct that imbalance, which resulted in triggering the default notices against numerous farmers who had not, in fact, defaulted in their interest repayments?

Mr Byres: I don't think so, but I'll take that on notice and will confirm that for you.

Senator HANSON: Thank you. Taking into account the fact that APRA must have been aware of those numerous defaults, did APRA take any action to satisfy itself that the ANZ bank was compliant in all respects to APRA's own regulation oversight of the banking industry?

Mr Byres: Did APRA take any action in relation to ANZ and Landmark?

Senator HANSON: Yes. Did you actually investigate when ANZ took over Landmark's clientele books? They actually didn't have the funds. They were not compliant with your regulations and the loans, and then they had to start foreclosing on the customers who were not behind in their repayments. Was the bank investigated by APRA—that they were actually complying with the rules and regulations? And, if not, why not?

Mr Byres: I'm sure we were monitoring ANZ to make sure they were compliant with rules and regulations. I can't remember the exact time of the Landmark acquisition, but I'm certainly not aware of any suggestion that ANZ didn't have sufficient funds or didn't meet the prudential requirements that we set. But, again, I'll take it on notice. I'm happy to confirm that for you.

Senator HANSON: Has any investigation been done into it that you're aware of? I think it was around 2014.

Mr Byres: Not by us.

Senator HANSON: Were complaints put into APRA by the clientele, by customers, with regards to—

Mr Byres: It's quite possible. It's quite possible that Landmark customers—but I don't have those facts and figures here. Again, I'm happy to tell you what complaints we got, on notice.

Senator HANSON: But, if you did get a number of complaints, you would have investigated. But you're not aware of any investigation?

Mr Byres: I'm not aware. Depending on the nature of the complaints, we may have passed the issues to ASIC, because they may have been more appropriate for them to investigate. As I said, I'm not aware of any investigation. I'm happy to take it on notice and confirm, but I think the answer will be we didn't undertake one.

Senator HANSON: Thank you. In the last session of parliament, the Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Bill 2017 was passed. According to the report on this bill by the Senate Economics Legislation Committee, this parliament understands that bank deposits are protected by the Financial Claims Scheme, the FCS. I note the committee report states:

The FCS provides protection to deposits held in financial institutions and to policies with general insurers in the event that a financial institution fails. The FCS will be activated by the Australian Government when an institution fails; and once activated will be administered by APRA.

The question that many voters are very worried about, and I am anxious to have verified by APRA, is: are bank deposits currently protected by the FCS—that is, is the Financial Claims Scheme currently activated?

Mr Byres: Sorry, is it currently—

Senator HANSON: Activated.

Mr Byres: Well, it's not currently activated in the sense that it's only activated when a bank fails. But, if it is activated—so, if a bank fails and the government activates the scheme—then depositors in ADIs up to the amount of \$250,000 are protected.

Senator HANSON: Basically, then, you're saying—

Mr Byres: The legislation is there; it's available. If the circumstances arise that a bank fails, the mechanisms are there for it to work. The government, in a sense, switches it on, and we go through the process then of making sure that depositors, as I said, up to the limit of \$250,000 per ADI, get their money.

Senator HANSON: You're protecting it. The bank accounts are protected.

Mrs Rowell: APRA have undertaken a lot of work over the last couple of years around implementation of the Financial Claims Scheme, working with industry to put in place prudential standards around reporting to us and reporting to the Reserve Bank on the amounts that are protected—and also running trial runs on the provision of information to the Reserve Bank—to test, when the FCS is activated, that banks, APRA and the RBA will actually be able to effectively get money to depositors within the time frames that are specified.

Senator HANSON: I'm getting—

CHAIR: As a follow-up—sorry, Senator Hanson—you're absolutely right. There was considerable concern from a particular group called the Citizens Electoral Council, who actually are a political party. But I understand APRA submitted to that particular legislation inquiry and testified to that extent, and so did the RBA and so did ASIC, and they said that those powers are not at all a threat to depositors' funds.

Mr Byres: As I said in my opening statement, our core purpose, set out in the Banking Act, is to protect depositors. The FCS is there to make sure that particularly retail depositors but also depositors with amounts up to \$250,000 are not at risk of losing their money, should a bank fail.

Senator HANSON: So that's guaranteed by the government? It's definitely there—there are no problems with that guarantee?

Mr Byres: That's right. The way it works is that, if needed, there's an appropriation that exists that can be drawn on to give depositors their money, and then there's a mechanism by which that cost is spread over the rest of the industry and recouped from the rest of the ADI sector. So it's not a cost to the taxpayer, and it's certainly there to protect the depositors.

Senator HANSON: I've had a lot of concerns from people getting in touch with my office, and they're actually really concerned. The crisis resolution powers and other measures act empowers APRA to make determinations in secrecy to access private depositors' accounts in a time of financial crisis to meet monetary demands. Would APRA state categorically the act does not grant APRA that power?

Mr Byres: Well, I'm a bit unsure of the specific act; I don't know whether any of my colleagues have an answer. Clearly, under that power—under that whole arrangement, when you have a bank failure—part of the information we need is: who are the depositors, what are their accounts and how much money have they got, so that we can exercise the Financial Claims Scheme to get them the money. If it's information about depositors, it's essential we have that information so that we make sure the payments go to the right people who are eligible to receive them for the right amounts.

Senator HANSON: We've got passed, guarantee the depositors there up to \$250,000. What I'm saying, in reverse now, if there's a crisis in this country, can depositors' moneys be taken from them?

Mr Byres: In the Banking Act, essentially if you have less than \$250,000, the Financial Claims Scheme kicks in, you get your money. For all depositors—be they individual people, be they businesses or be they large

corporates—who have more than \$250,000, the next thing the Banking Act says that for the assets to the bank, depositors have priority over everybody else. So other creditors of the bank—

Senator HANSON: My question was—

Mr Byres: So they're first in the queue.

Senator HANSON: My question was: in a crisis in this country can you enact to actually take the money out of depositors' accounts, as happened in Crete and Greece?

Mr Byres: No. We do not have the power—

Senator HANSON: You cannot take—

Mr Byres: We do not have the power to bail in—as is the sort of the common-language term—depositors' money.

CHAIR: Senator Hanson, I think that question has been asked and answered numerous times. We might move on.

Senator KETTER: Just a couple of questions in relation to the APRA levy. Can you tell me who decides on the amount raised through the APRA levy?

Mr Byres: Our budget is obviously in the budget papers. We have our expected expenditure, and it is in the budget papers. If we wish to change that—to seek more funding—we go through all of the usual budget approval processes. So the quantum of our total spending is determined by the government and ultimately approved by the Treasurer. Then we have a process which is, again, set out in legislation, through which there is a process; we, in a sense, have a time management system in APRA, where we allocate the time we spend to the different industry sectors. And then there are formulas which determine, in a sense, a maximum, a minimum and a floating rate that allocates the costs across all of the institutions we supervise. Those rates are approved by the government before the levies are finalised.

Senator KETTER: Okay. Well, I'm sure you're aware that there's concern out there in relation to the backlog at the Superannuation Complaints Tribunal and the transition across to AFCA. Can you tell us whether the APRA levy could be raised to provide additional funding for the SCT to deal with that backlog of cases?

Mr Byres: Well, it's certainly theoretically possible. Strictly speaking, it's not called the APRA levy, because increasingly it's been used for things other than APRA. But there are things that the government has used that levy process to raise money for, other than APRA. So, yes, it could be.

Senator KETTER: So, that—

Mr Byres: But that's a matter for the government, not—

Senator KETTER: Sure. And what about the costs associated with the transition to AFCA? Is that the same boat?

Mr Byres: Yes, it's really a question for the government in terms of who it wants to allocate those costs to and how it wants to collect them.

Senator KETTER: Okay. I want to skip across to your annual report—

Senator McGrath: I just need to clarify one thing, is that legislation has been passed to establish a one-stop shop, which will be industry-funded, just so you're aware of that, to place that on the record.

Senator KETTER: Thank you. Your annual report, and there was a delay in the release of the annual superannuation bulletin. And I understand that you released that annual data on the superannuation sector around the end of January each year. Can you tell us what's the reason for the delay?

Mrs Rowell: I'll answer that, Senator Ketter. We don't have a specific time by which we release the annual statistics. In part it depends on the processes that we need to go through around review of data quality and going back to institutions with queries to make sure that the data, when we publish it, is appropriate and accurate. That process normally is completed to enable us to release the statistics sometime in February. This year it's taking a little bit longer for various reasons, partly to do with some changes in our internal processes, partly to do with various data quality validations and questions. So we are anticipating having the annual publications out in March.

Senator KETTER: Can you tell me more about those changes in your internal processes? Wouldn't this process be largely automated?

Mrs Rowell: There's a substantial part of the process that is automat but, in the final steps of the process for releasing the publications at present, much of the work that needs to be done around ensuring that confidential

data is not released and ensuring that any adjustments to submitted statistics are made, needs to be done manually rather than automatically. And so at this stage that's really the key to the process this year—that's taking a little longer than it has in previous years.

Senator KETTER: Would you categorise that as some sort of research paper that addresses concerns about how data is being used?

Mrs Rowell: I'm not quite sure what you're referring to there, Senator.

Senator KETTER: Well, in terms of—you said there were concerns about the data.

Mrs Rowell: These are just our normal validation processes which check the consistency of information from the quarterly returns to the annual returns; also large movements in figures from one period to the next; and just going back and checking that all of the information that has been submitted is accurately reflected in the information that has been provided to us.

Senator KETTER: So—

Mrs Rowell: It also needs to adjust for things like mergers and acquisitions that take place within the industry, and making sure that the statistics are accurate and those sorts of things. There are a number of steps in our processes around releasing our publications that need to be gone through before we're satisfied that they're of suitable quality to release.

Senator KETTER: Okay. So is the delay anything to do with resourcing at APRA or whether you're planning to release additional information for analysis?

Mrs Rowell: It's not to do with the release of additional information. It's partly to do with systems limitations, which we are seeking to address through a major project to revamp our data collection and analysis and publication processes. And, as with all things that APRA has to do, we need to make careful decisions about resources and we don't always have the resources we need to do everything that's on our plate.

Senator KETTER: Okay. And can you tell me whether APRA has provided any data to the Productivity Commission to assist with their review of the superannuation system?

Mrs Rowell: We have been in significant liaison with the Productivity Commission and provided them with various data and information to assist them.

Senator KETTER: And that data that you provided, is it publicly available?

Mrs Rowell: Some of the data that is provided is part of our published statistics and some of it is not. Some of it is confidential information that is not able to be published at this stage but we are able to provide to other regulators to support their activities.

Senator KETTER: Can you tell me why that data is confidential?

Mrs Rowell: Because when we introduced the data collection—and this is the same across all of our industries—we go through a process of consultation with industry about what data should be made confidential and what data should be made non-confidential. When we did that process with the superannuation industry back in 2003, the industry were very firmly of the view—or parts of the industry, depending on which statistics or information you were talking about—felt very strongly that some of the information should not be publicly released.

Senator KETTER: Have you provided the Productivity Commission with the June 2017 fund level data at this stage?

Mrs Rowell: I'd need to take that on notice. I believe we have provided some information based on June 2017 data to the Productivity Commission, but what specifically, I'd need to take on notice.

Senator KETTER: Have you provided the Productivity Commission with MySuper asset allocation data at the product level?

Mrs Rowell: The MySuper asset allocation data is publicly available.

Senator KETTER: At the product level?

Mrs Rowell: MySuper is a product, and so MySuper data is available at the product level.

Senator KETTER: You do collect asset allocation data at the product level? Is that publicly available?

Mrs Rowell: The asset allocation information for MySuper products is available at the MySuper product level.

Senator KETTER: Okay. We will just—

Senator McALLISTER: In aggregate? I actually genuinely don't know the answer to this question, Mrs Rowell—

Mrs Rowell: There is an Excel publication that is released on a quarterly basis that includes all of the information that we collect for MySuper products, and asset allocation information of each fund—there's a line item in that spreadsheet—that has the asset allocation for each MySuper product.

Senator KETTER: I just wanted to turn to those statistics that have been released. That was on Tuesday this week. I just had the opportunity to have a look at the performance of industry funds and the retail funds. Can you confirm that the difference in returns there, the outperformance of industry funds is 2.31 per cent?

Mrs Rowell: It depends what period you're talking about, Senator Ketter, and I would say, as I have said on many previous occasions, that aggregate sector information on performance is not meaningful, and it is more relevant to look at the distribution of performance across the various funds, in the population, where the picture is quite varied, with a number of industry funds, but also some retail funds performing well over the different periods, and a number of industry funds, retail funds and corporate and public sector funds, for that matter, across all segments.

Senator KETTER: Sure. But I'm talking about the year-end December 2017 figures, your own figures.

Mrs Rowell: Well, the figure would be as per the publication, which I'm sure—I don't have that detailed breakdown with me.

Senator KETTER: Now, I understand we've had this conversation on a number of occasions.

Mrs Rowell: Many occasions.

Senator KETTER: I'm interested in whether you're doing any work to drill down on what I would call an outperformance by the industry fund sector. Perhaps one of the areas you could look at is the comparison of asset allocation between the two sectors. Your data very helpfully does provide a breakdown of asset allocation within industry funds and retail funds. Can you confirm that the asset allocation between those two areas is—the differences are fairly small?

Mrs Rowell: Well, again, it depends whether you're talking about MySuper default products specifically, or the whole RSE operations of—

Senator KETTER: I'm referring to tables 3D and 5D of your recent bulletin.

Mrs Rowell: I don't have those tables with me. At an industry aggregate level, or sector level, there are some differences in asset allocation across the different parts of the industry, but when you get down to individual funds, you get much more dispersion or variation in asset allocations. So, again, particularly when you're looking at choice products there is quite varied asset allocation and of course retail trustees have a much heavier proportion of choice products. When you're looking at the default products, even there, there is variation in asset allocation across the different products, because they set their risk and return targets and their risk appetite, if you like, at different levels, and so that risk appetite would be reflected in different asset allocations and that can play out in different returns. So it's really important to focus on what is the stated objective in terms of risk and return that the trustee has set, and how is the trustee delivering against that. That is absolutely something we look at on a regular basis and raise any questions we have with the relevant funds.

Senator McGrath: I think we might maybe take that on notice in terms of any additional information to be found.

Senator KETTER: Senator McAllister has a question.

Senator McALLISTER: I just have a quick one, Mrs Rowell. Can I just clarify, you said that you report at product level, but is that the aggregate impact within an RSE for product? My understanding is that, of course, each RSE may have a number of different MySuper products. Do you disaggregate it down to that level?

Mrs Rowell: The separate MySuper products would be reported separately and the information—

Senator McALLISTER: For each—within each category for each RSE?

Mrs Rowell: I believe so, but I can confirm that on notice.

Senator McALLISTER: Okay, that would be useful. Thank you.

Senator KETTER: Could you take on notice this issue of the difference in asset allocation?

Mrs Rowell: Yes. The other point I wanted to make on that is, again as you would know, some of those MySuper products have a single diversified asset allocation and others have a life-cycle asset allocation, which means that the investment strategy changes over the different ages or with different parameters, so you get quite different asset allocations supporting those different life-cycle stages as well.

Senator KETTER: Nevertheless, it's a useful distinction to make. Otherwise you wouldn't be collecting industry fund data and retail fund and corporate fund data. There is a reason we classify these funds on a different basis.

Mrs Rowell: To be honest, if I had the choice I wouldn't classify them and I'd just look at it at an individual fund level and ignore the category altogether.

Senator KETTER: That's interesting. I'm interested in whether you could come back to me as to what extent you see asset allocation as being different. Can you tell me what else is driving the difference in returns between the two categories, industry versus retail? I put to you that this is an important issue for ordinary Australians, isn't it, the question of people's return for their retirement?

Mrs Rowell: Return for retirement, and other elements of what superannuation is expected to deliver, are very important. That's the whole purpose of our member outcomes package, which we're consulting on at the moment, which is how we make sure that funds are delivering quality, value-for-money outcomes for members. Investment performance is one element of that, but there are a number of other components as well.

Senator KETTER: What will APRA be doing with these results, in terms of future investigations or analysis?

Mrs Rowell: We're already undertaking a lot of work. We've identified what we've called the outlier population, and we've had a very heavy focus on those over the last six or seven months and we're seeing good traction there in terms of some of those funds deciding to wind up products, merge with other funds, transfer their members to other funds or change the problematic features of what they were offering to ensure that it is better value and providing quality outcomes for members. That work is ongoing. We are continually reviewing who is on our radar and those conversations that we have. That's very much a case of us looking at the data and what is being delivered to members in various ways, and if we have any concerns raising those with the individual funds and getting them to address it.

Senator KETTER: My final area of questioning is in relation to this area of APRA's look-through powers, and, in particular, in relation to investment fees where you have related parties. We had a response to question on notice 158 from last estimates—I'm not sure whether it was yourself, Mrs Rowell, or Mr Byres—in which you indicated to us that, 'Where trustees are investing in related party wholesale trusts, where investment fees are paid within the investment bill and bundled into the unit price, trustees are able to report zero investment expense'. You have justified that that's allowable. I put it to you that if one was to say that there was conservatively a 0.5 per cent investment cost then that puts retail funds investment costs in 2015-16 at around \$2.6 billion, whereas they report around \$392 million to APRA. Why is it okay for those investment fees to not be reported in the same manner as other super funds without wholesale related party fund managers?

Mrs Rowell: As I said on previous occasions around this, you need to distinguish between the information that is reported to APRA, which is based on financial statements, and the information which is disclosed to members, which is an ASIC matter where there is a requirement to disclose all of the elements of costs—although that disclosure is currently under review, as you would know. From an APRA perspective, we currently rely on what the accounting framework requires in terms of the allocation of expenditure into different buckets. We agree that that is not particularly satisfactory at the moment. We are looking to get that changed, partly, ideally, through the legislation that would allow look through, and us to implement look-through reporting to a more granular level than we are able to at the moment. Irrespective of whether that particular element of the bill passes, there is some work that we are doing and it's part of our member outcomes package, which is to review our reporting standards and, if need be, move away from the current accounting framework to something that more explicitly requires the appropriate allocation of expenditure to categories, including investments and other operational expenditure.

CHAIR: Potentially, would you be looking at replicating what ASIC have asked for in their RG 97—

Mrs Rowell: We always seek to have alignment between ASIC reporting and APRA reporting on consistent items, where that is possible and appropriate. It's not always exactly the same, but to the degree that we can leverage the same reporting elements and follow what ASIC does, and utilise that, that is better for the industry, in terms of having consistent reporting across the two regulators.

Senator KETTER: Isn't it true that you already have look-through powers under the Financial Sector (Collection of Data) Act 2001?

Mrs Rowell: We have look-through powers in some areas, including in relation to investments. When we did the reporting requirements back in 2013, with the implementation of the Stronger Super reforms, the consultation with industry raised a number of serious concerns around the implementation of detailed reporting, in some areas, which is why we opted to go with financial statement reporting in the initial implementation. Now, three or four

years down the track, it has become clear that that isn't giving us the information we need and isn't providing appropriate transparency. We are tackling that through the member outcomes package and it will be a feature of our post-implementation review of Stronger Super.

Senator KETTER: But whilst neither the standards require it—you do have the power to do it currently.

Mrs Rowell: We would need to go through the consultation process with industry and develop the specifics, in terms of what would be reported and how it would be reported, so it's not something we can snap our fingers and do. In a limited way, in relation to investments, we currently do have some look-through powers.

CHAIR: Just as a follow-up to that, do you have look-through powers with regard to political donations or advertising expenditure?

Mrs Rowell: We don't have look-through powers on other expenditure, only on investment expenditure.

Senator KETTER: Given you do have the power and you say there would be some steps taken, why do you consider it okay not to have look-through power disclosure here?

Mrs Rowell: It was part of the original consultation with the industry where we, initially went out with proposals to collect quite significant amounts of information. The industry raised a number of concerns and issues through that process, so the final implementation led to a reduced set of reporting standards, which is what we are currently working with. We have observed how that's operated over the last few years, noted the deficiencies and are now acting to address them.

Senator KETTER: Just remind me what you're doing to address the issue.

Mrs Rowell: There are two elements or packages of work that are in train. One is our member outcomes consultation, which is making changes to both the prudential and reporting standards around implementation of the member outcomes work. Part of that will be looking at putting in place requirements for trustees to undertake an outcomes assessment, have appropriate strategic and business-planning practices and strengthen the oversight and monitoring of expenditure. We are also doing a post-implementation review of the full Stronger Super prudential framework, including both the prudential reporting standards and guidance. That is likely to lead to review of some aspects of the prudential framework as well, including the reporting on expense.

Senator KETTER: I don't want to labour this point, but you do support government legislation that expands the look-through powers to other cost areas.

Mrs Rowell: We do.

Senator KETTER: It seems inconsistent that you're not using your existing powers to explore investment fees.

Mrs Rowell: We probably would have done it back in 2013, except for the strong pushback from industry.

Senator KETTER: Any particular part of the industry?

Mrs Rowell: It was fairly widespread. Different parts of the industry had different concerns about the reporting framework, because it was a very significant change in the reporting requirements at that time. We had to make some decisions on the most immediate priority and how we could get the right balance between getting useful additional information and not having undue burden on industry.

CHAIR: I've got a couple of follow-up questions to Senator Ketter's questions. Specifically, I want to ask you about some of the member outcomes and accountability reforms. Some industry participants have suggested that the government's reforms contain carve outs that benefit one sector of the superannuation industry over other sectors. Does any of the legislation, as it relates to APRA's remit, provide carve outs for any RSE licences?

Mrs Rowell: So APRA's prudential framework applies to all RSE licensees in a consistent way. Certainly the package of reforms that we are consulting on at the moment, in relation to member outcomes assessments and the like, will apply across the board. So there will be no carve outs.

CHAIR: Does APRA believe that the government's reforms will enable it to more effectively supervise the superannuation industry for the benefit of members of the APRA regulated funds?

Mrs Rowell: There are a number of elements to the government's reforms. We are supportive of the ones that are particularly relevant to us. They include: the enhanced directions powers, the enhanced MySuper product criteria and authorisation and cancellation provisions, the expense reporting look through, the proposal to have a MySuper outcomes assessment, the governance reforms, and the changes in ownership as well. So there are a number of those elements that would give us better ability to respond to industry issues in a more timely and better way than we are currently able to.

CHAIR: You have answered almost all of my questions in your answer, but I do just want to clarify your position on one of those particular recommendations. I'm interested in APRA's position on legislating a minimum one-third of independent directors, including an independent chair, and whether APRA believes that will strengthen governance arrangements for superannuation funds, specifically for the benefit of members?

Mrs Rowell: APRA's longstanding view is that the addition of independent directors, suitably qualified and experienced and capable, to boards in any industry, including the superannuation industry, is of value and does improve outcomes. Particularly in the superannuation space, we are of the view that the appointment of independent directors will improve the capability and the decision-making on boards, which, again, would ultimately lead to better outcomes for members.

CHAIR: Excellent. Thank you very much. That's all I had. Oh my goodness, I can't believe we finished earlier than we thought we were going to! Thank you very much to the officers of APRA for appearing before us today, we will let you go. I also thank Minister McGrath and the officers of Treasury and all the witnesses who have given evidence.

Proceedings suspended from 12:47 to 13:53

JOBS AND INNOVATION PORTFOLIO

Australian Nuclear Science and Technology Organisation

[13:53]

CHAIR: We will now commence examination of Industry, Innovation and Science. The Senate has referred to the committee the particulars of proposed expenditure for 2017-18 and related documents for Industry, Innovation and Science, part of the Jobs and Innovation portfolio. The committee has set 8 March 2018 as the date by which senators are to submit written questions on notice and has fixed Thursday 26 April 2018 as the date for return of answers to questions taken on notice. 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 Senate hearings. If you need assistance, the secretariat has copies of the rules. In particular, I draw witnesses' attention to an order of the Senate of 13 May 2009, specifying the process by which a claim of public 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).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

I now welcome Minister Cash, the secretary of the department, Dr Heather Smith PSM and officers from ANSTO. Minister or officers, would you like to make an opening statement?

Senator Cash: I don't have an opening statement, Chair.

Dr Paterson: Thank you, Chair. I would like to make an opening statement. I'm pleased to report that on 20 December 2017, following an 18-month long process, Australia became a fully active member of Generation IV International Forum—GIF—a partnership through which we will contribute to international work on the development of future energy technologies. Australia's role on this global stage will see us sharing our expertise in nuclear research and technology and will further our non-proliferation and nuclear safety objectives as a nation. I look forward to continuing to share with the committee the work and achievements of this important group. I'm happy to take questions.

CHAIR: Thank you, Dr Paterson.

Senator KIM CARR: Minister, is it your intention to stay here for the entire session of the department's estimates?

Senator Cash: Until Senator Canavan comes in for his part of the portfolio.

Senator KIM CARR: For resources?

Senator Cash: Correct.

Senator KIM CARR: So you'll be here for the cross-portfolio?

Senator Cash: That will depend on a timing schedule. Senator Canavan was scheduled to do that.

Senator KIM CARR: So if we can get the cross-portfolio on before—

Senator Cash: That's fine.

Senator KIM CARR: You are the senior minister in the portfolio, aren't you?

Senator Cash: Both Matt Canavan and I share the portfolio, and obviously the responsibilities are set.

Senator KIM CARR: I understand that. But you are the senior minister in the portfolio?

Senator Cash: We are joint ministers.

Senator KIM CARR: In terms of seniority in the cabinet, who is most senior?

Senator Cash: Senator Carr, if you would like me to be here for cross-portfolio, I'm more than happy to. It was literally a timing schedule for me.

Senator KIM CARR: So you're happy to do cross-portfolio?

Senator Cash: Yes, absolutely. It was a timing schedule. That's why he was coming in.

Senator KIM CARR: That's all I'm asking. I'm not seeking to be difficult. We have agencies here. I understand officers from the agencies have travelled from interstate, so I'm more than happy if we could deal with those. Perhaps next time we could put cross-portfolio at the beginning, Madam Chair.

CHAIR: I'm quite happy to take any submissions you may have on the agenda, Senator Carr.

Senator KIM CARR: I know there are different ways of dealing with this on other committees, and it has been advertised this way, but if you could, Minister, that would be appreciated. So if I could begin with Dr

Paterson, in terms of the question of waste management, are you currently responsible for managing the low- and intermediate-level nuclear waste?

Dr Paterson: For the Commonwealth intermediate-level waste and low-level waste that is generated in ANSTO, ANSTO takes responsibility for that waste as part of our ongoing operations.

Senator KIM CARR: How much of that material is there?

Dr Paterson: In terms of the intermediate-level waste, we have had intermediate-level waste returned from France, and I will give a summary on notice of the holdings. There is the waste component and then there are the containers that contain the waste. It's important to distinguish between the two.

Senator KIM CARR: I understand that. There is an amount of material that's required to be returned from overseas, is there not, or has it all come back?

Dr Paterson: It has not all come back at present. The return from France was in relation to fuel that was used in the HIFAR reactor, which is currently in a possess and control state prior to decommissioning. There is a holding of waste in the United Kingdom. That waste is in a fairly similar form to the waste that will be returned from France, in a very similar container, and that's due to be returned in the early part of the next decade.

Senator KIM CARR: There is a volume of material currently at Lucas Heights, is there not?

Dr Paterson: In terms of the waste holdings from the operations of the Australian Atomic Energy Commission, which became ANSTO, and the ANSTO operations from the formation of ANSTO, there is a holding of both intermediate and low-level waste.

Senator KIM CARR: Is it stored in drums?

Dr Paterson: It's often stored in drums. The vast majority is in the form of material that is in drums. We also have liquid holdings, and we have some quite specialised wastes relating to previous missions of the Atomic Energy Commission. We also have some material which is potentially able to be sent to countries interested in utilising it for their own peaceful research and technology purposes. We tend to classify it in some detail and I'm prepared to provide a summary of the holdings that we have.

Senator KIM CARR: If you could, please. It's been put to me that this material should stay at Lucas Heights. Is that possible?

Dr Paterson: The holding of waste in a science and technology facility is not a good thing to do. The science and technology mission of ANSTO provides massive benefits to our society, beginning with nuclear medicine and new nuclear medicine introduction in the future, as well as operating facilities for our research communities at universities and in industry. That is the primary use of our site at Lucas Heights. We have a small site at Clayton, which doesn't have significant waste holdings, which has got a medical cyclotron, which is used to develop new techniques to provide development of new drugs, new imaging procedures and so on. The Australian synchrotron, which is also a licenced facility, has no significant nuclear waste holdings, although there is some activation of the synchrotron through its normal operations.

It would be unusual for a nuclear science and technology facility to, through the course of time and without consultation and reflection, become a de facto long-term waste holding facility. That would be extremely unusual. Countries globally have tended to agree that there needs to be a dedicated approach to this that doesn't just deal with an individual institution's waste. For instance, at the level of the Commonwealth there are wastes held by our counterpart organisations like the CSIRO. There's a small amount of waste, for example, at ARPANSA, our regulator, in Melbourne. The Department of Defence holds some waste as well. One needs to think about this holistically, even from a Commonwealth perspective. The Commonwealth inventory is important in terms of planning for a low-level final repository and for a store for any intermediate-level waste. Our national legislation is not just Commonwealth legislation, it is national legislation. Because it's national legislation, it's important that the Commonwealth, in discussion with the states and territories, comes up with an agreed and holistic approach to the management of intermediate-level wastes and low-level wastes that are held as a result of, for example, medical procedures. In a number of cases there are old mining facilities that had some radioactive materials associate would them, and so on. So from a national perspective and from ANSTO being a governmental agency, we take the view that we must help and support all actors in understanding their waste holdings and work with them to get a comprehensive but singular approach to all Commonwealth and national wastes in the form of a national waste repository for low-level waste and a store for intermediate-level waste.

Senator KIM CARR: Of course there is hospital waste, isn't there?

Dr Paterson: Yes. There's a large amount of hospital waste. Typically, hospitals have had sources that are used historically for treatment. They have other sources that are shorter term in nature that are to do with other

forms of therapy. And they generate waste during the course of, for example, treating patients who receive nuclear medicines either for diagnostic or for therapeutic purposes. There are many hospitals across Australia—in fact, probably a couple of times a year we assist hospitals to think through and manage their wastes—the decommissioning of buildings, for example. ANSTO provides services to universities that had undertaken research into minerals, for example, where there has been a concentration build-up of waste material in university buildings. So waste is not a locational problem at Lucas Heights; it's a distributed opportunity to have a leadership position in smaller countries that don't have nuclear power programs to have a world-class management process for the wastes that are generated to public benefit across the health sector, the industry sector, the science and technology sector, so that we could demonstrate that as a country the leadership position we hold—we stood on the board of the International Atomic Energy Agency—that we in that position can demonstrate that we are always thinking carefully and properly about these things.

Senator KIM CARR: There have been reports of nuclear waste being stored in filing cabinets, for instance. Does that happen very often?

Dr Paterson: We have, when asked to evaluate certain facilities, found sources in filing cabinets. We've found them in basements, below stairs—so it's certainly the case that if there isn't a clear management approach at both the state level and the federal level, over time it becomes more difficult to manage. And that's why there's been such a keen interest, from all of the people who produce benefits from the use of nuclear technology in the work that they do, that the Commonwealth, with the general agreement of the states, has been developing ideas in relation to a national waste repository.

Senator KIM CARR: How many doses of radiopharmaceuticals do you issue a year now?

Dr Paterson: In the context of Australia, on a weekly basis about 10,000 doses of diagnostic nuclear medicine are utilised in hospitals across Australia. We also supply a similar diagnostic capacity into New Zealand. At present, in a bulk form, we are providing about 16 per cent of global supply of Mo-99, which is the parent product of technetium-99m, which is the most widely used diagnostic isotope. It is only produced in nuclear reactors and it is responsible for 80 per cent of all diagnostic procedures in nuclear medicine. That's about 44 million diagnostic procedures a year globally, and I'm proud to say that ANSTO is now responsible for about nine million of those.

Senator KIM CARR: Does that have a residue—does a waste product come from that?

Dr Paterson: The waste product that is generated is in the form of liquid wastes that arise from the chemistry of extracting the Mo-99 out of the target plates that are irradiated in the reactor and, of course, from the operation of the reactor—there's some waste associated with that as well. But the basis on which we do this, globally, is that the disproportionate public benefit of those medical procedures—and indeed, the research that takes place in using research reactors—offsets the limited residual risk of managing that nuclear waste. There's a good understanding of how to manage nuclear waste globally. There are well-established processes for the types of waste that we have here in Australia. We've got excellent contractual arrangements with the French and with the UK, and now a new contractual arrangement is being finalised with the French to deal with the waste materials from our fuel, for example, for the full life cycle of the OPAL reactor. So, well ahead of time, we have a plan, and we have a predictable set of outcomes; and a plan and predictable outcomes should lead, I hope, to a national waste repository and store that meets the global standards that I've been talking about.

Senator KIM CARR: Is it the case that ARPANSA actually has some regulatory conditions upon your operations which go to the issue of the management of waste?

Dr Paterson: I've had discussions with the regulator and been in meetings with the regulator, where ARPANSA has indicated clearly that there has to be a disposal pathway in relation to all intermediate-level waste. This is good practice because the intermediate level wastes are stored, and then for a period of time a final disposition pathway is developed through research, investigating best practice in other countries, working with other small countries in the IAEA to develop that final disposal pathway. I'm pleased to say that we are involved in some of that work in the International Atomic Energy Agency, and are invited to their meetings to reflect on those final pathways. The position that the regulator has taken is that Australia, in order to continue to operate our facilities, should have disposal pathways that are being researched in order to provide assurance both to the public and to the broader community of nuclear science and technology organisations that we, indeed, are managing the whole lifecycle of waste. I can say without equivocation, Senator, that I fully support the regulator in this regard. Predictability is very important in the work that we do, so far from in any way disagreeing with the regulator, I tend to share the view that has been taken.

Senator KIM CARR: So is it the case that if the country doesn't sort out the waste issue your operations at some point may well come into question?

Dr Paterson: I think that's a question for the regulator but I would hate to see a situation where a lack of leadership and a lack of attention to the future created a condition where the present important supply, which I have outlined to you, was not able to be sustained in a way that helped our society.

Senator KIM CARR: You've mentioned the molybdenum-99 manufacturing facility. Is that completed yet?

Dr Paterson: The practical completion has been achieved. The cold commissioning reports have been submitted to the regulators. We've had our first inspection by the TGA from a medical perspective. So we're in the process of finalising those processes, which I hope will lead to a hot commissioning phase. That phase can be relatively short, and then we'll be able to produce nuclear medicines first for Australia and then subsequently, when the regulatory actions are complete, for the overseas setting as well.

Senator KIM CARR: When do you expect that regulatory process to have been concluded?

Dr Paterson: We never anticipate the actions of regulators—

Senator KIM CARR: I appreciate that, but you must have some sort of projection as to how long this will take.

Dr Paterson: Towards the end of March.

CHAIR: Dr Paterson, in previous estimates I've told you that I went to visit the synchrotron site in Victoria and it was absolutely fantastic. I was blown away by what was being achieved there. I wonder if you have any recent updates for the committee in any areas that the synchrotron is working on now?

Dr Paterson: Thank you very much, indeed, Chair. We have continued to work in a range of fields with the synchrotron. As you know, it's a multi-user facility and attracts people from all over the country. Recently, at Science meets Parliament, we asked two of our beamline scientists to share with the parliament and the people they visited some of the work that is happening in the medical area.

One of the really exciting things is in the area of heart valve replacement. Heart valve replacement continues to develop. Often with those who benefit from heart surgery, if they have a very long period of survivability, those heart valves start to wear out a little bit, so the next generation of heart valves will be made with different, more resilient, materials, and they'll also be lighter. That puts less stress on the heart as the heart operates. Dr Katie Sizeland, who is one of our young beamline scientists, has been working in this field and utilising the facilities at the synchrotron to qualify these next-generation materials. The benefit for society out of this is that the patients will have reduced recovery times, the surgery becomes less invasive and, because the surgery is less invasive and the recovery times are shorter, the overall burden on the health system is reduced.

Another one which I find a very interesting is about the taking of medicines. It is a really challenging issue if you get new types of medicines that can break down if they are not absorbed by the body correctly. Dr Adrian Hawley, who also attended Science meets Parliament, is working on new oral delivery mechanisms for taking medications normally injected or absorbed into the body in other ways. That work is in order to improve both malarial medications, which obviously would mostly serve developing countries, and some cardiovascular medications, which are hard to administer by other means. The interesting thing is that they've gone all the way back to milk to do this. They take some of the components of milk and use them as the 'container', if you will. Milk is no longer in a container, it becomes a container for these medicines, to take them through the gut in a way that they can be absorbed.

They are just two examples of the many. Normally this work is done with other groups from other universities. It is exciting for us to bring the power of the synchrotron to the partnerships we have with the university sector, and the medical research sector is particularly exciting.

CHAIR: I'm so glad you brought up Science meets Parliament week, particularly the dinner. I know I saw you there, but I sat with one of the superstars of SEM, Dr Veronica Power. What an extraordinary woman she is! I know ANSTO is one of the great champions of increasing the involvement of women, both in its organisation and in science and technology more broadly. Do you think you could tell us how ANSTO is addressing the issue of gender equality and diversity in the workplace?

Dr Paterson: When the discussion started in Australia about joining with the Athena SWAN program in the UK, I took the opportunity ahead of the meeting that took place in Australia to visit the research unit in the UK that developed the thinking behind Athena SWAN because, to me, it was tremendously important to understand what had happened in that setting as we started to think about it in Australia. ANSTO was invited to the first meeting, which was chaired by Brian Schmidt and other colleagues from the sector. I sent one of our senior

managers and one of our emerging women leaders in the organisation to attend that meeting. When I was briefed on the day following the meeting, I was moved to write to Professor Schmidt to say that ANSTO would like to participate in the first pilot of SAGE. When I hadn't heard from him early in January, I phoned him up, and he said, 'We were only expecting to get going in March, but you're the first in the queue.' It is, I think, important that our organisations are absolutely committed to gender equity, that the women in science have career pathways that are much more predictable than they were in the past and that they are able to be afforded opportunities to have all of the richness of child-bearing and child-rearing in partnership with their partners but without a negative impact on their careers.

So ANSTO is, indeed, a member of the SAGE process—Science in Australia Gender Equality. We are completing our first submission for a bronze award that will go in later in March. It's been a wonderful journey just understanding the things that are going well in ANSTO but also the things that are not going so well. And I think we all have to reflect on some of the blockages that you just don't see until you think about it differently. I think that the SAGE process has got off to an excellent start. I've attended the Sydney meeting and the Brisbane meeting—the two annual meetings that have been held so far—and I find the energy that it creates and the commitments and the thinking that it generates are absolutely important. So, we will remain committed to the science and gender equity process in Australia. But I must say that, in my executive, we've been working overtime to get a better gender balance, and I now am pleased to say that there are three women on ANSTO's executive. The three women who are on ANSTO's executive command 80 per cent of the resources of ANSTO because they are the head of our nuclear science and technology and landmark infrastructure group, Dr Simone Richter; Jayne Senior, who runs our businesses; and Pamela Naidoo, who has recently been appointed as Group Executive, Nuclear Operations. They command a very substantial proportion of ANSTO's activities. This is very exciting for us, because, at the top end of a historically male-dominated nuclear industry in Australia, we now have three incredibly talented women on the executive of ANSTO.

CHAIR: That's very encouraging. Thank you, Dr Paterson, and thank you for your contribution to the Science meets Parliament week; it was terrific. Senator Rhiannon.

Senator RHIANNON: I want to ask some questions about the involvement of the Brewarrina Shire Council with regard to a possible national radioactive waste facility being located in that council area. Was Brewarrina council approached by ANSTO, or a representative on behalf of ANSTO, to initiate the nomination process for a national radioactive waste facility?

Dr Paterson: Not to my knowledge. I met with somebody from that council who indicated they were initiating a process. We had a brief discussion. But I know nothing more about that.

Senator RHIANNON: You said, 'Not to my knowledge.' As ANSTO is a big organisation, can you take it on notice to ascertain whether it was ANSTO that approached Brewarrina council or Brewarrina council that approached ANSTO?

Dr Paterson: I would not be in a position to make such an investigation, because we have many people in our organisation who operate in their private lives in all sorts of different capacities, and they may, indeed, have been involved through other capacities. What I can say is that, to my knowledge—and I'll investigate in terms of our communications—from an ANSTO perspective, there was no employee of ANSTO who was involved in initiating the process you described.

Senator RHIANNON: Could you take it on notice? I'm not asking for anything to do with private lives; I'm asking that, because you spoke in a personal capacity, you would check if ANSTO in any way has been involved. Has Brewarrina council put forward any preliminary information regarding their intention to nominate as a location for this waste facility?

Ms Weston: The questions you're asking are probably better addressed to the department, a bit later on. There's leadership being undertaken by Senator Canavan on considering the location for storage of waste. The department is on a bit later on this afternoon. The policy work is being done in the department. We'll try and get some people here. They're just not here right now.

Senator RHIANNON: Could I just check with the chair: what time is that on, please?

Ms Weston: It's after dinner, I think.

CHAIR: It is. It's after dinner.

Senator RHIANNON: So I shouldn't be pursuing it with ANSTO; I should be pursuing it with the department?

Ms Weston: Yes.

Senator RHIANNON: Thank you for clarifying.

Senator KIM CARR: Just briefly, as to the synroc facility: where's that at, at the moment, Dr Paterson?

Dr Paterson: Synroc is a material which was conceptualised by Dr Ted Ringwood at the Australian National University in the mid to late seventies. His idea, which is a very profound idea, was that, if you made a synthetic rock that had similar properties to the most ancient rocks on earth, you would have a predictable way of storing waste in those rocks, because, from what are called natural reactors—reactors that happened to operate on the planet over a billion years ago—where there were large amounts of uranium, in those ancient rocks, we know exactly how far the waste has moved over the last billion years. Once you know how far the waste has moved in the last billion years, and you can create a rock—a synthetic rock, which is what synroc means—that has the same properties, you can provide very strong assurance to the public that that is a safe waste form. So Ted Ringwood's idea is a very profound idea.

ANSTO, over the last few decades, has continued to pursue that idea, first from a chemistry point of view, to get the chemistry of how you put these rocks together, from the processing point of view, of how you then create the synthetic rock, to the point we're at today, where we also know that the economics of producing synroc are attractive. So, if you've got the chemistry, you've got the process engineering and you've got the economics, you've got the basis of creating a sustainable waste form in the form of synroc.

As we were conceptualising the work for the liquid wastes on the site, we used the liquid intermediate-level wastes that are produced in the production of nuclear medicine as a test case for the development of an engineering concept for a synroc plant. A number of years ago, that reached some level of engineering maturity, where we felt that it would be important to put that idea forward to government as part of the package that involved the establishment of the new ANSTO nuclear medicine facility. The engineering is advanced. We have a pilot facility which will do cold testing. By cold testing, we mean testing non-nuclear materials that simulate nuclear materials. At very small scale, we've demonstrated this already in the laboratory many times. But it's important now because, if we're processing intermediate-level waste in such a facility, we'll be moving into a situation where that takes place in hot cells, and so, by having a cold facility, you can really do all of the detailed engineering that you need to do. A number of elements of that plant are in place. The engineering team that has been assembled to do the work has been fantastically creative and inventive and has eliminated some challenging aspects of building this type of facility. In fact, I think if we had built it in the 1980s, it probably would have been a bit early. We've had to wait for some technology developments which have reduced the total amount of radioactive activity that's present in the liquid form at any time. We have a much better understanding of the hot isostatic pressing. That is the combination of heat and pressure that you use to make the synthetic rock. The quality of the engineering is being independently reviewed internally, and we've also had one external independent review.

Over the next period of time, as the ANM plant is completed and begins operations, the intention is to begin the construction of the synroc plant. In fact, the site has been cleared and the fence is up. We are fairly shortly going to begin construction of the world's first operational-scale synroc plant at Lucas Heights. The process of developing that and talking about it internationally in waste management forums and conferences has created considerable interest. A number of institutions have approached us to stay in touch with the development of the synroc plant.

From an economic point of view, instead of taking your intermediate-level waste and putting it into cement, where the volume increases by a factor up to 10, putting it into synroc, you can reduce the volume of that liquid by a factor of four. Four times 10 is 40; so the volume of your waste form goes down by up to a factor of 40. The economics of nuclear waste is the economics of volume. So, if the volume goes down, the overall life-cycle cost goes down. So the reason for synroc is not just to test Ted Ringwood's proposal; it is a very practical economic approach to intermediate-level liquid wastes of the type that are found attached to nuclear medicine production facilities. In fact, those are some of the people who are very interested in it. It is also very useful for difficult and intractable wastes that are produced in the nuclear power industry and, in fact, a whole lot of wastes and residues that are associated with programs that have taken place across the world. I anticipate that, during the course of this calendar year, we will progress conversations on at least two continents in relation to future applications of synroc technology at very senior levels and decommissioning agencies and other areas.

Senator KIM CARR: Do you have any sense of how long it will take to recoup the Commonwealth investment?

Dr Paterson: The Commonwealth investment will be recouped and fully paid for by the nuclear medicine facility for which we are building this plant. For any international nuclear medicine sales, we attach a charge which will pay for the waste, so that we don't incur Australian costs for waste that is attributable to overseas

activities. The aspiration that ANSTO has—and at the moment it has to be turned into a more detailed business plan—is that we will maintain, for decades, what is called architect engineering capability—the ability to develop in Australia solutions for waste forms around the world. If you can control the architect engineering capability, the other countries that you go to build the bricks and mortar, the hot cells and they do all of the stuff that they will want to do for their own countries, but the inner workings of these facilities could be retained as intellectual property for Australia.

Senator KIM CARR: And you're not anticipating bringing the waste to this country, are you?

Dr Paterson: I don't think that that's a practice that we would anticipate for the volumes of waste that we're talking about. We think value creation right across the planet with the best waste solution, based on work that initiated in Australia and engineering that is controlled from an intellectual property point of view from Australia, is the most obvious business model to pursue at this point in time.

Senator KIM CARR: Will ANSTO be making a submission to the Senate inquiry into the dump that's being proposed in South Australia?

Dr Paterson: I have been approached by the department to discuss this. It makes a great deal of sense to me that we do, indeed, make a submission to that inquiry. I think it's a very timely inquiry. It's a critical point in the journey. I believe that we can make a very strong case for leadership in the management of waste forms, for the full life cycle of intermediate-level waste in Australia, for the inherent safety of operations of these facilities, and for a comprehensive national solution to the challenge of managing nuclear waste in Australia for the benefit of our society.

Senator KIM CARR: All of that has been pretty easy so far today, Dr Paterson. I'd like to talk to you about something that might be a little bit more interesting, the National Measurement Institute's amalgamation. Where is that at?

Dr Paterson: We had a board meeting in February in which I updated the due diligence process that we are undertaking in concert with the department and with the NMI. The board accepted and received the report that we gave. That indicated that there is strong synergy in the science and the national strategy aspect. There are still some matters which are open, and I have reported those matters to the department, and they are taking up those aspects of the discussion at the moment.

Senator KIM CARR: Are you familiar with the market sounding project that KPMG has undertaken to the cost of \$141,000?

Dr Paterson: I have not studied the document myself, but I've heard that terminology used.

Senator KIM CARR: This is a report that was undertaken by KPMG to the privatisation of the Australian Forensic Drug Laboratory, the Australian Sports Drug Testing Laboratory, the Ultra Trace Analytical Laboratories, the Analytical Services Branch. Is that the case?

Dr Paterson: I haven't seen that report; I want to pass that to—

Ms Weston: As part of the department's appearance later on, we will have the NMI available to answer those questions. But it is the case that we did do a market sounding, and I think we answered that question and provided you the report after last estimates. But I think the report did indicate that it wasn't appropriate at the time to proceed with any outsourcing in that way.

Senator KIM CARR: Privatisation?

Ms Weston: Yes.

Senator KIM CARR: That's right. Because there was a series of problems associated with loss of capacity?

Ms Weston: Loss of capacity. There are also some parts of the economy that can't do the things that—

Senator KIM CARR: That's right.

Ms Weston: There wasn't interest in doing things that the NMI did.

Senator KIM CARR: That's right. There was a consultation with a number of international companies. We actually need this work done, particularly in regard to sports medicine and a whole series of drug-testing facilities for police and other law enforcement agencies—so this is quite an important service that's actually provided. Is that the case, Ms Weston?

Ms Weston: At the moment there is no intention to outsource those activities.

Senator KIM CARR: I see. Dr Paterson, if this body is taken over by ANSTO, is it your intention that those services would be maintained?

Dr Paterson: There are very important synergies in our study to date. If I take the example of chemical-based forensics, there is a very strong traceability and forensic capability in the NMI that is based on chemistry we undertake on behalf of Australia nuclear forensics. One can see the immediate utility of putting a chemical forensics capability that serves the Federal Police and state police groups and the nuclear together, because sometimes the chemistry and the nuclear do overlap. So that's a very good example of a capability, the nuclear forensics capability was developed by ANSTO in the national interest. We have continued to invest in those capabilities. In fact, we run regular workshops in the region on nuclear forensics to develop the overall capability to trace the management of nuclear material in our region. Similarly with chemicals, I think there is great utility in using the very precise techniques that have been developed by the NMI, which are genuinely world-class, in synergy with the nuclear techniques to provide even greater assurance to government and to the stakeholders of the government that these will have a lasting, single-management footprint.

Senator KIM CARR: Dr Paterson, are you aware that the National Measurement Institute has begun consultations to increase certain fees by up to 340 per cent?

Dr Paterson: I'm not directly across all of that. I do know from discussions with senior officials in the department that the economic model needs to be robust for the operation of the National Measurement Institute. Indeed, that's one of the conditions that our board has put on it: that there is a clearly demonstrable operational model that is sustainable into the future.

Senator KIM CARR: Minister, is it the intention of the government to fatten the National Measurement Institute before privatisation?

Senator Cash: This is a matter that's currently sitting with the department, so any information in relation to that would be provided by the department.

Ms Weston: There is no plan. The current plan we are looking at is the sustainability of the NMI, and we are talking with ANSTO, as Dr Paterson has indicated, to see what synergies there can be and whether it works that the two groups are together. It is a due diligence exercise at the moment. We are working through it carefully and thoroughly. We haven't made a decision about that integration, but there are certainly no plans at the moment about privatisation.

Senator KIM CARR: Dr Paterson, have you looked at the EB for both your staff and the National Measurement Institute staff? Do they match?

Dr Paterson: They have both been looked at. There are differences. I think that's probably the summary that I could give at the moment. How that consequentially impacts any future decision would be dependent on that decision.

Senator KIM CARR: I see. That's a critical issue, is it?

Dr Paterson: It's not on the most critical list, it is an important one to ensure that staff are treated well and that, if there is indeed a change in the management arrangements, they are brought into a setting where they feel that they can excel and where they feel that they can be looked after and well treated within that setting.

Senator KIM CARR: Ms Weston, there has been no decision taken about the amalgamation.

Ms Weston: Correct.

Senator KIM CARR: Has there been a decision taken about what to do with the National Measurement Institute other than amalgamation?

Ms Weston: If the amalgamation doesn't look like it will work and the board are unhappy with that arrangement, the division will remain a division of the department. We have no other plans for anything other than this integration examination at the moment.

Senator KIM CARR: Can you indicate to the committee when you expect a decision to be made on that matter?

Ms Weston: I can't quite indicate, but I do expect that some time this year we will be in a position to know whether the integration is feasible.

Senator KIM CARR: Thank you.

CHAIR: Perfect timing, Senator Carr. Senator Bushby, do you have a question for ANSTO?

Senator BUSHBY: Yes, a follow-up question initially to some questions you had about some of the breakthroughs, particularly in the medical area. I understand that ANSTO is contributing to a clinical trial of a new treatment for pancreatic cancer. I was recently involved in a select committee looking into the treatment of

rare cancers and some of the challenges of treating pancreatic cancer. I'm very interested to hear what your involvement is and how that is going.

Dr Paterson: Thank you, Senator. In fact, yesterday, I was talking to a team that is involved in this. The company is an Australian company called OncoSil. They have developed a new treatment for pancreatic cancer. As people may be aware, pancreatic cancer is a very aggressive form of cancer. Nineteen out of 20 people who are affected by this disease die from the disease itself. It's because of the key role that the pancreas plays in integrating all of the things that happen around our gut that it is such a serious and difficult cancer to treat.

This company has come up with a really novel approach of encapsulating a particular isotope, phosphorus 32, into a plastic matrix, and then using the insertion of that plastic matrix as a device to release that radiation in a predictable way into the cancer-affected areas, without affecting the non-cancer-affected areas. P-32 is an interesting isotope, because, of course, our DNA has phosphorus in it, and for many years it was used scientifically to understand how DNA works. This is a very different application. This is using the properties of P-32 to deal with a very aggressive cancer. So it's a well-understood isotope. The particular development which is so interesting is the ability to get a highly activated form of phosphorus 32 into contact with the cancer. These clinical trials are at an early stage. They are taking place in Australia and in other countries. I believe that, over the period that they've been evaluating this, in terms of the patients who have been treated, 100 per cent of them showed no spread of the disease up to 16 weeks after implantation.

Senator BUSHBY: 100 per cent. That's incredible.

Dr Paterson: It's a small group at the moment. We mustn't overanticipate it. A significant number of the patients had a 70 per cent reduction in the size of the tumour after 12 weeks. It's going after the progression of the disease, but it is also going after the continuation of the disease, if I could make that distinction. This is a wonderful early indication of the utility of this type of treatment.

Senator BUSHBY: And ANSTO's involvement is?

Dr Paterson: ANSTO is producing the P-32 in the OPAL reactor. If this were to develop, it is my understanding that the facility that actually encapsulates the P-32 might be co-located in Lucas Heights, with ANSTO, because that would be the obvious way to get the best activity out of the P-32 into the device and to the clinicians. We should always be very cautious with trials and not overclaim, but these are factual statements about the utility.

Senator BUSHBY: What is the time line of the trials from here and when they're likely to reach a point—

Dr Paterson: Normally, the development of these trials takes two routes. One is that you have to go through all of the stage 2 and stage 3 trials. There is also the other route, which is for cases where there is literally no other treatment available. The TGA has a scheme for compassionate use, so that might become available as well. But this company, I think, still has to develop its ultimate supply chain. I will leave that to the company, but it is exciting for ANSTO to be invited to be involved in this. It's because of the particular aspects of the design of the OPAL reactor that makes it a particularly good reactor to produce the type of P-32 that they want. So there is a distinct advantage to potentially locate this facility in Australia, because, without going into too much technical detail in this case, we have a very cool reactor where it's not meant to be hot, and that makes us work better.

Senator BUSHBY: I will take your word on that. It sounds fantastic. I look forward to hearing more about how that goes down the track. Just one final thing: did I hear you say in your opening statement that ANSTO is partnering or working with international groups on nuclear energy technologies?

Dr Paterson: Yes; correct. There is a prohibition in Australian law against nuclear power in the country, but there is a great opportunity to know what is going to happen with the next generation of nuclear reactors, from about 2035. These are called generation IV reactors. The current generation reactors are called generation III-plus reactors. Generation IV reactors are represented by six designs, which the people who are thinking about the future of nuclear energy think might have particular utility. Some of these designs operate at higher temperature. That means you get more energy out in the form of electricity because the temperature difference drives the amount of electricity you can produce. Some of those reactors actually burn the spent fuel from the current generation of reactors. So, instead of putting the spent fuel underground, you will take it out of its fuel assemblies and put it into these reactors. I'm not sure if the senators know this, but we only burn five to 10 per cent of the uranium in the current generation of power reactors, so there is about 80 or 90 per cent left. If you can burn that fuel in the next generation of reactors, you don't have to mine the fuel. You can use the fuel that's already available; it has already been processed and so on.

Senator BUSHBY: What percentage of that fuel would be used or burnt in a gen IV reactor?

Dr Paterson: Typically, these are called high-burn reactors. If you got exactly the right fuel cycle—and that's what the research is about—you could burn all of it.

Senator BUSHBY: All of it, did you say?

Dr Paterson: Yes.

Senator BUSHBY: So that would leave no waste?

Dr Paterson: It would dramatically reduce the amount of waste. Instead of spent fuel being a burden of cost, it becomes an opportunity to fuel—by calculations that I've seen done by some of my peers—about 3,000 years of uranium fuel available out of the ground already for the planet.

Senator BUSHBY: The anticipated use under a gen IV?

Dr Paterson: In the gen IV scenario. It genuinely almost looks like a renewable resource.

Senator BUSHBY: Interesting. At the same time, it has the potential to remove a lot of the concerns in an environmental sense around nuclear?

Dr Paterson: Absolutely. You know the challenge of spent fuel and the challenge of waste are fairly similar. There is public concern. People have the sense that this is a large volume of material that could be used in other ways. In fact, a number of countries like France, for example, reprocess their fuel in order to get more utilisation out of it. A large number of countries choose to store their spent fuel. The great thing about storing is that it is available for that next generation of reactors, and that's the opportunity.

The other part of this is that this is not just a 'sign a form and you can join' thing. You have to have real technical knowledge that you can bring to these discussions, because it's mainly technical discussions. It's the work that we do on safety cases—the work that we do on things like Synroc and the waste, which I was talking to Senator Carr about a moment ago—and our work on materials. We were technically evaluated by the countries that were members already and found have to sufficient knowledge to contribute in a valuable way, and the leadership team that's working on it is doing an exceptional job.

Senator BUSHBY: Fantastic, I look forward to hearing more about that as well.

Senator COLBECK: The processes you were just describing to Senator Bushby, would they be similar to some of the proposals that were coming out of South Australia? Their proposal was to utilise spent rods and use that as the basis for an industry, if you like, in South Australia—that is, they would take in spent material, then use it for generation of energy and, at the same time, utilise and reduce the amount of waste that was remaining in the global sector.

Dr Paterson: Yes. There were two strands of thinking in the South Australian discussions. The one was to have the spent fuel and then consider building reactors that could burn that spent fuel in order to provide electricity in the South Australian setting. That's often associated with a General Electric reactor design called the prism reactor, which has the utility of being able to burn the spent fuel. The other part of the South Australian discussion was simply to become the store for spent fuel, which, if one thinks about it, has a potential utility with this next generation of reactors. If you've taken title to that fuel, you would have a great resource to then redeploy in that generation of reactors. These are scenarios, not plans, but I—

Senator COLBECK: No, I understand that, but I was aware that there have been some discussions, particularly out of South Australia, about making that a future industry for the state, if you like, utilising that spent resource.

Senator COLBECK: Yes. We are monitoring this on a global setting. There are other countries keen to do this. Mongolia is an example. Certainly a number of countries around the world are thinking about the opportunity that is created by fourth-generation reactors and that sort of access you're describing.

Senator COLBECK: But, it is a potential opportunity?

Dr Paterson: Certainly. If one looks at the economics and the rational economics of it, I think it is an opportunity.

Senator COLBECK: Thank you.

Senator LEYONHJELM: Just a quick follow-up to the P-32 comments you were making: how do you make phosphorus radioactive?

Dr Paterson: I will generalise the question: how do you make anything radioactive? It's a great question. So most nuclei of atoms—that's the bit in the middle; the electrons go around the outside. The bit in the middle of the atom has got a number of protons that tell you what its chemistry is and it has a number of neutrons which tell you how stable it is. Stable nuclei have about the same number of protons and neutrons, but if you have excess of

protons or an excess of neutrons relative to that nucleus, then as you get further and further away from that balance they become radioactive. That radioactivity is because the stability of the nucleus is reduced. If you take P-32, for example, you would take a more normal phosphorus atom, you would inject an extra neutron in there, that extra neutron makes it is less stable, and, according to a statistical law, the total number of phosphorus atoms that you have in that group of radioactive atoms, they decay with a half-life that is well known.

Senator LEYONHJELM: What injects the additional neutron into the atom?

Dr Paterson: There are two ways to do it. One way is to use a nuclear reactor, which in our case is a neutron factory. Within the reflector vessel of the reactor, large numbers of neutrons are produced.

Senator LEYONHJELM: So you bombard it?

Dr Paterson: They get captured by the atom in question and that results in this change. The other thing that one can do sometimes is introduce the neutron into another compound and then it decays in a way that it becomes something else. The interesting thing is the old philosopher's stone legend was can we turn lead into gold? That's in fact what we do with nuclear science and technology—we turn one element into another—thereby answering the question it cannot be done with chemistry, only with physics.

Senator LEYONHJELM: I got a little leaked supply, if you're short. Was this technology to make phosphorus radioactive? Is it done elsewhere in the world? Did you develop the technique and who are you competing with?

Dr Paterson: P-32 has been around a long time. As I say, it was used very extensively in the understanding of DNA and how DNA worked in the early days, because what you would do was feed phosphorus into an organism, and it would incorporate it into the DNA and then you could use the radioactivity in the DNA to find out where the DNA was and how it worked. Many research reactors over the years have made P-32. But what you want to be able to do in this particular case is to make the P-32 in combination with the device that is going to go into the body in a way that optimises the production of the P-32 and doesn't damage the device, and that's the particular advantage that the OPAL reactor has. Many people can make P-32, but can you make cool P-32, which is the differentiator that we have in the reactor thereby having the most utility in the device.

Senator LEYONHJELM: Alright. I don't think I will understand it if I push it any further.

Dr Paterson: I won't try to explain it further then.

CHAIR: I think that's all the questions that senators have. Thank you very much to ANSTO. Can I just say, Dr Paterson, that your knowledge is just extraordinary. The work you do is fascinating and your enthusiasm is contagious. Thank you very much for appearing at estimates. It is always a pleasure.

Dr Paterson: Thank you, I will take the message back to the team.

Senator McALLISTER: Minister, I have a question in fact for you. In relation to remarks made by the Prime Minister in the House just now in relation to—

CHAIR: Is that relevant to this committee, Senator McAllister?

Senator McALLISTER: It is relevant to the minister in her role as minister.

Senator BUSHBY: This isn't question time in the Senate. This is a committee of estimates to look at the portfolio.

CHAIR: We have very limited time and are already running behind.

Senator McALLISTER: I don't actually think this will take long to sort out, Chair, and I think it is probably in the minister's interest to address this now.

CHAIR: I don't think I can rule on this one, Senator McAllister, without knowing in advance, so perhaps you and I could go outside and have a private meeting and we could discuss it then.

Proceedings suspended from 14:53 to 15:04

Anti-Dumping Commission

CHAIR: The committee will now reconvene, and we have before us the Anti-Dumping Commission. Senator Carr, do you want to kick off the questions?

Senator KIM CARR: Commissioner, good afternoon. You have been reappointed as the commissioner, have you?

Mr Seymour: Yes.

Senator KIM CARR: Congratulations. How long is your term?

Mr Seymour: Three years.

Senator KIM CARR: That's very good, very good indeed. I look forward to working with you. You obviously enjoy the job?

Mr Seymour: Yes, I do.

Senator KIM CARR: How would you rate the performance of the commission?

Mr Seymour: The commission celebrates its fifth birthday on 1 July. It was a greenfield sort of project, I guess. We set it up out of the customs department in Melbourne, relocating the capability from Canberra to Melbourne. It happened at a time—as I may have said previously—when there was a perfect storm for a need to build a new and more strengthened capability. It was a time when demand for trade remedy services went up exponentially. So, it was certainly an interesting first few years to manage capability-building internally, given the complexity of the task, and at the same time manage the number of cases that came through the door. As I think I've said previously, the antidumping system in Australia is wholly demand driven. It's a reflection of the pressure that Australian domestic manufacturers face and their belief that they may have been materially injured through dumping that motivates them to make application to me for investigations, and then for final decision by the minister.

Senator KIM CARR: You've had a look at the steel report the Senate has done, I take it. The recommendations, particularly 20 to 28, call for specific actions in regard to the commission's work. Have you had a chance to assess those?

Mr Seymour: The government has made its response to the steel report, and that's captured, essentially, the needs of the antidumping system.

Senator KIM CARR: You have nothing to add to those?

Mr Seymour: No, not at this stage.

Senator KIM CARR: Question No. 131 points to the number of matters. You mentioned the demand driven system that you're now responding to. The Anti-Dumping Commission has increased the number of investigations from 65 to 92. What's caused that increase in demand?

Mr Seymour: That's a good question. The prevailing view from industry is that the pressure—it's probably a lag indicator—from a relatively high Australian dollar for some time led to export competition pressure, essentially. That's meant that they've been less competitive. But I think the main issue remains the oversupply of certain steel products from China.

Senator KIM CARR: Yes, it's a global supply question. Do you think your budget is adequate to cover the increased workload?

Mr Seymour: I think that, with the way the scheme has been designed and implemented, I have the ability to meet all of my statutory obligations within a reasonable time period. As I've said previously to this committee, for those more complex cases I take longer time than the statutory requirement of 155 calendar days, for the simple reason that they are very complex. I'm on the record as saying that I doubt that really complex matters can be done adequately in 155 calendar days. Additionally, I went through a major transformation exercise inside the commission—I call it a business model review—where we wholly transformed the way we undertake our investigations. We received good support from the government through the department for some supplementary funding to assist us in that regard. We're now, I would think, recognised as a better practice trade remedy investigating authority globally.

Senator KIM CARR: How much was the extra funding?

Mr Seymour: It was two financial years ago and it was about a million dollars all up.

Senator KIM CARR: Right, I see. That was two-year funding. I thought it might have been additional.

Mr Seymour: Yes, that's right. That's been reflected in the question I answered last time.

Senator KIM CARR: The trade remedy forum members were told in December that the next trade forum meeting will be held in May. Is that still the case?

Mr Seymour: That's definitely my intention as the presiding officer, yes.

Senator KIM CARR: What is the percentage of the circumvention measures that now relate to steel and aluminium?

Mr Seymour: Circumvention?

Senator KIM CARR: Yes. Last time around you told us it was 64 per cent for steel and nine per cent for aluminium.

Mr Seymour: That was for all matters. That wasn't just circumvention.

Senator KIM CARR: I see.

Mr Seymour: Circumvention is just one aspect of the casework that we do.

Senator KIM CARR: What is it, then, in regard to circumvention for steel and aluminium?

Mr Seymour: It's very high. We've completed eight and we have two on foot at the moment. The vast majority of them are steel or aluminium related.

Senator KIM CARR: Can you give me a number?

Mr Seymour: I think it's about eight—eight out of 10.

Senator KIM CARR: Eight out of 10—80 per cent?

Mr Seymour: Yes.

Senator KIM CARR: All right. The Prime Minister's visit to the United States recently in regard to the proposed tariff arrangements that the US government is examining—has there been any response from the United States on those matters?

Mr Seymour: This is a matter that's not within my area of responsibility.

Senator KIM CARR: No, but I want to go to the question of what the consequences are for you.

Mr Seymour: Sure. I just wanted to make the statement that I'm not responsible for representing Australia's interest in that forum.

Senator KIM CARR: Has there been any response that has an effect in terms of your work?

Mr Seymour: My understanding, and I think it's on the public record, is that the President has until the middle of April to make a decision as to what type of remedy he wishes to apply, both in steel and in aluminium, on recommendations from the Secretary of Commerce.

Senator KIM CARR: Yes.

Mr Seymour: There are a variety of scenarios that are in the report. Certainly, the view domestically from Australian steelmakers and aluminium manufacturers is that any material change to tariff or quota arrangements into the US for those products will pose a risk for other markets, of which we will certainly be one.

Senator KIM CARR: So there will be a knock-on effect?

Mr Seymour: The knock-on effect would be that you could expect to see some increase in volumes of those goods into other markets, but I'd be speculating in terms of how much that might mean.

Senator KIM CARR: Right. You don't have any update on the figures that you've already given us?

Mr Seymour: Figures on?

Senator KIM CARR: In terms of the questions in regard to steel and aluminium—19 measures were from China, eight from Korea, six from Taiwan and six from Malaysia.

Mr Seymour: Yes, thank you. You're referring to the overall number of measures by country. There are four major markets that trade steel into Australia currently: China, Korea, Taiwan and Thailand. I would expect that they would continue to trade into Australia. There are 22 measures in relation to OneSteel and 17 in relation to BlueScope, currently. The vast majority of those—I think it's about 34 per cent—relate to Chinese sales into Australia. It's a globally traded commodity and, on the basis that there is still overcapacity in the world steel market, you would expect to see that if one market—a large market like the US—takes a stronger stand through a tariff or quota regime, then some of that would find its way into other markets, including Australia. And I don't want to speculate on the amount, because I simply don't know.

Senator KIM CARR: I've got a series of questions I'd like to put on notice regarding section 232 actions following the measures in the United States. I particularly go to the question of industry stakeholder correspondence with you—information from either DFAT or the department of industry in regard to those investigations. I will put those on notice, if I could.

Mr Seymour: Right.

Senator KIM CARR: On 9 February, the assistant minister, Zed Seselja, delayed a review decision on the dumping of paper from Brazil, China, Indonesia and Thailand, citing special circumstances. Is that correct?

Mr Seymour: That's correct.

Senator KIM CARR: Are you able to provide a breakdown of the number of decisions by type that have been delayed by the minister—by various ministers, of course, in the portfolio—over the last 12 months?

Mr Seymour: I don't have that information.

Senator KIM CARR: That would be on notice.

Mr Seymour: I'll take it on notice, thank you.

Senator KIM CARR: And a breakdown by country.

Mr Seymour: Sure.

Senator KIM CARR: Thank you. I put those on notice. That concludes my questions for the Anti-Dumping Commission.

CHAIR: Thank you, Senator Carr. I think that other senators still have questions, but I have put a hard marker in for the tea break at 3.15, so the committee will now suspend and resume at 3.30 pm with the Anti-Dumping Commission. Thank you.

Proceedings suspended from 15:14 to 15:30

Senator LEYONHJELM: Following up on some of the points Senator Carr was making earlier, there has been some media in recent times in relation to the increased number of determinations by you, particularly in relation to steel. I'm not entirely familiar with the process, but has the government responded to your determinations in relation to steel?

Mr Seymour: Thank you for the question. The process provided for in the scheme and the legislation is that if I'm satisfied that there is a prima facie case to be pursued, I initiate certain statutory powers of my own, which I deploy, if you like, through the course of the investigation, including putting provisional measures on certain goods if I'm satisfied the threshold for that has been met, and then, through a very open and transparent process with all parties concerned, including governments, undertake a full and comprehensive investigation. When I've concluded that investigation and I'm satisfied there is a case, I recommend measures to the minister. In the time that I've been in the role, which is now four years and seven months, I can't think of a case that I've recommended that hasn't been adopted by the government—which isn't to say that case then stands, because as part of our very balanced, fair, independent and robust system, there is a strong element of merit review, so a party that receives a measure is able to have that matter reviewed by an independent panel of experts who then look at my work and either affirm it or, given the complexity, particularly of the arithmetic involved in calculating dumping or countervailing margins, might recommend an alteration to the rate, which is a very common aspect of the system globally. In those cases the minister receives a recommendation by that panel member and then makes a new decision, essentially varying the first decision. The process I've outlined is why I'm able to say we in Australia have a confident trade remedy investigating authority and system, because we have put a great emphasis, through that reform process I spoke of earlier, on ensuring we are absolutely evidence-led, independently-driven and apply the law as it's provided for, mainly in the Customs Act part XVB, to the facts. On that basis alone the recommendations are made to the minister.

Senator LEYONHJELM: Has the minister accepted your recommendations or determinations in relation to steel?

Mr Seymour: Yes. As I think I said in earlier hearings, steel makes up the vast majority of our work. That's a reflection of the earlier comment I made about the very significant overcapacity in the global steel market. That's simply a function of that overcapacity, so you'd expect domestic steelmakers to come under some pressure as a result of dumping of steel products in the Australian market from other markets.

Senator LEYONHJELM: As a result of that, are you aware of price rises in steel?

Mr Seymour: There are many reasons why retail prices rise in the Australian market. The scheme I administer is interested only in remedying the injury experienced by the Australian domestic steelmaker as a result of the dumping of those goods from other markets. How they then use that to best effect in a competitive sense domestically is a matter for them. The test around injury is very interesting, though, because it involves an assessment of price and volume in the domestic market. That's where we are able to take a view that we believe the dumping of those goods has caused material injury to the domestic player.

Senator LEYONHJELM: I understand how the process works. You are looking at injury to the complainant, the competitor to the imported products. I'm interested in whether you are aware of the effect the minister's acceptance of your determination has on the overall price of steel and, as a consequence of that, on the purchasers of steel building products.

Mr Seymour: There are many effects in the market. One of them is a flow-on effect from a trade remedy decision. The remedying of the injury will put the domestic player in a better position than when they were experiencing the injury, and that would be best reflected in either price or volume. Along with other demand-

driven aspects in the domestic steel market, it's also the case that the Australian steelmakers—this is very much on the public record—have gone through significant reform themselves over the last few years. BlueScope is probably a good example, stripping out significant costs from their operation at Port Kembla and returning them to a very competitive position in the marketplace. I think trade remedy has contributed to a level playing field for BlueScope in the domestic market.

Senator LEYONHJELM: I understand where you're coming from. I have some familiarity with the process. I'm interested in whether or not you as commissioner pay any heed to the consequences of adoption of your determinations. That includes the effect on price and on the import costs of the customers of those products. In other words: have steel prices risen and have the building companies that buy steel products had anything to say about the effect on them?

Mr Seymour: The scheme doesn't provide me with any obligations other than through reviews of measures. These measures are in place for up to five years, and so parties are able to seek a review of their particular rate, typically after 12 months. To the extent that we then go and review the dumping behaviour, if you like, we get to look again at what's going on in the marketplace, but in the broader sense—which is why I said earlier I'm less interested in the retail implications for the supply chain, for the simple reason that the scheme doesn't provide me with any post-decision interest in that area—only to the extent that the test of injury includes price suppression. To the extent that there is price suppression or depression in the domestic market through the dumping of goods, you could expect to see some changes in prices domestically as a result of the remedy, but it's contained into that small test only, not into the broader economy. There's no test in that regard in the legislation.

Senator LEYONHJELM: I'm trying to establish your remit, if you like. There are two potential victims. One is the domestic manufacturer who's competing with 'dumped', for want of a better word, imports. Then there are the consumers of those products, whether manufactured locally or imported, who, if anti-dumping measures are applied, will pay higher prices than otherwise. I'm trying to understand which of those you take into account, if not both. I hear what you are saying about the level playing field. That is looking at it from the point of view of the local supplier. I take it you have nothing in your remit which looks at the other victim, which is the person or consumer who pays a higher price.

Mr Seymour: It's a very interesting area, but it's not inside my remit in the legislation. My last comment would simply be that the domestic legislation reflects international treaty obligations at the World Trade Organization, specifically the Anti-Dumping Agreement.

