



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION  
LEGISLATION COMMITTEE

**Consideration of Budget Estimates**

THURSDAY, 6 JUNE 2002

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE**  
**EMPLOYMENT, WORKPLACE RELATIONS,**  
**AND EDUCATION LEGISLATION COMMITTEE**  
**Thursday, 6 June 2002**

**Members:** Senator Tierney (*Chair*), Senator George Campbell (*Deputy Chair*), Senators Barnett, Carr, Ferris and Stott Despoja.

**Senators in attendance:** Senators Allison, Calvert, George Campbell, Carr, Cooney, Crossin, Eggleston, Ferris, Heffernan, Tierney and West

**Committee met at 9.18 a.m.**

**EDUCATION, SCIENCE AND TRAINING PORTFOLIO**

Consideration resumed from 5 June.

**In Attendance**

Senator Troeth, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry

**Department of Education, Science and Training**

**Executive**

Dr Peter Shergold, Secretary

**Communications, Information and Legal Group**

Mr Tony Kwan, Acting Group Manager

Ms Lorraine White, Branch Manager, Communications Branch

Mr George Kriz, Chief Lawyer, Legal and Business Assurance Branch

**Research, Analysis & Evaluation Group**

Dr Tom Karmel, Acting Group Manager

Ms Mylinh Hardham, Branch Manager, Participation and Outcomes Branch

Mr Paul White, Director, Economic Analysis and Evaluation Branch

**ANTA**

Ms Moira Scollay, Chief Executive Officer

Mr Paul Byrne, General Manager

Ms Kareena Arthy, Director, Research, Planning and Reporting

Ms Lesley Johnson, Director, Business Management

**Science Group**

Mr Grahame Cook, Group Manager

Ms Joanne Daly, Branch Manager, National Research Priorities Task Force

Ms Rhonda Henry, Branch Manager, Science Programs Branch

Mr Graeme Rankin, Acting Branch Manager, International Relations and Collaboration

Ms Caroline Perkins, Director, Science and Technology Policy Branch

Mr Brendan Sheehan, Director, National Research Priorities Task Force

**Indigenous Group**

Ms Kylie Emery, Acting Branch Manager, Indigenous Policy Development and Coordination

Mr Shane Hoffman, Branch Manager, Indigenous Program Delivery Branch

**Corporate Strategy Group**

Ms Aurora Andruska, Acting Group Manager

Mr Ewen McDonald, Branch Manager, People Management Branch

Mr Pat Watson, Branch Manager, Finance Branch

**Higher Education Group**

Mr Bill Burmester, Group Manager

Dr Evan Arthur, Branch Manager, Innovation Branch

Ms Stella Morahan, Acting Branch Manager, Funding Branch

Ms Elizabeth Tchacos, Branch Manager, Coordination Branch

**International Group**

Mr Michael Gallagher, Group Manager

Ms Sara Cowan, Branch Manager, International Cooperation Branch

Ms Rebecca Cross, Branch Manager, Export Facilitation Branch

Ms Margaret Pearce, Branch Manager, Educational Standards Branch

**Schools**

Mr Tony Greer, Group Manager

Mr Chris Evans, Branch Manager, Funding and Coordination Branch

Mr William Thorn, Branch Manager, Performance and Targeted Programs Branch

Mr Arthur Townsend, Branch Manager, Quality Schooling Branch

Ms Shelagh Whittleston, Branch Manager, Enterprise and Career Education Branch

**VET Group**

Mr Colin Walters, Group Manager

Ms Anne Baly, Acting Branch Manager, New Apprenticeships Branch

Ms Mary Johnston, Branch Manager, Industry Training Branch

Mr Rod Manns, Branch Manager, Quality and Access Branch

**ANSTO**

Professor Helen Garnett, Executive Director

Mr Rob Wilson, Director Corporate

Mr Ken Suter, Chief Financial Officer – elect

Mr Steven McIntosh, Government Liaison Officer

**ECEF**

Mr Bill Healey, Chief Executive Officer

**CSIRO**

Dr Geoff Garrett, Chief Executive

Dr Ron Sandland, Deputy Chief Executive

Dr Paul Wellings, Deputy Chief Executive

Mr Bob Garrett, General Manager, Corporate Finance

Mr George Harley, General Manager, Corporate Property

Mr Ian Chalker, Manager HR Services

Mr Colin Macdonald, Manager, OHS&E

**ARC**

Professor Vicki Sara, Chief Executive Officer

Mr Greg Harper, Deputy Chief Executive Officer

**CHAIR**—I declare open the public hearing of the Senate Employment, Workplace Relations and Education Legislation Committee considering the budget estimates for 2002-03. The committee will now continue examination of Education, Science and Training portfolio. I welcome back Senator the Hon. Judith Troeth and officers of the Department of Education, Science and Training. The committee will commence with ANTA, then resume cross-portfolio questions continuing with the higher education group and then the vocational education and training group. The committee will hear from the Australian Institute of Marine Science at 1.30 p.m., followed by the Australian Nuclear Science Technology Organisation, then the CSIRO until those items are completed. The committee will resume any items not completed before moving to science. We will now consider the estimates relating to the Australian National Training Authority.

[9.19 a.m.]

**Australian National Training Authority**

**Senator CARR**—There is a question I have to ask ANTA. If you cannot assist me, the department might be able to. It has been brought to my attention that the defence department has a contract with a software company by the name of ESRI. It provides software for geographic information systems and geographic imaging. An applicant for a job in the GIS has been told they must demonstrate familiarity with the ESRI products, a company specific product. They have been advised to undertake a training program with ESRI if they cannot demonstrate familiarity. This means that, to get a job in Defence, they must effectively have a qualification with this company specific program. They cannot get into the program unless they have a job with ESRI—or an ESRI licensee—to begin with or they are prepared to purchase a licence from ESRI, which is a cost of \$30,000. The product is called ARC/Info. In effect, an applicant for a job with, or a contractor to, the Commonwealth Department of Defence is required to be trained in a company specific product, and to get that training they either have to have had a job with that company at some point or have a licence from that company costing \$30,000. It is put to me that, in effect, it is a closed shop. Is ESRI part of the National Training Framework?

**Mr Walters**—I think that you need to direct specific questions to Defence. Some of the training packages are now having proprietary training products mapped across to them, so that people who gain training in those provider or proprietary products can have that training accredited within the National Training Framework. That is a very different thing from saying that every provider or proprietary piece of training has to be part of that framework. There is no element of compulsion about that. The reality is that we live in a very high-tech world. If you want to employ staff who are able to operate very complex proprietary systems, there is no way around the fact that they need to be able to do that. People own the intellectual property in the complex systems that they sell and they have the right, in this world that we live in, to dictate the terms in which the training in those products takes place. So, in a sense, you are talking about something which is outside the training framework and always likely to be so. In terms of the way in which Defence recruit their staff, however, that is a matter for them.

**Senator CARR**—That is a fair enough answer, Mr Walters. If I have understood you correctly, you are saying that it is in fact a closed shop. If a company control the intellectual

property for that particular system, they, rather than the National Training Framework, determine who gets access to it and who is trained in it.

**Mr Walters**—I think that you are describing something that is prevalent throughout industry. If you have a piece of high-tech equipment then you have to have people who are trained in the ways of that piece of high-tech equipment. It does not matter what field you are talking about; you obviously cannot let people loose on it unless they are trained on how to operate it.

**Senator CARR**—Sure, but I would have thought that that would defeat the whole principle of what we have tried to do in this country in terms of the vocational education and training reform agenda over the better part of 10 years. This incident may well demonstrate the Achilles heel.

**Mr Walters**—I think that there is a genuine dilemma in the area of proprietary training. What we have tried to do—Ms Scollay might like to comment—is make sure that people who do get proprietary or provider training have the ability to map that across so that they have transferable skills. That is where the National Training Framework can play a part.

**Senator CARR**—Ms Scollay, do you have anything to add to that?

**Ms Scollay**—I think that Mr Walters has really answered it already. The program that you are talking about is outside the National Training Framework; as far as I know, it is not one of the products that has been mapped within the IT and T training package, for instance. As Mr Walters says, presumably there are occasions in specialist fields, such as Defence, where they have particular issues in their recruitment policy that are outside the National Training Framework. But I must say that, in the main, the Department of Defence are one of our biggest clients. They have a relationship with 15 of the ITABs, I think. They are major users of training package products. So, if they have decided not to use it on this occasion, that is something to do with the very specialist nature of the skills required for that particular job.

**Senator CARR**—I agree with you entirely in regard to the defence department's attitude towards the education system, which is extremely supportive. In all the inquiries that we have had, the defence department has been exemplary in the way in which it has approached the Senate, which is perhaps not as common among the Public Service as I would like. This is quite an interesting problem, if the system is essentially not able to pick up these sorts of companies. Mr Walters, do you think this proprietary training is a widespread problem within industry?

**Mr Walters**—With increasingly high technology, the intellectual property in that technology is one of the main things that companies own, and they guard it very jealously. Therefore, the training in individual products in the computer field, for example, is operated on a proprietary basis. Those companies—and they are often companies outside Australia—own those products and they can dictate the terms in which the training is conducted. What we have tried to do is make sure that it forms part of the framework and can be mapped across to other skills.

**Senator CARR**—Yes. The problem here is that if you want to get into it you have to pay \$30,000. To me, that seems to suggest a major equity issue for the training system.

**Mr Walters**—But, in a sense, that is only a product of the fact that you have to pay a lot for high-tech products in any case. It is the intellectual property that you are paying for, and the training is part of the whole scenario. It is just a feature of the high-tech world.

**Senator CARR**—Thank you for that, Mr Walters. I will now turn to matters directly for ANTA, but I expect the parliamentary secretary at the table will have to take my first

question. The most recent MINCO meeting was held on 24 May, two weeks short of a year since the last time there was a MINCO meeting. There is a convention accepted right across the system that it is the Commonwealth that calls the meetings. The fact that there was no meeting for a year indicates to me that the priority given to this meeting by the Commonwealth is quite low. Senator Troeth, could you indicate to me the government's position in terms of the priority it gives to VET, given that it took such a long time to call a meeting?

**Senator Troeth**—I will ask Mr Walters to explain why there has not been a meeting.

**Mr Walters**—There has not been a meeting for a long time because the meeting was due to take place a few days after the election last year and the decision was taken that it would not be appropriate to call the meeting at that time. I think you will recall the occasion, because it would have been the day after the national training awards, at which I seem to remember your good self.

**Senator CARR**—Yes. It was a very good night and I am looking forward to the next one.

**Mr Walters**—A number of items of urgent business which were due to be conducted at that meeting have in fact been conducted out of session. So the cancellation of that meeting does not, I believe, reflect at all on the government's sense of priorities in this matter, which have not changed. There is another meeting due for next November, so we are sticking to the original plan of having two meetings a year.

**Senator CARR**—I appreciate that, but it has been a long time since the election. Mr Walters, I do not expect you to be able to respond to this, so I will ask Senator Troeth again. Why did it take such a long time after the election to reschedule the meeting? Given that your minister has made such a fuss about the question of school leavers—and I am left with the impression that the only interest he really has in the matter is whether or not school leavers go on to university—it strikes me that there is not a lot of real substance to the government's commitments to the importance of the VET reform agenda.

**Senator Troeth**—Unless Mr Walters has some further comments to make on that, I might ask Ms Scollay to also add something.

**Mr Walters**—I think the intention was to arrange the meeting earlier, but the problem was getting dates in ministers' diaries, because you have to coordinate eight state and territory ministers.

**Ms Scollay**—I was just going to make the same point. We tried for dates in February and March where we could get the ANTA board, the collection of eight state and territory ministers and the federal minister together. The dates were looking like being in April, and certainly the ANTA board's view was that, if we kept with the May date, we would have more progress to be able to report on the work that was taking place on the fully integrated VET system.

**Senator CARR**—Can I just turn to the recent meeting. I will begin on item 2A on the agenda, which was, if I recall rightly, on the issue of robust industry consultative arrangements. On page 5 there was a reference to robust industry consultative arrangements. In that context, why is the Commonwealth withdrawing from funding state ITABs?

**Mr Walters**—This is a savings measure. It was introduced because the Commonwealth has taken a view that, although at an earlier stage state ITABs had done a useful job and it was appropriate for the Commonwealth to fund them as they played a part in the early stages of the training reform agenda, the point had come to review that, in the light of the need to make

savings. The provision of advice to state governments must therefore be primarily a state responsibility. The Commonwealth decided that, after allowing for a suitable transition period, it should be left to the states to decide whether they wanted to carry on with that responsibility, with the Commonwealth carrying the responsibility at national level.

**Senator CROSSIN**—In fact, isn't the responsibility in terms of the delivery of training within a national framework? Are you suggesting that states and territories can now go off and devise their own training package and get their own advice from industry about what best suits their particular state in terms of training?

**Mr Walters**—The derivation of the training package is done basically at national level. Of course, there is a need for state level input. In the review of industry advisory arrangements, which is about to take place by ANTA, the need for a state level input will be taken into account.

**Senator CARR**—Just go through this with me again. How are the national ITABs structured?

**Mr Byrne**—There are 23 national ITABs and six recognised bodies that form the national industry advisory arrangements at the moment.

**Senator CARR**—How would you describe the structure of those ITABs? Are they still tripartite?

**Mr Byrne**—They are bipartite, with both employer and employee representatives, plus other members of the community.

**Senator CARR**—Are there equal numbers on the national ITABs?

**Mr Byrne**—They vary from industry to industry, depending on what the industry parties think is appropriate for the exact composition.

**Senator CARR**—Can you give me a breakdown? Where is union representation lower? In which industries have the parties agreed to reduce the union representation?

**Mr Byrne**—I would have to take that on notice.

**Senator CARR**—There has always been an issue within the vocational education system about the need to make sure that the reform agenda was seen to be effectively bipartisan. We could argue the toss about the methods of payments, we could argue the toss particularly about the incentives program and we could argue the toss about the quality assurance issues—these are matters of substantive debate—but, in essence, the framework has been bipartisan. An important part of developing that bipartisanship was to ensure that the advice to government from both the national and state ITABs was in fact broadly based. What guarantees are there with the Commonwealth withdrawing funding that that process will in fact continue?