Senator LEYONHJELM: I'm aware of that.

Senator McALLISTER: Minister, is it the case that you have unreservedly withdrawn the comments you made yesterday in relation to staff working for Mr Shorten?

CHAIR: Is this question relevant to either activities or expenditure of the portfolio, and specifically to the Anti-Dumping Commission?

Senator McALLISTER: I've asked my question.

Senator Cash: I'm happy to answer it. If you review the *Hansard* from yesterday, you will see that yes, I withdrew those comments.

Senator McALLISTER: I saw that you withdrew them, but it seemed to me that you withdrew them conditionally. You said:

If anyone has been offended by my remarks, I withdraw them.

I'm interested to understand whether you have—

Senator IAN MACDONALD: Chair, can I raise a point of order.

CHAIR: A point of order has been raised.

Senator IAN MACDONALD: Notwithstanding that the minister is happy to do this—and that is good of the minister; clearly she has nothing to hide—I have a lot of questions about this portfolio and about anti-dumping, and don't want to waste my time in this portfolio talking about things that happened in another committee on another day about a matter that has absolutely nothing to do with this department. I object to the minister's answering the question. I object to the question being asked.

Senator McALLISTER: On the same point of order: I note the senator's concerns about time. I don't think this will take long, but it goes to questions that are relevant to the minister in all of her ministerial roles, and I'd like to hear her answer to the question.

CHAIR: Would the question be more relevant when we discuss the cross-portfolio, were it phrased appropriately?

Senator IAN MACDONALD: It has nothing to do with the portfolio of Industry, Innovation and Science. If Senator McAllister can indicate how it is related to Industry, Innovation and Science, I would be happy to change my mind. It's clearly a political fishing expedition, and I have serious questions to ask.

CHAIR: Senator McAllister, could you explain to the committee how it is related to the specific portfolio.

Senator McALLISTER: The minister is required, as are all ministers, to act with integrity and to uphold confidence in the office. This discussion goes to that issue and her performance as a minister in general. She's indicated she's willing to answer the question. I don't see why we would not allow her to do so.

CHAIR: I understand that, and I haven't ruled the question out of order just yet, but I remind Senator McAllister that the opposition hasn't showered itself in glory this week. You won't be getting vertigo from the moral high ground after Senator Carr's comments today to my colleague, Senator Paterson, calling him a Nazi, so I think we should tread very lightly here.

Senator KIM CARR: If you check the record, that is not correct. This question goes to the portfolio responsibilities of the minister. Senator McAllister is entitled to seek that the question be answered. That is what she has sought to do.

Senator IAN MACDONALD: I know the minister can answer it; I know she perhaps wants to—she has nothing to hide; that is very clear—but I want to ask questions on the Industry, Innovation and Science portfolio and don't want to waste my time and the committee's time on something that has absolutely nothing to do with this portfolio. The minister is a representative minister, so even that tenuous link is not sustainable. I ask that we continue with anti-dumping questions.

CHAIR: On the point of order: the minister has said she would be happy to answer the question. We should do her the courtesy of allowing an opportunity to do so. Senator McAllister, I suggest you tread lightly here and keep your question within the remit of the portfolio.

Senator McALLISTER: Minister, I asked whether you had withdrawn those remarks unreservedly.

Senator Cash: You asked whether I had withdrawn the remarks, and I said the *Hansard* will reflect that I withdrew the comments yesterday in the Senate estimates.

Senator McALLISTER: I think the *Hansard* will reflect that I asked if you had withdrawn them unreservedly. May I ask you this now.

Senator IAN MACDONALD: This is question time, not arguing time.

Senator McALLISTER: It's not question time, actually.

Senator Cash: Can I clarify, though. The comments were made—and may I suggest people have a look at the actual transcript—in response to highly inappropriate questions from Senator Doug Cameron. I withdrew the comments yesterday and I'm more than happy to withdraw them unreservedly. In fact, I was the one who stated that staff should not be named in Senate estimate hearings, despite the fact that, hearing after hearing, Senator Cameron is very happy to name my staff and make insinuations against them. So, whilst, yes, I am more than happy to withdraw the comments unreservedly, may I suggest people have a very, very good look at the *Hansard* transcript. Senator Doug Cameron is nothing more and nothing less than a bully, and that was on display yesterday.

CHAIR: Thank you, Minister.

Senator McALLISTER: I have a point of order, Madam Chair. The standing orders do ask members and senators to refrain from reflecting on the motivations and actions of other senators. I ask Senator Cash to consider whether she would withdraw her comments about Senator Cameron being a bully.

Senator IAN MACDONALD: On the point of order, that is a statement of fact.

Senator Cash: Senator Cameron's actions stand for themselves and I will not be lectured to by Senator Cameron. He actually should withdraw the insinuations he made about my staff, which are clearly on the *Hansard* record. But, as I said, I withdrew the comments yesterday and I will withdraw them unreservedly.

Senator McALLISTER: Thank you, Minister.

CHAIR: Senator Macdonald has some questions for the Anti-Dumping Commission.

Senator IAN MACDONALD: How many actions are live within your section at any one time? For that, perhaps now is the time that we could pick.

Mr Seymour: In the calendar year 2017, we completed 125 cases. This is a significant workload and it's up from the completion of 88 cases in 2016. This reflects, as I said earlier, continued strong demand for remedy to the injurious effects of dumping and subsidisation from products entering the market from overseas. The Anti-Dumping Commission is basically tailor-made and purpose-built to respond to those demand driven circumstances.

Senator IAN MACDONALD: Just as an aside, what staff have you got in your section and what are they? Are they lawyers, trade experts, accountants or police investigators, perhaps? How many are there and what are they?

Mr Seymour: I'd always start by saying they're wonderful. They truly are. They work very hard and I have nothing but the utmost respect for all of them.

Senator IAN MACDONALD: I say that about my staff. I know the minister says that often about her staff too.

Mr Seymour: We have 74 point something full-time equivalent staff members. I don't know what the 'point' is—I can never work that bit out; that's obviously for others to work out. We also currently have 12 contractors. Between those two groups, we have a mix of accountants, including CPAs and chartered accountants, trade lawyers, economists, policy and regulatory experts, and a range of public servants whom you would describe as experts in corporate management. So the challenge has always been to meld those competencies together, using an investigative doctrine that has as its centrepiece the notion of full collaboration around the highly technical aspects of the legislation—and it is extremely technical, and I think we've discussed this in the past many times. It is a significant challenge for my staff to build real knowledge and expertise in the area. It's very, very important for me that they are properly supported to do that because, as I said earlier, this system is subject to merits review. Something like 75 per cent of all of our work goes to merits review through the Anti-Dumping Review Panel, and it's also subject to quite regular judicial review through the Federal Court. We're often arguing our case in the Federal Court. Between those two review mechanisms, the emphasis with my staff is on the highest possible quality of outcome based on the facts. A lot of effort goes into ensuring that we gather the facts properly. We have a bit of a rule that we're not interested in adjectives, we're only interested in the facts. We're not interested in how they're spun, we just want to know what they are, and then we apply the law to the facts.

Senator IAN MACDONALD: You'd never make a politician then.

Mr Seymour: That's right.

Senator IAN MACDONALD: You're dealing with facts. Does your staff, at times clandestinely, travel in other countries to gather evidence?

Mr Seymour: Yes. That's a key feature of our work. I'd correct one comment: we don't do it in any covert way. It's very open and very transparent. We pay full respect to the government of the country that we're visiting. We have very strong, I guess you'd call them, information disclosure obligations as a member of the World Trade Organization to act extremely transparently in that regard. We get very good cooperation from governments when we do travel. My team was just mentioning earlier that we do something like 85 per cent by volume of goods subject to a verification visit in market, which basically means that a lot of my officers get on the plane and go to Asian markets and other markets on a very regular basis to investigate and to verify the data put forward by the exporter to establish whether the dumping has occurred and whether the dumping has caused injury. It's an extremely forensic exercise, but it is done very openly and very transparently and it's done on a very disciplined basis.

Senator IAN MACDONALD: I must have a very long conversation with you one day, but we're running out of time today. I think you might have mentioned this, but, of the cases that have been closed in the last year, 100 and—

Mr Seymour: 125.

Senator IAN MACDONALD: How many of them ended up in anti-dumping penalties or in action being taken positively? How many were dismissed as unsustainable claims?

Mr Seymour: That's an extremely good question, because people have very different views about the impact. I asked that question of my keeper of statistics the other day. It's currently running at 55 per cent positive, 45 per cent negative, which is pretty interesting. These are done purely on the law to the facts. If the facts don't support me recommending to the minister a measure, I don't recommend the measure and I will terminate the case. The 55 to 45 is an interesting split.

Senator LEYONHJELM: What is your definition of 'positive'?

Mr Seymour: Where a measure is imposed.

Senator LEYONHJELM: I see. I'd probably put it the other way.

Mr Seymour: Yes. And this changes it. It's demand driven, so, very recently, I terminated cases on wind towers from Vietnam. A couple of years ago former Senator Xenophon would smile and question me regularly on solar panels from China. That was terminated. There was dumping but there was no injury caused by the dumping, so I terminated the investigation. In other words, it is literally the law to the facts that determines the outcome.

Senator IAN MACDONALD: Thank you, Mr Seymour. Keep up the good work.

CHAIR: That was fascinating. Thank you to the Anti-Dumping Commission. We'll let you go. Sorry to hold you up today. I now call on officers of CSIRO.

Commonwealth Scientific and Industrial Research Organisation

[15:54]

CHAIR: Good afternoon to the officers of CSIRO. Good afternoon, Dr Marshall. Have you got an opening statement for us?

Dr Marshall: No, thank you.

CHAIR: We might kick-off questions with Senator Carr.

Senator KIM CARR: We're short of time today. I've prepared quite a considerable amount of material, as usual, but we're just not going to get time to deal with it in the way we normally would, so I advise you that there'll be material put on notice. But perhaps I could begin by asking Mr Roy if it's the case that you will be leaving shortly?

Mr Roy: After 15 years with CSIRO, I will be leaving in the middle of the year.

Senator KIM CARR: I'm sorry to hear that. What are the circumstances of your departure?

Mr Roy: It's just that I joined CSIRO with probably a three- to six-year horizon. A lot of people, like me, who join fall in love with the place, and I think the time is right now to move on to other challenges.

Senator KIM CARR: Dr Marshall, is there a broader management restructure underway, or is it just a one-off change that we're looking at?

Dr Marshall: If I could have your indulgence, I'd just like to acknowledge Craig's outstanding service to the organisation over the past 15 years. And because of those contributions to CSIRO—

Senator KIM CARR: You have seen a lot of changes in that time.

Dr Marshall: He's also made outstanding contributions to this nation and I would like to thank him publicly for everything that he's done. It's with a sense of sadness, but also, I guess, one of excitement that I look forward to seeing what Craig goes on to do next. I'm sure he will be as successful there as he's been in CSIRO.

Senator KIM CARR: We wish him well. So is there a broader management restructure underway?

Dr Marshall: There are some new positions that we're creating.

Senator KIM CARR: What is the nature of the new positions that are being created? This was an open invitation for you to name what the restructure is.

Dr Marshall: Sure, thank you. We're creating four new positions. One is called 'People', which will be responsible for taking care of our people. There'll be a position called 'Growth', which will be responsible for the growth of our impact, the growth of our science and the growth of our capabilities. There'll be a chief scientist role, to ensure that the voice of every CSIRO scientist is present at the executive team during every meeting. And we'll bring the CEO of Data61 onto the executive team to reflect the importance of data and digital technology and the fact that it is transforming, literally, every part of our economy and every part of CSIRO.

Senator KIM CARR: A chief scientist role within the CSIRO? Is that what you said?

Dr Marshall: Yes.

Senator KIM CARR: How do you determine the chief scientist within the CSIRO?

Dr Marshall: We're going through a recruiting process at the moment.

Senator KIM CARR: I would have thought you had 6,000 chief scientists!

Dr Marshall: We have many outstanding scientists. I felt that it was good to have someone whose role was really to be the voice of science at the executive team, as opposed to being attached to a particular part of the organisation. To represent the whole—

Senator KIM CARR: What has the response been from the rest of the staff to this innovation?

Dr Marshall: A lot of interest in all the roles, but probably most particularly the chief scientist role.

Senator KIM CARR: I bet there is. So, it's been out for consultation, has it?

Dr Marshall: Yes.

Senator KIM CARR: I see. Perhaps you can enlighten the committee on how staff have responded?

Dr Marshall: I think it's generally positively.

Senator KIM CARR: I see. Well, we'll come back to that, no doubt. There's been a public announcement to this effect, has there?

Dr Marshall: There's been an all-staff email to communicate with staff and then ongoing conversations throughout the organisation.

Senator KIM CARR: I see. You're reducing a few positions in the organisation—is that part of this restructure as well?

Dr Marshall: We're creating some new positions, but the changes haven't been implemented yet so it's probably premature to say what the outcomes will be.

Senator KIM CARR: So how many jobs in the manufacturing division are being reduced?

Dr Marshall: Sorry, Senator, that's not part of this.

Senator KIM CARR: It's not part of that?

Dr Marshall: No.

Senator KIM CARR: I see. That's a different exercise, is it?

Dr Marshall: Yes, it's the exercise we briefed you on last year.

Senator KIM CARR: I know you have briefed me on this. I'm not suggesting you haven't. I'm just trying to understand if there are any linkages between the creation of these new executive positions and the reduction of staff in other parts of the organisation.

Dr Marshall: None that I'm aware of.

Senator KIM CARR: So one is not paying for the other?

Dr Marshall: No, Senator.

Senator KIM CARR: And is there any connection here with external revenue for these positions?

Dr Marshall: The new positions?

Senator KIM CARR: Yes.

Dr Marshall: Not really, no.

Senator KIM CARR: So these positions are exempt from the normal external revenue targets?

Dr Marshall: We've had this conversation before.

Senator KIM CARR: We have, and we'll continue to have it, I have got no doubt. But I'm just wondering if you've discovered a way in which you can exempt external revenue targets for the executive.

Dr Marshall: Like all organisations, CSIRO have a budget and we have to operate within our budget. CSIRO's budget is particularly complex because we have almost \$500 million of external revenue in addition to the \$749 million roughly that we get in appropriation from the federal government, so it's quite complex to balance the external, which of course is uncertain and subject to market forces. But we've had this conversation before.

Senator KIM CARR: We have. I need an update on the staffing disposition, if you wouldn't mind—you can take that on notice—particularly the effect in Victoria. I'm interested in the number of positions at Warrnambool and at Clayton that will be affected by these changes. What do you expect to be the headcount in manufacturing at the end of the process?

Mr Roy: Do you want us to pick up any of these now or do you want to place them on notice?

Senator KIM CARR: Have you got them there?

Mr Roy: We have some. Because we're partway through the process with manufacturing—

Senator KIM CARR: I see. You want to take that on notice, do you?

Mr Roy: I can say that the change in staff in manufacturing has come back a little bit from when we briefed you. It's approximately 30 staff members that we're looking at at the moment and we're still in the process of rolling that out.

Senator KIM CARR: All right. Why don't you take that on notice, and I'll get the accurate figures?

Mr Roy: We will.

Senator KIM CARR: Thank you. How is the deep space communication complex at Tidbinbilla funded?

Dr Marshall: The project is running very well. In fact, we launched dish 36 last year to support NASA's Mars mission. It's a remarkable facility and a credit to Australia and our position in space.

Senator KIM CARR: It is a remarkable facility, I agree with you. There's no question. I don't think anyone would argue the toss about that. How is the project funded?

Dr Marshall: CDSCC is primarily funded from NASA.

Senator KIM CARR: Is it funded on a year-to-year basis or is there a long-term contract now?

Dr Marshall: My understanding is that there is a long-term contract.

Mr Roy: It sits under the umbrella of a treaty between the two countries. Inside that CSIRO and NASA have an agreement, which is generally a five-year agreement.

Senator KIM CARR: How old is the facility?

Mr Roy: It continues to be upgraded, but I can't answer as to when it was first established. Maybe someone can help us with that.

Senator KIM CARR: Does anyone know?

Mr Roy: Not here. We may be able to get to it through the hearing.

Senator KIM CARR: It has been there for a while, hasn't it?

Mr Roy: It has.

Senator KIM CARR: It was built as part of the moon facilities or before the moon facilities, wasn't it?

Mr Roy: Certainly we participated in bringing some of the original lunar pictures back.

Senator KIM CARR: The Apollo program?

Mr Roy: Yes.

Senator KIM CARR: I wonder what its value is for NASA.

Dr Marshall: It's a unique facility. There is no other facility like it in the Southern Hemisphere.

Senator KIM CARR: There is none?

Dr Marshall: There is one in the Northern Hemisphere as well.

Senator KIM CARR: How many staff are employed at the facility?

Mr Roy: Between 80 and 90. I can get you the exact number, if you have an interest, but it's that sort of number.

Senator KIM CARR: What sort of work do they undertake?

Mr Roy: Right through from sitting in the operations centre controlling the various things that they control to engineering, support staff and managing the relationship with NASA.

Senator KIM CARR: There's been an outstanding enterprise agreement dispute there, hasn't there?

Mr Roy: We are in the late stages of a negotiation of an EA; that's correct.

Senator KIM CARR: The late stages?

Mr Roy: Late stages, as in close to take it to a vote. There are 179 clauses in the agreement. We've agreed to about 85 per cent of those, so 153 are agreed. We have 11 not agreed, and 15 with the various parties are still being considered with counterproposals having been put to each of them. We believe we're reaching the end of the natural point where it's appropriate to take steps to put that to staff.

Senator KIM CARR: I'm particularly concerned about the suggestion that there have been staff brought into Tidbinbilla to operate the complex. Is there any truth to that suggestion?

Mr Roy: In what regard?

Senator KIM CARR: Strike breakers—people have been brought in to actually—

Mr Roy: That's not something I'm aware of.

Senator KIM CARR: You're not aware?

Mr Roy: In terms of bringing them into the facility, I'd have to check.

Dr Marshall: Perhaps I can help a little : people from JPL in the US came out recently to see how—

Mr Roy: Jet Propulsion Laboratory.

Senator KIM CARR: Where are they from?

Dr Marshall: They're from NASA—NASA, effectively, has a delivery arm, one of which is JPL, and the other is Goddard. The JPL team came out, because the Tidbinbilla team had managed to do something that no-one in the world had ever managed to do and JPL wanted to understand how they did it. The big dish down there is enormously heavy. They had to replace the friction pads that the dish runs on. Normally, you have to remove the dish to do that, but they figured out how to do it in situ, which is seemingly an impossible and remarkable achievement. JPL wanted to understand how this was possible so that they could learn. I want to give a shout-out to the unique team and their engineering capability.

Senator KIM CARR: You're saying that the purpose of those people who came in from the United States was to find out how we did things?

Dr Marshall: Under the treaty, JPL and NASA staff often come to the site to work with the team. They often bring new technology, new capability. In this case, the Tidbinbilla team was able to teach the JPL staff something, which was a nice change.

Senator KIM CARR: So it was a routine visit, was it?

Dr Marshall: The visit I'm talking about certainly was.

Senator KIM CARR: Dr Marshall, were there people brought onto the site to try and bust the bans that the union had put on?

Dr Marshall: I'm not aware of a union ban.

Senator KIM CARR: You're not aware of any bans at the site?

Mr Roy: There are some bans.

Senator KIM CARR: Mr Roy, can you help me with this?

Mr Roy: There have been a small series of one-hour bans of work and an overtime ban.

Senator KIM CARR: This is by ETU members?

Mr Roy: There are three unions out there that are covered under the agreement.

Senator KIM CARR: Who imposed the bans?

Mr Roy: My understanding is each of the unions—I'm not negotiating this one personally, so I don't have as much information.

Senator KIM CARR: Do you have anyone here who can help me with this?

Mr Roy: We can either take it on notice or see if we can get some answers.

Senator KIM CARR: I want to know whether or not CSIRO has been engaged in strike-breaking activity.

Mr Roy: I have been handed a note saying quite definitively that no-one has come in to do standard work not being done under a ban. It appears that that's the case. That's the evidence we've got today.

Senator KIM CARR: That's the evidence you're putting to the committee?

Mr Roy: That's the evidence we've got today.

Senator KIM CARR: And you're putting a proposition forward for balloting. Is that with the support of the other negotiating partners in this?

Mr Roy: We haven't got to that stage yet. I believe the last negotiation meeting was either this morning or yesterday, so this is still very live. I haven't had the feedback from those negotiations yet.

Senator KIM CARR: The sticking points—you said that 11 items were not agreed to. Can you indicate what those 11 items are?

Mr Roy: I can. Pay is one of them—I can lead off with that one straightaway.

Senator KIM CARR: How many items relate to pay?

Mr Roy: There's one around the maintenance of the status quo in terms of some of the commitments by the various parties. There's an occupational health and safety clause that we're yet to agree on. I don't have the substance of the clauses; I have the main themes of the clauses. There hasn't yet been agreement on the exact

wording of the consultation provision that sits in the agreement, so you get the flavour of what's in there. I dare say that, like a lot of these—you've been involved in a lot; I've been involved in a lot—it will come down to the pay equation at the end of the negotiation.

Senator KIM CARR: Is CSIRO bound by the federal government's wages policy?

Mr Roy: For a long period of time we have been covered by the policy of the government of the day around that, and our offer to staff is consistent with that.

Senator KIM CARR: And that includes the maintenance people at Tidbinbilla?

Mr Roy: The CSIRO employees at Tidbinbilla are included.

Senator KIM CARR: Is that the nub of the problem?

Mr Roy: It's one of the issues. There are some other smaller ones we're working through—I shouldn't have said 'smaller ones'. There are others we are working through, but I think the significant one will be the pay issue at the end.

Senator KIM CARR: That's 2.8 per cent, is that right?

Mr Roy: Our offer to staff is two per cent annualised over three years, front ended with three per cent on signing and two per cent after 12 months.

Senator KIM CARR: What's the difference? What's the argument about, then?

Mr Roy: The current proposal from the unions, notwithstanding anything that might have happened this morning in negotiations, was six per cent over two years rather than over three years.

Senator KIM CARR: Is it the situation that this is not a CPSU site or a CPSU Staff Association site—there are other unions?

Mr Roy: There are other unions.

Senator KIM CARR: I understand there are. But that's not a usual feature of—

Mr Roy: That's not typical. Our normal negotiating party is the CPSU, through our staff association.

Senator KIM CARR: Would that account for the difficulties here, do you think? There is an unusual set of industrial relations partners.

Mr Roy: I'm not actually classifying them as difficulties; I'm saying these are normal parts of negotiation as part of an EBA. You get to an end. When you've got 100-plus clauses or 179 clauses, there will be some you agree on and some you disagree on.

Senator KIM CARR: Mr Roy, the dispute has been going on now for some time, has it not?

Mr Roy: The EBA lapsed in June 2017.

Senator KIM CARR: Are you surprised it's taken so long to resolve?

Mr Roy: I was going to give you a different answer, Senator, based on how long it's taken some of the others. We'd like to resolve them all as quickly as we possibly can. We've got two parties who appear to be negotiating in good spirit, and once that's concluded, the staff will then have the opportunity to vote on the package of offer to the staff at CDSCC. The other thing we're very conscious of is that we have over 5,000 other staff who have just signed up to an agreement of six per cent over three years. All of CSIRO operates in the same family, and we'd hate to undermine the offer we've just put on the table to the other 5,400 staff we have in the organisation on the basis of selecting one group as particularly special. Everyone in CSIRO is special.

Senator KIM CARR: What drew my attention to this is the media reports on it. I know the effort you've put in and that you have had, I think, reasonable levels of success on pay and conditions. This struck me as a little unusual—particularly the claims about the use of strike breakers.

Mr Roy: That wasn't a subject of my knowledge coming here. I've had a note dropped in front of me saying that knowledge is confirmed. That's the case.

Senator KIM CARR: Thank you very much, Mr Roy.

Senator IAN MACDONALD: Mr Roy and Chair, I will associate myself with Dr Marshall's comments on Mr Roy.

Mr Roy: Thank you.

Senator IAN MACDONALD: I have been around at estimates perhaps a little bit longer than you—

Mr Roy: Absolutely!

Senator IAN MACDONALD: I wish you all the best for the future, and thanks for what you've done. With these pay disputes that Senator Carr has been questioning you about, on behalf of those who might be associated with Senator Carr, you have a certain ceiling on what you can pay as wages; that's what you're given in the budget. So if anyone gets more than what you're offering, it means you've got to put someone else off to pay for that. Is that it, generally speaking?

Mr Roy: We need to follow an obligation stating that any increase is affordable within our budgets without any further consultation.

Senator IAN MACDONALD: But the end result is that if you did pay what's being sought by the unions, it would mean you'd have to save money from somewhere, and the easiest way is to put other staff off.

Mr Roy: The other point to make on this particular case is that we're 100 per cent funded by NASA. We have a funding envelope from NASA to support the centre, so they're all parts of considerations.

Senator IAN MACDONALD: Alright. I want to move on to something a lot more positive. Dr Marshall, it was good to see you up in Townsville at AIMS. The minister was there as well, along with the Prime Minister, to announce that fabulous \$60 million for more work on the reef. It's \$60 million over a series of years, and it's split up between, as I understand, CSIRO, AIMS, GBRMPA and the universities. Can you just tell me the differentiation?

Dr Marshall: Certainly, Senator. I will tell you a little bit, and then I'll let Peter Mayfield, our expert, give you more detail. It's a fantastic collaboration between a number of agencies. CSIRO and AIMS are jointly leading it. There are also a number of universities that you know well in that area. The reef is a very complex ecosystem. We know that part of it is affected by temperature rises in the water—bleaching. But we also know that it is affected by water quality—crown of thorns, sedimentary run-off, fertiliser and so on—and cyclones and storms. It is a very complex ecosystem. Australia has a fantastic record of making environmental interventions. That is because we study them really carefully and use the best science before we do anything. That is why this is such an important program to really scope out about what could be done before we come back to government with any sort of plan. I will let Dr Mayfield give you more detail.

Dr Mayfield: The announcement up in Townsville was a broad package. It was \$60 million. That was made up of \$10.4 million to look at COTS management, and that would be working through GBRMPA. There was \$36.6 million to look at the management of sediment and nutrient run-off, ultimately to improve water quality for the reef. There was \$4.9 million for extra field offices to monitor and assist with some of the programs. And then there was \$6 million in funding for the RRAP—the Reef Restoration and Adaptation Program. That is a program that is being done with AIMS, the CSIRO and five other partners—James Cook University, Queensland University of Technology, the University of Queensland, the Great Barrier Reef Foundation and also GBRMPA. That is a scoping design phase study looking at potential interventions to address impacts on the reef from changes in temperature. That will run for 18 months and it is currently in scope.

Senator IAN MACDONALD: I had the pleasure of having a much longer chat with the director of the Australian Institute of Marine Science. My understanding is that a lot of the research will be to genetically modify—my words—the reef so that it is resilient to what is happening in the world around it. We are not just wringing our hands and saying the reef is bleaching, woe is us and the world is dead—as a very vocal small section of Australian society are trying to portray to the world. The science you and others are doing is to work out how to let the reef be resilient to nature's differences.

Dr Marshall: It is not so much genetic engineering—

Senator IAN MACDONALD: I shouldn't use that term. I know that scientists get twitchy about that!

Dr Marshall: It is true to say that, when there is a cyclone or a bleaching event, coral is damaged. In the case of bleaching, basically the polyps leave. What we have measured over the last 40 years or so is that, in general, after a bleaching event there is a decline in coral cover and then there is regrowth—the same as happens after a cyclone. Sometimes, what grows back is different from what was there originally. On the southern and central portions of the reef, we have seen strong regrowth. On the very far northern portions, the regrowth has been less and slower. We presume that is because the temperature effects are higher closer to the equator. Clearly, some corals respond more favourably to bleaching, for example, than others. We want to understand why that is and whether it is possible to make interventions to encourage the growth of those corals and thereby make the reef more resilient.

Senator IAN MACDONALD: In very warm climates like the Red Sea or the Dead Sea—one or the other—there are corals that thrive in hot water. Again, that is my terminology and not quite the words you would use. I have often asked the question: why don't we transplant some of those Red Sea corals into the Barrier Reef if the

waters are getting warmer? Having said that, the last report was that the water is getting cooler, which makes that a little bit difficult. Is that the sort of thing you are looking at?

Dr Marshall: It is something we're looking at. Again, it is a scoping study to understand what is possible and to really get the science right. I emphasise what I said before. I lived in the US for 26 years. The US has a terrible track record of making environmental interventions. It is really hard. I am amazed at how successful the Australian interventions have been. I mean, remember how many flies there used to be before we introduced the dung beetle? There was the rabbit plague. There was the prickly pear, which was the first big project CSIRO worked on back in 1916. It is amazing to me that we have made at least five of these massive environmental interventions that have worked. Around the world, that is quite unique. So if anyone can do this I think it is Australia.

Senator IAN MACDONALD: It is one of the reasons why Australia has an enviable reputation in marine science—and congratulations to you.

Senator COLBECK: You have done the time series stuff over 40 years now. You have described the fluctuations in the condition of the reef. When water temperature rises you get a bleaching event or when there is a cyclone you will get a breaking event. To a certain extent, the reef has a life cycle. That belies the perception that it is a static environment. The reef varies over time, as most natural environments do: they are not static; they are alive, and they will vary according to season and time. How much of a sense of that cycle does that time series give us now? Forty years is a reasonable period of time but in some ecosystems it is not actually a long time. If you look at the carbon cycle of a forest, it might be 60 to 100 years. So where do we sit, and what level of confidence do we have in the time cycle?

Dr Marshall: I sit on the chairman's panel for the Great Barrier Reef Foundation. I will answer you to the best of my knowledge and then I will hand back to Dr Mayfield, who can give you more detail. In that long series of coverage measurement there is a gradual design in coverage, which we believe is caused by other factors such as the slow degradation of water quality. If you look at the data in the far north, it looks like the bleaching events are becoming more severe. I will let Dr Mayfield give you the details.

Senator COLBECK: The thing I am a little bit concerned about is the perception that the reef stays the same all the time. But there is a cycle to it and it is not a static environment such?

Dr Marshall: That is one of the challenges with any environmental intervention: simply leaving it alone can also be not the right thing to do.

Dr Mayfield: There are cycles of damage, regrowth and repair of the reef. In the most recent cycles there have been two very severe bleaching events, which, as we understand it, are unprecedented in the history.

Senator COLBECK: In our recorded history, I suppose you are saying.

Dr Mayfield: But some are recoverable. Depending on the extent of the damage, the length of time for recovery gets longer. Part of the program is looking at how we can assist that, how we can make that faster and, ultimately, make the reef more resilient.

Senator IAN MACDONALD: There was a much-publicised visit to the reef recently by Mr Shorten. Did any CSIRO personnel accompany Mr Shorten on the trip?

Dr Marshall: Which trip was this?

Senator IAN MACDONALD: The trip Mr Shorten made to the Great Barrier Reef with a very wealthy millionaire from Point Piper. It has been in the newspapers the last couple of days. No CSIRO employee went with them or was consulted while they were up there?

Dr Marshall: Not to my knowledge.

Senator IAN MACDONALD: The wealthy millionaire from Point Piper is something to do with the ACF.

Dr Marshall: I don't know anything about that.

Senator IAN MACDONALD: Could you take that on notice and check. He just changed his register of interests yesterday or the day before, but I think it happened about a month ago.

There are 64,000 jobs that depend on the reef. Coming from the reef area, I know that well. How does your involvement help secure that massive number of jobs that rely on all aspects of the reef for their employment?

Dr Marshall: There is a lot of excitement about bleaching and there have been some very sensational films shown. I think there is a risk that people overseas start to feel like the reef is a lost cause—and that is nowhere near true. We do need to take care of it—it is a unique asset for Australia—

Senator IAN MACDONALD: Yes. That's why we're putting \$60 million into it.

Dr Marshall: But if people start to think it is hopeless they will stop coming. We don't want that because tourism is a \$6 billion industry—and, beyond the science, that is one example of a way to significantly help that industry. A few years ago we did a program called eReefs. It is online. You can see the real-time effects of sedimentary run-off—where it goes and what it does. That awareness has made a big difference to people's understanding and land management practices, which has been a really strong improvement. So there are a lot of things we can do that are about sharing information from what we measure to, for example, make industry more aware and help them change some of their practices.

Senator COLBECK: Earlier you talked about run-off and seasonal conditions. Is there a website you can go to get a sense of how and where the effects take place?

Dr Marshall: The eReefs website. If you google eReefs you will come up with—

Dr Mayfield: There are a number of dashboards on that site, which show run-off conditions, temperature conditions and a range of other ecological factors. I think GBRMPA also provide information on surveys they do on the reef.

Senator IAN MACDONALD: Have the Australian Institute of Marine Science been called for this estimates?

CHAIR: No, they haven't.

Senator KIM CARR: Can I ask you on notice to give us a funding profile of the money that the government announced on 22 January—

CHAIR: The \$60 million?

Senator KIM CARR: The funding profile for the CSIRO. How much of the money went to the CSIRO and how does that work in terms of the out-years?

Mr Roy: Yes, we'll take that.

Senator KIM CARR: Thank you.

CHAIR: I have a couple of questions about some of the work you've been doing around carbon capture and storage technology. In particular, what has been going on in the Latrobe Valley?

Dr Mayfield: We do work with a range of different locations in Australia. In the Gippsland, we work with CarbonNet. That is a project that is looking at capturing and then finding sources in the Gippsland for sequestration—and possibly in Bass Strait. We also do work at the Otway Basin with CO2CRC and we do work in the South West Hub in Western Australia, south of Perth.

CHAIR: How close are we to making carbon capture and storage, or geosequestration, commercially viable?

Dr Mayfield: At this stage, we are still working towards large-scale demonstration. At the CO2CRC site at Otway we are demonstrating monitoring and measuring technologies that can demonstrate where the plume under the ground goes and where it stays. So that is getting to the technical positioning of the technology. In terms of the capture side of it, we are yet to have a large-scale capture project to start demonstrating the economics better.

CHAIR: There are some opportunities, surely, in the Latrobe Valley for that.

Dr Mayfield: Yes.

CHAIR: Particularly with carbon capture storage, I am interested in whether it is potentially viable for brown coal as opposed to black coal.

Dr Mayfield: Yes. There is another project in the Latrobe Valley with Kawasaki Heavy Industries, which is looking at technology to generate hydrogen from brown coal and incorporating carbon capture in that as a pilot project. That is at a small scale at this stage. I believe there will be an announcement this week or thereabouts.

CHAIR: Can you see a time in the future, Dr Mayfield, when, potentially, Australia—Victoria specifically—can use its immense brown coal resources in such a way that it generates the energy that we need but still maintains a low-emissions environment, using the technology that you're talking about?

Dr Mayfield: CSIRO is working on CCS technology with the view that we think there's a range of applications which will benefit from having relevant CCS capability. We see that as a technology of the future, that's why we're investing in it.

CHAIR: Terrific. I have a couple more questions about a program that you run with BHP, Dr Marshall. I understand it's an awards program for STEM. Is it with students, adults, universities or schools? It's with BHP, isn't it?

Dr Marshall: It's a wonderful example of corporate social responsibility index at work, that a big mining company like BHP donates to fund and incentivise STEM education. You asked if they were adults. I tell you

what, they think like adults. They are amazing. They are so smart, it's scary. I talked to the kid that won. He built a robotic window cleaner for skyscrapers. It's a drone that you lower down and it washes the window and, then, it hovers off and moves to the next window and washes it again. I asked him how on earth he built this. He said: 'I met you a year ago'—and I remembered we did—'and you introduced me to the team at Clayton. They have a whole engineering team and they taught me the engineering process, like how you do risk assessment at each step.' There's a framework—we gave it to him, apparently—and he went off by himself and then used it. He came up with 600 steps to design this product.

CHAIR: How old is this kid?

Dr Marshall: Fifteen.

CHAIR: Oh my!

Dr Marshall: The future is in very safe hands. They're amazing, these kids. It's a wonderful program. In fact, I invite all of you, if you're able to when we do the awards, to see these kids. We have a big show. They actually bring their inventions and we talk to them, and they're incredible.

CHAIR: That would be terrific. What else is CSIRO involved in to encourage young people into STEM? I know there's something you do that's about coding skills, which is something I've never fully understood but I know is very important.

Dr Marshall: We have a number of programs where we match up teachers with scientists, both from within CSIRO and from many partners, including industry partners, to augment their skills, and we do thousands of school visits every year. Also, we have a couple of programs—coding for girls is a Data61 program. Do you want to mention the others?

Mr Roy: Yes, we've got the Digital Careers program, which raises awareness of people's knowledge of coding and ICT more generally. We partner with SAP around that program—so, industry partners as well. It began in 2014. We had 10,000 participants in the first year and there were 65,000 in the most recent year, so it's very important. Equally, when we talk around bringing diversity into science, gender diversity is important, as well as bringing people from low-socioeconomic backgrounds and Indigenous people into science. We have a tremendous program with the BHP Billiton Foundation with Indigenous STEM, which we spoke of at the last hearing. These are the sorts of things that we're doing.

In terms of the number of people that we engage with, CSIRO's programs last year engaged with 130,000 primary and secondary students and over 2,000 teachers. In addition to providing awards to some of the great science students and entrepreneurs coming through, we also recognise the teachers. Some of the great teachers accompany them to the awards in the US as well. We had 30,000 people take part in community programs, and over 300 organisations participated in the scientists in school STEM program as well, which the chief executive was talking about. It's quite comprehensive, this work where we're trying to support Australian youngsters and adolescents in getting really fascinated by science—to become passionate about science and how they can change the future.

CHAIR: That is very encouraging, indeed. That's all I have for CSIRO. I thank CSIRO for appearing today. Thank you very much, Dr Marshall. Please do keep senators informed as to when that awards ceremony is. I think we would all be fascinated.

Dr Marshall: It would be a pleasure.

Office of Innovation and Science Australia

[16:34]

CHAIR: I now call on Dr Day and the Office of Innovation and Science Australia.

Senator KIM CARR: Are they here?

Senator Cash: They're on their way; unfortunately they may find it a little hard to get in with locked doors.

Senator KIM CARR: While we're waiting, could I ask the minister about the response to the Ferris review—the three F's review. Have we got any indication of when there'll be a response to the three F's review?

Senator Cash: As you know, Mr Bill Ferris and I—well, I was supported by Mr Ferris—released the ISA 2030 Plan earlier this year on 30 January. The government is currently considering the recommendations. It is a comprehensive report and it's across a number of portfolios. The government will be providing a response—

Senator KIM CARR: Sorry to interrupt you, Minister—that's the wrong review. The review was given to the government—

Senator Cash: Sorry, I thought you said the ISA 2030 Plan.

Senator KIM CARR: No, this is the Ferris review—the three F's review. I believe the government received the review on 4 April 2016. I'm wondering when we are likely to get a response?

Senator Cash: The government is currently considering its position, and we'll provide a response in due course.

Senator KIM CARR: I thought that's what you'd say.

Senator Cash: Sorry, I apologise—I thought for some reason you said the ISA 2030.

CHAIR: Welcome, Dr Day. Do you have an opening statement? I'm very glad you are the Office of Innovation and Science Australia and not the office of navigation!

Dr Day: Indeed!

CHAIR: Do you have an opening statement for us?

Dr Day: No, we don't.

Senator KIM CARR: I've got a lot of material here. I'm sorry—the time has got away from us today, so I'll indicate to you that there is a lot of material on notice. I do appreciate the fact that ISA briefed me recently on your report. I acknowledge that you've put a lot of work into the report. This is the latest report that's been issued. There has been a series of reports and we've yet to see a response from the government on them, so I trust that your work is not going up in smoke.

Could I go specifically to the recommendations you've made in regard to R&D? What was the basis for the assertions that you've made—now in two reports—about the reductions in the R&D caps and other measures to reduce the R&D benefits? What were the modelling arrangements that you put in place behind those recommendations?

Dr Day: The source of the underlying analysis and thinking behind the recommendations in our 2030 plan is the so-called three F's review—the Ferris, Finkel, Fraser review—of the R&D tax incentive. We relied on the modelling that was undertaken for that review in considering the recommendations that we put forward.

Senator KIM CARR: There was no modelling put forward in that—do you have modelling for these assertions?

Dr Day: Modelling was undertaken but, as you can imagine, where it concerns matters of taxation, there are provisions in the tax act that prevent release of some of that information.

Senator KIM CARR: Well, this is advice that you've provided; it's not to do with individual companies. Are you saying that you're inhibited from providing the committee with that material because of the tax act?

Dr Day: My advice is that any questions about the information modelling that was relied upon in the three F's review and which we subsequently relied upon would need to be directed to the Treasury.

Senator KIM CARR: That goes for all the recommendations—the one per cent intensity trigger?

Dr Day: The modelling was done on the package of recommendations.

Senator KIM CARR: I see. Last year's MYEFO revealed decreasing payments relating to the R&D tax incentive of \$128 million in 2017 and \$698 million over the forward estimates. Do you have any understanding of why that's happened?

Dr Day: The estimates that are in MYEFO are produced by the department, so I think you have to direct your question to the department on that.

Mr Lawson: The revenue estimates come from Treasury, of course, but there are a series of changes going on. We have increased participation by small- and medium-sized enterprises, especially those in a loss-making situation, which gives a very high return on their expenditure. You also have parameter changes from year to year. So there will be a complex range of arguments about why the Treasury numbers change from year to year.

Senator KIM CARR: That's the point I'm trying to get to. If there is a reduction in the scheme at the moment because of, I suggest, the previous changes that have been made, will the scheme be adversely affected by further reductions in the benefits?

Mr Lawson: To clarify, there was an increase in the cost of the scheme where some numbers—

Senator KIM CARR: There were a series of reductions of benefits in the scheme in the previous budget. There were various caps put on entitlements. That is the case, isn't it, Mr Lawson?

Mr Lawson: Yes. There was a \$100 million cap put on the claim by large companies—

Senator KIM CARR: Yes. You don't think that has any effect on the payments?

Mr Lawson: It's a complex matter. On that specific thing, where you put a restriction on those companies, that will provide a cap. But there was also a reduction in the number of companies—mining companies especially—making very large claims because of the reduction in their investment activity.

Senator KIM CARR: That's right.

Mr Lawson: As I said, there is a range of activities and it is very hard to, without getting into the specific Treasury data—

Senator KIM CARR: That's all right. Dr Day, won't your recommendations have an effect, if they are implemented, of further reducing the cost of the scheme?

Dr Day: It depends on the extent to which the various parameters are varied in line with what we say. The thrust of our recommendations is that the policy intent of the R&D tax program is to stimulate additionality. We think that there are certain elements where the program as currently structured is not meeting those objectives as well as it could.

Senator KIM CARR: I put it to you, Dr Day, that your original brief was that you had to meet a funding envelope of budget neutrality for all your recommendations.

Dr Day: No, we weren't given a brief of that kind.

Senator KIM CARR: I see. There was no implicit understanding that that was the intent?

Dr Day: No.

Senator KIM CARR: I see. So it won't matter to your recommendations if the cost of the scheme actually increases?

Dr Day: As I say, we want to have greater confidence that the scheme is generating greater additionality. If the scheme is successful in generating additional R&D and that increases the cost of the scheme, that's the kind of failure I can live with.

Senator KIM CARR: I see. There are other aspects. As I said, there's a lot of material I want to put to you. I would seek your further detailed answers.

Dr Day: I'm very happy to provide that.

Senator KIM CARR: Did you consider the role and performance of the industrial growth centres as part of your 2030 plan?

Dr Day: Yes, we certainly did. We spoke with all of the growth centres and we reviewed all of their sector competitiveness plans, which were released over the course of last year. As you would be aware, many of the growth centres are still relatively early in their existence, so it is difficult to form a definitive view on how they're performing. But I think you'll find our comments in our report are broadly supportive of the growth centres as a very useful component of our innovation system.

Senator KIM CARR: So you did do that?

Dr Day: Yes, we did.

Senator KIM CARR: That's clear in the report, do you think?

Dr Day: I hope so.

Senator KIM CARR: What about the CRC Program, the Entrepreneurs' Program and these wider industry support programs? Did you look at those?

Dr Day: Again, we didn't have scope to do a detailed review of each of those programs individually. We relied on existing reviews that had been undertaken recently or the most recent reviews that were available and we supplemented that with interviews and conversations with people involved in all of those programs.

Senator KIM CARR: Is it the case, though, that if you had actually looked at them yourself you might have got a different view from those other reviews?

Dr Day: I can say with reasonable confidence that the board is a careful inquisitor of the evidence that's presented to it. It did question all of the data that we put in front of it. So, where reviews had been done, it was satisfied with the findings.

Senator KIM CARR: Then how do you account for the views, for instance, of Ai Group? It said in its pre-budget submission:

There does not seem to be a strong policy case for further savings from the Incentive.

That is the tax incentive. Can you respond to that claim?

Dr Day: I'm not sure what evidence they're bringing to bear—

Senator KIM CARR: You have read their pre-budget submission?

Dr Day: No, I haven't.

Senator KIM CARR: Are you familiar with their assertions?

Dr Day: I'm familiar with their general policy position; I'm not familiar with that particular position.

Senator KIM CARR: They say they are concerned particularly about cuts to the R&D incentive, especially in light of the nearly \$700 million reduction that was included in MYEFO?

Dr Day: As my colleague has advised, the projections in MYEFO reflect a number of variables and changes in the scheme as a whole. There are many factors that go into those projections.

Senator KIM CARR: That public evidence has no effect on your opinion?

Dr Day: As I say, our opinion was formed on the basis of reviewing the evidence that was available as to the additionality and spillovers achieved by the program.

Senator KIM CARR: What about we take specific examples—for instance, Dulux. It is a big R&D company in this country. It's a big manufacturer. It has said the introduction of the intensity threshold would have quite a serious effect on its operation. It has just recently invested \$165 million in a new paint factory in Melbourne. What do you say to its claims that this would have quite a serious impact on its operations?

Dr Day: Certainly I have the greatest of respect for Dulux and for their innovative capacity. Our focus in thinking about the policy settings on the R&D tax incentive is: is it achieving its goal of supporting R&D that would not otherwise have occurred? The evidence that we were able to review as part of developing our plan suggested that the additionality effect was stronger where companies were more R&D intense. We also note that, amongst the top 1,000 companies around the world, R&D intensity is typically closer to three to four per cent. So we didn't feel that one per cent was an onerous threshold to put on companies to spend on R&D.

Senator KIM CARR: I have some questions regarding a number of contracts. I will leave you to deal with those.

Dr Day: I'm happy to take them on notice.

Senator KIM CARR: Did you consider any national missions other than the ones that were actually included in the final report?

Dr Day: Yes. Early on in the process we solicited ideas from both within and outside the board. As part of our consultation process we invited participants to contribute ideas to our process. In the end, the objective of the plan was not to map out a road map of multiple missions. We wanted to lay out what we meant by 'missions' and use an example as a way of crystallising that. We expect, hope and have outlined in our report that any future missions will be subject to a clear and public process. In fact, we think that one of the great benefits of missions is the public nature of that process.

Senator KIM CARR: Dr Day, I'm told that you had a proposal to consider fast broadband and renewable energy technology—is that true?

Dr Day: To be honest, Senator, I can't remember off the top of my head. It wouldn't surprise me if we did get proposals of that kind. I would have to take it on notice as to whether we received a specific proposal on that.

Senator KIM CARR: Perhaps you can tell me why they were dumped?

Dr Day: Sorry?

Senator KIM CARR: Why were they not proceeded with?

Dr Day: The review and analysis of candidate missions was something that was done in consultation with the board. We assessed them against the criteria, and we've included in our report a sense of what we think the criteria are that make for successful missions. As I say, it was not our objective to develop a long list through this process. We wanted to have an exemplar we could put forward, and we were satisfied that we found one.

Senator KIM CARR: They weren't dumped because they were politically sensitive, were they?

Dr Day: No.

Senator KIM CARR: Thank you. There's one thing that you could clear up for me. Mr Ferris told the Australian Financial Review innovation summit:

In less than 3 weeks ... the independent statutory board which I chair, will deliver its national innovation strategy report to the Federal Government.

In response to question No. 79: three days later, Mr Ferris met with Minister Laundy—I think he was the assistant minister at the time, wasn't he?—and the release of the plan was subsequently delayed. Was there any feedback from the assistant minister's office that caused that delay?

Dr Day: I don't think it would be fair to characterise it as causing the delay. Certainly we take feedback from the minister's office; we take feedback from many parties. I wouldn't say that it was the cause of the delay.

Senator KIM CARR: A three-month delay?

Dr Day: I don't believe it was three months.

Senator KIM CARR: I think you'll find, if you check the calendar, that it does fit. A substantial delay.

Dr Day: I can assure you that I and my team were working very, very diligently during that period to make sure that the plan met the quality standards that the board set for us. That was, I think, the main cause of the delay.

Senator KIM CARR: Fair enough. As an independent statutory authority, you're not governed by ministerial interventions of that type, are you?

Dr Day: I think it's fair to say that our chair and our board are all very independently minded.

Senator KIM CARR: Thank you very much. I will put the rest of my questions on notice.

CHAIR: I wanted to ask a couple of questions of Dr Day. Last month—and I think this has been mentioned before—I saw the Bill Ferris press conference with the minister and Assistant Minister Seselja when Innovation and Science Australia's 2030 strategic plan was released. Could you talk me through the elements of that particular plan and what it's intended to do?

Dr Day: For sure. Thank you for the question, Senator. Our 2030 plan was something that was asked of ISA when we were first created as part of the National Innovation and Science Agenda. We were tasked to prepare a long-term vision for the Australian innovation system. Our report reflects our view on how government can support that agenda most effectively.

CHAIR: What's the title of the review?

Dr Day: The report is *Australia 2030: prosperity through innovation*. It's available on the web.

CHAIR: And all good bookstores!

Dr Day: Not quite in bookstores, but on the web anywhere you'd like to find it. Our job was to look out to the future about what could help Australia to realise its full innovation potential. The report is structured in three sections. The first section is really, I guess, a narrative about the innovative future that Australia can face. Our board is very positive about the potential of innovation to deliver prosperity to Australians, but, as I think we say in the report, we need to be confident but not complacent. I think the big worry the board has is that, potentially, 26 years of uninterrupted economic growth has lulled us into complacency. To some extent, our report is a call for action.

In section B of our report we outline, under five imperatives, the actions that we believe government should take to support that agenda. There are 30 recommendations in there. As you're running late, I won't go through them in great detail. We think that they provide a clear road map for the future. In section C, we talk about how that might roll out some of the implementation challenges that we'll face. I've said in many public forums that I think the key to innovation is to recognise that there are not many silver bullets; it's hard work and it's hard grind, but if you can continuously work on improving your system you can actually be a highly innovative country. That's the context of our report and the contents of our report.

I'm very happy to say that when we launched it we did so at a site in Western Sydney owned by Astor Industries, which has had a long history as a car manufacturer and is currently transitioning some of its product lines into innovative technologies, including spectacle frames—including the ones I'm wearing. That's a joint effort between a company called Dresden Optics Newtown, who do the retail side, the R&D side, design side and the retail side, and Astor Industries, who do the manufacturing side. I think it's a great example of the innovative future that Australia can look forward to if we can get the various settings right.

CHAIR: I think that's absolutely right. Thank you very much for that, Dr Day. The work that you do is extraordinarily important. Just yesterday in the Treasury portfolio we were talking about how, even though we've had nearly 27 years now of consecutive economic growth, productivity measures have actually fallen over those years, which is quite frustrating, and innovation is the key to driving productivity growth in the future. Thank you very much for all the work that you're doing; it is very, very important.

Senator IAN MACDONALD: I probably should have asked this at the beginning: this is a new office, isn't it?

Dr Day: It is new. Well, it's an evolution of what was previously the Innovation Australia board as part of the National Innovation and Science Agenda. The role and remit of that board was expanded, and the Office of Innovation and Science Australia was created.

Senator IAN MACDONALD: Do you have a board or are you a part of the department?

Dr Day: I personally am part of the department, and the Office of Innovation and Science Australia is housed within the Department of Industry, Innovation and Science. There are currently 13 senior people on the board, and the secretary is an ex officio member of that board.

Senator IAN MACDONALD: Are those board members scientists or people—

Dr Day: I can list their names to give you a sense. There is a mixture. There are high-profile business people, like Scott Farquhar, the founder of Atlassian; Daniel Petre, a prominent venture capital investor; Paul Bassat, the co-founder of SEEK and a venture capitalist; and Maile Carnegie, formerly of Google and now at ANZ Bank. We also have scientists, in the form of the Chief Scientist, Alan Finkel, who is the deputy chair of the board; and Bronwyn Harch from QUT, who is leader of the Food Agility CRC. We have experts in the field, like Bronte Adams, who runs a consultancy on public policy and innovation. I mentioned the secretary. I'm probably going to get in trouble for missing out some—

Senator IAN MACDONALD: That's sufficient.

Dr Day: Does that give you a sense?

Senator IAN MACDONALD: Does the board actually suggest to the office that they should be funding this particular thing or that they should be helping in this particular way? What does the board actually do?

Dr Day: In the context of the 2030 plan, the board is an advisory board. We are providing advice to government. My office will agree with the board on a program of works and topics or issues that they think want to be investigated. My office will then go away, do that work and report back to the board. In the case of the 2030 plan, we had a very close iterative working relationship where we would go away, investigate issues and report back to the board. Ultimately, they very much shaped the content of this report and how it was presented.

Senator IAN MACDONALD: But you do more than tabling a report?

Dr Day: Absolutely.

Senator IAN MACDONALD: Are you sort of like a cooperative research centre?

Dr Day: Not really, in the sense that we don't have research or research funding of our own to hand out. We have three essential functions in the system. The first, as I say, is to provide advice. This is obviously a very public, concentrated and detailed piece of advice, but we are also engaging regularly with the government on other issues as and when they come up. We are asked for input on various bills, as they go through the government process, to provide that perspective of the innovation system to government consultation processes.

The second role we have is oversight responsibility for a number of programs within the innovation system that seek to leverage, if you like, external expertise. To give you an example, the CRC Advisory Committee is comprised of a number of people, drawn from across industry, and that committee is responsible for identifying and recommending to the minister what applications should be funded. Our oversight responsibility for that process is to make sure that we are appropriately drawing on the private sector expertise that is delivering quality outcomes to government. We have a governance and quality-assurance role in those processes.

The third function that the board serves is to be an advocate for our innovation system. Our board members are frequently in the press, advocating for our innovation system and pointing to both the successes and the areas where the system could be improved.

Senator IAN MACDONALD: If you'll indulge me with a little parochial issue—do all the board members come from Sydney, Melbourne or Canberra?

Dr Day: No. We certainly have some Sydney, Canberra and Melbourne based board members. From memory—in fact, I don't even need a memory; I've got a sheet right here—Bronwyn Harch from QUT, who I mentioned, is from Queensland, and through last year we were fortunate to have two international board members. One was Beth Comstock from GE, who is based in New York. She stepped off the board at the end of last year when she left GE, but her contribution to the report was invaluable. We also have Saul Singer, author of the definitive book on the rise of Israel as an innovation nation, *Start-Up Nation*, as a member of our board.

Senator IAN MACDONALD: Can you tell me, without going into names, how many are from Western Australia, Northern Territory and Queensland proper? QUT is Brisbane's great institution. Brisbane is a wonderful city, but it's practically New South Wales.

Dr Day: I'm sure Bronwyn would be upset to hear you say that she's not a real Queenslander.

Senator IAN MACDONALD: Well, she's from Brisbane. It's all part of my constituency, so I have to be careful. This is really a shot over the bow of the minister, and I suspect the board was appointed before this minister was the minister.

Dr Day: Correct.

Senator IAN MACDONALD: But I always like ministers to be aware that there are equally bright people up in the sticks—in the provinces, so to speak—and that they should always be considered. The minister might be interested in the question: how many are from Western Australia?

Dr Day: Yes, I can confirm that at the moment we don't have anyone from Western Australia on the board. But, as I mentioned, we have a couple of vacancies because Beth Comstock stepped down at the end of the year and Rufus Black, who was on the board, also stepped down—he has been appointed as the vice-chancellor at University of Tasmania. I think he started yesterday. So, we do have a couple of vacancies. I can imagine that the minister might have some views on suitable Western Australians.

Senator IAN MACDONALD: The minister might like to talk to me about—

Senator Cash: Queenslanders!

Senator IAN MACDONALD: some clever people in the north as well!

CHAIR: Thank you very much, Dr Day, for appearing before the committee today. We'll let you go and we'll move on to the cross-portfolio. I remind senators that the dinner break this evening is scheduled for 6.15, and I think we'll try and stick to that timetable. We have an hour and 10 minutes on the cross-portfolio. Sorry, forgive me—we're going to program 1, not cross-portfolio; I'm looking at the wrong part of the agenda.

Senator KIM CARR: I thought we agreed to go to cross-portfolio.

CHAIR: No, we didn't agree. We haven't had a meeting to change the agenda.

Senator KIM CARR: I asked the minister at the beginning of the proceedings.

Senator Cash: You asked would I be at the cross-portfolio, and I said I would after dinner.

Senator KIM CARR: No—after the officers from the agencies left.

CHAIR: Senator Carr, we've adjusted this program twice already.

Senator KIM CARR: What is the problem with doing cross-portfolio now?

CHAIR: This is the second time in the last couple of days. You've had plenty of opportunities to contribute to that process and you've chosen not to.

Senator KIM CARR: No, I haven't chosen not to. I wasn't aware.

CHAIR: That's because you're not a voting member of the committee.

Senator KIM CARR: The point is: what specifically is the problem with doing cross-portfolio now?

Senator IAN MACDONALD: I may not be here after lunch, but I do have questions for program 1, supporting science and commercialisation. In fact, I'm very keen to find out—

CHAIR: I don't think we're going to change the program for one senator who is not a voting member of the committee.

Senator KIM CARR: I am a voting member of the committee.

CHAIR: Sorry, forgive me—you might be on the references committee. Yes, I think you might be.

Senator IAN MACDONALD: I think he's a proxy for Senator McAllister.

CHAIR: Sorry, yes—you're a proxy for Senator McAllister. I'm quite happy to have a meeting over it, if you like.

Senator KIM CARR: Let's have a meeting.

CHAIR: Can all the voting members please step outside?

Proceedings suspended from 17:05 to 17:06

CHAIR: The agenda will continue as printed, and we'll continue with program 1 of the Department of Industry, Innovation and Science. Dr Smith, I understand you have an opening statement. Did you want to give it at this section or after dinner, when we do the cross-portfolio?

Dr Smith: It's up to you, Chair. I'm happy to go with either.

CHAIR: I think we should probably do the opening statement now.

Dr Smith: Thank you for the opportunity to make an opening statement. I'd like to update the committee on the Jobs and Innovation portfolio, which was established in December 2017. The portfolio comprises two Australian government departments—one is the Department of Jobs and Small Business and the other is the Department of Industry, Innovation and Science, of which I've been secretary since 18 September last year. The portfolio is divided into four areas of ministerial responsibility: Minister Cash, the Minister for Jobs and Innovation; Minister Canavan, the Minister for Resources and Northern Australia; Minister Laundy, the Minister for Small and Family Business and Minister for the Workplace and Dereregulation; and Minister Seselja, Assistant Minister for Science, Jobs and Innovation. I should note that there were no machinery-of-government changes involved in our department.

Under these new portfolio arrangements, my department continues its previous work. Importantly, we work very closely with the Department of Jobs and Small Business to ensure that intersecting opportunities are there for policy development and implementation under the government's jobs and innovation policy agenda. The two departments have a common purpose: to stimulate jobs, investment and economic growth.

The department has welcomed the new portfolio. We see this as an important development for the Australian Public Service in the way that we work to deliver on the government's agenda, particularly on the key issues of the future of work, where technology and innovation associated with digitisation are creating both challenges and opportunities for business and for citizens. We will also focus on how we do business together between the two departments, in particular how we collaborate and where we can align our processes to ensure the portfolio performs at the highest level. We have a collective focus on understanding how science, technology and innovation are impacting on business and on sectors of the economy and the transitional and transformational issues this is giving rise to, including the uneven impacts on individuals, industries and regions and the skills required for jobs of the future. This focus, in turn, is underpinning our advice to government and will inform how we design, deliver and evaluate the programs we are responsible for. Thank you, Chair, for the opportunity to update the committee.

CHAIR: Thank you, Dr Smith.

Senator KIM CARR: Could we have a copy of that statement.

CHAIR: Yes, I was just going to ask whether we could have copies of that and table that.

Senator KIM CARR: I have some questions, if I could.

CHAIR: Absolutely. You may kick it off.

Senator KIM CARR: Minister, following that new portfolio arrangement, perhaps you could assist me with some matters that go to the portfolio administration. Who decided the allocation of ministerial responsibilities?

Senator Cash: Well, that's obviously a decision for the Prime Minister.

Senator KIM CARR: No, that's across the government. Within the portfolio?

Senator Cash: Again, it is decided in conjunction with the Prime Minister.

Senator KIM CARR: I see. So the response to the charter letter?

Senator Cash: The response to the charter letter—what do you mean?

Senator KIM CARR: The Prime Minister's charter letter?

Senator Cash: Yes.

Senator KIM CARR: And that's entirely consistent with the charter letter?

Senator Cash: Sorry, I'm not quite following you.

Senator KIM CARR: It was consistent with the charter letter from the Prime Minister, was it?

Senator Cash: What was?

Senator KIM CARR: The allocation of responsibilities within the portfolio.

Senator Cash: Yes.

Senator KIM CARR: So you've made no decision in regard to the allocation for the junior ministers and the parliamentary secretaries?

Senator Cash: Again, I'm not sure we're on the same page, Senator Carr. The Prime Minister is ultimately responsible for the appointment of the ministry.

Senator KIM CARR: Yes.

Senator Cash: That's it.

Senator KIM CARR: Well, that's clear. But, within a portfolio, the cabinet minister makes an allocation of responsibilities for junior ministers and parliamentary secretaries. Has that changed under this government?

Senator Cash: No. It's done in conjunction with the Prime Minister.

Senator KIM CARR: So were you responsible for the allocation of responsibilities within the portfolio for the junior ministers and the parliamentary secretaries?

Senator Cash: Sorry, I think you mean the minister and the assistant minister.

Senator KIM CARR: Yes, and they're known as parliamentary secretaries.

Senator Cash: So Mr Laundry and Senator Seselja.

Senator KIM CARR: Under the MOP(S) Act, they are parliamentary secretaries, known as assistant ministers.

Senator Cash: Yes.

Senator KIM CARR: I think you'll find that is the technical designation. But that's correct. You made the decision, did you not?

Senator Cash: Yes, but obviously it's signed off by the Prime Minister.

Senator KIM CARR: Of course it was, but you made the decision?

Senator Cash: Yes, but signed off by the Prime Minister.

Senator KIM CARR: Can you give us a list of their particular responsibilities?

Senator Cash: I can take that on notice.

Senator KIM CARR: Thank you. I particularly want to know who's responsible for the various statutory authorities within the portfolio.

Senator Cash: I can take that on notice for you.

Senator KIM CARR: And who they report to.

Senator Cash: Yes.

Senator KIM CARR: Thank you. Madam Secretary, how many APS staff have been allocated to the minister's office?

Dr Smith: To Minister Cash's office?

Senator KIM CARR: Yes.

Dr Smith: 'Allocated' is not the word. I would say there are two staff that are temporarily in the minister's office.

Senator KIM CARR: There will be the DLOs, won't there?

Dr Smith: The DLOs, yes.

Senator KIM CARR: So there will be more than two, won't there?

Dr Smith: There are two temporary staff from the department, apart from the DLOs.

Senator KIM CARR: So there are two DLOs?

Mr Schwager: There are two DLOs in Minister Cash's office, yes.

Senator KIM CARR: Thank you. And there are two APS staff appointed temporarily to the minister's office?

Dr Smith: Temporarily, that is correct.

Senator KIM CARR: Which is consistent with the Public Service Act.

Dr Smith: It is.

Senator KIM CARR: There's one acting as the chief of staff at the moment?

Senator Cash: Correct.

Dr Smith: Not from our department. Oh, I see. Sorry. Yes, we do have an SES officer who is currently acting as the chief of staff.

Senator KIM CARR: That's right.

CHAIR: Senator Carr, can I just confirm that these questions are about program 1, Supporting science and commercialisation?

Senator KIM CARR: If you want to play these games, Senator, these are directly from the secretary's statement. You could have done it the other way, but the secretary has made a statement about the portfolio administration. I am following up questions directly from the portfolio secretary's statement—

CHAIR: Well, let's try and keep—

Senator IAN MACDONALD: Please don't shout at the chair, the secretary or the minister.

CHAIR: That's all right, Senator Macdonald. I think that women being bullied by Labor Party members—

Senator KIM CARR: Well, if you think that's bullying—

CHAIR: is a common occurrence in this organisation.

Senator KIM CARR: This is all very interesting, but it's got nothing to do with proceedings.

CHAIR: Would you like to ask some questions about program 1, Supporting science and commercialisation?

Senator KIM CARR: I've asked questions directly from the secretary's statement, entirely consistent with the standing orders. Madam Secretary, is that not the case? Do you have two officers currently seconded to the minister's office?

Dr Smith: Yes, as I mentioned before.

Senator KIM CARR: One is an acting chief of staff?

Dr Smith: Yes.

Senator KIM CARR: How long are they entitled to be in that position?

Senator Cash: I think that's set out under the act.

Senator KIM CARR: It is.

Dr Smith: So I would expect that staff member to be there for 12 weeks.

Senator KIM CARR: Twelve weeks. And that time must be coming to an end shortly?

Dr Smith: No. The staff member has been there for probably—

Mr Schwager: Just a few weeks.

Senator KIM CARR: Thank you. I recall the department appointed people to my office at the time, so it's a custom and practice of this department.

Dr Smith: It's a very standard practice, yes.

CHAIR: Can I have a copy of Dr Smith's opening statement, please, because I don't remember staffing being discussed in your opening statement.

Dr Smith: No, I did not discuss staff.

Senator KIM CARR: No, you discussed the ministerial arrangements within—

CHAIR: Can we move on to program 1, please.

Senator KIM CARR: I'm going to go to the rest of the statement in a moment. How many other APS staff has the department allocated to other ministers or parliamentary secretaries in the portfolio?

CHAIR: I don't remember staffing being discussed in the opening statement. If we could discuss program 1, I think that would be terrific.

Senator KIM CARR: This is a statement presented to the committee by the secretary.

CHAIR: There was nothing about staff, yet you're asking about staff. We can discuss that in the cross-portfolio.

Senator KIM CARR: This is where the secretary has made a statement.

CHAIR: I understand you want to catch a plane back to Melbourne, but we're here to ask the department questions in the order on the program, which has been set out for days.

Senator KIM CARR: I'm sorry, but these are the normal standing orders of this committee.

CHAIR: I think you're making the standing orders up as you go along.

Senator IAN MACDONALD: Ask him which standing order.

Senator KIM CARR: Do we have a copy of this statement?

Dr Smith: We're just getting it.

CHAIR: If you've mentioned staffing in there, I will allow the questions about staffing.

Dr Smith: I haven't mentioned staffing, but I'm happy to answer your questions.

Senator KIM CARR: Yes, thank you very much. I'm sure you are.

Dr Smith: We have no other departmental staff in the other—

Senator KIM CARR: In any other ministerial offices.

Dr Smith: That's correct.

Senator KIM CARR: Thank you. Minister, given the role of the department, as the secretary's just outlined, specifically in regard to the industry responsibilities, how many companies have you met with in your time since your appointment as the minister for industry?

Senator Cash: I have met with many stakeholders. I would obviously need to take it on notice if you want a list of them. I don't know if I would be able to provide—

Senator KIM CARR: I understand. I don't want a list of them. I'm concerned that a number of companies are reporting to me that they've had trouble getting an appointment with you.

Senator Cash: If you could tell me who those companies are, I would be able to respond to them. But you can't just make an allegation and put something to me, you can't just say anything you like.

Senator KIM CARR: I'm giving you the opportunity to respond.

Senator Cash: If you could tell me who the companies are, I will obviously be able to—

Senator KIM CARR: How many companies in the automotive industry have you met with?

Senator Cash: Again, I'd have to take that on notice. If you could put to me who the companies are, I will be able to call them.

Senator KIM CARR: I'm certainly not going to do that—any more than I want to name individuals in your office who were actually at the meetings.

Senator Cash: Then you can't put an allegation to me.

Senator KIM CARR: Are there any grounds for complaints from companies that they are having difficulty getting appointments with you because you're too busy?

Senator Cash: No. If my diary is full and a particular stakeholder says that they would like to meet with me at a particular point in time, obviously they will be advised that I am unavailable. But I make every effort to meet with stakeholders. In the event that I am not able to meet with stakeholders, I seek to ensure that the relevant adviser is available. In the event that the relevant adviser is not available, I am able to speak with the minister or the assistant minister to ascertain their availability. But I have an incredibly busy schedule and I do what I can to ensure that stakeholders are met with. It would be good if you could give me the names of these stakeholders.

Senator KIM CARR: How significant is the role of manufacturing in your responsibilities?

Senator Cash: It's incredibly significant. It's part of my portfolio.

Senator KIM CARR: How many manufacturers have you met with?

Senator Cash: Again, I would have to take that on notice.

Senator KIM CARR: Thank you, if you wouldn't mind. I'm particularly concerned, as you know, about the situation with the automotive industry at the moment. A number of companies are having some difficulties. In terms of the national interest registration processes, how many applications have you dealt with? These are matters that do go to the minister directly.

Senator Cash: I'll get the relevant adviser.

Senator KIM CARR: I'm interested to know how many applications for the national interest tests under the Automotive Transformation Scheme you have actually considered?

Senator Cash: As I said, I will get the relevant departmental officer.

Ms Facey: In terms of national interest applications, we currently have 17 applications pending. At October last year, which was the last estimates, we had five applications pending.

Senator KIM CARR: How many have been rejected?

Ms Facey: Over the life of the scheme there have been six rejected, two of which were rejected since the last estimates in October.

CHAIR: Thank you, Senator Carr. I've given you three extra minutes and two extra questions. I'm going to turn the call over to Senator Macdonald. If, during the break, you could go through—

Senator KIM CARR: I've read this.

CHAIR: You've read it already—that's amazing! It only just landed on your desk! If you can show me where the secretary mentions staffing, I will be very pleased to see it.

Senator KIM CARR: The simple matter is: if the secretary makes a statement such as 'under the new portfolio arrangement that continues our previous work and works closely with,' that is open season to ask any question I like about the work of the department.

CHAIR: I can't see anything about staffing in that statement. But, if you can point out the relevant section, I'd be very pleased to see it.

Senator KIM CARR: You have to get up a lot earlier than that if you're going to try and shut me down!

CHAIR: Senator Macdonald, you have the call.

Senator IAN MACDONALD: Chair, I wonder if you could ask Senator Carr to be civil to the chair, the minister and the secretary. Just because they're women, it doesn't give him an opportunity to shout at them.

Senator O'NEILL: That is completely inappropriate.

Senator IAN MACDONALD: Well, why is he shouting?

Senator O'NEILL: Probably because he's outraged by the behaviours generally. It's got absolutely nothing to do with women. That's just a throwback to another time, Senator Macdonald.

Senator IAN MACDONALD: Do you know what bullying is?

Senator O'NEILL: I do know what bullying is. I've been subject to it many times, like many women. Your comment was completely inappropriate. It's like a pattern with you guys.

Senator IAN MACDONALD: Big men shouting, thinking they're at a union meeting, at women—

Senator O'NEILL: We've seen plenty of it from you. That was completely inappropriate.

CHAIR: Senator Macdonald has the call.

Senator IAN MACDONALD: This is a new department, which you've given us some indication of, incorporating other departments. What exactly is Program 1.1: Science Awareness, Infrastructure and International Engagement? Is that a branch within the department, and what's its role? I would ask the same about 1.2: Business Research, Development and Commercialisation. What do they do, so we'll know where to direct questions in relation to supporting science and commercialisation?

Dr Smith: I'll ask Sue Weston to start.

Ms Weston: There's one outcome for the department, and it is:

Enabling growth and productivity for globally competitive industries through supporting science and commercialisation, growing business investment and improving business capability and streamlining regulation.

Program 1, under that, is supporting science and commercialisation, and there are a number of subprograms under that: science awareness, infrastructure, international engagement, and business research, development and commercialisation.

Senator IAN MACDONALD: Thank you for that, Ms Weston. So what does the department do in the role of science awareness?

Ms Weston: I'll ask one of my colleagues to come up. The department, through the National Innovation and Science Agenda, was funded to run programs that, for instance, improve STEM engagement with younger children and women in STEM, and a number of other programs including general science awareness, like National Science Week and Prime Minister's Prizes for Science. They're examples of the sorts of activities that come under that heading.

Senator IAN MACDONALD: So it's generally to promote an interest in science with business and with students?

Ms Weston: Yes. I might ask my colleague to give you a fuller understanding.

Senator IAN MACDONALD: And I'm going to ask you the same question in relation to infrastructure and international engagement, so if there are other officers—

Ms Weston: We'll be ready for that.

Senator IAN MACDONALD: Okay, thanks.

Ms Urquhart: Science engagement activities are undertaken by a number of entities in the portfolio, and we have a major program under the National Innovation and Science Agenda that supports a number of elements. I

might focus on the National Innovation and Science Agenda program initially. As part of its agenda, the government is supporting a range of communication and engagement activities and events. They're very much directed, in this portfolio, at supporting and engaging all Australians with science, consistent with the science statement—a government policy statement that was issued in March last year—which specifically had the objective of seeking to enrich and engage all Australians with science. That particular measure, under the National Innovation and Science Agenda, is called 'Inspiring all Australians in Digital Literacy and STEM'. The government initially invested over \$34 million between 2016-17 and 2019-20, directed at those sorts of activities about inspiring participation and excellence in STEM among all Australians. That program has a companion piece in the department of education, which goes specifically to encouraging and inspiring STEM participation in schools. But, in this portfolio, what you see is the activity very much focused on community engagement. Of course, we're very fortunate to have Questacon within the portfolio, as a division of the department, which takes a leading role in engaging Australians in activities in STEM.

Senator IAN MACDONALD: So that's where Questacon comes in? Okay. They do a wonderful job in promoting science awareness. Thank you for that. Now I know where to direct questions there. Now, can someone tell me what infrastructure and international engagement—

Ms Weston: Ms Urquhart can answer that as well. We have something on commercialisation following that, which is in the next subprogram.

Senator IAN MACDONALD: Right.

Ms Urquhart: My division is called the Science and Commercialisation Policy Division. We work very closely with the Department of Education and Training, as I mentioned before, on STEM, but also in relation to research infrastructure. I should note that the Department of Education and Training has the lead, under the administrative orders, on research infrastructure, policy and funding. But, nonetheless, we're very closely engaged with them in working on issues related to research infrastructure investment from government.

In addition to that, we work very closely with the science agencies—CSIRO, ANSTO and AIMS—who play an important role and run their own infrastructure. You have what they call some landmark pieces of infrastructure—the RV *Investigator*, for example, with CSIRO—and other tools like the sea simulator with the Australian Institute of Marine Science. A relatively recent project in the last couple of years within my division was the move of the Australian Synchrotron from ownership by a collection of consortia across state governments and other institutions to ownership by ANSTO. That was a very successful project. The government stabilised the platform of core funding for the Synchrotron. No doubt Dr Paterson mentioned there has now been quite a response in partnering with ANSTO to co-invest in new beam lines to bring the standard of the Synchrotron up to competitiveness.

Senator IAN MACDONALD: And what does 'international engagement' mean?

Ms Urquhart: I also undertake international engagement activities as they pertain to science and innovation, partnering with other countries, within our division. We have responsibility for the Global Innovation Strategy, another component of the Innovation and Science Agenda. It has a number of elements. It has two collaboration program elements. One is a smaller-scale grants funding program, on which we partner with the Academy of Technological Sciences. This is because the Academy of Technological Sciences worked with us a number of years ago on supporting small-scale collaborations between small to medium enterprises and researchers internationally in Europe, and it was a very successful pilot activity. So, under the Innovation and Science Agenda we had the opportunity to partner with the academy again.

It's a very successful partnership, because in addition I guess to the small-grant funding that enables the connection between SME partners and researchers, particularly with countries in Europe but also other significant innovation and science players globally, the involvement of the academy has meant that you have fostering institutions on either side of the collaboration. And that's an important ingredient in making what is for some SMEs their first international collaboration a successful one.

We have another program called global innovation linkages, which has more partners involved and larger funding available to seed that sort of scale of collaboration—up to \$1 million in funding for multiple players—but must have at least one Australian industry player and researcher involved in that collaboration. We have a regional collaboration program that we work with the Academy of Science on. That's very much about partnering within the region to ensure that Australia is a constructive player in terms of some of the challenges we face as a region and are able to collaborate with others. For example, we've engaged in activities around marine science and earth observation and so on regionally, particularly with APEC.

So, those are three elements. What I should say about the global innovation strategy is that perhaps none of us who are involved in the development of the Innovation and Science Agenda expected the enthusiastic reaction that we would get from international partners. It's fair to say that the department has been inundated with requests to strike innovation and science agreements with Australia, and certainly in the last period of time—at least over the last 18 months—the department's been responsible for striking quite a number. We've got seven new arrangements: Israel, Brazil, Italy, the US—and you might ask, well, didn't we already have arrangements with these countries? I guess the Global Innovation Strategy positioned us to be able to strike new arrangements that had a particularly strong innovation and science focus, as opposed to some of the older agreements that might have been focused purely on science—so, really enabling us to work with partners and learn from their experiences, particularly around collaboration and commercialisation, two areas of policy we're particularly keen to improve in.

Senator IAN MACDONALD: Just so I can understand: could you just give an example of some of the science agreements? What's the one, say, with Italy? What does it relate to? Are there any that come immediately to your mind so you can give me an idea of what—

Ms Urquhart: Some of the collaborations that I would particularly highlight, and my colleague the general manager for science policy can fill in the gaps for me—I would highlight in particular the collaboration with New Zealand. We obviously have a close working relationship with New Zealand anyway, but we have under the Australia New Zealand Leadership Forum been very engaged with New Zealand, particularly on innovation. The chair of the CSIRO board, David Thodey, represents Australia on an innovation working group under the Australia New Zealand Leadership Forum. We've worked very closely with him in striking a new memorandum and being able to work very closely with New Zealand.

That sort of arrangement underpins things like New Zealand investing in the new beamline for the Synchrotron, and us being able to compare closely the sorts of infrastructure New Zealand has need of and we have need of and make comparisons about where we might get best value together to also be able to share experiences and international engagement together—for example, the Square Kilometre Array, where we are both members of that organisation. So, as you can see, New Zealand is quite a special partnership.

Senator IAN MACDONALD: Perhaps I could go to Mr Grassia—and if my estimation is right, you'll be the right one to ask about what the arrangement is with Italy!

Mr Grassia: With the Italian government we originally had a lower-level memorandum of understanding that's been elevated to a treaty-level agreement. That has helped us to potentially unlock funding from the Italian side so that their researchers might be able to collaborate with us around research, science—

Senator IAN MACDONALD: But are you looking at a specific area—on better motorcars or better drones or better—

Mr Grassia: It's a broad framework under the agreement that allows research and science mostly around civilian activities. But, for example, astronomy may be an area where we could collaborate with the Italian research community. That could extend to other fields of science and research innovation.

Senator IAN MACDONALD: But why pick Italy? Or why not pick Italy? And I'm really only using this as an example to try to work out how this all works out.

Mr Grassia: My understanding is that the framework allows governments to facilitate the connections—not in the same sense that the research community needs to do that, but in some cases to help government and researchers to decide the kinds of areas that they might usefully collaborate on, whether that be research, but also helping to guide participants on both sides to funding mechanisms and collaboration mechanisms. In the case of New Zealand or Italy or even Singapore, which is another agreement we have, it's helping to find the places where that collaboration might usefully happen. And research infrastructure's been the one that's been of most interest, where communities from both sides, Australia or another country, will say, 'Well, you know, we have a mutual interest in doing something'—say, around animal health laboratories, using the infrastructure here and the expertise here to support perhaps a research gap or a capability gap in another country. In a way, it's trying to avoid duplication in some cases where there are expenses.

Senator IAN MACDONALD: Okay. And don't take me wrong on this—I come from Ayr in North Queensland, where most of my friends are second-, third- or fourth-generation Italians, and I love them and I love Italy—but I hadn't realised that Italy had any sort of reputation in the science area.

Ms Urquhart: Italy is one of a number of countries that we have noted for its performance on science and innovation, and we've got a range of indices that we apply to different partners and potential partners. But Dr Grassia mentioned also that in particular we're working very closely with Italy in a consortium in relation to the

antenna for the Square Kilometre Array. That is one example of where there is an incredibly important relationship between Australia and Italy in the science realm.

Senator IAN MACDONALD: Okay. I think I'm challenging the chair's goodwill at the moment, so I'd better leave it there. But thank you very much for that. That's been very useful.

Senator O'NEILL: I want to just refer to the statement from Dr Smith. I've got a few questions around the section where you were talking about science and technology and innovation impacting on different businesses and sectors—

CHAIR: Sorry—if I could just interrupt you for a moment there, Senator—I just want to make sure it's all right with the secretary if we table your opening statement and that that's all right with the committee as well. Yes? Thank you.

Senator O'NEILL: I'm particularly interested in the section where you talked about including the uneven impacts on individuals, industries and regions. My questions go to programs around dealing with the uneven impact, particularly on women. Minister, yesterday's behaviour in the employment committee shows that you may not be the appropriate women's advocate. In light of this, do you think you're the right person to chair the women's advisory panel?

CHAIR: Senator O'Neill, I'm going to rule this question out of order. You've already mentioned that it was an issue that occurred in another estimates committee, not this estimates committee. We have already dealt with this issue once today. I have given everybody a fair bit of rope—

Senator O'NEILL: I can see that you're going to attempt to run cover for the minister in hiding. Her body's here but her answer—

CHAIR: I understand you want to do it before the journalists go to bed, but this isn't appropriate—

Senator O'NEILL: This is entirely appropriate.

CHAIR: I'm going to rule the question out of order.

Senator O'NEILL: Point of order!

CHAIR: It is not specifically about program 1.

Senator O'NEILL: I have made very clear to you the point in which the secretary raised the issue of uneven impacts on individuals. This is relating to gender. This is a very important initiative, policy, related to science and innovation that was announced by Minister Sinodinos in February 2017. I'm sure there are very good reasons for the minister to answer this question, particularly in light of what happened yesterday, but I'm asking her about matters related, intimately, to her portfolio responsibilities. My question to the minister is: do you think you're the right person to chair the women's advisory panel on science and innovation?

CHAIR: I've already ruled this question out of order.

Senator O'NEILL: It's totally related to the issue.

Senator Cash: I'm actually delighted to have the opportunity—and I think I said in my speech at Science meets Parliament—to ensure that a focus of the portfolio is on an increase in the number of women in STEM, just as in my former portfolio as Minister for Women I focused on increasing the number of women who participate in the workforce. I now have a unique opportunity to ensure that the government is working with the industry to identify where the gaps are and to actively address them. In fact, at the Science meets Parliament dinner I had the opportunity to meet, without a doubt, some of the most amazing women in Australia, the superstars of STEM. I was delighted, at the Science meets Parliament dinner, to make a funding announcement that we would double the number of superstars in STEM from 30 to 60. Not only that, we would ensure that they were given funding for the next four years over the forward estimates. I was delighted by the response that was given to me by everybody in the room. People recognise that we have an issue with women in STEM. I am delighted to have this unique opportunity, in this current role, to ensure we are focusing on that.

CHAIR: To follow up on that, I attended that Science in Parliament of dinner.

Senator Cash: It was an amazing dinner.

CHAIR: It was extraordinary. And I sat next to an extraordinary woman, Dr Veronica Power, one of the superstars of STEM.

Senator Cash: She is an amazing woman.

Senator O'NEILL: Point of order, Chair! Do I have the call?

CHAIR: Not yet, you don't. She was the greatest fan of yours, Minister. She thought you were an extraordinary role model. She didn't stop speaking about you all night. I thought it was a terrific event and you should be congratulated for it, Minister. Senator O'Neill you have the call.

Senator O'NEILL: The senator has been provided with additional information. Clearly, she's uncomfortable and needs some support.

CHAIR: I'm sorry, I didn't understand that. Could you say that again for the *Hansard* transcript.

Senator O'NEILL: Hansard got it.

CHAIR: I couldn't understand it.

Senator O'NEILL: Senator Cash—

CHAIR: No; could you repeat what you said, for the *Hansard* transcript. I didn't catch it so I doubt that Hansard did.

Senator O'NEILL: Senator Cash, I have a question for you. You have made some comments about a speech you made some time ago. In the interim period, your actions yesterday, I am sure, will have changed the view of many of those amazing women. I would put to you that that was then and this is very much now. Do you believe your actions yesterday advanced or helped the status of women—

Senator IAN MACDONALD: Chair, can I take a point of order?

CHAIR: Yes.

Senator IAN MACDONALD: I have questions. I have some more on program 1. I also have some on program 2. I can't see how what Senator Cash might have done in a different committee, on another day, can fit in program 1 or program 2, which is what we're due to—

Senator O'NEILL: Point of order!

Senator BUSHBY: Chair, on a point of order.

CHAIR: Yes, Senator Bushby.

Senator BUSHBY: This is on the point of order that Senator Macdonald raised. For your benefit, you weren't here earlier but Senator Cash made it clear that she has unreservedly withdrawn those comments. So it's not appropriate to continue to ask her about them.

CHAIR: You have a point of order, too, Senator O'Neill.

Senator O'NEILL: I do. My point of order is that the senator is well and truly able to answer questions about science and innovation. I'm not asking her about anything with regard to employment. I'd like to. I would have loved to have asked her more questions yesterday, but that closed up. She sent in an alternative minister.

Senator IAN MACDONALD: How does your question relate to science?

Senator O'NEILL: My questions relates to science and innovation, absolutely, and I'd like to continue with a line of questioning—

CHAIR: I thank all three senators, but I don't think any of you actually have a point of order. You can continue your questions, Senator O'Neill. You have four minutes and seven seconds left.

Senator O'NEILL: Senator Cash, during your Science meets Parliament speech, you acknowledged the real challenges that actually face women. Given the events of yesterday, though, would you consider yourself to be one of those challenges?

Senator Cash: Senator O'Neill, you're actually demeaning what we are doing in relation to women in STEM. I'm not going to sit here now and get into an argument in relation to the insinuations that were made about my chief of staff by Senator Cameron. Anybody can go online if they want to see the type of bully that Senator Cameron is, both in question time in the senate—

Senator O'NEILL: Senator Cash, you should withdraw that.

Senator Cash: and in estimates.

Senator O'NEILL: You should withdraw that comment, Senator Cash.

Senator Cash: He will be judged by his actions.

Senator O'NEILL: Chair.

CHAIR: I think if we're going to talk about bullying, we should potentially talk about Senator Carr's behaviour today in estimates as well. I don't think we want to go there, Senator O'Neill. Why don't we let the Minister answer her question?

Senator IAN MACDONALD: It's a matter of fact.

Senator O'NEILL: Chair, Senator Cash should withdraw that comment. I was there. I saw the encounter.

CHAIR: I've read the transcript. I think she's got a point. Why don't you continue asking questions?

Senator O'NEILL: You're not ruling on yesterday. I'd like to have an answer to my question.

CHAIR: We're not talking about yesterday. This is a completely different estimates.

Senator O'NEILL: How can you continue, Minister Cash, to believe that you can actually be the chair of the Women's Advisory Panel after what's happened in the past 24 hours? How can you possibly think that you have a right to take that leadership role?

Senator Cash: I am absolutely delighted by the opportunity—

CHAIR: I think that question was asked and answered.

Senator Cash: and Senator O'Neill, can I say I am very, very good myself at obviously embellishing things, and you're doing a very good job here right now—

Senator O'NEILL: That's the second round of applause I've received today from the minister.

Senator Cash: in having feigned outrage, but, as I said, I have a fantastic opportunity to focus on increasing the number of women in STEM, and I intend on doing that.

Senator O'NEILL: Minister, you have a view that you've put clearly, but I expect that there'll be many other people who have a very, very different view, and they've been all over Twitter in the last 24 hours.

Senator Cash: Senator O'Neill, if you would like me to start reading out all of the support emails that I have received and the phone calls that have come into my office saying, 'Would you like further information?', I'm more than happy to provide them to you. I am happy to do that, but I don't think that's going to serve either of us well. If you want to ask genuine questions about what we are doing to enhance the position of women in STEM, I would be delighted to provide you with an answer.

Senator O'NEILL: My questions have all been genuine, and I do have another one. A department spokesperson told Innovation Australia.com that, 'The members of the Women's Advisory Panel will be chosen from individuals who have demonstrated advocacy of female participation in industry, innovation and science, as well as self-nominated candidates.' Does the department think that, given Minister Cash's failure to herself advocate for women in the workplace, she's an appropriate person to chair the Women's Advisory Panel?

Senator IAN MACDONALD: Point of order.

CHAIR: Point of order, Senator Macdonald. I think that that question is extraordinarily inappropriate and out of order, Senator O'Neill. Perhaps you should rephrase it or consider moving on.

Senator O'NEILL: Next Thursday is International Women's Day, a day to celebrate the achievement of women—

Senator IAN MACDONALD: What science area is this?

Senator O'NEILL: but also time to reflect on what more needs to be done to finally achieve gender equality—

CHAIR: Is there a question about science in this, Senator O'Neill?

Senator O'NEILL: In your speech to the Press Club when you were Minister for Women, you stated, 'As Minister for Women, I feel both immense privilege and responsibility to use my time in this position to make an enduring difference in the lives of women in Australia.' What difference were you seeking to make yesterday to the lives of all the female staff who work in the building?

CHAIR: I don't think that this is a relevant question to this portfolio. However, Minister, if you choose to take this opportunity to give us an answer—

Senator Cash: I'm delighted to. In my former role and in this role, I'm actually able to focus on policy outcomes. We had some fantastic achievements in relation to delivering positive policies for the women in Australia, in particular in relation to increasing women's workforce participation. As I said, I am delighted by the opportunities that I have now to focus policy on increasing the number of women in STEM and, in particular, to have made the announcement at the Science meets Parliament dinner that we would double the number of Superstars of STEM—fabulous Australian women, outstanding Australian women—and also provide them with the funding over the next four years so that they can continue.

CHAIR: Thank you very much, Minister, and thank you, Senator O'Neill, for that fascinating insight into Supporting Science and Commercialisation, Science Awareness, Infrastructure and International Engagement,

Business Research, Development and Commercialisation. Does anyone else have a question about program 1? Senator Macdonald.

Senator IAN MACDONALD: I do. Not about your last portfolio, Minister, which is not this estimates but about the current portfolio and this estimate. Just briefly—and it might be Ms Urquhart again—as I recall, some years ago, in the Howard ministry, I think, had a very good commercialisation program called 'commercial connect' or something like that. Does that now come within this program 1.2?

Mr D Wilson: You may be referring to a program called Commercialisation Australia, which is now referred to and called Accelerating Commercialisation. The program is aimed at trying to assist some firms that are trying to take new ideas to the market. They encounter a lot of barriers in terms of access to skills, the networks, the financing. Often it is because there is some risk around taking that idea, whether it's a new technology, whether it's a business process et cetera. The program is focused on assisting those firms, both through advice from commercial experts and also through a matching grant if they're successful—to a competitive process, to take that product, develop a prototype and develop it further along the commercialisation pathway.

Senator IAN MACDONALD: You hear so many comments, and I hear a lot of comments as I go around my constituency, where people say they've got a great idea but they can't get funding within Australia so they've got to look overseas. In fact, as I understand it, a lot of Australian inventions now become American inventions or European inventions because that's where people go. I think history is littered with examples of this. But does this program that you're talking about help those sorts of people, people who have a brilliant idea but need to commercially develop? We heard, I think, from the CSIRO about the drone that washes windows with a 15-year-old. If he wanted to commercialise—using him or her; I think it was a him—would this program help in that?

Mr D Wilson: It certainly is one of our key programs. There are a number of things that the government's doing to help those firms take that idea further. And you're right that companies—especially if they don't have a track record, if they're new or if there is a risk associated with it—say it is a technology or an idea—investors can be shy in putting money in that. Quite possibly it won't translate into something that's going to be sold to consumers or into a supply chain. Certainly, from a country like Australia, where in terms of the size of the market, we need our companies to be really thinking in a globally competitive environment. That's where they're acting now, and that's where they're working. They're need to be thinking about, and in most cases will be looking to go to, an overseas market. What we'd like to try and do is have more of those firms build here in Australia, keep their intellectual property and—the value-adding, which really can translate back to our economy's benefit. They can build the skills in their workforce here and employ people in higher skilled jobs. You ultimately have better outcomes for the Australian economy in terms of living standards et cetera. That program very much does provide that advice to those companies that may never have done that before but it also can help firms that are—

Senator IAN MACDONALD: So it provides advice on how to set up a business or how to apply for venture capital, that sort of thing?

Mr D Wilson: Correct. Look, it can be a range of things. Those companies may—how they've structured the business, what are the right skills they need—have a great idea but they may not have the right staff or the right connections into the people that can help them grow that business. And also how they can access investment—and it may not be going to the bank, because there might be too much risk around that. So whether it's venture capital or whether it's other forms of early investment: it can be from angels or those types of investors that are prepared to take more of a risk at that early stage of the idea, with the hope that it can then start downgrading some of that risk and start really delivering.

Senator IAN MACDONALD: Do you have people in your section who have the skills and the background to actually advise people on the range of matters you've just been talking about?

Mr D Wilson: With the program I talked about, it actually is a sort of private-public partnership model. In the department, we have our program and policy areas, but the program engages around about 20—

Ms Forsyth: 22.

Mr D Wilson: Twenty-two commercial advisors. These are people who have got that depth of experience. They've grown companies from an idea through to a successful outcome, in many cases multiple times. Some of them have more experience in commercialising research that's been developed out of our universities. But others are people who have had their successes, and they've had their failures as well, so they know how to look at a business and say: 'I can see an opportunity here, but we need to make sure we understand better: what's the market opportunity? Is it 100 people in Australia or is it a million people worldwide? Can it go into a supply chain, ultimately into a bigger part of the system?'

Senator IAN MACDONALD: Do your people advise people who are seeking your help there—things like keeping royalties so that they get a quid out of it, and don't get bullied by big companies to signing up for next to nothing?

Mr D Wilson: Yes, absolutely.

Ms Forsyth: Absolutely. I was going to say, I have an example of a company that's been through the program, through Accelerating Commercialisation, and the outcomes that have been achieved, if that's of interest to you, Senator.

Senator IAN MACDONALD: Yes.

Ms Forsyth: We have a company called Clipchamp. They're based in Queensland. They've developed and they own unique proprietary technology focused on the compression and conversion of large video files. Since receiving the grant—they received \$499,120 from us—they've raised \$1.45 million in capital. They have increased their monthly revenue by 1,751 per cent and they've increased their personnel by 200 per cent. That's the grant as well, but it's also with the advice of that commercialisation adviser, who has been able to guide them along the way.

Senator IAN MACDONALD: I say, a little flippantly, are they listed on the stock exchange? And what's their number so I can put my \$100 into it!

Ms Forsyth: I don't know that, sorry.

Senator IAN MACDONALD: But thank you for that example, because it helps me, more often than not. I was in Russia recently, and the ambassador told me that the bloke who discovered laser beams was born in Atherton in Queensland but went back to Russia at an early age—of course, I suspect Australia doesn't get any of the money from laser beams these days.

With regard to the business research and development; again, that's really what you're talking about, is it? Is that one program—business research, development, and commercialisation?

Ms Urquhart: There are a suite of programs that are directed, I guess, at different points in the pipeline of getting an idea to market. Accelerating Commercialisation is one element of the Entrepreneurs Programme. There is another element called Innovation Connections that addresses industry research collaboration domestically, which is obviously very important, too. In addition, in the space of start-ups and generating new products and services, there's the Incubator Support initiative, again within the Entrepreneurs Programme, that seeks to support incubator activity, particularly in regional areas. There's Austrade's Landing Pads initiative internationally, where there are landing pads are established to receive and connect start-ups through distinct programs. There's the Biomedical Translation Fund and the CSIRO Innovation Fund, both of which are about addressing the problem you referred to earlier, Senator, in terms of accessing capital at key points in the product development life cycle. There's also the Business Research and Innovation Initiative, which is about trying to leverage government procurement in order to, I guess, give SMEs and research an opportunity to collaborate and bid in, to help government solve some of the problems that it might encounter. And then there are a suite of other measures. We were talking about the R&D tax incentive earlier. There are tax incentives for early-stage investors, and early-stage ventures capital partnerships. All of those are part of the innovation and science agenda and really represent the start-up and commercialisation pipeline component of that agenda.

Ms Weston: Senator, you have already mentioned the CRC program, which is another program that sits in this innovation and collaboration space.

Senator IAN MACDONALD: So this area looks after all the CRC programs?

Ms Weston: We look after them. A couple live in Defence, but we look after them administratively. But the rest are managed here.

Senator IAN MACDONALD: That's interesting. Thank you, Chair, that's exhausted me. I'm aware my time's out. I do have some questions in program 2.

CHAIR: Thank you. Senators, do you have program 1 questions? Are they questions on program 1, Supporting science and commercialisation; 1.1, Science awareness, infrastructure and international engagement; or 1.2, Business research, development and commercialisation? Or are they questions on program 2, Growing business investment and improving business capability; 2.1, Competitive marketplace; 2.2, Business and market development; or 2.3, Economic transition? Could you let me know which? Was it program 1 or program 2?

Senator KIM CARR: Program 1. We haven't finished with program 1 yet.

Senator O'NEILL: Program 1.

CHAIR: Continuing with program 1. You have 10 minutes.

Senator KIM CARR: You'll find the program is only a guide to action. You'll find that senators can continue asking questions until they are complete.

CHAIR: They certainly can, but the dinner break is coming up, Senator Carr, so I don't think we can.

Senator KIM CARR: Well, that's a separate matter. I wouldn't want to interrupt the dinner break.

CHAIR: Clearly.

Senator KIM CARR: They can continue to ask questions for as long as they have questions.

CHAIR: I'm happy to keep with this exchange as long as you like, because we're getting into the dinner break. But if you would like to get on with the questions, please do so. Have you got the call, or has Senator O'Neill got the call?

Senator KIM CARR: Senator O'Neill has the call.

CHAIR: Senator O'Neill, if you'd like to continue asking your questions, please ask your colleague to stop interjecting, and we can get on with it.

Senator O'NEILL: I'd like a clear call from you, and then I can get on with my questions.

CHAIR: I'm happy to give you a very clear call, Senator O'Neill. Good luck with that.

Senator O'NEILL: Thank you very much. Minister Cash, I was asking you a series of questions about your role as an advocate for women in light of a very public conversation that happened in the last 24 hours and how that impacts on your capacity to lead in science and innovation and initiatives for women. I refer to a speech that you gave—

CHAIR: In this portfolio or in a previous portfolio, Senator O'Neill?

Senator O'NEILL: I gave a reference to a speech that you gave when you were Minister for Women.

CHAIR: In a previous portfolio that doesn't appear in front of Economics estimates.

Senator O'NEILL: Chair, have I got the call or not?

CHAIR: I'm just clarifying that the speech was given under a previous portfolio.

Senator O'NEILL: Can I just get the question out before you seek clarification.

CHAIR: I'd like a clarification before you finish the question so I know whether to rule it in or out of order. Was the speech in a previous—

Senator O'NEILL: You can't rule it in or out until I finish the question.

CHAIR: I understand, but that's why I'm after the clarification.

Senator O'NEILL: Well, let me get on with the question.

CHAIR: Was that speech given in a previous portfolio, or was it given in this portfolio?

Senator O'NEILL: It relates directly to science and innovation and to women in science and innovation.

CHAIR: Does it relate to the Economics portfolio?

Senator O'NEILL: All my questions are in light of the opening statement from the secretary, who put on the agenda the uneven impacts on individuals, industries and regions with regard to transition and transformation issues in the portfolio area that the minister is directly responsible for. So gender questions around this are important, Chair. As a woman, I hope you would allow me to ask questions that I think women across the nation are genuinely interested in.

CHAIR: I don't give special treatment to women, and I should hope that you wouldn't either.

Senator O'NEILL: The question that I have, Minister Cash, is in light of what's happened in the last 24 hours, in which your capacity to be an advocate for women has clearly been impacted, I would say in a negative way. You might say there's been no impact. But my last question, which you didn't answer, was about the difference that you were seeking to make when you referred in your recent speeches to the lives of all female staff, to females generally. How were these comments going to impact positively on the lives of women working in this building yesterday and the lives of women who want to work in science and innovation?

Senator Cash: Well, Senator O'Neill, I'm happy to take you through exactly what the government is doing to ensure that women have an opportunity to participate in STEM. One of the issues you will probably yourself understand is that women do face real challenges in the science sector. In particular, in a speech that I gave—I think at Science Meets Parliament—I noted the fact that only 16 per cent of university and VET graduates in STEM are women. One of the interesting facts that I pointed to—which I have to say I was shocked by—was that

much of the gender imbalance starts at school. But then it continues, as you know, through tertiary studies. Many young girls don't see themselves in a science based career. This was a very interesting fact. When asked to draw a scientist, two-thirds of children aged 9 to 11 draw a man. And that is something that we do need to change. We need to ensure that when you do think of a scientist, you basically think of boys and girls or girls and boys.

Senator O'NEILL: Is that what was happening yesterday, minister, when you thought of female staffers?

Senator Cash: That is why I was delighted to provide the additional funding for the Superstars of STEM program, to allow that to continue that over four years so they have continuity and to increase the role models in the Superstars of STEM from 30 to 60. As I have been in the portfolio, I've also had the opportunity to be briefed on the SAGE project, the Science in Australia Gender Equality project. This is exceeding the expectations of the government. We funded its expansion. Chair, for the record, 45 organisations—

Senator O'NEILL: Chair, a point of order, if I may.

CHAIR: No, I'm actually interested in the answer, Senator O'Neill.

Senator O'NEILL: Point of order, Chair.

CHAIR: Sorry, excuse me, Minister. Point of order. Senator O'Neill.

Senator O'NEILL: I can appreciate the comments that the minister is making do relate to science and innovation. However, they are not an answer to my question.

CHAIR: I'm ruling these answers directly relevant to your question, Senator O'Neill. I'm interested in the answer.

Senator BUSHBY: The second part of your question was all about how you promote women in science.

CHAIR: I don't intend to shut down Minister Cash.

Senator Cash: Forty-five organisations—which is now nearly half of Australia's publicly funded research sector—have now joined SAGE. This includes two of the agencies which we had here today, CSIRO and ANSTO. In fact, I think you heard from Dr Adi Paterson about his commitment to ensuring that there are more women at ANSTO, but in particular the three women that he highlighted who are exceptionally capable women in this organisation. Can I also say that, since the launch of SAGE, universities and other research organisations involved in the project have been looking at their practices in terms of how you get more women and girls, or girls in particular, to study science, technology, engineering and maths. For example, we've seen improved arrangements for carers leave. And they've introduced support programs and funding schemes for staff with carer responsibilities.

Senator O'NEILL: Minister, can I get a clarification on that. Does carers leave include parental leave?

Senator Cash: They've also expanded on-campus childcare places, and they're setting up parenting rooms. They've also undertaken women-only recruitment processes for positions in disciplines where women are underrepresented. Based on all the feedback that we are getting, these are starting to make a difference.

Senator O'NEILL: In terms of respect for women in the workplace, clearly there are some places where that is happening. But I put to you again that the speech that you made and the policies that you're talking about, that were in full flight prior to yesterday, are compromised now. Initiatives for women that you should be leading, as Acting Minister for Women, are compromised based on what happened yesterday. Can I go to another speech in which you talked about—

CHAIR: Was there a question there?

Senator O'NEILL: equality, and women being treated with respect. That's something that we both agree on. But I find that very difficult to reconcile with your actions yesterday, which—

CHAIR: That's eight sentences but no questions, Senator O'Neill.

Senator O'NEILL: Please explain how your comments yesterday encourage respect towards women. In light of this, how can you remain the chair of the women's advisory panel for science and innovation?

CHAIR: This is the fourth time you have asked this question, Senator O'Neill.

Senator Cash: Senator O'Neill, you have been sent in to undertake a performance, and I am more than happy to sit here and watch you do that. I completely disagree with everything you are saying. If you would like me to start going through all of the emails that I have received in relation to what has been occurring, I'm more than happy to. But, again, I don't think that benefits anybody.

Senator IAN MACDONALD: I wouldn't mind having that.

Senator Cash: If you want to talk about policy in this portfolio, please ask questions.

Senator O'NEILL: One of the ways in which making good policy in this portfolio is supposed to happen is with the women's advisory panel.

Senator IAN MACDONALD: What's the question?

Senator O'NEILL: My question is: given what's happened in the last 24 hours, how can you continue to head up the women's advisory panel?

CHAIR: Senator O'Neill, if you don't have any other questions on this particular program—because that one has been asked and answered five times—we should move on to program 2.

Senator O'NEILL: Minister, do you consider yourself still a suitable person to lead the women's advisory panel?

CHAIR: Six times! I'm going to rule the seventh time out of order.

Senator Cash: Yes.

Senator O'NEILL: You do. Thank you for your answer. Do you see your comments yesterday as respectful with regard to challenging the attitudes of Australians with regard to women?

Senator Cash: I suggest you have a very good look at the transcript, Senator O'Neill.

Senator O'NEILL: A lot of people have.

CHAIR: I don't think it's appropriate, Minister. You don't need to refer to things that happened in other estimates hearings. This is the economics estimates hearing. You may answer questions about the portfolio before us: the science, innovation and industry portfolio.

Senator O'NEILL: Do you think that your words and actions yesterday have perpetuated very damaging attitudes that condone or excuse misogynistic behaviour and will impact negatively on this very, very important program?

Senator Cash: When you ask a serious question, I will answer it.

Senator O'NEILL: That is a serious question.

CHAIR: Senator O'Neill, I'm going to rule it out of order. I think that you're asking questions about an estimates hearing that happened in a completely different—

Senator O'NEILL: Could I ask a question of the department?

Senator IAN MACDONALD: And she's asked it five or seven times.

Senator Cash: Why is Senator Carr not allowed to ask these questions, given he's apparently got the proxy for somebody—

Senator O'NEILL: Senator Carr can ask as many questions as he'd like.

Senator Cash: He's not allowed to ask these questions.

CHAIR: Are there any questions about program 1? We can continue with questions about program 1.

Senator O'NEILL: Chair, my time is not completed. Can I continue?

CHAIR: You just heard the buzzer.

Senator O'NEILL: You spoke for most of my time.

Senator IAN MACDONALD: Because you didn't ask a single question about science.

Senator O'NEILL: I've got more questions for the department.

CHAIR: About program 1?

Senator O'NEILL: Yes.

CHAIR: I might ask a question about program 1 while I'm here.

Senator BUSHBY: I'm just confirming that we're going to dinner at—

CHAIR: We're going to dinner in three minutes. Would you like to return with program 2 or would you like to return with program 1?

Senator KIM CARR: What time will you be going, Minister?

Senator Cash: Senator Carr, I've already indicated to you that I would be here for the duration of my responsibilities. Why would you say that I wouldn't be? I've already said that I would be.

Senator IAN MACDONALD: Because he's rarely here after 6 o'clock.

Senator Cash: Senator Carr is never here after dinner. We all know that.

Senator KIM CARR: That's right.

Senator Cash: He likes to shoot through. Your reputation goes before you, Senator Carr.

CHAIR: Senators, we might draw a hard line in the sand. But, considering we have two minutes to go, unless somebody has an urgent question on—

Senator O'NEILL: I've got another question.

CHAIR: Industry, Innovation and Science, particularly program 1—supporting science and commercialisation; science awareness; infrastructure; international engagement; business research, development and commercialisation—

Senator O'NEILL: Yes, Chair, I have a question. I'm seeking the call.

CHAIR: Senator O'Neill.

Senator O'NEILL: Thank you. Does the department believe that it remains appropriate that Minister Cash continues in her role—

CHAIR: You can't ask that question. That's an opinion, Senator O'Neill, and I'm ruling it out of order. If we're going to continue with this line of questioning, we should let everybody cool off and we will suspend the hearing until a quarter past seven.

Senator Cash: Chair, could I just confirm for the benefit of officials: I know we're still in cross-portfolio and we will continue to move—

CHAIR: We are not in cross-portfolio, Minister. We are actually in program 1. I know it doesn't feel like it. I'm quite happy to stay on program 1 until—

Senator Cash: Chair, there's just one correction that needs to be made to the record in relation to the chief of staff in my office. It's actually, obviously, the acting chief of staff. We just wanted to make sure that was corrected for the record.

Senator KIM CARR: I did say that.

Senator Cash: I just wanted to make sure.

Proceedings suspended from 18:13 to 19:15

Dr Smith: It would be inappropriate for me to answer the first part of your question. I would say that the department will support the minister in all of the activities that a minister would normally undertake, including supporting the women's advisory panel. We are happy to give some background on the women's advisory panel.

Senator O'NEILL: Because it hasn't been going fast in its establishment, has it?

Dr Smith: I'll ask Mr Wilson to provide some background.

Mr D Wilson: Former Minister Sinodinos announced the advisory round table in February last year, and plans were underway for holding the first meeting table until the time he went on leave, so that meeting had to be postponed. The meeting was going to be rescheduled, but the availability of scheduling for Senator Cash, the acting minister at the time, didn't allow for that to go ahead. The plan was for October, I think.

Senator O'NEILL: You've had a bit of trouble with availability in the senator's diary on a number of occasions, not just around this matter.

Ms Weston: We have been working on trying to find a time that suits all the panel, or as many of the panel as possible. We now have a better indication of when that will happen and, of course, it was unfortunate that Senator Sinodinos was on leave. We have now got to a point where we are able to have the panel, the round table.

Senator O'NEILL: Minister Sinodinos announced this round table as a top-line priority. How do you explain the passing of a year—I understand what you've just said—if this is a top priority for the department?

Ms Weston: The advice from women and supporting women in STEM and entrepreneurship is a high priority, and we have been able to move on quite a number of the other elements that came out of the National Innovation and Science Agenda, such as the WISE program and the SAGE program that you heard a little bit more from Dr Paterson about this morning along with the Male Champions of Change. So we have progressed on a number of these measures that are supporting women in the STEM and entrepreneurship space. The other round table has had delays—we were looking for the attendance of the minister at the time, Minister Sinodinos, but he was on leave. We have progressed other elements so, in terms of a priority, we have been able to deliver on priorities around women in STEM and entrepreneurship.

Senator O'NEILL: The advisory panel, as I understand it, is supposed to be consulting on policy related to science and innovation, particularly around women. It's concerning that this seems to be a low priority to get the panel together that should be adjudging the other programs and contributing to them.

Ms Weston: Aside from that, we have had some other round tables that have engaged with women. In the preceding time before Senator Sinodinos, we had a panel that Karen Andrews, the assistant minister, chaired. We had a leader in engineering and mathematics, Elanor Huntington, so we have been able to do some of the consultations that you are talking about. And of course—

Senator O'NEILL: In a fairly ad hoc manner?

Ms Weston: No, not ad hoc; it was organised.

Senator O'NEILL: Did they replicate what the panel's supposed to be doing?

Ms Weston: I would also note that the ISA board, the Innovation and Science Australia board, has women representatives on it.

Senator O'NEILL: If that was the case, why was a special women's advisory panel constituted unless it was seen that there was a need to respond to a paucity of women participating in science, technology, engineering, maths and the innovation and science space, more broadly?

Ms Weston: I don't think the terms of reference related to a paucity, but it is important. The minister at the time and our current minister do see it as important to continue a dialogue with women, and I think that's what's going to happen when this group gets together.

Senator O'NEILL: So, Minister, the department referred potential candidates at the start of May last year. However, the department didn't make the first offer until nearly six months after the announcement. What was the hold-up once you became involved in the portfolio; and who's been fulfilling the role of the panel in the year that it's taken to set up?

Senator Cash: I'd need to get the department to answer that, given that that was six months that I was not in the portfolio. So perhaps the department could provide further information.

Senator O'NEILL: I think that they've just given me a reasonable indication of what they attempted to do in the meantime. But how long have you been in the portfolio, Minister?

Senator Cash: In an official capacity, for two months, give or take—over the Christmas period, obviously.

Senator O'NEILL: I note in your comments the other day, Minister, that two—and I'm quoting you here—'token blokes' have now been selected. They were the words that you used. Why is the inclusion of men in this panel tokenistic, in your view?

Senator Cash: Could you refer me to those comments?

Senator O'NEILL: Two 'token blokes'?

Senator Cash: Could you refer me to when they were said?

Senator O'NEILL: Last week, I believe.

Senator Cash: I did not say that. I do not recall saying that. If you could refer me to it, so I could look at the source document and who's quoted me as saying that.

Mr D Wilson: I don't have that article in front of me, but I'm fairly sure—and we will double check—that that quote or that statement at the end of the article was not attributed to the minister.

Senator Cash: No. So if you could refer that to me so I can have a look at it and see who is quoting me saying something I haven't said, that would be appreciated.

Senator O'NEILL: Can you please advise what industries the five private-sector women that are going to be on this panel are coming from?

Senator Cash: In the first instance, could you please advise me why you have put to me that I stated something, twice, which I have not stated, so I can actually ascertain who is misquoting me?

Senator O'NEILL: I'll have a look at that as soon as I've—

Senator Cash: If you've got it in front of you, you can pass it up now. Chair, I'm happy to accept it now so I can—

Senator O'NEILL: Mr Wilson has indicated he's familiar with the article. Do you have a copy?

Senator Cash: If you've got a copy—

Senator O'NEILL: Yes. It's by Denham Sadler.

Mr D Wilson: Correct, in InnovationAus.com. Yes. I don't have that in front of me, but I know that line—

Senator O'NEILL: And it's in quotation marks; it says 'token blokes':

The panel is to be made of women from the private sector, research institutions and government, along with some 'token blokes'.

Senator Cash: I haven't seen the article.

CHAIR: I'm happy to have the article tabled.

Senator O'NEILL: So, Minister, you deny that you said that?

Senator IAN MACDONALD: No, the minister has asked for you to show her the article.

Senator O'NEILL: In the interim, can you please advise what five private sector women are. Where are they from?

Mr D Wilson: We'll have to take that on notice. I don't have the details of the sectors they're from.

Senator Cash: Senator O'Neill, I absolutely did not say that, and it's not quoting me as saying that. That's actually, by the looks of it, the journalist who said that.

Senator O'NEILL: Okay.

Senator IAN MACDONALD: Chair, I want to raise a point of order.

CHAIR: A point of order, Senator Macdonald.

Senator IAN MACDONALD: This is an appalling abuse of procedure by Senator O'Neill, who is alleging the minister said something, in their relentless attack on one of the best ministers that this country has seen for a long, long time.

Senator O'NEILL: There might be 25,000 people in the last 24 hours who are very much not of that opinion.

Senator IAN MACDONALD: That's why they're resorting to the sorts of lies we've just had from Senator O'Neill, in attributing something to Senator Cash when clearly it wasn't, and I really think you should—

Senator O'NEILL: Chair, is there a point of order?

Senator IAN MACDONALD: censure Senator O'Neill for this—

Senator O'NEILL: Chair, I can rephrase my question.

Senator IAN MACDONALD: misuse of the avenues of parliament to malign people maliciously and wantonly.

CHAIR: Thank you, Senator Macdonald. I don't think it's a point of order. But, Senator O'Neill, I do warn you that, if you're going to quote the minister, I think you should be able to quote the source accurately.

Senator O'NEILL: Well, I think you can see why it would look it's being quoted. It has got quotation marks—

Senator IAN MACDONALD: Perhaps you could apologise to the minister?

Senator O'NEILL: I'd like to ask the minister a different question based on her response.

Senator IAN MACDONALD: A point of order, Madam Chair.

CHAIR: A point of order, Senator Macdonald.

Senator O'NEILL: Why is the inclusion of men—

Senator IAN MACDONALD: Could I ask that Senator O'Neill apologise to Senator Cash, as she was very, very, very keen for Senator Cash to do. This is a deliberate lie about Senator Cash, and think Senator O'Neill should apologise.

CHAIR: Thank you, Senator Macdonald. I do think that Senator O'Neill has cast aspersions on the minister unnecessarily and inappropriately, and it probably is appropriate to apologise. Senator Ketter.

Senator KETTER: I just want to address that point of order. All that Senator O'Neill was doing was referring to a published media article—

CHAIR: She was misquoting an article.

Senator KETTER: No, she wasn't. The article itself has the words in question in quotations.

Senator O'NEILL: It does.

Senator KETTER: So it's a reasonable assumption that—

Senator IAN MACDONALD: She was accusing Senator Cash of doing it.

Senator KETTER: She was quoting—

Senator O'NEILL: I was.

Senator KETTER: from a published article.

Senator O'NEILL: I was quoting from a published article.

Senator IAN MACDONALD: Which, apparently, on any normal reading, would indicate that it's not Senator Cash.

CHAIR: I think, Senator O'Neill, if you acknowledge that there was an error of judgement in suggesting that the minister said those words then we can move on.

Senator O'NEILL: So can I—

CHAIR: Sorry; can you just acknowledge that it was an error of judgement—suggesting that the minister said those words in quotations, without checking.

Senator O'NEILL: It was from my interpretation of the article, which has quotation marks, so I think it's a reasonable—

CHAIR: I understand, but perhaps you could acknowledge that you misinterpreted that article.

Senator O'NEILL: I would like to rephrase my question with that knowledge now.

CHAIR: Would you like to acknowledge that you misinterpreted the article and cast aspersions on the minister?

Senator O'NEILL: I'd just like to acknowledge that it is in quotes in the article, and it wasn't an unreasonable—

CHAIR: I think you've already established that—

Senator O'NEILL: The minister's now clarified it, and I've got a question for the minister about what she thinks about men in this panel—

CHAIR: but I'm wondering whether, potentially, you should suggest to the minister that you potentially misinterpreted that article and, therefore, cast aspersions on the minister unnecessarily—

Senator IAN MACDONALD: The senator was very keen to get Senator Cash to apologise for some comments about Senator Cameron, which are true—

Senator O'NEILL: Is that a point of order, Chair, or have I got the call?

CHAIR: We are still waiting to see whether you are going to acknowledge that you have misinterpreted that article and then cast aspersions on the minister—

Senator O'NEILL: I'll acknowledge—

CHAIR: That you misinterpreted the article?

Senator O'NEILL: that the article contains quotation marks that looked like they were the senator's comments. I would like to rephrase my question: what is your view about the inclusion of two men on this panel?

Senator Cash: I think it's appropriate to have men on the panel, because obviously we need to have all views informing the panel in terms of what its goals are.

Senator O'NEILL: Are the men from research, government or the private sector?

Senator Cash: I will refer you to the secretary in relation to the composition of the panel.

Mr D Wilson: I can answer. The two males are from the private sector.

CHAIR: Thank you, Senator O'Neill. Your time's up. I have some questions specifically for the department on this special women's advisory panel. Can you remind me what date that panel was announced and what date it was convened.

Mr D Wilson: Let me just refer to my notes. A former minister, Senator Sinodinos, announced the panel at a venture capital conference in, I think, late February 2017. Sorry, I'm just trying to find the exact date.

CHAIR: When was the panel first convened?

Mr D Wilson: After a process of providing some advice to the then minister's office, regarding nominations and candidates for membership, the first invitations to panel members were made in August. The final ones were made in September. All of those members that were invited, those 10—the eight women and two men—accepted those invitations.

CHAIR: Thank you. You might not be able to answer this, Mr Wilson, as you might not have been with the department at the time, but was there a special women's advisory panel under the department between 2007 and 2013?

Mr D Wilson: I'd have to take that on notice. I don't have that in front of me.

CHAIR: Can you tell me, potentially, whether there was any program specifically to encourage STEM studies or STEM pursuits for women run by the department between 2007 and 2013?

Mr D Wilson: We'd have to take that on notice as well.

CHAIR: Would that suggest to you, if you cannot recall a specific STEM program for women between the years of 2007 and 2013—

Senator O'NEILL: It's so long ago they can't remember.

CHAIR: They may well not have been working there, but they still represent the department—

Senator O'NEILL: It's pretty irrelevant to 2018, to women graduating from school today.

CHAIR: Potentially the leadership role of ministers that were responsible for this department at that time did not prioritise the advancement of women in science?

Ms Urquhart: There certainly wasn't a dedicated program for women in STEM run in the department in my recollection, and I worked in science policy at the time. We do need to take it on notice, however, because, as I mentioned earlier, the Department of Education and Training has also been very active in the STEM space, and it would be important that we check those facts about particular programs that might have gone to encouraging women and girls in STEM schooling and careers.

CHAIR: Thank you, Ms Urquhart. So that would suggest that there wasn't a particular leadership role taken for women in science between the years of 2007 and 2013.

Senator KETTER: Chair, I think you're verballing the witness there.

Ms Weston: At that time, during that period, we also had the skills and higher education portfolio. I think Ms Urquhart said that we do need to check across to that other department, because they were part of our department at the time.

CHAIR: Thank you, Ms Weston. Are there any further questions on program 1?

Senator O'NEILL: Yes, please. Senator Hume asked the question: when did the panel convene? Has the panel convened?

Mr D Wilson: No, it hasn't.

Senator O'NEILL: No, it hasn't.

Mr D Wilson: We expect that the first meeting will be held shortly. We're working with Minister Cash's office to finalise arrangements for that first meeting.

Senator O'NEILL: We have established that there are eight women and two men. The men are from the private sector, is that correct?

Mr D Wilson: That's correct, yes.

Senator O'NEILL: Who are they, and what parts of the private sector do they represent?

Mr D Wilson: I'd have to take that on notice, Senator; I haven't got the names in front of me.

Senator O'NEILL: Is there nobody here, with all these people, that can help you with this?

Ms Weston: I think that's exactly what Mr Wilson has suggested.

Mr D Wilson: Yes; as I say, we can provide that on notice, in terms of the names. Yes.

Senator O'NEILL: It's a whole year that we've been waiting for this. There are eight women on the panel, is that correct?

Senator O'NEILL: Sorry, Ms Weston?

Ms Weston: No, I was just conferring with my colleague.

Mr D Wilson: So the panel has not been publicly announced, the membership of that. But I'm sorry, Senator, I didn't catch your question.

Senator O'NEILL: My question was: who are the eight women, and what fields do they represent? Research, government, private sector? Friends with the minister?

Mr D Wilson: We can take that on notice. We expect that it will be publicly announced in a short period of time. But we can come back to you with those names and what sectors they're in.

Senator O'NEILL: Do you have any idea about the people who have been selected?

Mr D Wilson: The make-up comes from a mixture of private sector—including also research and science—backgrounds. For the women members, it's a mixture of both private sector and research scientists.

Senator O'NEILL: What's the composition of research, private and government members?

Mr D Wilson: I'll have to take that on notice, too.

Senator O'NEILL: What if I told you that I understand it's supposed to be two research, five private and one government member?

Ms Weston: Senator, did you say that 'it was supposed to be'? Is that what you said?

Senator O'NEILL: Yes. Is that correct?

Ms Weston: Where's that information coming from?

Senator O'NEILL: I'm asking the department if you have any information about this. Is there a structure to this panel? Who is on it? How were they invited? It's a year since it was announced as a priority project, and we still don't have access to the names of the people or the structure of this women's advisory panel. It just goes to the whole sense of the tokenistic response to issues that genuinely affect women, and the delay in response, from the government.

Senator Cash: Can I say, Chair, just in relation to this: Senator O'Neill—

Senator O'NEILL: Do you have the answer, Senator?

Senator Cash: No; I appreciate your comments, but I think that Ms Weston has articulated the work that was done, in particular under former Senator Sinodinos, to ensure that we were delivering on the commitments made under NESAs. I don't like to raise this issue, but one of the reasons there was a delay, as you know, is that Senator Sinodinos had to seek treatment for an illness.

Senator O'NEILL: I have no problems with Senator Sinodinos—but the department didn't stop its work, Minister. If it was a headline issue, the department was able to—

Senator Cash: I just wanted to put that comment on the record.

Senator O'NEILL: And I agree. Senator Cash, no problem—

Senator IAN MACDONALD: Can we have the minister answer the question without being interrupted by Senator O'Neill—

Senator O'NEILL: It's all right, we're understanding what's going on.

Senator IAN MACDONALD: And interrupting me when I'm making a point of order.

Senator O'NEILL: Minister—

Senator IAN MACDONALD: Could you give her a lesson in some manners?

Senator O'NEILL: You are so condescending, Senator Macdonald.

CHAIR: Senator O'Neill, your last question wasn't a question, it was a—

Senator IAN MACDONALD: Well, you should stop interrupting people when they're talking.

Senator O'NEILL: Senator Cash, the department supposedly continued with this process. There's no reason why there should have been such a long delay. Do you have any idea about who is on the panel?

Senator Cash: Yes, I do, and there will be an announcement shortly, I'm pleased to say.

Senator O'NEILL: So if you do know, what's the structure of the—

Senator Cash: There'll be an announcement shortly.

Senator O'NEILL: What is the structure of the panel?

Senator Cash: The government is going to be announcing that shortly.

Senator O'NEILL: How did you discern who was going to be eligible for the panel?

Senator Cash: That was a decision that had already been made by Senator Sinodinos.

Ms Weston: Senator, in late August the panel members were all in place—and you will recall that Minister Cash was acting for Minister Sinodinos, and he was likely to return towards Christmas time, that sort of time frame. And so when that didn't happen, of course, then the planning for who would actually be able to chair that meeting—because it was a meeting where the minister wanted to hear personally; it wasn't one where the

department or another person could step in. So there was that time delay for that very good reason that there was an expectation of the minister returning. And when that didn't happen, then we took whatever steps we've taken now to set up this meeting that is going to be held shortly.

Senator O'NEILL: Can I ask your response to this comment from Senator Sinodinos. He said the purpose of this women's advisory panel as he described it, which has been in abeyance for a year is:

.... to keep us honest and to say, 'this is what's working and what isn't, and if you really want to help women then this is what you have to do'.

Do you consider that the department has failed to deliver this in a timely way?

Ms Urquhart: That's an accurate quote about Minister Sinodinos's vision for the roundtable. We continue to work on the structure with that objective in mind. We're very close to finalising it, as the minister said, for an announcement. What I think is important to emphasise is that the roundtable is considered to be a very useful mechanism for the minister in terms of consultation and advice in relation to the portfolio. In the meantime, particularly through the women in STEM and entrepreneurship measure of the Innovation and Science Agenda, we've had a number of mechanisms where we've been in close consultation with a number of women's groups across the sector, whether it be science and gender equity and the 40-plus members of that organise in relation to their activities on situation for women in STEM in research institution or whether it be through the Male Champions of Change in STEM group where we've had the opportunity to work with male CEOs of both research entities and private sector bodies on the sorts of mechanisms that they can bring to play in their organisations in a very real way. At the same time, representatives of the department, like myself, have spoken to forums like the SAGE forum in Brisbane last year, where I facilitated a panel. So there's been a lot of activity. The women in STEM and entrepreneurship grants program sees us partner with every grant applicant on an activity in relation to the participation of women and girls in STEM. So the consultation, the advice—the partnership—is going on across many measures. At the same time, we are looking forward to staging the first meeting of the women's advisory roundtable for the portfolio.

Senator O'NEILL: In your very earliest remarks you indicated that Senator Sinodinos thought it was an important way for him to engage. Is the structure such that we should expect the minister, who was then Senator Sinodinos, will be now Senator Cash in that role for the government?

Ms Urquhart: The portfolio he described then as Industry, Innovation and Science, and certainly it's the case that the structure of the body as we have provided advice to the minister is to reflect that. At the same time we've been very conscious of the broader portfolio, and indeed that's been part of the discussion that we continue to have with the minister and her office about the representation on that panel.

Senator O'NEILL: So the proposal is that the minister, now Senator Cash, will be the government minister on that panel?

Ms Urquhart: Yes.

Senator O'NEILL: Can I just signal once again how deeply concerning that is and how many women I think will think that's entirely inappropriate after the comments the senator made yesterday.

Dr Smith: Can I just go back to your previous question, where you used the words 'department' and 'fail'. I think you will find that there are many people in the department who are very passionate about ensuring we really work very closely with a whole range of groups, but particularly with women and to encourage more women in STEM, particularly these two women at the table, who have been doing that for a number of years. Thinking about how we translate the department's role is important, because there are a lot of passionate people in this department who've been working on this issue for a long time. I'd just like that to be put on the record, please.

Senator O'NEILL: Thank you.

CHAIR: Thank you, Senator O'Neill. We will move to program 2.

[19:43]

Senator KETTER: If I could firstly ask about the contract for the Facebook page for the growth centres. In question on notice SI-89, I think it was, the department advised that PR firm Porter Novelli Australia had won a \$246,839 contract to set up a Facebook page for the growth centres. Are you able to tell me something about that?

Mr Power: Yes. We have let that contract and the contract's progressing with Porter Novelli. That Facebook page is about to be launched very soon, so that's progressing.

Senator KETTER: The contract commenced on 2 November last year—is that correct?

Mr Power: I'll just check that.

Mr Lawrence: Yes, that's correct.

Senator KETTER: Can you explain to me how it takes four months to set up a Facebook page?

Mr Lawrence: The department is working with Porter Novelli and six growth centres. That requires working with six marketing managers from growth centres to make sure that they all agree on the content and that they agree on the imagery as well, so that it represents all the growth centres as well as the initiative.

Senator KETTER: Did the contract stipulate when the page was to go live?

Mr Lawrence: It did not set a specific date.

Senator KETTER: What's the date that you expect it to be up and running?

Mr Lawrence: I suspect it will be probably as early as next week.

Senator KETTER: Next week? Has that date been confirmed or settled, or is this still up in the air?

Mr Lawrence: I'm pretty certain it is next week; it may even be as early as tomorrow.

Senator KETTER: Okay, I'm going to ask you to take that on notice anyway—

Mr Lawrence: Sure.

Senator KETTER: just in case it doesn't happen tomorrow. Can you tell me how many meetings of the Growth Centres Communications Advisory Committee have occurred since 2 November?

Mr Lawrence: I'd have to take that on notice, but I think it is at least twice.

Senator KETTER: Also, could you tell me if Porter Novelli has attended each of those meetings?

Mr Lawrence: Porter Novelli chairs those meetings; the department attends as an observer and an interested party.

Senator KETTER: Now, in the response to question on notice SI-89, the department confirmed that there are currently eight communication media managers employed by the growth centres. You might want to take this on notice, but I would like to know the pay scales for those roles, and a breakdown and the aggregate cost for all of those communication and media managers.

Mr Lawrence: I'd have to take that on notice.

Senator KETTER: Yes, thank you. Do these growth centre media managers attend the Growth Centres Communications Advisory Committee?

Mr Lawrence: Yes, they do.

Senator KETTER: Do they currently have any responsibility for website content?

Mr Lawrence: They have responsibility for the website content on the individual growth centre websites.

Senator KETTER: Can you also advise how many people are currently in the industry department's communications media team?

Mr Lawrence: I'm not responsible for that team, so I'd have to take it on notice—unless one of my colleagues can help?

Ms Cook: I think we can attempt to answer your question.

Senator KETTER: My question was in relation to how many media or communications staff you have in the department's team.

Ms Cook: In the branch there are different roles that are undertaken by communications officers. If you're looking at the definition of those communications staff who do what we call public affairs—writing speeches, dealing with media queries, running campaigns and also doing media monitoring and managing the contract—that would be in the order of probably 20. But, there are also other staff who look after what we might call program marketing and also internal communications and online publishing, and we also have some other functions. I would probably take the final number on notice, just because we do have some staff who are part-time and we also have a number of interns et cetera. I would take a final number on notice.

Senator KETTER: I don't know a lot about Facebook, but I'm struggling to understand how we can spend nearly a quarter of a million dollars on external contractors for a Facebook page that's not yet up and running, when you have eight media and communications staff in the growth centres themselves and 20 similar advisors employed by the department. One can't help but draw the conclusion this has been a giant waste of taxpayer money, and the Facebook page isn't yet live. I'm going to ask you, Dr Smith, can you help me out here?

Dr Smith: I distinguish between the two. The growth centres are quite separate from the department's media.

Senator KETTER: Okay. So, please help me understand why this isn't a waste of money.

Mr Lawrence: For sure. Each of the growth centres works as an independent not-for-profit company, and they determine their own communications and their social media things. The contract to Porter Novelli is more than just a Facebook page. It does—as the question on notice said—revolve around a paid and earned media, advertising and editorial strategy as well. They're also providing advice to the department on the content that appears on our own website to promote the initiative.

Senator KETTER: But can you explain why the tender couldn't have been done by any or all of the eight media staff? I know enough about Facebook to understand that it takes one person to set up a Facebook page, and not very long.

Mr Lawrence: This is not a Facebook page for the individual growth centres; this is a Facebook page for the overarching initiative, and we needed a coordinating role to ensure that the message was consistent coming from all the growth centres and didn't just promote one growth centre over the others.

Senator KETTER: Okay. It's just really hard to understand how a quarter of a million dollars can be spent in that regard. Can you just help me out with that?

Mr Lawrence: The quarter of a million dollars is the whole contract, and there are actually two elements to that. One of the elements is for benchmarking awareness research, which is being undertaken by Woolcott research. As the question on notice says, that's for just over \$78,000, and the rest is for the communications strategy work undertaken by Porter Novelli.

Senator KETTER: Yes, you've mentioned that. That \$78,000 was for benchmarking and tracking market research to monitor the impact of the Industry Growth Centres communication strategy.

Mr Lawrence: Yes.

Senator KETTER: What does that involve?

Mr Lawrence: That involved Woolcott research reaching out to firms, small businesses and industry associations to determine their awareness of the growth centres, so we can benchmark the awareness out there and develop a communication strategy around that.

Senator KETTER: In the response you've given us, there is a benchmark of: a critical mass of followers and influencers that the firm will need to generate. Have you determined what that benchmark will be?

Mr Lawrence: That hasn't been determined yet.

Mr Power: Can I just add that, in relation to the value-for-money component, of course when we let the contracts we go through the process of value for money that we do for all procurements. We assess the tenders and we achieve value for money. Obviously, when you procure those services you determine what the value is and the best value for money by testing the market, which is what has occurred here.

Senator KETTER: Sorry, I'm still struggling, but time is of the essence so I'm going to move on to some questions I have in relation to the Australian Building Codes Board—more particularly, the work that the Building Ministers' Forum has been doing in relation to combustible cladding. I understand the last meeting of the Building Ministers' Forum was held on 11 December, and the communique from that forum says that cladding audits and reviews are underway across the states and territories. Can you outline the nature of the reviews and the results to date, and how many have been completed?

Mr Savery: I can't actually answer your question, because the ABCB isn't responsible for the Building Ministers' Forum. It's the department, so it's better that the question is addressed to Dr Anne Byrne.

Dr Byrne: The building ministers have responsibility for taking forward a number of audits. As you know, across each of the jurisdictions the Commonwealth is also undertaking a series of audits. The precedent for this was around the activities that occurred as a result of the Grenfell Tower fire in London, as you're aware, and the Prime Minister wrote to first ministers in June 2017 to seek their support to ensure that each jurisdiction would properly map the activities it had underway to audit cladding on high-rise buildings. The Building Ministers' Forum, which Commonwealth chairs, was charged to be responsible for pulling together that information. Since that time, the building ministers have a number of mechanisms available to them to provide advice. One mechanism is the Building Regulators' Forum. The building ministers have tasked the Building Regulators' Forum to prepare combined information across all the jurisdictions in relation to the activities that they have underway with the targeted audits. So this body of work is ongoing; it's not finalised. But I think it would be fair to say that all jurisdictions are taking the cladding audits very seriously and a number of them have very extensive activity underway, including in relation to Victoria, for example, where formal audit processes have been undertaken and formal reports have been prepared and released publicly. I'd say, in terms of what the ministers are doing, they're

continuing their combined efforts to undertake the audits and to determine what action each jurisdiction should take in response to any identified problem with cladding materials on high-rise buildings.

Senator KETTER: What I'm very interested in is if there is a table of results from the reviews so far, what the results are and how many buildings we are looking at here with potentially dangerous cladding on them.

Dr Byrne: Certainly I can say that we have prepared a table. I would like permission to seek advice from colleagues in the jurisdictions about the availability of that material, since the material has been provided to us as a collective. I would need to check with the Building Regulators' Forum and to check with jurisdictions about their comfort.

Senator KETTER: Yes, I'm happy for you to do that.

Dr Byrne: Certainly we have the material available.

Senator KETTER: Can you tell me how many of the reviews have been completed?

Dr Byrne: I'd have to take that on notice.

Senator KETTER: The communique from the Building Ministers' Forum on 6 October indicates that the Building Ministers' Forum ministers:

... recognise the public safety concern and clear risk arising around the use of cladding that does not comply with the National Construction Code (NCC). All Ministers agreed that they will use their available laws and powers to prevent the use of aluminium composite cladding with a polyethylene (PE) core for class 2, 3, or 4 buildings of two or more storeys, and class 5, 6, 7 or 8 of three or more storeys ...

Can you tell me what types of structures PE core cladding is now allowed to be installed on.

Mr Savery: To put it in as simple language as I can, it's generally buildings below three storeys, but there will be variations on that, depending on the intended use of buildings. They're typically described as type C buildings in the National Construction Code, and that relates to both the type of occupancy of building in terms of its intended use as well as the form of construction. So the code is essentially designed around the likely risk to occupants of buildings based on classification use et cetera. The materials are also used quite extensively in things like signage and for the facade treatment of things like car showrooms, so that's where you might typically find it. That's where it still would be permissible to use it.

Senator KETTER: There was evidence before our Senate committee inquiry into non-conforming building products from one of the importers that the price difference between PE cladding and fire-resistant cladding is just a few Australian dollars per square metre. Do you have any information that contradicts that evidence?

Mr Savery: No.

Dr Byrne: No. We have no evidence that confirms it either.

Senator KETTER: Mr Savery, is it your understanding that, for a two-storey building which perhaps uses 170 square metres of cladding, the price difference between fire-resistant cladding and PE cladding would be approximately \$680?

Mr Savery: No, I'm not able to answer that question. We don't look at what the price of products is.

Senator KETTER: The October communique mentions the development of an established and implemented system of permanent labelling on cladding products to prevent substitution. Can you tell me where that is up to?

Dr Byrne: The building ministers have established another group, the senior officers group, and that's been charged to look at some options for ministers to bring back to the next meeting of building ministers on labelling. While I can't tell you the conclusion from that, I can say that the officials are working through a range of options, and the ministers, at their next meeting, will be given those options to consider and then they'll be able to make a choice about what type of labelling method they might think's appropriate to adopt.

Senator KETTER: In relation to the testing standards for external wall assemblies, regarding the use of aluminium composite panels, does it currently or will the National Construction Code specify that only panels which pass AS 5113 are allowed to be used for all those types of buildings that were mentioned in the Building Ministers' Forum's communique?

Mr Savery: On the basis that states and territories don't maintain some form of ban or prevention of the use of products which would override anything that's in the National Construction Code, if a product is tested to AS 5113 and passes that test, or is part of some performance solution that would include aspects of the AS 5113 test, those products could be used in type A and type B construction.

Senator KETTER: That's the problem, though, isn't it—that deemed-to-comply aspect is where we come unstuck here.

Mr Savery: No, if you comply with the code, you don't come unstuck. One of the really important aspects of the audits that the states and territories have conducted is the identification of significant levels of noncompliance. So the issue is not the code; the issue is non-compliance with the code. There seems to be a misunderstanding about this. The code's very clear. What's happening is there are significant levels of noncompliance. AS 5113 doesn't exist as a test under the code at present. It will be called up under amendment 1 to National Construction Code 2016 on 12 March as a verification method. It's not a mandatory requirement; it's a way of demonstrating compliance with the code. Passing the test AS 5113 in its own right is not the only thing that you have to do to demonstrate compliance with the code in order to put a potentially combustible product on the exterior of a building. You also have to include sprinkler systems within the building and demonstrate other fire safety measures, so it's not as simple as passing a single test.

Senator KETTER: You've said that AS 5113 will be called up by the code from 12 March?

Mr Savery: Correct.

Senator KETTER: So, from that time, this PE core cladding will not be allowed in those types of buildings that I talked about?

Mr Savery: No; that's not the case.

Senator KETTER: That's not the case?

Mr Savery: The code is structured such that, as you've just indicated, you can use a deemed-to-satisfy pathway and if you use the deemed-to-satisfy pathway, under the code, you have to pass or demonstrate that you can meet AS1530, which is a different test standard. That is a noncombustibility test standard. You can use a verification method, which is AS5113, which allows for limited combustibility, but you have to be able to demonstrate that you meet a range of criteria and offset any combustibility risks with a series of other provisions that are outlined in that verification method, including sprinklers. Or you could a performance solution. In order to satisfy the performance requirements, that performance solution is going to have to demonstrate that the building products—the materials and the design—will not result in the spread of fire, will not compromise the evacuation of occupants from a building that may be on fire and will not impede the intervention of fire brigades in fighting a fire. You've got to meet those three performance requirements.

The reason that you're seeing significant levels of noncompliance is that most are using 'deemed to satisfy' and they're not meeting the deemed-to-satisfy requirements. They are prescriptive requirements, not performance solutions.

Senator KETTER: Or they're seen as a loophole?

Mr Savery: No; people are saying the performance solution ones are loopholes. Most of the noncompliance is occurring under deemed-to-satisfy, not performance. They're prescriptive requirements.

Senator KETTER: I'd love to have more time to debate that with you, Mr Savery, and it would be a worthwhile debate. Finally, I want to ask about the next meeting of the Building Ministers' Forum. Are you able to tell us whether that's in April and if there a specific date for that?

Dr Byrne: The tentative date is 27 April in Melbourne, but I do want to stress that it's tentative, subject to all ministers agreeing.

Senator KETTER: Can you tell me whether Professor Shergold's report will be presented to that meeting?

Dr Byrne: Professor Shergold and Ms Bronwyn Weir's report will be available ministers for consideration at that meeting.

Senator KETTER: Will the report be immediately released to the public?

Dr Byrne: That will be a matter for ministers.

CHAIR: I have a couple of questions about program 2 and specifically about the Industry Growth Centres. I was in Ballarat and I met this fabulous woman, Elizabeth Lewis-Gray, who run a company called Gecko, which is a mining equipment business. She is the chair of one of the Industry Growth Centres. She is such an extraordinary woman and Gecko Industries is an incredible success story. She chairs the Mining Equipment and Technology and Services Growth Centre. I just think she is fabulous. Can you tell us more about the Industry Growth Centres? If the participants are anything like Elizabeth, I think we are doing very well indeed.

Mr Lawrence: All the growth centres are chaired by industry leaders. They have strong industry backgrounds and are well respected in their sectors, like Ms Lewis-Gray is. They all come from varying backgrounds. For example, Ken Fitzpatrick, who chairs the Oil, Gas and Energy Resources Growth Centre, is well respected in the sector and he also sits on bodies like NOPSEMA and others. All the growth sectors are doing a variety of

activities in their sectors to take them forward—from helping exporters export for the first time to helping firms bring commercialised products to market for the first time. They're also working with firms to collaborate with universities and researchers for the first time.

CHAIR: What are the industry growth centres? Can you name them for me or describe them?

Mr Lewis: There's the Advanced Manufacturing Growth Centre, AMGC; the Cyber Security Growth Centre, known as AustCyber; the Food and Agribusiness Growth Centre, known as Food Innovation Australia Ltd, FIAL; the Mining Equipment, Technology and Services Growth Centre, METS Ignited; the Medical Technologies and Pharmaceuticals Growth Centre, known as MTPConnect; and the Oil, Gas and Energy Resources Growth Centre, known as National Energy Resources Australia, NERA.

CHAIR: And they all operate in their own separate silos; so I can understand why it would be very difficult to coordinate those silos when you were trying to do joint marketing. Something like a Facebook page must be quite difficult to coordinate. So I can understand that. Can you potentially give us an example of the success stories and the good work that the Industry Growth Centres have done?

Mr Savery: For example, the Food and Agribusiness Growth Centre, Food Innovation Australia Ltd, have been working with small food companies to help them export for the first time. I can give you some examples. A Sydney based firm, Luv Suv, is exporting healthy food snacks to 13 countries. Another Sydney firm, Nut Roasters, is exporting hand-roasted nuts to six countries, which has resulted in a 200 per cent increase in their export sales. A Western Australian firm, Great Southern Truffles, is exporting truffles to Hong Kong and the United States—and that's not chocolate truffles; that's the fungus type truffles. A Melbourne based firm, Crazy Dragon, is exporting dumplings to China.

CHAIR: Wow! That's like ice to Eskimos

Mr Savery: A Sydney firm, Sugar Free Solutions, is exporting diabetic-friendly cake and muffin mixes to the Middle East and South East Asia.

CHAIR: Were these organisations start-ups before they were assisted by the Industry Growth Centre? How did they get to the Industry Growth Centre? How did they become part of the process?

Mr Savery: In this case, Food Innovation Australia runs a range of workshops around the country to teach firms how to export—so export 101—and then takes them on a journey once they've completed those workshops. The growth centre has developed a catalogue of Australian companies. It lists those companies on that catalogue and buyers from around the world can review companies before they come on an inward-buyer mission or whether they participate or meet the firms at a trade show. So there's a bit of brokering done there beforehand. The firms have often participated in growth centre-led trade shows, which, in many cases, has been the first time that Australia has presented itself at these trade shows as a unified brand. They've been able to, if you like, corral the states so that Australia is represented as Australia under a 'brand Australia' type arrangement as opposed to New South Wales, Victoria et cetera. So that's bringing some critical mass. They are partnering with Austrade on that.

CHAIR: That's excellent. I congratulate your department on some excellent work that really is advancing Australia's small businesses and larger businesses and developing new products and helping them grow. It's fantastic. Who can I speak to in the department about the Entrepreneurs' Program?

Mr Power: The Entrepreneurs' Program is delivered through AusIndustry. I have some responsibility for the policy nature of the program.

CHAIR: Can you update the committee on the delivery of the Entrepreneurs' Program and give us an indication on how many businesses have benefitted from the grants and how those grants help those businesses create jobs?

Ms Forsyth: Thank you for your question. We have provided 22,389 services to Australian businesses with grants valued at \$215.8 million.

CHAIR: Can you give me an example of some of the businesses that have received those grants and what they do?

Ms Kay: My colleague Clair Forsyth gave Senator Macdonald a great example of this earlier. As we said there are four elements to the Entrepreneurs' Program, and we've got a range of stories from each of the elements. My particular responsibility looks after business management. One of our businesses is Allied Grain Systems. It designs and builds grain silos. They have increased their turnover from \$200,000 to \$14 million, and 60 per cent of their revenue is coming from commercial work. That is through accessing some advice from one of our business advisers and through access to a grant to help improve their business capability.

CHAIR: That's extraordinary.

Ms Kay: Yes.

CHAIR: What a great success story. Again, congratulations on doing terrific work. I look forward to hearing an update at the next estimates and some other success stories. It's now a quarter past eight, and I'd like to let the committee know that we have a particular witness that we called specifically for a quarter past eight. It was by an order of the Senate that she appear. So we are not going to suspend the committee, but we're going to ask the department to stay because we will continue with outcome 2 after we've spoken to this particular witness.

Senator Cash: Okay, so Senator Canavan will take over for this part.

CHAIR: Thank you for your participation today, Minister Cash.

Senator Cash: Are we coming back to outcome 2.

CHAIR: We are coming back to outcome 2.

Senator Cash: For how long, just for the officials because we've got them, obviously, other officials sitting outside for the resources part of it?

CHAIR: We're hoping that we will get through as quickly as possible. I'd ideally like to get to it before the tea break—before the evening break at 9.00 pm.

Senator Cash: Could we dismiss outcome 2?

CHAIR: We are moving to outcome 3 after the break. Sorry, unless other senators have questions for outcome 2?

Senator IAN MACDONALD: There are 100 public servants sitting outside, or it seemed to be at dinner time, all highly qualified, all going to do great work, but it seems like we're not going to finish the program and I'm wondering whether we should send 2.4 and 2.6 home now.

CHAIR: I'd be comfortable doing that as long as the opposition is quite happy to put their questions on notice?

Senator IAN MACDONALD: Let me finish. You said this person at a quarter past eight was an order of the Senate. I thought this committee decided that at its last private meeting, and that being the case, it was the committee that decided it would be at this time. I thought it would come after we'd done with program 2 and program 3, and then we would move on to Ms Beauchamp and then the other one. If that's not to be the case, and this person doesn't form part of this estimates committee, and the committee has decided as a special favour to do it, it should be for a fixed period of time, which I think we've scheduled as half an hour.

CHAIR: Yes. I don't think we are going to take any more than half an hour. I'm hoping we will get through this in 15 minutes.

Senator IAN MACDONALD: Whether we are or whether we're not, this person isn't part of this estimates committee. This was done as a concession. I don't think it was an order of the Senate, was it?