**Ms Scollay**—The ANTA board is firmly of the view that we are working with an industry led system—and by 'industry' the ANTA board is very clear that it means employers and employees. In the review that we are undertaking in relation to the industry advisory arrangements, we have made it very clear that our expectation is that the employer and the employee side has to go on being represented. At the moment, there are several chairs of ITABs who are union representatives. You would know that the chair of the board is from the employer side and the deputy chair is from the ACTU. In all the consultations that we have, we involve all of those different parties. From time to time, some of the industries have weaker arrangements around union involvement than other industries do and that gets reflected in the ITAB structure, but that will be part of the review that we do.



**Senator CARR**—Is there an assurance that there would be no reduction in the bipartisanship of these national ITABs?

**Ms Scollay**—I think the way to express it is that the ANTA board sets out a principle that the board's expectation is that industry represents both the employer and the employee side. How the industry then chooses to structure itself in relation to the way it gives advice, we try to leave up to the industry.

**Senator CARR**—The government has a role in this as well, doesn't it?

**Ms Scollay**—Which government?

**Senator CARR**—The national government.

**Ms Scollay**—Do you want the Commonwealth to answer that question?

**Senator CARR**—I do not mind who answers it.

**Mr Walters**—I stand to be corrected, but I do not think we play a part directly in any of the national ITABs.

**Senator CARR**—No, but you set the policy framework. The engine room for national VET reform—irrespective of all the rhetoric—is here in Canberra.

**Ms Scollay**—I would take exception to that remark. I believe that the role of ANTA and the ANTA board is absolutely critical to the VET policy. That is why ANTA was established as the policy and funding body.

**Senator CARR**—I thought you would take exception to it—in fact, I had hoped you would take exception to it, frankly. What I am suggesting to you is that the Commonwealth's capacity to influence these proceedings is quite considerable.

**Mr Walters**—It is almost impossible to comment on that. It is a system which is based on trying to achieve a large degree of consensus. I think that was why it was established by the then government in 1991.

**Senator CARR**—I draw your attention to the minister's media release 65/02 which says:

So that I can obtain the best advice from industry at a national level, I have asked my Department to oversee consultations with key stakeholders, including the Australian Chamber of Commerce and Industry, the Australian Industry Group, the Business Council of Australia and the National Farmers' Federation. This will allow me to obtain direct advice about providing a modern training system that best meets industry needs.

Given that statement by the minister, would you appreciate that there might be cause for concern about a change in the national government's policy towards the provision of advice away from what has been the position right up till now; that there is going to be bipartisan support, bipartisan advice to government about the direction of the vocational education system? Would you agree that the minister's statement suggests that the advice that he is looking to is direct advice from employers?

**Mr Walters**—I would not put that interpretation on it. Direct advice from employer organisations has been very important and their support has been very important in sustaining the reform momentum. With respect, Senator, I think you are rather jumping the gun. What the minister has announced is a series of consultations. The ANTA board are having their own series of consultations. We shall see what emerges from all of that in due course. I really would not like to be drawn into speculating on what the outcome might be.

**Senator CROSSIN**—Mr Byrne, was there not a review of the ITABs conducted some time back?

**Mr Byrne**—Yes, there was a review of the ITABs. There is a fairly regular process of review of the national ITABs. The last one was two years ago and another one is due. As Ms Scollay said, the review of the national ITAB arrangements is alongside the minister's review of the advisory arrangements to him as the federal minister. There are two things happening there and they are not the same thing.

**Senator CARR**—So you are saying that the minister does not look to the department or to ANTA as the primary source of advice on vocational education matters?

**Mr Byrne**—I am sure the minister does.

**Mr Walters**—I think the philosophy these days is that ministers look to lots of sources of advice. The department has to compete with its advice in terms of quality and relevance with all sorts of people.

**Senator CROSSIN**—Who else would he seek to get advice from?

**Mr Walters**—I think, Senator, if I may say so, you are anticipating the outcome of the reviews and I really would not like to do that. The process has not started yet. We will know in due course what the minister decides.

**Senator CROSSIN**—Who does he seek to get advice from now other than ANTA?

**Mr Walters**—The minister has, since he took office, sought a very broad range of advice. I know, because we have talked to him about the various people he has seen and he has reported their views back to us. He has seen all sorts of employer groups at national and state level; he has also seen the union, I think; he has seen professional organisations, parent representatives—in fact, he has seen a very large range of people. It is fairly normal, when a new minister is appointed, for a very large range of groups to come knocking on the new minister's door. They have and he has seen them.

**Senator CROSSIN**—Can I ask a question about the decision about the ITABs, which—from what I am hearing in rural and remote Australia—is quite a disturbing move by this government: what contribution does industry make to funding of ITABs at the national or state and territory level?

**Mr Byrne**—At the national level there is substantial industry contribution to each of the ITABs and recognised bodies, in terms of cash and often in terms of kind, such as the provision of facilities, office space, personnel and so on. I do not have the full details here. The same thing occurs at the state and territory level to varying degrees depending on the industry and the particular jurisdictions.

**Senator CROSSIN**—If this decision particularly relates to the state ITABs, does ANTA have any idea of what that kind of contribution might be per state per ITAB in terms of industry assistance?

**Mr Byrne**—No, we do not have that information. We do have information about the state contribution to the state ITAB structures, but not the industry contribution.

**Senator CROSSIN**—My memory of when the ITABs were set up is that there was always an expectation that, at the end of the day, perhaps they would be solely funded by industry at the state level. Mr Walters, is this an attempt to force that agenda on industry at a state level?

**Mr Walters**—I would not like to go beyond the minister's public comments. It is a decision that a saving needed to be made. The decision is that we have reached the point at which it is reasonable to leave to the states the decision about what industry advice they fund and in what form.

**Senator CROSSIN**—That is my very point, though, isn't it? If we are in fact operating under a national training regime and the training that is expected to be delivered is nationally consistent, why do you keep emphasising that this is the sort of advice that the states may want, when the system is such that the state ITABs complement what is happening in the national system?

**Mr Walters**—Bear in mind that the provision of training is a partnership between the Commonwealth and the states. The Commonwealth provides around a quarter of the recurrent funding. The states provide three quarters. The decision in this case has been that it is reasonable to ask the states to arrange for their own advice from industry and pay for it and the Commonwealth will arrange and pay for the advice that it gets.

**Senator CROSSIN**—What are those matters at a state level that relate to the national training agenda? How is the Commonwealth going to ensure that that advice is still being provided up through the states to you or even across the industry groups at a state level?

**Mr Walters**—Bear in mind that there are all manner of issues; in fact, virtually every issue that the Commonwealth deals with has ramifications at state level. There need to be, and are, channels by which advice is provided from people at state level through to the Commonwealth. It does not mean that, in every case, the Commonwealth is going to fund an advisory body at state level. The review that ANTA has announced is going to take into account the need to have some channel of advice from state level, as will the consultations which the minister has announced.

**Senator CROSSIN**—So ANTA will be conducting a review of state ITABs?

**Mr Byrne**—No.

**Senator CROSSIN**—What does the review consist of then?

**Mr Byrne**—The review by ANTA of the national industry advisory arrangements is a review of the industry advisory arrangements across the nation as they relate to the operation of the national training system. They will, of course, take into account the questions you raised about the mechanisms by which we should get the appropriate advice at state and territory level into the process of preparing strategic plans nationally by industry, and developing and improving the training packages. The new situation will also be taken into account as we go through that review. In the interim, to ensure that there is minimum disruption to the training package continuous improvement process and rollout of new packages, Ms Scollay will be meeting with her state and territory colleagues in another week or two to look at the interim arrangements we might use to gather that information until review takes place.

**Senator CROSSIN**—But will your review specifically go to some of the issues I have raised with Mr Walters? Is that part of the terms of reference for your review? Is it not within your scope to look at the implications of not funding these ITABs at state and territory level?

**Mr Byrne**—The review will certainly be looking at the best possible way to get advice that enables the National Training Framework to operate properly. That obviously includes getting advice at state and territory regional and local level.

**Senator CROSSIN**—Has the decision to not fund the state ITABs perhaps pre-empted the outcomes of what your review might find or are you now conducting a review that is trying to paper over the cracks of this lack of funding that is going to be there for state ITABs?

**Mr Byrne**—The previous arrangements were not perfect by any means. There was certainly a lot of scope for looking at the totality of the industry advisory arrangements that go

to making the national system work. The budget does change some of the factors in that equation, but there are many other factors in the equation as well. It may well be that we can get a better dynamic—even given the reduced total Commonwealth funding contribution—out of the review than we had previously.

**Senator CROSSIN**—Wouldn't it have made more sense to have conducted a review and then come up with a suggestion that perhaps funding to state and territory ITABs no longer needs to be a Commonwealth responsibility—the states could do that if they chose to have that advice from industry still coming to them—rather than, it seems, conducting a review after the horse has bolted?

**Ms Scollay**—It was a budget decision.

**Mr Byrne**—It was a budget decision. ANTA foreshadowed a review of the national industry advisory arrangements prior to the budget outcomes being known. Obviously we have had to change the parameters of the work somewhat.

**Senator CROSSIN**—Are you able to provide us with some sort of terms of reference under which this review will be conducted?

**Ms Scollay**—The terms of reference are being negotiated as we speak with a range of the different stakeholders. As Mr Byrne has just foreshadowed, we have a meeting of state and territory representatives on Friday next week and I think the ANTA board will be signing off on the terms of reference the week after. Mr Byrne and Mr McDonald have met with the chairs of the national ITABs and there have been meetings with the executive officers of the ITABs. They met yesterday with the ACTU on ITABs where they looked at the whole issue of industry advisory arrangements into the future. So the terms of reference are not settled but they will be in the next couple of weeks.

**Senator CARR**—Ms Scollay, in terms of the ANTA Act, what is the legal framework for the operations of ITABs? Is there a requirement?

**Ms Scollay**—No.

**Senator CARR**—So there is no legal support for ITABs within the act?

**Ms Scollay**—Not for ITABs as such, no.

**Senator CARR**—How does the act put it in terms of the question of advice?

**Ms Scollay**—The act talks about industry advice but the only reference to ITABs is in the index.

**Senator CARR**—Of the act?

**Ms Scollay**—Yes.

**Senator CARR**—What legal force does that have, in your judgment?

**Ms Scollay**—My reading of the act—and I do not have the particular section in front of me right now—is that the ANTA board is an industry-led board that has responsibility to get industry advice in a way that it can then communicate to MINCO. It is the voice of industry for the ministerial council, but there is no requirement in the legislation, in the agreement which is in the schedule to the act, or in the act itself, which requires the mechanism for that to be ITABs. For some time, ANTA has been talking about industry advisory arrangements.

**Senator CARR**—So the question of the definition of 'industry' was the mute one?

**Ms Scollay**—Yes and, increasingly, the ANTA board is defining industry more broadly because industry is evolving so fast and covering new and different industries. It was in that

context that the ANTA board, at its board meeting of 24 April, decided to extend the declarations of the ITABs to June next year in order to have a comprehensive review of the national ITABs.

**Senator CARR**—How important is it to the ANTA board to maintain that broad base of advice in terms of ensuring that those tripartite arrangements are kept?

**Ms Scollay**—It is vital. The ANTA board believes that the industry-led system and the quality of industry advice are vital. To some extent, in some instances the ITABs have not been as effective as they might have been. That was also the basis for us having a look at the national industry advisory arrangements. That review has now been expanded in the light of the budget position.

**Senator CARR**—I would have to agree with you that there is a range of issues in terms of the quality performance of ITABs. They depend on the personnel quite often, don't they? If you get people who are committed, prepared to put in the work, who read the papers, and actually engage properly and not just see it as another obligation that they have to perform, then you get good outcomes.

Equally you could say that there are some state ITABs that are a waste of space and that others perform a very valuable role. In particular, what would concern me though is the way in which the national ITABs are structured. Isn't it the case that a lot of the national ITABs actually draw for their membership upon the state ITABs and the chairs of state ITABs often make up an important part of the national bodies? In your review will you be looking at the possibility of the withering of the state ITABs as a result of the Commonwealth withdrawing its funds as a result of this budget decision and the impact that will have on national ITABs?

**Ms Scollay**—That will be part of the review. Very clearly, in the light of the budget decision, we do not yet know what the state and territory government responses are to the decision, nor do we know what the industry responses are to the decision in terms of what they plan to do. It is important from the point of view of the national system, as Mr Byrne has said, that we continue to get advice about the development and improvement of training packages, the promotion of training packages at the state and territory and local levels, and other aspects of industry advice for an industry-led system. So the ANTA board is now going to comprehensively examine those issues as part of this review.

**Senator CARR**—Ms Scollay, let me state to you my concern. Would you be prepared to consider the possibility that one of the outcomes of withdrawing funding from the state bodies is that it may promote a culture of attenuation and atrophy which has a contagious effect on the national ITABs in such a way as to undermine their effectiveness; therefore, it reinforces the view that the only real solution the government has, as the minister says, is to call upon the direct advice of the Australian Chamber of Commerce, the Australian Industry Group, the Business Council of Australia and the National Farmers Federation and other like bodies as their primary source of industry advice? That would raise with it, the prospect that the government would be obliged under this scenario to fund those bodies to provide that advice because it would be money saved from ITABs. Are you prepared to say that that scenario in the review might in fact be the direct consequence of this decision?

**Ms Scollay**—Senator Carr, I am not one bit comfortable dealing with a hypothesis of that kind. My sense of the position is that there is a very strong commitment from the ministers around the MINCO table to the national training system that we have, the whole vocational educational and training system, and the industry-led nature of it. I have every confidence that we will find innovative ways of getting through this particular dilemma without a great deal

of damage being done and with the possibility of enhancement of the role of industry advice to the ANTA board.

**Senator CROSSIN**—Mr Walters, was this issue ever raised with the states and territories in the lead up to the renegotiation of the last ANTA agreement?

**Mr Walters**—Not to my recollection, Senator.

**Senator CROSSIN**—In the funding that you actually provide to the states and territories is there a particular line item for ITABs?