CHAIR: It was an order of the Senate for her to appear.

Senator KETTER: She accepted the request.

Senator IAN MACDONALD: Yes, but it was then up to the committee. I don't know how this fits in to this particular portfolio.

CHAIR: I've got to say, I'm scratching my head as to how it fits into the portfolio. I thought this department secretary is no longer responsible for the department, but it was an order of the Senate that she appear and I'm not entirely sure. It was an order of the Senate that she be invited. She accepted the invitation. This was the time that we allocated to her.

Senator IAN MACDONALD: All I'm saying is that this shouldn't then be part of the normal rule that, as long as senators want to ask questions in estimates, we have got to keep going.

CHAIR: No, I agree.

Senator IAN MACDONALD: This is entirely outside.

Senator BUSHBY: Let's see how we go between now and the dinner break and if it's a need to test out at that point, then we will.

CHAIR: Can I just announce for the department, I'm terribly sorry, but there are some more questions for program 2, so I'm afraid people from program 2 can't leave just yet.

Dr Smith: We have released those who were involved in program 1.

CHAIR: Program 1 should be fine.

Dr Smith: Okay, thank you.

CHAIR: But, program 2, not just yet. Hopefully, we can resume with program 2 in a few moments. I now call to the committee Ms Glenys Beauchamp.

Senator Cash: Sorry, Chair. Can I just confirm, is outcome 2 finished?

CHAIR: No.

Senator Cash: Okay, sorry.

CHAIR: The department are excused for a few minutes. I'm sorry about this. In the meantime, can I welcome the minister, Matt Canavan. Welcome Ms Beauchamp. Thank you very much for appearing before us. I think that there are only a couple of questions, certainly not from government senators yet. Senator Cameron has questions for you.

Senator CAMERON: Thanks, Chair. Ms Beauchamp, thanks for agreeing to come along. This shouldn't take long. I just want to clarify some issues. You were the Secretary of the Department of Industry, Innovation and Science for the period 21 September to 17 September 2017?

Ms Beauchamp: No. I commenced, in my new position, as Secretary of the Department of Health on 18 September.

Senator CAMERON: Yes, but you were the secretary until 17 September?

Ms Beauchamp: Until the 15th. I think that was the formal date.

Senator CAMERON: It's wrong on your page, but, anyway, that's okay. During that period, Senator Canavan was the Minister for Resources and Northern Australia?

Senator Canavan: Not for the entire period. I believe I resigned as the Minister for Resources and Northern Australia on or about 25 July last year.

Senator CAMERON: Yes. Ms Beauchamp, at any time did the then Minister Canavan raise with you or any other senior official in the Department of Industry, Innovation and Science the appointment of former Deputy Prime Minister Joyce's former media adviser to a departmental role?

Ms Beauchamp: I can speak on behalf of myself. Minister Canavan did not raise that with me. I cannot speak for other senior officials.

Senator CAMERON: Okay. Are you aware of whether Senator Canavan raised the issue with your department of the employment of the former Deputy PM's adviser with any other agency associated with the department?

Ms Beauchamp: No, I'm not aware of that at all.

Senator CAMERON: Okay, that's fine. Thank you.

CHAIR: No more questions for the witness?

Senator CAMERON: I have one last question: did any of the staff or officers from Senator Canavan's office raise this issue with you?

Ms Beauchamp: No, they did not.

CHAIR: Ms Beauchamp, thank you very much for appearing before the committee. May I apologise that you have travelled all this way to answer three questions that could have been done over the phone. Thank you very much.

Ms Beauchamp: Thanks very much, Chair.

CHAIR: I'd now like to call back to the committee the department. We are on, specifically, program 2. Senator Patrick has some questions.

Senator PATRICK: Yes, I've got some questions in relation to advanced manufacturing. I'd like to go through the five different subprograms within this program and get a status of the programs—how much has been committed in cases where we've committed funding already and, if not, how far off we are to seeking applicants, and so forth. Can I start with the advanced manufacturing research projects fund? It's a \$24 million fund over two years. Can someone give me an update on where that's up to, please?

Dr Richards: The \$24 million is a composite of two elements. The \$20 million was a supplement to the CRC Program, for CRC projects in advanced manufacturing, as a separate petition. Those projects were announced, I think, on 18 December—sorry, 6 December.

Senator PATRICK: So I presume they will close at some stage soon?

Dr Richards: The selected projects were announced.

Senator PATRICK: The selected projects were announced? Okay.

Mr Lawson: Perhaps I could add a little bit on that.

Senator PATRICK: Thank you, Mr Lawson.

Mr Lawson: The fourth round for those co-operative research centre projects opened on 3 July 2017 and closed on 29 August 2017. On 6 December 2017, the government announced \$33 million in funding for 15 successful CRC projects as part of that selection round. Eight of those 15 projects were supported by \$20 million in additional funding from the AMF for the larger scale advanced manufacturing research programs. You will remember that the intention of using this existing program was to get this done quickly.

Senator PATRICK: I'm sure it is on a website somewhere, but could you provide a list of those who were successful?

Mr Lawson: Yes, we can do that. It is on the website. We can provide that on notice.

Senator PATRICK: Fantastic. And the \$4 million?

Dr Richards: The \$4 million is the Advanced Manufacturing Early Stage Research Fund, and that will be delivered through the Advanced Manufacturing Growth Centre. We've been through arrangements with the growth centre, and we expect that that program will open in the next week or so.

Senator PATRICK: Okay.

Mr Lawson: I might add to that. You'll remember these were the programs for smaller grants and that we had to develop a new program to enable that to occur, so it has taken a bit longer to deliver than using the existing programs. But it is ready now to deliver.

Senator PATRICK: The existing program was—

Mr Lawson: The CRCs.

Senator PATRICK: Yes, but—

Mr Lawson: The Advanced Manufacturing Growth Centre, we were going to use that unit to do that—that was the not-for-profit organisation that the previous discussions were about, the growth centres. It has an active program of engaging with small and medium enterprises, so it was focusing on the smaller companies. But it is new money for them, they needed to gear up to do that, and we understand it's about to open for applications.

Senator PATRICK: So it opens next week—and how long will the applications be open for, or thereabouts?

Dr Richards: It's being done as a drawdown program, so it will remain until funds are expended.

Senator PATRICK: All right.. And there will be some criteria that will be advertised with—

Dr Richards: Yes, there will be merit criteria to pass.

Senator PATRICK: Perfect. Moving to the advanced manufacturing Innovation Labs, what's the status of those? Two were going to be funded—one in Victoria, one in South Australia.

Dr Richards: The program applies to South Australia and Victoria. There is a consultation paper currently released. I think that will close on 19 March. The consultation paper was released on 19 February.

Senator PATRICK: Just describing that program, the idea there was to set up some sort of facility in each state?

Dr Richards: We had the options of facilities or to make use of the existing facilities. When we consulted with the industry sectors, their concern was mostly about making best use of the fund in the way that people accessed existing infrastructure. So most of the program will be directed at assisting people with design services before they go to a lab facility or the like.

Senator PATRICK: But there is a lab facility being set up, because I'm pretty sure that was a core part of the agreement that was reached with government? That was the agreement between the Nick Xenophon Team and the government.

Dr Richards: I'm not privy to those agreements. I don't have the policy authority.

Mr Power: Too bad! There is a test lab facility or measure which is also operating at the moment to set up physical infrastructure labs. There are five of those that will be set up under that program. What Dr Richards is talking about is that, when we've gone out and had some early conversations with stakeholders about what is the gap in the market, what will they most benefit from, I think what they've fed back and we're now testing with

people in this consultation paper is there is a need for accompanying services for business when they go on approach and use physical labs, such that they are able to have their business plan and have their forward-looking plan accompanied by how they can take and use that infrastructure back into their business. That's what we're starting to test now through that paper, but, in answer to your question, there is both this measure, which will provide support services around those labs, and a separate test lab measure which will put in place physical labs.

Senator PATRICK: Where will the physical labs be funded from?

Mr Power: There's a test lab measure and I believe that is \$5 million.

Senator PATRICK: But that's not funded out of this program?

Mr Power: No, it's not funded out of this program. It's a separate measure.

Senator PATRICK: Where are they located?

Mr Power: That hasn't yet been settled. We're currently doing some early consultation with businesses and jurisdictions on that, but those funds are available, I believe, in the next financial year.

Senator PATRICK: I'm just looking at the announcement that was made that did reflect the agreement. It indicated that innovation labs will be established in South Australia and Victoria and will 'serve industry in a variety of roles including test centre facilities and business capability development'. What I might do, with your permission, Minister, is take this back to a discussion with the department, if that's okay with you.

Senator Canavan: I'm not responsible for this area, but I'm sure that accommodation can be looked at.

Senator PATRICK: Thank you. What about maintaining engineering excellence?

Dr Richards: The consultation paper for that program's out in parallel with the innovation labs.

Senator PATRICK: I wonder if I might be directed to where the consultation paper is on the web.

Mr Lawson: We'll make sure we provide that to you.

Senator PATRICK: Thank you very much. Removing tariffs on prototype import vehicles was a budget measure, wasn't it? That's already in play?

Dr Richards: That's in play and was backdated to 1 January 2017.

Senator PATRICK: Has there been any feedback from industry in relation to that?

Dr Richards: There has been very positive reaction.

Senator PATRICK: That's good.

Mr Lawson: Although it was a budget measure, it was backdated to 1 January 2017, so it applied from then to prevent any confusion.

Senator PATRICK: I know it's not really spent, but do we know how much—

Mr Lawson: It was a measured \$13.5 million tariff concession. Because it's foregone revenue, there isn't really a way of measuring how much has been done thus far. Certainly, in our discussions with the two major automotive companies that are bringing in vehicles and parts of vehicles to do work, they're doing more R&D than I expected them to be doing when we started this. So it's a very positive story we're getting from Ford and Holden about their level of activity. The implication of that is that they'll be using this even more than we probably expected.

Senator PATRICK: The big one is the Advanced Manufacturing Growth Fund. What is the status of that?

Ms Facey: We're now into round 2 of the program.

Senator PATRICK: That's about to close, isn't it?

Ms Facey: It closed at five o'clock yesterday. We are still analysing the actual types of applications. We received 75 applications for funding, so that's well subscribed. We'll be having a committee meeting at the end of May and expect announcements not to be too long after that.

Senator PATRICK: In relation to the first round, remind me how much of that \$47.5 million was spent—how many applications, how many successful applications and how much was spent.

Ms Facey: For round 1 of the program, we received 95 applications, of which 91 were eligible. When the outcomes were announced, 20 companies were successful and they were to share in funding of \$29.96 million. Since that time, two of the companies have decided not to go ahead with the projects. The outcome of all of that is that originally we had \$15.3 million left over after round 1, we had an extra \$2 million from those companies deciding not to proceed, and we also had some funding left over from an earlier program, the Victorian innovation

investment fund, which funded companies in Geelong and Melbourne's north, of \$1.1 million. So, all up, we have \$18.4 million available for round 2 of the program.

Mr Lawson: I might add that the \$30 million or thereabouts that was provided in grants supported total investment of about \$120 million, or a little bit less.

Senator PATRICK: That's not a bad return.

Mr Lawson: Yes.

Senator PATRICK: I won't identify the companies, but why did two companies pull out? What happened there?

Ms Facey: As you'd appreciate, it's a big ask for companies to go ahead with these kinds of investment projects, so it was for purely commercial reasons on their part.

Senator PATRICK: So that meant they perhaps couldn't meet their commitment?

Ms Facey: Exactly—they couldn't meet their commitment.

Mr Lawson: It might also be worth saying that the game with these programs is not to give money to people who are definitely going to do the project anyway. You deliberately choose those ones where you're seeking investment beyond that which would happen. In my view it's a good sign that a couple of them had a stretched target and didn't quite make it.

Senator PATRICK: I agree with you; that does sound very positive. Former Senator Xenophon had a couple of discussions about benchmarking how successful the program is so that we can go back in two or three years, talk to the minister and say, 'This ought to be done again.' How are you going in terms of establishing benchmarks? I presume, for the advanced manufacturing fund, that money funded a number of programs there. You're getting into that, so maybe that's the easiest one: what are the benchmarks you're looking at?

Ms Facey: The sort of thing we're looking at for the Advanced Manufacturing Growth Fund is the amount of investment that's been undertaken in the fund. We're keeping track of how much investment has actually been undertaken. It's early days yet.

Senator PATRICK: Is there any way that you'll be able to reach into the companies and find, five years from now, that the companies have actually tripled in size or anything like that?

Mr Lawson: We have formal evaluation processes that we apply to such grants programs. When you design the programs you make sure they're evaluation-ready, that you have collected enough data to do those sorts of exercises. The thing about asking people for information is that you need to get it back later, so you don't want to impose an overly excessive bureaucratic thing.

Senator PATRICK: I understand.

Mr Lawson: There aren't a huge number of companies here, with these 20 companies. It's a manageable thing. One would expect that we will keep an eye on them and be able to report on what the net impact of those programs has been. That's how we do our grants programs.

Ms Facey: I will just add that the actual targets are in the portfolio budget statements, so we will be reporting formally on the amount of investment that's undertaken in relation to this program.

Senator PATRICK: Something you said, Mr Lawson, reminded me of a further question. The Advanced Manufacturing Growth Fund was obviously targeted at South Australia and Victoria, but it did allow for companies that were not in Victoria or South Australia to set up an operation in Victoria and South Australia. I'm just wondering whether or not that has occurred, whether or not we've attracted someone from somewhere else into either South Australia or Victoria. If you need to, you can take that on notice.

Ms Facey: I'll take that on notice. My understanding is that that hasn't happened, but we'll take it on notice to double-check.

Senator PATRICK: Thank you very much.

CHAIR: Thank you. We will resume after the break with program 3. Officers for program 2 are dismissed.

Proceedings suspended from 20:39 to 20:56

CHAIR: The committee will now resume with the Department of Industry, Innovation and Science. We are looking at program 3 and also cross-portfolio corporate and corporate as well. Both the opposition and the government are going to put their questions on notice so we only have questions from Senator Steele-John and Senator Patrick, I think.

Senator STEELE-JOHN: Oh, hallelujah, praise the Lord! We're nearly at the finish line, everybody. In the government's response to the Senate inquiry into the future of Australia's video games industry, they noted that the NISA includes 24 initiatives, many of which are relevant to the video game industry. Could you outline for us the 24 initiatives that are directly relevant to the video game industry? I should have preceded that by saying it was a NISA question. I apologise.

Dr Smith: We'll just get the relevant officer for you.

Ms Clough: I can quickly run through the measures. Can I confirm that it's how the measures might relate to the games industry. Is that correct?

Senator STEELE-JOHN: You don't have to go through all 24, just those directly relevant to video game development.

Ms Clough: We might have to take that one on notice. There isn't a measure specifically for that particular sector but there may be some measures that might be quite generic in nature.

Senator STEELE-JOHN: I suspect there would be in relation to—

Mr Lawson: If we talk about the EBS venture capital programs and the angel things, I suspect they're likely to be relevant.

Ms Clough: The NISA changes did make more attractive the Early Stage Venture Capital Limited Partnerships program. That program basically provides tax concessions to investors, and those tax concessions and the arrangements for investing in the program were enhanced through the NISA. Last year a record \$1.4 billion worth of committed capital was invested through fund managers that are licensed under that scheme. That could be something that companies that are in the gaming sector would be benefiting from.

Senator STEELE-JOHN: I've got a couple of examples here that might be helpful. The government noted as relevant in its response the early stage investor tax incentive. That might be relevant to the industry. I believe it also cited the Incubator Support element of the Entrepreneurs' Program as a scheme that would suit developers. I'll just get a couple of things on notice. With those two schemes but also any you identify as additionally relevant, would you be able—again, this will be on notice—to provide me with the number of game developers that have applied to the particular initiative or generally that are supported by the NISA, and the value of the support that has been given to the developers? Would you be able to take that on notice?

Ms Clough: Yes, certainly.

Mr Lawson: I might mention that the early stage investor program is a program where people make an application to the tax office in their normal tax return, so that information will never be made public about who they are. So we won't be able to give you a number of these things—

Senator STEELE-JOHN: In relation to that.

Mr Lawson: The tax things are probably some of the major things that will be relevant, and those are things where the confidentiality of tax prevents us from naming names.

Senator STEELE-JOHN: No worries at all. I'll just finish back on the Incubator Support element of the Entrepreneurs' Program. Could you comment on the appropriateness of these schemes to game developers, and the number of developers who have applied—but you've agreed to take that on notice. Applications that have been successful would probably be useful as well, and the total value put through the scheme. Have you got any commentary just generally on the appropriateness?

Ms Kay: The Incubator Support program funds incubators and accelerators rather than the companies using them themselves. Because the Incubator Support program is still in its relatively early stages, we are still getting companies on board, so incubators are attracting new companies all the time. We might be able to get some of that information for you on notice, but we don't fund the game developers specifically through that program.

Senator STEELE-JOHN: Would there be any additional comment from NISA in relation to the games industry and how you plan to actively reach out and ensure the industry can avail itself of what you offer? Have you done any proactive work in that space?

Ms Clough: Not specifically for the games industry. A lot of our programs are technology neutral—so I'm sort of moving beyond the programs that were announced as part of the NISA process. For example, programs such as the R&D tax incentive are open to any industry sector to apply for as long as they're doing eligible R&D as defined under the program. So we do have other broad based technology neutral programs that, if you are doing R&D in the gaming sector, you would be able to apply for.

Senator STEELE-JOHN: I guess we'll see, once you get us those figures, the extent to which that's been taken up by the particular sector. Thank you so much for your time, and, with that, I'm out of here.

Senator PATRICK: I just want to have a quick chat to someone about FOI. It's a general issue, but I'm going to have to make a declaration here. It's about my FOI to the department. I'm not going to go to the decision itself. The decision is still pending. The response of the department raises a concern with me that I'd like to explore a little bit. I do so stating that I do a lot of FOIs and I spend a reasonable amount of money on FOIs. Obviously, when an FOI goes in, the agency assesses the amount of time it might take to fulfil an FOI, and, above a certain charge, the citizen is asked to pay the money. I do regularly end up paying money for these things.

I put an FOI in asking for the 2016-17 diary entries of Mr Bruce Wilson, the head of the resource division, that related specifically to the national radioactive waste management facilities at Kimba and Hawker. The purpose of the FOI, even though I don't have to give that, was simply to see the interaction that Mr Wilson may have had with anyone to do with that particular project. It's not unusual for FOIs on diaries to be made. The Attorney-General recently went to the full Federal Court and had to hand over his diary, and the Prime Minister has in the past. There's a number of precedents around diary requests. Typically, as I have done in this request, I have simply asked for the Outlook view of the week. I'm not trying to get into too much detail, but I'm trying to understand the Outlook view.

What surprised me about the response in this instance was that the department has come up with a cost to me of \$450 for 47 pages. As I've said, I do FOIs quite regularly. Recently I got an entire tender document of 700 pages, and I don't think it cost me that much money. I just want to explore this in particular, because it worries me this could happen to any constituent. The fact that it's me this time around is somewhat irrelevant. I've got eight hours of search and retrieval time for someone to look at someone's Outlook diary or, in fact, just to print it out, and then I've got 21.59 hours to make a decision. That seems to me to be quite a long time to simply look at a page, particularly if, for example, a diary entry is not related to Kimba or Hawker and simply gets redacted—you can almost draw a line through it. I'm wondering if you could potentially have a look at that. I can't imagine anyone taking that amount of time. It seems so unreasonable that it would take 30 or 40 hours to deal with 47 pages.

Dr Smith: We will take a look at it. I'm not the decision-maker.

Senator PATRICK: I understand that.

Dr Smith: With a FOI, as you know, they are quite separate from the secretary, but we can take you through the process for FOI and give you as much information as we can on the current status of your request.

Senator PATRICK: I don't want to be seen to be interfering with the decision or trying to expedite it at all. It just seems that, to get a charge of \$450 for 47 pages—and remember with an FOI you get the first five hours for free—that's never happened to me before. I get charges all the time, and they're always quite reasonable, even if I get a wad of paper that thick that's completely redacted—sometimes that happens to me—but this just seems a bit odd.

Dr Smith: We will take a look at that for you.

Mr Moran: I might be able to shed some light on your question. The bulk of the charge amount in this case related to the review or decision-making element of the request processing. One of the reasons that figure might have been slightly higher than expected is that it includes time for consulting with potentially affected third-parties, not just the review of the documents. In this case my understanding is that there were eight third-parties with whom the department needed to consult. That would have accounted for a considerable proportion of the decision-making element of the charge.

Senator PATRICK: I have been through the process and even have had, as an adviser to Senator Xenophon, requests in relation to consultation. Mostly they are standard letters, so that would be a standard letter to eight people saying in this case that I gave: 'Senator Patrick is looking for access to this. Do you have any objection?' And you get a response. It still seems quite a large charge. I've agreed to pay it and I understand that I have complaint rights, but just as a general principle that seems so far out of reasonableness I felt it proper to raise that publicly.

Mr Moran: We can look at that. Another point to make of course is that that is an estimated charge and it is possible that the process will actually not take as long as we've estimated and of course then we can revise the charge downward once we've completed the consultation process.

Senator PATRICK: Sure. Thank you very much.

CHAIR: Are there any further questions for program 3? If not, we will move to resources and program 2.4, including NOPTA.

[21:12]

Senator RHIANNON: Was the Brewarrina Shire Council approached by a department representative, ANSTO or a representative on behalf of ANSTO to initiate the nomination process for a national radioactive waste facility?

Senator Canavan: I might ask for some assistance, but I note that ANSTO is not part of this portfolio. I have some officials here who are in charge of the radioactive waste program. They may be able to assist.

Mr B Wilson: I have been leading the radioactive waste project. I have not been approached by the Brewarrina Shire Council. I am aware that they are potentially interested in making a nomination, but at this stage they haven't approached me. I don't know if my colleague Mr McCleary can add anything to that.

Mr McCleary: They have approached us for information. We have advised them to go through our guidelines that are on our website. We've actually sent a copy of those guidelines to them to assist them in thinking about that nomination, and we've had some discussions on that, but that's all.

Senator RHIANNON: Has the council flagged any potential locations for the facility?

Mr McCleary: Not to my understanding.

Senator RHIANNON: Have they indicated that they've initiated consultations with the community?

Mr McCleary: No. We spoke to them some months ago. Part of our guidelines requires communities and volunteer-nominated sites to have had some community consultation. Some months ago—this was October last year—they had not had any of those discussions, to our understanding.

Senator RHIANNON: You haven't had consultation; you haven't had exchange with them since last October?

Mr McCleary: I'd have to take that on notice, but I don't believe so. We've had nothing formally in writing from them.

Senator RHIANNON: Could you take it on notice, please?

Mr McCleary: Sure.

Senator RHIANNON: Has Brewarrina council indicated that they've had any consultations or any interactions with the local Aboriginal community?

Mr McCleary: Not to my knowledge.

Senator RHIANNON: Can you take it on notice, please?

Mr McCleary: Yes, I can.

Senator RHIANNON: Have you had meetings with the council or is it more by correspondence?

Mr McCleary: No. We had one informal meeting near Sydney. I wasn't at that meeting; one of my staff was at that meeting, but that's the only meeting we've had with them.

Senator RHIANNON: That was the one last October, was it?

Mr McCleary: It would have been around October, yes. I'll confirm the date of that informal discussion.

Senator RHIANNON: With regard to correspondence, when was the last correspondence that you had on this matter with the council?

Mr McCleary: I don't think we've had any formal written correspondence. We've had a number of phone calls. I don't know of any discussions since October or November.

Senator RHIANNON: When you say 'informal', you're talking about a conversation on the phone? That's as far as its gone?

Mr McCleary: Yes, because we've given them guidelines to assist them in their process, if they wish to nominate—

Senator RHIANNON: The guidelines are the ones that are on the website?

Mr McCleary: Yes.

Senator GEORGIU: I have some questions on NOPTA. In 2016—

Senator Canavan: Senator Georgiou, I might just allow the NOPTA officials to come to the table. They are just here.

Senator GEORGIU: In 2016, it was reported that Woodside Petroleum was back-peddalling on \$175 million of drilling commitments it had made after the first three holes in an eight-hole drilling program came up dry. If a company makes a commitment like Woodside did and then fails to honour that commitment, are there any terms

in the lease which impose some form of penalty to that company? Would the exploration opportunity be released so that other interested parties could take up that opportunity?

Mr Waters: There is no penalty as such, unless of course the titleholder is non-compliant with the work program. There are options available to titleholders in the event that they don't wish to continue the program or they've completed their work program for a particular year and, for whatever reason they may choose, they may elect to seek to surrender the title, in which case there is an option for them to enter into what is known as 'good standing arrangements'. That is where there is a commitment for payment—this is a contract between the Commonwealth and the titleholder—and the good standing arrangements can be discharged in a number of ways. It's difficult to answer your question in the way you've asked it. It's not a penalty as such.

Senator GEORGIU: Okay. Is NOPTA aware of how many cases involve companies with exploration commitments that have not been met?

Mr Waters: We would have those records, but, as to the actual quantum and the titles involved, I would need to take that on notice.

Senator GEORGIU: If you could take that on notice, that would be great. NOPTA has been carrying out use-it-or-lose-it reviews for retention leases. How many of these reviews are progressing? Has NOPTA reported to the minister yet?

Mr Waters: I think you're referring to the commerciality reviews that we're doing on 10 retention leases in the North West Shelf project. That review is nearing completion. We're putting the final touches on the report over the next few weeks and we'll be advising the joint authority ministers and their delegates shortly.

Senator GEORGIU: Will that report be made public?

Mr Waters: No, it won't be.

Senator GEORGIU: Why's that?

Mr Waters: The information provided to us from the title holders and the third parties who have also made submissions is given under certain terms of confidentiality. In addition there are a range of legislative and regulatory confidentiality provisions that prevents that kind of information being made public.

Senator GEORGIU: Trillions of cubic metres of gas are sitting off the coast of Western Australia, which could create thousands of jobs for West Australians and solve the east coast energy crisis. They are all caught up in retention leases. When will at least some title holders have their retention leases revoked as a result of NOPTA's reviews?

Senator Canavan: I'll let Mr Waters answer some of that question, but I think some of it goes to some policy issues much more appropriate for myself to deal with. We are, as you know, trying to take as much action as we can to alleviate the crisis in gas in the east coast market. I would suggest, at this stage at least, gas resources off the North West Shelf are not a viable means to alleviate that crisis because there's a lack of infrastructure that connects those gas resources with the east coast. There is no physical pipeline, nor are there receival terminals for LNG either. That being said, your general point about the need to ensure that our offshore resources are developed on a commercial basis is at the front and centre of our mind, and that is why Mr Waters is conducting these commerciality reviews. I would also note that it's been a challenging few years for the gas industry with the oil price being subdued and therefore the commerciality of some of these operations being tested. Mr Waters might want to add a bit more on what's occurring in Western Australia.

Mr Waters: Invariably the barriers to commerciality, bringing fields online, fall between either the technical complexities of the particular field or alternatively the available infrastructure to take the raw gas and produce it into LNG or other products. Those two things obviously don't happen overnight. It takes time not only for companies to resolve the uncertainties with the particular fields but also for the infrastructure to become available. That's one of the reasons for this review that we've conducted on these ten retention leases. It's because of those two things. They are all retention leases where the uncertainties are being resolved and infrastructure, particularly in the North West Shelf production plans, over time—I'm talking the next five years or so—will become available. We believed this was an opportune time to look at those leases collectively, rather than on a piecemeal basis when the renewals come up. This way we're able to inform our joint authority ministers, both Western Australia and the Commonwealth minister, so they can take a more strategic collective view as to the resource management issues. That's what we're trying to achieve.

Senator GEORGIU: Why were only ten being looked at?

Mr Waters: They are the ten that feed to the North West Shelf Project, simply because of their proximity to the Onslow gas trains.

Senator Canavan: The intent of your question is spot on, Senator. There is a challenge to ensure more gas is developed to backfill the North West Shelf Project. Mr Waters is leading the technical assessment of the resources and their commerciality. In my discussions with producers operating in the North West Shelf area, I'm always keen to stress the need to cooperate and try and find solutions to this. The work Mr Waters does helps me in those discussions, and I'm comfortable with the progress that is being made on that. Getting these projects up does require a fair amount of cooperation and discussion between a number of companies, but from my assessment progress is being made on that.

Senator GEORGIU: When a gas company tells NOPTA that certain reserves are not yet ready to develop, does NOPTA verify this through independent third-party engineers or other experts, or do you simply take the gas company's word for it?

Mr Waters: We certainly just don't take the gas company's word for it. They do provide us with data and we have in house a number of technical experts—geological, geophysical, petroleum and reservoir engineering, as well as commercially qualified people. On occasions—and this is very rare—we will engage a third party firm to look at the data as well, depending on the nature of what's happening. We've done that, I think, three times since we commenced operations in January 2012. We don't simply rely on what has been stated in the application, and we will, on occasions, go back to the applicant with a request for further information so that we can satisfy ourselves as to the veracity of what we are being told.

Senator GEORGIU: Why isn't consulting third parties not done as a standard practice?

Mr Waters: There hasn't been a need to. As I said, we have in-house capacity to be able to do these assessments. That is why NOPTA was established. As I said, under exceptional circumstances, we found it prudent to go to a third party. They were in the earlier days specifically around the Browse project.

Senator PATRICK: Mr Waters, thank you for coming here; I know you have come from Western Australia. I have some follow-on questions. In relation to the 10 leases that you've opened up for commercial review, you're processing them as a job lot; that's effectively what you've said. You will go back to the minister with one. The state ministers, I presume, are involved in this as well?

Mr Waters: The Western Australian responsible minister and Minister Canavan.

Senator PATRICK: But it's going back as one proposal that contains the 10 answers?

Mr Waters: It's a consolidated report examining all 10 retention leases, the submissions made by the titleholders as well as those third-party submissions that were received, our analysis of each of them as individual fields and then our view collectively as to how these 10 retention leases will move forward.

Senator PATRICK: I respect the fact that you have said there are details in the report that are confidential; but, in terms of responses, I presume if you initiate a review, you're going to get at least 10 respondents for the 10 leases. So the entity that holds the lease will, I presume, respond to the commercial review?

Mr Waters: Yes.

Senator GEORGIU: We've got at least 10. How many other third parties were interested in these 10 leases?

Mr Waters: We invited all 10 to submit a third-party submission on each of the other nine. It should be borne in mind that we're not talking necessarily about single entities in this case; we're talking about joint venture partners. So, it is not uncommon that a joint venture partner appears on more than one title in the whole project.

Senator GEORGIU: I guess you're firewalling all of the responses as well.

Mr Waters: Indeed.

Senator GEORGIU: That seems like a great approach. Were there any third parties that were not in the 10? Did some outsiders come in and take a look?

Mr Waters: I believe there were, but to answer you definitively I would have to take that on notice.

Senator PATRICK: I'm not after the names of the companies. I'm just trying to get a feel for how responsive the market was to the call for a commercial review.

Mr Waters: It was well received by the companies, and they responded enthusiastically and positively to provide the kind of data outside a normal application process, and we found them quite happy to engage with us, not just in writing formally, but in meetings that we had with them.

Senator PATRICK: So it would be fair to say—I don't want to verbal you—you're quite happy with the response in terms of numbers?

Mr Waters: Yes. I'm happy with the way they responded to the request.

Senator PATRICK: And we're going to have a good competition, effectively? If you've got 10 of these leases and only the entity that had the current lease responded on that one and nine over here—is it sort of like that? Or is it different?

Mr Waters: Generally speaking, all companies had a view about the whole basin. Companies do form a basin-wide approach—naturally from their own commercial perspective—it's as if they put on a hat saying, 'Okay, if we owned the entire basin, what would we do?'

Senator PATRICK: Okay, perfect.

Mr Waters: So we had that kind of free exchange of information.

Senator PATRICK: I will tell you why I'm asking these questions. It's because I know this is a policy, per se; it's not a one-shot. That's my understanding. It is a policy of 'use it or lose it' that will be enduring. Would that be correct, Minister?

Senator Canavan: That is not the exact characterisation we place on it. There is a commitment at the COAG level but the Commonwealth government along with state and territory governments conduct a 'use or lose it' review and the commerciality tests that Mr Waters has spoken about are part of that process. We're also doing a south-eastern offshore review at the moment as well. We have a process of retention leases which puts requirements on tenement holders or acreage holders to conduct work. If they seek to extend the life of their tenement, they must test that they can actually produce gas within a certain period of time. We don't use the term 'use it or lose it' as such, but there are tests in place whereby, if they're not going to or don't have credible plans to use an area, it can be pre-pushed to the market. Mr Waters is there anything you wanted to add to that.

Mr Waters: Only that that's the process we go through—

Senator PATRICK: You mentioned the south-east and one other area, you said. I guess that's where I was going. Are you going to take what you did with those 10 leases and do the same thing in other locations? It sounds like you—

Senator Canavan: Senator Patrick, this approach, I presume, will inform what we do next. As I said earlier to Senator Georgiou, I think the work Mr Waters has done has been of great value. The south-east review was a little different in looking at what the resources were. I might see if Mr Waters wants to say anything about that. They are really the only two existing gas production areas we have offshore in Australia, so in some senses we've covered them at the moment. But, Mr Waters, is there anything else—

Senator PATRICK: So the south-east is clearly of interest to me and probably the other eastern-state senators, so I would love a—

Mr Waters: It's rather interesting the distinction. In many respects that area we're looking off the North West Shelf—even though there are some mature fields and the project has been in operation for 20 years or more—we would still describe it as a relatively immature area. Whereas of course in Bass Strait we're dealing with a whole different range of issues with the fields being far more mature. That's why we just don't do the whole lot all at once, because there are specific issues that need to be catered that make one area relevant to itself and comparisons forward. There will be more reviews of this nature. The idea is not just doing a lease-by-lease approach, but actually looking at a far more strategic perspective, especially from the availability of infrastructure. That's been the real issue over many years. And may I just correct an answer I gave you earlier?

Senator PATRICK: Sure.

Mr Waters: We have received in fact eight submissions from third parties with regard to those—

Senator PATRICK: Okay. Completely new parties?

Mr Waters: Yes.

Senator PATRICK: Fantastic. Going back to the south-east, have you actually opened that up yet or are you just preparing for that?

Mr Waters: We responded to a request from the minister to provide data to the department of industry through the resources division for the compilation of a report. There were other agencies other than NOPTA providing input into that; we were but one of the contributors to it.

Senator Canavan: Some of that information has been provided. I'd welcome the opportunity for my officials to brief you on those results. I don't have them off the top of my head, but they confirm that there's not an inordinate amount of gas left in the Bass Strait and related areas. There is some gas still there and, as expected, the quality of the resource is declining from a cost perspective, as well as a product perspective—there's not the same amount of oil associated with the gas as there was in previous developments in the Bass Strait. But I'm very

mindful of the issues you're raising. That's why I asked for this advice—to inform decisions we make in the Bass Strait. I have waited on a number of retention leases to get this information so we could make the right decisions.

In a related context, I also welcome the decision that was made late last year for the Gippsland Basin Joint Venture—to end the joint marketing arrangements. And I credit the ACCC for the work they did to investigate that. Fortunately, it didn't need to go to court. A decision was made, or agreed to, that those joint marketing arrangements would be finished. That, potentially, opens the scope for more competition. I think there are two things we need to be mindful of in southern gas markets. Yes, there is a supply issue—the Bass Strait is declining and becoming more costly—but, as the ACCC pointed out, there's also been a decline in competition, because some of the gas in your part of the world, Senator Patrick, in South Australia, has flowed to Queensland, and that has left other producers in Southern Australia in a very strong competitive position. If we can introduce more competition, even if it's not more gas, that may deliver better results for gas consumers.

Senator PATRICK: Sure. I did have a talk to the ACCC about that, and your advice is consistent with theirs; that's always good. But just to clear it up in my mind, in the North West Shelf we have 10 retention leases that were open to, in effect, a commercial review. In the south-east, did you actually do a commercial review or are you saying that you did some prep work and decided—

Senator Canavan: No. I'll let Mr Waters describe what it was, but the information that I requested was about the resource and the availability of production in those areas. There are already a number of retention leases that come up—

Senator PATRICK: Which may or may not lead to the same sort of activity in the North West Shelf?

Mr Waters: We did a review of the entire Bass Strait, not only the reserves and those areas covered by retention leases, which cover a modest amount of gas reserves. As the minister just said, it is becoming more expensive to extract this type of gas, so the commercial nature is changing significantly.

Senator PATRICK: I'm just trying to get to the answer. Have we or have we not tested commercially what's happened at—

Mr Waters: No, that wasn't the focus of the review we did.

Senator Canavan: Although that forms an element of a retention lease application.

Mr Waters: It does.

Senator PATRICK: Okay. More broadly, obviously there are other pockets around the place where there is prospect for commercial viability if there were infrastructure. Minister, from a planning perspective, are there ways you can expedite or encourage common infrastructure that would make other fields more attractive?

Senator Canavan: That's a pretty broad question. There are some things that government's doing, and they may or may not be directed to your line of questioning, so feel free to pull me up if I'm going on a tangent. In the budget last year, albeit not managed by this portfolio, money was put aside to do some cost-benefit studies on large-scale pipelines, including one that I think you'd be familiar with, the Tennant Creek to Moomba proposal, as well as an east-west pipeline. There were additional funds put aside to look at other barriers to gas coming to market, including infrastructure barriers. That's managed by the Department of the Environment and Energy. In this area of government, we are conducting a gas acceleration program at the moment, which is a \$26 million fund to try and bring more gas to market immediately. That fund closed for applications in February—on 12 February, I think; someone correct me if I'm wrong. It has received a healthy list of applications. Included in the criteria is that you can seek funds, with that amount of money, obviously, for small-scale connections to bring gas to an existing market. There are a few things we're doing there to try and expand more gas in the market. One other issue is the access to existing pipelines themselves. There are a number of reforms going on there with transparency and a stricter access regime as well.

Senator PATRICK: Just on the east-west pipeline—and there may be some sensitivities there—are there proposals in place for getting gas from the North West Shelf into the east coast market?

Senator Canavan: I can't comment on the development of the government's cost-benefit study. That would have to be put to the Department of the Environment and Energy, unless there are officials here who are working with them on that, so I'm not sure of the status of that. On the public record, there are others that are interested in potentially looking at constructing such a pipeline, and there are also related proposals around regasification facilities. Gas could be brought from anywhere, not just the North West Shelf but other parts of the world as well.

CHAIR: Senator Patrick, how much longer have you got to go?

Senator PATRICK: I'm almost done. In fact, I was just about to say that it sounds like you're doing a lot of good stuff, Minister, but I reserve the right to complain about prices in the future.

Senator Canavan: Most consumers do.

Senator PATRICK: Well, that's the language that constituents come to me with—price. Thank you very much, Minister, and thank you, Chair.

CHAIR: Thank you, Senator Patrick. I have some questions about coal specifically. Who's the right person to direct those to?

Senator Canavan: I don't mind talking about coal.

CHAIR: I love talking about coal. Obviously, coal is one of our major exports; I think it's our second largest export, isn't it?

Senator Canavan: That's correct.

CHAIR: Has it increased in the last 12 months or so?

Senator Canavan: It's been a significantly stronger year for coal exports in the last year. I believe they're up 35 per cent. There have been decreases prior to that. It's the highest ever annual amount of coal exports on record since 2011. As is often commented, there have been declines in the use of coal in some parts of the world, but in our part of the world, there continues to be strong demand for coal in the Asian region, and the projections are that that will continue. The International Energy Agency projects that coal demand will increase by 249 million tonnes of coal equivalent to 2040, and that's an even greater increase in the Asian region because there are some declines in other parts of the world. I'm not sure if someone else wants to add anything to that. Mark Cully is the chief economist, and he has a lot of these figures at his fingertips.

Mr Cully: I think the minister knows the figures better than I do off the top of his head.

Senator Canavan: Maybe on coal.

CHAIR: He has coal for breakfast.

Mr Cully: Did you have a specific question?

CHAIR: I did. My specific question is about the high efficiency low emission power stations. You can't open a newspaper or an *Economist* or a *Time* magazine without seeing an article on these high efficiency low emission power stations that seem to be popping up all the way around the world. They do seem to be focused with some of our major export destinations like China, Japan and India. Can you tell me a little bit more about the prevalence of these high efficiency low emission power stations?

Mr Cully: I'm afraid I'm probably going to have to take any questions specifically on that on notice.

Mr Lawson: Mr Cosgrave will be the expert on HELE.

Mr J Cosgrave: Your specific question was on deployment of HELE power stations overseas?

CHAIR: With our major trading partners.

Mr J Cosgrave: We use figures from the IEA's Clean Coal Centre. Basically, they have a global database on the deployment of HELE. HELE is a broad term which generally represents supercritical and ultra-supercritical power stations. I will check the exact figures, but I think currently operating HELE plants would be about 340.

CHAIR: How many of those are in Japan, China and India?

Mr J Cosgrave: Currently in China, 198 operating; Japan, 21 operating; and India, 22 operating.

CHAIR: They are our three major trading partners for coal, are they not?

Mr J Cosgrave: Three of them. Taiwan, there are two; South Korea, six.

CHAIR: This might be a difficult question to answer. Can you estimate the cost of electricity from a new coal-fired plant, a HELE plant?

Mr J Cosgrave: You can. It does depend on many assumptions going into that overseas. Electricity in China from their coal and their system is likely to be reasonably cheap, in terms of labour as well. There are estimates of HELE forecast in Australia, but they are very broad estimates.

CHAIR: How does the cost of electricity generated from a HELE plant compare to that from, say, wind energy?

Mr J Cosgrave: Again, in broad terms—and I will get Mr Cully in to back me here—in recent studies of levelised cost of electricity there are probably three sources of information we would use. One would be the CO2CRC's brand of costs, from about 2015. I will just check their range—

Mr Lawson: I might help. CO2CRC 2015 data had black coal ultra-supercritical at \$80 a megawatt hour and wind at \$103 a megawatt hour: The Finkel review in 2017 had black coal ultra-supercritical at \$81—about the

same number—and a lower number for wind, because prices were going down, to \$92. The Minerals Council also put out some numbers in 2017. They put out quite a range. The HELE from \$40 to \$78 and the wind from \$64 to \$115. So, it's quite a complicated calculation because sometimes you see levelised cost of electricity, which is just for marginal electricity. But what you really need is electricity that is dispatchable all the time. So, a true comparison of nuclear or coal or hydro, that could be made available all the time, as opposed to solar that operates for maybe 12 hours on average a day, and wind that is highly variable, you have to make calculations for having an extra amount of those intermittent things—you have to pay twice, and then you have to pay for battery storage or things, as well. So, the comparison is—in the end, those are the numbers out from reasonable reviews, but until somebody actually makes the investment and tries to build one—

CHAIR: That was my next question. Is there interest from the private sector in building a HELE power station in Australia?

Senator Canavan: I certainly have spoken to proponents who are interested, although I think it's incumbent upon me to mention that the real concern from investors that are interested is a lack of policy certainty over the long term, both from the perspective that in some state governments at the moment there is an effective ban or disallowance on even the consideration of a high-efficiency, low-emissions coal-fired power plant. Obviously, that is a fair restriction. But also, over time, there is uncertainty about the policy settings for lower-emissions policies or carbon abatement policies. That's why I think the government is very committed to trying to find an agreement with the states and territories, and this parliament, too, through the National Energy Guarantee, where we can provide certainty to investors and do so in a way that is technologically neutral and potentially allows people who are interested in building some of these plants to bring these technologies here. As has been mentioned, there are hundreds of them operating overseas, often using our coal, and more are being planned as well. So, they are obviously a technology that does work. I see it firsthand when I travel in the region. There is still a great interest in using these latest coal-fired power technologies both to deliver lower emissions but also reliable and affordable power.

CHAIR: Whenever we talk about coal and, particularly, these HELE power stations, we tend to be speaking about black coal, because that's what we export. But I'm from Victoria, and we have the second-largest deposit of brown coal in the world and at least a thousand years of supply. I'm wondering whether there's been any analysis done of the establishment of a HELE power station in the Gippsland region?

Senator Canavan: Certainly, there are technologies that allow for brown coal HELE, so to speak. I believe the Finkel review did have some figures on the cost of brown coal HELE. Mr Lawson or Mr Cosgrave might be able to help me. But, just before I do that, my understanding is that brown coal HELE plants have been built in Germany. In our region, as you mentioned, Senator Hume, it tends to be a black coal technology. Brown coal still has higher carbon emissions than black coal HELE. However, you get large reductions from an existing subcritical or non-HELE brown coal fired power plant to a HELE plant. You get a larger percentage reduction because you start from a higher base.

CHAIR: I think I saw a review that suggested that a HELE power station in the Latrobe Valley would cost about \$2 billion and take about six years to build but it would have less than half the emissions of Hazelwood and 40 per cent of those of Yallourn.

Senator Canavan: Yes, I've seen figures around that 40 per cent figure. Obviously it depends on the technology used, and these are just proposals. There have been people in the public domain expressing interest in building a brown coal HELE plant. Obviously that would need to ultimately be agreed to and discussed with the Victorian government.

CHAIR: I would imagine that the decision of the Labor government in Victoria to increase the royalties on brown coal by 300 per cent would not make that a particularly appealing investment option.

Senator Canavan: I don't think that's an attractive environment for thermal baseload power generation in your state, unfortunately, Senator Hume. Not only do they seem resistant to the use of coal; as you mentioned, they have bans and moratoria on gas as well, which is an alternative thermal baseload option. In the government's view, that's certainly contributing to the energy situation we see in Victoria, where the reliability of the electricity system is put under strain, costs have increased significantly, and those industries and businesses that rely on gas as a feedstock are also suffering from high prices and a lack of availability.

CHAIR: Thank you, Minister. Has anyone else got any questions for the Resources group?

Senator KETTER: We're going to put ours on notice.

Senator IAN MACDONALD: I had some, but I can just put them on notice if that means we can go home.

CHAIR: Well, we've still got to move on to the Office of Northern Australia, which I know is an area of particular interest.

Senator Canavan: Can Resources go home?

CHAIR: I think we can let Resources go home; thank you very much.

Northern Australia Infrastructure Facility

[21:52]

CHAIR: I now call on the Office of Northern Australia and the Northern Australia Infrastructure Facility. Senator Ketter, would you like to kick off questions?

Senator Birmingham: With NAIF, is there an opportunity for an opening statement?

CHAIR: Did NAIF have an opening statement?

Ms Walker: We did have one, but we're happy to table it.

CHAIR: If you table it, that would be terrific.

Senator KETTER: My questions relate to NAIF. Ms Walker, can you confirm that the NAIF investment mandate specifies that the NAIF can't consider or approve finance for projects which have not received all relevant regulatory, environmental and native title approvals required?

Ms Walker: Senator, I'm having a little bit of difficulty hearing you. I think your question was about whether the NAIF can approve projects without the regulatory approval?

Senator KETTER: Yes, it's about your investment mandate and whether you're able to approve projects prior to all relevant regulatory, environmental and native title approvals having been obtained.

Ms Walker: Yes. If I can point you to section 15 of the investment mandate, we are able to consider and approve investment proposals conditional upon those regulatory approvals. We're not allowed to actually fund until those approvals are in place.

Senator KETTER: I'm going to ask you about the Onslow Marine Support Base in Western Australia.

Ms Walker: Yes.

Senator KETTER: Can you confirm that the first loan was approved in October of last year?

Ms Walker: September. I believe it was around 30 September. Anyway, the end of September.

Senator KETTER: September, right.

Ms Walker: Yes, it was approved. It was subject to obtaining those environmental approvals and other regulatory approvals. It was conditional upon that.

Senator KETTER: Can you point to where in the investment mandate it allows for that conditional approval?

Ms Walker: Yes, that's in the investment mandate and it's section 15.

Mr Thatcher: Section 15.1.

Ms Walker: Section 15.1 says:

The facility—being NAIF—may consider and approve investment proposals conditional upon the project proponent obtaining all relevant regulatory, environmental and Native Title approvals and arrangements as required by the relevant jurisdiction.

But the second limb, which is in 15.2, says:

The facility must not provide financial assistance to projects that have not received all relevant regulatory...approvals.

So you can't advance the money, but you can approve the deal conditional upon that.

Senator KETTER: I understand that with the Onslow Marine Support Base project, according to the Western Australia EPA website, the current status is that they are recommending approval.

Ms Bellettini: Yes, that's correct. That approval process is still in that stage.

Senator KETTER: Digging into this website a bit further I discovered that there was a two-week public appeal period, which closed on 19 February?

Ms Bellettini: Yes, that's correct.

Senator KETTER: Then after that the minister in Western Australia will make the final decision?

Ms Bellettini: That's my understanding.

Senator KETTER: I think that was the website as at 1 February. Are you able to give us any updates about that?

Ms Walker: I don't believe that the process has run its course yet.

Senator KETTER: Do you know if there have been any appeals lodged?

Ms Walker: My understanding is there haven't been.

Mr Thatcher: No appeals have been lodged.

Senator KETTER: To paraphrase what you're saying, you can approve a loan prior to all the regulatory approvals being obtained, provided that you don't advance the actual money to the proponent?

Ms Walker: Correct.

Senator KETTER: I will ask about a review of NAIF, which I understand has been conducted by Mr Tony Shepherd. Minister, are you able to tell us whether a review has been conducted?

Senator Canavan: A review has been conducted. It focused around the investment mandate for the NAIF, as well as the broader governance of NAIF and the relationship with states and territories. The review is completed. It is currently with government and no decisions have been taken yet.

Senator KETTER: Are you able to provide the terms of reference of that review?

Senator Canavan: I can take that on notice. It hasn't been provided previously, so I can take that on notice.

Senator KETTER: Who is Tony Shepherd?

Senator Canavan: Mr Shepherd is a businessman primarily, but he has extensive experience in infrastructure development and was chosen because of that expertise.

Senator KETTER: Is this the same Mr Shepherd of the Commission of Audit?

Senator Canavan: Yes, I'm informed it is—going a few years back, I think, yes.

Senator KETTER: Can you just remind me again what the purpose of the review was. You said it was to look at the investment mandate.

Senator Canavan: Yes, it was to look broadly at the effectiveness of the mandate as well as the relationship the NAIF has formed with the states and territories and the governance, primarily with an aim of improving the effectiveness of the Northern Australia Infrastructure Facility.

Senator KETTER: Minister, are you essentially telling us here that there were problems with the governance of the NAIF that you—

Senator Canavan: Not at all. There are of course always opportunities to make sure that things are working well. As you'd appreciate, there has been a significant amount of critique, sometimes I think for purposes that aren't about the NAIF itself but about stopping particular projects. But it was an opportune time to conduct a relatively short review. In particular, Mr Shepherd spent time talking to state and territory governments to get their assessment of what could be improved, and we will consider the review in due course.

Senator KETTER: Was the work of Mr Shepherd subject to a tender? How was that—

Senator Canavan: I'll ask my department.

Mr Lawson: It was a direct source process that's on AusTender. We considered people who were able to do the project, and Mr Shepherd had a wide range of experience that we thought made him the right sort of person to do this in a reasonably quick time.

Senator KETTER: When was the tender published?

Dr Locke: The tender was published on 11 January 2018, contract notice CN347 9121.

Senator KETTER: It looks like it was a fairly quick review. How long was Mr Shepherd engaged—

Mr Lawson: I might clarify that the publication date occurred after the tender was done. It happened in December. The actual process happened over the December-January period.

Senator KETTER: The actual review?

Mr Lawson: Yes.

Senator KETTER: So you're saying that the tender was published on 11 January, but the work was done over Christmas?

Dr Locke: That's right. The AusTender notice specified the contract period as being 5 December to 22 December.

Senator KETTER: So wouldn't the—

Senator Canavan: To be helpful, I think the situation might be because it was a direct source tender, but Mr Lawson might be able to explain the administrative processes.

Senator KETTER: Normally you publish a tender before—

Mr Lawson: It was a direct source tender. We decided who we wanted to do the job and we negotiated a contract with that person. It is published on AusTender that we have done this. There are rules about when that should be done and we no doubt followed all of those rules.

Senator KETTER: So was the appointment of Mr Shepherd a decision of the department or, Minister, was it your decision?

Dr Locke: Our department.

Mr Lawson: It's the department's review, so it's our decision.

Senator KETTER: I presume that the minister signed off on that?

Mr Lawson: Yes, we would have checked with the minister.

Senator Canavan: I was certainly consulted on that decision.

Senator KETTER: So there were no other potential people considered to conduct the review?

Mr Lawson: No.

Senator KETTER: Minister, you've indicated you've received a copy of the review.

Senator Canavan: Yes.

Senator KETTER: Was that tabled at the last Northern Australia Strategic Partnership meeting?

Senator Canavan: No, it wasn't. But, as I mentioned, Mr Shepherd consulted with state and territory governments extensively while conducting the review and, once the government considers the review, we'll discuss the matters further with state and territory governments.

Senator KETTER: So what does the review say about NAIF?

Senator Canavan: Unfortunately, because it is a decision before government at the moment, I can't go into that at this stage, but it is being considered. It was a relatively quick review and we're trying to go through the government process as quickly as possible as well.

Senator KETTER: Can you tell me how much the tender was for?

Dr Loeke: The contract value on the AusTender notice was \$55,000. That was the budgeted amount. The actual was less than that. The actual was \$45,000.

Senator KETTER: The actual amount paid?

Mr Lawson: It was \$45,000.

Senator KETTER: So \$45,000 for work of just over two weeks.

Mr Lawson: No, I think we said the timing on the tender notice was from 5 December to 22 December. We actually agreed to extend it slightly over the Christmas period, if I remember correctly.

Senator Canavan: That was definitely the case.

Senator KETTER: When was it extended to?

Mr Lawson: We received the report on 17 January.

Senator KETTER: It started on 5 December and finished on, let's say, 17 January. That's a bit over a month's work, and it cost \$45,000.

Mr Lawson: Yes, for a very senior person doing high-quality work that's a very reasonable price.

Senator Canavan: It was very good value, I think.

Senator KETTER: Minister, can you provide a copy of the review for the committee?

Senator Canavan: Once the government has gone through its process, we'll make decisions on whether or not the report is made public. I just can't provide an answer for you right now on that.

Senator KETTER: Can you tell us what's the next step in terms of the government's consideration of this report?

Senator Canavan: We're working through the normal government processes and considering the review to government.

Senator KETTER: When will you be releasing the review?

Senator Canavan: Just to repeat my answer before, no decision has been made on that topic, although I'm not ruling that out either, I stress. It'll obviously be linked to the length of time it takes for the government to consider. As I mentioned earlier, we're trying to get through that as quickly as possible, given it was a quick review and we're keen, obviously, to implement as any recommendations as precipitately as we can.

Senator KETTER: Were there any media releases in relation to this review?

Senator Canavan: I'm not aware of any, no.

Senator KETTER: One is left with the concern that this is another secret working group or secret review of the NAIF.

Senator Canavan: The consultation around this review was very much confined, as I mentioned, to state and territory governments, and Mr Shepherd also consulted with proponents who had who had interacted with the NAIF, and with the NAIF itself. It was, as has been described, a relatively brief as well as a value-for-money, I think, review. It wasn't ever intended to be an extensive public consultation. I note that there is already a Senate inquiry into the NAIF as well, which is conducting a broader opportunity for people to make submissions on the NAIF, and, of course, the government is following and will consider any recommendations from that process as well.

Senator KETTER: I apologise, I didn't quite get that ID number for the tender. Would you be able to provide that again?

Dr Locke: Yes, the contract's notice was CN3479121.

Senator KETTER: Thank you very much for that. And, Minister, how would you respond to the accusation here that the review, being provided to Mr Shepherd, is another 'jobs for mates' type of situation?

Senator Canavan: I think that's an unfair characterisation of Mr Shepherd's skills and experience. I think he's abundantly well qualified, and also a well-respected businessman, so he was eminently appropriate to conduct this review. I don't have any evidence to the contrary.

Senator KETTER: I think it's quite clear that Mr Shepherd has very close links to the Liberal Party?

Senator Canavan: I can't comment on that. I'm not a member of the Liberal Party myself. But—

Senator WATT: I bet you thought about it in the last few days.

Senator Canavan: We're very close and considerate friends in this place, Senator Ketter. Mr Shepherd, as I say, has got extensive skills and experience in business. He's well respected in this field, and I think, notwithstanding your comments, Senator Ketter, from my conversations with people broadly across the political divide, Mr Shepherd is well respected for his business experience and his particular expertise in infrastructure finance.

Senator KETTER: Can we go back to Ms Walker? On the Onslow project, could you confirm that funds have not been issued yet for that particular project?

Ms Walker: I can confirm that.

Senator KETTER: Can you also confirm the estimated date for the issuing of those funds?

Ms Walker: I can't give you a date. I think it will be soon but it will not be before all of those approvals are finally issued. I expect it's going to be in the next few weeks but, as I say, one of the conditions of that is that those approvals are in place.

Senator BUSHBY: One of the similarities between Northern Australia and Tasmania, my home state, is—both great parts of the country, but at different ends of the country—that more water falls on both than is currently used. The vast majority of that water flows out to sea without being put to productive use. I'm aware the government is investing at both ends of the country to make better use of that water resource—in Tasmania and in Northern Australia. Could the Minister advise the programs and funding that have been made available for water projects in the North?

Senator Canavan: The advice I have is that so far \$210 million has been invested or allocated to water investments through the National Water Infrastructure Development Fund. It's a fund administered by the Department of Agriculture and Water Resources, but it was a key part of the Australian government's white paper—

Senator BUSHBY: Is that a national—

Senator Canavan: It's a national fund but it has a dedicated amount allocated to Northern Australia which was a key component of our Northern Australia Development white paper.

Senator BUSHBY: Is the \$210 million the national figure?

Senator Canavan: That is the figure for Northern Australia. I don't have the figure for the rest of the country. That would be a matter for the Department of Agriculture and Water Resources. That's gone towards 15 projects so far and also three water resource assessments which have been conducted by the CSIRO, \$15 million. The large capital contribution of that \$210 million is for the Rookwood Weir, which I note has also received a funding commitment from the state government and we are working on that now. As you say, Senator Bushby, there is a significant amount of water resources in Northern Australia—60 per cent of Australia's water falls in that 40 per cent of the country, and there's a lot of potential for agriculture. Mr Coffey, did you want to add anything on those projects?

Mr Coffey: There are three significant water resource assessments occurring by CSIRO. They are due for completion by June this year. And they're in the three jurisdictions in the North which will inform opportunities—whether it is irrigated agriculture, soil suitability for crops, water storage, usage of water and the like. They'll be significant water studies in the three areas—the Fitzroy, the Darwin region and the Mitchell in Queensland.

Senator BUSHBY: What is the spread of water feasibility projects across Northern Australia?

Mr Coffey: There's a number right across the three states. I can give you the exact numbers. There are 15 feasibility studies: 10 in Queensland, one in the Northern Territory, three in Western Australia and then there's a cross-border one involving the Ord which looks at both the NT and—

Senator BUSHBY: Have those studies been completed or are they under way?

Mr Coffey: They are all under way. Two of those feasibility studies have been completed. The Oakover Valley in Western Australia and Rookwood Weir. There are 10 further studies to be completed by April this year and the remainder April 2019.

Senator BUSHBY: It's all very nice to say we are investing \$210 million in this, but it's got to deliver outcomes. How will improving water security assist those living in the North?

Mr Coffey: These water feasibility studies will inform future development and also inform water supply in those regions where these studies are occurring. Obviously, there is a lot of rain that occurs in Northern Australia, but it occurs in a short amount of time and then you have long periods with very little rain. With increased population under the white paper, population growth is a critical factor. Obviously, we then need to plan for higher water consumption both for growing food and agriculture and also for—

Senator BUSHBY: Economic development and economic opportunity for those who live there?

Mr Coffey: That's right.

Senator Canavan: The three CSIRO water resource assessments that Mr Coffey was referring to build on or seek to do the same thing that the Flinders and Gilbert water resource assessment did. It was completed by the CSIRO in 2014 or around that time. That has then led to the Queensland government having the evidence to be able to issue more water licences on the Flinders and Gilbert rivers. There is huge potential for agriculture there. The Rookwood Weir project I spoke about earlier has the potential to deliver 76,000 megalitres of water entitlements. That would help droughtproof both Rockhampton and Gladstone. In the business case, the Queensland government completed on the Rookwood Weir, it noted that Rockhampton could run out of water in less than a year if there was a significantly bad dry season. This project would avoid that outcome, as well as supporting agriculture as well. Estimates are that 2,100 jobs could flow from the Rookwood Weir through agriculture and related services.

I will also just take the opportunity to clarify an answer I said earlier. I mentioned that the National Water Infrastructure Development Fund was administered by the Department of Agriculture and Water Resources. It had been administered by that department. In recent machinery of government changes, but it was moved to the Department of Infrastructure and Transport.

Senator BUSHBY: It's important to correct the record. On the Rookwood Weir: I don't know a lot about it, because it's not my state, but nonetheless you have convinced me of the value of investing in it. Has there been a business case done on that or has that been progressed?

Senator Canavan: Yes, the Queensland government completed that business case last month. I'm trying to look for when we received it. It has been provided to Infrastructure Australia. That was on 9 February. They are currently consulted with the Queensland government about that business case. We're expecting to hear something back from them in the next couple of months.

Senator BUSHBY: Has the federal government committed funding to the Rookwood Weir?

Senator Canavan: We have committed \$132 million to the project: \$2 million was the funding for the business case and the \$130 million was a contributor to the capital costs—at the time, 50 per cent of the capital costs. The more recent business case has estimated a higher capital cost for the Rookwood Weir project. One of the tasks we are looking at with Infrastructure Australia is that business case. The Queensland government has asked us to increase our contribution to keep it at the 50 per cent, and we're considering that at the moment.

Senator WATT: Minister, congratulations on your reappointment to the role. I was a bit worried about you there for a little while.

Senator Canavan: Thanks, Senator Watt.

Senator WATT: You know I'm always in your corner. Since the last estimates and, in fact, since the hearing we had about the NAIF in Cairns, Aurizon has obviously made some public comments concerning its proposal for a rail line. I was actually just trying to find this, but I couldn't find it in time: have they withdrawn their application to the NAIF?

Ms Walker: Have now withdrawn it, yes.

Senator WATT: Thanks, I will come back to that a bit later. You'll remember at a previous estimates hearing I asked some questions about potential conflicts of interest involving a NAIF board member, Ms Way-McPhail. Can NAIF advise what steps it took after I raised those concerns about potential conflicts of interest involving Ms Way-McPhail, given that she is an LNP donor and supporter and has business interests which may conflict with her duties on the NAIF? Can you tell me what steps you've taken since I raised those concerns?

Mr Thatcher: As I think we've raised in previous Senate inquiries, we have a very strict conflicts of interest policy and we're confident that that conflicts of interests policy, which we've outlined the details of before, has been complied with. I don't think there has been needed to be any further steps taken.

Ms Walker: And it had been complied with before the issues that you had raised were raised.

Senator WATT: So no additional steps have been taken since I raised those concerns?

Mr Thatcher: No additional steps that we haven't otherwise always taken under our conflicts of interests policy and the general law under public governance, performance and accountability legislation.

Senator WATT: Did NAIF provide any further advice to Ms Way-McPhail after I raised those concerns about how she should manage any conflicts of interests?

Mr Thatcher: We have discussed this before. As I raised before, all the directors are well aware of all their obligations under their conflicts of interest policy and the law. We have no doubt at NAIF that they have complied with all those obligations.

Senator WATT: That doesn't answer my question, which was: whether, after I raised those concerns, you provided any further advice to Ms Way-McPhail as to the management of her potential conflicts?

Mr Thatcher: I don't think there's been any need to provide further advice. I suppose the answer to that question is no.

Senator WATT: There wasn't anything additional there. With the highly partisan Facebook comments and the business interests, there was nothing there that required any further action or advice to Ms Way-McPhail?

Mr Thatcher: Not specific advice to Ms Way-McPhail, because all the directors are generally aware of their duties and they are aware of what has been ventilated in Senate hearings. As I said before, we're quite confident that all of those obligations have been complied with.

Senator WATT: So no further steps were taken by NAIF to ensure that her decisions aren't compromised by either her business interests or what would appear to be her political partisanship?

Ms Walker: Senator, we have had this conversation.

Senator WATT: I haven't asked these specific questions.

Ms Walker: Look, I would have to check the record. Our response on this issue from the beginning has been that we have a protocol and we are very confident that it has been followed. We've also explained that the reason that we don't disclose who has recused themselves is also best practice for privacy reasons, because recusals are in relation to board deliberations and specific projects. For that reason, we don't disclose who has recused themselves on what project. We have consistently said to the Senate inquiry and also the hearings that we are confident that all board members have complied with their obligations. I'm just not understanding how you think we can help you further on that issue, in that we've said that we already think that all of the relevant obligations, under our own policies and under the PGPA Act, have been complied with. If it is something—

Senator WATT: All I was trying to establish was whether anything further had been done since those concerns had been raised with you. It sounds like the answer is no, because you are confident you have got policies in place. I think you've answered my questions as much as you can. Now, Ms Walker, just going back to that Cairns hearing, you might remember that was really early February, from memory, or the end of January. On that day, I raised with you a regional ABC Radio appearance that you'd made around the time of that and, in fact, it was the day after federal Labor announced the creation of a new tourism infrastructure fund using some of the funds currently allocated to the NAIF. At the time, you said that you didn't recall that interview, but I'm assuming since then you've had a chance to go back and have a look at that interview or the transcript of it?

Ms Walker: I haven't pulled the transcript out exactly, but I have had a discussion with some of the team, yes

Senator WATT: Including your media adviser?

Ms Walker: Yes.

Senator WATT: You might have seen that in that interview the presenter said that the Northern Australia Infrastructure Facility, with you as its spokesperson, says that federal Labor's goal of financing tourism infrastructure can already be achieved without starting a new organisation. Did the minister direct you or ask you to come out and dismiss Labor's policy as 'unnecessary'?

Ms Walker: No, absolutely not.

Senator WATT: Okay. Was it recommended to you by Mr Wakeley, your director of communications, that you do that?

Ms Walker: No. We put out a press release, I think, around that same time, and there was an interview that I was asked to give. The issue of whether NAIF can contribute to tourism is an issue that has been raised, and so we put out the press release to clarify that issue. From memory—and I think we've got it in the opening statement—we have 18 projects we're looking at that are in the tourism space, so it's always important that we clarify, where we can, what our mandate is to increase awareness, because it's a very important sector to us.

Senator WATT: I understand that. Did Mr Wakeley prepare that press release? Was he involved in the preparation of it?

Ms Walker: Press releases are prepared by a number of people. He probably had input—I don't remember specifically on that one.

Senator WATT: But he's the director of your communications team, so—

Ms Walker: Yes, so you would expect that he would've had some. But it's never one person that produces—

Senator WATT: Sure. And he would have been involved in briefing you before you did that interview where you talked about federal Labor's policy?

Ms Walker: From what you are saying, I was asked a question about federal Labor's policy. Is that what the interview—

Senator WATT: It appears that way, yes.

Ms Walker: I was asked a question, and then I clarified NAIF's position, which is that we can already put any of the \$5 billion towards tourism at the moment—so we already have a capability to do that, specifically for tourism.

Senator WATT: Where I'm getting to is: do you think it's appropriate for a public servant in your position to be expressing opinions about a political party's policies—whether it be the coalition, the government, or whether it be the opposition, Labor. Isn't that really the role of ministers or people like Minister Canavan and me?

Senator Canavan: I will let Ms Walker add to my answer. I'm not aware of these particular comments, but I think Ms Walker has clarified that what she was at least attempting to do was to clarify the operation of the NAIF and ensure the factual information was correct, and that's entirely appropriate, although I don't have those particular comments in front of me. But it's entirely appropriate for the NAIF to ensure that the information in the public domain about what they can do and what projects they can assess is correct, because they're a customer-facing organisation and they do rely on people coming through the door. I haven't seen the particular comments you are raising. Ms Walker, do you have anything to add?

Ms Walker: That is exactly what I was doing. I was looking to clarify what our mandate is and to comment on the NAIF's capability and the NAIF's mandate. I was asked a question. I tried to answer the question in terms of what our capability was and is.

Senator WATT: Okay. I can see that Mr Wakeley is here. It might be that he wants to participate in these questions as well. You might also remember that at the last hearing we had of the inquiry, in Cairns, we

established that the NAIF had provided unreliable information to either the Queensland government or to the media about the status of Aurizon's application to the NAIF. The Queensland government had been told that Aurizon's application was inactive, whereas an unnamed spokesperson for the NAIF—who turned out to be Mr Wakeley—told *The Australian*, and possibly other media, that it was an active application. Do you remember our talking about that?

Ms Walker: I do remember. I also remember that at the time I confirmed there was nothing in what they had provided to the Queensland government that was not accurate, and that the report that had been provided to the Queensland government reported that that transaction, at that time, was inactive, and that what Mr Wakeley was doing in comments to the media was to try to confirm what was already on the public record, which was that just because that transaction was inactive, did not mean it was not proceeding.

I have written to the Treasurer and I've tabled that to the Senate inquiry—I think you probably have a copy of that. And so, what I said to you in Cairns is still the case and that's what I put on the record back to the Deputy Premier of Queensland.

Senator WATT: But you will recall that it did create great confusion there for a few days about whether it was an active or inactive proposal?

Ms Walker: Look, Senator—

Senator WATT: And it led to some political difficulty for the Queensland government, with people accusing it of misrepresenting the situation and—

Senator Canavan: Can I add that I was aware of this particular situation, Senator Watt? Yes, there seemed to be a difference in semantics almost, and that was unfortunate. For what it's worth, I believe that the NAIF has clarified the situation with the Queensland government. I'm always happy to discuss the NAIF projects with the Queensland government and make sure we're all on the same page. I want to work with them to get NAIF projects across the line. Any confusion that you refer to is a perception, obviously, so I'm not going to dispute that some people were confused—that's up to them to describe. But any confusion, I think, was clarified in the appropriate way. While I was aware of the situation, I think it was something that was able to be resolved relatively quickly and that we can move forward.

Senator WATT: Has Mr Wakeley been talked to or counselled about having provided different information to the media than what NAIF had been providing to the Queensland government?

Senator Canavan: I've only got advice on this since it happened, Senator Watt, so I'll let Ms Walker talk about that. But I don't quite accept that characterisation of the events. My characterisation of events is that I do think it was a misunderstanding about the terminology that the NAIF uses, relative I suppose to what might be the colloquial meaning. My understanding is that the Queensland government had been consulted on the status of projects; that's the advice that I received. They were aware of the definition of 'inactive', so to speak. There was a specific definition, despite it having a different colloquial interpretation, obviously. So, while I understand that some confusion may have arisen, I also believe that the Queensland government had been kept informed about the status of that particular project, as well as others throughout this process.

Senator WATT: The point is, as you know, that this is a highly-politically-charged issue connected to the Adani project, where certain people were putting pressure on the Queensland government about whether it would or would not veto any loan. The Deputy Premier, relying on information she received from NAIF, advised the media that it was an inactive project, and then you've got the media adviser for NAIF out there telling media outlets that in fact it was an active project. You've got to admit that that causes political difficulty—

Ms Walker: But, Senator—

Senator Canavan: I would hope—

Senator WATT: Whether it was intended or not—

Senator Canavan: While we do communicate through the media often for different reasons and purposes, I would also hope that we can communicate directly with each other. I've been trying to seek a meeting with Ms Trad for some time. I hope that we can catch up soon, because I do want to work with them on this issue. So if there ever is confusion, I'm sure you, probably, or someone could track down my number and give me a call at anytime because I'm happy to clarify such a situation. I wasn't aware of this until it arose and I was advised on it. I don't think it's the most significant thing to have occurred. We can, as I said, clarify the matter and then move forward together.

Senator WATT: Ms Walker, I take it that you don't have any concern that Mr Wakeley's conduct was politically motivated in the information that he was providing to journalists?

Ms Walker: It was absolutely not politically motivated. That is not a role that we play, and I don't think you could point to anything that we have done of that nature. In fact, the letter that I've sent back to the Deputy Premier makes it absolutely clear that it was—let me try to quote from it—'not intended to convey a message that was in any way inconsistent.'

As I pointed out, we are in regular contact with the Queensland government; we meet regularly with the relevant departmental representatives. If there had been any confusion on their part, they could have put a very quick call in and we would have answered it. Again, if you do want to labour this point: the definition of 'inactive'—which is, for internal purposes only, it's not for publication—makes it very clear that, and these are the words: 'Note, the proponent has not formally withdrawn their request for funding at this stage.' That was the point that Mr Wakeley was trying to make. So—

Senator WATT: From everything you have said, it doesn't sound like you had any concern that Mr Wakeley's conduct was politically motivated?

Ms Walker: It absolutely was not politically motivated. Am I sorry that the Deputy Premier was upset by it? Yes, of course I am. Yes, I am.

Senator WATT: Are you aware that, prior to working for NAIF, Mr Wakeley was a senior media adviser for the former Queensland Premier, Campbell Newman?

Ms Walker: Yes, I'm aware of that.

Senator WATT: And you're aware that he was also an adviser to a New South Wales Liberal government minister for a period of time—I think immediately before he came to NAIF?

Ms Walker: Yes.

Senator WATT: He disclosed his past employment, I presume, in applying for the job?

Ms Walker: Yes.

Senator WATT: That's fine. Everyone is entitled to change jobs. Are you aware of his pretty active social media presence and engagement?

Ms Walker: No, not really.

Senator WATT: A bit like Ms Way-McPhail's?

Ms Walker: I'm not really active at all on social media, so I'm not—

Senator WATT: Does anyone have a bit of a look at whether your senior staff who are communicating NAIF's position to the media are being politically partisan on social media?

Ms Walker: No. I personally haven't checked it.

Senator WATT: As I say, Mr Wakeley is here, so, if he wants to answer any of this himself, that's fine. I've actually got, if it's useful, a few copies of some of Mr Wakeley's social media commentary.

CHAIR: Would you like to table that?

Senator WATT: I would. I would like to table that. There are a few copies there. I'm raising this partly because of the concerns about this particular incident in providing politically difficult information to the media, and I have previously raised concerns around senior people in the NAIF, particularly a board member, Ms Way-McPhail, and her highly partisan social media activity. I'm not going to go through every single one, because there are quite a few there. There's a nice photo of Mr Wakeley with his former employer, Mr Newman, launching a book. Mr Wakeley tweeted in June 2016:

Under Labor, extraordinarily massive debt deficit.

#electionin6words

He's re-tweeted another former Queensland Premier, Peter Beattie, who observed:

Queensland has delivered another Federal—

Ms Walker: Sorry, but I did say that I haven't seen this. Is this while Mr Wakeley has been employed by NAIF?

Senator WATT: I'll come to that. The ones I'm going through at the moment—

Senator Bushby interjecting—

Senator WATT: Well, it's certainly opinionated, and it's a question of whether that's appropriate for someone who's the media representative of a body which has already had concerns raised around politicisation. There are some tweets in there that Mr Wakeley posted prior to his employment with the NAIF. As I say, he was pretty

happy about the election of a federal coalition government. He called Queensland 'the smart state'. Then there's one in May 2017 where he is re-tweeting the Queensland opposition leader Tim Nicholls referring to the 'absolute arrogance of Kate Jones', one of the Queensland government's ministers and Queensland Labor. I acknowledge that those tweets were posted prior to his employment with NAIF. But even since he's been employed by NAIF in this role, where he is your public representative to the media, in November 2017—after he started with you—I think it was possibly Queensland election day or the day before, he tweeted:

Election spending numbers will be interesting. My casual observation is that @QLDLabor has spent far more than the @LNPQLD. Negative Labor ads everywhere I look.

And then there's one in December 2017—again, after he became your media representative—referring to Mark Bailey, a Queensland government minister:

@MarkBaileyMP was a no-show at my daughter's year 6 graduation last night. I was looking forward to saying hi to my local member—something I can't do on twitter since he's had me blocked for almost three years.

Does any of that concern you about the behaviour and public position of your public representative?

Senator Canavan: This is the first I've been made aware of Mr Wakeley and the first I've seen of any of these social media elements. I would like to take that question on notice and have a look at it for you, Senator Watt. I've got to respect the independence of the Northern Australia Infrastructure Facility, obviously. I'll take some advice on what their social media policies are, and we'll come back to you on that, Senator Watt.

Senator WATT: Ms Walker, I take it you weren't aware of this online commentary from your media representative, Mr Wakeley?

Ms Walker: I've said that I was not aware.

Senator WATT: Do you think it's appropriate for your director of communications to be publicly antagonising a group that you've described as a significant stakeholder, being the Queensland government and its ministers?

Senator Canavan: Senator Watt, can I say that I think, at a general level, this is obviously always a difficult issue to manage in the modern—

Senator WATT: Not really.

Senator Canavan: Sorry, I think it is, because there's a balance, obviously, between someone's right to express their views—

Senator WATT: I reckon there's not one other public servant in here who has done this.

Senator Canavan: I know of previous examples of it, Senator Watt. But, as I say, given that this is the first I've seen this, and I've got to respect the independence of the statutory agency, let me take some advice and we'll come back to you.

Senator WATT: Ms Walker, does it give you any concern, having seen this, that your media director is communicating with journalists about the status of confidential projects—and I'm particularly thinking of that Aurizon one, in a manner which could be damaging to the Queensland government, given these views that he has expressed?

Ms Walker: I've already given you my views on that specific instance. I don't think it was in any way politically motivated. I stand by that. I don't think you can draw a bow in that instance. I've explained to you what the discussion was about. I've explained to you also that the concept of 'inactive' does not mean that a project has not been proceeding, and that was an issue that was causing confusion. Again, I think I've said everything I can on that. I don't think that anybody, having understood the report, would have been confused that the Aurizon project, at that point, still had not been categorised as not proceeding, which of course is what ultimately happened when they withdrew their application. So I don't think that that instance was politically motivated, and I just don't think I can add to that.

Senator WATT: I won't take too much longer on this. In 2014, the Department of the Prime Minister and Cabinet issued guidance about the conduct of public servants, and it specified that if an employee becomes aware of another employee who is engaging in conduct that may breach this policy—about the conduct of public servants—there is an expectation that the employee will report the conduct to the department. I take it that no-one in NAIF has reported Mr Wakeley's conduct to the department? That's actually probably more a question for the department.

Senator Canavan: Can I up-front say that I don't believe employees of the Northern Australia Infrastructure Facility are employed under the Public Service Act, so the guidelines you've quoted may not—

Senator WATT: Wouldn't apply, or may not.

Senator Canavan: May not. Obviously, statutory agencies might have their own policies and guidelines, and I've already taken on notice to get back to you about that. Does the department have anything to—

Dr Smith: That's what we understand.

Senator WATT: Minister, does it give you any concern that NAIF has been getting a bit of a bad rap out there, rightly or wrongly, and we've already demonstrated that a board member whom you know very well had been behaving in a highly partisan fashion until we brought it to this committee's attention. We've now got the media director doing the same thing. There may or may not be others. What does that say for the independence of the NAIF?

Senator Canavan: The first thing I would say is that, given it's independent, I'm not going to—

Senator WATT: I think we're starting to wonder.

Senator Canavan: If I may, I will answer the question. Given its independence, I'm not going to sit here after only having just received evidence from yourself, and, obviously, I think it's appropriate that I go away and have a look at that before making any judgements. In terms of Ms Way-McPhail, as you say, she was an independent board director, so I don't think it's appropriate for me to direct her one way or another. That's a matter for the NAIF, because this cuts both ways, too, of course. While I understand that the comments you have raised here or the allegations or evidence you've provided here is partisan in one direction, there also could be times where it's partisan in another direction. It's not appropriate for me to direct—

Senator WATT: I haven't seen any progress—

Senator Canavan: It's not appropriate for me to direct independent bodies in that way. Let me take some advice on it. You've just provided this evidence. This is the first time I've seen it. This is the first time I've been aware that Mr Wakeley works for the Northern Australia Infrastructure Facility. I will come back to the committee, having taken it on notice.

Senator WATT: I'm conscious that Mr Wakeley hasn't had an opportunity to defend himself. He is here, if he did want to say anything, if I'm getting something wrong.

Senator Canavan: Given I've taken it on notice, I'd appreciate the opportunity to take a look at it myself first.

Senator WATT: I should just put on the record that I'm not for a moment saying that a former staff member to a minister has no right to work in a public body. I've been a former staffer.

Senator Canavan: Yes, so have I.

Senator WATT: The issue is about the ongoing political conduct of an officer in an independent organisation.

Senator WATT: I accept that.

CHAIR: Thank you very much to the Department of Industry, Innovation and Science, and also to the officers of the Northern Australia Infrastructure Facility. There being no further questions, the committee's consideration of the 2017-18 additional estimates will conclude. I thank Minister Cash, Minister Canavan, officers of the Department of Industry, Innovation and Science and all witnesses who have given evidence in this committee. Thank you to Hansard for their endless patience and also to the secretariat.

Committee adjourned at 22:46

Tam van Alphen

From: Turner, Paul <Paul.Turner@racq.com.au>
Sent: Monday, 14 May 2018 7:19 AM
To: Mark Bellaver; Tam van Alphen
Subject: FW: RACQ Media Release - Budget needs to get Queensland moving: RACQ

Apologies guys, as this was done as a Sunday night drop I forgot to send it in advance ... nothing really new here from what we have asked for in the past, what's in our budget submission and in our meetings with you. Happy for you to call to discuss

Paul Turner
Chief Communication Officer

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From: RACQ Media
Sent: Monday, 14 May 2018 7:06 AM
To: RACQ Media <Media@racq.com.au>
Subject: RACQ Media Release - Budget needs to get Queensland moving: RACQ

Media Release



Budget needs to get Queensland moving: RACQ

RACQ has called on the Palaszczuk Government to fast-track vital infrastructure projects and reduce the financial burden on drivers in the upcoming Queensland Budget.

RACQ spokesperson Paul Turner said Queenslanders have copped the highest transport costs experienced in a decade.

"Transport affects people's day to day lives. It's vital we get the infrastructure we need to be able to get around safely and efficiently in the future," Mr Turner said.

FOR THE FULL STORY AND A PRE-RECORDED INTERVIEW WITH PAUL TURNER, PLEASE CLICK THE BELOW LINK: <https://live.racq.com.au/2018/05/budget-needs-to-get-queensland-moving-racq/>

<https://www.racq.com.au/> style='position:absolute;margin-left:0;margin-top:0;width:219.75pt;height:46.5pt;z-index:251661312;visibility:visible;mso-wrap-style:square;mso-width-percent:0;mso-height-percent:0;mso-wrap-distance-left:0;mso-wrap-distance-top:0;mso-wrap-distance-right:0;mso-wrap-distance-bottom:0;mso-position-horizontal:left;mso-position-horizontal-relative:text;mso-position-vertical:absolute;mso-position-vertical-relative:line;mso-width-percent:0;mso-height-percent:0;mso-width-relative:page;mso-height-relative:page' o:allowoverlap="f" o:button="t">

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Tam van Alphen

From: Turner, Paul <Paul.Turner@racq.com.au>
Sent: Monday, 14 May 2018 9:00 AM
To: Tam van Alphen; Mark Bellaver
Subject: FW: 140518 Brisbane - the most expensive cap city for transport.docx
Attachments: 140518 Brisbane - the most expensive cap city for transport.docx

Sorry, busy day ... these figures are from AAA ... going out later today

Paul Turner
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14 May 2018

Brisbane - the most expensive cap city for transport

A new report has revealed transport costs in Brisbane had increased by a whopping \$249 per year, making the River City the most expensive capital city in the country to get around.

RACQ said the Australian Automobile Association's Transport Affordability Index showed Brisbane continued to be punished at the hip pocket.

RACQ spokesperson Paul Turner said motorists had every right to be frustrated.

"To think transport costs have jumped by almost \$250 in one year is outrageous," Mr Turner said.

The regional Queensland city of Townsville was also examined in the report and it was revealed transport costs had increased there by more than \$173 per year.

Mr Turner said rising CTP, car loan payments and public transport costs had contributed to the jump.

"We're paying too much to get around and unfortunately these costs keep going up. From 1 July there'll be more pain for Queensland motorists when rego and driver licence fees increase by 3.5 percent," he said.

"All toll road tolls, apart from the AirportlinkM7, will also go up in line with the Consumer Price Index.

"We really need the State Government to step in and take action to push these unreasonable transport costs down. As a starting point, it needs to commit to freezing registration for three years to help combat some of the pain drivers are feeling."

The full Transport Affordability Index report which analysed transport costs both as dollar values and as a percentage of income could be viewed [here](#).

The Australian Automobile Association is the peak organisation for the country's motoring clubs including RACQ.

Media inquiries: RACQ spokesperson Paul Turner NR **Principal Media Advisor Lucinda Ross** NR

RAACQ is a not-for-profit organisation that has been established to represent the interests of the State's first motorists and to act as a voice for motorists, vehicles and roads in Queensland. The 1.7 million members who own the car, the bike or the motor vehicle are a wide range of people, from those taking pleasure in driving to those who need to get to work, school or the shops. It is this latter group that RAACQ is committed to representing.

The Road Automobile Club of Queensland
25-27 Logan Road, Eight Mile Plains, QLD 4113



For more media releases visit our website at racq.org.au
[Facebook.com/racqofficial](#) [Twitter.com/racqofficial](#)

Tam van Alphen

From: Turner, Paul <Paul.Turner@racq.com.au>
Sent: Thursday, 26 April 2018 12:14 PM
To: Tam van Alphen
Subject: Thanks

<https://live.racq.com.au/2018/04/government-backs-motorists-on-presumed-guilt-in-crashes/>

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<https://www.racq.com.au/> style='position:absolute;margin-left:0;margin-top:0;width:219.75pt;height:46.5pt;z-index:251659264;visibility:visible;mso-wrap-style:square;mso-width-percent:0;mso-height-percent:0;mso-wrap-distance-left:0;mso-wrap-distance-top:0;mso-wrap-distance-right:0;mso-wrap-distance-bottom:0;mso-position-horizontal:left;mso-position-horizontal-relative:text;mso-position-vertical:absolute;mso-position-vertical-relative:line;mso-width-percent:0;mso-height-percent:0;mso-width-relative:page;mso-height-relative:page' o:allowoverlap="f" o:button="t">

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Tam van Alphen

From: Michael, Dr Rebecca <Rebecca.Michael@racq.com.au>
Sent: Wednesday, 7 March 2018 11:27 AM
To: Talbot Speechley; Tam van Alphen
Cc: Turner, Paul
Subject: Update on fuel price reporting
Attachments: 064V1903.pdf

Hi Tam and Talbot,

Following on from our meeting with Ministers Lynham and Bailey, we responded to concerns raised during the meeting by providing further analysis on the impact of mandatory fuel price reporting in Sydney which suggests that there was no evidence of predatory pricing behaviour post the introduction of Fuel Check.

We have also been approached by fuel retailers and association bodies since our meeting to discuss the outcomes of meetings they have subsequently had with the Ministers on the matters of fuel prices, reporting and competition.

RACQ is keen to work with all stakeholders to address the high fuel prices and would find it useful to these discussions to understand the position or approach government is forming on these issues. This is particularly salient in light of comments made by Rod Sims at the recent Senate Estimates hearing where he stated that:

- The ACCC does not have the power to mandate a fuel price reporting scheme
- The currently available commercial price reporting schemes are not comprehensive
- State based schemes are preferable to national scheme
 - He sees value in the stable weekly cycle in Perth and would not want a national scheme to disrupt the Perth weekly cycle

Are you available soon to discuss how things are progressing?

Thanks and regards,

Dr Rebecca Michael
Head of Public Policy

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COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

ECONOMICS LEGISLATION COMMITTEE

Estimates

(Public)

THURSDAY, 1 MARCH 2018

CANBERRA

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SENATE

ECONOMICS LEGISLATION COMMITTEE

Thursday, 1 March 2018

Members in attendance: Senators Bushby, Kim Carr, Colbeck, Georgiou, Hanson, Hume, Ketter, Leyonhjelm, Lines, Ian Macdonald, McAllister, O'Neill, Patrick, Rhiannon, Steele-John, Watt, Williams.

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TREASURY PORTFOLIO**In Attendance**

Senator McGrath, Assistant Minister to the Prime Minister

Department of the Treasury

Mr John Fraser, Secretary

Corporate Services and Business Strategy Group

Mr Matt Flavel, Deputy Secretary, Corporate Services and Business Strategy Group

Mr Robert Twomey, Chief Financial Officer, Chief Financial Officer Division

Ms Phoebe Burgess, Head of HR, Risk and Governance, People and Organisational Strategy Division

Ms Shannon Kenna, Division Head, Communications and Parliamentary Division

Mr Mike Webb, Chief Information Officer, Information Services Division

Macroeconomic Group

Mr Nigel Ray, Deputy Secretary

Dr John Swieringa, Acting Division Head, Macroeconomic Modelling and Policy Division

Dr Michael Kouparitsas, Principal Adviser, Macroeconomic Modelling and Policy Division

Ms Laura Berger-Thomson, Principal Adviser, Macroeconomic Modelling and Policy Division

Ms Lisa Elliston, Division Head, International Policy and Engagement Division

Mr Chris Legg, Chief Adviser, International Policy and Engagement Division

Mr Warren Tease, Division Head, Macroeconomic Conditions Division

Dr Angelia Grant, Chief Adviser, Macroeconomic Group

Fiscal Group

Mr Michael Brennan, Deputy Secretary, Fiscal Group

Mr Jonathan Rollings, Division Head, Budget Policy Division

Mr Adam McKissack, Principal Adviser, Budget Policy Division

Ms Vicki Wilkinson, Division Head, Social Policy Division

Ms Joanne Evans, Principal Adviser, Social Policy Division

Mr Nathan Dal Bon, Principal Adviser, Social Policy Division

Ms Jessica Carew, Principal Adviser, Social Policy Division

Mr Robert Jeremenko, Division Head, Retirement Income Policy Division

Mr Darren Kennedy, Principal Adviser, Retirement Income Policy Division

Mr Ian Beckett, Principal Adviser, Retirement Income Policy Division

Ms Michelle Dowdell, Principal Adviser, Retirement Income Policy Division

Ms Kate Phipps, Division Head, Commonwealth-State Policy Division

Structural Reform Group

Ms Meghan Quinn, Deputy Secretary, Structural Reform Group

Mr Hamish McDonald, Chief Adviser, Structural Reform Group

Mr Paul McCullough, Chief Adviser, Structural Reform Group

Mr Damien Dunn, Principal Adviser, Structural Reform Group

Mr Tom Dickson, Principal Adviser, Structural Reform Group

Ms Louise Butler, Principal Adviser, Structural Reform Group

Mr Simon Milnes, Senior Adviser, Structural Reform Group

Mr Merrick Peisley, Senior Adviser, Structural Reform Group

Revenue Group

Ms Maryanne Mrakovic, Deputy Secretary, Revenue Group

Mr Tony McDonald, Acting Division Head, Corporate and International Tax Division

Miss Lynn Kelly, Chief Adviser, Corporate and International Tax Division
Ms Kathryn Davy, Principal Adviser, Corporate and International Tax Division
Mr Geoff Francis, Principal Adviser, Corporate and International Tax Division
Mr Brendan McKenna, Principal Adviser, Corporate and International Tax Division
Ms Marisa Purvis-Smith, Division Head, Individuals and Indirect Tax Division
Mr Patrick Boneham, Principal Adviser, Individuals and Indirect Tax Division
Mr Graeme Davis, Acting Division Head, Tax Framework Division
Mr Tom Reid, Division Head, Law Design Office
Mr Simon Writer, Principal Adviser, Law Design Office
Mr Tony Regan, Principal Adviser, Law Design Office
Mr Chris Leggett, Principal Adviser, Law Design Office
Mr Matt Brine, Division Head, Tax Analysis Division
Ms Karen Payne, Chief Executive Officer, Board of Taxation Secretariat
Mr Michael Atfield, Secretary, Board of Taxation Secretariat

Markets Group

Mr John Lonsdale, Deputy Secretary
Ms Diane Brown, Division Head, Financial System Division
Mr James Kelly, Chief Adviser, Financial System Division
Ms Julie Greenall-Ota, Principal Adviser, Financial System Division
Mr Jerome Davidson, Principal Adviser, Financial System Division
Ms Elizabeth Williamson, Division Head, Consumer and Corporations Policy Division
Ms Emily Martin, Principal Adviser, Consumer and Corporations Policy Division
Ms Kate O'Rourke, Principal Adviser, Consumer and Corporations Policy Division
Mr Roger Brake, Division Head, Foreign Investment Division
Ms Victoria Anderson, Chief Adviser, Foreign Investment Division
Ms Jessica Robinson, Principal Adviser, Foreign Investment Division
Mr Warren Tease, Chief Adviser, Financial System Division

Australian Charities and Not-for-profits Commission

Dr Gary Johns, Commissioner

Australian Taxation Office

Mr Chris Jordan, Commissioner of Taxation
Mr Neil Olesen, Second Commissioner, Client Engagement Group
Mr Andrew Mills, Second Commissioner, Law Design and Practice Group
Mr Ramez Katf, Chief Information Officer, Enterprise Solutions and Technology
Ms Jacqui Curtis, Chief Operating Officer, Corporate and Enabling Services Group
Ms Melinda Smith, Chief Service Delivery Officer, Service Delivery Group
Ms Frances Cawthra, Chief Finance Officer
Ms Michelle Crosby, Deputy Commissioner, Business Reporting and Registration
Mr Jeremy Hirschhorn, Deputy Commissioner, Public Groups
Mr Mark Konza, Deputy Commissioner, International
Ms Deborah Jenkins, Deputy Commissioner, Small Business
Mr Timothy Dyce, Deputy Commissioner, Indirect Tax
Mr William Day, Deputy Commissioner, Private Groups and High Wealth Individuals
Mr James O'Halloran, Deputy Commissioner, Superannuation
Ms Louise Clarke, Deputy Chief Tax Counsel Network (Public Advice and Guidance)

Ms Debbie Hastings, Deputy Commissioner, Review and Dispute Resolution
Mr Brad Chapman, Deputy Commissioner, Australian Taxation Office People
Mr Jonathon Todd, ATO General Counsel, ATO Corporate

Australian Securities and Investment Commission

Mr James Shipton, Chair
Mr Peter Kell, Deputy Chairman
Mr John Price, Commissioner
Ms Cathie Armour, Commissioner
Ms Jane Eccleston, Senior Executive Leader, Investment Managers and Superannuation
Mr Warren Day, Senior Executive Leader, Assessment and Intelligence
Mr Gregory Kirk, Senior Executive Leader, Strategy Group
Mr Michael Saadat, Senior Executive Leader, Deposit Takers, Credit and Insurers
Ms Sharon Concisom, Senior Executive Leader, Market Enforcement
Ms Natasha Haslam, Senior Manager, Financial Services Enforcement
Ms Joanna Bird, Senior Executive Leader, Financial Advisers
Ms Louise Macaulay, Senior Executive Leader, Financial Advisers

Productivity Commission

Mr Peter Harris, Chair
Ms Karen Chester, Deputy Chair

Commonwealth Grants Commission

Mr Michael Willcock, Secretary
Mr Anthony Nichols, Branch Head
Mr Gary Markham, Acting Director Corporate Services

Australian Competition and Consumer Commission and Australian Energy Regulator

Mr Rod Sims, Chairman
Ms Rayne de Gruchy, Chief Operating Officer
Ms Jeanne Pratt, Executive General Manager, Merger and Authorisation Review Division
Mr Marcus Bezzi, Executive General Manager, Specialised Enforcement and Advocacy Division
Mr Scott Gregson, Executive General Manager, Enforcement Division
Mr Tim Grimwade, Executive General Manager, Consumer, Small Business and Product Safety Division
Mr Michael Cosgrave, Executive General Manager, Infrastructure Regulation Division
Mr Peter Maybury, Chief Finance Officer
Ms Michelle Groves, Chief Executive Officer, Australian Energy Regulator
Mr Peter Adams, General Manager, Wholesale
Ms Sarah Proudfoot, General Manager, Retail
Mr Warwick Anderson, General Manager, Networks

Australian Prudential Regulation Authority

Mr Wayne Byres, Chairman
Mrs Helen Rowell, Deputy Chairman
Mr Geoff Summerhayes, APRA Member
Mr Pat Brennan, Executive General Manager, Policy and Advice Division
Mr Mark Adams, Executive General Manager, Specialised Institutions Division
Mrs Therese McCarthy Hockey, Executive General Manager, Strategy and Chief Risk Officer

Committee met at 09:02

CHAIR (Senator Hume): I declare open this meeting of the Senate Economics Legislation Committee. The committee will continue its examination of the Treasury portfolio with questions for the Australian Competition

and Consumer Commission, the Australian Energy Regulator and the Commonwealth Grants Commission. The hearing will then follow the order as set out in the circulated program. Officers called upon for the first time to answer a question should state their name and position for the *Hansard* record, and witnesses should speak clearly into the microphone. I ask photographers and cameramen to follow the established media guidelines and the instructions of the committee secretariat. Please ensure that senators' and witnesses' laptops and personal papers are not filmed.

Commonwealth Grants Commission

[09:03]

CHAIR: I welcome the Assistant Minister to the Prime Minister, Senator the Hon. James McGrath, representing the Treasurer, and officers of the Commonwealth Grants Commission. Minister or officers, would you like to make an opening statement?

Mr Willcock: No opening statement from us, thank you.

Senator KETTER: My questions relate to the Productivity Commission's horizontal fiscal equalisation review and I refer you to the CGC's submission DR61, which responds to the technical queries from the Productivity Commission and, specifically, the response to question 3. My question is: can you confirm for the committee that under the Productivity Commission's model for equalisation to the second strongest state, which is one of the PC's preferred models from the draft report, your conclusion is that the other states—that is, all other states and territories apart from Western Australia—would be unable to deliver services to the average level that is currently provided?

Mr Willcock: Yes, as your question proceeded, the commission did put in a further submission to the PC's review process to comment or respond on issues raised in the PC's draft report on HFE. In doing so, the commission highlighted the implications of moving equalisation to equalisation on the basis of the fiscal capacity of the second strongest state. In doing so, it highlighted that that would result in all other states, other than the strongest state, having less GST share than they would under current arrangements. Current arrangements work on the basis that states are equalised so that they all have the same fiscal capacity to provide the average standard of services. If, under the alternative proposal floated by the PC in its draft report, seven jurisdictions were to have less GST, then they would, indeed, have less money to provide the average standard of services.

Senator KETTER: What does that mean in a practical sense, to say that these jurisdictions are unable to deliver services to the average level?

Mr Willcock: It simply means that the amount of money available—well, sorry. All Australian states make money from their own revenue resources by tapping their own state tax bases. They also receive Commonwealth funding support in the form of payments for specific purposes or tied grants. With the amount of money available to each Australian state that arises from their own state revenue bases and payments for specific purposes, that total is, in itself, insufficient for any state to fund all of its government service delivery needs as currently delivered. That's why the GST comes in and equalises—but raises—the fiscal capacity of every state so that they have the capacity to provide those services.

Senator KETTER: What's the impact on, say, Queensland of the Productivity Commission's model?

Mr Willcock: The Commonwealth Grants Commission submission that you mentioned to the PC put forward some figures, and it suggested that—and this is using figures for the 2017-18 fiscal year, because that's the only figures we had at the time—at that stage we were operating on the basis that current arrangements would deliver \$14.963 billion of GST revenue to Queensland. Under the Productivity Commission's proposal, that would be \$14.235 billion or \$729 million less in GST. That would then mean that Queensland would need to consider raising additional revenue of its own by increasing state taxes, reducing the quality of certain services or reducing the scope of certain services—for example, providing a lesser range of services or adding to state debt levels to fund the provision of services at the pre-existing level. That's not just Queensland; of course, that would apply to all the other states as well.

Senator KETTER: Apart from Western Australia.

Mr Willcock: On the basis that Western Australia happens to be the fiscally strongest state at the moment. Of course, the PC's proposal would be true presumably not just in current circumstances, where WA happens to be the strongest state. At any future time, when some other state becomes the fiscally strongest, it would then move to that state that would have the benefit of those arrangements.

Senator KETTER: With this term 'average level of service', can you put a figure on that?

Mr Nichols: By average—let's say, arithmetical calculation in a way that looks at the total spend by particular areas of service delivery and divides that spend by the total population of all the states—that generates the average spend by states on that particular level of service. What the commission's work does is then adjust that average up and down, depending upon circumstances outside states' control.

Senator KETTER: Is that figure that corresponds to the average level of service something that's in one of your reports or is it something you could take on notice for me?

Mr Nichols: We could take on notice the actual number. We publish it in our annual supplementary information.

Senator KETTER: Thank you very much. You've mentioned the Queensland example. Perhaps for the other states as well, could you just give us a sense of how much these decreases would affect specific services in the states and territories?

Mr Willcock: The calculations that we provided to the Productivity Commission had different absolute dollar amounts for all the different states and territories. The way that we worked this out however delivers, if you like, the same dollars per capita for each of those other jurisdictions, which would mean that each of the other seven states would have \$147 per capita less in GST. That would amount to: \$1.167 billion for New South Wales, \$920 million for Victoria, \$256 million for South Australia, \$77 million for Tasmania, \$60 million for the ACT and \$36 million for the Northern Territory.

Senator KETTER: This might be a little bit outside of your remit, but to what extent do you think that does impact on states and territories' capacity to deliver their services? Is this a serious impact?

Mr Willcock: The Commonwealth Grants Commission submission to the PC made it very clear that it wasn't advocating a particular approach to HFE, per se. The commission's job is to provide recommendations to the Commonwealth Treasurer on how to divide the GST pool annually, in a way which delivers horizontal fiscal equalisation in accordance with the generally accepted definition of horizontal fiscal equalisation, which has been in place more or less—well, with some minor changes—since 1980, since the current all-state equalisation arrangement was put in place. It was reaffirmed by all governments on various occasions, such as in 1999 with the intergovernmental agreement prior to the introduction of the GST, when the funding pool fundamentally changed, and most recently in another intergovernmental agreement in 2011. The commission's submission to the PC was simply to draw out the implications of the alternative, so-called equalisation to a reasonable standard approach that the PC had put forward in its draft report and to indicate what the GST funding implications for all jurisdictions would be if that were implemented, in contrast to the current full equalisation arrangements. As the commission says, it's a matter for governments as to what form of equalisation the commission should be charged to implement.

Senator KETTER: Just finally, then—

Senator McGrath: We should also note that it is a draft report and that the 2017 figures aren't representative of the proposed model in future years. I just think that should be placed on the record.

Senator KETTER: On the latest figures—it's my final question, Mr Willcock—the majority of states and territories would have to either raise taxes or cut services in order to accommodate a change in accordance with the PC's recommendation?

Mr Willcock: Or increase debt. As Senator McGrath made clear, this is all on the basis of calculations done for 2017-18 or against, if you like, the benchmark of the 2017-18 GST distribution model. As we go forward, each state's share of GST, of course, changes as their own circumstances change relative to all other states' circumstances. If and when the model for distributing GST were to change, what the upsides or downsides for different jurisdictions might be at that time would certainly be different from what's illustrated in the commission's submission to the PC.

Senator BUSHBY: Most of my questioning was going to be along the lines of what Senator McGrath has just highlighted, and that is that this is actually a draft report. It's not the final report that Senator Ketter has been asking you questions on. Essentially, the questions he was asking were hypotheticals, based around a series of cameos that were contained in a draft report, which is a report of the PC and not a report of the government. I see you nodding, Mr Willcock, you're acknowledging that is the case?

Mr Willcock: Indeed.

Senator BUSHBY: Your answers are purely based on answers to certain cameos that were posed in a draft report which may not be the final report and was giving figures that were based around what are essentially hypothetical scenarios, where there is no certainty in any shape or form that they would ever eventuate?

Mr Willcock: Absolutely. You're quite right.

Senator BUSHBY: One final question: for the commission to actually act on any changes, what would need to happen? How much distance is there between what a Productivity Commission draft report actually says and the commission actually making changes to the way it would deal with the distribution?

Mr Willcock: Formally and in accordance with our legislation, the commission operates pursuant to terms of reference issued to us by the Commonwealth Treasurer. Most typically, annually, we receive terms of reference to deliver and make recommendations to the Treasurer on how to divide the GST pool up to deliver HFE. We also have separate terms of reference from time to time to do longer term reviews of the methodology that we use to make those recommendations. Any change to the way that the commission develops its recommendations to share out the GST revenue would need to be made pursuant to terms of reference from the Treasurer. Which stops slightly short of your question, in the sense that the Productivity Commission will report and then it will be up to government to determine what—

Senator BUSHBY: Yes, the Productivity Committee report, no matter what it says, has no determinative value in terms of outcomes, other than as a factor that may be considered in terms of general policy considerations going forward?

Mr Willcock: Indeed. Like all Productivity Commission reports, it's not self-executing. It is a report to government. It's up to government to then determine its own position in response.

Senator GEORGIU: The average GST revenue per capita in Australia is \$2,553; is that correct?

Mr Nichols: The average?

Senator GEORGIU: Across all the states.

Mr Nichols: That average changes from year to year, as the size of the pool changes and the sum of state populations changes.

Senator GEORGIU: Okay, but roughly—

Mr Nichols: Yes, it's correct.

Senator WILLIAMS: Excuse me, is that the net GST? Does that include what businesses pay and then claim back? Do you see what I'm saying?

Mr Willcock: That's the GST pool to be distributed to the states, once those costs of administering it—the ATO's administration and other costs—are taken out.

Senator WILLIAMS: The cake there to be split.

Mr Willcock: Indeed.

Senator GEORGIU: The average GST carve up—or pool, should I say—for WA per capita is about \$878 roughly?

Mr Nichols: On 2017-18, yes, it's 34 per cent of \$2,500.

Senator GEORGIU: Given that's a dreadful figure for Western Australia, if the PC review on GST is released in May, how soon can the recommendations on that report be factored, through the Commonwealth Grants Commission, into revising the HFE formula? Has the Treasurer released any terms of reference?

Mr Willcock: We don't have terms of reference reflecting any PC recommendations or report. This isn't anything that we control at all, but I suppose the process would be that the PC will report—it's currently scheduled to report on 15 May—and it will then be up to government to determine how to respond to that report and the timing of its response. As I mentioned earlier, we typically annually receive terms of reference to make recommendations to the Treasurer for how the GST pool could be distributed amongst the eight states and territories. The commission would certainly seek to implement any terms of reference. If the terms of reference are different from the sorts of terms of reference that we've been receiving in recent years the commission would, of course, seek to implement them. The timing of the government's response is something that no-one knows.

Senator GEORGIU: Western Australia's GST allocation was heavily reduced last year, following an update in population figures from the Bureau of Statistics, costing the state around \$200 million in GST. Has such a large revision taken place previously? Was there any warning to Western Australia that this might occur? Given the population updates from the ABS only occur after every census, is there a better and more stable way to determine population forecasts that feed into the CGC's processes?

Mr Willcock: As yet, the results of ABS's 2016 census have not actually flowed through into the CGC's methodology for determining, or working out how to distribute the GST. So any change to WA's population or population growth rate that was identified in the 2016 census has not, as yet, had any impact on WA's GST.

Senator GEORGIU: But it will in the future?

Mr Willcock: Sure.

Senator McGrath: One thing I should say, from the government's perspective, is that we get to see the final report. It comes out in May; the government will respond in due course. I think some assumptions might be made about how the government will respond to the final report. I think we should wait until the report comes out and the government will give its response in due course.

Senator GEORGIU: That's fine. What hurdles, if any, do the Grants Commission face in adopting and implementing the changes in the PC report, if the government decides to take on those recommendations?

Mr Willcock: Again, depending on the final form of any PC report, and any government decision flowing from that, I don't envisage that the commission would have significant difficulties in implementing propositions along the lines of those ventilated in the draft PC report.

Senator McGrath: But we should wait until the final report comes out.

Senator GEORGIU: In the final report, will the Grants Commission take into account the three-year lag period? Is it working with the PC to address this lag period in your calculations, or your review on it?

Mr Willcock: Separate to the PC's review of HFE, the commission itself is conducting its own review into its methodology. This is a separate review that was initiated following the receipt of terms of reference from the Treasurer, and is being undertaken, if you like, in parallel to the PC's process. Part of the commission's own review of its methodology was to look at a range of issues arising under the current methodology, which include what the appropriate period of assessment for the commission should be when it looks at individual states' circumstances to measure what their fiscal capacity is, and therefore what their need for GST funding is. Currently, as you mentioned, the commission uses a three-year rolling average period to, if you like, get a measure of states' relative fiscal capacities. Over the years, different time periods have been used for that assessment, up until, I think, around 2010. The period was a five-year rolling average at that time. Because of concerns that five years was too long a period, it was decided to shorten the period from five years to three years to make it a bit more contemporaneous. One of the issues that the commission has been consulting on is whether there is a case for changing that three-year rolling average, including by making it shorter or even going so far as relying on state government budget estimates or forecasts. This is something that the commission has been consulting on. It issued a discussion paper last year and received submissions from certainly all of the affected stakeholder jurisdictions. This is an issue that the commission can continue to consider as it goes through the review of its methodology.

The methodology review the commission is conducting is due to report in early 2020. It will certainly therefore have ample opportunity to take account of any commentary that the PC report has on this issue of the three years, or some other period, for taking a snapshot, a measure, of states' relative fiscal capacity.

I should just mention that there are, I suppose, the balancing considerations. One, I think everyone acknowledges that it is desirable for GST shares delivered to each state to be pretty reflective of each state's current budget circumstances. On the other hand, there's also a concern that having a measure of state fiscal capacities that's too short could bring a lot of volatility into GST shares. For example, if you have just a single year snapshot of fiscal capacities, any volatility that then arises would have very big swings in each state's GST share. So, the virtue, if you like, of three-year averaging is that it brings a bit of smoothing through time of each state's GST share. I would note that certainly most states value the relative degree of predictability and certainty or confidence that they have about their likely GST share into the future. Most states believe that it assists their own budget planning to have that sort of relative stability in GST shares through time and would therefore say that having a shorter assessment period, say, down to only one year, or even relying on a budget forecast, would impute or bring in a lot of volatility into the GST shares and hence affect the rest of their state budget management planning challenge.

CHAIR: Thank you very much to the Commonwealth Grants Commission. If there are no further questions from senators, we'll let you go. And thank you for coming back today, as opposed to last night.

Australian Competition and Consumer Commission

Australian Energy Regulator

[09:28]

CHAIR: Thank you very much for joining us, and thank you for being patient. I realise we pushed out the agenda for you. Mr Sims, do you have an opening statement for the committee?

Mr Sims: No. We'd like to leave maximum time for questions.

CHAIR: Mr Sims, last year you released a draft report into retail electricity pricing. I'm wondering whether you can remind the committee with a bit of an update of the key draft findings of the key drivers of retail energy prices in the Australian energy market, and give us an update on how the final report is progressing?

Mr Sims: As you said, we're doing this in two stages. The first report, which came out in September, was explaining what had driven electricity prices up. We were very keen to do that, because we thought there had been a bit of a misunderstanding on some of that. Roughly, the largest contribution was increases in network costs—the poles and wires. Then the next biggest increase was an increase in retail costs, which was very surprising to us. We hadn't expected that one. And then a roughly equal 16 to 17 per cent contribution from rising wholesale prices and green subsidy costs. So, about 40 per cent network; about a quarter retail costs and margins; and about 16 to 17 per cent to the green subsidies and wholesale prices of electricity. Having identified those drivers—and we're talking over a 10-year period, but that's how long the prices have been going up, and they went up a lot in that early part of the period, as well as recently—our objective is to come up with recommendations to get the prices down and to restore Australia's competitive advantage in electricity and to provide relief to low-income households. We're aiming to come up with recommendations to address all four of those issues to see what we can do to get those prices down.

CHAIR: With respect to South Australia in particular, you commented that the impact on power prices of the closure of the Northern Power Station was potentially underestimated. I wonder whether you could describe for the committee some of the market issues that have pushed up prices in South Australia following the closure of the Northern Power Station.

Mr Sims: In South Australia the wholesale prices were a larger contribution than the numbers I've just mentioned. The Northern Power Station not only took capacity out of the system, but increased the market power of AGL. There was also an effect obviously from the Hazelwood closure. With Hazelwood and Northern closing, that definitely shrank the supply/demand balance and increased the market power of the existing players. I do know my AER colleagues, who are here, have looked extensively into how all that unfolded. If you want more detail, my colleagues on my left have encyclopaedic knowledge on this topic.

CHAIR: I would be interested in your opinions, but I would also like to contextualise those. Obviously, the affordability and reliability of power in the South Australia has been an issue of considerable debate in the last few months, so could you contextualise it around the state's energy policy framework and whether you believe that particular policy framework is hurting consumers?

Mr Sims: I will pass that to my colleagues on my left. Our focus is affordability, whereas the AER is looking at things in the whole.

Ms Groves: We are probably not in a position to comment on South Australia's energy policy mix. As a whole I think we can probably provide some information around what has been happening in the wholesale market in South Australia in perhaps a little more detail, though my colleague Mr Sims has, I think, captured it at a high level. But we certainly could talk a little more around what's happening in the wholesale market in South Australia at this point in time.

CHAIR: If you could expand on it for a moment that would be terrific.

Ms Groves: I will ask Mr Adams.

Mr Adams: Over the last 18 months or so there has been a whole series of events that have impacted on prices across the Australian energy network. We produced a report late last year that looked at some of the issues that were driving New South Wales prices. We are currently preparing a report that looks at the impact of the closure of Hazelwood Power Station. You need to remember that we have a national electricity market that is integrated, and energy flows between all regions, so changes in one region often impact on neighbouring regions and the rest of the market. On our Hazelwood report, obviously, a large amount of low-cost, brown-coal generation coming out of the marketplace, as Mr Sims pointed out, changes the supply-demand balance, and we've certainly seen the impacts of that. That report will be out by the end of March. It covers the details specifically of the changes pre and post the Hazelwood Power Station.

CHAIR: I'm not entirely sure whether to direct this question to the Australian Energy Regulator or to you, Mr Sims. In regard to the government's efforts to deal with the affordability issues—things like working with the major retailers, securing domestic gas supplies and the limited merits review—can you comment on the impact that those particular actions have had on domestic electricity prices?

Mr Sims: I will pass to my colleagues again, but, clearly, getting gas prices down will be important. I think my colleagues will have a better estimate of the effect of that. I think we're both enthusiastically in favour of

getting rid of limited merits review. That will unquestionably lower prices for consumers and most of the retail things that are going on in terms of the detail following the Prime Minister's meeting with the AER issues.

Ms Groves: I will answer initially on the limited merits review question as one of the implications. We do consider that the removal of the limited merits review will have an impact on particularly how network businesses engage with their customers and with us going forward. We have already seen, I think, really good engagement between the network businesses, who are being very responsive to their customers' requests. In the most recent round of applications, we've received a number of proposals from network businesses for the next round of resets, as we call them, and we're seeing very good engagement, very good responsiveness, of those businesses to their customers. And we are seeing, I think, proposals that are much more in line with what communities' expectations would be. We don't know yet whether or not those proposals are still exactly where they should be, and that's the process we are going through. But what we are seeing is, I think, very flat prices or revenue requirements for these businesses going forward, which is, as Mr Sims has pointed out, a contrast to where we had seen network prices in the past. I will ask Ms Proudfoot to talk briefly around the changes that are happening with engagement with retail customers.

Ms Proudfoot: Following the Prime Minister's roundtables with the eight retailers last year, we have been undertaking a range of work, as have the energy retailers and various consumer groups, aimed at improving the types of information that customers receive to increase the confidence that they have to access the better deals in the market and to better monitor and understand what's going on. One of the commitments that was made by the retailers who attended the meetings with the Prime Minister was to report to us on the number of customers who were on a market contract where they had signed up and had a benefit period—generally, that is some form of discount—and that benefit had expired and they had not moved from the contract and so they were no longer enjoying the benefit. In the period since then, we have received three lots of reports, and the retailers at the moment are doing this voluntarily. We've seen that approximately 180,000 customers have now moved from an original 560 or so. They've now moved on to an offer where they're receiving a benefit period again.

You may also be aware that the retailers wrote to all those customers to remind them that there are better options out there and that they can visit our website, Energy Made Easy, to compare those offers. They did similar with the customers who were on the standing offers. We don't yet have reports on those, but we get those as part of our regular reporting framework, and we will be reporting on that in our annual report at the end of the year.

CHAIR: Ms Proudfoot, one of those requirements of the retailers is to provide simpler fact sheets on their rates and on their retail energy offers. How far through the process are we on those fact sheets?

Ms Proudfoot: That's correct, Senator. That's a piece of work that we're leading with the retailers and consumer groups. We formed a reference group to assist us in developing those new fact sheets. On 30 January we released a draft retail pricing information guideline that includes detail of the new fact sheet, which we're calling a basic plan information document. It's a much higher level document and it's aimed at appealing to customers and being perhaps less impenetrable than the current energy price fact sheet is. It includes details of key fees, discounts that are available and what a customer will need to do to access the discounts, particularly the conditional discounts. For the first time it will include a table of a comparison rate that looks at three consumption bands and what the annual estimate of those would be so that customers can easily look across a few of these few basic plan documents and identify which household they might most relate to and what that would look like for an annual cost. We are hopeful to have the final guideline out in April, noting that we are consulting on it at the moment. We have also worked with the behavioural economics team of the Australian government to inform our work in terms of what is likely to motivate consumers, what will appeal to them and how we can get people to take advantage of the savings that are there in the market.

CHAIR: Fascinating. Thank you, Ms Proudfoot. Mr Sims, you said last year that the Renewable Energy Target was not an affordability mechanism. Labor has promised a 50 per cent renewable energy target by 2030. Are you afraid that this will potentially exacerbate affordability issues in the Australian retail electricity market?

Mr Sims: I've always thought the Renewable Energy Target was to meet the sustainability objective. Where we are now, though, is we're finding that, with technology changes around the world, renewable energy is coming very close to fossil fuel energy, so I suspect there's not much in it anymore from an affordability point of view. I still think affordability has got much more to do with poles and wires, market power issues and the sorts of retail issues you've talked about, and seeing if we can get more generation of whatever type into the system—but preferably from new players so we get a bit more competition into the system. Obviously, those renewable energy schemes have cost money. They've contributed about 16 per cent to the rise of energy costs—

CHAIR: That's quite surprising. That's a pretty significant contribution.

Mr Sims: They were largely done as a cross-subsidy to be absorbed by the energy sector going forward.

CHAIR: When you say 'absorbed by the energy sector', you essentially mean absorbed by the consumer?

Mr Sims: Energy consumers, that's right. Going forward, my view would be that you've pretty much now got parity with the prices, and, in certain cases, the renewable energy can be cheaper. Hopefully, we don't need those costs going forward.

CHAIR: Thank you, Mr Sims.

Senator STEELE-JOHN: It's good to be back with you, although not great to be back in this room so soon after we left late yesterday! I want to take you, first of all, to the *Communications sector market study* draft report, which was released on 30 October 2017. It recommended:

... the Government consider whether NBN Co should continue to be obliged to recover its full cost of investment through its prices—

and that other options should be examined, including direct budget funding. In your assessment, to what extent is the requirement of NBN Co to make a commercial return compromising its ability to deliver fast, reliable and affordable networks for all Australians?

Mr Sims: This was a market study looking out over a three- to five-year period. When that report was written, there was a lot of discussion over the variable pricing—the so-called CVC pricing—and suggestions about whether that was inhibiting best use of the network. We also said we'd look to see what NBN's pricing changes were, to see what effect that had. Since then, NBN has changed its pricing, in December, and people have taken up more CVC. What we were saying back then was: you've got to keep those options on the table, but we need to see how this plays out. We need to see how our speed claim guidance plays out, our monitoring scheme plays out, and the lower NBN pricing. We believed then, and still believe now, that it was too soon to know whether there needed to be any review of the valuation of NBN—it's something you need to keep an eye on as you go forward. Particularly when we wrote this study, consumers, we believed, didn't have a good understanding of what they were getting for what they paid. I think with the better speed claims advertising and with NBN lowering its prices considerably on CVC, in effect, we can now start to see what prices people are willing to pay for what service. Only once you understand that can you think about what we term 'issues that should be kept on the table'. It's certainly too early to do that now, but I think those issues probably do need to be kept on the table.

Senator STEELE-JOHN: Specifically on the CVC—and I understand that it has been modified by NBN—to what extent, as it is currently planned to exist, is the pricing structure employed by NBN, including the CVC, contributing in your opinion to the quality of service experienced by end users—particularly in regard to reliability, speed and congestion, as well as the affordability of these services?

Mr Sims: I'll pass over to my colleague, who's the expert in the area. But I think it's got a bit to do with the retail service providers not provisioning enough CVC.

Mr M Cosgrave: There are two issues in relation to that: firstly, in relation to pricing, there are both short-term and long-term initiatives being introduced by NBN. Longer-term initiatives are still under consideration and discussion between NBN and the sector. We're keeping across that closely and expect some further briefing in the relatively near future. Secondly, in relation to service levels, you'll be aware that the ACCC initiated a public inquiry into wholesale service level standards in December of last year, focusing upon both service levels in absolute terms and the enforceability of current service levels that exist in contracts between NBN and retail service providers. Submissions to that inquiry close tomorrow. We are expecting a substantial number of submissions and we'll give fairly urgent consideration as to where we go next once we've considered that material.

Senator STEELE-JOHN: Following on from that, Mr Cosgrave, you've produced some guidelines for RSPs in relation to their advertising speeds. What requirements do you place on NBN, in terms of slow speeds being experienced on the network they own, operate and maintain?

Mr M Cosgrave: As I just said, the current inquiry looks at the wholesale service levels that are in place contractually between the NBN and the retailers, and at the issues around enforceability of those service levels.

Senator STEELE-JOHN: But you'd agree you can't just chase the symptoms of the problem in many ways, can you? You'll always need to, at some point, come back to dealing with the wholesale level?

Mr Sims: Could I just jump in? We've had two problems—one, I hope, we've dealt with, so we can narrow down on the other one. We had problems where retail service providers were selling NBN services that NBN couldn't deliver, particularly on fibre to the node, where they were selling a 100-megabit-per-second service and—

Senator STEELE-JOHN: They couldn't deliver it.

Mr Sims: One in two could, but one in two couldn't. But now we've got court-enforceable undertakings from most providers where they promise not to do that, to check what NBN can deliver and only sell what NBN can deliver. That's a crucial change, because that now means they'll only sell what NBN can deliver. If you're not getting the speed you expect, it should be up to whether or not the retail service providers have provisioned enough CVC off NBN—have they bought enough capacity? With the speed guidance we've got out there, which they're largely following, they'll be advertising that, if you buy 50 megabits per second, you can certainly get 30 megabits per second in the peak period, and we'll be able to tell whether they can do that or not. So I think we're going to get much better behaviour this year.

Senator STEELE-JOHN: Moving swiftly on, can I take you to Productivity Commission report No. 83 in regards to the USO. It makes the observation that the Regional Broadband Scheme includes only a very narrow levy base and could result in distortions to the telco market. Can you comment on your assessment of the RBS and the effects that it might have on the market in its proposed form?

Mr Sims: I cannot, but I am sure Mr Cosgrave can.

Mr M Cosgrave: The current policy initiative targets fixed-service providers. There is a current debate around the extent of any subsidy mechanisms. That's ultimately a policy matter for government.

Senator STEELE-JOHN: But, in your opinion, would such a narrowly based levy have distorting effects on the market?

Mr M Cosgrave: Well, not necessarily. One of the issues in this context is the extent to which the levy is imposed on people who are directly competing for service with the NBN. There is a debate as to the extent to which, say, mobile and wireless players are directly competing or are direct substitutes for the NBN. So it's a matter of policy debate. It is possible to have more than one view on the issue.

Senator STEELE-JOHN: Do you have a view on the issue yourself?

Mr M Cosgrave: Not from a personal perspective.

CHAIR: We're not allowed to ask for a view, Senator Steele-John; you know that.

Senator STEELE-JOHN: On 22 December the ACCC informed *BBC World News* that internet neutrality laws were not needed in Australia and that you have 'not seen evidence of Australian ISPs looking to inappropriately block access to internet content'. But, as you know, anticompetitive conduct is not limited to blocking internet; it also includes preferential treatment of content, such as Netflix and iview. Can you speak to how it is within the ACCC's powers to regulate these deals between internet and content providers and what the ACCC has done in this regard to date?

Mr Sims: I'll just make a brief comment and then pass to Mr Cosgrave. We monitor this fairly carefully. We think it is an important issue. Generally we have a more competitive market than the US does, so the test really is: is it damaging competition when this is done? And we don't see much evidence of that happening. We think that if it does happen then people have plenty of other alternatives. And we don't get many complaints on it from various entities. Michael, do you want to add to that?

Mr M Cosgrave: The finding you mentioned was one from our draft market study. It is based upon the absence of complaints. It's an area where, if there was conduct occurring by larger providers, you would absolutely expect that it would be the subject of complaint to the ACCC, and we've not seen that.

Senator STEELE-JOHN: You'd be aware that the March 2012 convergence review final report noted that the ACCC's existing powers to address competition issues as they relate to content services in the communications market focus on anticompetitive conduct and economic market analysis, which are 'too narrow to address evolving content-specific issues such as exclusive rights arrangements and bundling net neutrality issues that inhibit competition'. So, can you comment on whether your powers are too narrow to address the evolving content-specific issues in the communications market? And I'd just make the comment that you haven't experienced any complaints in this space but you'd be aware of the very fast-developing nature of this sector, the presence of these regulations in other jurisdictions and the conversations in the US around the impact of the recent legislative decisions there. So, I'm struggling to understand, in the absence of something that globally we see to be a problem, why you wouldn't be proactive in a space that can be quite troubling.

Mr Sims: We watch this very carefully. We just have not seen evidence, so in a sense I believe we are being proactive by looking very carefully at this. In the US they have a very different market structure. They often have very limited competition to get broadband, because of the way their structure has evolved. So it is an issue there.

My guess is that if I was sitting in the US I'd probably have some active regulation. But we judge that our powers are sufficient. It is very rare that someone says we don't have enough powers in telco. We've got strong powers.

Senator STEELE-JOHN: So you disagree with the findings of the convergence report?

Mr Sims: I don't have that top of mind. What I say is that we're monitoring the issue. We don't see any problems yet.

Senator STEELE-JOHN: Would you be able to take on notice to take a look at that report and get me a response? You've got Netflix—

CHAIR: All right. I think we've had enough commentary. Thank you, Senator Steele-John.

Senator WILLIAMS: Is there any current court action against any egg producers in Australia, or has that all been fixed up?

Mr Sims: I think it's all been fixed up.

Senator WILLIAMS: Good to hear. In relation to new car dealers, the ACCC released the final report of its market study into the new car retailing market in December last year. You have many concerns about new car dealers. I've been told by several car dealers that manufacturers can impose unreasonable demands on them, including new signage, showroom revamps et cetera, at the dealer's expense or risk the franchise. One dealer told me that, in the case of one manufacturer, if a motorist brought a car in under warranty and the dealer's mechanic spent, say, three hours on the car and couldn't find a problem then the manufacturer didn't pay for those three hours. It was simply a cost that had to be borne by the franchisee. There seem to be a lot of problems in this motor vehicle industry. I know they work on very small margins. Are you aware of these imbalances in this industry?

Mr Sims: Very much so. We've had a lot of interaction with the dealers. I've spoken to them on a number of occasions, and my people have as well. In relation to the consumer guarantee issue, which we were focused on, it was in our view very much an issue with the manufacturers, because they set the rules within which the dealers operate.

Senator WILLIAMS: They often bully, in my opinion.

Mr Sims: Well, certainly the dealers have complained to us a lot about a range of imbalances, and we had our issues in our market study and completed our market study, but we did say that that's an issue that certainly could do with a bit of a look at. It's certainly on our radar, and we've had discussions.

Senator WILLIAMS: Good. I'll give you another example. A dealer told me that the state marketing manager might say, 'Righto: this month we've got to sell 5,000 cars in the state', and they might have only 4,000 and be getting towards the end of the month and they'll say to the dealers, 'You will register five cars as demos.' Then they go on as sales for the month to meet target. Of course, the dealership's got to register the five and be stuck with them in many cases. It seems quite unfair. But I will be launching an inquiry into franchising in a few weeks time. I'd appreciate it if the ACCC could have an input—

Mr Sims: We certainly would.

Senator WILLIAMS: No doubt you'll be called as witnesses. Now the insurance industry one has wound up, but there have been many complaints with 7-Eleven, Caltex, Domino's, Retail Food Group et cetera, so I think we need to have a good look at this industry and see what we can do to in many ways protect the franchisees.

On another issue, in 2010 the ACCC did an inquiry into mobility scooters. I think Peter Kell did the media release. He said in that media release that since 2000 more than 70 people were killed and that 500 people a year suffer serious head and limb injuries from scooter accidents. Are you aware of the inquiry that is running at the moment on that?

Mr Sims: Not too much, but my colleagues to my right do.

Senator WILLIAMS: Please, Mr Grimwade—the Rural and Regional Affairs and Transport Committee's having a brief look at that industry to see whether we can make it safe.

Mr Grimwade: Yes, we're aware of the committee's inquiry, and we actually intend to provide a submission to that inquiry, given our work between 2010 and 2013, where we produced guidance for users of mobility scooters. We procured some work in relation to a survey, looking at the demographics of users of mobility scooters, and we also got a consultant's report, along with other stakeholders, on injury data relating to mobility scooters.

Senator WILLIAMS: I think Monash University have kept some statistics on those issues as well.

Mr Grimwade: I think they were part of the group that worked together between 2010 and 2015.

Senator WILLIAMS: It's quite alarming not only that 70 were killed over that period of time of about 10 years but that 500 a year had head and limb injuries. It's obviously something that needs to be addressed to try to make it safer for everyone, including the people using them and the people on the footpaths.

Senator KETTER: Mr Sims, these questions might be better directed at Mr Grimwade, because I think he has more information on it. This is about the Takata airbag issue. I note that in August of last year, Mr Grimwade, you gave evidence to the House Standing Committee on Economics in relation to, in particular, the alpha airbags, and you said:

... it's critical that the alpha airbags be replaced immediately.

I'm just interested as to why the ACCC came to that view at that particular time. In particular, was there a risk of serious injury occurring?

Mr Grimwade: The alpha bags are a critical risk to consumers. The alpha bags—just for the benefit of the committee—were manufactured poorly. They are categorised as a group of airbag inflators manufactured between 2000 and 2002—particular types from particular factories in the US and Mexico. They had been voluntarily recalled. There were five manufacturers who were voluntarily recalling them. There were 115,000 that were supplied to Australian consumers. There are now 25,000 remaining in Australia. We're not sure whether all are being driven. Given that they are quite old vehicles, we expect that many might be in scrapyards. We have worked with the manufacturers—particularly Honda, Nissan, BMW, Toyota and Lexus—and we were satisfied with the performance of those voluntarily recalling manufacturers in relation to the alpha airbags. They were conducting extensive communication campaigns. For instance, I know that Honda had got to the point where it was using private investigators. It was doorknocking to locate various consumers who might have vehicles with the alpha inflator.

Senator KETTER: There have been deaths overseas, I understand, in relation to—

Mr Grimwade: There have been 23 deaths, including one in Australia, and 230 serious injuries from misdeployments of affected Takata inflators, but not all those deaths have come from alpha bags. Indeed, most have come from the non-alpha bags, and the tragic death in Sydney last year was not from an alpha inflator; it was from another one, a beta inflator.

Senator KETTER: You say that it's critical that these airbags be recalled and you agree that there was an imminent risk of serious injury or even death in the case of these airbags?

Mr Grimwade: There was certainly a serious risk of injury or death should one of the inflators misdeploy. I should say that with alpha inflators, like the other inflators, the risk of deployment is conditional on a number of different factors, including the humidity of the location, the size of the vehicle and the age of the inflator.

Senator KETTER: Are you familiar with section 132J of the Competition and Consumer Act, which gives the minister a compulsory recall power?

Mr Grimwade: Yes.

Mr Sims: In essence, though, that requires that you feel that a mandatory recall could add something to what was happening, and that part of the test couldn't be satisfied.

Senator KETTER: Can you explain why that's the case, given that it was assessed that it's critical that these airbags be recalled?

Mr Grimwade: For a compulsory recall to be triggered, the minister has to be satisfied that the manufacturers or the suppliers conducting the voluntary recall haven't conducted effective action or satisfactory action to recall the alpha inflators.

In relation to the alpha inflators: we don't think we would have had a case to justify a compulsory recall just specifically for those, because it was those inflators that the manufacturers were actually doing a lot more to recall and replace. It was the other inflators that were being recalled by a much larger contingent of manufacturers—indeed, there were eight manufacturers who weren't recalling them at all—where we had grounds to recommend a compulsory recall.

Senator KETTER: If you have section 132J, which provides for compulsory recall, in what circumstances, if not this particular circumstance, would those powers be used for? When would they be used?

Mr Sims: The essential test is that you'll get a better outcome from a mandatory recall than you will from the current voluntary recall. However it's worded, that's the essential thing we have to be satisfied of. With alpha bags, essentially there have now been about four million cars recalled—as Mr Grimwade said, about 100,000 alpha bags. We felt they were doing everything they should in relation to alpha bags. So we didn't think there was any need for a mandatory recall, since they were doing everything they could through the voluntary recall.

You only go to mandatory if you think there's a gap—if there's a problem. The problem we've seen, which has led to the compulsory recall of the non-alphas—well, it's all bags, but it was really driven by the non-alpha bags—was that we felt the performance of some manufacturers wasn't good enough, that they weren't communicating well enough and they weren't doing enough to track people down. And, as Mr Grimwade said, there were about 800,000 vehicles that the manufacturers, such as VW and Holden, weren't recalling at all. But none of that applies to the alpha bags.

Senator KETTER: I'm not sure where this other limb of the test comes from. I'm looking at section 132J(1) at the moment, and it says:

(1) If it appears to the Commonwealth Minister that consumer goods of a particular kind create an imminent risk of death, serious illness or serious injury, he or she may, by written notice published on the internet, certify that:

... ..

(b) a recall notice for consumer goods of that kind should be issued without delay.

Where does—

Mr Sims: They're already being recalled. There was a voluntary recall doing a very good job, so the imminent risk wasn't going to be affected by moving from voluntary to mandatory. How many recalls do we have a year?

Mr Grimwade: About 600. We have about 600—

Mr Sims: Mostly they're voluntary, and often they're goods that are dangerous. But if the voluntary recall is moving as fast as you can, you don't move to a mandatory recall. I mean, that's—

Senator KETTER: Whose assessment is that? Was that the minister's assessment?

Mr Sims: Well, on our advice, yes.

Mr Grimwade: I think your question goes to a compulsory recall without delay, rather than a compulsory recall under which we would conduct a safety investigation and consult and issue a proposed recall notice before a final recall notice. The chairman's response is absolutely correct: a compulsory recall would not have achieved anything more than the voluntary recall was already achieving in relation to alpha bags. But the compulsory recalling of all airbags—all the beta bags, with the four million others—would clearly achieve a much more effective safety outcome than the voluntary recalls were doing.

Senator KETTER: Okay. Look, I might come back to that, but I do want to talk about fuel prices.

CHAIR: Senator Ketter—

Senator BUSHBY: I've got a couple of follow-up questions.

CHAIR: Senator Ketter, I can come back to you on fuel prices. Senator Bushby.

Senator BUSHBY: Thank you. Just on that last point: the point was made—I think Mr Grimwade made the point, no, it might actually have been you, Mr Sims—that the ministerial decisions were made with the benefit of advice from the ACCC. Is it the case that all decisions that were made were consistent with your advice?

Mr Sims: Yes. The decisions that were made were consistent with our advice, that's right. Could I just give you a brief bit of history? The Takata airbag issue, as with virtually as all motor vehicle recalls—well, I think all—was handled by the Department of Infrastructure. In the middle of last year the question of whether more needed to be done came up. Given that one potential outcome would be a mandatory recall and that the Department of Infrastructure doesn't have those powers, that's when the issue transferred to us. It was about mid last year. We took the view that we needed to do a safety investigation. That meant getting expert advice, putting out compulsory notices to get information from the manufacturers, consulting with the manufacturers, and finding which airbags were available overseas. We had to go through that process, and I think we have a much better recall that is well-structured as a result of going through all that process.

Senator BUSHBY: Initially—without going to the details of it—the ACCC formed the opinion, generally, that a voluntary recall process was the appropriate way forward? The government formed that opinion, based on advice?

Mr Sims: If I could separate it out, with the alpha bags we took the view that the voluntary recall was working well. Clearly, they're dangerous airbags—one in two. We just advise people: don't drive the car. We took the view that with the alpha bags the voluntary recall was working appropriately, so there was nothing extra to be gained from mandatory recall. With the non-alpha bags, the ones that become more dangerous over time—it's only after six years, at minimum, and sometimes nine years or longer—we felt the recall wasn't going fast enough. That was our instinct back in August, but, since we had only just taken over the area, we felt we needed to know a lot more. We needed to work out who was recalling, why they recalling and what they were doing, because, once we do a

mandatory recall, it's sort of set. They're not things you can incrementally adjust. So, to get it right, we felt we needed to do all the work that we did in that five-month period.

Mr Grimwade: I just want to make it quite clear, the alpha bags are subject to compulsory recall. All Takata inflators are subject to compulsory recall.

Senator BUSHBY: And have been for some time?

Mr Grimwade: No. The compulsory recall was announced yesterday, in fact.

Senator BUSHBY: I actually have personal experience. I have a 2008 Subaru Tribeca that was recalled. I bought that privately in Queensland, took it to Tasmania, registered it down there and never had it serviced at a Subaru dealer, yet Subaru Australia contacted me directly. They tracked me down, found me, and sent me letters, saying, 'Come in and get your airbags replaced,' which I subsequently did. They went to the trouble of finding me, even though there was no trail other than registration.

Mr Sims: There have been good experiences and there have been bad experiences. Not with the alpha bag, but with the non-alpha bag.

Senator BUSHBY: I don't know whether mine was an alpha bag or not.

Mr Sims: With the alpha bags, they know how dangerous they are, because they were was mismade. That danger was apparent around 2009-10. A small number of bags were mismade. Only in the last couple of years have people worked out that it doesn't matter how well they're made; there's an inherent design fault in the affected bags, and, as I say, we needed to get on top of that. This is a hellishly complex area. Each car manufacturer that has got that bag, albeit with a defect, have got different thickness of the casing, different composition of the propellant. Getting your mind around which ones to recall and which ones not to just took a long time. We didn't have to bother with that with the alpha bag. They were terrible; companies knew that and they were getting rid of them.

Senator BUSHBY: It was clear.

Mr Sims: It's a small number of manufacturers, because you're talking about cars sold between 2001 and 2004. The complexity was in the others, and that's where we sensed enough wasn't being done, and we did all the work and recommended to the minister last month.

Senator BUSHBY: Which gets us to what happened yesterday. Could take us through what the announcement was yesterday. With alpha bags there's now a compulsory or mandatory recall? Take us through what was announced yesterday, and what that means consumers should do now.

Mr Sims: I'll have a shot, at a high level, and then pass to Mr Grimwade. Basically, it's a staged recall between now and the end of 2020 that gets all airbags recalled in order of priority, in terms of the risk that they pose. So, some are no risk now, but let's get them out of the system before they become a risk. Others are a risk now; let's deal with those straightaway. Secondly, they've got to have a communication strategy that both is directed at the consumer but also is directed at letting the broad population know there's a problem, in a stronger way than is being done now. Thirdly, they've got to set up a web-based database where you can enter your 17-character vehicle identification number and tell whether your vehicle is subject to a recall and, if so, when. That's the essence of it.

Mr Grimwade: I might just expand on Mr Sims' comments to reflect Senator Ketter's questions. Within the compulsory recall, alpha airbags need to be replaced pretty much immediately.

Senator BUSHBY: And they're basically the cars that—I heard something yesterday—if you've got one, don't drive it.

Mr Grimwade: We've said that for some time. We've also included a requirement in the compulsory recall that anyone with an alpha bag can have it towed or a technician can come out to it, so they don't need to drive it, and it's addressed immediately. A number of the manufacturers were doing this already. As Mr Sims says, the rest of the recall requires the manufacturers to stage their recall over 10 quarters, and to meet particular targets of replacement in each of the quarters. In doing so, they have to prioritise the highest-risk inflators according to the particular priority factors I mentioned before.

Amongst the obligations on manufacturers, they're required to provide us, within a month, with an initiation schedule. They will identify every make and model that's affected with one of these defective airbags and the date at which they intend to initiate the recall of that category or particular vehicle, which we will publish, and which they're required to publish. That will indicate, for the benefit of the consumer, when their vehicle will be replaced. They're also required to develop a VIN look-up database, which, for many of them, doesn't exist at the moment. A consumer can simply enter their VIN into their manufacturer's database and find out: first, whether the

replacement is already completed; second, whether it's future, that is, it's subject to future recall, and they can find out when they can expect to hear from their manufacturer; and third, whether it's active, that is, the manufacturer has now scheduled that vehicle for recall. The manufacturer is obliged to do all sorts of things to communicate that to the consumer, but the consumer can look up this database or the schedule to identify if their vehicle is active or if their vehicle is critical. Already on our website, for many months, we've identified those with alpha bags, so people have had an opportunity to identify whether they have such an airbag.

Senator BUSHBY: What time line do the manufacturers have to comply to have all those databases set up?

Mr Grimwade: They're required to have the VIN look-up database done by 1 July. It's from that period that we're going to—

Senator BUSHBY: Bearing in mind that that's relating to airbags that aren't the alpha airbags—the airbags of greatest concern.

Mr Grimwade: That's correct.

Senator BUSHBY: Mr Sims mentioned that over a number of months you've been considering the nature of different airbags. You've been assessing the information and you've come to the conclusion this stage was necessary. It was announced by the minister yesterday. When did you provide the advice to the minister that you needed to go to this next stage?

Mr Sims: Early February, and we've been engaging with the minister. In early February we gave him quite a lot of information, and we've been engaging with him since then.

Senator BUSHBY: So it's pretty fair to say that since early February, when you provided that information, the minister has responded to that directly and has worked through that as quickly as possible to put in place the measures that were announced yesterday?

Mr Sims: We have engaged with him. We've had a number of meetings with him—I've had a couple, and Mr Grimwade has had a few. Yes, I think it has been a fairly efficient process.

Mr Grimwade: I can't emphasise how complex and technical the science is behind these inflators and to identify which are subject to recall and which aren't.

Senator BUSHBY: I can imagine.

Senator KETTER: I do want to follow up on this particular issue, because your testimony has raised further questions in my mind. One can't help but draw the conclusion that we've only delayed the inevitable by having the mandatory recall yesterday, as opposed to back in August when we formed the view that it was critical the alpha airbags be replaced. Over that six-month period of delay, hasn't the situation deteriorated?

Mr Grimwade: Can I just say, there wasn't a six-month delay. We were working intensely, often around the clock, with an investigation team of 12 staff working right through Christmas. There are a couple of reasons why it would have been, I think, a very poor decision to have issued a compulsory recall without consultation—which the legislation permits us to do. My honest belief is that we would have ended up with a higher risk for consumers, and certainly higher costs for industry. We wouldn't have known about, for instance, the fact that there were 850,000 cars out there with affected inflators that hadn't been recalled, because that information came through the use of our formal information-gathering powers. We weren't aware of that. If we weren't able to conduct our investigation, we wouldn't have understood the supply chain issues. So we spoke to all the major manufacturers that compete with Takata to provide alternative inflators. There's a lot of difficulty. There are only three major manufacturers around the world that provide alternatives. There are 100 million being replaced around the world. There's global competition for these inflators. So there is a shortage of global supply.

In addition to that, it takes between eight and 12 months to design, to test, to develop and then to produce particular inflators that are suitable for particular parts of particular cars. Understanding this, and understanding the supply chain issues—not to mention, for instance, the availability of workshop capacity and so forth—it was necessary for us to actually develop a staged recall process. We wouldn't have known any of this if we had gone out and issued a compulsory recall uninformed—

Senator KETTER: But in your evidence earlier, you said the death in Australia, I think, was from a non-alpha airbag.

Mr Grimwade: That's correct.

Senator KETTER: So isn't it the case that you've formed the view that all of these airbags, including the alpha bags, were defective and that there should have been a mandatory recall at that time, given there was a critical risk of death or serious injury?

Mr Grimwade: There are some Takata bags that aren't being recalled, because they use a particular type of desiccant, 13X. That is addressing the deterioration of the propellant. They're not being recalled in the US or elsewhere; they're not recalled here. Again, we wouldn't have understood which inflators we should be recalling. But a really important issue is, if you recall all the inflators at once and you do not understand the supply chain issues, manufacturers may not prioritise the highest risk inflators, and so the highest risk inflators might be displaced by low-risk inflators, such that you actually have higher risk inflators out there for longer than you otherwise would have through this compulsory recall process. It was absolutely imperative for us to conduct consultation and investigation. Even after we issued a proposed compulsory recall in September—one month after August we issued, as required, a proposed recall—that developed and changed into the staggered process we've got now, because of our inquiries.

Mr Sims: And I could add we had commission meetings each week on this topic as new information unfolded. So we were—not only the 12 people working through Christmas and on weekends, but the whole commission—very focused on this issue.

Senator KETTER: But isn't it the case that, if the risk of a malfunction increases over time, you accept that the delay in issuing a mandatory recall has increased that risk of injury between August and yesterday?

Mr Sims: The mandatory recall is actually going to reduce the time within which all these inflators are going to be replaced. So, without it, we would be in a much worse situation. That's why we've issued it today. The inflators themselves, yes, become riskier as they age, but that's not the only factor. The scientific evidence has demonstrated that these airbags can last 25 years. So they're perfectly safe for a long period of time. The worst of the worst, in the worst conditions, will present a safety risk in between six and nine years. So we needed to understand all this to identify what should be prioritised first and how to stagger the recall process.

Mr Sims: Back in August or September we would have been shooting in the dark a bit. The information we've now got means that we're right at the frontier of knowledge worldwide on these airbags. We know it backwards—whereas back then, having just taken over the area, there was a lot we didn't know.

Senator KETTER: Who pays for the inconvenience costs of hiring a substitute car while the airbags are being fixed?

Mr Grimwade: The manufacturers have to pay for the whole recall process. If a car is presented to a dealer for replacement and it takes more than 24 hours to replace that vehicle, then the consumer is entitled, under our compulsory recall, to a loan or a hire car.

Senator KETTER: I would like to move on to fuel prices.

CHAIR: There are a number of senators with questions. I'm just checking on the timing. Are you happy to keep pushing through, Mr Sims, and delay the break a little while?

Mr Sims: Sure. We'd certainly rather finish up than have a break and come back, if I could possibly do it. That would be great. Let's push on.

Senator KETTER: I'll try and be as quick as I can, Mr Sims. The last time we spoke was, I think, in October, and I raised with you the issue of BP's acquisition of the Woolworths service stations. Can you tell us briefly what your concerns are there? Because you've opposed that acquisition.

Mr Sims: Indeed. Thank you for the question. We spent about a year going through price information in all the main cities—basically, each time the petrol price changed, over a period, all through those markets, by each retailer. We had people tied up on this for months. It became clear that BP prices up to 3c a litre more than Woolworths. Secondly, when you look at those price cycles in the cities, BP moves faster in the up part of the cycle and slower down, compared to Woolworths. Woolworths does price lower and has a more dampening effect on the cycle. Given Woolworths's size in the market, we were very concerned that a high-price player would be taking out a low-price player, and a very important low-price player. There's no low-price player as big as Woolworths, that's for sure. You've got other ones like United and 7-Eleven, but they play a much smaller role. We were very concerned about the overall price level of petrol going up, per se, but also the cycles being more aggressive. So we're concerned for consumers paying more for petrol.

Senator KETTER: You've called on consumers to take up fuel price websites and apps, and shop around in response. Are you monitoring that? Do you have a sense of how that's going? Are consumers taking that up?

Mr Sims: They are, increasingly. We need to do more here. When you look at the petrol market, you can benefit yourself in three ways. Because you have these fuel price cycles, where the price can go up 25c in a couple of days and then take weeks to come back down, if you time when you purchase—not get it absolutely right, but just time broadly when you purchase—you can save yourself a lot of money in a way you can't

otherwise. It's very irritating for consumers with these price cycles, but you can actually save money. We provide advice on our website about when to buy. Of course, you can get apps, such as 7-Eleven's, in which they'll hold the price that you happen to identify for a week after you click on it in the app. So there are various things you can do. Where to buy is another factor. Irrespective of the stage in the cycle, in most cities there's a reasonable variation on price. We're not suggesting people drive across town unnecessarily, but as you're making your journey you might detour a bit. Also, we've been saying who you buy off matters. Coles and BP are generally higher priced than Woolworths and United. So there's a lot consumers can do. Ours is a monitoring role. We see our role as helping consumers navigate this complex market. It's a big-ticket item.

Senator KETTER: Yes, absolutely, and there is a lot of frustration in Queensland in relation to this matter. Do you have the power to force real-time disclosure of prices?