**Mr Walters**—This came out of the money which is handled nationally by ANTA.

**Senator CROSSIN**—What do you mean by that?

**Mr Walters**—It is called the national programs fund and it is appropriated separately from that. Mr Manns can explain the machinery.

**Mr Manns**—The funding for state ITABs is totally independent of the funding provided under the ANTA agreement. The ANTA agreement money is appropriated under the Vocational Education and Training Funding Act 1999 and is subject to the triennial commitments that the Commonwealth has given. The funding for ITABs is part of national program funding to ANTA, so ANTA administers those funds. That is a line in the normal annual appropriations. It is not subject to any commitments at all under the ANTA agreement.

**Senator CROSSIN**—I will come back and pursue that after the break.

**Proceedings suspended from 9.55 a.m. to 10.35 a.m.**

**Senator CARR**—My apologies for being late. I had an appointment with the Argentinean ambassador and people from INVAP who are over from Argentina. Ms Scollay, regarding the issue of the state ITABs which we were discussing before the break, can you confirm that the ANTA board actually wrote to the states on that issue in February?

**Ms Scollay**—Yes. Let me qualify that answer. Throughout late last year and early this year, the ANTA board was reviewing the roles and responsibilities and the funding of state ITABs and there were several pieces of correspondence.

**Senator CARR**—Wasn't it the case that in February the states were advised that there would be reductions in funding?

**Ms Scollay**—It is all rather water under the bridge now, but there had been ongoing discussion about the fact that the large states did not believe they had a sufficient amount of the dollars. The large states wanted more and the small states did not want to lose anything. That had been the subject of some considerable correspondence over several months.

**Senator CARR**—Therefore would it not be reasonable to conclude that the states were somewhat taken aback by the move to reduce this Commonwealth funding unilaterally?

**Ms Scollay**—I suppose the states received the budget information in the same way as the rest of the community.

**Senator CARR**—This is hardly a measure of consultation in a pre-emptive strike like this.

**Ms Scollay**—I cannot comment on that.

**Senator CARR**—Have you got any indication of what the impact on the states will be?

**Ms Scollay**—At this stage, no. As I said, we are having a meeting on Friday next week with the states and territories, to see how they wish to handle this issue.

**Senator CARR**—Mr Walters, what is the impact, as far as the department is concerned, in regard to people that you have been effectively funding? Isn't there a number of personnel that the Commonwealth has effectively been funding and who operate from state ITABs?

**Mr Walters**—The funding has been passed through ANTA to the states. The states have then been responsible for parcelling out the money to the ITABs as appropriate. Obviously, at that level, the money has flowed into the ITABs and some of it has been used to employ people.

**Senator CARR**—What is the employment impact as far as you are aware of?

**Mr Walters**—We do not know, because it is the states that administer the money. To the best of my recollection, we have never had information supplied back from the states in terms of numbers of people employed.

**Senator CARR**—Does the Commonwealth directly employ people that deal with these matters, in terms of the state ITABs? As far as you are aware, are there no employment implications for the Commonwealth at all?

**Mr Walters**—No. This is a line item in the appropriation and, as such, is something which Mr Manns and his staff have to deal with, alongside a thousand other budget items. So it does not have any of those sorts of implications.

**Senator CARR**—So it will not necessarily lead to any loss of employment?

**Mr Walters**—In the department, no.

**Senator CARR**—Or in the agencies that you would normally fund?

**Mr Walters**—As I say, this particular piece of money goes out through ANTA, and only to ANTA, so I would ask Ms Scollay to answer for that.

**Senator CARR**—What are the employment implications for this, do you think?

**Ms Scollay**—As I have said, we are not sure yet what the states and territories and industry locally will do in relation to existing structures. The Commonwealth contribution has gone, not the other two contributions, and the reactions to that might vary.

**Senator CARR**—Have you got a breakdown on the amounts of money that used to go to each state? What is the total cost of this?

**Ms Scollay**—The total amount of money that used to go into the state ITAB line was \$10.5 million.

**Senator CARR**—So the states effectively lose \$10.5 million on this matter. Do you have a breakdown per state?

**Ms Scollay**—I do, yes. Would you like me to read it to you?

**Senator CARR**—Yes, unless you have it in a format that you can table.

**Ms Scollay**—It would be a bit hard to table.

**Mr Byrne**—It is essentially a population distribution.

**Ms Scollay**—New South Wales, Victoria and Queensland get about \$1.7 million; South Australia and Western Australia get \$1.3 million; Tasmania, about \$1million; Northern Territory, just under \$1million—\$965,000; and the ACT, \$608,000 is their current funding model, I believe. That adds up to \$10.5 million.

**Senator CROSSIN**—Ms Scollay, when are you expecting a response from the state or territory governments over this? Has there been a letter sent to them from the minister asking

for comment? What is the mechanism for getting some feedback from them? I am not sure who would be able to answer that question.

**Ms Scollay**—There are a couple of levels at which I could start to answer. From the point of view of the ANTA board, the chair of the board wrote to the ministers immediately after the budget announcement, but I believe that the minister had written as well. At the recent MINCO, the state and territory ministers passed a resolution not supporting the decision of the Commonwealth on this budget matter. In relation to the actual response from the states and territories, we are expecting to hear that at the meeting they are holding next Friday 14 June.

**Senator CROSSIN**—In other words, the initial response from the states and territories is that they do not support this budget measure, or they do not agree with the budget measure?

**Ms Scollay**—That was what the ministers conveyed at the MINCO, except for the Commonwealth minister.

**Senator CARR**—In regard to item 2 of the agenda from the MINCO meeting, there was paragraph 6(a) which indicated that there was a caveat expressed by the states against priority 2, which is ‘Key areas: expanding New Apprenticeships’. Why was that removed?

**Ms Scollay**—Prior to the ANTA agreement being settled, one of the annual national priorities had been to expand New Apprenticeships, but several state and territories had objected to any annual national priority for expanding New Apprenticeships if there was not any additional Commonwealth funding. So there had been a caveat on that particular annual national priority, which was then removed when the agreement was signed, because the state and territory ministers signed up to expanding New Apprenticeships by 20,000 in the life of the agreement.

**Senator CARR**—MINCO agenda item 3, ‘Achieving a fully integrated, high quality national vocational education and training system’, is of course a matter that we have been pursuing here for some time. It is a key component of the Senate report *Aspiring to excellence* and is an issue that comes up on a regular basis. I have read your paper and, while you list a number of very impressive achievements of the system in paragraph 12, it seems to me that the issue that really comes back to haunt us is the failure to develop a truly national system. When we raised this issue a couple of years ago when the consultancies were undertaken, the Commonwealth government’s decision was to exclude a legislative response to the need for national consistency. In the original consultancy papers, it was the Commonwealth direction. Are you disputing that, Ms Scollay?

**Ms Scollay**—Yes. My recollection of the discussion that was had at the MINCO on changes to the legislation, both the Commonwealth and the ANTA board supported codified or uniform legislation and the states and territories supported model clauses.

**Senator CARR**—Ms Scollay, I can pull the papers out if you like, but I am absolutely certain it was a Commonwealth decision to exclude that from the original consultation process in the consultancy that was issued by the lawyers. That is right, isn’t it, Mr Walters?

**Mr Walters**—I think you are harking back to some legal advice which was commissioned, as you say, a couple of years ago. At that stage, I do not think anyone had it on the agenda that there would be Commonwealth legislation. Commonwealth legislation came up in the report of your committee on quality in the VET system. In our own response we said that it had been agreed through the MINCO process to go down the model clauses path, and I think we said that the question of Commonwealth legislation might need to be revisited, depending on how all of that turned out.



**Senator CARR**—You did say that. That part of your report I would agree with, but if I need to I will go back to the office and pull out the legal advice that the Commonwealth sought.

**Mr Walters**—I do not think we said at any stage to MINCO, ANTA or anybody else that Commonwealth legislation should be excluded. What the exercise was actually looking at was various forms of collaboration between the states on different degrees of national consistency, and there were a number of options. As Ms Scollay says, we always supported the most full-blown option, and MINCO agreed to pursue the model clause option.

**Senator CARR**—Mr Walters, I think you have got the wrong end of the stick here. I am absolutely certain that the instruction to the lawyers by the Commonwealth was to exclude examination of the Commonwealth legislative model from their assessment. That was made absolutely explicit.

**Mr Manns**—I have an inkling of what you are referring to, although obviously I do not have any of the papers in front of me. My recollection is that there was some form of draft request for advice produced for the lawyers who were working on this issue at the time, and that it was in fact agreed that the request would not include going into the issue of Commonwealth legislation as opposed to the agreement that had been reached about model clauses.

**Senator CARR**—We have been through this many times, Mr Manns. My recollection is absolutely clear. I can pull out the Senate report, if you like, and I can go down and get the actual instructions that the Commonwealth issued to the lawyers. My point is simply that that option was clearly the correct one, given the history of it. I make it clear to you that that was the view I put at the time and it is the view I have held throughout this whole debate. What this report indicates to me is that the model clause approach is simply not working. The number of exemptions and backsliding devices the states have come up with to wriggle out of any commitment they have made on this issue was entirely predictable from day one. The fact is that the model legislation approach will take years to implement, if it ever occurs. Would you not agree, Ms Scollay?

**Ms Scollay**—We are persisting with working through the model clauses. There was renewed commitment at the most recent MINCO to do that. Mr Byrne chairs the legislative working group that is working through the clauses—clause by clause—that are being drafted by the legislative draftsman. At the moment, that is the approach we are taking.

**Senator CARR**—Yes. I know you are working through it. What I would like you to now tell me, and I look forward to your answer on this, is the timetable for when you will be able to say that every jurisdiction in Australia has actually put into effect the statements of deep principle that they have all expressed, year in and year out, about their commitments to the national training agenda.

**Ms Scollay**—It is a hard question to answer, but the time frame at the moment is that the model clauses will go to ministers for approval at the November MINCO. There is also an issue whereby the states and territories will have to coordinate the timing of the implementation of the model clauses: if particular states and territories legislate ahead of others, there would be some disadvantage to those who legislate first.

**Senator CARR**—I can see that. But this is a recipe for the railway gauges of the 19<sup>th</sup> century approach. We are all waiting for someone else to act. We are all waiting for some other problem to be resolved. Your paper says:

Notwithstanding the worthwhile gains in quality and national consistency, feedback from enterprises is that the complexities of arrangements across jurisdictions, particularly in the area of New Apprenticeships, is still acting as a major inhibitor to further engagement.

**Ms Scollay**—That is true.

**Senator CARR**—It goes on:

This is particularly evident where companies need to understand systems and transact business across jurisdictions but also applies within single jurisdictions given the range of players, complexity of systems and constant rate of change. This is reported to have led many companies previously operating as enterprise RTOs to move towards the use of intermediaries (which include public and private RTOs, training brokers, national ITABs, and Group Training Companies) and partnership arrangements with other RTOs. At the same time, these intermediaries—despite being system experts—also have considerable difficulty working across borders.

That is the truth of it; you have acknowledged that.

**Ms Scollay**—Yes.

**Senator CARR**—I could point to quote after quote that highlights the fact that the system has, frankly, made no real progress in two years since this program was embarked upon. Would you agree?

**Ms Scollay**—I would not agree with the statement that the system has made no progress. I do agree with the statements that we wrote and that you have read out, because we were reflecting—and we stand by those statements—that there are still considerable difficulties, particularly for companies who want to employ apprentices across state and territory borders. This is an issue which is still in front of ministers, and there is a genuine resolve on the part of ministers to try to fix these difficulties. But yes, the progress is slow. We believe that the report is balanced, to the extent that there are considerable achievements which we have been able to identify and the enterprises that we consult with, as part of this process, have been very positive about the impact of the changes that have been made to date. Yes, the things that you have read out, that are still problems with the system, we continue to raise before ministers.

**Senator CARR**—The nature of these documents is that you have to work within a context of trying to keep everyone happy, and the impact of that is that you often pull your punches. That is a conclusion I have drawn over many years of reading these documents. So when you see a statement like the one I have just read out, you know there is a much more profound problem than perhaps the simple English meaning would have of those words. For instance, when you list on page 6 of the report under ‘Emerging issues’, you say that the range of matters include:

- varying training plan requirements
- variations in nominal duration of apprenticeships and traineeships
- varying certification arrangements on the completion of the apprenticeships/traineeships
- differing approaches in access to apprenticeships/traineeships for existing employees
- varying recognition of enterprise Training Packages for New Apprenticeships
- the need to understand and address non-completion rates, the treatment of casual employees and continuing apprentices/trainees
- differing approaches to the movement of apprentices and trainees across borders
- difficulties where a national client seeks to use one RTO across jurisdictions under User Choice, and

- the need to develop an agreed approach to identification and representation of information given the recent proliferation of websites.

These issues, you say, will need to be sent off to a consultative forum. What a surprise! So we are going to get the mirror out and we are going to have a good look into this problem for another couple of years. It does strike me, therefore, that what the issue comes back to is the policy failure here. While it maybe argued and is always argued by the states' riders such that, 'I would rather we do it than that mob'—and a number of other points are put on that about the quality of the various other decision makers in these things—the fact remains that the system is inhibited by the failure to agree on these matters. Would you agree, Ms Scollay?

**Ms Scollay**—I agree that these are important issues and the reason they are listed there is that it provides us with a mandate to address them. We live in a federation. We work the way we work reporting to all the nine ministers. We move it forward at as fast a pace as we can—

**Senator CARR**—That is a snail's pace.

**Ms Scollay**—given the need. Well, when you think about the enormity of the reforms that have been in place in the VET system over the last 10, and particularly five, years there is a perspective that would suggest that the reform has been profound and extensive, and there is reform fatigue. There has perhaps been more reform in the VET sector than any other part of the education system. The system is not perfect, and we continue to try and push to address the issues. That set of issues listed is listed so that we do have a mandate from ministers in order to get on and fix them. It may well take two years to fix. Many of them are tough issues.

**Senator CARR**—Do you think two years to fix them?

**Ms Scollay**—You said they might take two years to fix.

**Senator CARR**—I am saying that, in two years, I expect to be saying exactly the same thing to you. Shortly before the next federal election, we will have a chance to do something about it.