Mr Sims: No, we don't. That would take government legislation. Our power is to enforce the Competition and Consumer Act. That has been done in New South Wales and the Northern Territory. At the moment they are the only two states that have implemented that. There is FuelCheck in New South Wales, and something in the Northern Territory came in—I've just forgotten the name, but it's got 'fuel' in it—in November.

There is, of course, information that you can get from the private websites, such as MotorMouth and GasBuddy, but those sites aren't as comprehensive as the government imposed sites. So various motoring organisations are lobbying their state governments to get those schemes in.

Senator KETTER: Would it be preferable to implement such a system at a national level rather than state-by-state?

Mr Sims: I'm not sure, Senator. The answer is actually no, on reflection. In Perth they already have a system that they own where you have to let people know the price the day before. In Perth you've got this regular cycle. It's a weekly cycle. It works like clockwork. I'm absolutely stunned that this is what happens. But the good news for motorists is if they buy on a Monday they will always get cheaper fuel. They will reliably pay significantly less for their fuel, and people do—more than one-quarter of people buy on a Monday. So you wouldn't want to impose something nationally that wiped out what Perth has got. My own view is it should be a state-by-state thing.

Senator KETTER: Have you done any further work on policy changes that might be required to allow more entrants into the market?

Mr Sims: Well, it's a difficult one. Obviously we've opposed BP Woolworths, which we think would make the market a lot worse. Encouraging new entrants is more a local thing to do because it has got a lot to do with planning approvals. I know in the Northern Territory they were thinking about—and maybe they did do it; I'm sorry, my memory is letting me down a bit—opening up a site provided you were going to price in a certain way. So I think those things are best done locally. We've been pointing out what can be done, but we've never thought it appropriate that we have powers to do that sort of thing.

Senator KETTER: Is this something that you could take on notice for me—to look at what policy options would be available to facilitate new entrants to the market?

Mr Sims: Yes, indeed, we can do that.

Mr M Cosgrave: We can also describe what recommendations we've made in our various market studies in the past year.

Senator KETTER: I've just got a couple more questions on this issue. Your website on petrol prices has a graph showing retail prices and the Singapore international benchmark price. Are you concerned that this gap has been widening in recent times? Are there policy changes at a national level best placed to tackle this issue?

Mr Sims: We are concerned about that. The margins have gone up. Our most recent quarterly report said that margins were about 4c higher than they had been on average and they are now higher than since we've been monitoring petrol. That is the gap that you're talking about. That is of concern to us. We think it's got a bit to do with the fact that Coles is now pricing higher and that has led the market up, but it's hard to work out why that has happened. Certainly the profits of the petrol industry at the moment are looking pretty good. We are urging consumers to exercise their rights to buy from the lower-priced players and to buy at the right time. We actually think not only this can help consumers individually save money when they fill up the tank but the more that the companies suffer a loss of volume when they price higher, which Coles has done a bit, the more consumers send signals that high prices aren't going to pay off for them. It has a real disciplining effect on the market. Our main focus is helping consumers navigate this complex market.

Senator KETTER: I appreciate your work in that regard, but the last time you investigated the fuel price cycle and its impacts was in 2007. There have been quite a lot of changes to the market since that time. There seems to be a strong suggestion that petrol retailers are maximising their margins and their profits, and you've identified that. Are you willing to take a fresh look at the fuel price cycle?

Mr Sims: Most definitely, Senator. It is on our list. It will be the second or third study we do this year. Under the monitoring direction we can do both quarterly reports and deep dive studies. That's the second or third one we will be doing this year. We accept it's been a long time since we've looked at it. I keep saying to people that we only have a small number of resources in each of the many areas we look at, but that's going to be prioritised. We'll do that this year, definitely.

Senator KETTER: Will that be a deep-dive study?

Mr Sims: Yes, it will.

Senator IAN MACDONALD: I'm a bit confused. I see advertisements on the TV and I've looked at your Energy Made Easy website. You have to know the answers to understand what questions to ask. I come from North Queensland, where TV ads at night say 'Get a quote from another retailer,' but in North Queensland—say, Rockhampton or Mackay, with 100,000 people in each town; Townsville, with 200,000; Cairns, with 100,000; and smaller places in between—there is only one retailer. Is that your understanding?

Ms Proudfoot: Yes, Senator. For the most part, residential customers in North Queensland are supplied by Ergon Retail. The area is open to competition, but at the moment there aren't a lot of retailers outside of Ergon who have taken up the opportunity to enter the market.

Senator IAN MACDONALD: Is that something the ACCC is interested in—that there is only one retailer, a state-owned retailer?

Mr Sims: I think the essential problem is that they get a cross-subsidy. In Queensland they've always had a system with Energex in the south and Ergon in the bulk of the state. They cross-subsidise so that you equalise the network costs, which would otherwise be massively different. Because it's Ergon getting the cross-subsidy, nobody else can compete.

Ms Proudfoot: That's right.

Mr Sims: So it's basically a policy issue from the Queensland government, and not one we can do much of anything about.

Senator IAN MACDONALD: You'd be aware that the state government dumped \$4.1 billion worth of debt on the two state-owned distributors, which of course then adds general revenue debt to the poor old payer of electricity prices in North and Central Queensland.

Ms Groves: We regulate the network prices for the two distribution networks in Queensland. The way that we set those revenues is based, essentially, on questions around debt, and the cost of financing those businesses are based on benchmark approaches. So the particular financing practices of the individual businesses don't drive the outcomes of the returns that they get. Different owners structure their businesses differently across the National Electricity Market for a variety of reasons. Our framework is aimed at ensuring all energy consumers face an efficient benchmark cost. So we look to—

Senator IAN MACDONALD: Does that mean you don't take into account externalities, like any debt that is dumped on these retailers from the general revenue of the state of Queensland?

Ms Groves: I think that's correct, yes.

Senator IAN MACDONALD: So you don't take that into account?

Ms Groves: We don't.

Mr Sims: We use an average benchmark of what a typical business, as distinct from that business, would do.

Ms Groves: A typical efficient business.

Senator IAN MACDONALD: Have either of you been referred, either formally or informally, to a report in the *Townsville Bulletin* of 23 February, of a small business owner who owns tenpin bowling facilities both in Townsville and in Bundaberg, 1,000 kilometres to the south. He says, according to the paper, that he was paying 32.8 cents per kilowatt hour in Townsville, and 27.5 cents per kilowatt hour in Bundaberg. Has that particular case been referred to you? If hasn't, should it be?

Ms Groves: No, I'm not aware of that particular case. Consumers do face different electricity costs across the NEM, and within regions there are a variety of reasons why that might be the case. I'm not particularly aware of

the details of this one, or what might explain the differences for that particular small business, but there are a variety of potential reasons they may face different costs at different locations.

Senator IAN MACDONALD: Can you give me an example of the variety of reasons? Just one-word examples would do.

Ms Groves: What I'm not aware of is whether or not the customer is being supplied by the same retailer in both locations.

Senator IAN MACDONALD: One is the state government owned Ergon and the other is the state government owned Energex.

Ms Groves: Oh, in terms of the network costs. The network costs for the businesses can be different because they do have some different cost drivers, and that can translate through to network tariff differences on some regional bases. There are mechanisms that ensure those costs in regional centres are kept more in line with the costs in South-East Queensland in the Energex area, but there still are some differentials based on location.

Senator IAN MACDONALD: So your cross-subsidy comment before is irrelevant?

Ms Groves: No. These are essentially Queensland government policies, but there are mechanisms in place that, for some customers, ensure that, if they're in regional Queensland, they do not see the full costs of what would normally be the supply by Ergon, which has a higher cost of supply. It has a very large area it needs to cover, and it supplies a smaller number and more widely spread set of consumers. They're some of the key drivers for costs of electricity networks.

Senator IAN MACDONALD: So 32c versus 27c for exactly the same businesses, both along the coast of Queensland and both well outside the capital city—that doesn't strike any curiosity in your mind?

Ms Groves: My other question would be: is that just the network component of it or is it the retail energy price?

Senator IAN MACDONALD: That's what he's paying for his electricity bills. He says he is paying \$500 a day for electricity for a tenpin bowling place, which he says, in this newspaper report, is simply unaffordable. It means another two small businesses will soon go out of business because they can't afford the electricity price.

Ms Groves: That's referring, then, to the total price. Network charges are one component of that price. The cost structures of other components of the price, including the retail cost structures, do differ not only across regions—

Senator IAN MACDONALD: So, if we had a coal-fired power station in the north, the network charges—the poles and wires—would be lower. Is that what you're sort of saying? We in the north pay more because there's a long transmission from Central Queensland to the north?

Ms Groves: No, I'm not saying that. The cost for the customer will be made up of their wholesale energy costs, their network costs, which are a combination of both transmission and distribution costs, and their retailer costs. These are all of the issues that Mr Sims has set out as components of energy bills.

Senator IAN MACDONALD: My time is relatively short. Mr Sims, where there is a monopoly supplier in that situation, where it is the same business and the same electricity in the same state, is that something that you can't look into because it's state government owned? Clearly they're gouging.

Mr Sims: Let me just say a couple of quick things—I realise time is short. Certainly prices for electricity right down the east coast are way too high, and they will drive companies out of business. We are very alive to it. There's just no doubt about it, and that's why we're focused on doing what we can to get the prices down. Secondly, when I went to the public forums in Townsville, certainly there were cases where Ergon, as the retailer, was putting on fixed charges in some places that it wasn't in others, and that's an area we can look at. I don't have more detail on that, but that's something that is there. But, the fact that you've got the cross-subsidy does, of course, lower prices for North Queensland and raise them for South Queensland. That creates the monopoly, so, given that that's come out of government policy, the answer to your question is: no, there's nothing we can do about that situation.

Senator IAN MACDONALD: I'll leave it there, but I'll ask this gentleman who's quoted in the *Townsville Bulletin*. I'll contact him and see if of his own accord or he'll allow me to refer those cases to both of you—

Mr Sims: If you pass his number on, between the two of us, we can get in touch with him, Senator, definitely. We're very keen to talk to him.

Senator PATRICK: Just quickly, with your indulgence, Chair, I might ask Senator McGrath whether he's given any thought to releasing the Productivity Commission's letter, as we discussed last night?

Senator McGrath: No, I've taken it on notice. I can't give you a more substantive answer than that.

Senator PATRICK: I'm just trying to help you avoid a media storm.

Senator McGrath: I know you are. I've taken it on notice; I can't do more than that.

Senator PATRICK: You know, Senator Johnson made bad comments about South Australia and he's gone. Sam Dastyari made comments about our soccer team. I'm really fond of you—there's a curse, that's all, if you upset us.

Senator McGrath: I haven't said anything bad about South Australia. I love South Australia; I lived for a while.

CHAIR: Leaving romance aside—

Senator McGrath: I love Queensland more though; I do have that bias.

Senator PATRICK: Mr Sims, just turning to gas prices and the inquiry that is underway, you've explained in one of your recent press releases that the east coast wholesale gas prices remain higher than the Asian LNG spot prices and you've indicated we are still paying \$2 to \$4 per gigalitre higher than we perhaps would, if it weren't for a lack of supply. Is there any update on that? That's quite a recent release.

Mr Sims: Sure. There are two issues. The LNG plants in Queensland now set an export price for gas that affects the whole east coast market. We calculate a benchmark price based on the LNG price, and our view is that, in Queensland, prices are, say, a couple of dollars higher than they should be—so there's a bit of market power being exercised in terms of prices in Queensland—and that does flow down the east coast. Separately, we've made the point that, in the case of the southern market, which includes Victoria, New South Wales and South Australia, that market can pay up to \$4 more than it otherwise would, depending on whether it's got its own gas supply. If you have surplus gas in the south—at the moment, you've got a deficit of gas in the South. At the margin, the gas has got to come down from Queensland. If you think there's an \$8 price in Queensland at the moment, which is broadly right, you've got to add \$2 to get that gas down south. That makes a \$10 price in Victoria. If, on the other hand, you had a surplus of gas in the south—in South Australia, Victoria, New South Wales—then the alternative price of those selling to you would be to actually send it to Queensland, which would be \$8 minus \$2 equals \$6. So, the south is paying up to a \$4 penalty for having to rely on Queensland gas. So, there are two different issues going on there.

Senator PATRICK: So, the Bass Strait gas is not assisting in that regard? I would have thought there would have been sufficient gas coming from Bass Strait at this point in time to, notwithstanding export demand, at least fulfil those needs.

Mr Sims: The south, as a whole, is in deficit, so, yes, Victoria does produce more gas than it consumes. However, that market, because the way the pipeline system works, is its own market. Therefore gas producers can sell equally to South Australia, New South Wales, Victoria, and so you've got to think of that market as a whole. As a whole, they're short of gas and, at the margin, the price is set by bringing gas from Queensland.

Senator PATRICK: And you expect that to remain over the next how long—this deficit you're referring to?

Mr Sims: Bass Strait is about 45 years old, and it's an old, depleting field. We hope more exploration can be done to boost supply, but it really is, ultimately, a decision for governments. Both Victoria and New South Wales, and Tasmania for that matter, have effectively got moratoriums or restrictions on local gas exploration and development, so, given that the offshore fields are depleting, while ever those restrictions apply there'll be a deficit in the south for some time to come.

Senator PATRICK: The restrictions have been talked about quite publicly and by very senior officials and politicians. However, there was also the gas security mechanism that was introduced and could have been exercised by government, but they chose not to. Rather, they got an agreement from the gas suppliers. So, in effect, we've been given an assurance, by people up to and including the Prime Minister, that there wouldn't be a deficit because they had reached an agreed position with the gas suppliers. What you're telling me is that, in actual fact, the suppliers haven't come good on that promise that was made to the Prime Minister?

Mr Sims: No, I think, actually, they have. We were forecasting a supply deficit of anywhere between about 60 and 100 petajoules of gas for the east coast. Our most recent report, in December, suggested that the likely outcome was a fairly balanced market, and probably the most likely outcome was that you would have a 10- or 20-petajoule surplus. There could be circumstances where that would turn into a deficit. As a direct result of that meeting with the Prime Minister, the LNG producers did two things: they exported less gas onto the spot market—which I think was pretty strange for them to have sought to do in the first place, but anyway they cut back on that—and they also narrowed down their contractual commitments so they could put more gas onto the

market. They've done that. If you get more gas from Queensland then you've still got that transport penalty to get it down south, so the deficit I was referring to was in the south. Nowadays, in our gas market we've got a surplus in the north and a deficit in the south. Overall the market's fairly balanced, but it is very tight.

Senator PATRICK: Have you had any companies contacting you? I know that you talked with former Senator Xenophon's office and gave a contact point to enable us to forward companies who might have been concerned. Do you have a portal for companies to come to you and say, 'Look, we're in real trouble here'?

Mr Sims: Absolutely.

Senator PATRICK: Are you seeing a decline in calls? What's the status, from your perspective, of industry and any hurt that's occurring?

Mr Sims: Mr Cosgrave may be able to add to this, but we actually, more proactively, got out and contacted the companies.

Senator PATRICK: Yes.

Mr Sims: We were talking to at least a third of the industrial customers that needed gas. In our September report, we reported that they were getting one offer at ridiculously high prices. You had then around 20 companies that, in September 2017, did not have a gas contract for 1 January 2018, and without that gas contract they had to close their business. We proactively worked with many of those. We sometimes talked to the gas suppliers, and it's hard to know exactly what effect we had, but we were there and monitoring—it was a very unusual thing for the ACCC to do, but we were playing a role, I think. In the end, all those companies eventually got gas and they got it at sensible prices. But sometimes, before we intervened, these companies were told, 'No, there's no gas for you.'

Senator PATRICK: This goes to Senator Macdonald's question about gouging: one of the benefits that flow from you doing an inquiry is your power to look into what's really happening. Without necessarily naming trouble spots, have you witnessed any conduct that might fall into the category of gouging?

Mr Sims: We certainly saw prices that were higher than they should have been, which we think was due to the exercise of some market power. What are we going to do now? Our main focus late last year was tracking these companies and making sure they got gas. In 2018, we're going to look at each part of the value chain and take a closer look, particularly at the retailers, and see what their margins are. Using our information-gathering powers, we've got a very good handle on how much these people are paying for gas. We know what the people on the other end are paying for it; we want to see where the money is going in the middle. So that's a key focus of work this year.

Senator PATRICK: I will move very quickly to organic products.

CHAIR: Senator Patrick, you've had your 10 minutes. I think we might go to Senator Ketter, and then we'll come back to you, if you like. I'm just very conscious of time, and the Hansard people probably need a break as well.

Senator KETTER: I've just got a further follow-up question, just coming back to the Takata airbag situation. You've conceded that the death in Australia was from a beta version of the airbag. Why didn't the ACCC believe that there was an imminent risk of serious injury or death from the non-alpha bags? And you've already conceded that you were unhappy with the recall process that was occurring at the time. Why didn't the powers under section 132J get used back in August or September of last year under those circumstances?

Mr Grimwade: Just so I can confirm: you're asking why we didn't issue a compulsory recall immediately, without consultation?

Senator KETTER: Yes.

Mr Grimwade: To be frank with you, if we did that, I'm certain we would have got it wrong. We would have either recalled too few inflators, leaving a large number of affected inflators that were unknown to us out there, or we may well have recalled a wider range of airbags that didn't need to be replaced. The consequence of that would have been putting a lot of pressure on manufacturers and dealers to replace them immediately. And then, without the priority factors being applied, those of high risk may not have been replaced quickly or at all. As I mentioned before—

Senator KETTER: There was a death with the beta—

Mr Grimwade: Absolutely, and we took that extremely seriously. It was following that death that we launched our safety investigation and put a task force of 12 people on it to work for the next however long it took to get a regulatory solution that was going to deliver better safety outcomes for Australian consumers. That's what we did.

Mr Sims: There was already a voluntary recall. So in coming up with a mandatory one, you've got to come up with something that's noticeably better. Just turning the voluntary one into a mandatory one doesn't change much.

Senator KETTER: No, what I'm talking about is the recall that was occurring in relation to the beta version, where we have had a death. You were concerned about the progress of that recall?

Mr Sims: That's right.

Senator KETTER: Why didn't you instigate a mandatory recall back in August or September?

Mr Sims: Because we just couldn't. Sorry to be blunt here: yes, there was a death with those beta bags, but there was a voluntary recall going on. Our sense was that there wasn't good enough communication and a few other things, but we didn't know what else was happening. We didn't know what else should be done. You don't get many cracks at this; you've got to get it right.

Back in August we just looked at all the things that we didn't know and that we needed to know, and so we launched an immediate safety investigation when the issue came to us from the Department of Infrastructure. Mr Grimwade has talked about the 12-person team working around the clock to get the information to get this right. As Mr Grimwade said, had we not done that there was a real chance that a mandatory recall back in August would have had the wrong order of bags being recalled; it certainly would not have been recalling bags that should be recalled, because we just didn't know about them. We didn't know which affected Takata airbags were in what cars until we issued our compulsory information-gathering notices.

Mr Grimwade: Nor did we know how they could be replaced, and when they could be replaced.

Mr Sims: We're happy to take this up in another forum, because it's a big issue.

Senator BUSHBY: It's probably fair to say, Mr Sims, that the fact that, tragically, a death occurred underlined the need to ensure the response was the right one, and to have not taken the time that you've taken to look into it in the depth that you have and to have done something immediately at the time could have been characterised as a knee-jerk reaction, rather than an informed decision that proceeded in a way that appropriately recognises the gravity of the potential consequences?

Mr Sims: Yes. I think we think it would have been knee jerk, and I think we think it would have come up with an inadequate and possibly misfired—pardon the pun—recall. It would not have had the same effect.

Senator McALLISTER: Mr Bezzi, I just wanted to ask about your remarks last year at one of the public hearings for the Productivity Commission's inquiry into competition in the financial system. You said:

... we have been conducting a number of investigations into the financial sector and we are aware of investigations conducted by our international counterparts in benchmark rates and foreign exchange markets. Those investigations indicate that there is a culture of collaboration, even, in some instances, collusion between traders across financial institutions. We consider this culture may arise from systemic issues which warrant further analysis.

Are these still concerns for the ACCC?

Mr Bezzi: As a general matter, yes. As a general matter, we are concerned about these things. We do have some investigations that I'm not able to go into in any detail that touch on some of these issues.

Senator McALLISTER: So you are undertaking—

Mr Sims: Investigations as to whether there's a breach of the act. They're always confidential investigations.

Senator McALLISTER: It's not a thematic investigation into the issue more broadly, it's a specific investigation into a potential breach.

Mr Bezzi: That's right.

Mr Sims: We're doing two things. We've got our financial services unit, which at the moment is looking at how banks go about pricing their interest rates—that will conclude in June of this year. That's new work we've been given from the Treasurer. But separately we've got our continuing business-as-usual work investigating breaches of the act, and we certainly have some investigations underway that involve the financial sector.

Senator McALLISTER: Thanks. Perhaps, without going to the specifics of this investigation, you might explain for us how these questions around collusion in relation to benchmark rates and foreign exchange markets engage the provisions of your act?

Mr Bezzi: They arise because, under the Competition and Consumer Act, it's unlawful for competing businesses to collude with each other to fix prices, to share markets, to engage in bid rigging. They're very serious offences. They're criminal offences. They're known as cartel offences, and we investigate them. I should say, you may not be aware, we took action against Macquarie Bank and the ANZ Bank in December 2016. The outcome was announced—the decision was made in court—and that involved similar conduct to the sort of conduct that

you're describing and that I was referring to. That was a collaboration between traders involved in setting a non-deliverable forward rate for foreign currencies, mainly done in South-East Asia.

Senator McALLISTER: In terms of the overall regulatory behaviour for the financial sector, how does your work interact with that of ASIC, for example—perhaps APRA, but probably ASIC—in terms of this kind of conduct?

Mr Bezzi: We've worked closely with ASIC on a number of investigations where there is some overlap. By that, I mean that sometimes we see conduct that can be described as market manipulation or as collusion. We work closely with them to determine who's best placed to deal with the particular matter. ASIC had some cases relating to BBSW, which were the subject of some discussion between us, and we agreed that it was better for them to pursue those cases than for us to do so, for example.

Senator McALLISTER: Okay. Have you formalised any agreement with ASIC about how you establish this demarcation, or is it on a case-by-case basis?

Mr Bezzi: It's on a case-by-case basis, but we've had a lot of interaction over the last two or three years in this area, and that interaction continues.

Mr Sims: It's hard. Until you get the specific facts, you don't know whether it's a cartel or a market manipulation issue, so it has to be case by case. They're just a block and a half away, so we see them quite a lot.

Senator McALLISTER: Right. In your time working with them, have you had to navigate a circumstance where both of you were conducting an investigation at the same time?

Mr Bezzi: Into broadly the same conduct, yes. The instance that I referred to is an example. We were looking at the same sets of issues. In fact, we were doing some preliminary investigation work and we needed to form a view about whether we would put resources into pursuing the matter. We had discussions with them. We made a decision to allow them to pursue the matter.

Senator McALLISTER: Okay. Thanks very much.

Senator BUSHBY: We talked about the specific concerns around the Takata airbags. Some of the cars that were first fitted with airbags would be over 30 years old now—obviously, these aren't the ones that are subject to this. Are there any general concerns with either the safety or the efficacy of airbags that are 30-plus years-old now? Is that something that's come up? I'm just curious about this.

Mr Grimwade: That issue hasn't come up. Our understanding is that the risk is because of the use of phase-stabilised ammonium nitrate in these particular inflators. Other propellants used are guanidine nitrate—things that are more stable but more costly, I think. The issues that we've been focused on have really only come up with a particular type of inflator.

Mr Sims: I think it was just a design fault. It was a new design. I think we shouldn't have wider concerns.

Senator BUSHBY: In a broader way, it sparked a thought that a lot of cars aren't really designed to last for 30 to 40 years, but some do, and about the extent to which things that are put in there—that are probably only designed for a useful life of eight to 10 years—are still out there being used 20 to 30 years later. That's not particularly what I wanted to come back to ask about.

On fuel, I note that you were quoted recently, Mr Sims, talking about fuel prices in Launceston. You were saying that there is no doubt that Launceston motorists were paying too much at the bowser. Very briefly, given that we don't have very much time and I do want to ask another question, do you have any comment on that for the benefit of the committee?

Mr Sims: We stand by that. We think prices are probably four to five cents too high in Launceston. We're urging people to work out where to buy from and who to buy from, and to seek out the lowest-priced sellers, because there are differences in prices—I mean, United is a very good player in Tasmania.

Senator BUSHBY: That's been quite useful. I won't dwell on that, but maybe we will at later meetings of this committee. I've asked questions about this before, but on the issue of access to motor vehicle repair information: I know you've done a lot of work on that and came to some conclusions late last year.

Mr Sims: Yes.

Senator BUSHBY: Could you give us a brief update on where that all landed?

Mr Sims: That's now a recommendation that sits with government. We've liaised with our minister and the Department of Treasury on options to take that forward. Our report came out late last year. It was Christmas, so we're just starting a new year, but I understand that it's being actively examined. We're going to be pushing hard, but it's essentially now a policy issue for government.

Senator BUSHBY: What did you recommend, though?

Mr Sims: My apologies. We recommended that there be legislation, regulation, standard, various ways to do it put in place that requires the manufacturers to provide the same data that they give their dealers to help repair cars—that same data should go to independent repairers. We feel that needs some regulatory or legislative compulsion, because it's not in their interest otherwise to do it.

Senator BUSHBY: Is that a similar sort of scheme that you're recommending to what they do in the US?

Mr Sims: Yes, it is. We very much looked to the US scheme and had a great eye to that. Partly what lends strength to our elbow is the fact that we're not reinventing the wheel here; we're doing what has been done in some other jurisdictions.

Senator BUSHBY: It sounds like a very good recommendation. Hopefully those who are making decisions in the ministers' offices are listening to my comments on that.

Mr Sims: That would be great.

Senator PATRICK: I alluded to some questions on organics. There is a concern that for some of Australia's legitimate producers of organic products or produce there's an absence of legislation here that protects the brand. What work does the ACCC do to ensure companies who claim their products are organic meet the standards?

Mr Gregson: Our role in relation to organics marketing is to deal with any misleading that occurs or misrepresentations that occur. We don't have an ongoing monitoring or regulatory role other than enforcing the law. We're currently looking at a number of matters that have been referred to us involving organic claims. We tend to have regard to voluntary standards that exist, although our ultimate test is what the reasonable person on the street would think. We have been assisted by industry in trying to understand some of the marketing ploys and understanding what consumers understand 'organic' to mean.

Senator PATRICK: So there are investigations on foot; is that what you're suggesting?

Mr Gregson: Yes. We get a relatively large number of matters across the board come to us. Our job is to try to find those that have the biggest impact. So we've been spending a bit of time working on scanning the marketplace and working with industry to determine if there are matters for us to look at. There is a sample of matters that we're actively pursuing at the moment. Investigations do have the habit of shifting as we go through, and we've shifted paths a couple of times in the last few months on that.

Senator PATRICK: As you mentioned, the standards here are voluntary. Do you have a view on switching across to perhaps mandatory or compulsory standards and maybe increasing penalties? Do you have a sense as to the nature of the problem and whether we're in the right place in that regard? I understand also that the legislation is state based for some of the organic standards. Or is that not the case? Can it be done federally?

Mr Gregson: Certainly it would be open to government to consider Commonwealth approaches to dealing with it. It's probably an area outside our role. Our role is just to look at misleading conduct. We understand the Department of Agriculture and Water Resources have been approached, and they're the ones who are probably best able to comment on the policy pros and cons of further standards or legislation.

Senator PATRICK: But, in some sense, you're a holder of at least some government knowledge as to the problem by way of the number of complaints and the gravity of complaints that you get.

Mr Gregson: Sure. But, on that front, we've assisted departments and other stakeholders, and I should say it's not the biggest issue that comes through our reports. When we look at matters, we're not seeing it as the highest priority matter for the ACCC.

Senator PATRICK: I have some questions on Infinity Cables, but I will put them on notice.

CHAIR: Thank you very much, officers of the ACCC.

Proceedings suspended from 11:14 to 11:31

CHAIR: We welcome officers from APRA. Mr Byres, do you have an opening statement for the committee?

Mr Byres: I do have a short opening statement, which is being circulated to you. I would like to go through a couple of things, but in the interests of time, I will skim through the statement.

CHAIR: Thank you.

Mr Byres: I wanted to start this morning by highlighting the importance of the recent crisis management bill which, with the welcome endorsement of this committee, was recently passed into law by the parliament. That bill delivers a long-awaited and much-needed strengthening of our crisis management powers. Put simply, it gives us enhanced tools to fulfil our key purpose in relation to banking and insurance, and that is to protect bank depositors and insurance policyholders. That purpose is very much at the heart of all we do, and the legislation is designed

with that protection very much in mind. With the bill now passed, the task ahead for APRA is to invest in the necessary preparation and planning to make sure the tools within the new legislation can be used effectively when needed. We've got a lot of work to do in the period ahead to make sure that we, along with other agencies in the Council of Financial Regulators, are ready to use the powers when the time comes. But that's far from the only issue on our plate.

With the goal of giving industry participants and other stakeholders more visibility of our work program, we recently released a new publication outlining our policy priorities for the year ahead. The initial feedback that we've received has welcomed the improved transparency of the future pipeline of regulatory initiatives and the broad time line for them. That publication is one example of our ongoing efforts to improve our processes of engagement and consultation. Another is that we've just embarked on our most substantial program of industry engagement to date, as we seek input into the design and implementation of our next-generation data collection tool. Through that process, all of our stakeholders will have the opportunity to tell us at an early stage of its design what they'd like to see the new system deliver, as well as to influence how we roll it out.

More generally, I thought it would be timely to briefly recap ways in which APRA is accountable for the work we do. At a time when parliament has moved to strengthen the powers that APRA has, we fully accept that these accountability measures take on added importance. Those measures are many and varied. They start with the obvious measures, such as our annual report, our corporate plan, annual performance statement, and our assessment against the government's Regulator Performance Framework. We also make appearances before committees such as this to answer questions, and we now meet with the Financial Sector Advisory Council in their role reporting on the performance of regulators. Our annual budget and the industry levies that fund us are set by the government, which also issues a Statement of Expectations. We comply with the requirements of the Office of Best Practice Regulation in making our regulation, and our prudential standards for banking and insurance may be disallowed by parliament, should it wish. We've recently taken the steps to set out an overview of all of our accountability requirements—including some that we impose on ourselves—on our website, so that they can be better understood by our stakeholders.

We will also be subject to additional scrutiny this year through two other means. The first is the royal commission: we've already provided documents and information to the commission, and we'll continue to cooperate fully as it undertakes its important work. We've already provided documents and in to the commission and will continue to cooperate if ally as it undertakes its important work. Then we will be subject to extension sieve international scrutiny from the IMF over the year ahead as part of the 2018 Financial Sector Assessment Program, or FSAP, as it's known. The FSAP looks at financial vulnerabilities and regulatory arrangements in Australia, providing a report card on Australia and, in particular, APRA against internationally accepted principles of sound regulation. As was the case previously, we expect the IMF would find things we could do better, but we're ready along with other members of the regulatory community to give our full cooperation and, obviously, look forward to their feedback.

Finally, anticipating some questions on the issue of housing, I've circulated some charts attached to the statement which I thought might be useful for the discussion. With those somewhat rushed opening remarks, Chair, we'd be very happy to answer the committee's questions.

CHAIR: Thank you very much for providing a copy of the your opening statement. I assume the committee is happy to table that. Thank you. I might kick off the questions by asking a little bit about the non-ADI regulation and also housing lending that you mentioned. be happy for us to table that. Are you concerned about any macroprudential risks associated with non-authorized deposit-taking institutions?

Mr Byres: Not particularly at this point. The government proposed that legislation more as a reserve power. That's certainly as the way we've always seen it. If risks in the housing market grow and if the non-ADI lending sector grows in size and importance then it may be useful to have those tools and to be able to use those tools, but at this point the non-ADI lending sector is still a very small portion of the total housing lending market. Most housing lending still occurs through the ADI sector, which is regulated by us. So at this stage we're not anticipating using those powers. There is nothing in the pipeline.

CHAIR: What do those powers entail?

Mr Byres: Should we come to the view that the activities of the non-ADI sector in aggregate are a material risk to financial stability, we could make rules in the same way that we make prudential standards for the banking industry to try and find ways to reduce or modify risk-taking behaviours.

CHAIR: Can you give us an example of the types of institutions that would be caught under that umbrella?

Mr Byres: There is a number of different mortgage originators, finance companies and other sorts of vehicles that are not ADIs, so they don't take deposits from the public, but they are funded through other means, they compete with the banks to make housing lending, but at this stage, as I said, it's a relatively small part of the total housing lending market. The Treasurer has always refer to the powers and I've always referred to the powers as a reserve power, and I've said publicly previously that it's not a power that, once the law is passed into parliament, we're looking to use immediately.

CHAIR: All right. On the banks: during last year's House of Representatives Economics Committee hearings, the heads were asked about their strategies to comply with APRA's new limits on interest-only loans. I wonder if you could update the committee as to whether APRA's satisfied with how the major banks are responding to those changes.

Mr Byres: And here I would refer to the second chart down in the right-hand column. This is the chart that shows that interest-only lending within the system, not the just the major banks, has been reduced significantly over the last six months. It's now running at about 20 per cent of all new lending, so well below the 30 per cent benchmark that we set, and the chart below that shows the industry broken down into some different peer groups: the major banks, the other large and medium ADIs and then small ADIs. In the year to December 2017, which is the right-hand column in each of those charts, they are all now tracking well below the benchmark, so we would say we're comfortable with the way the industry has adapted to that benchmark.

CHAIR: The second round of macroprudential measures announced last year built on the ones from 2014. Perhaps you could for the benefit of the committee talk about how those measures have built upon the last round of measures and potentially the effects those new measures have had on, in particular, the change in the owner-occupier rate of housing?

Mr Byres: So, I would start with a caveat. Everyone likes to use the word 'macroprudential'. I think there are many things we do that are both macro and micro impacts, and so I tend not to use that term.

CHAIR: Just 'prudential' then?

Mr Byres: I know what everyone else means, so I'll answer your question. There have been a range of things that we have been doing. Some have been top-down benchmarks designed to signal to people where we think our risk tolerance is and where their risk tolerance should be. It's always been the case that, if they wanted to go above those benchmarks, they could, but they'd hold additional capital. That would be the likely outcome if they wished to operate in a higher-risk manner. At the same time, we've done work at very much a micro level, looking at lending policies and lending standards with a view to encouraging the industry to strengthen their lending standards. Our view—and we've said this publicly on many occasions—is that the industry had competed away sound lending standards and we were not comfortable with the direction it was heading in. Credit standards had been eroded and so we've spent a lot of time in the last few years trying to get lending standards back to where we think is a more comfortable level, particularly given we're in an environment of what we call heightened risk: high debt-to-income ratios in the household sector, very low interest rates, subdued income growth et cetera.

Collectively, the summary answer to your question is we think the quality of lending that the banking system is doing today is certainly higher and better than it was a few years ago. We've still got some more work to do before we would declare ourselves completely comfortable, but we certainly feel the industry is writing better quality business today than it was a few years ago.

CHAIR: The Treasurer described the new prudential—I don't want to say the word 'macroprudential' now; you've turned me off it.

Mr Byres: Everyone uses it. You may as well too!

CHAIR: He described the new prudential measures that you are implementing as a scalpel as opposed to a chainsaw with regard to housing affordability. Is that something you would agree with?

Mr Byres: We do what we do. I think it is easier for us to target particular sorts of activity than to change tax rates. It's also probably easier for us to target particular sorts of activity than to have the Reserve Bank change interest rates, which apply to everybody across the board. So I think that with these measures we can certainly be more nimble than some other measures that might be used, although other people have accused us of using blunt measures, so I think it's in the eye of the beholder, to be honest.

CHAIR: Fair enough. Capital city prices have obviously moderated over the last few months. Are there any key markets that APRA are monitoring more closely than others with respect to these potential risks that may be on the horizon?

Mr Byres: I wouldn't say there's anywhere in particular. All markets have different dynamics to them, and we've been very clear in saying that our target is not to seek to set the right level of house prices or determine what the right level of house price growth is. It's a factor in our consideration and tells us something about supply and demand—both the demand for housing and the supply of credit—but it's certainly not something we are targeting in some way, and we're not seeking to set house prices at any particular level or target a particular level of growth of house prices.

CHAIR: Thank you. Finally, can you let the committee know how much extra funding APRA will receive in order to perform your enhanced regulatory responsibilities?

Mr Byres: In terms of the non-ADI?

CHAIR: I suppose that's what we were discussing initially, wasn't it?

Mr Byres: Yes. I would have to take that on notice. There was a small amount improved in the budget. We'll take that on notice but are happy to provide that to you.

CHAIR: But there was an increase?

Mr Byres: There was an increment to our funding to allow us to implement the new requirements.

CHAIR: Terrific. Thank you, Senator McAllister.

Senator McALLISTER: Thanks very much. Mr Byres, you mentioned in passing that some people have said that your macroprudential interventions, much as you dislike the term, have been too blunt. I did want to ask you about the Productivity Commission's report into those measures. When you were considering a benchmark to limit the flow of new interest-only lending to 30 per cent, did you consider that banks could respond by increasing interest rates on all interest-only loans, notwithstanding the objective was just to slow the growth of new loans?

Mr Byres: We certainly knew it was a possibility. We certainly didn't go into this thinking there was no way that could be an outcome.

Senator McALLISTER: So you contemplated it?

Mr Byres: Well, yes, and the way we designed the measure was to be very specific, targeting the flow of new lending, so it is the flow of new lending in a particular quarter, relative to the total flow of new lending in that quarter. So it has no direct impact on the existing stock of loans, and you can't really comply with that new benchmark or adhere to that new benchmark by doing something with the other part of the portfolio. So we were conscious in the way we designed it and the way we specified it that it very clearly focused on the volume of new lending.

Senator McALLISTER: Yes, I understand that, but the PC draft report essentially says that, from the deposit-taking institutions' point of view, it was the logical choice to raise it across all loans, as new lending was restricted and, if all institutions raised interest rates, there was little risk that existing borrowers would move to a competitor and re-finance.

Mr Byres: Yes, I can understand that logic, and, as I said, it was something that we contemplated was a possibility. With these things, though, there are always many moving parts, and one of the other things that's playing out in the background of all of this is the FSI recommendation, recommendation 1, about stronger capital requirements in the banking system, which the government endorsed and we are tasked with implementing, and we've put out a couple of discussion papers that talk about how we propose to go about that. We have flagged that one way in which we intend to strengthen the capital requirements, given the risks in the system, is to focus them on housing. So banks, in thinking about their pricing and thinking about their portfolio allocation, are not responding purely to this particular benchmark but also responding to the fact that we've been very clear in flagging and we've just started our consultation process on higher capital requirements for those sorts of lending. So these two things are coming together; it's not just the benchmark that is influencing bank behaviour.

Senator McALLISTER: The draft finding from the PC was, nonetheless, that the action to slow interest-only lending on residential property led to a windfall gain for the banking sector.

Mr Byres: Well, I can't deny that they have raised rates and they have done that on the back book and that, all other things being equal—and quite often all other things are not equal—that related to their revenue.

Senator McALLISTER: At a hearing of the House Economics Committee last year, you were asked whether it was appropriate for banks to attribute increases in interest-only rates across both new and existing loans to APRA's interventions. I think in your answer you declined to criticise the banks for their actions. Do you think it was appropriate that the banks responded in this way?

Mr Byres: It is an option that's available to them to set their prices as they wish. I was asked a specific question about whether a specific quote was true or misleading, and I didn't want to enter into a debate and I'm not a lawyer about disclosure matters, but the point I was trying to make was that particular quote from the particular bank had said that regulatory initiatives were driving what they had done, and, as I said, they were responding not only to the benchmark that we had established but also to this broader push that we had flagged for some time that there would be higher capital requirements against certain higher risk lending categories, and interest-only lending was one of those things we had flagged.

Senator McALLISTER: The PC has argued very strongly that there was a very direct relationship between the intervention in relation to interest-only loans and the application of these rate increases across all loans. I hear your counterargument that it was in response to a number of drivers, not simply the one intervention, but, nonetheless, the PC has said that this was completely unsurprising, that, faced with the opportunity to reprice their loan book as a consequence of regulatory changes, banks did just that. They go on to say that this additional cost impost—part of which, through the tax deductibility of interest on housing investment loans, is now being paid by all Australian taxpayers—was not an objective of the regulator and means that the intervention could have been better focused.

Mr Byres: I'm not going to challenge the calculation. I think it's a fairly simple calculation and you can do it pretty readily to get to the numbers that the Productivity Commission has quoted. It is, though, one of those classic 'all other things being equal' calculations, and the assumptions behind it are that everything else would continue unchanged if APRA weren't making these interventions, and I don't actually think that's a valid assumption to make. We are going to talk some more with the Productivity Commission about this, because I do think they have rightly said that the intervention we made in establishing that benchmark was certainly the trigger for banks to act, but I don't think it was the sole driver of the actions, and we will talk about the nuances within them.

Senator McALLISTER: In that last quote that I read out, the PC is essentially saying that, because of the interaction with negative gearing, an increase in interest rates paid by investors is subsidised by taxpayers, and they see that as an externality that arises from this policy intervention. Do you accept that?

Mr Byres: I guess it's a fact, and it's a fact of tax policy, and we don't set tax policy; we don't advise on tax policy. For us, tax policy, monetary policy, a whole raft of things, are just taken as given. Every time interest rates move in the economy, whether it's because of a regulatory change from us or whether it's the Reserve Bank changing the official cash rate, the interest expense that various people incur will change, and the tax deductible amounts that they have, either through negative gearing or through other sorts of interest deductions, will change as well. So any change in the interest rates to the community, up or down, will have some implications for the budget through interest deductibility, and I don't think there's any way you can design something that avoids that.

Senator McALLISTER: Is it a factor in the thinking of the Council of Financial Regulators when you meet?

Mr Byres: On the tax issue?

Senator McALLISTER: Yes—the budget impacts and also, I suppose, given there is quite an active debate around the fairness of the negative gearing arrangements, I guess the distributive impacts of a change of this kind.

Mr Byres: I would say we haven't specifically focused on that specific impact, as we've talked about this, but Treasury is involved in all of these discussions, so they would be attuned to understanding what implications would be. They've never provided me with any advice on tax outcomes.

Senator McALLISTER: That's all right. The Treasurer confirmed yesterday that they disagree with Treasury advice on negative gearing. So we can move on from that. The PC has suggest that, for future macroprudential interventions, clear objectives should be set, banks' responses should be forecast and the Council of Financial Regulators should keep a tabled analysis of these. Is that the way you approach it at the moment?

Mr Byres: In essence, yes, though perhaps not with the formality that the PC has suggested, but we have some fairly simple objectives, which are to raise lending standards in the industry, and until we're comfortable with lending standards where they are, to make sure that lending, particularly to higher risk classes of mortgage lending, remains perhaps more subdued than it might otherwise do. We think on that measure, which is the prudential measure that we are primarily concerned about, we've made some good progress.

Senator McALLISTER: Just to confirm your evidence to Senator Hume earlier—the stated objectives of these measures were prudential soundness and system stability, not improving housing affordability?

Mr Byres: You are absolutely correct. It's about the first two and not about housing affordability. That's not an issue that's within our mandate.

Senator McALLISTER: Do you see these measures as permanent? Is there a point in time when you might consider winding them back?

Mr Byres: The two that we have specifically and explicitly declared as temporary measures are the 10 per cent benchmark for investor lending growth and the 30 per cent benchmark for interest only lending. The other work that we're doing in terms of improved lending standards, making sure people check borrowers' expenses properly and measure income correctly, and fraud control type mechanisms—I don't see anything temporary about those.

Senator McALLISTER: That's the new normal.

Mr Byres: We want those as the new normal. But the 10 and the 30, which are the two things that people most frequently call macroprudential in nature, we see as temporary.

Senator McALLISTER: Do you have a sense of when you might review those? Is there a timetable that you're considering?

Mr Byres: I'd say we keep them under constant review. They're a regular discussion each quarter at the Council of Financial Regulators. I think the 10 per cent investor growth benchmark, which we introduced some years ago now, is probably reaching the end of its useful life. The more recent 30 per cent interest-only benchmark we've only just put in place. We'd like to see how the industry settles and where it settles before we think about removing that anytime quickly. But both are under review, and obviously as circumstances change we'll modify as need be.

Senator McALLISTER: Chair, can I impose on the committee one last clarifying question?

CHAIR: That's all right. I'll take it off your next session.

Senator McALLISTER: Why is it that you think the 10 per cent benchmark is nearing the end of its useful life?

Mr Byres: Largely because, at an aggregate level, demand seems to have subsided. If you look at the chart, which is the second one on the left-hand column, industry aggregate lending growth to investors has hovered around only five per cent for a few years, so it would seem that general dynamics in the market mean that it's potentially becoming redundant, although some institutions are still growing quite quickly. But also it was put in place because we were particularly uncomfortable with the lending standards in which many of those loans were being granted. As those lending standards have been improved, the other one is no longer needed. It plays less of a role. It doesn't mean you don't care about the issue anymore, but its purpose is less now than it was.

Senator McALLISTER: I understand.

CHAIR: I should make a correction. Senator McAllister was absolutely right: I did in fact mean housing market risk, not housing affordability. It just rolls off the tongue these days.

Senator RHIANNON: In relation to your investigation into mortgage fraud, which APRA has not made public, has APRA found any evidence of illegal misconduct in the mortgage market by the major lenders?

Mr Byres: I wouldn't say what we've done is specifically a review of mortgage fraud. We've looked generally at lending practices across the board and the controls that banks have to make sure they get accurate information from borrowers et cetera and make a reasonable assessment of a borrower's ability to repay. Part of that is controls to make sure borrowers give true and fair information, but that's not the entirety of the exercise. The second part of your question, if I had it right, was: have we identified any systemic—

Senator RHIANNON: Any evidence of illegal misconduct.

Mr Byres: Illegal misconduct—not at this point; there's nothing that's been brought to my attention.

Senator RHIANNON: Brought to your attention—is it anywhere else within the organisation?

Mr Byres: I'm sure if someone had something of that nature in APRA, I'd know about it.

Senator RHIANNON: Do you need to take it on notice?

Mr Byres: I'm happy to take it on notice.

Senator RHIANNON: Thank you. Has APRA already provided this research or these findings to the royal commission?

Mr Byres: I'm not sure that the royal commission wants people to know what information we have or have not provided, but I can say that if they asked for it we would obviously give it. We would give all information that we were asked to give.

Senator RHIANNON: Shouldn't you also be proactive in providing the information?

Mr Byres: We'll wait and see what the royal commission asks. We could give them a whole raft of information, swamp them with things that are not relevant to them. We are talking with the royal commission about the issues that they are interested in. They have approached us not just for documents but for discussions on particular issues to improve their understanding, and obviously we're standing ready to help them as and when needed.

Senator RHIANNON: Has APRA in the last five years ever held back information from the public? I'm referring to information on a bank that APRA has identified as breaching mortgage lending laws.

Mr Byres: I don't think so, but I'll take that on notice. I do have to say, though, we have quite strict secrecy provisions that prohibit us from talking about information relating to individual institutions in the public. But if there was something that was a clear breach of the law then those issues would be, at the very least, handed over to other regulatory authorities.

Senator RHIANNON: I didn't ask for a specific bank. I said, 'A bank that APRA has identified as breaching mortgage lending laws.' Will you take that on notice?

Mr Byres: I'll take that on notice.

Senator RHIANNON: I'm interested, how do you actually choose to disclose or not disclose such information?

Mr Byres: Generally, the disclosures we make are not about individual institutions because of section 56 of the APRA act. As a general point, we're unable to disclose protected information, which is information about the affairs of an individual institution. We tend to talk through our discussion papers, through speeches, through other things about observations at the industry level.

Senator RHIANNON: What does it say about the job you are doing with mortgage fraud that the royal commission has prioritised this as the first issue that they are looking at?

Mr Byres: I said before this committee about three years ago that we were unhappy with mortgage lending standards. We thought they had got to very low levels and, in some cases, lacked common sense. So I can understand why the royal commission would think this is an area they want to look at. It's also the largest asset class on the balance sheet of the banking system, so if you're going to look for something that's important to the stability of the system and where most consumers are interacting with the banking system, it's an obvious place to start.

Senator RHIANNON: Is it also because you've been too slow to act on this? Is that a factor?

Mr Byres: We've devoted a lot of resources to this over the last little while. I think you can always say that when regulators have to intervene in the way we've intervened that, with the benefit of hindsight, you wish you would have done something sooner. That doesn't mean what you did at the time when you made any particular decision or didn't act was necessarily the wrong decision. So, of course, you wish you had got on to issues earlier—that's always a regulator's dilemma.

Senator RHIANNON: So you do think you should have got on to it earlier?

Mr Byres: No, I've said before I wish we had. But you make decisions on the information you have at the time. The more we've looked at this, the more we've dug into it, the more we've identified the need for improvements in the industry.

Senator RHIANNON: So do you think the banks are the target of the royal commission or is it your lax regulation, these failures?

Mr Byres: That's a question for the government.

Senator RHIANNON: But you could comment on it.

Mr Byres: There's an item within the terms of reference that invites the royal commission to comment to comment on the effectiveness of regulators. I'm sure they'll do that.

Senator RHIANNON: If we can't trust the banks to be honest with the information they collate to provide to you, what implication does this have for our understanding of financial system stability?

Mr Byres: I'm not sure of the first premise that says we can't rely on the banks to be honest about information they supply to us.

Senator RHIANNON: So you're satisfied with the information they provide to you? I thought that was—

Mr Byres: At a general level, yes. We've got substantial information-gathering powers, if we need to use them. There have been improvements needed in bank reporting in recent years, but it's not been a case of deliberate misreporting or other sorts of things that might suggest any sort of untoward behaviour.

Senator RHIANNON: A report in August last year by LF Economics, a macroeconomic research body, stated:

The unfortunate reality for victims of mortgage control fraud is that our regulators do not investigate allegations brought to their attention despite forensic evidence (paper trails) demonstrating evidence of fraud.

The evidence strongly suggests the regulators have done nothing to combat white-collar criminality in the mortgage market. That is a very serious allegation that points right at APRA from a research house that has spent a few years researching illegal conduct by mortgage lenders. Is there any truth to their opinion?

Mr Byres: To the extent that there were shortcomings in the way banks had been making credit decisions. As I said, we've been working to get those credit standards improved. When it comes to meeting responsible lending obligations to individual customers, that's primarily ASIC's responsibility. The responsible lending laws are enforced by ASIC. We work together on this issue. As I said, we've spent a lot of time focused on this issue over the last three or more years; in fact, we've devoted a very large amount of resources to it; and it's probably been one of the biggest commitments we've made.

Senator RHIANNON: I'll just go back to the question again. I asked: is there any truth to their opinion? The way you answered it, it sounded like a yes.

Mr Byres: I don't have their report in front of me, so I'm not sure of their precise opinion. If their general—

Senator RHIANNON: But I read it out quite clearly and I'm happy to read it out again.

Mr Byres: Could you, please?

Senator RHIANNON: LF Economics stated:

The unfortunate reality for victims of mortgage-controlled fraud is that our regulators do not investigate allegations brought to their attention, despite forensic evidence (paper trails) demonstrating evidence of fraud.

The evidence strongly suggests the regulators have done nothing to combat white-collar criminality in the mortgage belt.

Mr Byres: Their particular conclusion there, that regulators have done nothing, I think is clearly wrong.

Senator RHIANNON: In terms of the statement, though, the way you have answered in the more fulsome way, it sounded as though there was agreement or considerable agreement. Is that a fair comment?

Mr Byres: No. As I said, it's difficult for me. There's a subtle but an important distinction: issues around lender fraud are largely ASIC's responsibility. We have been focused on potential fraud—mechanisms by which banks prevent fraud by borrowers. We work together on those issues. But, again, I would make two points: we have recognised that there's a need for improved standards in the industry and we've been slowly but surely seeing that improvement. But I would certainly reject the idea that there's been no action at all.

Senator RHIANNON: I won't push it any further, but, when you say 'have recognised a need for improved standards', that certainly suggests you have some common position with that. In Britain, their financial regulator has capped mortgage lending to borrowers at 4.5 times their incomes. Should there be a similar cap on mortgage loan-to-income ratios here in Australia?

Mr Byres: We've certainly contemplated that, but decided that wouldn't be one of the tools we'd use at this point in time. We do keep track of it, and it is one of the charts—in the bottom right-hand side of the charts that were attached to my opening statement. I don't have the 4½ times; I have a six-times figure. We flag that as something we watch carefully, because we do think that's a higher-risk form of lending, obviously. The reason we haven't gone down that path and we've chosen to use other methods is that the loan-to-income ratio is not the best measure of borrower leverage. What you actually would like to know is the borrower's total debt rather than just the individual loan. Unfortunately, until now, we haven't had a way in which banks can identify a borrower's full set of liabilities. I've called that previously a blind spot that exists in the system. The new comprehensive credit reporting regime that the government is mandating will help fix that blind spot.

Senator RHIANNON: Thank you. Chair, I just have two short questions and then I'm finished. Could I ask them, please?

CHAIR: As long as they take less than two minutes, yes.

Senator RHIANNON: Thank you. If APRA were to hypothetically ban lenders from providing property investors loans to purchase an investment property where the rent will not cover the interest repayment costs and other running costs, such as negative gearing, would this make house prices more affordable and reduce risks in Sydney—

CHAIR: I think that's beyond hypothetical, Senator Rhiannon.

Senator RHIANNON: and Melbourne housing markets? Okay. Does APRA have data on what the average cash—not equity—deposit is relative to the size of the purchase price in Sydney and Melbourne?

Mr Byres: We may have, but I'd have to take that on notice. Particularly, I'm not sure that we have city-by-city data, but I'll take it on notice.

Senator RHIANNON: Thank you.

Senator HANSON: As I understand the role of APRA, is the oversight body providing regulation of the banking community, especially in areas such as the retention of capital reserve funds against lending and calls by depositors on their funds, and compliance by the banks with the regulations and directions of APRA in the bank mode of operation. Is that correct?

Mr Byres: Broadly speaking, that's a summary—yes.

Senator HANSON: In view of that role and in view of the extremely large number of complaints by borrowers against various banks on application completions without consent or instruction by the applicants, what action has APRA taken to ensure the banking code of conduct is adhered to?

Mr Byres: Here is where there's a division of responsibilities. Responsibilities around responsible lending—which are essentially the issues that you talked about: banks making loans to individual customers that those individual customers can repay—are primarily supervised by ASIC. Our responsibility is actually on the other side of the balance sheet: making sure that banks have, as you talked about, appropriate capital and other liquidity et cetera, to make sure depositors get their money back. So our primary focus is protecting depositors. ASIC is primarily focused on whether borrowers are getting responsible loans.

Senator HANSON: In light of that, with regard to the ANZ bank takeover of the Landmark book and taking into account that, approximately eight months' later, ANZ placed so many borrowers under that loan book into default, did APRA notify ANZ on or around that date that its reserve funds were not compliant with the APRA regulations and that the bank was required to correct that imbalance, which resulted in triggering the default notices against numerous farmers who had not, in fact, defaulted in their interest repayments?

Mr Byres: I don't think so, but I'll take that on notice and will confirm that for you.

Senator HANSON: Thank you. Taking into account the fact that APRA must have been aware of those numerous defaults, did APRA take any action to satisfy itself that the ANZ bank was compliant in all respects to APRA's own regulation oversight of the banking industry?

Mr Byres: Did APRA take any action in relation to ANZ and Landmark?

Senator HANSON: Yes. Did you actually investigate when ANZ took over Landmark's clientele books? They actually didn't have the funds. They were not compliant with your regulations and the loans, and then they had to start foreclosing on the customers who were not behind in their repayments. Was the bank investigated by APRA—that they were actually complying with the rules and regulations? And, if not, why not?

Mr Byres: I'm sure we were monitoring ANZ to make sure they were compliant with rules and regulations. I can't remember the exact time of the Landmark acquisition, but I'm certainly not aware of any suggestion that ANZ didn't have sufficient funds or didn't meet the prudential requirements that we set. But, again, I'll take it on notice. I'm happy to confirm that for you.

Senator HANSON: Has any investigation been done into it that you're aware of? I think it was around 2014.

Mr Byres: Not by us.

Senator HANSON: Were complaints put into APRA by the clientele, by customers, with regards to—

Mr Byres: It's quite possible. It's quite possible that Landmark customers—but I don't have those facts and figures here. Again, I'm happy to tell you what complaints we got, on notice.

Senator HANSON: But, if you did get a number of complaints, you would have investigated. But you're not aware of any investigation?

Mr Byres: I'm not aware. Depending on the nature of the complaints, we may have passed the issues to ASIC, because they may have been more appropriate for them to investigate. As I said, I'm not aware of any investigation. I'm happy to take it on notice and confirm, but I think the answer will be we didn't undertake one.

Senator HANSON: Thank you. In the last session of parliament, the Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Bill 2017 was passed. According to the report on this bill by the Senate Economics Legislation Committee, this parliament understands that bank deposits are protected by the Financial Claims Scheme, the FCS. I note the committee report states:

The FCS provides protection to deposits held in financial institutions and to policies with general insurers in the event that a financial institution fails. The FCS will be activated by the Australian Government when an institution fails; and once activated will be administered by APRA.

The question that many voters are very worried about, and I am anxious to have verified by APRA, is: are bank deposits currently protected by the FCS—that is, is the Financial Claims Scheme currently activated?

Mr Byres: Sorry, is it currently—

Senator HANSON: Activated.

Mr Byres: Well, it's not currently activated in the sense that it's only activated when a bank fails. But, if it is activated—so, if a bank fails and the government activates the scheme—then depositors in ADIs up to the amount of \$250,000 are protected.

Senator HANSON: Basically, then, you're saying—

Mr Byres: The legislation is there; it's available. If the circumstances arise that a bank fails, the mechanisms are there for it to work. The government, in a sense, switches it on, and we go through the process then of making sure that depositors, as I said, up to the limit of \$250,000 per ADI, get their money.

Senator HANSON: You're protecting it. The bank accounts are protected.

Mrs Rowell: APRA have undertaken a lot of work over the last couple of years around implementation of the Financial Claims Scheme, working with industry to put in place prudential standards around reporting to us and reporting to the Reserve Bank on the amounts that are protected—and also running trial runs on the provision of information to the Reserve Bank—to test, when the FCS is activated, that banks, APRA and the RBA will actually be able to effectively get money to depositors within the time frames that are specified.

Senator HANSON: I'm getting—

CHAIR: As a follow-up—sorry, Senator Hanson—you're absolutely right. There was considerable concern from a particular group called the Citizens Electoral Council, who actually are a political party. But I understand APRA submitted to that particular legislation inquiry and testified to that extent, and so did the RBA and so did ASIC, and they said that those powers are not at all a threat to depositors' funds.

Mr Byres: As I said in my opening statement, our core purpose, set out in the Banking Act, is to protect depositors. The FCS is there to make sure that particularly retail depositors but also depositors with amounts up to \$250,000 are not at risk of losing their money, should a bank fail.

Senator HANSON: So that's guaranteed by the government? It's definitely there—there are no problems with that guarantee?

Mr Byres: That's right. The way it works is that, if needed, there's an appropriation that exists that can be drawn on to give depositors their money, and then there's a mechanism by which that cost is spread over the rest of the industry and recouped from the rest of the ADI sector. So it's not a cost to the taxpayer, and it's certainly there to protect the depositors.

Senator HANSON: I've had a lot of concerns from people getting in touch with my office, and they're actually really concerned. The crisis resolution powers and other measures act empowers APRA to make determinations in secrecy to access private depositors' accounts in a time of financial crisis to meet monetary demands. Would APRA state categorically the act does not grant APRA that power?

Mr Byres: Well, I'm a bit unsure of the specific act; I don't know whether any of my colleagues have an answer. Clearly, under that power—under that whole arrangement, when you have a bank failure—part of the information we need is: who are the depositors, what are their accounts and how much money have they got, so that we can exercise the Financial Claims Scheme to get them the money. If it's information about depositors, it's essential we have that information so that we make sure the payments go to the right people who are eligible to receive them for the right amounts.

Senator HANSON: We've got passed, guarantee the depositors there up to \$250,000. What I'm saying, in reverse now, if there's a crisis in this country, can depositors' moneys be taken from them?

Mr Byres: In the Banking Act, essentially if you have less than \$250,000, the Financial Claims Scheme kicks in, you get your money. For all depositors—be they individual people, be they businesses or be they large

corporates—who have more than \$250,000, the next thing the Banking Act says that for the assets to the bank, depositors have priority over everybody else. So other creditors of the bank—

Senator HANSON: My question was—

Mr Byres: So they're first in the queue.

Senator HANSON: My question was: in a crisis in this country can you enact to actually take the money out of depositors' accounts, as happened in Crete and Greece?

Mr Byres: No. We do not have the power—

Senator HANSON: You cannot take—

Mr Byres: We do not have the power to bail in—as is the sort of the common-language term—depositors' money.

CHAIR: Senator Hanson, I think that question has been asked and answered numerous times. We might move on.

Senator KETTER: Just a couple of questions in relation to the APRA levy. Can you tell me who decides on the amount raised through the APRA levy?

Mr Byres: Our budget is obviously in the budget papers. We have our expected expenditure, and it is in the budget papers. If we wish to change that—to seek more funding—we go through all of the usual budget approval processes. So the quantum of our total spending is determined by the government and ultimately approved by the Treasurer. Then we have a process which is, again, set out in legislation, through which there is a process; we, in a sense, have a time management system in APRA, where we allocate the time we spend to the different industry sectors. And then there are formulas which determine, in a sense, a maximum, a minimum and a floating rate that allocates the costs across all of the institutions we supervise. Those rates are approved by the government before the levies are finalised.

Senator KETTER: Okay. Well, I'm sure you're aware that there's concern out there in relation to the backlog at the Superannuation Complaints Tribunal and the transition across to AFCA. Can you tell us whether the APRA levy could be raised to provide additional funding for the SCT to deal with that backlog of cases?

Mr Byres: Well, it's certainly theoretically possible. Strictly speaking, it's not called the APRA levy, because increasingly it's been used for things other than APRA. But there are things that the government has used that levy process to raise money for, other than APRA. So, yes, it could be.

Senator KETTER: So, that—

Mr Byres: But that's a matter for the government, not—

Senator KETTER: Sure. And what about the costs associated with the transition to AFCA? Is that the same boat?

Mr Byres: Yes, it's really a question for the government in terms of who it wants to allocate those costs to and how it wants to collect them.

Senator KETTER: Okay. I want to skip across to your annual report—

Senator McGrath: I just need to clarify one thing, is that legislation has been passed to establish a one-stop shop, which will be industry-funded, just so you're aware of that, to place that on the record.

Senator KETTER: Thank you. Your annual report, and there was a delay in the release of the annual superannuation bulletin. And I understand that you released that annual data on the superannuation sector around the end of January each year. Can you tell us what's the reason for the delay?

Mrs Rowell: I'll answer that, Senator Ketter. We don't have a specific time by which we release the annual statistics. In part it depends on the processes that we need to go through around review of data quality and going back to institutions with queries to make sure that the data, when we publish it, is appropriate and accurate. That process normally is completed to enable us to release the statistics sometime in February. This year it's taking a little bit longer for various reasons, partly to do with some changes in our internal processes, partly to do with various data quality validations and questions. So we are anticipating having the annual publications out in March.

Senator KETTER: Can you tell me more about those changes in your internal processes? Wouldn't this process be largely automated?

Mrs Rowell: There's a substantial part of the process that is automat but, in the final steps of the process for releasing the publications at present, much of the work that needs to be done around ensuring that confidential

data is not released and ensuring that any adjustments to submitted statistics are made, needs to be done manually rather than automatically. And so at this stage that's really the key to the process this year—that's taking a little longer than it has in previous years.

Senator KETTER: Would you categorise that as some sort of research paper that addresses concerns about how data is being used?

Mrs Rowell: I'm not quite sure what you're referring to there, Senator.

Senator KETTER: Well, in terms of—you said there were concerns about the data.

Mrs Rowell: These are just our normal validation processes which check the consistency of information from the quarterly returns to the annual returns; also large movements in figures from one period to the next; and just going back and checking that all of the information that has been submitted is accurately reflected in the information that has been provided to us.

Senator KETTER: So—

Mrs Rowell: It also needs to adjust for things like mergers and acquisitions that take place within the industry, and making sure that the statistics are accurate and those sorts of things. There are a number of steps in our processes around releasing our publications that need to be gone through before we're satisfied that they're of suitable quality to release.

Senator KETTER: Okay. So is the delay anything to do with resourcing at APRA or whether you're planning to release additional information for analysis?

Mrs Rowell: It's not to do with the release of additional information. It's partly to do with systems limitations, which we are seeking to address through a major project to revamp our data collection and analysis and publication processes. And, as with all things that APRA has to do, we need to make careful decisions about resources and we don't always have the resources we need to do everything that's on our plate.

Senator KETTER: Okay. And can you tell me whether APRA has provided any data to the Productivity Commission to assist with their review of the superannuation system?

Mrs Rowell: We have been in significant liaison with the Productivity Commission and provided them with various data and information to assist them.

Senator KETTER: And that data that you provided, is it publicly available?

Mrs Rowell: Some of the data that is provided is part of our published statistics and some of it is not. Some of it is confidential information that is not able to be published at this stage but we are able to provide to other regulators to support their activities.

Senator KETTER: Can you tell me why that data is confidential?

Mrs Rowell: Because when we introduced the data collection—and this is the same across all of our industries—we go through a process of consultation with industry about what data should be made confidential and what data should be made non-confidential. When we did that process with the superannuation industry back in 2003, the industry were very firmly of the view—or parts of the industry, depending on which statistics or information you were talking about—felt very strongly that some of the information should not be publicly released.

Senator KETTER: Have you provided the Productivity Commission with the June 2017 fund level data at this stage?

Mrs Rowell: I'd need to take that on notice. I believe we have provided some information based on June 2017 data to the Productivity Commission, but what specifically, I'd need to take on notice.

Senator KETTER: Have you provided the Productivity Commission with MySuper asset allocation data at the product level?

Mrs Rowell: The MySuper asset allocation data is publicly available.

Senator KETTER: At the product level?

Mrs Rowell: MySuper is a product, and so MySuper data is available at the product level.

Senator KETTER: You do collect asset allocation data at the product level? Is that publicly available?

Mrs Rowell: The asset allocation information for MySuper products is available at the MySuper product level.

Senator KETTER: Okay. We will just—

Senator McALLISTER: In aggregate? I actually genuinely don't know the answer to this question, Mrs Rowell—

Mrs Rowell: There is an Excel publication that is released on a quarterly basis that includes all of the information that we collect for MySuper products, and asset allocation information of each fund—there's a line item in that spreadsheet—that has the asset allocation for each MySuper product.

Senator KETTER: I just wanted to turn to those statistics that have been released. That was on Tuesday this week. I just had the opportunity to have a look at the performance of industry funds and the retail funds. Can you confirm that the difference in returns there, the outperformance of industry funds is 2.31 per cent?

Mrs Rowell: It depends what period you're talking about, Senator Ketter, and I would say, as I have said on many previous occasions, that aggregate sector information on performance is not meaningful, and it is more relevant to look at the distribution of performance across the various funds, in the population, where the picture is quite varied, with a number of industry funds, but also some retail funds performing well over the different periods, and a number of industry funds, retail funds and corporate and public sector funds, for that matter, across all segments.

Senator KETTER: Sure. But I'm talking about the year-end December 2017 figures, your own figures.

Mrs Rowell: Well, the figure would be as per the publication, which I'm sure—I don't have that detailed breakdown with me.

Senator KETTER: Now, I understand we've had this conversation on a number of occasions.

Mrs Rowell: Many occasions.

Senator KETTER: I'm interested in whether you're doing any work to drill down on what I would call an outperformance by the industry fund sector. Perhaps one of the areas you could look at is the comparison of asset allocation between the two sectors. Your data very helpfully does provide a breakdown of asset allocation within industry funds and retail funds. Can you confirm that the asset allocation between those two areas is—the differences are fairly small?

Mrs Rowell: Well, again, it depends whether you're talking about MySuper default products specifically, or the whole RSE operations of—

Senator KETTER: I'm referring to tables 3D and 5D of your recent bulletin.

Mrs Rowell: I don't have those tables with me. At an industry aggregate level, or sector level, there are some differences in asset allocation across the different parts of the industry, but when you get down to individual funds, you get much more dispersion or variation in asset allocations. So, again, particularly when you're looking at choice products there is quite varied asset allocation and of course retail trustees have a much heavier proportion of choice products. When you're looking at the default products, even there, there is variation in asset allocation across the different products, because they set their risk and return targets and their risk appetite, if you like, at different levels, and so that risk appetite would be reflected in different asset allocations and that can play out in different returns. So it's really important to focus on what is the stated objective in terms of risk and return that the trustee has set, and how is the trustee delivering against that. That is absolutely something we look at on a regular basis and raise any questions we have with the relevant funds.

Senator McGrath: I think we might maybe take that on notice in terms of any additional information to be found.

Senator KETTER: Senator McAllister has a question.

Senator McALLISTER: I just have a quick one, Mrs Rowell. Can I just clarify, you said that you report at product level, but is that the aggregate impact within an RSE for product? My understanding is that, of course, each RSE may have a number of different MySuper products. Do you disaggregate it down to that level?

Mrs Rowell: The separate MySuper products would be reported separately and the information—

Senator McALLISTER: For each—within each category for each RSE?

Mrs Rowell: I believe so, but I can confirm that on notice.

Senator McALLISTER: Okay, that would be useful. Thank you.

Senator KETTER: Could you take on notice this issue of the difference in asset allocation?

Mrs Rowell: Yes. The other point I wanted to make on that is, again as you would know, some of those MySuper products have a single diversified asset allocation and others have a life-cycle asset allocation, which means that the investment strategy changes over the different ages or with different parameters, so you get quite different asset allocations supporting those different life-cycle stages as well.

Senator KETTER: Nevertheless, it's a useful distinction to make. Otherwise you wouldn't be collecting industry fund data and retail fund and corporate fund data. There is a reason we classify these funds on a different basis.

Mrs Rowell: To be honest, if I had the choice I wouldn't classify them and I'd just look at it at an individual fund level and ignore the category altogether.

Senator KETTER: That's interesting. I'm interested in whether you could come back to me as to what extent you see asset allocation as being different. Can you tell me what else is driving the difference in returns between the two categories, industry versus retail? I put to you that this is an important issue for ordinary Australians, isn't it, the question of people's return for their retirement?

Mrs Rowell: Return for retirement, and other elements of what superannuation is expected to deliver, are very important. That's the whole purpose of our member outcomes package, which we're consulting on at the moment, which is how we make sure that funds are delivering quality, value-for-money outcomes for members. Investment performance is one element of that, but there are a number of other components as well.

Senator KETTER: What will APRA be doing with these results, in terms of future investigations or analysis?

Mrs Rowell: We're already undertaking a lot of work. We've identified what we've called the outlier population, and we've had a very heavy focus on those over the last six or seven months and we're seeing good traction there in terms of some of those funds deciding to wind up products, merge with other funds, transfer their members to other funds or change the problematic features of what they were offering to ensure that it is better value and providing quality outcomes for members. That work is ongoing. We are continually reviewing who is on our radar and those conversations that we have. That's very much a case of us looking at the data and what is being delivered to members in various ways, and if we have any concerns raising those with the individual funds and getting them to address it.

Senator KETTER: My final area of questioning is in relation to this area of APRA's look-through powers, and, in particular, in relation to investment fees where you have related parties. We had a response to question on notice 158 from last estimates—I'm not sure whether it was yourself, Mrs Rowell, or Mr Byres—in which you indicated to us that, 'Where trustees are investing in related party wholesale trusts, where investment fees are paid within the investment bill and bundled into the unit price, trustees are able to report zero investment expense'. You have justified that that's allowable. I put it to you that if one was to say that there was conservatively a 0.5 per cent investment cost then that puts retail funds investment costs in 2015-16 at around \$2.6 billion, whereas they report around \$392 million to APRA. Why is it okay for those investment fees to not be reported in the same manner as other super funds without wholesale related party fund managers?

Mrs Rowell: As I said on previous occasions around this, you need to distinguish between the information that is reported to APRA, which is based on financial statements, and the information which is disclosed to members, which is an ASIC matter where there is a requirement to disclose all of the elements of costs—although that disclosure is currently under review, as you would know. From an APRA perspective, we currently rely on what the accounting framework requires in terms of the allocation of expenditure into different buckets. We agree that that is not particularly satisfactory at the moment. We are looking to get that changed, partly, ideally, through the legislation that would allow look-through, and us to implement look-through reporting to a more granular level than we are able to at the moment. Irrespective of whether that particular element of the bill passes, there is some work that we are doing and it's part of our member outcomes package, which is to review our reporting standards and, if need be, move away from the current accounting framework to something that more explicitly requires the appropriate allocation of expenditure to categories, including investments and other operational expenditure.

CHAIR: Potentially, would you be looking at replicating what ASIC have asked for in their RG 97—

Mrs Rowell: We always seek to have alignment between ASIC reporting and APRA reporting on consistent items, where that is possible and appropriate. It's not always exactly the same, but to the degree that we can leverage the same reporting elements and follow what ASIC does, and utilise that, that is better for the industry, in terms of having consistent reporting across the two regulators.

Senator KETTER: Isn't it true that you already have look-through powers under the Financial Sector (Collection of Data) Act 2001?

Mrs Rowell: We have look-through powers in some areas, including in relation to investments. When we did the reporting requirements back in 2013, with the implementation of the Stronger Super reforms, the consultation with industry raised a number of serious concerns around the implementation of detailed reporting, in some areas, which is why we opted to go with financial statement reporting in the initial implementation. Now, three or four

years down the track, it has become clear that that isn't giving us the information we need and isn't providing appropriate transparency. We are tackling that through the member outcomes package and it will be a feature of our post-implementation review of Stronger Super.

Senator KETTER: But whilst neither the standards require it—you do have the power to do it currently.

Mrs Rowell: We would need to go through the consultation process with industry and develop the specifics, in terms of what would be reported and how it would be reported, so it's not something we can snap our fingers and do. In a limited way, in relation to investments, we currently do have some look-through powers.

CHAIR: Just as a follow-up to that, do you have look-through powers with regard to political donations or advertising expenditure?

Mrs Rowell: We don't have look-through powers on other expenditure, only on investment expenditure.

Senator KETTER: Given you do have the power and you say there would be some steps taken, why do you consider it okay not to have look-through power disclosure here?