**Ms Scollay**—Senator Carr, we will be working as fast as we can on these issues and there will be progress on many of them within the next two-year period. In the scheme of the reforms, I would prefer it was faster, but we are pushing it at the pace that we can, given the constraints that we work within.

**Senator COONEY**—Ms Scollay, you are saying that you are pushing it as fast as you can, and I can understand that. There could be a few reasons why it would be delayed, mainly because things take time to develop. But is there any particular logjam? Is it the states or the public servants—not that it would be, of course—or somebody in government? Just where is the logjam? That is what is being asked of you. If you could identify that, and that logjam could be put aside, the reform that you clearly want—listening to you and looking at it, you clearly want it—could be brought up to speed. Or do you think this is just the system, that this is how things are, and that there is nothing really that we can do about it?

**Ms Scollay**—In all of these issues, if you can find a systemic solution that breaks through a whole range of issues, that is what you try for. That is certainly what we are looking for with the model clauses or the legislative answer, to some extent. I understand Senator Carr's views on the progress of the model clauses, but to fix the law would be a systemic way of addressing many of the issues that we have been facing. The VET system, as you would know, is the combination of eight state and territory pieces of legislation. In relation to apprenticeship employment, for instance, that legislation is really old. It carries with it the history of apprenticeships that is different across different states and territories.

**Senator COONEY**—Did you say that it lies with a national scheme of legislation, and that the problem is to get the national scheme through?

**Ms Scollay**—We are aiming to have a set of model clauses that are identical in the legislation across the states and territories, to bring national effect.

**Senator COONEY**—I can follow that, but is the problem with the formulation of that or is it, once it is formulated, with getting it legislated? What can we wrestle with in a meaningful way? The impression I get at the moment is that it is all very amorphous: ‘There are always problems with these sorts of things; this is how the system works, and that is just how it will always work.’ Hopefully, that is a wrong impression. I think what is being sought from you is this: is there some specific thing? Are some of the states, or all the states as a whole, unhappy about the legislation? Is no form of legislation that has been put forward agreeable to everybody? Do we need the legislation drafted differently, and would it be better if we got some outside firm of solicitors to do the legislation. Or is the legislation all right but the difficulty is getting it through a particular legislature—Victoria or New South Wales or the Commonwealth? Just where is the problem?

**Ms Scollay**—I will ask Mr Byrne to comment, because he is chairing this legislative working group where we have the legislative drafters working with the state and territory authorities to draft the clauses. At this stage, no particular legislature is holding them up, because they have not got that far yet; they are still in the drafting stage. Mr Byrne might want to comment on the issues you are raising.

**Mr Byrne**—It is a difficult one. In some senses it is technical, in that drafting clauses that are suitable for the very different legislations in the different states is an issue. I would have to say also that the legislation does involve changes in responsibilities in vocational education and training, from a system that was entirely state based to one where, in many cases, the states are becoming agents of a national system. That does lead to substantial difficulties not only with the officials—they are perhaps the least of the problem because they understand the minister’s desire to move this way—but with many other bodies in the states and territories associated with vocational education and training who have had a major role in it but who do not necessarily fully understand at this stage the implications of moving, and the need to move, to a fully integrated system, and so there are difficulties being raised. As Ms Scollay said, there are 100-plus years of experience of entirely separate vocational education and training systems between the states. It is not going to be an overnight process to get the wholehearted commitment of everybody who has been involved in those state based system to move to a fully integrated national system. That is what we are experiencing, but we are making headway.

**Senator COONEY**—So it is not the problem of actually getting it legislated; the drafting of the law would be no problem. It is getting the instructions to draft it that is the problem.

**Mr Byrne**—We do have a set of instructions which have been agreed to by the ministers. But, as always, as the laws are drafted in accordance with those instructions, differences of interpretation and understanding of what those drafting instructions actually mean are coming to the fore in some cases.

**Senator COONEY**—Are you leading the drafting team that is actually drafting the legislation?

**Mr Byrne**—The drafting is being done by parliamentary drafters.

**Senator COONEY**—Is Hilary Penfold doing it? She is a parliamentary drafts person.

**Mr Byrne**—No; Peter Drew, a Queensland parliamentary draftsman is.

**Senator CARR**—You do not mean national stuff. This is the problem: the states go around and get their own bits and pieces and then say, ‘That does not mean us; it means someone else.’

**Senator COONEY**—I thought you were talking about template legislation.

**Mr Manns**—I will clarify that. The drafting of these model clauses is being undertaken by a draftsman appointed by the Committee of Parliamentary Counsel, which includes all jurisdictions. The counsel they have chosen is the counsel from Queensland. He is doing that on behalf of the committee, and there is consultation with all parliamentary draftspersons throughout the whole process.

**Senator CARR**—We have been onto this one for a while. The problem is this: how many of the states, Mr Manns, are telling you that their legislation does not need that much in the way of adjustment and that these issues are already covered by their current legislative framework?

**Mr Manns**—There are a couple of states that have been strongest on this issue. They want some flexibility, ultimately, in the way the clauses will be implemented; but the ministerial council actually took a decision on that matter at its last meeting, and that is recorded in item 4 of the minutes.

**Senator CARR**—Yes, I saw that.

**Mr Manns**—But nobody wants to move away from the proposition that we are looking for the same effect. What we are prepared to acknowledge is that there might be some nuancing in the way the clauses are actually introduced into the respective state law.

**Senator COONEY**—I am sorry to interrupt, but I thought Mr Byrne was part of a team drafting some common instructions. You have not gone off to Ms Penfold, who I would have thought would be the best drafter in the Commonwealth in Australia—but that is another matter. But the drafting does not seem to be the problem; the instructions are the problem, aren't they? Or does it go back further than that? All I am trying to do—and I am sure that Senator Carr has been trying to do it for a while—is identify where the logjam is. When you were talking before, I thought it must be in the actual drafting—that there were some problems with the drafting of it—but now it seems that the instructions are the problems. Are you trying to get template legislation, or is everybody going to legislate on their own?

**Senator CARR**—That would be a pretty interesting concept wouldn't it—trying to get the states to agree on template legislation?

**Mr Manns**—We are seeking to get agreement to a set of model clauses which each of the states will introduce into their legislation. To clarify, there is a group that Mr Byrne chairs, of which I am also a member, which is overseeing the process. Of course, the drafting is being done by a parliamentary counsel. My experience with the drafting of any piece of law is that, as the drafter comes up with a draft based on the instructions that have been given, sometimes it raises new issues that were not contemplated in the instructions and so they have to be resolved, so it is an iterative process.

**Senator COONEY**—The problem really lies in the agreement between the states and the Commonwealth. There is no finalised agreement that gets followed.

**Mr Manns**—We have not yet got to the position of putting a set of clauses to the Commonwealth and state ministers. As Ms Scollay said, that will happen in November.

**Senator CARR**—Mr Manns, let us call a spade a spade. We are now in a situation where the harsh reality of that decision, taken a couple of years ago by the Commonwealth not to pursue the question of national legislation, is coming home to bite you. The fact is that the states could keep this going if they chose to. I would have thought the bureaucratic politics of this is that this dialogue, this consultation, could go on for some time yet. Have you, Mr Manns, been given a timetable for the implementation of this so-called decision?

**Mr Manns**—Senator, as Ms Scollay said, the ministers will be asked in November this year to consider the clauses and to agree or not agree to their implementation. I think none of us here controls the parliaments of any of the states, but part of that set of agreements that ministers will consider in November will be what the timetable for implementation will be.

**Mr Walters**—In a sense, the Commonwealth is of the same view—that this should be done as quickly as possible. The proposal to have template legislation or model clauses came from the Commonwealth minister. It was our proposal in the first place, and we have done everything we can to speed this along. But we live in a federal system, and agreement has to be reached on things which have state legislation.

**Senator CARR**—You do not have any trouble unilaterally removing money for the state ITABs. I note that the South Australian state retail ITAB has actually gone into liquidation, as a result of the Commonwealth government's decision. Are you aware of that, Mr Walters?

**Mr Walters**—I am not aware of the situation with the retail ITAB. It is obviously a matter for individual entities funded as a result of any government funds to ensure that they have the funding to continue their operations and that they observe company law. In this particular instance, Commonwealth funding has been phased out so as to effectively provide a quarter for next financial year's funding, in order to give a reasonable transition period.

**Senator CARR**—Are you aware that the automotive and transport ITABs in South Australia have also made staff redundant as a result of the Commonwealth's decision?

**Mr Walters**—No, Senator.

**Senator CARR**—The point I am making is that the Commonwealth does not mind withdrawing the money just like that. In the ANTA negotiations for the agreement, the Commonwealth took a unilateralist attitude.

**Mr Walters**—Where the Commonwealth is able to take decisions on matters within its powers, it can act quickly. You refer to the national consistency agenda. We have taken quick action on a number of items that have fallen to the Commonwealth there. For example, we were asked to produce a standard national training contract. It is not a legislative matter, but we have managed to introduce that from 1 January, and most states are now operating that. We were asked to get up a national system on user choice, and we did that. We were asked to get up a national code of practice for New Apprenticeships, and we have done that. But the issue of legislation is one that requires the cooperation of all the states and territories. It is an intricate legislative matter, and it was always going to take time. Whatever model for changing the legislation was chosen, it would take time. Even if Commonwealth legislation was contemplated, it would deeply affect state responsibilities and it would take a long time to negotiate and carry through. I am afraid that in a federal system, particularly, there is not a quick fix.

**Senator CARR**—I noticed in the PBS that there has been a \$6.6 million, or a 15 per cent, reduction in ANTA's national programs.

**Mr Walters**—That is precisely the same point; that is the reduction in the state ITABs.

**Senator CARR**—We were told \$10.1 million a moment ago.

**Ms Scollay**—\$10.5 million.

**Senator CARR**—How do we account for the discrepancy there?

**Mr Walters**—In the first year, \$3.3 million is kept in the line for the state ITABs. Then, bearing in mind that this was a savings measure, there are some balancing items around that. I am not sure we can readily explain—

**Senator CARR**—Can you explain to me, Mr Walters, what a balancing item is?

**Mr Walters**—In association with this particular reduction, there was some reallocation of funds to other lines. We probably need Mr Watson to explain exactly how that was done, but he is not here at the moment. In other words, they are issues outside my responsibilities.

**Senator CARR**—I think he referred me to you when I asked a similar question of him. I trust the department has a better grasp on that than would appear. Is Mr Watson about?

**Mr Walters**—We will get him to come and explain.

**Senator CARR**—I hope he can help us overcome this difficulty with the balancing items.

**Senator COONEY**—Mr Walters, I can understand that you have been all you can, but I do not think the real problem is coming across. I must confess that I first thought it was the drafting of the legislation, but now it seems to be the lack of cooperation between the various governments around Australia. Am I correct in saying that the real problem is that there is a lack of cooperation?

**Mr Walters**—I do not think it is a lack of cooperation.

**Senator COONEY**—Is there a lack of sufficient cooperation between governments around Australia? In other words, there is not enough cooperation to allow agreement to be reached so that a law can be drafted. Would that be a fair comment?

**Mr Walters**—This process is about achieving national consistency. From the Commonwealth's point of view, that is of very high importance. I have heard it argued by some of the states that it is not as important as the Commonwealth believes—because, for example, some states would argue that national companies only account for a small proportion of employment.

We have argued in response that it is not just national companies that are concerned by the need for national consistency; it is also franchise operations and registered training organisations operating outside state boundaries. For example, there is the issue of TAFEs, which often operate in several different states outside their home base. So we have had that argument. But there is a difference between the Commonwealth and virtually all of the states as to the degree of priority to be accorded to some of the national consistency issues. An example is user choice, where industry takes a strong view that there should be a much greater degree of national consistency and the states take the view that there is a degree of state sovereignty about the way in which they make their own budget decisions.

I do not think it is a lack of cooperation in the extent to which there is a political consensus about moving forward on national consistency. We do cooperate through the anta-mechanisms very well with the states, but there are areas where the states take the view that national consistency is not the prime consideration—user choice being an example. It is very much a political issue.

**Senator COONEY**—Yes, I understand that. That seems to confirm what I said: that there is not enough agreement—not that there is a lack of agreement but that there is not enough

agreement to reach a stage where you can legislate in a template way. It is the lack of sufficient agreement, and I am emphasising the word 'sufficient' because that is what you seem to be saying. There has not yet been a point reached in the discussion where template legislation could be drafted and passed in all the governments in Australia.

**Mr Walters**—The legislation is in the process of being drafted. The reason that it takes time is that the legislation often has to relate to other pieces of legislation of quite different nature at state level—it does not stand alone—and, therefore, there is a debate amongst the states about the best way in which to achieve that. It genuinely is a very complicated exercise. It is being drafted, and it is going to be presented to the ministers at their meeting next November. That is the schedule. It was always going to be a lengthy exercise. We did all we could to try to promote the speed with which that exercise was conducted, but it always was going to take time—any legislative solution would do because of the complexity.

**Senator COONEY**—So you are not really going after template legislation; what you are going after is separate acts which operate in such a way as to enable sufficient cooperation to take place between the governments in Australia. Isn't that what you are attempting to do?

**Mr Walters**—This results from a decision that was taken by the ministers themselves. There are a number of different ways in which you can achieve standard agreed legislation between the different states. One is to have legislation which is simply enacted by one state and then copied by all of the others.

**Senator COONEY**—That is what I thought you were talking about.

**Mr Walters**—That is the highest level. This level is model clauses which the states are going to adopt—if they agree to do so, because that will require a cabinet decision in each state when they see the legislation—or they have agreed that the alternative should be clauses with the same effect. For example, Queensland enacted their own legislation relatively recently. The point they have made to us is that it is quite difficult in a parliamentary situation to get a slot for a bill, and you have to argue that with your own cabinet.

**Senator CARR**—The legislative program— I know that argument. That is a beauty.

**Senator COONEY**—Mr Walters, I think what you are saying is that we are not going to have a template, we are not going to have identical legislation around Australia at all. What we are going to have is agreement to a certain point, and then each state will make its own legislation quite similar but not in a template way.

**Senator CARR**—But they will also do it in their own time. That is the other part of it.

**Mr Walters**—The objective at the moment is to produce model clauses which would then be available for all of the states to enact. But, ultimately, the decision on doing that is a matter for each of the state cabinets. Therefore, the model clauses will be agreed or not at the ministerial council meeting next November, and then the states will take that away. Of course, we will urge them to legislate to enact that as quickly as possible, but it is a matter for each of the state and territory governments to do that.

**Senator COONEY**—The problem is that you use the term 'model clauses', and the concept in my mind is that they are going to have a model clause which they are going to put in. That is very much template legislation. That is going to be the clause that is enacted. But every time I put that to you, you say, 'There are some differences in the states. They do not quite agree with that and they are going to change it a bit.' Is it going to be a model clause that is enacted, or is it going to be a model clause which is going to be used as a draft whereby the states make their own legislation which will be enacted? What is the concept behind all this?



**Mr Walters**—The Commonwealth's preference is strongly that they enact the model clauses as drafted. The states have argued—and a resolution was passed to this effect at the ministerial council—that, as long as they can achieve the same legal effect, they should be able to do it in other ways.

**Senator COONEY**—I give up. Now we move from model clauses and template clauses to writing clauses which, even though they are written in different language, will have the same effect. The concepts have got beyond the capacity of my head to hold, so I have given up.

**Senator CARR**—As a barrister, you could not see any way through any of that, could you? I think we have indicated our scepticism at this policy direction, Mr Walters. I think you can take that as a fair indication.

**Mr Walters**—No doubt the states will be reading *Hansard*.

**Senator CARR**—No doubt they will—and all my colleagues and all the Labor ministers. I have said it to their faces, as you are aware. This is a view that we have put to you for some years. I will defy any of them to actually say that what I have said is wrong. The difference is that we can actually talk to them. You need to be able to talk to them about an entirely different approach to what is being pursued here. No-one will actually dispute with you that there is a need for this. Everyone wants to be virtuous but not quite yet. I also put to you that other issues raised in this section with regard to the VET in Schools are also a problem. At agenda item 3, appendix 1, page 4, paragraph 14, there is a view about the role of the AQTF. It states:

ANTA, in conjunction with the States and Territories, is also managing a range of projects designed to support key features of the operation of the AQTF. For example, a VET in Schools project has indicated the extent to which schools are operating as RTOs or in partnership with RTOs and—

this is the point I want to draw your attention to—

and what further adjustments they will need to make to meet the requirements of the AQTF.

Can you indicate to me how many of the VET in Schools projects actually meet the requirements of the AQTF?

**Ms Scollay**—Schools are required to be compliant with the AQTF by July 2002. We have had a report look into this matter and the major finding of the report, based on advice from the states and territories, is that schools registered as RTOs are compliant generally with the ARF. In terms of the new AQTF, responses vary from 'confidence' to 'uncertainty', although the requirement does not need to be fulfilled till July. There are schools that have expended considerable time and effort in developing processes and procedures. They are reasonably confident that they can quite easily comply with the clearer and higher standards of the AQTF. But the arrangements vary quite considerably between the different states. For instance, in South Australia there are only three schools that are RTOs and in Queensland there are 378 that are RTOs. So the order of magnitude of what has to be achieved differs from state to state, but these issues are being taken very seriously.

**Senator CROSSIN**—How many in the Northern Territory would there be?

**Ms Scollay**—I might have to take that on notice. These were given as two examples at either end of the spectrum in my briefing note.

**Senator CROSSIN**—If you would, that would be appreciated.

**Senator CARR**—So you are saying that between now and July all the states will be able to meet that commitment?

**Ms Scollay**—The states and territories are working in some cases with the ACACA agencies to be compliant with the AQTF. It may well be, and we have been aware of this, that some schools that are currently RTOs will reduce their scope of registration or might move out of being an RTO and contract an appropriate RTO to take on that work for them. But these are issues which the states and territories have all signed up to achieving in terms of receiving the VET in Schools funding.

**Senator CARR**—Ms Scollay, do you expect you will have to extend the deadlines for meeting this objective?

**Ms Scollay**—That is not what I have been informed at this stage.

**Senator CARR**—By 2004, if you include part-time and full-time VET in Schools enrolments, something like 75 per cent of all students are anticipated to be involved in VET in Schools projects. Would you concede that there is a considerable amount of work to be done between now and July, which is next month?

**Ms Scollay**—This is not a new requirement. It has not just come up in the last couple of months. The schools have been on notice to have to achieve this for a considerable time now.

**Senator CARR**—Yes, but that is not my question. My question is not that they have had plenty of time to conform but that it is not likely that they will be able to conform in the next month.

**Ms Scollay**—I cannot answer that question at this time.

**Senator CARR**—Could you take on notice for me whether there will there be a requirement to extend the deadline to meet this criteria as outlined in terms of compliance with the AQTF?

**Ms Scollay**—This is something that the National Training Quality Council is monitoring. It is getting reports in on the whole issue of quality within the requirements of the AQTF. This would be a matter that would come before the NTQC if there were to be any consideration of it, but at this time it is not being foreshadowed or considered. We are keeping the pressure on for the schools to achieve the level of quality required.

**Senator CARR**—That might be the case, Ms Scollay. I am asking you: do you really believe that they are going to be able to meet that criteria within the next month?

**Ms Scollay**—I am not in a position to comment.

**Senator CARR**—That is why I am asking you to take it on notice and ask the national training committee to tell me whether or not they are compliant with the time line. I think a reply to the question is not due until after the date that you are saying states have all signed up to. I raise this as it is another matter of great concern to us and has been for some years. The question here of short-changing students is an important one.

**Ms Scollay**—Very important.

**Senator CARR**—We are talking here about the possibility that by 2004, on the estimates I have before me, there will be 307,000 or thereabouts students being involved in VET in Schools projects. I would have thought that quality assurance would be a fundamental concept that would need to be practised, not just preached.

**Ms Scollay**—It certainly is. There is no question that ANTA sees the issue of the quality of VET in Schools qualifications as being of paramount importance. It was noted in this report, and we have placed this item on the agenda, that industry has expressed concerns that students with a VET in Schools qualifications in some instances do not exit with the same skills as

those whose training has occurred in another setting, either in a TAFE institute or in the workplace. The report was unable to find any concrete evidence to substantiate those concerns in relation to VET in Schools, which makes me feel a little better than I had felt prior to that. The report legitimately says that, nonetheless, if there is a perception that the quality is not good, then that perception has to be addressed. So we are remaining extremely vigilant on the issue of quality for VET in Schools because we do not want VET in Schools kids to suffer from any lack of quality. However, at this time, the standards that were in place and are still in place for schools were reported as being met. The ARF is being met by the schools in the evaluation that was done in this report.

**Senator CARR**—But we do not operate on it.

**Ms Scollay**—The requirements of the AQTF will come into effect on 1 August. The report says the responses vary from confidence to uncertainty with compliance at this stage. That is what is being addressed right now.

**Senator CARR**—Thank you, Ms Scollay. All that does is to reinforce my concern. The gap that emerges from that in terms of whether people are confident to being uncertain in bureaucratic speak reinforces my view that much of what happens in VET in Schools at the moment actually fails to meet the requirements of the AQTF, as distinct from the ARF. This is highlighted in your own report, I might say, which says:

... what further adjustments they will need to make to meet the requirements of the AQTF.

**Ms Scollay**—That is right. But all RTOs are having to adjust to the new standards of the AQTF. I do not think I would like a sitting message to come from this committee that there are serious problems of quality in VET in Schools. VET in Schools is enormously successful and in many instances—in most instances, it seems—the schools will be able to meet the standards of the AQTF. Not all schools are RTOs, for a start. There is a lot of VET in Schools being provided by a range of other providers as well as schools who are RTOs who are clearly already meeting the new standards. To suggest that there was a serious problem here would be a very unhealthy overall impression to leave. We are onto it and we are monitoring it.

**Senator CARR**—I have put a view to you for some time, and I have yet to see substantive evidence to contradict it. While acknowledging the extraordinary importance of VET in Schools—and I have done that on numerous occasions—and acknowledging just how critical it is to the diversity of the education curriculum in this country, there remain serious doubts about the quality assurance regimes operating in the VET in Schools projects. Given that we are talking about 300,000 students—

**Ms Scollay**—I do not think it is that many, Senator.

**Senator CARR**—You say that. All I can say to you is what the department tells me.

**Ms Scollay**—I think the numbers last year were probably in the order of 170,000.

**Senator CARR**—All I can say to you is what they have told me will be the figure by 2004—70 per cent of students. I think I have already indicated to you the source of that information. Have I misread it, or are you telling me the department is wrong?

**Mr Walters**—That is a projection for two years hence, is it, Senator?

**Senator CARR**—Yes, it is. They are your projections.

**Mr Walters**—I do not think that is inconsistent. Ms Scollay is talking about the current figure.

**Ms Scollay**—The figures in front of me are that the actual verified figures for the year 2000 are 153,000 and for the year 2001, which are not yet verified, they are in the order of 169,000.

**Senator CARR**—That is absolutely consistent with the estimates I have in front of me. According to the estimates in front of me, the view was taken that 2001 was 48 per cent and 2002 was 55 per cent. There is always going to be a variation, but it is not so great as to distract from the point that I am making to you that there are very large numbers of students engaging in this program. I am contending that, according to the estimates I have been given, the figure would be up to 75 per cent of year 11 and 12 students are anticipated to participate in this program. Therefore, the issue of quality assurance ought to be paramount.

**Ms Scollay**—It is. We are not disagreeing.

**Senator CARR**—In appendix 2, paragraphs 13 to 15, there is a discussion about nominal hours. What does that all mean?

**Mr Byrne**—I think we might have discussed this on previous occasions.

**Senator CARR**—We probably have. I know this is *deja vu* for you; I can assure you it is for me, too. The problem is, year after year these documents are presented to ministers, they are signed off by ministers—one presumes because they have all read them very thoroughly—and they are just full of gobbledegook.

**Mr Byrne**—To explain what that is about in simple terms, as you are aware, the states, when releasing training packages for use, usually supply a guide to their implementation. One of the features of the guide they issue is a figure called ‘nominal hours’. It has been an issue that the nominal hours for a given national qualification in various state and territory guides are different. This is of concern because it could be taken to indicate varying assessments of the amount of effort required to gain the same qualification. ANTA and the states and territories have been working to deal with that question. The issue has gone through a few phases: identifying how big the variation is, whether or not it is acceptable and what can be done about reducing variations or removing them completely. These paragraphs are really a summary of the work to date. We have now reached the point where the ministers have agreed that every emerging revised or new training package will have the nominal hours for each given qualification looked at collectively by all the states and territories, with the aim of arriving at least at a common acceptable range of nominal hours for a given qualification, so that there will be one published figure for the hours or the range of nominal hours for a given qualification.

The work is proceeding well. The experimental work showed that the process of looking at the differences had the effect of reducing the differences. We now believe that this will lead in the next few months to a single range of nominal hours being able to be issued as part of, or alongside, a national implementation guide—which is in paragraph 16 of the report—rather than having eight state and territory implementation guides. I point out that part of the confusion has resulted from nominal hours, although the lay meaning of the nominal amount of time required to gain a qualification is a proxy in some states and territories for the amount of funding per qualification which they make available.

**Senator CARR**—That is exactly where I want to go. I am glad you have raised it. It is very decent of you to draw my attention to this matter.

**Mr Byrne**—I thought it might save time.

**Senator CARR**—You are very surprised that I should go here. Just confirm for my simple mind: is it not the case that the nominal hours have a dollar value attached to them?

**Mr Byrne**—I cannot say that is uniform but, generally speaking, that is correct.

**Senator CARR**—Thank you. Is it also the case that, if you fudge the number of hours, you fudge the money?

**Mr Byrne**—I cannot really answer that question, Senator.

**Senator CARR**—Just a simple answer will do.

**Mr Byrne**—There is a relationship between nominal hours and funding.

**Senator CARR**—That is a reasonable response to such a proposition. There is a relationship between the number of hours and the dollar value. In discussion with the states about nominal hours and national consistency, has there been any progress towards developing a set of arrangements whereby the training packages are funded on an appropriate amount? Has there been any progress towards developing a set of arrangements ensuring that the funded hours are delivered by the RTO?

**Mr Byrne**—On the first question, we have made it very clear that our concern was not with the funding that a given state decides to apply and make available for a given qualification. It is about the educational issue of sending varying information about the nominal effort required to gain a qualification. That, to us, is very important from an educational point of view and from the integrity of the qualifications point of view, and that has been the basis of this work. The de-coupling of the amount of money that a state is prepared to issue for a given qualification versus advice on the nominal amount of effort required to gain a qualification is probably one that functions here.

**Senator CARR**—That is a very noble approach, very worthy. It is very important that we make sure the educational objectives are at the forefront of our thinking in vocational education. In my limited experience of dealing with public servants, the issue of money does arise pretty quickly in this discussion. Maybe the states do not share the same nobility of spirit that you have expressed on this matter and perhaps they are more interested to know exactly who is paying the cheque and who is paying for the hours. Furthermore, given the commercialisation of the whole VET system now, the RTOs are also pretty interested to know who is paying the bill and the amount of money that is coming in. So the issue for them is not so easily de-coupled, as you have put it. Would you agree, Mr Byrne?

**Mr Byrne**—That may be so.

**Senator COONEY**—Listening from the outside almost, it sounds as if what is happening is that some money has to be gotten to certain places—we have to have justification of that and we cannot get any agreement which would provide that justification. So, what we will do is have discussions, which, from my listening, will go on forever. I do not think these discussions are ever going to finish because it is almost like—and please understand me—laundering the money.

**Senator CARR**—Fancy describing Commonwealth-state relations in those terms.

**Senator COONEY**—Do you know what I mean? That is the impression that I get and I am sure that is not the impression you want to give. You talk about the internal discussions that go on and it really is very hard to grasp any sort of defined things between the states and the Commonwealth which would enable one to say, ‘Yes, this is going to be agreed next week. This is what is going to happen. We are now going to get some benchmarks upon which everybody will agree and which will be enforced.’ You never seem to be able to get to that.