Mrs Rowell: It was part of the original consultation with the industry where we, initially went out with proposals to collect quite significant amounts of information. The industry raised a number of concerns and issues through that process, so the final implementation led to a reduced set of reporting standards, which is what we are currently working with. We have observed how that's operated over the last few years, noted the deficiencies and are now acting to address them.

Senator KETTER: Just remind me what you're doing to address the issue.

Mrs Rowell: There are two elements or packages of work that are in train. One is our member outcomes consultation, which is making changes to both the prudential and reporting standards around implementation of the member outcomes work. Part of that will be looking at putting in place requirements for trustees to undertake an outcomes assessment, have appropriate strategic and business-planning practices and strengthen the oversight and monitoring of expenditure. We are also doing a post-implementation review of the full Stronger Super prudential framework, including both the prudential reporting standards and guidance. That is likely to lead to review of some aspects of the prudential framework as well, including the reporting on expense.

Senator KETTER: I don't want to labour this point, but you do support government legislation that expands the look-through powers to other cost areas.

Mrs Rowell: We do.

Senator KETTER: It seems inconsistent that you're not using your existing powers to explore investment fees.

Mrs Rowell: We probably would have done it back in 2013, except for the strong pushback from industry.

Senator KETTER: Any particular part of the industry?

Mrs Rowell: It was fairly widespread. Different parts of the industry had different concerns about the reporting framework, because it was a very significant change in the reporting requirements at that time. We had to make some decisions on the most immediate priority and how we could get the right balance between getting useful additional information and not having undue burden on industry.

CHAIR: I've got a couple of follow-up questions to Senator Ketter's questions. Specifically, I want to ask you about some of the member outcomes and accountability reforms. Some industry participants have suggested that the government's reforms contain carve outs that benefit one sector of the superannuation industry over other sectors. Does any of the legislation, as it relates to APRA's remit, provide carve outs for any RSE licences?

Mrs Rowell: So APRA's prudential framework applies to all RSE licensees in a consistent way. Certainly the package of reforms that we are consulting on at the moment, in relation to member outcomes assessments and the like, will apply across the board. So there will be no carve outs.

CHAIR: Does APRA believe that the government's reforms will enable it to more effectively supervise the superannuation industry for the benefit of members of the APRA regulated funds?

Mrs Rowell: There are a number of elements to the government's reforms. We are supportive of the ones that are particularly relevant to us. They include: the enhanced directions powers, the enhanced MySuper product criteria and authorisation and cancellation provisions, the expense reporting look through, the proposal to have a MySuper outcomes assessment, the governance reforms, and the changes in ownership as well. So there are a number of those elements that would give us better ability to respond to industry issues in a more timely and better way than we are currently able to.

CHAIR: You have answered almost all of my questions in your answer, but I do just want to clarify your position on one of those particular recommendations. I'm interested in APRA's position on legislating a minimum one-third of independent directors, including an independent chair, and whether APRA believes that will strengthen governance arrangements for superannuation funds, specifically for the benefit of members?

Mrs Rowell: APRA's longstanding view is that the addition of independent directors, suitably qualified and experienced and capable, to boards in any industry, including the superannuation industry, is of value and does improve outcomes. Particularly in the superannuation space, we are of the view that the appointment of independent directors will improve the capability and the decision-making on boards, which, again, would ultimately lead to better outcomes for members.

CHAIR: Excellent. Thank you very much. That's all I had. Oh my goodness, I can't believe we finished earlier than we thought we were going to! Thank you very much to the officers of APRA for appearing before us today, we will let you go. I also thank Minister McGrath and the officers of Treasury and all the witnesses who have given evidence.

Proceedings suspended from 12:47 to 13:53

JOBS AND INNOVATION PORTFOLIO

Australian Nuclear Science and Technology Organisation

[13:53]

CHAIR: We will now commence examination of Industry, Innovation and Science. The Senate has referred to the committee the particulars of proposed expenditure for 2017-18 and related documents for Industry, Innovation and Science, part of the Jobs and Innovation portfolio. The committee has set 8 March 2018 as the date by which senators are to submit written questions on notice and has fixed Thursday 26 April 2018 as the date for return of answers to questions taken on notice. 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 Senate hearings. If you need assistance, the secretariat has copies of the rules. In particular, I draw witnesses' attention to an order of the Senate of 13 May 2009, specifying the process by which a claim of public 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).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

I now welcome Minister Cash, the secretary of the department, Dr Heather Smith PSM and officers from ANSTO. Minister or officers, would you like to make an opening statement?

Senator Cash: I don't have an opening statement, Chair.

Dr Paterson: Thank you, Chair. I would like to make an opening statement. I'm pleased to report that on 20 December 2017, following an 18-month long process, Australia became a fully active member of Generation IV International Forum—GIF—a partnership through which we will contribute to international work on the development of future energy technologies. Australia's role on this global stage will see us sharing our expertise in nuclear research and technology and will further our non-proliferation and nuclear safety objectives as a nation. I look forward to continuing to share with the committee the work and achievements of this important group. I'm happy to take questions.

CHAIR: Thank you, Dr Paterson.

Senator KIM CARR: Minister, is it your intention to stay here for the entire session of the department's estimates?

Senator Cash: Until Senator Canavan comes in for his part of the portfolio.

Senator KIM CARR: For resources?

Senator Cash: Correct.

Senator KIM CARR: So you'll be here for the cross-portfolio?

Senator Cash: That will depend on a timing schedule. Senator Canavan was scheduled to do that.

Senator KIM CARR: So if we can get the cross-portfolio on before—

Senator Cash: That's fine.

Senator KIM CARR: You are the senior minister in the portfolio, aren't you?

Senator Cash: Both Matt Canavan and I share the portfolio, and obviously the responsibilities are set.

Senator KIM CARR: I understand that. But you are the senior minister in the portfolio?

Senator Cash: We are joint ministers.

Senator KIM CARR: In terms of seniority in the cabinet, who is most senior?

Senator Cash: Senator Carr, if you would like me to be here for cross-portfolio, I'm more than happy to. It was literally a timing schedule for me.

Senator KIM CARR: So you're happy to do cross-portfolio?

Senator Cash: Yes, absolutely. It was a timing schedule. That's why he was coming in.

Senator KIM CARR: That's all I'm asking. I'm not seeking to be difficult. We have agencies here. I understand officers from the agencies have travelled from interstate, so I'm more than happy if we could deal with those. Perhaps next time we could put cross-portfolio at the beginning, Madam Chair.

CHAIR: I'm quite happy to take any submissions you may have on the agenda, Senator Carr.

Senator KIM CARR: I know there are different ways of dealing with this on other committees, and it has been advertised this way, but if you could, Minister, that would be appreciated. So if I could begin with Dr

Paterson, in terms of the question of waste management, are you currently responsible for managing the low- and intermediate-level nuclear waste?

Dr Paterson: For the Commonwealth intermediate-level waste and low-level waste that is generated in ANSTO, ANSTO takes responsibility for that waste as part of our ongoing operations.

Senator KIM CARR: How much of that material is there?

Dr Paterson: In terms of the intermediate-level waste, we have had intermediate-level waste returned from France, and I will give a summary on notice of the holdings. There is the waste component and then there are the containers that contain the waste. It's important to distinguish between the two.

Senator KIM CARR: I understand that. There is an amount of material that's required to be returned from overseas, is there not, or has it all come back?

Dr Paterson: It has not all come back at present. The return from France was in relation to fuel that was used in the HIFAR reactor, which is currently in a possess and control state prior to decommissioning. There is a holding of waste in the United Kingdom. That waste is in a fairly similar form to the waste that will be returned from France, in a very similar container, and that's due to be returned in the early part of the next decade.

Senator KIM CARR: There is a volume of material currently at Lucas Heights, is there not?

Dr Paterson: In terms of the waste holdings from the operations of the Australian Atomic Energy Commission, which became ANSTO, and the ANSTO operations from the formation of ANSTO, there is a holding of both intermediate and low-level waste.

Senator KIM CARR: Is it stored in drums?

Dr Paterson: It's often stored in drums. The vast majority is in the form of material that is in drums. We also have liquid holdings, and we have some quite specialised wastes relating to previous missions of the Atomic Energy Commission. We also have some material which is potentially able to be sent to countries interested in utilising it for their own peaceful research and technology purposes. We tend to classify it in some detail and I'm prepared to provide a summary of the holdings that we have.

Senator KIM CARR: If you could, please. It's been put to me that this material should stay at Lucas Heights. Is that possible?

Dr Paterson: The holding of waste in a science and technology facility is not a good thing to do. The science and technology mission of ANSTO provides massive benefits to our society, beginning with nuclear medicine and new nuclear medicine introduction in the future, as well as operating facilities for our research communities at universities and in industry. That is the primary use of our site at Lucas Heights. We have a small site at Clayton, which doesn't have significant waste holdings, which has got a medical cyclotron, which is used to develop new techniques to provide development of new drugs, new imaging procedures and so on. The Australian synchrotron, which is also a licenced facility, has no significant nuclear waste holdings, although there is some activation of the synchrotron through its normal operations.

It would be unusual for a nuclear science and technology facility to, through the course of time and without consultation and reflection, become a de facto long-term waste holding facility. That would be extremely unusual. Countries globally have tended to agree that there needs to be a dedicated approach to this that doesn't just deal with an individual institution's waste. For instance, at the level of the Commonwealth there are wastes held by our counterpart organisations like the CSIRO. There's a small amount of waste, for example, at ARPANSA, our regulator, in Melbourne. The Department of Defence holds some waste as well. One needs to think about this holistically, even from a Commonwealth perspective. The Commonwealth inventory is important in terms of planning for a low-level final repository and for a store for any intermediate-level waste. Our national legislation is not just Commonwealth legislation, it is national legislation. Because it's national legislation, it's important that the Commonwealth, in discussion with the states and territories, comes up with an agreed and holistic approach to the management of intermediate-level wastes and low-level wastes that are held as a result of, for example, medical procedures. In a number of cases there are old mining facilities that had some radioactive materials associated with them, and so on. So from a national perspective and from ANSTO being a governmental agency, we take the view that we must help and support all actors in understanding their waste holdings and work with them to get a comprehensive but singular approach to all Commonwealth and national wastes in the form of a national waste repository for low-level waste and a store for intermediate-level waste.

Senator KIM CARR: Of course there is hospital waste, isn't there?

Dr Paterson: Yes. There's a large amount of hospital waste. Typically, hospitals have had sources that are used historically for treatment. They have other sources that are shorter term in nature that are to do with other

forms of therapy. And they generate waste during the course of, for example, treating patients who receive nuclear medicines either for diagnostic or for therapeutic purposes. There are many hospitals across Australia—in fact, probably a couple of times a year we assist hospitals to think through and manage their wastes—the decommissioning of buildings, for example. ANSTO provides services to universities that had undertaken research into minerals, for example, where there has been a concentration build-up of waste material in university buildings. So waste is not a locational problem at Lucas Heights; it's a distributed opportunity to have a leadership position in smaller countries that don't have nuclear power programs to have a world-class management process for the wastes that are generated to public benefit across the health sector, the industry sector, the science and technology sector, so that we could demonstrate that as a country the leadership position we hold—we stood on the board of the International Atomic Energy Agency—that we in that position can demonstrate that we are always thinking carefully and properly about these things.

Senator KIM CARR: There have been reports of nuclear waste being stored in filing cabinets, for instance. Does that happen very often?

Dr Paterson: We have, when asked to evaluate certain facilities, found sources in filing cabinets. We've found them in basements, below stairs—so it's certainly the case that if there isn't a clear management approach at both the state level and the federal level, over time it becomes more difficult to manage. And that's why there's been such a keen interest, from all of the people who produce benefits from the use of nuclear technology in the work that they do, that the Commonwealth, with the general agreement of the states, has been developing ideas in relation to a national waste repository.

Senator KIM CARR: How many doses of radiopharmaceuticals do you issue a year now?

Dr Paterson: In the context of Australia, on a weekly basis about 10,000 doses of diagnostic nuclear medicine are utilised in hospitals across Australia. We also supply a similar diagnostic capacity into New Zealand. At present, in a bulk form, we are providing about 16 per cent of global supply of Mo-99, which is the parent product of technetium-99m, which is the most widely used diagnostic isotope. It is only produced in nuclear reactors and it is responsible for 80 per cent of all diagnostic procedures in nuclear medicine. That's about 44 million diagnostic procedures a year globally, and I'm proud to say that ANSTO is now responsible for about nine million of those.

Senator KIM CARR: Does that have a residue—does a waste product come from that?

Dr Paterson: The waste product that is generated is in the form of liquid wastes that arise from the chemistry of extracting the Mo-99 out of the target plates that are irradiated in the reactor and, of course, from the operation of the reactor—there's some waste associated with that as well. But the basis on which we do this, globally, is that the disproportionate public benefit of those medical procedures—and indeed, the research that takes place in using research reactors—offsets the limited residual risk of managing that nuclear waste. There's a good understanding of how to manage nuclear waste globally. There are well-established processes for the types of waste that we have here in Australia. We've got excellent contractual arrangements with the French and with the UK, and now a new contractual arrangement is being finalised with the French to deal with the waste materials from our fuel, for example, for the full life cycle of the OPAL reactor. So, well ahead of time, we have a plan, and we have a predictable set of outcomes; and a plan and predictable outcomes should lead, I hope, to a national waste repository and store that meets the global standards that I've been talking about.

Senator KIM CARR: Is it the case that ARPANSA actually has some regulatory conditions upon your operations which go to the issue of the management of waste?

Dr Paterson: I've had discussions with the regulator and been in meetings with the regulator, where ARPANSA has indicated clearly that there has to be a disposal pathway in relation to all intermediate-level waste. This is good practice because the intermediate level wastes are stored, and then for a period of time a final disposition pathway is developed through research, investigating best practice in other countries, working with other small countries in the IAEA to develop that final disposal pathway. I'm pleased to say that we are involved in some of that work in the International Atomic Energy Agency, and are invited to their meetings to reflect on those final pathways. The position that the regulator has taken is that Australia, in order to continue to operate our facilities, should have disposal pathways that are being researched in order to provide assurance both to the public and to the broader community of nuclear science and technology organisations that we, indeed, are managing the whole lifecycle of waste. I can say without equivocation, Senator, that I fully support the regulator in this regard. Predictability is very important in the work that we do, so far from in any way disagreeing with the regulator, I tend to share the view that has been taken.

Senator KIM CARR: So is it the case that if the country doesn't sort out the waste issue your operations at some point may well come into question?

Dr Paterson: I think that's a question for the regulator but I would hate to see a situation where a lack of leadership and a lack of attention to the future created a condition where the present important supply, which I have outlined to you, was not able to be sustained in a way that helped our society.

Senator KIM CARR: You've mentioned the molybdenum-99 manufacturing facility. Is that completed yet?

Dr Paterson: The practical completion has been achieved. The cold commissioning reports have been submitted to the regulators. We've had our first inspection by the TGA from a medical perspective. So we're in the process of finalising those processes, which I hope will lead to a hot commissioning phase. That phase can be relatively short, and then we'll be able to produce nuclear medicines first for Australia and then subsequently, when the regulatory actions are complete, for the overseas setting as well.

Senator KIM CARR: When do you expect that regulatory process to have been concluded?

Dr Paterson: We never anticipate the actions of regulators—

Senator KIM CARR: I appreciate that, but you must have some sort of projection as to how long this will take.

Dr Paterson: Towards the end of March.

CHAIR: Dr Paterson, in previous estimates I've told you that I went to visit the synchrotron site in Victoria and it was absolutely fantastic. I was blown away by what was being achieved there. I wonder if you have any recent updates for the committee in any areas that the synchrotron is working on now?

Dr Paterson: Thank you very much, indeed, Chair. We have continued to work in a range of fields with the synchrotron. As you know, it's a multi-user facility and attracts people from all over the country. Recently, at Science meets Parliament, we asked two of our beamline scientists to share with the parliament and the people they visited some of the work that is happening in the medical area.

One of the really exciting things is in the area of heart valve replacement. Heart valve replacement continues to develop. Often with those who benefit from heart surgery, if they have a very long period of survivability, those heart valves start to wear out a little bit, so the next generation of heart valves will be made with different, more resilient, materials, and they'll also be lighter. That puts less stress on the heart as the heart operates. Dr Katie Sizeland, who is one of our young beamline scientists, has been working in this field and utilising the facilities at the synchrotron to qualify these next-generation materials. The benefit for society out of this is that the patients will have reduced recovery times, the surgery becomes less invasive and, because the surgery is less invasive and the recovery times are shorter, the overall burden on the health system is reduced.

Another one which I find a very interesting is about the taking of medicines. It is a really challenging issue if you get new types of medicines that can break down if they are not absorbed by the body correctly. Dr Adrian Hawley, who also attended Science meets Parliament, is working on new oral delivery mechanisms for taking medications normally injected or absorbed into the body in other ways. That work is in order to improve both malarial medications, which obviously would mostly serve developing countries, and some cardiovascular medications, which are hard to administer by other means. The interesting thing is that they've gone all the way back to milk to do this. They take some of the components of milk and use them as the 'container', if you will. Milk is no longer in a container; it becomes a container for these medicines, to take them through the gut in a way that they can be absorbed.

They are just two examples of the many. Normally this work is done with other groups from other universities. It is exciting for us to bring the power of the synchrotron to the partnerships we have with the university sector, and the medical research sector is particularly exciting.

CHAIR: I'm so glad you brought up Science meets Parliament week, particularly the dinner. I know I saw you there, but I sat with one of the superstars of SEM, Dr Veronica Power. What an extraordinary woman she is! I know ANSTO is one of the great champions of increasing the involvement of women, both in its organisation and in science and technology more broadly. Do you think you could tell us how ANSTO is addressing the issue of gender equality and diversity in the workplace?

Dr Paterson: When the discussion started in Australia about joining with the Athena SWAN program in the UK, I took the opportunity ahead of the meeting that took place in Australia to visit the research unit in the UK that developed the thinking behind Athena SWAN because, to me, it was tremendously important to understand what had happened in that setting as we started to think about it in Australia. ANSTO was invited to the first meeting, which was chaired by Brian Schmidt and other colleagues from the sector. I sent one of our senior

managers and one of our emerging women leaders in the organisation to attend that meeting. When I was briefed on the day following the meeting, I was moved to write to Professor Schmidt to say that ANSTO would like to participate in the first pilot of SAGE. When I hadn't heard from him early in January, I phoned him up, and he said, 'We were only expecting to get going in March, but you're the first in the queue.' It is, I think, important that our organisations are absolutely committed to gender equity, that the women in science have career pathways that are much more predictable than they were in the past and that they are able to be afforded opportunities to have all of the richness of child-bearing and child-rearing in partnership with their partners but without a negative impact on their careers.

So ANSTO is, indeed, a member of the SAGE process—Science in Australia Gender Equality. We are completing our first submission for a bronze award that will go in later in March. It's been a wonderful journey just understanding the things that are going well in ANSTO but also the things that are not going so well. And I think we all have to reflect on some of the blockages that you just don't see until you think about it differently. I think that the SAGE process has got off to an excellent start. I've attended the Sydney meeting and the Brisbane meeting—the two annual meetings that have been held so far—and I find the energy that it creates and the commitments and the thinking that it generates are absolutely important. So, we will remain committed to the science and gender equity process in Australia. But I must say that, in my executive, we've been working overtime to get a better gender balance, and I now am pleased to say that there are three women on ANSTO's executive. The three women who are on ANSTO's executive command 80 per cent of the resources of ANSTO because they are the head of our nuclear science and technology and landmark infrastructure group, Dr Simone Richter; Jayne Senior, who runs our businesses; and Pamela Naidoo, who has recently been appointed as Group Executive, Nuclear Operations. They command a very substantial proportion of ANSTO's activities. This is very exciting for us, because, at the top end of a historically male-dominated nuclear industry in Australia, we now have three incredibly talented women on the executive of ANSTO.

CHAIR: That's very encouraging. Thank you, Dr Paterson, and thank you for your contribution to the Science meets Parliament week; it was terrific. Senator Rhiannon.

Senator RHIANNON: I want to ask some questions about the involvement of the Brewarrina Shire Council with regard to a possible national radioactive waste facility being located in that council area. Was Brewarrina council approached by ANSTO, or a representative on behalf of ANSTO, to initiate the nomination process for a national radioactive waste facility?

Dr Paterson: Not to my knowledge. I met with somebody from that council who indicated they were initiating a process. We had a brief discussion. But I know nothing more about that.

Senator RHIANNON: You said, 'Not to my knowledge.' As ANSTO is a big organisation, can you take it on notice to ascertain whether it was ANSTO that approached Brewarrina council or Brewarrina council that approached ANSTO?

Dr Paterson: I would not be in a position to make such an investigation, because we have many people in our organisation who operate in their private lives in all sorts of different capacities, and they may, indeed, have been involved through other capacities. What I can say is that, to my knowledge—and I'll investigate in terms of our communications—from an ANSTO perspective, there was no employee of ANSTO who was involved in initiating the process you described.

Senator RHIANNON: Could you take it on notice? I'm not asking for anything to do with private lives; I'm asking that, because you spoke in a personal capacity, you would check if ANSTO in any way has been involved. Has Brewarrina council put forward any preliminary information regarding their intention to nominate as a location for this waste facility?

Ms Weston: The questions you're asking are probably better addressed to the department, a bit later on. There's leadership being undertaken by Senator Canavan on considering the location for storage of waste. The department is on a bit later on this afternoon. The policy work is being done in the department. We'll try and get some people here. They're just not here right now.

Senator RHIANNON: Could I just check with the chair: what time is that on, please?

Ms Weston: It's after dinner, I think.

CHAIR: It is. It's after dinner.

Senator RHIANNON: So I shouldn't be pursuing it with ANSTO; I should be pursuing it with the department?

Ms Weston: Yes.

Senator RHIANNON: Thank you for clarifying.

Senator KIM CARR: Just briefly, as to the synroc facility: where's that at, at the moment, Dr Paterson?

Dr Paterson: Synroc is a material which was conceptualised by Dr Ted Ringwood at the Australian National University in the mid to late seventies. His idea, which is a very profound idea, was that, if you made a synthetic rock that had similar properties to the most ancient rocks on earth, you would have a predictable way of storing waste in those rocks, because, from what are called natural reactors—reactors that happened to operate on the planet over a billion years ago—where there were large amounts of uranium, in those ancient rocks, we know exactly how far the waste has moved over the last billion years. Once you know how far the waste has moved in the last billion years, and you can create a rock—a synthetic rock, which is what synroc means—that has the same properties, you can provide very strong assurance to the public that that is a safe waste form. So Ted Ringwood's idea is a very profound idea.

ANSTO, over the last few decades, has continued to pursue that idea, first from a chemistry point of view, to get the chemistry of how you put these rocks together, from the processing point of view, of how you then create the synthetic rock, to the point we're at today, where we also know that the economics of producing synroc are attractive. So, if you've got the chemistry, you've got the process engineering and you've got the economics, you've got the basis of creating a sustainable waste form in the form of synroc.

As we were conceptualising the work for the liquid wastes on the site, we used the liquid intermediate-level wastes that are produced in the production of nuclear medicine as a test case for the development of an engineering concept for a synroc plant. A number of years ago, that reached some level of engineering maturity, where we felt that it would be important to put that idea forward to government as part of the package that involved the establishment of the new ANSTO nuclear medicine facility. The engineering is advanced. We have a pilot facility which will do cold testing. By cold testing, we mean testing non-nuclear materials that simulate nuclear materials. At very small scale, we've demonstrated this already in the laboratory many times. But it's important now because, if we're processing intermediate-level waste in such a facility, we'll be moving into a situation where that takes place in hot cells, and so, by having a cold facility, you can really do all of the detailed engineering that you need to do. A number of elements of that plant are in place. The engineering team that has been assembled to do the work has been fantastically creative and inventive and has eliminated some challenging aspects of building this type of facility. In fact, I think if we had built it in the 1980s, it probably would have been a bit early. We've had to wait for some technology developments which have reduced the total amount of radioactive activity that's present in the liquid form at any time. We have a much better understanding of the hot isostatic pressing. That is the combination of heat and pressure that you use to make the synthetic rock. The quality of the engineering is being independently reviewed internally, and we've also had one external independent review.

Over the next period of time, as the ANM plant is completed and begins operations, the intention is to begin the construction of the synroc plant. In fact, the site has been cleared and the fence is up. We are fairly shortly going to begin construction of the world's first operational-scale synroc plant at Lucas Heights. The process of developing that and talking about it internationally in waste management forums and conferences has created considerable interest. A number of institutions have approached us to stay in touch with the development of the synroc plant.

From an economic point of view, instead of taking your intermediate-level waste and putting it into cement, where the volume increases by a factor up to 10, putting it into synroc, you can reduce the volume of that liquid by a factor of four. Four times 10 is 40; so the volume of your waste form goes down by up to a factor of 40. The economics of nuclear waste is the economics of volume. So, if the volume goes down, the overall life-cycle cost goes down. So the reason for synroc is not just to test Ted Ringwood's proposal; it is a very practical economic approach to intermediate-level liquid wastes of the type that are found attached to nuclear medicine production facilities. In fact, those are some of the people who are very interested in it. It is also very useful for difficult and intractable wastes that are produced in the nuclear power industry and, in fact, a whole lot of wastes and residues that are associated with programs that have taken place across the world. I anticipate that, during the course of this calendar year, we will progress conversations on at least two continents in relation to future applications of synroc technology at very senior levels and decommissioning agencies and other areas.

Senator KIM CARR: Do you have any sense of how long it will take to recoup the Commonwealth investment?

Dr Paterson: The Commonwealth investment will be recouped and fully paid for by the nuclear medicine facility for which we are building this plant. For any international nuclear medicine sales, we attach a charge which will pay for the waste, so that we don't incur Australian costs for waste that is attributable to overseas

activities. The aspiration that ANSTO has—and at the moment it has to be turned into a more detailed business plan—is that we will maintain, for decades, what is called architect engineering capability—the ability to develop in Australia solutions for waste forms around the world. If you can control the architect engineering capability, the other countries that you go to build the bricks and mortar, the hot cells and they do all of the stuff that they will want to do for their own countries, but the inner workings of these facilities could be retained as intellectual property for Australia.

Senator KIM CARR: And you're not anticipating bringing the waste to this country, are you?

Dr Paterson: I don't think that that's a practice that we would anticipate for the volumes of waste that we're talking about. We think value creation right across the planet with the best waste solution, based on work that initiated in Australia and engineering that is controlled from an intellectual property point of view from Australia, is the most obvious business model to pursue at this point in time.

Senator KIM CARR: Will ANSTO be making a submission to the Senate inquiry into the dump that's being proposed in South Australia?

Dr Paterson: I have been approached by the department to discuss this. It makes a great deal of sense to me that we do, indeed, make a submission to that inquiry. I think it's a very timely inquiry. It's a critical point in the journey. I believe that we can make a very strong case for leadership in the management of waste forms, for the full life cycle of intermediate-level waste in Australia, for the inherent safety of operations of these facilities, and for a comprehensive national solution to the challenge of managing nuclear waste in Australia for the benefit of our society.

Senator KIM CARR: All of that has been pretty easy so far today, Dr Paterson. I'd like to talk to you about something that might be a little bit more interesting, the National Measurement Institute's amalgamation. Where is that at?

Dr Paterson: We had a board meeting in February in which I updated the due diligence process that we are undertaking in concert with the department and with the NMI. The board accepted and received the report that we gave. That indicated that there is strong synergy in the science and the national strategy aspect. There are still some matters which are open, and I have reported those matters to the department, and they are taking up those aspects of the discussion at the moment.

Senator KIM CARR: Are you familiar with the market sounding project that KPMG has undertaken to the cost of \$141,000?

Dr Paterson: I have not studied the document myself, but I've heard that terminology used.

Senator KIM CARR: This is a report that was undertaken by KPMG to the privatisation of the Australian Forensic Drug Laboratory, the Australian Sports Drug Testing Laboratory, the Ultra Trace Analytical Laboratories, the Analytical Services Branch. Is that the case?

Dr Paterson: I haven't seen that report; I want to pass that to—

Ms Weston: As part of the department's appearance later on, we will have the NMI available to answer those questions. But it is the case that we did do a market sounding, and I think we answered that question and provided you the report after last estimates. But I think the report did indicate that it wasn't appropriate at the time to proceed with any outsourcing in that way.

Senator KIM CARR: Privatisation?

Ms Weston: Yes.

Senator KIM CARR: That's right. Because there was a series of problems associated with loss of capacity?

Ms Weston: Loss of capacity. There are also some parts of the economy that can't do the things that—

Senator KIM CARR: That's right.

Ms Weston: There wasn't interest in doing things that the NMI did.

Senator KIM CARR: That's right. There was a consultation with a number of international companies. We actually need this work done, particularly in regard to sports medicine and a whole series of drug-testing facilities for police and other law enforcement agencies—so this is quite an important service that's actually provided. Is that the case, Ms Weston?

Ms Weston: At the moment there is no intention to outsource those activities.

Senator KIM CARR: I see. Dr Paterson, if this body is taken over by ANSTO, is it your intention that those services would be maintained?

Dr Paterson: There are very important synergies in our study to date. If I take the example of chemical-based forensics, there is a very strong traceability and forensic capability in the NMI that is based on chemistry we undertake on behalf of Australia nuclear forensics. One can see the immediate utility of putting a chemical forensics capability that serves the Federal Police and state police groups and the nuclear together, because sometimes the chemistry and the nuclear do overlap. So that's a very good example of a capability, the nuclear forensics capability was developed by ANSTO in the national interest. We have continued to invest in those capabilities. In fact, we run regular workshops in the region on nuclear forensics to develop the overall capability to trace the management of nuclear material in our region. Similarly with chemicals, I think there is great utility in using the very precise techniques that have been developed by the NMI, which are genuinely world-class, in synergy with the nuclear techniques to provide even greater assurance to government and to the stakeholders of the government that these will have a lasting, single-management footprint.

Senator KIM CARR: Dr Paterson, are you aware that the National Measurement Institute has begun consultations to increase certain fees by up to 340 per cent?

Dr Paterson: I'm not directly across all of that. I do know from discussions with senior officials in the department that the economic model needs to be robust for the operation of the National Measurement Institute. Indeed, that's one of the conditions that our board has put on it: that there is a clearly demonstrable operational model that is sustainable into the future.

Senator KIM CARR: Minister, is it the intention of the government to fatten the National Measurement Institute before privatisation?

Senator Cash: This is a matter that's currently sitting with the department, so any information in relation to that would be provided by the department.

Ms Weston: There is no plan. The current plan we are looking at is the sustainability of the NMI, and we are talking with ANSTO, as Dr Paterson has indicated, to see what synergies there can be and whether it works that the two groups are together. It is a due diligence exercise at the moment. We are working through it carefully and thoroughly. We haven't made a decision about that integration, but there are certainly no plans at the moment about privatisation.

Senator KIM CARR: Dr Paterson, have you looked at the EB for both your staff and the National Measurement Institute staff? Do they match?

Dr Paterson: They have both been looked at. There are differences. I think that's probably the summary that I could give at the moment. How that consequentially impacts any future decision would be dependent on that decision.

Senator KIM CARR: I see. That's a critical issue, is it?

Dr Paterson: It's not on the most critical list. It is an important one to ensure that staff are treated well and that, if there is indeed a change in the management arrangements, they are brought into a setting where they feel that they can excel and where they feel that they can be looked after and well treated within that setting.

Senator KIM CARR: Ms Weston, there has been no decision taken about the amalgamation.

Ms Weston: Correct.

Senator KIM CARR: Has there been a decision taken about what to do with the National Measurement Institute other than amalgamation?

Ms Weston: If the amalgamation doesn't look like it will work and the board are unhappy with that arrangement, the division will remain a division of the department. We have no other plans for anything other than this integration examination at the moment.

Senator KIM CARR: Can you indicate to the committee when you expect a decision to be made on that matter?

Ms Weston: I can't quite indicate, but I do expect that some time this year we will be in a position to know whether the integration is feasible.

Senator KIM CARR: Thank you.

CHAIR: Perfect timing, Senator Carr. Senator Bushby, do you have a question for ANSTO?

Senator BUSHBY: Yes, a follow-up question initially to some questions you had about some of the breakthroughs, particularly in the medical area. I understand that ANSTO is contributing to a clinical trial of a new treatment for pancreatic cancer. I was recently involved in a select committee looking into the treatment of

rare cancers and some of the challenges of treating pancreatic cancer. I'm very interested to hear what your involvement is and how that is going.

Dr Paterson: Thank you, Senator. In fact, yesterday, I was talking to a team that is involved in this. The company is an Australian company called OncoSil. They have developed a new treatment for pancreatic cancer. As people may be aware, pancreatic cancer is a very aggressive form of cancer. Nineteen out of 20 people who are affected by this disease die from the disease itself. It's because of the key role that the pancreas plays in integrating all of the things that happen around our gut that it is such a serious and difficult cancer to treat.

This company has come up with a really novel approach of encapsulating a particular isotope, phosphorus 32, into a plastic matrix, and then using the insertion of that plastic matrix as a device to release that radiation in a predictable way into the cancer-affected areas, without affecting the non-cancer-affected areas. P-32 is an interesting isotope, because, of course, our DNA has phosphorus in it, and for many years it was used scientifically to understand how DNA works. This is a very different application. This is using the properties of P-32 to deal with a very aggressive cancer. So it's a well-understood isotope. The particular development which is so interesting is the ability to get a highly activated form of phosphorus 32 into contact with the cancer. These clinical trials are at an early stage. They are taking place in Australia and in other countries. I believe that, over the period that they've been evaluating this, in terms of the patients who have been treated, 100 per cent of them showed no spread of the disease up to 16 weeks after implantation.

Senator BUSHBY: 100 per cent. That's incredible.

Dr Paterson: It's a small group at the moment. We mustn't overanticipate it. A significant number of the patients had a 70 per cent reduction in the size of the tumour after 12 weeks. It's going after the progression of the disease, but it is also going after the continuation of the disease, if I could make that distinction. This is a wonderful early indication of the utility of this type of treatment.

Senator BUSHBY: And ANSTO's involvement is?

Dr Paterson: ANSTO is producing the P-32 in the OPAL reactor. If this were to develop, it is my understanding that the facility that actually encapsulates the P-32 might be co-located in Lucas Heights, with ANSTO, because that would be the obvious way to get the best activity out of the P-32 into the device and to the clinicians. We should always be very cautious with trials and not overclaim, but these are factual statements about the utility.

Senator BUSHBY: What is the time line of the trials from here and when they're likely to reach a point—

Dr Paterson: Normally, the development of these trials takes two routes. One is that you have to go through all of the stage 2 and stage 3 trials. There is also the other route, which is for cases where there is literally no other treatment available. The TGA has a scheme for compassionate use, so that might become available as well. But this company, I think, still has to develop its ultimate supply chain. I will leave that to the company, but it is exciting for ANSTO to be invited to be involved in this. It's because of the particular aspects of the design of the OPAL reactor that makes it a particularly good reactor to produce the type of P-32 that they want. So there is a distinct advantage to potentially locate this facility in Australia, because, without going into too much technical detail in this case, we have a very cool reactor where it's not meant to be hot, and that makes us work better.

Senator BUSHBY: I will take your word on that. It sounds fantastic. I look forward to hearing more about how that goes down the track. Just one final thing: did I hear you say in your opening statement that ANSTO is partnering or working with international groups on nuclear energy technologies?

Dr Paterson: Yes, correct. There is a prohibition in Australian law against nuclear power in the country, but there is a great opportunity to know what is going to happen with the next generation of nuclear reactors, from about 2035. These are called generation IV reactors. The current generation reactors are called generation III-plus reactors. Generation IV reactors are represented by six designs, which the people who are thinking about the future of nuclear energy think might have particular utility. Some of these designs operate at higher temperature. That means you get more energy out in the form of electricity because the temperature difference drives the amount of electricity you can produce. Some of those reactors actually burn the spent fuel from the current generation of reactors. So, instead of putting the spent fuel underground, you will take it out of its fuel assemblies and put it into these reactors. I'm not sure if the senators know this, but we only burn five to 10 per cent of the uranium in the current generation of power reactors, so there is about 80 or 90 per cent left. If you can burn that fuel in the next generation of reactors, you don't have to mine the fuel. You can use the fuel that's already available; it has already been processed and so on.

Senator BUSHBY: What percentage of that fuel would be used or burnt in a gen IV reactor?

Dr Paterson: Typically, these are called high-burn reactors. If you got exactly the right fuel cycle—and that's what the research is about—you could burn all of it.

Senator BUSHBY: All of it, did you say?

Dr Paterson: Yes.

Senator BUSHBY: So that would leave no waste?

Dr Paterson: It would dramatically reduce the amount of waste. Instead of spent fuel being a burden of cost, it becomes an opportunity to fuel—by calculations that I've seen done by some of my peers—about 3,000 years of uranium fuel available out of the ground already for the planet.

Senator BUSHBY: The anticipated use under a gen IV?

Dr Paterson: In the gen IV scenario. It genuinely almost looks like a renewable resource.

Senator BUSHBY: Interesting. At the same time, it has the potential to remove a lot of the concerns in an environmental sense around nuclear?

Dr Paterson: Absolutely. You know the challenge of spent fuel and the challenge of waste are fairly similar. There is public concern. People have the sense that this is a large volume of material that could be used in other ways. In fact, a number of countries like France, for example, reprocess their fuel in order to get more utilisation out of it. A large number of countries choose to store their spent fuel. The great thing about storing is that it is available for that next generation of reactors, and that's the opportunity.

The other part of this is that this is not just a 'sign a form and you can join' thing. You have to have real technical knowledge that you can bring to these discussions, because it's mainly technical discussions. It's the work that we do on safety cases—the work that we do on things like Synroc and the waste, which I was talking to Senator Carr about a moment ago—and our work on materials. We were technically evaluated by the countries that were members already and found have to sufficient knowledge to contribute in a valuable way, and the leadership team that's working on it is doing an exceptional job.

Senator BUSHBY: Fantastic, I look forward to hearing more about that as well.

Senator COLBECK: The processes you were just describing to Senator Bushby, would they be similar to some of the proposals that were coming out of South Australia? Their proposal was to utilise spent rods and use that as the basis for an industry, if you like, in South Australia—that is, they would take in spent material, then use it for generation of energy and, at the same time, utilise and reduce the amount of waste that was remaining in the global sector.

Dr Paterson: Yes. There were two strands of thinking in the South Australian discussions. The one was to have the spent fuel and then consider building reactors that could burn that spent fuel in order to provide electricity in the South Australian setting. That's often associated with a General Electric reactor design called the prism reactor, which has the utility of being able to burn the spent fuel. The other part of the South Australian discussion was simply to become the store for spent fuel, which, if one thinks about it, has a potential utility with this next generation of reactors. If you've taken title to that fuel, you would have a great resource to then redeploy in that generation of reactors. These are scenarios, not plans, but I—

Senator COLBECK: No, I understand that, but I was aware that there have been some discussions, particularly out of South Australia, about making that a future industry for the state, if you like, utilising that spent resource.

Senator COLBECK: Yes. We are monitoring this on a global setting. There are other countries keen to do this. Mongolia is an example. Certainly a number of countries around the world are thinking about the opportunity that is created by fourth-generation reactors and that sort of access you're describing.

Senator COLBECK: But, it is a potential opportunity?

Dr Paterson: Certainly. If one looks at the economics and the rational economics of it, I think it is an opportunity.

Senator COLBECK: Thank you.

Senator LEYONHJELM: Just a quick follow-up to the P-32 comments you were making: how do you make phosphorus radioactive?

Dr Paterson: I will generalise the question: how do you make anything radioactive? It's a great question. So most nuclei of atoms—that's the bit in the middle; the electrons go around the outside. The bit in the middle of the atom has got a number of protons that tell you what its chemistry is and it has a number of neutrons which tell you how stable it is. Stable nuclei have about the same number of protons and neutrons, but if you have excess of

protons or an excess of neutrons relative to that nucleus, then as you get further and further away from that balance they become radioactive. That radioactivity is because the stability of the nucleus is reduced. If you take P-32, for example, you would take a more normal phosphorus atom, you would inject an extra neutron in there, that extra neutron makes it is less stable, and, according to a statistical law, the total number of phosphorus atoms that you have in that group of radioactive atoms, they decay with a half-life that is well known.

Senator LEYONHJELM: What injects the additional neutron into the atom?

Dr Paterson: There are two ways to do it. One way is to use a nuclear reactor, which in our case is a neutron factory. Within the reflector vessel of the reactor, large numbers of neutrons are produced.

Senator LEYONHJELM: So you bombard it?

Dr Paterson: They get captured by the atom in question and that results in this change. The other thing that one can do sometimes is introduce the neutron into another compound and then it decays in a way that it becomes something else. The interesting thing is the old philosopher's stone legend was can we turn lead into gold? That's in fact what we do with nuclear science and technology—we turn one element into another—thereby answering the question it cannot be done with chemistry, only with physics.

Senator LEYONHJELM: I got a little leaked supply, if you're short. Was this technology to make phosphorus radioactive? Is it done elsewhere in the world? Did you develop the technique and who are you competing with?

Dr Paterson: P-32 has been around a long time. As I say, it was used very extensively in the understanding of DNA and how DNA worked in the early days, because what you would do was feed phosphorus into an organism, and it would incorporate it into the DNA and then you could use the radioactivity in the DNA to find out where the DNA was and how it worked. Many research reactors over the years have made P-32. But what you want to be able to do in this particular case is to make the P-32 in combination with the device that is going to go into the body in a way that optimises the production of the P-32 and doesn't damage the device, and that's the particular advantage that the OPAL reactor has. Many people can make P-32, but can you make cool P-32, which is the differentiator that we have in the reactor thereby having the most utility in the device.

Senator LEYONHJELM: Alright. I don't think I will understand it if I push it any further.

Dr Paterson: I won't try to explain it further then.

CHAIR: I think that's all the questions that senators have. Thank you very much to ANSTO. Can I just say, Dr Paterson, that your knowledge is just extraordinary. The work you do is fascinating and your enthusiasm is contagious. Thank you very much for appearing at estimates. It is always a pleasure.

Dr Paterson: Thank you, I will take the message back to the team.

Senator McALLISTER: Minister, I have a question in fact for you. In relation to remarks made by the Prime Minister in the House just now in relation to—

CHAIR: Is that relevant to this committee, Senator McAllister?

Senator McALLISTER: It is relevant to the minister in her role as minister.

Senator BUSHBY: This isn't question time in the Senate. This is a committee of estimates to look at the portfolio.

CHAIR: We have very limited time and are already running behind.

Senator McALLISTER: I don't actually think this will take long to sort out, Chair, and I think it is probably in the minister's interest to address this now.

CHAIR: I don't think I can rule on this one, Senator McAllister, without knowing in advance, so perhaps you and I could go outside and have a private meeting and we could discuss it then.

Proceedings suspended from 14:53 to 15:04

Anti-Dumping Commission

CHAIR: The committee will now reconvene, and we have before us the Anti-Dumping Commission. Senator Carr, do you want to kick off the questions?

Senator KIM CARR: Commissioner, good afternoon. You have been reappointed as the commissioner, have you?

Mr Seymour: Yes.

Senator KIM CARR: Congratulations. How long is your term?

Mr Seymour: Three years.

Senator KIM CARR: That's very good, very good indeed. I look forward to working with you. You obviously enjoy the job?

Mr Seymour: Yes, I do.

Senator KIM CARR: How would you rate the performance of the commission?

Mr Seymour: The commission celebrates its fifth birthday on 1 July. It was a greenfield sort of project, I guess. We set it up out of the customs department in Melbourne, relocating the capability from Canberra to Melbourne. It happened at a time—as I may have said previously—when there was a perfect storm for a need to build a new and more strengthened capability. It was a time when demand for trade remedy services went up exponentially. So, it was certainly an interesting first few years to manage capability-building internally, given the complexity of the task, and at the same time manage the number of cases that came through the door. As I think I've said previously, the antidumping system in Australia is wholly demand driven. It's a reflection of the pressure that Australian domestic manufacturers face and their belief that they may have been materially injured through dumping that motivates them to make application to me for investigations, and then for final decision by the minister.

Senator KIM CARR: You've had a look at the steel report the Senate has done, I take it. The recommendations, particularly 20 to 28, call for specific actions in regard to the commission's work. Have you had a chance to assess those?

Mr Seymour: The government has made its response to the steel report, and that's captured, essentially, the needs of the antidumping system.

Senator KIM CARR: You have nothing to add to those?

Mr Seymour: No, not at this stage.

Senator KIM CARR: Question No. 131 points to the number of matters. You mentioned the demand driven system that you're now responding to. The Anti-Dumping Commission has increased the number of investigations from 65 to 92. What's caused that increase in demand?

Mr Seymour: That's a good question. The prevailing view from industry is that the pressure—it's probably a lag indicator—from a relatively high Australian dollar for some time led to export competition pressure, essentially. That's meant that they've been less competitive. But I think the main issue remains the oversupply of certain steel products from China.

Senator KIM CARR: Yes, it's a global supply question. Do you think your budget is adequate to cover the increased workload?

Mr Seymour: I think that, with the way the scheme has been designed and implemented, I have the ability to meet all of my statutory obligations within a reasonable time period. As I've said previously to this committee, for those more complex cases I take longer time than the statutory requirement of 155 calendar days, for the simple reason that they are very complex. I'm on the record as saying that I doubt that really complex matters can be done adequately in 155 calendar days. Additionally, I went through a major transformation exercise inside the commission—I call it a business model review—where we wholly transformed the way we undertake our investigations. We received good support from the government through the department for some supplementary funding to assist us in that regard. We're now, I would think, recognised as a better practice trade remedy investigating authority globally.

Senator KIM CARR: How much was the extra funding?

Mr Seymour: It was two financial years ago and it was about a million dollars all up.

Senator KIM CARR: Right, I see. That was two-year funding. I thought it might have been additional.

Mr Seymour: Yes, that's right. That's been reflected in the question I answered last time.

Senator KIM CARR: The trade remedy forum members were told in December that the next trade forum meeting will be held in May. Is that still the case?

Mr Seymour: That's definitely my intention as the presiding officer, yes.

Senator KIM CARR: What is the percentage of the circumvention measures that now relate to steel and aluminium?

Mr Seymour: Circumvention?

Senator KIM CARR: Yes. Last time around you told us it was 64 per cent for steel and nine per cent for aluminium.

Mr Seymour: That was for all matters. That wasn't just circumvention.

Senator KIM CARR: I see.

Mr Seymour: Circumvention is just one aspect of the casework that we do.

Senator KIM CARR: What is it, then, in regard to circumvention for steel and aluminium?

Mr Seymour: It's very high. We've completed eight and we have two on foot at the moment. The vast majority of them are steel or aluminium related.

Senator KIM CARR: Can you give me a number?

Mr Seymour: I think it's about eight—eight out of 10.

Senator KIM CARR: Eight out of 10—80 per cent?

Mr Seymour: Yes.

Senator KIM CARR: All right. The Prime Minister's visit to the United States recently in regard to the proposed tariff arrangements that the US government is examining—has there been any response from the United States on those matters?

Mr Seymour: This is a matter that's not within my area of responsibility.

Senator KIM CARR: No, but I want to go to the question of what the consequences are for you.

Mr Seymour: Sure. I just wanted to make the statement that I'm not responsible for representing Australia's interest in that forum.

Senator KIM CARR: Has there been any response that has an effect in terms of your work?

Mr Seymour: My understanding, and I think it's on the public record, is that the President has until the middle of April to make a decision as to what type of remedy he wishes to apply, both in steel and in aluminium, on recommendations from the Secretary of Commerce.

Senator KIM CARR: Yes.

Mr Seymour: There are a variety of scenarios that are in the report. Certainly, the view domestically from Australian steelmakers and aluminium manufacturers is that any material change to tariff or quota arrangements into the US for those products will pose a risk for other markets, of which we will certainly be one.

Senator KIM CARR: So there will be a knock-on effect?

Mr Seymour: The knock-on effect would be that you could expect to see some increase in volumes of those goods into other markets, but I'd be speculating in terms of how much that might mean.

Senator KIM CARR: Right. You don't have any update on the figures that you've already given us?

Mr Seymour: Figures on?

Senator KIM CARR: In terms of the questions in regard to steel and aluminium—19 measures were from China, eight from Korea, six from Taiwan and six from Malaysia.

Mr Seymour: Yes, thank you. You're referring to the overall number of measures by country. There are four major markets that trade steel into Australia currently: China, Korea, Taiwan and Thailand. I would expect that they would continue to trade into Australia. There are 22 measures in relation to OneSteel and 17 in relation to BlueScope, currently. The vast majority of those—I think it's about 34 per cent—relate to Chinese sales into Australia. It's a globally traded commodity and, on the basis that there is still overcapacity in the world steel market, you would expect to see that if one market—a large market like the US—takes a stronger stand through a tariff or quota regime, then some of that would find its way into other markets, including Australia. And I don't want to speculate on the amount, because I simply don't know.

Senator KIM CARR: I've got a series of questions I'd like to put on notice regarding section 232 actions following the measures in the United States. I particularly go to the question of industry stakeholder correspondence with you—information from either DFAT or the department of industry in regard to those investigations. I will put those on notice, if I could.

Mr Seymour: Right.

Senator KIM CARR: On 9 February, the assistant minister, Zed Seselja, delayed a review decision on the dumping of paper from Brazil, China, Indonesia and Thailand, citing special circumstances. Is that correct?

Mr Seymour: That's correct.

Senator KIM CARR: Are you able to provide a breakdown of the number of decisions by type that have been delayed by the minister—by various ministers, of course, in the portfolio—over the last 12 months?

Mr Seymour: I don't have that information.

Senator KIM CARR: That would be on notice.

Mr Seymour: I'll take it on notice, thank you.

Senator KIM CARR: And a breakdown by country.

Mr Seymour: Sure.

Senator KIM CARR: Thank you. I put those on notice. That concludes my questions for the Anti-Dumping Commission.

CHAIR: Thank you, Senator Carr. I think that other senators still have questions, but I have put a hard marker in for the tea break at 3.15, so the committee will now suspend and resume at 3.30 pm with the Anti-Dumping Commission. Thank you.

Proceedings suspended from 15:14 to 15:30

Senator LEYONHJELM: Following up on some of the points Senator Carr was making earlier, there has been some media in recent times in relation to the increased number of determinations by you, particularly in relation to steel. I'm not entirely familiar with the process, but has the government responded to your determinations in relation to steel?

Mr Seymour: Thank you for the question. The process provided for in the scheme and the legislation is that if I'm satisfied that there is a prima facie case to be pursued, I initiate certain statutory powers of my own, which I deploy, if you like, through the course of the investigation, including putting provisional measures on certain goods if I'm satisfied the threshold for that has been met, and then, through a very open and transparent process with all parties concerned, including governments, undertake a full and comprehensive investigation. When I've concluded that investigation and I'm satisfied there is a case, I recommend measures to the minister. In the time that I've been in the role, which is now four years and seven months, I can't think of a case that I've recommended that hasn't been adopted by the government—which isn't to say that case then stands, because as part of our very balanced, fair, independent and robust system, there is a strong element of merit review, so a party that receives a measure is able to have that matter reviewed by an independent panel of experts who then look at my work and either affirm it or, given the complexity, particularly of the arithmetic involved in calculating dumping or countervailing margins, might recommend an alteration to the rate, which is a very common aspect of the system globally. In those cases the minister receives a recommendation by that panel member and then makes a new decision, essentially varying the first decision. The process I've outlined is why I'm able to say we in Australia have a confident trade remedy investigating authority and system, because we have put a great emphasis, through that reform process I spoke of earlier, on ensuring we are absolutely evidence-led, independently-driven and apply the law as it's provided for, mainly in the Customs Act part XVB, to the facts. On that basis alone the recommendations are made to the minister.

Senator LEYONHJELM: Has the minister accepted your recommendations or determinations in relation to steel?

Mr Seymour: Yes. As I think I said in earlier hearings, steel makes up the vast majority of our work. That's a reflection of the earlier comment I made about the very significant overcapacity in the global steel market. That's simply a function of that overcapacity, so you'd expect domestic steelmakers to come under some pressure as a result of dumping of steel products in the Australian market from other markets.

Senator LEYONHJELM: As a result of that, are you aware of price rises in steel?

Mr Seymour: There are many reasons why retail prices rise in the Australian market. The scheme I administer is interested only in remedying the injury experienced by the Australian domestic steelmaker as a result of the dumping of those goods from other markets. How they then use that to best effect in a competitive sense domestically is a matter for them. The test around injury is very interesting, though, because it involves an assessment of price and volume in the domestic market. That's where we are able to take a view that we believe the dumping of those goods has caused material injury to the domestic player.

Senator LEYONHJELM: I understand how the process works. You are looking at injury to the complainant, the competitor to the imported products. I'm interested in whether you are aware of the effect the minister's acceptance of your determination has on the overall price of steel and, as a consequence of that, on the purchasers of steel building products.

Mr Seymour: There are many effects in the market. One of them is a flow-on effect from a trade remedy decision. The remedying of the injury will put the domestic player in a better position than when they were experiencing the injury, and that would be best reflected in either price or volume. Along with other demand-

Tam van Alphen

From: Tam van Alphen
Sent: Friday, 24 November 2017 2:38 PM
To: Turner, Paul
Subject: confusing website

Hi Paul –

Further to my voicemail, could this please be removed: <https://www.racq.com.au/qdelection>

It's confusing, as relates to previous election.

Of course happy to chat.

Thanks

Tam

Released under RTI Act - TMR

Tam van Alphen

From: Gai Duffy
Sent: Thursday, 30 November 2017 12:12 PM
To: Tam van Alphen; Mark Bailey; Tim Shipstone
Subject: FW: Correspondence for Minister Bailey
Attachments: 301117 - Mark Bailey.pdf

From: Sallows, Elizabeth [mailto:Elizabeth.Sallows@racq.com.au]
Sent: Thursday, 30 November 2017 11:59 AM
To: Main Roads <mainroads@ministerial.qld.gov.au>
Cc: Gai Duffy <Gai.Duffy@ministerial.qld.gov.au>; Turner, Paul <Paul.Turner@racq.com.au>
Subject: Correspondence for Minister Bailey

Please find attached correspondence for the attention of Minister Mark Bailey. A hard copy will follow in the post.

Thank you.

Elizabeth Sallows
Executive Assistant to Group CEO RACQ

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<https://www.racq.com.au/>" style="position:absolute;margin-left:0;margin-top:0;width:219.75pt;height:46.5pt;z-index:251659264;visibility:visible;mso-wrap-style:square;mso-width-percent:0;mso-height-percent:0;mso-wrap-distance-left:0;mso-wrap-distance-top:0;mso-wrap-distance-right:0;mso-wrap-distance-bottom:0;mso-position-horizontal:left;mso-position-horizontal-relative:text;mso-position-vertical:absolute;mso-position-vertical-relative:line;mso-width-percent:0;mso-height-percent:0;mso-width-relative:page;mso-height-relative:page" o:allowoverlap="f" o:button="t">

[//www.racq.com/homeinsurance](https://www.racq.com/homeinsurance)" style="position:absolute;margin-left:0;margin-top:0;width:375pt;height:97.5pt;z-index:251660288;visibility:visible;mso-wrap-style:square;mso-width-percent:0;mso-height-percent:0;mso-wrap-distance-left:0;mso-wrap-distance-top:0;mso-wrap-distance-right:0;mso-wrap-distance-bottom:0;mso-position-horizontal:left;mso-position-horizontal-relative:text;mso-position-vertical:absolute;mso-position-vertical-relative:line;mso-width-percent:0;mso-height-percent:0;mso-width-relative:page;mso-height-relative:page" o:allowoverlap="f" o:button="t">



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Motoring Insurance Travel Finance

30 November 2017

Hon. Mark Bailey MP
Minister for Main Roads, Road Safety and Ports and
Minister for Energy and Water Supply
GPO Box 2644
BRISBANE QLD 4000

Email: mainroads@ministerial.qld.gov.au

Dear Minister

I am just dropping you a short note in reference to the meeting held between myself and RACQ Chief Communication Officer Paul Turner with you and your key staff yesterday.

As you know we came at your request, on short notice, when it was indicated you were unhappy with aspects of our election response to Labor policies.

I believe it is important to clarify RACQ's policy position regarding the 2017 State Election and RACQ's coverage via the RACQ Live website and our election promises scorecard.

As I stated in our meeting, it was not RACQ's intention to try and reflect the various policies of the major parties in the election, but instead to outline how those political parties, including the ALP, had responded to our policy manifesto.

As you know, the State Government was given our policy paper on October 24 in a meeting with you and your key staff. That policy paper, called Mobility Matters, was presented, at our request, to clearly outline the policies and projects RACQ would be promoting during the State Election.

Those policies and projects were then directly reflected in our scorecard, and associated articles, hosted on RACQ Live and promoted through traditional, digital and social media throughout the campaign.

RACQ was not contacted during the election campaign by the Labor Party regarding any of our policies. RACQ was notified by the Opposition and other political parties, sometimes in advance, regarding mobility and transport announcements throughout the campaign, and received a detailed response to our policy paper on November 20 from the LNP.



The only response we received from Labor was a heads up around the M1 funding announcement and, in the last 24 hours before the election, when we received a written letter from the Deputy Premier and Minister for Infrastructure regarding key Labor infrastructure announcements during the election, and a subsequent contact by Denise Spinks from the Premier's office and Tam Van Alphen from your own office around items on our scorecard you disagreed with and wanted changed.

RACQ agreed to reflect those Labor announcements we were unaware of during the campaign.

Minister, I believe we have had a constructive working relationship with you as Main Roads Minister and DTMR over the last three years, and therefore I was quite disappointed with the tone of yesterday's meeting.

RACQ is a fiercely independent advocate on behalf of its members and has a 100 year plus history of direct lobbying for safer drivers, in safer cars on safer roads. We conduct this advocacy without fear or favour and value our independence very highly.

I am comfortable that RACQ's approach to the 2017 State Election was once again demonstrably unbiased and clearly focused on attempting to obtain political support for our key policies and infrastructure projects. We do not look to re-election or political favour, just to represent the needs of our members and the community of Queensland.

I look forward to continuing to work closely with the State Government and the appropriate Ministers over the next term and congratulate you personally on your re-election.

As always, please do not hesitate to contact me, Paul Turner or our Head of Public Policy Rebecca Michael if you have any issues you wish to discuss with RACQ.

Regards

NR

Ian Gillespie
Group CEO RACQ

Tam van Alphen

From: Turner, Paul <Paul.Turner@racq.com.au>
Sent: Tuesday, 12 December 2017 9:07 AM
To: Tam van Alphen
Subject: Red Spot Congestion Survey Results
Attachments: image001.jpg; ATT00001.htm; image002.jpg; ATT00002.htm; image003.png; ATT00003.htm; image004.png; ATT00004.htm; image005.png; ATT00005.htm; image006.png; ATT00006.htm; image007.png; ATT00007.htm; image008.png; ATT00008.htm; RACQ Media Release - Locals name Queensland's most congested roads.pdf; ATT00009.htm

FYI and heads up for tomorrow Tam. Some of these you obviously identified during the election (M1, Mt Lindsay). Embargoed to Wednesday December 13 2017

Sent from my iPhone

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13 December 2017

Locals name Queensland's most congested roads

RACQ has called on the re-instated Queensland Government to urgently fix roads, after the State's worst gridlock locations were named and shamed by locals.

RACQ spokesperson Renee Smith said several roads were identified by drivers as causing unnecessary delays in the motoring organisation's Red Spot Congestion Survey.

Respondents rated the Pacific Motorway as the most troublesome road in the State, and six of the top 10 worst roads were located in Brisbane.

"We asked motorists right around Queensland to pinpoint exact locations with bumper to bumper traffic which led to frustration behind the wheel," Ms Smith said.

"These 'red spots' could be the result of not enough lanes, ill-sequenced traffic lights or delays at level crossings."

Ms Smith said it was vital the recently re-elected Palaszczuk Government delivered on promises to upgrade roads.

"We know there's work taking place to alleviate congestion and reduce travel times on some of these roads, but there's still plenty more work to be done," she said.

"We'll be using the results of this survey to form our policy positions and continue to lobby both local and State governments to come up with solutions to other bottlenecked areas."

Queensland's worst roads according to RACQ's Red Spot Congestion Survey		
Rank	Road name	Specific location(s)
1	Pacific Motorway	Eight Mile Plains to Loganholme, Exits 41 to 57, and Mudgeeraba to Tugun
2	Centenary/Western Hwy	Ipswich Motorway to Toowong and at Logan Motorway interchange, and Carole Park
3	Bruce Highway	Pine Rivers to Sunshine Coast
4	Mt Lindesay Highway	Browns Plains to Jimboomba
5	Captain Cook Highway	Cairns City to Kennedy Highway
6	South Pine Road	Stafford Road and Eatons Crossing Road intersections
7	Gateway Motorway	Nudgee Service Centre merge
8	Gympie Road	Beams Road and Hamilton Road intersections
9	Sunshine Motorway	Kawana Way intersection, Sippy Downs and at Nicklin Way
10	Moggill Road	Kenmore and Chapel Hill

The results of RACQ's Red Spot Survey can be viewed at: www.racq.com/redspot.

Media inquiries: **RACQ spokesperson Renee Smith** NR **Media Advisor Clare Christensen** NR

RACQ is Queensland's largest club and peak membership motoring organisation. For over 100 years it has represented the interests of the State's motoring and driving community. The club's current activities and reach extend to the 1.6 million members who own the Club logo on their doors. Members benefit from a range of motoring insurance, finance, maintenance and travel services and benefits, and much more provided by more than a million clubs for roadside assistance.

The Royal Automobile Club of Queensland
2043 Logan Road, Cheriton Hills, QLD 4101

Assistant
Secretary
Association

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[facebook.com/racqofficial](https://www.facebook.com/racqofficial) www.racq.com.au/contact

Tam van Alphen

From: Turner, Paul <Paul.Turner@racq.com.au>
Sent: Tuesday, 12 December 2017 9:10 AM
To: Tam van Alphen
Subject: Re: Red Spot Congestion Survey Results

Sounds good, thanks. I think there might be some regional ones too which I will send you through.

Sent from my iPhone

On 12 Dec 2017, at 9:08 am, Tam van Alphen <Tam.VanAlphen@ministerial.qld.gov.au> wrote:

Many thanks Paul –
Would be great to catch up soon, will give you a buzz post swearing in!
Tam

From: Turner, Paul [<mailto:Paul.Turner@racq.com.au>]
Sent: Tuesday, 12 December 2017 9:07 AM
To: Tam van Alphen <Tam.VanAlphen@ministerial.qld.gov.au>
Subject: Red Spot Congestion Survey Results

FYI and heads up for tomorrow Tam. Some of these you obviously identified during the election (M1, Mt Lindsay). Embargoed to Wednesday December 13 2017

Sent from my iPhone

<https://www.racq.com.au/>" style='position:absolute;margin-left:0;margin-top:0;width:219.75pt;height:46.5pt;z-index:251659264;visibility:visible;mso-wrap-style:square;mso-width-percent:0;mso-height-percent:0;mso-wrap-distance-left:0;mso-wrap-distance-top:0;mso-wrap-distance-right:0;mso-wrap-distance-bottom:0;mso-position-horizontal:left;mso-position-horizontal-relative:text;mso-position-vertical:absolute;mso-position-vertical-relative:line;mso-width-percent:0;mso-height-percent:0;mso-width-relative:page;mso-height-relative:page' o:allowoverlap="f" o:button="t">

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Released under RTI Act 2009 TMR

Tam van Alphen

From: Turner, Paul <Paul.Turner@racq.com.au>
Sent: Tuesday, 12 December 2017 9:22 AM
To: Tam van Alphen
Subject: Fwd: Red Spot Congestion Survey Results
Attachments: RACQ Media Release - Locals name Queensland's most congested roads.pdf; ATT00001.htm; RACQ Media Release - Townsville drivers identify most congested roads.pdf; ATT00002.htm; RACQ Media Release - Cairns locals name region's most congested roads.pdf; ATT00003.htm; RACQ Media Release - Drivers identify Sunny Coast's most frustrating roads.pdf; ATT00004.htm; RACQ Media Release - GC motorway named State's most frustrating road.pdf; ATT00005.htm

Tam here are the regional ones as well

Sent from my iPhone

Begin forwarded message:

From: "Christensen, Clare" <Clare.Christensen@racq.com.au>
To: "Turner, Paul" <Paul.Turner@racq.com.au>
Subject: RE: Red Spot Congestion Survey Results

Here are all five.

Thanks,

Clare Christensen
Media Advisor

60 Edward Street
Brisbane, QLD, 4000
PO Box 4 Springwood, QLD 4127
T +61 7 3872 8683
M + NR
E Clare.Christensen@racq.com.au
W racq.com

From: Turner, Paul
Sent: Tuesday, 12 December 2017 9:07 AM
To: Christensen, Clare <Clare.Christensen@racq.com.au>
Subject: Re: Red Spot Congestion Survey Results

Thanks, I have forwarded that on. I should really send all 5 to the minister

Sent from my iPhone

On 12 Dec 2017, at 8:51 am, Christensen, Clare <Clare.Christensen@racq.com.au> wrote:

Hi Paul,

We have five regional releases going out embargoed this afternoon for tomorrow on the Red Spot Congestion Survey results.

Attached is the State wide release, if you'd like to send on to Mark Bailey's team.

Thanks,

Clare Christensen
Media Advisor

60 Edward Street
Brisbane, QLD, 4000
PO Box 4 Springwood, QLD 4127
T +61 7 3872 8683
M NR
E Clare.Christensen@racq.com.au
W racq.com

<image001.jpg>

<image002.jpg>

<image003.png><image004.png><image005.png><image006.png><image007.png><image008.png>
<RACQ Media Release - Locals name Queensland's most congested roads.pdf>

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13 December 2017

Locals name Queensland's most congested roads

RACQ has called on the re-instated Queensland Government to urgently fix roads, after the State's worst gridlock locations were named and shamed by locals.

RACQ spokesperson Renee Smith said several roads were identified by drivers as causing unnecessary delays in the motoring organisation's Red Spot Congestion Survey.

Respondents rated the Pacific Motorway as the most troublesome road in the State, and six of the top 10 worst roads were located in Brisbane.

"We asked motorists right around Queensland to pinpoint exact locations with bumper to bumper traffic which led to frustration behind the wheel," Ms Smith said.

"These 'red spots' could be the result of not enough lanes, ill-sequenced traffic lights or delays at level crossings."

Ms Smith said it was vital the recently re-elected Palaszczuk Government delivered on promises to upgrade roads.

"We know there's work taking place to alleviate congestion and reduce travel times on some of these roads, but there's still plenty more work to be done," she said.

"We'll be using the results of this survey to form our policy positions and continue to lobby both local and State governments to come up with solutions to other bottlenecked areas."

Queensland's worst roads according to RACQ's Red Spot Congestion Survey		
Rank	Road name	Specific location(s)
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10	Moggill Road	Kenmore and Chapel Hill

The results of RACQ's Red Spot Survey can be viewed at: www.racq.com/redspot.

Media inquiries: RACQ spokesperson Renee Smith NR; Media Advisor Clare Christensen NR

RACQ is Queensland's largest road and auto insurance motoring organisation. For more than 60 years it represents the interests of the State's 100,000 motorists and policyholders, campaign for safer roads, vehicles and roads and protect of the 1.5 million members who join the Club. RACQ offers motor members a great range of products, insurance, finance, emergency and more services and benefits, and much more supported by more than a million dollars for roadside assistance.

The Royal Automobile Club of Queensland
25-27 Logan Road, Logan Park Plaza, QLD 4013

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13 December 2017

Drivers identify Sunny Coast's most frustrating roads

RACQ has called on the re-instated Queensland Government to urgently fix roads on the Sunshine Coast, after the region's worst gridlocks were named and shamed by local motorists.

RACQ spokesperson Renee Smith said several Sunshine Coast roads were identified by drivers as causing unnecessary delays in the motoring organisation's Red Spot Congestion Survey.

Respondents rated the Sunshine Motorway as the most troublesome road in the region.

"We asked motorists throughout Queensland to pinpoint the exact locations that had bumper to bumper traffic and led to frustration behind the wheel," Ms Smith said.

"These 'red spots' could be the result of not enough lanes, ill-sequenced traffic lights or delays at level crossings.

"Not only was the Sunshine Coast Motorway identified as a problem location on the coast, it received so many nominations, it came in as the ninth worst in the State."

Ms Smith said it was vital the recently re-elected Palaszczuk Government upgraded local roads.

"Enough talk – it's time Sunshine Coast motorists saw some action," she said.

"We'll be using the results of this survey to better inform our policy positions and continue to lobby both local and State governments to come up with solutions to these bottlenecked areas."

Sunshine Coast's worst roads according to RACQ's Red Spot Congestion Survey:

1. Sunshine Motorway, Sippy Downs and Mooloolaba interchange
2. Caloundra Road/Nicklin Way, Caloundra
3. Nambour Connection Road/Bruce Highway.

The results of RACQ's Red Spot Survey, including an interactive map, can be viewed at: www.racq.com/redspot.

Media inquiries: RACQ spokesperson Renee Smith NR; **Media Advisor Clare Christensen** NR

RACQ is Queensland's largest club and peak motoring industry organisation. We were formed in 2005 to represent the interests of the State's 1.6 million motorists and lobby on their behalf. We have over 1.6 million members and are the Club for all things motoring. We offer a wide range of motoring insurance, finance, maintenance and repair services and benefits, and work with a range of motoring organisations for specialist assistance.

The Royal Automobile Club of Queensland
254-8 Capal Road, Capal Hill, Brisbane, QLD 4067

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13 December 2017

GC motorway named State's most frustrating road

RACQ has called on the re-instated Queensland Government to urgently fix Gold Coast roads, after the city's worst gridlock locations were named and shamed by locals.

Respondents to RACQ's recent Red Spot Congestion Survey rated the Pacific Motorway as the most troublesome road, not only in the region, but across the entire State.

The motoring body's spokesperson Renee Smith said several Gold Coast roads had been identified by drivers as causing unnecessary delays.

"We asked motorists right around Queensland to pinpoint the exact locations that had bumper to bumper traffic which led to frustration behind the wheel," Ms Smith said.

"It comes as no surprise to hear drivers on the coast say the Pacific Motorway is the most congested road, with two separate locations drawing the ire of motorists.

"These 'red spots' could be the result of not enough lanes, ill-sequenced traffic lights or delays at level crossings."

Ms Smith said it was vital the recently re-elected Palaszczuk Government delivered on promises to upgrade local roads.

"We have seen some improvements to exits on the Pacific Motorway and additional lanes announced from Varsity Lakes to Tugun, but there's a lot more that needs to be done to alleviate congestion and reduce travel times," she said.

"We'll be using the results of this survey to form our policy positions and continue to lobby both local and State governments to come up with solutions to other bottlenecked areas."

Gold Coast's worst roads according to RACQ's Red Spot Congestion Survey:

1. Pacific Motorway, Exits 41 to 57 from Ormeau to Helensvale
2. Pacific Motorway, Mudgeeraba to Tugun
3. Mt Lindesay Highway, Browns Plains to Jimboomba
4. Smith Street Motorway, Pacific Motorway to Olsen Avenue
5. Southport Burleigh Road (Bundall Road), Ashmore
6. Gold Coast Highway at Pine Ridge Road and Oxley Drive.

The results of RACQ's Red Spot Survey can be viewed at: www.racq.com/redspot.

Media inquiries: RACQ spokesperson Renee Smith NR **Media Advisor Clare Christensen** NR

RACQ is Queensland's largest club and has approximately 1.5 million members. We were formed in 1993 to represent the interests of the State's first motorists and today campaign for safer roads, vehicles and roads on behalf of our 1.5 million members who own the 'Red Spot' after their members a great range of services including insurance, finance, emergency and more services and benefits, and much more. Please contact us on 1300 65 65 65 for more information.

The Royal Automobile Club of Queensland
2043 Logan Road, Eagle Hills, Queensland 4209

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13 December 2017

Cairns locals name region's most congested roads

RACQ has called on the re-instated Queensland Government to urgently fix roads in and around Cairns, after the city's worst gridlock locations were named and shamed by locals.

RACQ spokesperson Renee Smith said several roads in Cairns were identified by drivers as causing unnecessary delays in the motoring organisation's Red Spot Congestion Survey.

Respondents rated the Captain Cook Highway as the most troublesome road in the region.

"We asked motorists right around Queensland to pinpoint the exact locations that had bumper to bumper traffic which led to frustration behind the wheel," Ms Smith said.

"These 'red spots' could be the result of not enough lanes, ill-sequenced traffic lights or delays at level crossings.

"Drivers in the wider Cairns area told us the Captain Cook Highway was the most congested road in 14 suburbs, including Aeroglen, Yorkeys Knob and Smithfield.

"Not only is this highway identified as a problem location in Cairns, it received so many nominations, it's the fifth worst in the State."

Ms Smith said it was vital the recently re-elected Palaszczuk Government delivered on promises to upgrade Cairns roads.

"Labor has committed to constructing a bypass at Smithfield and the Cairns Southern Access projects on the Bruce Highway. It's now time for action," she said.

"We'll be using the results of this survey to form our policy and continue to lobby both local and State governments to come up with solutions to other bottlenecked areas."

Cairns' worst roads according to RACQ's Red Spot Congestion Survey:

1. Captain Cook Highway
2. Cairns Western Arterial Road, Caravonica
3. Sheridan Street, Cairns City
4. Ray Jones Road, Woree.

The results of RACQ's Red Spot Survey, including an interactive map, can be viewed at: www.racq.com/redspot.

Media inquiries: RACQ spokesperson Renee Smith Media Advisor Clare Christensen

RACQ is Queensland's largest road user levy, infrastructure recovery, and safety organisation. We were formed in 2010 to represent the interests of the State's first motorists and today manage the 2000+ driver licences and hold on behalf of the 10 million Queenslanders who use the Club life other than those members a wide range of exciting business, financial, entertainment and travel services and benefits, designed with Queenslanders' needs and interests in mind. For more information visit www.racq.com

The State Government of Queensland
26-9 Cairns Road, Cairns Hill, Cairns, QLD 4870

Assistant
Administrator
Astonfield

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13 December 2017

Townsville drivers identify most congested roads

RACQ has called on the re-instated Queensland Government to urgently fix roads in and around Townsville, after the city's worst gridlocks were named and shamed by local motorists.

RACQ spokesperson Renee Smith said a number of Townsville roads were identified by drivers as causing unnecessary delays in the motoring organisation's Red Spot Congestion Survey.

Respondents rated the Dalrymple Road and Duckworth Street intersection as the most troublesome location in the region, topping the list for the second time in recent years.

"We asked motorists throughout Queensland to pinpoint the exact locations that had bumper to bumper traffic which led to frustration behind the wheel," Ms Smith said.