**Mr Byrne**—Student contact hours is the unit for reporting and funding purposes, and so on. At this stage, that remains the case. In doing this work, there is a finite number of competencies to which these nominal hours relate and already a sizeable inroad has been made into dealing with that number. In these cases that have been dealt with, the differences between the states and territories as to the amount of nominal hours they assign has been reduced greatly, in some cases, to a zero difference. In most cases, this probably means that for the states that have changed those figures not only will they use them for the nominal amount of effort but they will also use them for the funding regime. That does not mean that each state and territory will pay the same number of dollars for each of those nominal hours that are agreed. Already, you could say that it is having an impact on levelling out, to some extent, the amount of money paid per qualification from state to state, although the states reserve the right to have a particular value that they place on each nominal hour, even if those nominal hours are the same for a given qualification.

**Senator COONEY**—Do you feel that more rigour is coming into the system and that more standards that will be adhered to and agreed to are developing?

**Mr Byrne**—I believe so.

**Senator CARR**—Finally, on this matter—because Mr Watson has been patiently waiting to give us an answer on the rebalancing effect of that budget item—I ask Ms Scollay: is it possible for us to get a copy of the VET information guide for IR practitioners which was released in February 2002?

**Ms Scollay**—Certainly.

**Senator CARR**—Thank you. Mr Watson, we have had a discussion here this morning about a budget measure which in the PBS, I think, indicates that \$6 million was taken off the international projects. We have heard from Ms Scollay that the effect of the removal of the state funding for ITABs is \$10.5 million. Mr Walters was explaining to us that there was a balancing factor here. He was at a loss to explain what this balancing factor was. Can you enlighten us?

**Mr Watson**—I am not sure what the reference to the \$6 million was. I know the line you are talking about—

**Senator CARR**—It is in the PBS on page 52, at 2.22. There has been a 15 per cent reduction in ANTA's national programs.

**Mr Watson**—Page 55 shows you the impact on the industry training advisory board's budget measure. It might be best to look at that and I will explain that.

**Senator CARR**—Yes.

**Mr Watson**—That adds up to \$15.3 million over the four years.

**Senator CARR**—So it is \$15 million?

**Mr Watson**—Over the four years. The figure on page 52 is only showing the difference between the estimated actual for this financial year and next financial year. It does not show the forward estimates period. I will work through the table on page 55 in this way: the actual reduction to state ITAB funding is \$38.7 million over the four-year period.

**Senator CARR**—I need to have that repeated. Could you repeat that figure—the full effect?

**Mr Watson**—It is \$38.7 million, which, as Ms Scollay said, is a \$10.5 million reduction in the three out years, but there is a transition effect in the first year of a 75 per cent reduction

which accounts for \$7.2 million. So it goes \$7.2 million, \$10.5 million, \$10.5 million, \$10.5 million, which gives you \$38.7 million.

**Senator CARR**—No wonder the states are upset. I do not think they have woken up to the fact that it is that big a—

**Mr Watson**—That is the level of funding we provide for state ITABs.

**Senator CARR**—Mr Walters, you are saying that the states have woken up that they are losing \$38.7 million?

**Mr Walters**—I think Ms Scollay has already mentioned the resolution that they passed at the ministerial council.

**Senator CARR**—Yes, I know. They are not happy. If they understand just how much money it is, they might be even more agitated about all this.

**Mr Walters**—It is that much money when you add up the years.

**Ms Scollay**—So \$10.5 million goes out in one year and then it goes out in the next year and the next.

**Mr Watson**—Would you like me to work down the rest of it?

**Senator CARR**—Yes, if you could please. I am sorry, Mr Watson, I was just so shocked by your answer.

**Mr Watson**—We were required by government to provide savings of \$25.6 million over four years—I will come back to that figure in a moment—which left a balance of \$13.1 million, the difference between \$38.7 million and \$25.6 million. That \$13.1 million is being redirected into new apprenticeships work force skills development. Over the four years, there is zero in 2002-03, \$5.5 million in 2003-04, \$2.1 million in 2004-05 and \$5.5 million in 2006-07. You will find those figures reflected on page 98 of the PBS under the work force skills development heading.

If I come back to the \$25.6 million, that is made up of two components: \$10.3 million, which were the savings we required for Food Centres of Excellence, an announcement in MYEFO; the balance of the moneys was a contribution to the government savings target.

**Senator CARR**—Was that \$15 million?

**Mr Watson**—The \$10.3 million was the requirement for the Food Centres of Excellence.

**Senator CARR**—So it is not being transferred out of the VET sector at all; it will be staying within vocational education? Is that right?

**Mr Watson**—Food Centres of Excellence are a different initiative. They are not necessarily in the VET sector.

**Senator CARR**—Where are these Food Centres of Excellence?

**Mr Walters**—That is not our responsibility.

**Senator CARR**—You are taking money out of vocational education and putting it into higher education. Is that the essence of it?

**Mr Watson**—We are taking money out of vocational education and training and providing it to government as a contribution towards the budget. It is being used in particular ways.

**Senator CARR**—And the \$15 million? Where does that go?

**Mr Watson**—The \$15 million is the net impact on the fiscal balance, which is the way all budget figures are presented. The \$10.3 million was already recognised in MYEFO out of the

\$25.6 million we had to provide. If you take \$10.3 million away from \$25.6 million, you end up with \$15.3 million, which is the bottom line shown there.

**Senator CARR**—Does this fiscal balance figure that you return go to consolidated revenue? Is it being used for other initiatives in education?

**Mr Watson**—Basically, it goes to consolidated revenue and allows the government to provide funding for all other initiatives if it so desires.

**Senator CARR**—Yes, but I am saying that it does not come back to education.

**Mr Watson**—In one way or another it could. You could see it as the contribution to the AGSRC or to other budget measures which are in the portfolio.

**Senator CARR**—But it is not designated as such.

**Mr Watson**—It is not designated as such so far as to say that we are taking this amount from here to pay for that particular thing.

**Senator CARR**—Thank you, Mr Walters. That is very helpful.

**Senator CROSSIN**—Can you explain the composition of your new enterprise and training provider working group and the reason for setting it up?

**Ms Scollay**—Yes. This was something that the ANTA board decided to do in order to get the advice of educators and enterprises directly to the board. There have been issues for some time about the role of educators and whether the board has enough good advice from the education sector. It was thought that the relationships that are now building between providers and enterprises need to be developed and enhanced and that the combined educator enterprise group would be able to bring forward advice to the board and then from the board to ministers. It is to redress a balance that was perceived as needing to be addressed by the board.

**Senator CROSSIN**—That imbalance was also raised in the Senate report *Aspiring to excellence*. Have the ANTA board moved to put a representative of educators onto the ANTA board?

**Ms Scollay**—No. The appointment of members of the ANTA board is done through appointment by the Governor-General, on the nomination of ministers. This was an issue that was raised at the most recent MINCO and there was a resolution passed by ministers to consider the issue of an educator on the ANTA board in subsequent ANTA board appointments.

**Senator CROSSIN**—There has been a decision to look at nominating an educator onto the ANTA board?

**Ms Scollay**—There has, yes.

**Senator CROSSIN**—Who comprises the enterprise and training provider working group? What is the make up of that group? Do you need to take that on notice?

**Ms Scollay**—Yes.

**Senator CROSSIN**—The first meeting took place in April; is that correct?

**Ms Scollay**—Yes. It was chaired by the deputy chair of the ANTA board—Bill Mansfield from the ACTU.

**Senator CROSSIN**—It will meet four times a year. What advice will it provide to ANTA? Could you provide us with its brief?



**Ms Scollay**—I will give you the terms of reference and the make up of that committee. I do not have the briefing here.

**Senator CROSSIN**—Where is the ANTA board at in looking at which recommendations from the *Aspiring to excellence* report it would consider? The last time we dealt with this in estimates would have been in June last year. I think your response at the time was that ANTA was still considering what recommendations from this report it would take on board. At that time you indicated the next board meeting was to be held in August. I would like an update on which recommendations from the Senate report ANTA have considered and decided to adopt or not support. You might like to take that on notice because it is quite complicated.

**Ms Scollay**—I will take that on notice.

**Senator CARR**—I have a Monash University Bulletin, Issue No. 12, CEET sheet, Monash University ACER Centre for the Economics of Education and Training dated May 2002. It reflects upon a recent report of survey results by Ferrier and Selby Smith. Are you familiar with that report?

**Ms Scollay**—I have seen that report.

**Senator CARR**—It is CEET working paper No. 40.

**Ms Scollay**—I don't have it here with me.

**Senator CARR**—I don't expect you to. It is a reanalysis of the results of a survey originally taken by the ACCI. It states:

Regardless of their size the majority of firms responding to the ACCI survey use and are reasonably satisfied with user choice.

That is a point that you make constantly in your statements. It goes on to say:

More than a third of small firms said that they did not know about user choice.

My question goes to the obvious problem that arises; in fact, it is probably quite wise because, as you know, user choice is regarded quite widely—certainly on this side of the table—as being a flawed concept in terms of the way it has worked in recent times. In the report that you put to the ministers at the MINCO meetings last week, in appendix 4, paragraph 3, you say that employers are extremely supportive of user choice. Where we have an indication that up to one third of all small employers—which is of course the great bulk of employers—have never heard of user choice, how can you say that employers are extremely supportive?

**Ms Scollay**—There are a couple of things to say there. One would be that the information in that CEET document probably was not available to us at the time we submitted that report. The other would be that the context of the information we are providing to ministers is in relation to the sources of information that we have available to us with regard to user choice. We were really drawing on what we had in front of us then and had we had that CEET document we would have made that point. But we have a range of consultative forums that are a part of this report and it is through those forums that we had that information.

**Senator CARR**—I have made my point. Let us look at the national objectives and priorities, industrial consultations, in agenda item 6. There is a section—paragraphs 4.2 to 5.1—which follows on from our previous discussion about the ITABs. You may want to take this on notice.

**Ms Scollay**—Did you say agenda item 6? Is that the annual national priorities?

**Senator CARR**—It is the additional information section. I want to know if I can get a couple of things from you. Could you give me a response to this in writing? Could you tell me

what you are working on in regard to your definition of the key industry parties, which is referred to throughout that particular section? Does it always include employer bodies and, if so, which bodies and at what level? Does it always include unions? If so, which bodies and at what level? Does it include both national and state ITABs? What circumstances dictate which bodies are consulted at which level? Are there circumstances where general VET matters are discussed with employer bodies and not union bodies? Are there circumstances where the advice of employer bodies is sought or preferred over the advice of ITABs? Are you aware of any consideration being given to the change to the ANTA Act to define industry consultation, other than the present arrangements that you have in place?

**Ms Scollay**—I can answer the last question without taking it on notice. There is none that I am aware of.

**Senator CARR**—You have not been consulted about that?

**Ms Scollay**—I have not been consulted. I will take the rest of the questions on notice. Are you referring to the heading of ‘Industry consultation’ at paragraph 5.2?

**Senator CARR**—Paragraphs 4.2 and 5.1 contain the particular issues that I am raising.

**Ms Scollay**—I will take them on notice.

**Senator CARR**—Mr Walters, are you aware of any proposals to change the ANTA Act in regard to industry consultation?

**Mr Walters**—No.

**Senator CARR**—I will go to agenda item 9, which also picks up items 17, 10 and 8. There is the question here of national objectives and priorities. The next five-year funding period of 2004-08 is obviously very important. Given my aspirations to sit on the other side of that table after the next election, it is quite important to both sides of the parliament, and it is very important to all the governments of Australia. So when we are talking about the national objectives and priorities, we are actually looking at the national strategy. This is something that ought to be undertaken on a bipartisan basis where possible. I understand that most of the development of the new national strategy is being done by consultants. Is that the case?

**Ms Scollay**—We will get an enormous amount of consultant support for various aspects of it, but it will be very definitely led by ANTA. This is the development of the next national strategy, which is what ANTA has to provide to ministers for their approval. We are keen to run a very broad consultation process for the development of the next national strategy. You can see from the timing that is set out in this paper that we are aiming to bring the goals and objectives to the MINCO in November, with the hope of bringing the next national strategy to the MINCO in May 2003, so that the annual national priorities for 2004 can be set on the basis of the next national strategy.

While you have processes of engaging consultants to do specific aspects of work and you also go through building support through consultation and getting ideas through consultation, we are also firmly steering this process, and the ANTA board will be playing a very strong leadership role with ministers in the development of the next national strategy. I take your point about the importance of it being a bipartisan approach. My understanding is that the development of the VET system and the VET reforms have been largely bipartisan. The MINCO itself is made up of, as you know, people from the two major political parties. I take your point about the need for broad consultation.

**Senator CARR**—I will just go through these matters. The consultants that are selected is a matter. At the minimum you are talking here about evaluating the current national scheme.

The potentials for a whitewash are all too apparent. To conduct consultations of focus groups with stakeholders raises all sorts of political questions about the manner in which that is undertaken—regional forums, industry, various providers and governments. Obviously it is another good opportunity for governments to bury objections: to produce recommendations to suggest that everything is going pretty well at the moment and we do not necessarily need much in the way of change. I suggest to you that, given these matters are of such critical importance, we need to have quite significant detail on who is being briefed for the consultations. Will the process be an open tender or will it be some other process? Do you know these answers yet?

**Ms Scollay**—Various different consultancies or contracts that we might let would go through the normal processes that we follow. They might be limited tender, depending on the amount or the quantum. Sometimes you might write to six or eight people and you do a limited tender, or you might go to public advertisement. It would depend on the amounts that we are talking about. I do not believe those issues are entirely settled at this stage for all of those consultancies.

**Senator CARR**—I will flag with you now that that is something that the opposition will be taking a keen interest in. I am certainly very interested to ensure that there is balance in the consultation between the various points of view, both in terms of who leads the consulting groups and who actually is consulted. When you discuss the whole question of industry consultation and the meaning of that, if it means just one side of the argument—

**Ms Scollay**—I can assure you that it does not just mean one side of the argument. The ANTA board is very clear when they talk about industry that they are talking about the employer and the employee side.

**Senator CARR**—I accept your bona fides on that; I do not want to challenge that. What I am saying is that the documents do not reflect that commitment. There is no mention of the unions in the documents and that troubles me because if it is a genuine understanding across the sector then why aren't they here acknowledged officially?

**Ms Scollay**—Far be it from me to land the Deputy Chair of ANTA board in it, but certainly his view is—

**Senator CARR**—That is a very nice response; I like that.

**Ms Scollay**—He is very clear that when we use the word 'industry' we are absolutely including unions. There is no question about that.

**Senator CARR**—It is a bit unfair to Mr Mansfield.

**Ms Scollay**—If you believe that is unclear then I will make it more clear in future.

**Senator CARR**—I think you should, but I do not think you can blame Mr Mansfield for this.

**Ms Scollay**—No, I am not blaming Mr Mansfield. We have had this discussion many times within the board and the board is very clear that 'the industry' means 'employers and employees'.

**Senator CARR**—And that is why I keep coming back to this point about the minister's press release. Whoever writes his press releases clearly does not understand that. The definition of industry that you use is very different from what the minister uses, and your definition is not spelt out in these papers.

**Ms Scollay**—I take your point.

**Senator COONEY**—Who drafts the documents?

**Ms Scollay**—These documents are drafted by ANTA.

**Senator COONEY**—Listening to Senator Carr, I would have thought that it would not be a great problem to just put that in.

**Ms Scollay**—Yes, I agree. No problem.

**Senator COONEY**—Define industry—bang, bang.

**Senator CARR**—I trust that my message is clear in this but, given that this is such a significant matter and, as you say, we all agree that it deserves a bipartisan approach, what I would suggest is that the opposition would be happy to be involved in the selection and short-listing of consultants, the process of actually determining the consultative mechanisms. That is something, in a debate of this importance, that both sides of the parliament ought to be involved in. I know that this is a matter for political consideration, so I would put on notice this question: will the minister consider offering the opposition an opportunity to participate in the process of facilitating the development of a national strategy plan for the next five years? I would be only too happy to personally help, and I am sure that Mr Cox, the shadow minister directly involved, and Ms Macklin would be only too happy to facilitate the discussions that would ensure a genuine bipartisan approach within the parliament about the National Strategy for Vocational Education and Training. Would you take that on notice?

**Senator Troeth**—Yes, I will take that on notice, Senator, and pass it on to the minister.

**Senator CARR**—I have read the Victorian paper, which is item 17 that came up before the agenda late in the piece for MINCO. It strikes me that the discussion is essentially being conducted at the moment in a resources vacuum. When will we see a discussion about the question of resourcing?

**Ms Scollay**—Senator, I do not believe it is being conducted in a resourcing vacuum. We are now at about the midpoint of the existing ANTA agreement that goes to the end of 2003, and it was at about this time in the last agreement that ANTA began work on a paper to advise ministers on future demand for growth, which is a role provided in the ANTA Act for the ANTA board. We had already been having some discussions about getting some work of this kind started. The Victorian paper has been brought forward in the context of those kinds of discussions, and discussions are now continuing as to how much of the detail that is in the Victorian paper we can actually go forward with in the time frame.

**Senator CARR**—Yes, I can see that, but my point goes to this: Mr Walters, has there been any consideration given to development of a resourcing analysis of the requirements in VET? We had a practice before the last ANTA agreement of an attempt being made to have a working party to examine the issue of resourcing. It seems to me that we need to have an understanding of what the resourcing requirements are before we have a discussion about the new national strategy.

**Mr Walters**—Yes, there was a paper put to the MINCO meeting by the Victorians, and it is going to be for the CEOs committee to consider that and report on a recommended process for undertaking work to inform ministers on future growth and resource requirements, and the Commonwealth will be a part of that.

**Ms Scollay**—That project was led by ANTA last time and would be again this time.

**Senator CARR**—So you are intending to actually have a discussion on resourcing prior to the national strategy being developed?

**Ms Scollay**—The national strategy would be developed in the context that the next strategy goes from 2004 to, say, 2008, and the ANTA agreement runs out at the end of 2003. My assumption is that discussions around the national strategy will also be, to some extent, tied up in the negotiations over the next ANTA agreement and, as part of that, there will be deliberations around the future demand for growth.

**Senator CARR**—It is just that, if we look for instance at the issue of VET in schools again, given what we predict will be the impact of the VET in schools program on students, that has a very serious resource implication for schools and, of course, for TAFE in the states. It could be \$100 million. Would you agree that it could have that sort of dimension to it?

**Ms Scollay**—I have no idea what the dimension is. It is certainly an issue and it was raised at the last MINCO meeting. The New South Wales government raised the issue of VET in schools funding. There are various different projects under way now to look into: the Commonwealth has a project under way; ANTA has a project under way. That will also dovetail with this other future demand. You might remember, Senator, that last time we did the work on future demand I believe—if my memory serves me correctly—we did not include VET in schools.

**Senator CARR**—That is right, and that is my next point: it did not include VET in schools. The Ernst and Young report which was commissioned by the task force—the MCEETYA task force on this occasion, not the MINCO task force—revealed that the impact on the general school budgets of VET in schools alone would be from \$65 million to \$100 million in 2004.

**Ms Scollay**—I believe that the Commonwealth has a contract to do some more work on that Ernst and Young report. That information would come forward as part of those deliberations.

**Mr Walters**—You might like to ask our schools colleagues about this, but work is currently being undertaken to examine the cost and delivery of VET in schools programs including an analysis of cost efficiency. The principal debate about all of that operates through the MCEETYA transitions subcommittee. Some of what has just been discussed seemed to have the assumption that, if there were to be a debate about the cost of VET in schools, it would happen through the ANTA agreement process. But, of course, what you are talking about is very much bound up with the core schools funding issue which is dealt with through MCEETYA and which is a schools issue. The \$20 million which comes through the ANTA agreement money was always intended largely as seed core money to get things moving, and not as the core means of funding VET in schools, which is a reorientation of the core schools curriculum. I just wanted to say that you might care to take it up with Mr Greer when it is his turn.

**Senator CARR**—I will do that.

**Proceedings suspended from 12.18 p.m. to 1.37 p.m.**

**Australian Nuclear Science and Technology Organisation**

**Senator CARR**—Professor Garnett, how do you think the shift of the agency to the Department of Education, Science and Training is working out?

**Prof. Garnett**—Things seem to be going along quite well. I have not noticed any difference; we have had good relations. Quite a lot of the people who were in the previous science policy in ISR moved across. There seems to have been an attempt by the secretary to ensure that there is good communication. So far; so good.

**Senator COONEY**—I suppose if you have noticed no difference we have to ask why the shift was made, in any event.

**Prof. Garnett**—I think that there were reasons; the interactions are good.

**Senator CARR**—As you know, I supported the shift; I thought it was a good thing. But Senator Cooney has a different view—that is all right.

**Senator COONEY**—You just want to be minister for employment and CSIRO.

**Senator CARR**—I certainly do. I keep reminding the officers there is a good show that after the next elections we could change places here. They ought at least bear that in mind when they are dealing with the opposition. It is always a great problem with senate estimates: you forget that roles change.

**Senator COONEY**—There might be revenge taken!

**Senator CARR**—Cut it out!

**CHAIR**—Do you have any questions, Senator Carr?

**Senator CARR**—We do have questions. There was a view taken in some quarters that being within DEST actually provides for greater opportunities for collaboration and cooperation with other scientific agencies, the university sector and the education community at large. Have you seen anything that might support that conclusion or do you think it is still an open book on that?

**Prof. Garnett**—Our organisation has had very strong relations with universities for a long time. We are in partnership with 36 of them through an organisation called AINSE and we have a lot of PhD students—a couple of hundred—who use our facilities and receive cosupervision. So, the links are really strong and they have been there all along. Clearly, there are opportunities likely to emerge whereby it might be easier to discuss information that might lead to policies in the future. That may well be facilitated and we look forward to contributing.

**Senator CARR**—That is good. Senator Cooney's conclusions may well be borne out if there has been no evidence of support for the concept I am putting forward. Maybe it is true that Senator Cooney's question comes to the fore—or is that a matter or policy that you would rather not comment on?

**Prof. Garnett**—I think it is early days, as you have said.

**Senator COONEY**—There is a great safety in the saying 'early days' and it is one that we have to stick to. It is such a familiar statement because it is used in that way—and I think it is properly used in that way too, may I say. It is early days. You do not have to commit yourself at that point, and why should you?

**Senator CARR**—I am wondering if you could give me the figures you have on the projected cost for the replacement reactor at Lucas Heights. My information is that the figure in the 1997 budget was \$286 million; in the 1999 budget it was \$307 million; in the 2000 budget it was \$326 million; and last time round it was \$384 million. What is it now?

**Prof. Garnett**—It is still \$286.4 million in 1997 dollars. The changes in the estimates are nothing more than views by those that put forward the figures on the likely movement in Australian dollars and relevant parameter indices. So, in fact, the cost has not changed in 1997 dollars.

**Senator CARR**—So if I was to compare the figure for 1997 with the figure for 2003, in the way that I have for 1997 and 1999, what figure would I have for 2002-2003?

**Prof. Garnett**—It depends on what happens with the Australian dollar. As I have said, it is still \$286.4 million in September 1997 dollars. There has been no change.

**Senator CARR**—Thank you. I heard that answer—

**Prof. Garnett**—It is likely to go down given that the Australian dollar has gone up in value.

**Senator CARR**—That might be very good for the agency. That is why I am asking you for a figure. Can you provide me with a projection? What is ANSTO's projection in today's dollars—not in 1997 dollars, but in today's dollars?

**Prof. Garnett**—It is around \$320 million.

**Senator CARR**—It is \$320 million now. Do you think that is right?

**Prof. Garnett**—It is in the order of \$320 million.

**Senator CARR**—I know that it is an estimate.

**Prof. Garnett**—Between \$320 million to \$350 million. It depends on what day's dollar you take, Senator.

**Senator CARR**—And you think that the reason it has dropped from last year is because the Australian dollar is increasing?

**Prof. Garnett**—The Australian dollar was down at 50c when last year's estimates were made.

**Senator HEFFERNAN**—Can you give me some advice on where the dollar is going to move, as well?

**Senator CARR**—I can, actually. I heard on the radio that all of the expert opinion says it will settle just under 60c—maybe 59c. Do you have any projections given the calculations on the movement in the dollar?

**Prof. Garnett**—The calculations are done together with the Department of Finance and Administration and they use the Department of Finance and Administration indices. So sometime earlier this year when the figures went into the PBS statement, it shows a figure out to 2005-06 of around \$366 million. That is the figure that is in the PBS. That was based on estimates of the dollar at that time. What I have said to you is that, given that the dollar is now appreciating, a current estimate would bring that back to being less than that figure.

**Senator CARR**—I presume it is on exactly the same contract base, is it—there has been no variation to the contract since the start?

**Prof. Garnett**—There has been no variation to the contract. It is simply the matter that the contract involves a lot of US dollars. The value of the Australian dollar against the US dollar has changed.

**Senator CARR**—Professor Garnett, I must say that you are responding very strongly to me on this issue. Being the politician I am, I am wondering why it is that you would feel the need to put this view as strongly as this. Is there a problem with the estimate?

**Prof. Garnett**—There is no problem with the estimates, Senator. The Australian dollar fluctuates.

**Senator HEFFERNAN**—It might not in the Kremlin, but it does here!

**Senator CARR**—What was that, Senator Heffernan?

**Senator HEFFERNAN**—Only the quick and the dead.

**CHAIR**—He was talking about Aussies and the coffee!

**Senator CARR**—I hope he was. In terms of the INVAP contract, you have no indication of any difficulties with the milestones being met?

**Prof. Garnett**—No, I do not.

**Senator CARR**—The first milestone has been met and the payments have been made?

**Prof. Garnett**—Many milestones have been met.

**Senator CARR**—How much has been paid to date?

**Prof. Garnett**—As of today, there has been an expenditure of about \$100 million so far on the project.

**Senator CARR**—So about a third of the costs have been met already? Is that right, Professor?

**Prof. Garnett**—Yes.

**Senator CARR**—Thank you. Do you have an indication of the forward schedule of payments that you are anticipating in terms of the milestones being met?

**Prof. Garnett**—As I have said to you, the project is more or less on schedule, the only slight delay being that the ARPANSA licence to construct announcement was a little later than we might have hoped—by about 30 days—so at the moment there is about a 39-day delay. The figures that we estimate for the forward years are as in the PBS; we have no reason to change them.

**Senator CARR**—What page is that on?

**Prof. Garnett**—Page 156.

**Senator CARR**—Where do I find the reactor listed here on page 156?

**Prof. Garnett**—Under ‘Non-financial Assets’ subheading ‘National Facility Asset under Construction’.

**Senator CARR**—Okay. So you are saying now that the forward estimates of \$334 million, \$362 million and \$365 million should now be revised downwards?

**Prof. Garnett**—If you ask me, as of today, because of the value of the dollar at the time, they would be down slightly, yes.

**Senator COONEY**—I should not interfere here, but—

**Senator CARR**—No, you should. That is what you are here for.



**Senator COONEY**—Professor Garnett, all that is really demanded is for us to get some sort of idea of what is happening, not so much in dollar terms but in the value of what is going on. We understand the dollar fluctuates, but we still have to get an idea of what it means.

**Senator CARR**—There is no great mystery here. All I am trying to do is establish what it is that we are expecting the parliament to approve in your budget. I do not think it is unreasonable for us to ask how these recent developments might affect that estimate. There is a legal challenge at the moment, is there not, in regard to the ARPANSA decision? Is that correct?

**Prof. Garnett**—There has been a challenge by Greenpeace against an element of the decision by the Chief Executive Officer of ARPANSA, that is correct.

**Senator CARR**—Are you able to explain to us what that involves?

**Prof. Garnett**—There is a challenge as to whether he should have taken into account international best practice and did take into account international best practice with regard to waste management activities.

**Senator CARR**—I see. When do you expect that to be heard? Is it in the Federal Court?

**Prof. Garnett**—There were a couple of days of hearings late in May—21 or 22 May—and I believe that the judge has indicated that it could be about four to six weeks before he makes any decision.