"These 'red spots' can be the result of not enough lanes, ill-sequenced traffic lights or delays at level crossings.

"It's clear we have ongoing problems and no one is committing any solutions. The same chokepoints have been identified this time around as what we saw when the survey was conducted in 2010."

Ms Smith said it was vital the recently re-elected Palaszczuk Government upgraded local roads.

"Enough talk – it's time Townsville motorists saw some action," she said.

"We'll be using the results of this survey to better inform our policy positions and continue to lobby governments to come up with solutions to these bottlenecked areas."

Townsville's worst roads according to RACQ's Red Spot Congestion Survey:

1. Dalrymple Road/Duckworth Street
2. Hugh Street, Iringham Road to Woolcock Street
3. Bruce Highway/North Shore Boulevard.

The results of RACQ's Red Spot Survey, including an interactive map, can be viewed at: www.racq.com/redspot.

Media inquiries: RACQ spokesperson Renee Smith NR Media Advisor Clare Christensen NR

RACQ is Queensland's largest and most independent motoring organisation. We have formed in 1965 to represent the interests of the State's first motorists and policy advocate for their interests, vehicles and roads. In 1995, we merged with the 35 national motorists clubs across the Club's life after these members' and usage of existing financial, insurance and travel services and benefits, and services you required to come from a single point for product integration.

The Road Transport Club of Queensland
2614 Logan Road, Fichtelberg, QLD 4810

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Tam van Alphen

From: Tam van Alphen
Sent: Thursday, 18 January 2018 5:50 PM
To: Herdarlim, Oktavia
Cc: Lynch, Jane
Subject: RE: Coffee catch up with Paul Turner, RACQ

That would be great Oktavia.

Let's make it 10am-10:30am on 2 Feb please.

Could you pls send me a diary invite?

Thanks
Tam

Tam van Alphen
Chief of Staff
Minister for Transport and Main Roads
P 07 3719 7300 | E tam.vanalphen@ministerial.qld.gov.au
Lvl 34 1 William Street Brisbane QLD 4000

From: Herdarlim, Oktavia [<mailto:Oktavia.Herdarlim@racq.com.au>]
Sent: Thursday, 18 January 2018 4:25 PM
To: Tam van Alphen <Tam.VanAlphen@ministerial.qld.gov.au>
Cc: Lynch, Jane <Jane.Lynch@racq.com.au>
Subject: Coffee catch up with Paul Turner, RACQ



Queensland
Government

Hi Tam,

Hope this email finds you well.

Paul was hoping if you have a spare time to catch up with him and Dr. Rebecca Michael for a coffee.

Paul and Rebecca are happy to go to a nearby coffee shop close to your office.

Would any of these suggested times suits?

Wednesday, 31st January between 9am – noon
Friday, 2nd Feb between 9am – 2pm

Kind regards,
Oktavia Herdarlim
Personal Assistant to Chief Communication Officer

60 Edward Street
Brisbane, QLD, 4000
PO Box 4 Springwood, QLD 4127
T +61 7 3361 2451
E Oktavia.Herdarlim@racq.com.au

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Tam van Alphen

From: Herdarlim, Oktavia <Oktavia.Herdarlim@racq.com.au>
Sent: Friday, 19 January 2018 8:44 AM
To: Tam van Alphen
Subject: RE: Coffee catch up with Paul Turner, RACQ

Wonderful!
I've just sent the calendar invite through.

Kind regards,
Oktavia Herdarlim
Personal Assistant to Chief Communication Officer

60 Edward Street
Brisbane, QLD, 4000
PO Box 4 Springwood, QLD 4127
T +61 7 3361 2451
E Oktavia.Herdarlim@racq.com.au
W racq.com

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href="https://www.racq.com.au/banking/loans/home-loans" style='position:absolute;margin-left:0;margin-top:0;width:375pt;height:97.5pt;z-index:251660288;visibility:visible;mso-wrap-style:square;mso-width-percent:0;mso-height-percent:0;mso-wrap-distance-left:0;mso-wrap-distance-top:0;mso-wrap-distance-right:0;mso-wrap-distance-bottom:0;mso-position-horizontal:left;mso-position-horizontal-relative:text;mso-position-vertical:absolute;mso-position-vertical-relative:line;mso-width-percent:0;mso-height-percent:0;mso-width-relative:page;mso-height-relative:page' o:allowoverlap="f" o:button="t">
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Released under RTI Act - TMR

Tam van Alphen

From: Tam van Alphen
Sent: Tuesday, 20 February 2018 3:38 PM
To: Mark Bailey; Tim Shipstone
Subject: FW: Meeting between RACQ and Ministers Lynham and Bailey
Attachments: Comparison of the Sydney ULP market pre and post the introduction of Fuel Check Distribution Copy.pdf

fyi

From: Michael, Dr Rebecca [mailto:Rebecca.Michael@racq.com.au]
Sent: Tuesday, 20 February 2018 3:36 PM
To: Tam van Alphen <Tam.VanAlphen@ministerial.qld.gov.au>; Talbot Speechley <Talbot.Speechley@ministerial.qld.gov.au>
Cc: Turner, Paul <Paul.Turner@racq.com.au>; Jeffreys, Ian <Ian.Jeffreys@racq.com.au>
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- To calculate the average price, the price-days value was divided by the time-available value resulting in the average price.

Verification and validation

To check the accuracy of the prices calculated from the Fuel Check data, these were compared the prices reported by ISA. As the ISA prices were calculated using the same data the prices should be the same. From September 2016 to June 2017, the price difference for 7 months was 0.4 cpl or less, in two months this increased to 0.7 cpl and 1.1 cpl, and were deemed to be close enough. These discrepancies are likely to be due to differences in geographic boundary, collection and aggregation methodologies.

Results

The table below displays monthly average price difference between ULP sold in Brisbane and ULP sold in Sydney. The analysis was completed using ISA data and Fuel Check data. Prior to the introduction of Fuel Check in late August 2016, only the ISA data was readily available. After the introduction of Fuel Check prices for all sites in NSW were available and published by the NSW Gov. After the introduction of Fuel Check, ISA incorporated the Fuel Check data in to their analyses.

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Dec-15	5.3		
Jan-16	6.1		
Feb-16	2.4		

For more information, please contact Rebecca Michael, Head of Public Policy at Rebecca.michael@racq.com.au

Mar-16	5.4		
Apr-16	6.5		
May-16	1.1		
Jun-16	1.2		
Jul-16	-2.0		
Aug-16	-1.4		
Sep-16	2.6		
Oct-16	1.2	1.6	0.2
Nov-16	9.2	8.0	7.6
Dec-16	2.7	2.8	2.2
Jan-17	0.9	0.2	-0.3
Feb-17	1.1	1.2	0.4
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As can be observed in the table above the monthly price difference between Brisbane and Sydney changes dramatically from month to month. This change is due a mal-alignment the fuel price cycles rather than a fundamental difference in the two markets. Subsequently, comparison of the monthly data yields little meaningful data.

To make an accurate comparison of the two markets prices need to be averaged out over longer periods to smooth out the effects of the price cycles. In this analysis, the 14 months immediately prior to the start of Fuel Check – July 2015 to August 2016 – was compared with eight months after Fuel Check – September 2016 to May 2017. The period July 2015 to August 2016 was chosen to capture whole price cycles. When Fuel Check was introduced in late August, the Sydney market was in the cheap phase of the cycle and Brisbane the most expensive. This situation was replicated on 1 July 2015, therefore the period between these two dates only contained complete price cycles. Pricing data is no currently available for June 2017 or later.

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When considering only the Brands present in the ISA dataset (pre Fuel Check) the average price difference between BNE and SYD is 2.8 cpl, an increase of 1.4 cpl. As this comparison only considers brands that were common to the ISA sample and the Fuel Check sample, it should be considered a measure of the effect of Fuel Check programme on competition excluding the effects of the improved sample.

Conclusions

Considering only the brands common in the pre-Fuel Check data and the post Fuel Check data, the average ULP price in Sydney (benchmarked against the Brisbane ULP price) fell by 1.4 cpl. This reduction can be attributed to the increase in competition due the introduction of the Fuel Check service.

If applied state-wide, this increase in competition would equate to a saving to NSW motorists of about \$75 million per annum¹. If applied in Queensland a Fuel Check Programme would save Queensland motorists about \$50 million per annum.

¹ Based on data from the ABS Survey of Motor Vehicle Use. Total passenger vehicles distance travelled for NSW was 50,479 million Km and average fuel use for passenger vehicles was 11 L/100km. Total passenger vehicles distance travelled for Queensland was 35,582 million Km and average fuel use for passenger vehicles was 10 L/100km.

Based on these assumptions, the savings for passenger vehicle drivers in NSW is \$77.7 million p.a. and in Queensland the savings for passenger vehicle drivers is \$49.8 million p.a..

Appendix 1

Brand coverage in the ISA sample

- 7-Eleven
- BP
- Caltex Woolworths
- Caltex
- Puma Energy

Greater Sydney Postcodes

2000	2035	2070	2102	2133	2161	2210	2566
2007	2036	2071	2103	2134	2162	2211	2567
2008	2037	2072	2104	2135	2163	2212	2570
2009	2038	2073	2106	2136	2164	2213	2745
2010	2039	2074	2107	2137	2165	2214	2747
2011	2040	2075	2110	2138	2166	2216	2749
2015	2041	2076	2111	2140	2170	2217	2750
2016	2042	2077	2112	2141	2171	2218	2752
2017	2043	2079	2113	2142	2176	2219	2753
2018	2044	2080	2114	2143	2190	2220	2754
2019	2045	2082	2115	2144	2191	2221	2756
2020	2046	2084	2116	2145	2192	2222	2758
2021	2047	2085	2117	2146	2193	2223	2759
2022	2048	2086	2118	2147	2194	2224	2760
2023	2049	2087	2119	2148	2195	2225	2761
2024	2050	2088	2120	2150	2196	2226	2763
2025	2060	2089	2121	2151	2198	2227	2765
2026	2061	2090	2122	2152	2199	2228	2766
2027	2062	2092	2125	2153	2200	2229	2768
2028	2063	2093	2126	2154	2203	2230	2770
2029	2064	2095	2127	2155	2204	2231	
2030	2065	2096	2128	2156	2205	2232	
2031	2066	2097	2129	2157	2206	2233	
2032	2067	2099	2130	2158	2207	2234	
2033	2068	2100	2131	2159	2208	2560	
2034	2069	2101	2132	2160	2209	2565	

Tam van Alphen

From: Michael, Dr Rebecca <Rebecca.Michael@racq.com.au>
Sent: Tuesday, 20 February 2018 3:36 PM
To: Tam van Alphen; Talbot Speechley
Cc: Turner, Paul; Jeffreys, Ian
Subject: Meeting between RACQ and Ministers Lynham and Bailey
Attachments: Comparison of the Sydney ULP market pre and post the introduction of Fuel Check Distribution Copy.pdf

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Conclusions

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If applied state-wide, this increase in competition would equate to a saving to NSW motorists of about \$75 million per annum¹. If applied in Queensland a Fuel Check Programme would save Queensland motorists about \$50 million per annum.

¹ Based on data from the ABS Survey of Motor Vehicle Use. Total passenger vehicles distance travelled for NSW was 50,479 million Km and average fuel use for passenger vehicles was 11 L/100km. Total passenger vehicles distance travelled for Queensland was 35,582 million Km and average fuel use for passenger vehicles was 10 L/100km.

Based on these assumptions, the savings for passenger vehicle drivers in NSW is \$77.7 million p.a. and in Queensland the savings for passenger vehicle drivers is \$49.8 million p.a..

Appendix 1

Brand coverage in the ISA sample

- 7-Eleven
- BP
- Caltex Woolworths
- Caltex
- Puma Energy

Greater Sydney Postcodes

2000	2035	2070	2102	2133	2161	2210	2566
2007	2036	2071	2103	2134	2162	2211	2567
2008	2037	2072	2104	2135	2163	2212	2570
2009	2038	2073	2106	2136	2164	2213	2745
2010	2039	2074	2107	2137	2165	2214	2747
2011	2040	2075	2110	2138	2166	2216	2749
2015	2041	2076	2111	2140	2170	2217	2750
2016	2042	2077	2112	2141	2171	2218	2752
2017	2043	2079	2113	2142	2176	2219	2753
2018	2044	2080	2114	2143	2190	2220	2754
2019	2045	2082	2115	2144	2191	2221	2756
2020	2046	2084	2116	2145	2192	2222	2758
2021	2047	2085	2117	2146	2193	2223	2759
2022	2048	2086	2118	2147	2194	2224	2760
2023	2049	2087	2119	2148	2195	2225	2761
2024	2050	2088	2120	2150	2196	2226	2763
2025	2060	2089	2121	2151	2198	2227	2765
2026	2061	2090	2122	2152	2199	2228	2766
2027	2062	2092	2125	2153	2200	2229	2768
2028	2063	2093	2126	2154	2203	2230	2770
2029	2064	2095	2127	2155	2204	2231	
2030	2065	2096	2128	2156	2205	2232	
2031	2066	2097	2129	2157	2206	2233	
2032	2067	2099	2130	2158	2207	2234	
2033	2068	2100	2131	2159	2208	2560	
2034	2069	2101	2132	2160	2209	2565	

For more information, please contact Rebecca Michael, Head of Public Policy at Rebecca.michael@racq.com.au

Tam van Alphen

From: Tam van Alphen
Sent: Tuesday, 20 February 2018 3:38 PM
To: Mark Bailey; Tim Shipstone
Subject: FW: Meeting between RACQ and Ministers Lynham and Bailey
Attachments: Comparison of the Sydney ULP market pre and post the introduction of Fuel Check Distribution Copy.pdf

fyi

From: Michael, Dr Rebecca [mailto:Rebecca.Michael@racq.com.au]
Sent: Tuesday, 20 February 2018 3:36 PM
To: Tam van Alphen <Tam.VanAlphen@ministerial.qld.gov.au>; Talbot Speechley <Talbot.Speechley@ministerial.qld.gov.au>
Cc: Turner, Paul <Paul.Turner@racq.com.au>; Jeffreys, Ian <Ian.Jeffreys@racq.com.au>
Subject: Meeting between RACQ and Ministers Lynham and Bailey

Hello Tam and Talbot,

Thank you for meeting with the RACQ yesterday to discuss transparent real-time fuel price reporting. As discussed in the meeting, the RACQ is committed to pursuing this option to increase competition amongst fuel retailers in Queensland and drive down the price of fuel for motorists.

We are encouraged by the government's willingness to consider the merits of the proposal and have attached the analysis we have undertaken of the impact of the NSW Fuel Check program which suggests that fuel prices in Sydney dropped 1.4cpl following the introduction of the programme.

Responding to the Ministers' concerns regarding the impact of real-time pricing on independent retailers, we are undertaking additional analysis this week and hope to provide you with this by Friday.

Through yesterday's discussion of the various options and opinions, it became increasingly evident that this is a complex issue and an evidence based approach is best to ensure that the intended outcomes are achieved, and that perverse outcomes are avoided.

Once the additional analysis has been provided later in the week, I look forward to meeting to discuss a way forward on this issue which is critical to Queensland motorists, including RACQ's 1.6 million members.

Thanks and regards

Dr Rebecca Michael
Head of Public Policy

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<https://www.racq.com.au/>" style='position:absolute;margin-left:0;margin-top:0;width:219.75pt;height:46.5pt;z-index:251659264;visibility:visible;mso-wrap-style:square;mso-width-percent:0;mso-height-percent:0;mso-wrap-distance-left:0;mso-wrap-distance-top:0;mso-wrap-distance-right:0;mso-wrap-distance-bottom:0;mso-position-horizontal:left;mso-position-horizontal-relative:text;mso-position-vertical:absolute;mso-position-vertical-relative:line;mso-width-percent:0;mso-height-percent:0;mso-width-relative:page;mso-height-relative:page' o:allowoverlap="f" o:button="t">

[//www.racq.com/homeinsurance](https://www.racq.com/homeinsurance)" style='position:absolute;margin-left:0;margin-top:0;width:375pt;height:97.5pt;z-index:251660288;visibility:visible;mso-wrap-style:square;mso-width-percent:0;mso-height-percent:0;mso-wrap-distance-left:0;mso-wrap-distance-top:0;mso-wrap-distance-right:0;mso-wrap-distance-bottom:0;mso-position-horizontal:left;mso-position-horizontal-relative:text;mso-position-vertical:absolute;mso-position-vertical-relative:line;mso-width-percent:0;mso-height-percent:0;mso-width-relative:page;mso-height-relative:page' o:allowoverlap="f" o:button="t">



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*Comparison of the Sydney
ULP market pre and post the
introduction of Fuel Check*

2017

Comparison of the Sydney ULP market pre and post the introduction of Fuel Check

This paper presents an analysis of the impact of the NSW Fuel Check programme on the ULP price in Sydney. Following the introduction of Fuel Check the average Sydney ULP price has fallen. An improved sample size and enhanced competition (due to Fuel Check) have led to an apparent drop in ULP prices.

Data sources

This analysis uses fuel prices from two data sources. These being Informed Sources (ISA) and the NSW Fuel Check programme.

1. ISA
 - a. RACQ purchases ISA data for all Australian capital cities and regional Qld cities
 - b. RACQ holds ISA sourced data dating from 2010
 - c. ISA's data is drawn from predominantly from ISA subscribers (see appendix 1), with addition data from ISA observations of price boards and crowd sourcing. Subsequently this data set is skewed towards the majors and supermarkets
 - d. After the introduction of Fuel Check, ISA added this data to their NSW price reports
2. Fuel Check
 - a. The NSW Fuel Check programme is a Government programme that mandates the compulsory reporting of all fuel prices by all retailers in NSW.
 - b. The fuel Check Programme was launched in August 2016.
 - c. Fuel Check provide the raw data for all fuel retailers in NSW. This data is available here: <https://data.nsw.gov.au/data/dataset/fuel-check>
 - d. This data provides a price point at each change of price
 - e. It reports to include all retailers in NSW
 - f. It appears to have comprehensive Brand and sites coverage

Comparing ULP prices pre and post Fuel Check

Previous analyses completed by NRMA showed a 2cpl drop in Sydney ULP (benchmarked against the Brisbane ULP price) prices after the introduction of the Fuel Check programme. However, there are two possible reasons for this reduction in price. 1) the increased sample size captures that captured cheaper retailers that were excluded from the ISA sample, or 2) increased competition (due to Fuel Check) led to a lower average price.

To assess the impact of Fuel Check on fuel prices in NSW a consistent sample is required. As the Fuel Check data presents all prices in NSW a subset of these data was extracted designed to match the pre-Fuel Check ISA data set for Sydney. In this sample only prices from brands that subscribe to ISA were selected and only retailers located in the Greater Sydney area. A list of the ISA subscribing brands and the postcodes in the Greater Sydney area are presented in Appendix 1. This sample is only an approximation of the ISA sample, as we have no data on how ISA define Sydney. Experience from ISA's definitions of Qld cities and towns suggest ISA's Sydney definition may be counterintuitive. This sample only includes the major brands – the ISA subscribers, it does not capture the small number of non-ISA subscribers captured by ISA's price board observations or crowd sourcing activities.

Calculating the average monthly fuel price from the Fuel Check data

The Fuel Check data is presented in spreadsheets showing all the price changes for each month.

- The first price that appears in the spreadsheet is the first change of price that month

- The first price offered in any given month was retrieved from the previous month's spreadsheet
- September data could not be used, because no prices were available from August (before Fuel Check was launched) and therefore the price on 1 September could not be found.
- A weighted average for each site was calculated. Prices were weighted on the amount of time the site offered that price.
- For most prices the time the price was available was calculated by subtracting the reported time for the next price from the current price. With two exceptions:
 - The time the last price in a month was available was calculated up to 11:59:59 PM on the last day of the month.
 - The time the first price was offered was calculated from 12:00:00 AM on the first day of the month to the time when the next price was collected.
- Each price was multiplied by the time available to produce price-days. For each price the time-available was also calculated. These two values were then used to calculate the monthly average price.
- Using a pivot table the price-days and time-available can be calculated for any fuel type, postcode, Sydney (or Rest of NSW), brand, and ISA reported brands.
- To calculate the average price, the price-days value was divided by the time-available value resulting in the average price.

Verification and validation

To check the accuracy of the prices calculated from the Fuel Check data, these were compared the prices reported by ISA. As the ISA prices were calculated using the same data the prices should be the same. From September 2016 to June 2017, the price difference for 7 months was 0.4 cpl or less, in two months this increased to 0.7 cpl and 1.1 cpl, and were deemed to be close enough. These discrepancies are likely to be due to differences in geographic boundary, collection and aggregation methodologies.

Results

The table below displays monthly average price difference between ULP sold in Brisbane and ULP sold in Sydney. The analysis was completed using ISA data and Fuel Check data. Prior to the introduction of Fuel Check in late August 2016, only the ISA data was readily available. After the introduction of Fuel Check prices for all sites in NSW were available and published by the NSW Gov. After the introduction of Fuel Check, ISA incorporated the Fuel Check data in to their analyses.

BNE - SYD ULP price difference			
	ISA data	Fuel Check data	Fuel Check data on selected brands
Jul-15	2.9		
Aug-15	-0.4		
Sep-15	-1.6		
Oct-15	-3.2		
Nov-15	-2.0		
Dec-15	5.3		
Jan-16	6.1		
Feb-16	2.4		

For more information, please contact Rebecca Michael, Head of Public Policy at Rebecca.michael@racq.com.au

Mar-16	5.4		
Apr-16	6.5		
May-16	1.1		
Jun-16	1.2		
Jul-16	-2.0		
Aug-16	-1.4		
Sep-16	2.6		
Oct-16	1.2	1.6	0.2
Nov-16	9.2	8.0	7.6
Dec-16	2.7	2.8	2.2
Jan-17	0.9	0.2	-0.3
Feb-17	1.1	1.2	0.4
Mar-17	9.4	9.3	9.4
Apr-17	-0.2	-0.3	-0.7
May-17	1.1	4.5	3.4

As can be observed in the table above the monthly price difference between Brisbane and Sydney changes dramatically from month to month. This change is due a mal-alignment the fuel price cycles rather than a fundamental difference in the two markets. Subsequently, comparison of the monthly data yields little meaningful data.

To make an accurate comparison of the two markets prices need to be averaged out over longer periods to smooth out the effects of the price cycles. In this analysis, the 14 months immediately prior to the start of Fuel Check – July 2015 to August 2016 – was compared with eight months after Fuel Check – September 2016 to May 2017. The period July 2015 to August 2016 was chosen to capture whole price cycles. When Fuel Check was introduced in late August, the Sydney market was in the cheap phase of the cycle and Brisbane the most expensive. This situation was replicated on 1 July 2015, therefore the period between these two dates only contained complete price cycles. Pricing data is no currently available for June 2017 or later.

In the 14 months prior to Fuel Check the average ULP price difference between Brisbane and Sydney was 1.4 cpl. Following the introduction of Fuel Check the price difference (considering all retailers) increased to 3.2 cpl using ISA data or 3.4 cpl using Fuel Check data. An increase of 1.4 to 1.6 cpl. However, the increased price difference cannot wholly be attributed increased Fuel Check. A proportion is due to the improved sample size and coverage of the Fuel Check data.

When considering only the Brands present in the ISA dataset (pre Fuel Check) the average price difference between BNE and SYD is 2.8 cpl, an increase of 1.4 cpl. As this comparison only considers brands that were common to the ISA sample and the Fuel Check sample, it should be considered a measure of the effect of Fuel Check programme on competition excluding the effects of the improved sample.

Conclusions

Considering only the brands common in the pre-Fuel Check data and the post Fuel Check data, the average ULP price in Sydney (benchmarked against the Brisbane ULP price) fell by 1.4 cpl. This reduction can be attributed to the increase in competition due the introduction of the Fuel Check service.

If applied state-wide, this increase in competition would equate to a saving to NSW motorists of about \$75 million per annum¹. If applied in Queensland a Fuel Check Programme would save Queensland motorists about \$50 million per annum.

¹ Based on data from the ABS Survey of Motor Vehicle Use. Total passenger vehicles distance travelled for NSW was 50,479 million Km and average fuel use for passenger vehicles was 11 L/100km. Total passenger vehicles distance travelled for Queensland was 35,582 million Km and average fuel use for passenger vehicles was 10 L/100km.

Based on these assumptions, the savings for passenger vehicle drivers in NSW is \$77.7 million p.a. and in Queensland the savings for passenger vehicle drivers is \$49.8 million p.a..

Appendix 1

Brand coverage in the ISA sample

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- Caltex Woolworths
- Caltex
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2025	2060	2089	2121	2151	2198	2227	2765
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2030	2065	2096	2128	2156	2205	2232	
2031	2066	2097	2129	2157	2206	2233	
2032	2067	2099	2130	2158	2207	2234	
2033	2068	2100	2131	2159	2208	2560	
2034	2069	2101	2132	2160	2209	2565	

Tam van Alphen

From: Tam van Alphen
Sent: Tuesday, 12 December 2017 9:40 AM
To: Mark Bailey
Subject: Fwd: Red Spot Congestion Survey Results
Attachments: RACQ Media Release - Locals name Queensland's most congested roads.pdf; ATT00001.htm; RACQ Media Release - Townsville drivers identify most congested roads.pdf; ATT00002.htm; RACQ Media Release - Cairns locals name region's most congested roads.pdf; ATT00003.htm; RACQ Media Release - Drivers identify Sunny Coast's most frustrating roads.pdf; ATT00004.htm; RACQ Media Release - GC motorway named State's most frustrating road.pdf; ATT00005.htm

Sent from my iPhone

Begin forwarded message:

From: "Tam van Alphen" <Tam.VanAlphen@ministerial.qld.gov.au>
To: "@Minister Bailey Media" <MinisterBaileyMedia@ministerial.qld.gov.au>, "Tim Shipstone" <Tim.Shipstone@ministerial.qld.gov.au>, "Steven Patch" <Steven.Patch@ministerial.qld.gov.au>
Subject: Fwd: Red Spot Congestion Survey Results

Fyi

Sent from my iPhone

Begin forwarded message:

From: "Turner, Paul" <Paul.Turner@racq.com.au>
To: "Tam van Alphen" <Tam.VanAlphen@ministerial.qld.gov.au>
Subject: Fwd: Red Spot Congestion Survey Results

Tam here are the regional ones as well

Sent from my iPhone

Begin forwarded message:

From: "Christensen, Clare" <Clare.Christensen@racq.com.au>
To: "Turner, Paul" <Paul.Turner@racq.com.au>
Subject: RE: Red Spot Congestion Survey Results

Here are all five.

Thanks,

Clare Christensen
Media Advisor

60 Edward Street
Brisbane, QLD, 4000
PO Box 4 Springwood, QLD 4127
T +61 7 3872 8683

M - NR

E Clare.Christensen@racq.com.au
W racq.com

From: Turner, Paul
Sent: Tuesday, 12 December 2017 9:07 AM
To: Christensen, Clare <Clare.Christensen@racq.com.au>
Subject: Re: Red Spot Congestion Survey Results

Thanks, I have forwarded that on. I should really send all 5 to the minister

Sent from my iPhone

On 12 Dec 2017, at 8:51 am, Christensen, Clare <Clare.Christensen@racq.com.au> wrote:

Hi Paul,

We have five regional releases going out embargoed this afternoon for tomorrow on the Red Spot Congestion Survey results.

Attached is the State wide release, if you'd like to send on to Mark Bailey's team.

Thanks,

Clare Christensen
Media Advisor

60 Edward Street
Brisbane, QLD, 4000
PO Box 4 Springwood, QLD 4127
T +61 7 3872 8683
M + NR
E Clare.Christensen@racq.com.au
W racq.com

<image001.jpg>

<image002.jpg>

<image003.png><image004.png><image005.png><image006.png><image007.png><image008.png>

<RACQ Media Release - Locals name Queensland's most congested roads.pdf>

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13 December 2017

Locals name Queensland's most congested roads

RACQ has called on the re-instated Queensland Government to urgently fix roads, after the State's worst gridlock locations were named and shamed by locals.

RACQ spokesperson Renee Smith said several roads were identified by drivers as causing unnecessary delays in the motoring organisation's Red Spot Congestion Survey.

Respondents rated the Pacific Motorway as the most troublesome road in the State, and six of the top 10 worst roads were located in Brisbane.

"We asked motorists right around Queensland to pinpoint exact locations with bumper to bumper traffic which led to frustration behind the wheel," Ms Smith said.

"These 'red spots' could be the result of not enough lanes, ill-sequenced traffic lights or delays at level crossings."

Ms Smith said it was vital the recently re-elected Palaszczuk Government delivered on promises to upgrade roads.

"We know there's work taking place to alleviate congestion and reduce travel times on some of these roads, but there's still plenty more work to be done," she said.

"We'll be using the results of this survey to form our policy positions and continue to lobby both local and State governments to come up with solutions to other bottlenecked areas."

Queensland' worst roads according to RACQ's Red Spot Congestion Survey		
Rank	Road name	Specific location(s)
1	Pacific Motorway	Eight Mile Plains to Loganholme, Exits 41 to 57, and Mudgeeraba to Tugun
2	Centenary/Western Mwy	Ipswich Motorway to Toowong and at Logan Motorway interchange, and Carole Park
3	Bruce Highway	Pine Rivers to Sunshine Coast
4	Mt Lindesay Highway	Browns Plains to Jimboomba
5	Captain Cook Highway	Cairns City to Kennedy Highway
6	South Pine Road	Stafford Road and Eatons Crossing Road intersections
7	Gateway Motorway	Nudgee Service Centre merge
8	Gympie Road	Beams Road and Hamilton Road intersections
9	Sunshine Motorway	Kawana Way intersection, Sippy Downs and at Nicklin Way
10	Moggill Road	Kenmore and Chapel Hill

The results of RACQ's Red Spot Survey can be viewed at: www.racq.com/redspot.

Media inquiries: RACQ spokesperson Renee Smith NR; Media Advisor Clare Christensen NR

RACQ is Queensland's largest and most independent motoring organisation. We were founded in 1916 to protect the interests of the State's first motorists and today represent the wider motoring community. We are a not-for-profit organisation and our members are our focus. We offer a range of services including insurance, financial and general services and have helped our members save more than \$2 billion over the last 100 years.

The Honourable Queensland Chief of Police
76-78 Lagoon Road, Eagle Farm (Phone: 081 000)

Executive
Director
Australia

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13 December 2017

Townsville drivers identify most congested roads

RACQ has called on the re-instated Queensland Government to urgently fix roads in and around Townsville, after the city's worst gridlocks were named and shamed by local motorists.

RACQ spokesperson Renee Smith said a number of Townsville roads were identified by drivers as causing unnecessary delays in the motoring organisation's Red Spot Congestion Survey.

Respondents rated the Dalrymple Road and Duckworth Street intersection as the most troublesome location in the region, topping the list for the second time in recent years.

"We asked motorists throughout Queensland to pinpoint the exact locations that had bumper to bumper traffic which led to frustration behind the wheel," Ms Smith said.

"These 'red spots' can be the result of not enough lanes, ill-sequenced traffic lights or delays at level crossings.

"It's clear we have ongoing problems and no one is committing any solutions. The same chokepoints have been identified this time around as what we saw when the survey was conducted in 2010."

Ms Smith said it was vital the recently re-elected Palaszczuk Government upgraded local roads.

"Enough talk – it's time Townsville motorists saw some action," she said.

"We'll be using the results of this survey to better inform our policy positions and continue to lobby governments to come up with solutions to these bottlenecked areas."

Townsville's worst roads according to RACQ's Red Spot Congestion Survey:

1. Dalrymple Road/Duckworth Street
2. Hugh Street, Ingham Road to Woolcock Street
3. Bruce Highway/North Shore Boulevard.

The results of RACQ's Red Spot Survey, including an interactive map, can be viewed at: www.racq.com/redspot.

Media inquiries: RACQ spokesperson Renee Smith NR; **Media Advisor Clare Christensen** NR

RACQ is Queensland's largest and most independent motoring organisation. We were formed in 1955 to represent the interests of our State's fleet motorists and today, campaigns for better roads, better services and more on behalf of our 1.5 million members who own the 7th and 8th highest number of motor vehicles in Australia. RACQ is a not-for-profit organisation that serves motorists and benefits Queensland's economy by more than 2 million calls for roadside assistance.

The Royal Automobile Club of Queensland
20-22 Logan Road, Eight Mile Plains, QLD 4113

Australian
Automobile
Association

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 [facebook.com/racqofficial](https://www.facebook.com/racqofficial)  twitter.com/racqofficial

13 December 2017

Cairns locals name region's most congested roads

RACQ has called on the re-instated Queensland Government to urgently fix roads in and around Cairns, after the city's worst gridlock locations were named and shamed by locals.

RACQ spokesperson Renee Smith said several roads in Cairns were identified by drivers as causing unnecessary delays in the motoring organisation's Red Spot Congestion Survey.

Respondents rated the Captain Cook Highway as the most troublesome road in the region.

"We asked motorists right around Queensland to pinpoint the exact locations that had bumper to bumper traffic which led to frustration behind the wheel," Ms Smith said.

"These 'red spots' could be the result of not enough lanes, ill-sequenced traffic lights or delays at level crossings.

"Drivers in the wider Cairns area told us the Captain Cook Highway was the most congested road in 14 suburbs, including Aeroglen, Yorkeys Knob and Smithfield.

"Not only is this highway identified as a problem location in Cairns, it received so many nominations, it's the fifth worst in the State."

Ms Smith said it was vital the recently re-elected Palaszczuk Government delivered on promises to upgrade Cairns roads.

"Labor has committed to constructing a bypass at Smithfield and the Cairns Southern Access projects on the Bruce Highway. It's now time for action," she said.

"We'll be using the results of this survey to form our policy and continue to lobby both local and State governments to come up with solutions to other bottlenecked areas."

Cairns' worst roads according to RACQ's Red Spot Congestion Survey:

1. Captain Cook Highway
2. Cairns Western Arterial Road, Caravonica
3. Sheridan Street, Cairns City
4. Ray Jones Road, Woree.

The results of RACQ's Red Spot Survey, including an interactive map, can be viewed at: www.racq.com/redspot.

Media inquiries: RACQ spokesperson Renee Smith NR **Media Advisor Clare Christensen** NR

RACQ is Queensland's largest club and has independent motoring experience. We were formed in 1976 to represent the interests of the State's 800,000 motorists and motor vehicles. Our members include car, motor cycle, boat and caravan owners, and we have a long history of advocating for motorists' rights and interests. We have a long history of advocating for motorists' rights and interests. We have a long history of advocating for motorists' rights and interests.

The Royal Automobile Club of Queensland
2618 Logan Road, Eight Mile Plains, QLD 4113

Assistant
Secretary
Association

For more media releases visit our website at racq.com
facebook.com/racqaustralia twitter.com/racqaustralia

13 December 2017

Drivers identify Sunny Coast's most frustrating roads

RACQ has called on the re-instated Queensland Government to urgently fix roads on the Sunshine Coast, after the region's worst gridlocks were named and shamed by local motorists.

RACQ spokesperson Renee Smith said several Sunshine Coast roads were identified by drivers as causing unnecessary delays in the motoring organisation's Red Spot Congestion Survey.

Respondents rated the Sunshine Motorway as the most troublesome road in the region.

"We asked motorists throughout Queensland to pinpoint the exact locations that had bumper to bumper traffic and led to frustration behind the wheel," Ms Smith said.

"These 'red spots' could be the result of not enough lanes, ill-sequenced traffic lights or delays at level crossings.

"Not only was the Sunshine Coast Motorway identified as a problem location on the coast, it received so many nominations, it came in as the ninth worst in the State."

Ms Smith said it was vital the recently re-elected Palaszczuk Government upgraded local roads.

"Enough talk – it's time Sunshine Coast motorists saw some action," she said.

"We'll be using the results of this survey to better inform our policy positions and continue to lobby both local and State governments to come up with solutions to these bottlenecked areas."

Sunshine Coast's worst roads according to RACQ's Red Spot Congestion Survey:

1. Sunshine Motorway, Sippy Downs and Mooloolaba interchange
2. Caloundra Road/Nicklin Way, Caloundra
3. Nambour Connection Road/Bruce Highway.

The results of RACQ's Red Spot Survey, including an interactive map, can be viewed at: www.racq.com/redspot.

Media inquiries: RACQ spokesperson Renee Smith NR **Media Advisor Clare Christensen** NR

RACQ is Queensland's largest and most independent motoring organisation. We were formed in 1970 to represent the interests of our State's fleet motorists and today, representing the rights, interests, needs and wishes of the 1.6 million motorists who drive the State, we offer a range of services to help you get the most out of your car. The RACQ brand is a mark of excellence and is a symbol of trust. We are a not-for-profit organisation and our primary focus is to provide the best possible service to our members.

The Royal Automobile Club of Queensland
26-40 Lagoon Road, Eagle View Plaza, QLD 4551

Assistant
Motorists
Association

For more motoring information visit our website at racq.com
 [facebook.com/racqaustralia](https://www.facebook.com/racqaustralia)  twitter.com/racqaustralia

13 December 2017

GC motorway named State's most frustrating road

RACQ has called on the re-instated Queensland Government to urgently fix Gold Coast roads, after the city's worst gridlock locations were named and shamed by locals.

Respondents to RACQ's recent Red Spot Congestion Survey rated the Pacific Motorway as the most troublesome road, not only in the region, but across the entire State.

The motoring body's spokesperson Renee Smith said several Gold Coast roads had been identified by drivers as causing unnecessary delays.

"We asked motorists right around Queensland to pinpoint the exact locations that had bumper to bumper traffic which led to frustration behind the wheel," Ms Smith said.

"It comes as no surprise to hear drivers on the coast say the Pacific Motorway is the most congested road, with two separate locations drawing the ire of motorists.

"These 'red spots' could be the result of not enough lanes, ill-sequenced traffic lights or delays at level crossings."

Ms Smith said it was vital the recently re-elected Palaszczuk Government delivered on promises to upgrade local roads.

"We have seen some improvements to exits on the Pacific Motorway and additional lanes announced from Varsity Lakes to Tugun, but there's a lot more that needs to be done to alleviate congestion and reduce travel times," she said.

"We'll be using the results of this survey to form our policy positions and continue to lobby both local and State governments to come up with solutions to other bottlenecked areas."

Gold Coast's worst roads according to RACQ's Red Spot Congestion Survey:

1. Pacific Motorway, Exits 41 to 57 from Ormeau to Helensvale
2. Pacific Motorway, Mudgeeraba to Tugun
3. Mt Lindesay Highway, Browns Plains to Jimboomba
4. Smith Street Motorway, Pacific Motorway to Olsen Avenue
5. Southport Burleigh Road (Bundall Road), Ashmore
6. Gold Coast Highway at Pine Ridge Road and Oxley Drive.

The results of RACQ's Red Spot Survey can be viewed at: www.racq.com/redspot.

Media inquiries: RACQ spokesperson Renee Smith NR Media Advisor Clare Christensen NR

RACQ is Queensland's largest club and road users' motoring organisation. We have formed in 1993 to represent the interests of the State's first motorists and today comprise the motorists, vehicles and motorcyclists of the 1.5 million members who use the Club. We offer these members a wide range of motoring insurance, accident, breakdown and travel services and benefits. Our Club can be reached to assist you with your motoring needs.

The Royal Automobile Club of Queensland
20-22 Logan Road, Eagle Farm, QLD 4009

Australian
Motorists
Association

For more news releases visit our website at www.racq.com
 [facebook.com/racqofficial](https://www.facebook.com/racqofficial)  twitter.com/racqofficial

Emily Brogan

From: Emily Brogan
Sent: Sunday, 4 February 2018 10:08 AM
To: rebecca.michael@racq.com.au
Subject: Embargoed to 11am - Integrated Transport Plan GC2018
Attachments: Media Slide Pack - Transport (004) FINAL.PPTX; MR - Games Transport Plan.docx

Hi Rebecca

Thanks for your time on the phone earlier this morning.

As discussed, the integrated transport plan for the Commonwealth Games is being released this morning, with a press conference to be held at 11am.

All of this info is embargoed until 11am.

I've also attached a briefing pack that is being provided to media this morning along with a verbal briefing ahead of the press conference – this may assist with providing further information for your comms team.

I'm happy for them to call anytime if they have any questions – it's a lot of information!

Kind regards
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Emily Brogan
Senior Policy Advisor
Office of the Hon. Mark Bailey MP
Minister for Transport and Main Roads

P 07 3719 7314 M NR
1 William Street Brisbane QLD 4000
PO Box 15009 City East QLD 4002

GET SET
FOR THE
GAMES

GC2018
TRANSPORT
TASK

Released under RTI Act - TMR

Working together

CITY OF
GOLDCOAST



Queensland
Government



Format for today

- Welcome
- GC2018 Transport Task briefings:
 - Matt Longland, Deputy Director General (TransLink)
 - Nick Easy, CEO (Queensland Rail)
 - Barry Gyte, Head of Transport (GOLDOC)
 - Rose McArthur, Technical Director, Travel Demand Management (TDM)
- Press conference to follow briefing

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GC2018 in numbers

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competition venues on
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**One
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50,000 
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and volunteers



6600
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**GET SET
FOR THE
GAMES**
4-15 APRIL 2018



11 days of
competition

3500
accredited
media 

18 sports
including seven
para sports

1.5 
billion
television audience

GC2018 transport challenge

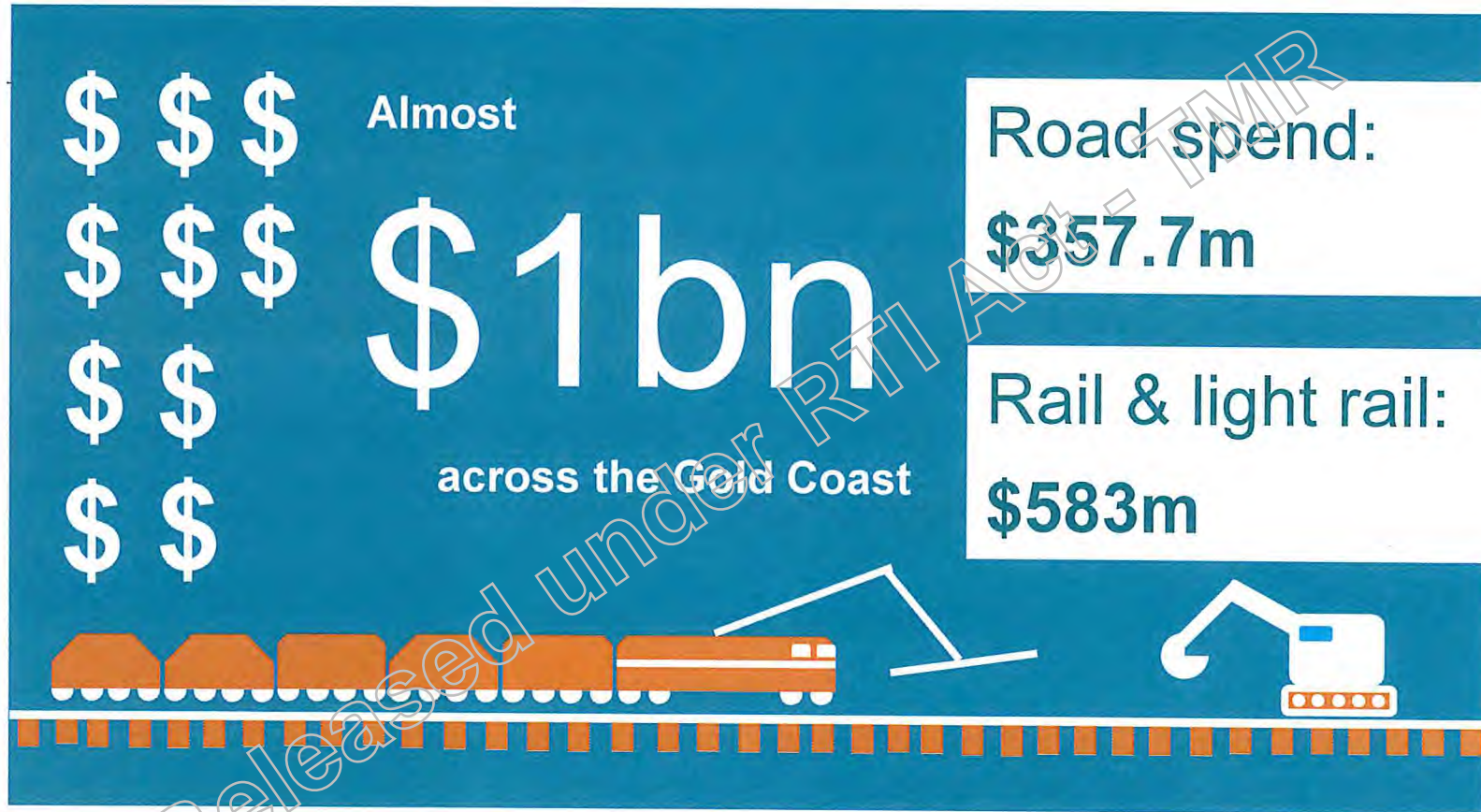
The infographic features six data points arranged in two rows. Each point includes a green icon, a numerical value, and a descriptive text. The top row includes: a person with a suitcase for 6 million extra journeys; a '1st' in a circle for Regional Games in a non-capital city; a bus stop for 13 temporary bus stations; and a network of people for 8 transport hubs. The bottom row includes: a road with a dashed line for 300 km+ of designation road routes and traffic management; a road with a dashed line for 27 km+ of temporary Games Lanes; and a bus for 20+ dedicated shuttle bus routes. The bottom left has the 'GET SET FOR THE GAMES' logo, and the bottom right has the Queensland Government logo.

Icon	Value	Description
Person with suitcase	6 million	extra journeys on the transport network
1 st in a circle	1 st	Regional Games in non capital city
Bus stop	13	Temporary bus stations
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GET SET FOR THE GAMES

Queensland Government

Investment



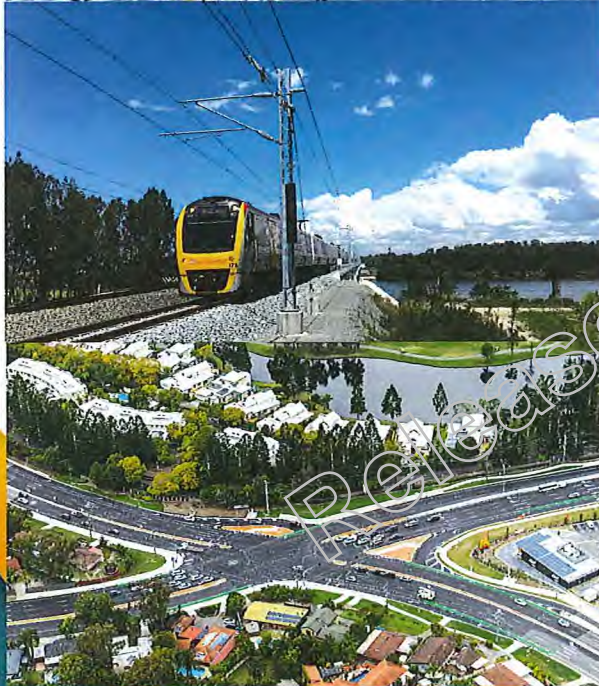
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Legacy for the next Gold Coast generation



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24 hour
heavy rail



24 hour
light rail



24 hour
GC2018
shuttle bus

Free travel for all spectators and volunteers

Event shuttle bus network

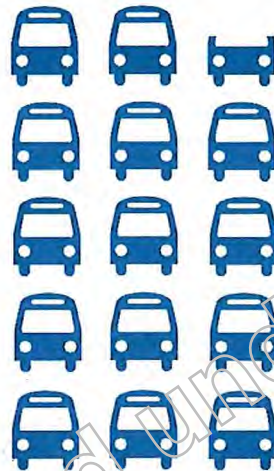
**13 extra
park 'n'
rides =
10,000 car
parks**

**8
transport
hubs**

**475
buses**

**665
drivers**

**Daily Shuttle
Bus Boardings**



147k



Surfside Bus network

Bus boardings (per day)

Avg weekday



49k

Avg Games-time



141k

12

High frequency bus routes
'turn up and go'
frequencies of
15 minutes or better

Key routes:

- **700** – Tweed Heads to Broadbeach South Station
- **705** – Broadbeach South Station to Main Beach
- **740** – Surfers Paradise to Nerang Station
- **TX7** – Helensvale Station to Coomera Station

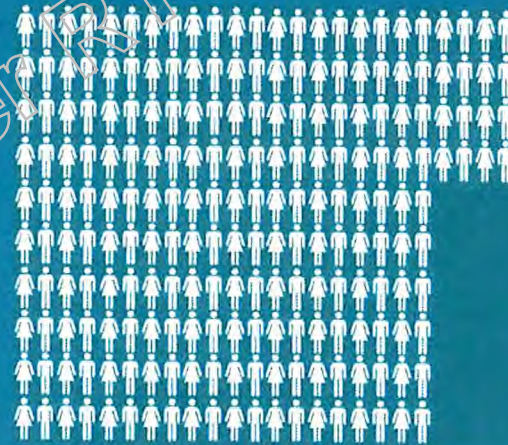
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Rail network

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Gold Coast
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Released under RTI Act 2013

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Gold Coast/Beenleigh Line trains will stop all stations to Park Road, then Yeronga, Coopers Plains, Altandi, Woodridge, Loganlea & Beenleigh, then all Gold Coast stations.

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Media release

Minister for Transport and Main Roads
The Honourable Mark Bailey

February 4, 2018

Billion Dollar Infrastructure Spend Drives 24/7 Commonwealth Games Rail and Bus Services

The Palaszczuk Government has released the Gold Coast 2018 Commonwealth Games Transport Plan, 2 months ahead of the start of the games, giving residents and spectators the time they need to plan for Queensland's largest ever international event.

Transport and Main Roads Minister Mark Bailey joined Commonwealth Games Minister Kate Jones to launch the integrated transport plan today, and said travellers would benefit from twenty-four hour heavy rail, light rail and bus shuttles throughout the games.

"This significant capacity increase on local routes, was made possible by extensive and detailed planning and substantial investment in infrastructure – almost \$1 Billion - across the network," Mr Bailey said.

"The Palaszczuk Government is absolutely focussed on ensuring that more than one million spectators, around 6600 athletes and team officials, 50,000 workers and volunteers, 3500 accredited media representatives arrive safely and on time.

"We majority funded and built the \$420 million Gold Coast Light Rail stage 2 in record time, delivered the \$163m Gold Coast heavy rail between Coomera and Helensvale to get more trains to the games and invested more than \$160 million to upgrade key local road infrastructure in our first budget.

"The world is coming to the Gold Coast. We're expecting 6 million extra journeys on our transport network for the games, and these investments and the transport plan will help keep the Gold Coast moving between 4-15 April.

"These Palaszczuk Government infrastructure investments will also be a lasting Commonwealth Games legacy for Gold Coast residents, supporting continued economic development for decades to come.

"We now have a fully integrated transport system on the Gold Coast that offers a world class light rail service, 13 extra Park 'n' Rides, a duplicated heavy rail track, with high frequency shuttle buses and a massively expanded bus fleet getting most spectators to venues.

“Motorists should also be aware that the next round of Games traffic management initiatives on the M1 between Brisbane and the Gold Coast will commence in stages from 1 March.”

Commonwealth Games Minister Kate Jones said that the transport plan was solid and put Gold Coast residents and visitors in a good position to keep moving.

“We want locals and spectators to familiarise themselves with how they can prepare and adapt their normal travel habits during the event,” Ms Jones said.

“I’d encourage Gold Coast residents and visitors to consider their transport options by visiting getsetforthegames.com, take time to plan ahead, and to re-check conditions on their day of travel.

“A dedicated Commonwealth Games Journey planner will also be released soon, which will include the details of event shuttles buses and special Commonwealth Games park and rides.

“There will be many different elements to the huge GC2018 event cities transport network, so a dedicated Transport Coordination Centre will be used to monitor and respond to real time activity 24/7.”

City of Gold Coast Mayor Tom Tate said there had been extensive engagement across the Gold Coast to get businesses and individuals ready for the Games and that all the information is now available for them to make good travel choices.

“In the past 12 months we have engaged with more than 100,000 people across the city and also invested more than \$100 million of transport upgrades to which will help accommodate capacity during GC2018. This includes investment in infrastructure that promotes active travel,” Mr Tate said.

The City in partnership with TMR has also produced a series of interactive maps which can be used to gain visibility around which locations we expect to be busy at which times over the course of the ten days that GC2018 is on.

The maps work by modelling the selected date and time based on a complex data set including historical traffic monitoring, ticketing sales information and combining that with the event schedules. It can be found at getsetforthegames.com.

Gold Coast 2018 Commonwealth Games Corporation (GOLDOC) Chairman Peter Beattie AC said a robust public transport network was integral to a successful Commonwealth Games and he is confident that the large investment in infrastructure coupled with enhanced timetables would achieve this.

“The transport task on the Gold Coast is undoubtedly challenging, but we’re up to it and I’ve been impressed by what has been achieved,” Mr Beattie said.

“Demand on transport infrastructure is not an issue unique to the Gold Coast, it happens at every Commonwealth Games.

“It’s vital that locals support GC2018 and that means travelling smart.

“The long term benefits that this once in a lifetime event will bring are huge and that includes the transport legacy we will enjoy long after the Games end.”

An overview of timetable changes for each mode during GC2018 can be found below:

Heavy Rail

- The number of daily services operating on the Gold Coast line will be tripled, with trains operating 24/7
- Train services will run on average 10 minutes or better on the Gold Coast line for most of the day
- This equals 176 additional daily rail services on the gold coast line every single day of the games
- This is equal to an additional 130,087 weekly kilometres in train travel on the Gold Coast line
- Some adjustments to heavy rail services across the wider SEQ network will be experienced due to the unprecedented demand of this world class event

Light Rail

- Trams will operate 24 hours a day, every day during GC2018
- Services will be running every 6 minutes in peak event periods 7-10am and 4-10pm
- Light rail will deliver up to an additional 4,670 services during the games

Buses

- Uplift to 12 of the 56 existing TransLink bus routes that are considered key north-south or east-west connections on the Gold Coast
- All other routes will run a weekday timetable on weekends
- Average bus trips per day to increase from 49,000 to 141,000 during games time
- An additional 4000 daily services provided across the 12 existing bus routes

Shuttle Buses

- 20 + dedicated event shuttle bus routes moving 147,000 passengers a day
- Route GC2018 will be a 24/7 event shuttle service operating between Helensvale Station and Nerang station connecting sport, accommodation and entertainment precincts

M1 Games Initiatives

The M1 management initiatives for the Games include:

- Reducing the speed in the 110km/h speed zone by 10km/h to 100km/h between the Logan Motorway Interchange (Exit 31) to Gaven (Exit 69), northbound and southbound from 1 March 2018
- Reducing the speed in the 100km/h zone by 10km/h to 90km/h from the M1/M3 merge at Eight Mile Plains to Logan Motorway Interchange, northbound and southbound from 1 March 2018
- Temporary ramp metering at the southbound Gold Coast Highway (Exit 62) and Smith Street (Exit 66) on-ramps to keep traffic moving at a constant pace as vehicles join the motorway, from mid-March 2018
- Additional Traffic Response Units and towing vehicles to ensure incidents are cleared from the M1 as quickly as possible. These will be deployed in stages from 31 March with all units deployed by 4 April 2018. The deployment will finish on the 15 April after the closing ceremony
- Allowing vehicles carrying athletes and officials to travel along the hard shoulder of the M1, under police escort where safe and at low speed, if there is severe congestion that may prevent them from arriving at an event on time. This will only occur between 4 April 2018 and 18 April 2018.
- Additional speed enforcement measures on the M1 including trailer mounted speed cameras, which are to be managed by Queensland Police Service (QPS).

In making the decision to temporarily reduce the speed limit on the M1 and introduce ramp management, Transport and Main Roads looked at national and international research. Research shows that speed reduction and ramp metering helps to increase motorway capacity, improve travel speeds during peak times and reduce the number of crashes.

For further information:

For Games travel information, visit getsetforthegames.com

For all other travel and timetable information, including elsewhere on the SEQ transport network, visit translink.com.au or call 13 12 30 anytime.

ENDS

Media Enquiries:

- Minister Bailey: Chris Vernon -
- Minister Jones: Jack Harbour -
- Peter Beattie: Wayne Hickson -
- Tom Tate: Lisa Grundy -

Emily Brogan

From: Emily Brogan
Sent: Sunday, 4 February 2018 10:10 AM
To: rebecca.michael@racq.com.au
Subject: Video content - GC2018 Integrated Transport Plan

Hi Rebecca

We've also produced this fly through video which might be of interest to your comms team

<https://youtu.be/8D5xBtdhYgk>

Kind regards
Emily



Emily Brogan
Senior Policy Advisor
Office of the Hon. Mark Bailey MP
Minister for Transport and Main Roads

P 07 3719 7314 M NR
1 William Street Brisbane QLD 4000
PO Box 15009 City East QLD 4002

Released under RTI Act - TMR

Emily Brogan

From: Emily Brogan
Sent: Sunday, 4 February 2018 10:45 AM
To: clare.christensen@raccq.com.au
Subject: FW: Embargoed to 11am - Integrated Transport Plan GC2018
Attachments: Media Slide Pack - Transport (004) FINAL.PPTX; MR - Games Transport Plan.docx

Hi Clare

Please see below – feel free to give me a call with any questions

Thanks
Emily

From: Emily Brogan
Sent: Sunday, 4 February 2018 10:07 AM
To: 'rebecca.michael@racq.com.au' <rebecca.michael@racq.com.au>
Subject: Embargoed to 11am - Integrated Transport Plan GC2018

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GET SET
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Investment



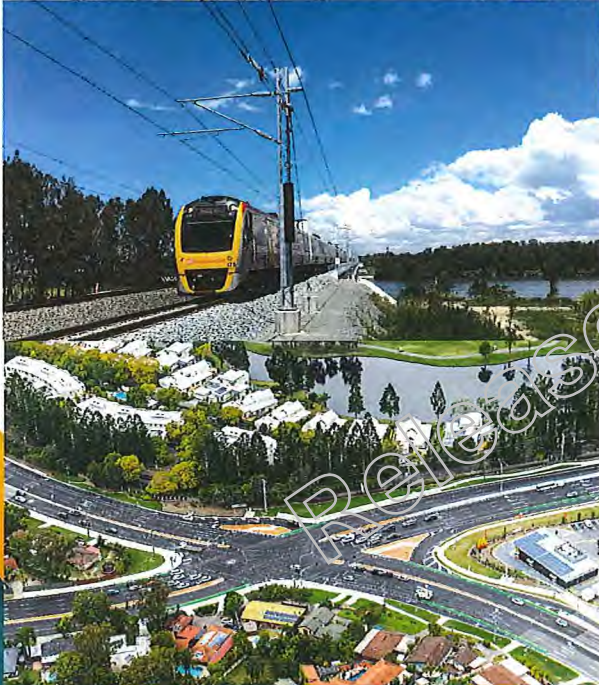
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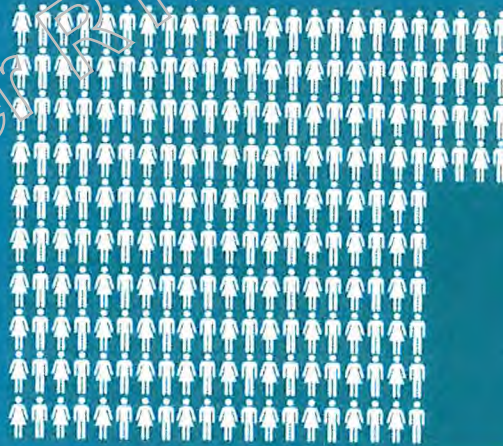
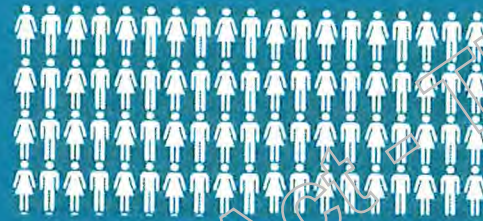
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Rail network

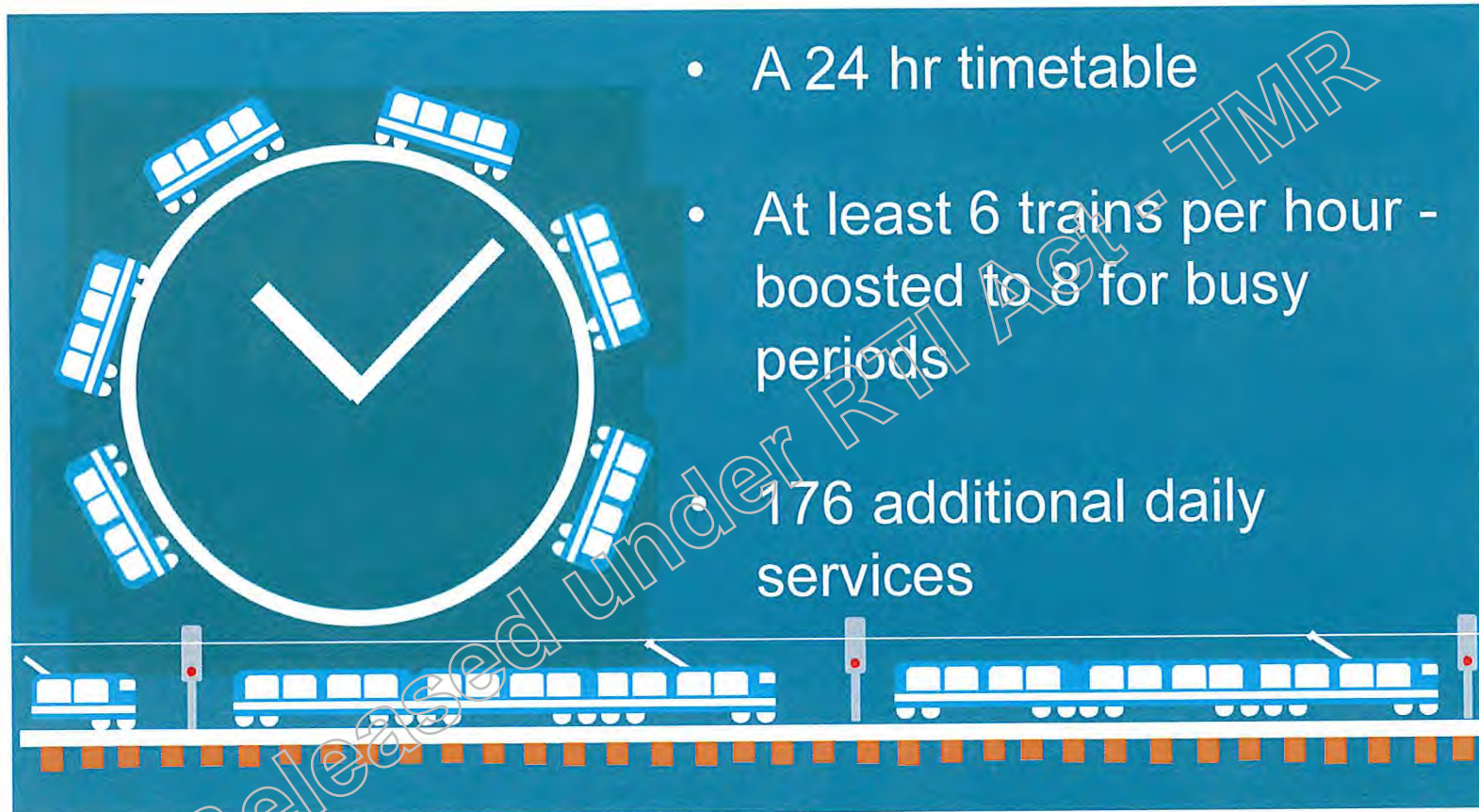
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Released under RTI Act 2013

Gold Coast and Beenleigh lines



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- Additional speed enforcement measures on the M1 including trailer mounted speed cameras, which are to be managed by Queensland Police Service (QPS).

In making the decision to temporarily reduce the speed limit on the M1 and introduce ramp management, Transport and Main Roads looked at national and international research. Research shows that speed reduction and ramp metering helps to increase motorway capacity, improve travel speeds during peak times and reduce the number of crashes.

For further information:

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ENDS

Media Enquiries:

Minister Bailey: Chris Vernon -

Minister Jones: Jack Harbour -

Peter Beattie: Wayne Hickson -

Tom Tate: Lisa Grundy -

Emily Brogan

From: Emily Brogan
Sent: Sunday, 4 February 2018 10:45 AM
To: clare.christensen@raccq.com.au
Subject: FW: Video content - GC2018 Integrated Transport Plan

And I flicked this through to Rebecca too

From: Emily Brogan
Sent: Sunday, 4 February 2018 10:10 AM
To: 'rebecca.michael@racq.com.au' <rebecca.michael@racq.com.au>
Subject: Video content - GC2018 Integrated Transport Plan

Hi Rebecca

We've also produced this fly through video which might be of interest to your comms team

<https://youtu.be/8D5xBtdhYgk>

Kind regards
Emily



Queensland
Government

Emily Brogan
Senior Policy Advisor
Office of the Hon. Mark Bailey MP
Minister for Transport and Main Roads

P 07 3719 7314 NR
1 William Street Brisbane QLD 4000
PO Box 15009 City East QLD 4002

Released under RTI Act - TMR

Emily Brogan

From: Emily Brogan
Sent: Sunday, 4 February 2018 10:59 AM
To: Clare.Christensen@racq.com.au
Subject: MR - Games Transport Plan.docx
Attachments: MR - Games Transport Plan.docx; ATT00001.txt

Hi Clare

Here's just the MR - will try and send the other materials again shortly

Thanks
Emily

Released under RTI Act - TMR



Media release

Minister for Transport and Main Roads
The Honourable Mark Bailey

February 4, 2018

Billion Dollar Infrastructure Spend Drives 24/7 Commonwealth Games Rail and Bus Services

The Palaszczuk Government has released the Gold Coast 2018 Commonwealth Games Transport Plan, 2 months ahead of the start of the games, giving residents and spectators the time they need to plan for Queensland's largest ever international event.

Transport and Main Roads Minister Mark Bailey joined Commonwealth Games Minister Kate Jones to launch the integrated transport plan today, and said travellers would benefit from twenty-four hour heavy rail, light rail and bus shuttles throughout the games.

"This significant capacity increase on local routes, was made possible by extensive and detailed planning and substantial investment in infrastructure – almost \$1 Billion - across the network," Mr Bailey said.

"The Palaszczuk Government is absolutely focussed on ensuring that more than one million spectators, around 6600 athletes and team officials, 50,000 workers and volunteers, 3500 accredited media representatives arrive safely and on time.

"We majority funded and built the \$420 million Gold Coast Light Rail stage 2 in record time, delivered the \$163m Gold Coast heavy rail between Coomera and Helensvale to get more trains to the games and invested more than \$160 million to upgrade key local road infrastructure in our first budget.

"The world is coming to the Gold Coast. We're expecting 6 million extra journeys on our transport network for the games, and these investments and the transport plan will help keep the Gold Coast moving between 4-15 April.

"These Palaszczuk Government infrastructure investments will also be a lasting Commonwealth Games legacy for Gold Coast residents, supporting continued economic development for decades to come.

"We now have a fully integrated transport system on the Gold Coast that offers a world class light rail service, 13 extra Park 'n' Rides, a duplicated heavy rail track, with high frequency shuttle buses and a massively expanded bus fleet getting most spectators to venues.

“Motorists should also be aware that the next round of Games traffic management initiatives on the M1 between Brisbane and the Gold Coast will commence in stages from 1 March.”

Commonwealth Games Minister Kate Jones said that the transport plan was solid and put Gold Coast residents and visitors in a good position to keep moving.

“We want locals and spectators to familiarise themselves with how they can prepare and adapt their normal travel habits during the event,” Ms Jones said.

“I’d encourage Gold Coast residents and visitors to consider their transport options by visiting getsetforthegames.com, take time to plan ahead, and to re-check conditions on their day of travel.

“A dedicated Commonwealth Games Journey planner will also be released soon, which will include the details of event shuttles buses and special Commonwealth Games park and rides.

“There will be many different elements to the huge GC2018 event cities transport network, so a dedicated Transport Coordination Centre will be used to monitor and respond to real time activity 24/7.”

City of Gold Coast Mayor Tom Tate said there had been extensive engagement across the Gold Coast to get businesses and individuals ready for the Games and that all the information is now available for them to make good travel choices.

“In the past 12 months we have engaged with more than 100,000 people across the city and also invested more than \$100 million of transport upgrades to which will help accommodate capacity during GC2018. This includes investment in infrastructure that promotes active travel,” Mr Tate said.

The City in partnership with TMR has also produced a series of interactive maps which can be used to gain visibility around which locations we expect to be busy at which times over the course of the ten days that GC2018 is on.

The maps work by modelling the selected date and time based on a complex data set including historical traffic monitoring, ticketing sales information and combining that with the event schedules. It can be found at getsetforthegames.com.

Gold Coast 2018 Commonwealth Games Corporation (GOLDOC) Chairman Peter Beattie AC said a robust public transport network was integral to a successful Commonwealth Games and he is confident that the large investment in infrastructure coupled with enhanced timetables would achieve this.

“The transport task on the Gold Coast is undoubtedly challenging, but we’re up to it and I’ve been impressed by what has been achieved,” Mr Beattie said.

“Demand on transport infrastructure is not an issue unique to the Gold Coast, it happens at every Commonwealth Games.

“It’s vital that locals support GC2018 and that means travelling smart.

“The long term benefits that this once in a lifetime event will bring are huge and that includes the transport legacy we will enjoy long after the Games end.”

An overview of timetable changes for each mode during GC2018 can be found below:

Heavy Rail

- The number of daily services operating on the Gold Coast line will be tripled, with trains operating 24/7
- Train services will run on average 10 minutes or better on the Gold Coast line for most of the day
- This equals 176 additional daily rail services on the gold coast line every single day of the games
- This is equal to an additional 130,087 weekly kilometres in train travel on the Gold Coast line
- Some adjustments to heavy rail services across the wider SEQ network will be experienced due to the unprecedented demand of this world class event

Light Rail

- Trams will operate 24 hours a day, every day during GC2018
- Services will be running every 6 minutes in peak event periods 7-10am and 4-10pm
- Light rail will deliver up to an additional 4,670 services during the games

Buses

- Uplift to 12 of the 56 existing TransLink bus routes that are considered key north-south or east-west connections on the Gold Coast
- All other routes will run a weekday timetable on weekends
- Average bus trips per day to increase from 49,000 to 141,000 during games time
- An additional 4000 daily services provided across the 12 existing bus routes

Shuttle Buses

- 20 + dedicated event shuttle bus routes moving 147,000 passengers a day
- Route GC2018 will be a 24/7 event shuttle service operating between Helensvale Station and Nerang station connecting sport, accommodation and entertainment precincts

M1 Games Initiatives

The M1 management initiatives for the Games include:

- Reducing the speed in the 110km/h speed zone by 10km/h to 100km/h between the Logan Motorway Interchange (Exit 31) to Gaven (Exit 69), northbound and southbound from 1 March 2018
- Reducing the speed in the 100km/h zone by 10km/h to 90km/h from the M1/M3 merge at Eight Mile Plains to Logan Motorway Interchange, northbound and southbound from 1 March 2018
- Temporary ramp metering at the southbound Gold Coast Highway (Exit 62) and Smith Street (Exit 66) on-ramps to keep traffic moving at a constant pace as vehicles join the motorway, from mid-March 2018
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ENDS

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Minister Bailey: Chris Vernon -

Minister Jones: Jack Harbour -

Peter Beattie: Wayne Hickson -

Tom Tate: Lisa Grundy -

Emily Brogan

From: Emily Brogan
Sent: Sunday, 4 February 2018 11:00 AM
To: Clare.Christensen@racq.com.au
Subject: Fwd: Video content - GC2018 Integrated Transport Plan

And here's a video fly through also

Sent from my iPhone

Begin forwarded message:

From: Emily Brogan <Emily.Brogan@ministerial.qld.gov.au>
Date: 4 February 2018 at 10:10:16 am AEST
To: "rebecca.michael@racq.com.au" <rebecca.michael@racq.com.au>
Subject: Video content - GC2018 Integrated Transport Plan

Hi Rebecca

We've also produced this fly through video which might be of interest to your comms team

<https://youtu.be/8D5xBtdhYgk>

Kind regards
Emily



Emily Brogan
Senior Policy Advisor
Office of the Hon. Mark Bailey MP
Minister for Transport and Main Roads
P 07 3719 7314 M NR
1 William Street Brisbane QLD 4000
PO Box 15009 City East QLD 4002

Emily Brogan

From: Emily Brogan
Sent: Sunday, 4 February 2018 11:22 AM
To: Clare.Christensen@racq.com.au
Subject: Commonwealth Games - Fast Facts
Attachments: Commonwealth Games - Queensland Rail Fast Facts - FINAL.pdf; ATT00001.txt

This might also be useful

Released under RTI Act - TMR

Gold Coast 2018 Commonwealth Games

Additional public transport journeys

- Six million extra journeys on the transport network
- Event shuttle buses
- 20+ dedicated event shuttle bus routes moving 147,000 passengers a day
- Route GC2018 will be a 24/7 event shuttle service operating between Helensvale station and Nerang station connecting sport, accommodation and entertainment precincts

Existing Bus Routes

- Average bus trips per day to increase from 49,000 to 141,000 during Games time
- An additional 4000 daily services provided across 12 existing bus routes

Heavy Rail

- Gold Coast line heavy rail services to triple during the Games
- Heavy rail on the Gold Coast line will be 24/7 with a service on average every 10 minutes or better
- This equals 176 additional daily rail services on the Gold Coast line every single day of the Games
- This is equal to an additional 130,087 weekly kilometers in train travel on the Gold Coast line

Light Rail

- 24/7 light rail with journeys per day set to increase from 25K to 59K (increase of 59 per cent)
- Light rail will deliver up to an additional 4670 trips during the Games

Infrastructure investment

- \$420 million Gold Coast Light Rail stage 2
- \$163 million duplication of the Gold Coast line from Coomera to Helensvale
- \$119 million upgrade of the Smith Street Motorway, Olsen Avenue and the connecting interchange
- \$160.7 million in road network improvements including Southport–Burleigh Road, Ross Street, Olsen Avenue and Nerang–Broadbeach Road
- \$74 million Exit 54 Coomera Interchange Upgrade
- \$13.5 million for the upgrade of the Bus Interchange at Helensvale station
- \$10 million for the refurbishment of Gold Coast stations
- \$6.3 million scope of works at Central station for the Games
- \$596,000 upgrade to the Helensvale station lift
- 13 temporary park and rides providing 10,000 spaces