**Senator CARR**—Presumably you have considered this matter. What the judge decides, of course, is something we cannot comment on, because he has not made the decision, but what would the impact of upholding the appeal be on the licence arrangements? Would they have to be reconsidered? What would happen?

**Prof. Garnett**—I do not think it is appropriate for me to say. The licence has been issued by the Chief Executive Officer for ARPANSA. It is for him to decide how it happens.

**Senator CARR**—So it is something for him to look at, not for you.

**Prof. Garnett**—The hearings were actually 22 and 23 May. I was one day out.

**Senator CARR**—Did we say it was in the Federal Court?

**Prof. Garnett**—Yes, it was in the Federal Court.

**Senator CARR**—What is the action being sought? Is it an injunction?

**Prof. Garnett**—It is just a challenge at this stage.

**Senator CARR**—How do you get a challenge? What is the nature of the legal action? You do not just have challenges. Don't you actually ask the court to do something?

**Prof. Garnett**—They would ask the Federal Court to declare invalid the process under which ARPANSA issued the licence. That would be what they would be after—or to set aside the decision; that is the nature of their challenge.

**Senator COONEY**—Or send back the decision for reconsideration.

**Prof. Garnett**—It is any of the above.

**Senator CARR**—So I take it that ANSTO does not quite know what it is going on?

**Prof. Garnett**—We know what was said in court, clearly, and we know that Greenpeace has asked the Federal Court to declare it invalid. But, depending on the judge's decision, what happens subsequently is for the Chief Executive Officer of ARPANSA. It is a challenge to his decision.

**Senator CARR**—Given that the issue goes to a question of waste, can you explain to this committee where we are at on the question of waste disposal? I want to acknowledge your hospitality in having me out to the facility recently. It was very good to be able to see the offices and the sort of work that you do. I noted in my visit that there were a range of facilities for low level waste storage on-site. We did not actually get to see the higher level waste storage, but we did see the facility from the outside. So I am wondering, what do you think is happening in regard to the processing of that waste? Where do we stand on that policy?

**Prof. Garnett**—I think you would probably be aware that the government is moving on the low level repository—that an EIS is under preparation. That is a responsibility of the department. It is anticipated that once there is such a national facility, the low level materials that we have on our site will be transported to that facility. With regard to the intermediate level waste that we have on-site, there is another process which is moving towards the identification of possible locations of an intermediate level store that would take our material, most of which is already stored out at Woomera, and our additional material. Both those processes, as I understand it, are proceeding. We do not control those processes, but we seem to be seeing very good signs of movement.

**Senator CARR**—What is your view about the clear position that has been expressed by the South Australian government as late as last month—in fact, announced on 8 May in parliament—that it would be introducing further legislation requiring a referendum on the medium level waste storage in the state and that it was going to proceed with this matter? What do you think of the consequences of not being able to get the South Australian government to support this proposed national dump for low level waste?

**Prof. Garnett**—As I said, it is not ANSTO's responsibility to be progressing this, and I am certainly not involved in any consultations with that state government. So it is somewhat difficult for me to answer the question.

**Senator CARR**—So is it a matter for the department?

**Prof. Garnett**—It is a matter for the department, yes.

**Senator CARR**—Is one of the officers from the science division available to give us some advice on that score?

**Mr Cook**—Senator, was your question about the low level waste—

**Senator CARR**—The impact of the South Australian government refusing to cooperate with the proposed national low level waste facility in South Australia.

**Mr Cook**—The situation is that, going back to 1992, all jurisdictions agreed on a national process for identifying a site for low level waste. That process was followed through and three preferred sites near Woomera were identified. An EIS study has been done and is being currently considered by Minister for the Environment and Heritage. The Commonwealth has appropriate legislative provisions in place to establish such a repository.

**Senator CARR**—I understand that the Commonwealth may well be able to establish the facility, but how are you going to transport material to it?

**Ms Perkins**—Our understanding is that transport would be licensed by ARPANSA, so that would be covered by the Commonwealth legislation.

**Senator CARR**—So you would see national legislation to force South Australia to accept the transshipment of nuclear waste?

**Mr Cook**—I do not think that is quite the situation. We are saying that the Commonwealth legislation already exists and that South Australia is suggesting they will introduce legislation of their own, which, on the basis of our understanding, would be inconsistent with the existing Commonwealth legislation.

**Senator CARR**—So there would be a constitutional override by the Commonwealth, wouldn't there? Where a state act and a Commonwealth act conflict, it is the Commonwealth that—

**Mr Cook**—Yes, to the extent that they are inconsistent.

**Senator CARR**—So you are saying that, in effect, it is the government's intention to have this material shipped to a new facility in South Australia.

**Mr Cook**—We are not in that situation because the environmental impact statement has to be released, consultations have to take place, responses to the EIS have to be developed and so forth. We have not even got a final site at this stage.

**Senator COONEY**—I cannot quite follow this; you are talking about what you have done and so far it has not advanced very far because you are still planning. I understand that, but there seems to be an expression of an intention—once things are arranged—to pass legislation to override state legislation as to road law, which sounds very interesting. Is that right?

**Mr Cook**—No. Our understanding is that existing Commonwealth legislation provides for the transport of waste because it would be licensed by ARPANSA under their existing legislation.

**Senator COONEY**—But where is it transported at the moment? Is it only transported within New South Wales?

**Mr Cook**—A lot of the low level waste is already at Woomera. It was transported some time ago.

**Senator COONEY**—Is it your understanding that the state intends to pass legislation that would stop that happening? What you were saying before created in my mind the impression that there was an intention on behalf of South Australia to introduce traffic laws which would stop the transport of this low level waste through South Australia. Is that right?

**Mr Cook**—I think the South Australian government have indicated that they propose to amend some legislation to encompass low level waste as well as intermediate level waste.

**Senator COONEY**—If they did that, you could not do very much about that, could you?

**Mr Cook**—Clearly not, Senator. It is the prerogative of the South Australian government.

**Senator CARR**—But you are saying that the legislative effect of that would be void and that the Commonwealth would effectively intend to act in defiance of that state legislation.

**Mr Cook**—I was just making the more general point that the state law would be invalid to the extent that it was inconsistent with Commonwealth law. But the South Australian legislation does not exist at this point in time, whereas the Commonwealth legislation does. Also, at this point in time we have not yet selected a final site, so it is all a bit hypothetical.

**Senator CARR**—Premature, you might say.

**Senator COONEY**—I cannot quite follow this. I cannot see how you could pass Commonwealth law dealing with road traffic. It predominates if the law is inconsistent, but I would have thought it would have had to have been in power.

**Ms Perkins**—It is not traffic laws that the Commonwealth have. What would happen under the Australian Radiation Protection and Nuclear Safety Act 1998 is that we would actually have the repository licence to operate and part of the operation would be transport of waste to the facility by Commonwealth contractors. So it would be licensed in that way under the ARPANSA legislation.

**Senator COONEY**—That makes it even more complicated, doesn't it? How can a contract which is not underpinned by legislation in any event have any relevance against state legislation? It seems a very interesting sort of approach that has been taken. I do not know whether much turns on it, but—

**Senator CARR**—Quite a lot actually turns on it: the question is whether or not the Commonwealth is prepared to defy the state.

**Mr Cook**—ANSTO already transports waste under a dangerous goods act which is Commonwealth legislation, so there is, as I said, Commonwealth legislation in place.

**Senator CARR**—So they transport it in South Australia, do they?

**Prof. Garnett**—We transport radiopharmaceuticals and radioisotopes, as you know. That is radioactive material and it is transported under the federal dangerous goods act, which is the overarching act for the transport of material

**Senator CARR**—So if the state does as it says, that is the only thing that could prevent the shipment of waste as distinct from radioparticles as you use them at the moment. Would that still be overridden by the Commonwealth?

**Prof. Garnett**—My understanding is that it would still fall under transport under the dangerous goods act.

**Senator COONEY**—It will be interesting to see what happens.

**Senator CARR**—With regard to the long-term storage facility, when will we know the sites that the Commonwealth is actually looking at?

**Mr Cook**—There is a process under way to identify possible sites, but I will ask Ms Perkins to elaborate.

**Ms Perkins**—We recently released a discussion paper which was responding to public comment on selection criteria for the store that were released last year. Now that we have finalised the selection criteria, we are using them to assess potentially suitable Commonwealth land around Australia. We anticipate that we will have a shortlist of possible sites towards the end of this year.

**Senator CARR**—Is it part of that assessment that one of the options that is being considered is to actually collocate a low level and medium level waste facility in South Australia?

**Mr Cook**—Last year Senator Minchin, the then minister, ruled out that option.

**Senator CARR**—And that is still the current position, is it?

**Mr Cook**—Yes.

**Senator CARR**—Are any sites being proposed in Western Australia?

**Ms Perkins**—We are currently undertaking a search for potentially suitable Commonwealth land around Australia.

**Senator CARR**—So we are talking about more than one dump?

**Mr Cook**—No, we are only looking at a single national store but we are currently surveying all relevant Commonwealth land for the purpose of it.

**Senator CARR**—You are not suggesting that you are proposing to ship materials from Sydney right across the continent though, are you?

**Mr Cook**—We cannot really speculate until we identify a site.

**Senator CARR**—But it would be a reasonable conclusion to draw that the effective location of a dump would have to be in the eastern portion of Australia.

**Mr Cook**—With the intermediate level store, we are actually talking about relatively small amounts of material.

**Senator CARR**—How does that relate to where they are located?

**Mr Cook**—In the case of the repository, there is a significantly larger volume of material. The geological features of the site were very important because it will be buried, whereas the store will be a purpose-built, engineered, above-ground construction.

**Senator CARR**—It will be above ground in a geologically stable area. Will it be in the eastern part of Australia?

**Mr Cook**—We have not come to any decision about its geographic location. That is what the process that is currently under way is designed to find.

**Senator CARR**—Where is Senator Forshaw?

**CHAIR**—Put out a general alert! Why don't we move on to CSIRO and come back—

**Senator CARR**—No, I still have other questions. You have a very serious hearing problem—I can tell that and—

**CHAIR**—I am just following the logic, Senator.

**Senator CARR**—I have asked where Senator Forshaw is. I have indicated to you on three occasions that I have questions for the agency.

**CHAIR**—Ask them, if you have the questions. Where is the problem?

**Senator CARR**—If I am not prohibited by your constant interventions.

**CHAIR**—Ask the questions if you have questions.

**Senator CARR**—I will have other questions. We might be able to kill a couple of birds with one stone. Professor Garnett, what is the current situation with regard to the option of processing waste in Argentina?

**Prof. Garnett**—Firstly, it has not been our intention for waste to be processed in Argentina. We have a contract that provides another option. The Argentinean option was a second string to the bow, so to speak, and, as I think you are aware, there are certain contractual arrangements that allow that. We are moving towards having in place documentation that supports it at a government to government level.

**Senator CARR**—So there is a treaty being prepared?

**Senator COONEY**—I thought that treaty was already through.

**Prof. Garnett**—The treaty is being ratified now in Australia and it has been through the committee process in Argentina.

**Senator COONEY**—But I do not think there has been any legislation on it yet.

**Prof. Garnett**—There is no need for legislation. It is just an agreement, but we consider it to be at treaty level so we have put it through our treaty process.

**Senator COONEY**—How is that going to be enforced if any problems arise? Does this deal with where the waste goes?

**Prof. Garnett**—No, it is not to do with where the waste goes. As I have said, we have a contract that means that our spent fuel from the current and replacement reactor would go to France to be processed. The waste would then return to Australia to the intermediate level store, remembering that the material from the replacement reactor will not come back till, at the earliest, about 2025. All of those arrangements are in place.

**Senator COONEY**—But it is all being dealt with by contract, not by any legislation?

**Prof. Garnett**—There is no need for legislation.

**Senator COONEY**—That is what you say, Professor. At least we can enforce legislation. I am not too sure that we are going to be able to enforce contracts.

**Prof. Garnett**—There are contracts, and then there is a treaty level agreement between Australia and France.

**Senator COONEY**—I understand that. Movement of radioactive material—we do not call it waste—is of concern to some Australians. Do you have the contract there?

**Prof. Garnett**—We have a contract with a company to undertake the work.

**Senator COONEY**—I understand that. That is why I would like to have a look at the contract, but from what you tell me—

**Prof. Garnett**—I am afraid that is not possible, and we have traversed that ground many times before in hearings.

**Senator COONEY**—Hold on a minute. I have asked you for a contract, which I think from what you have said is of great importance to Australia and to Australian people.

**Prof. Garnett**—Senator, the contract—

**Senator COONEY**—Can you answer my questions, Professor, or are you going to answer you own? You tell me what you want to say, and then I will ask some questions after you have finished.

**Prof. Garnett**—We have a contract with a French company to process the material. That contract was tabled in these very estimates hearings in previous times.

**Senator COONEY**—So what is the concern?

**Prof. Garnett**—I do not have concerns. That is the issue. There is a valid contract and there is an intergovernmental agreement backed up by international law.

**Senator COONEY**—And all those contracts, you tell me, and all those agreements are now made public.

**Prof. Garnett**—The COGEMA contract was tabled.

**Senator COONEY**—No. I am asking you whether the agreements between governments and the contracts between France and Australia, all the amounts involved, everything and the protections available under them are all in the public forum.

**Prof. Garnett**—The contract was tabled in the Senate estimates.

**Senator COONEY**—The complete contract?

**Prof. Garnett**—The treaty level agreement was a public process.

**Senator COONEY**—So all those are in the public forum?

**Prof. Garnett**—Correct.

**Senator COONEY**—I did not know that. What provisions are there in that contract to safeguard Australians? Can you tell us that?

**Prof. Garnett**—This is not a contract to do with safeguarding. It is a commercial contract on the cost and the process by which the material will be handled.

**Senator COONEY**—I thought you said that this material was going to be moved out of Australia and over to France.

**Prof. Garnett**—We have been transporting it. We have sent several shiploads already to France.

**Senator COONEY**—I understand all that. But what I am asking is: what provisions are there for safety in the contract? Or is there nothing about safety in the contract? Do you say there are no problems with this? Is there no safety issue at all?

**Prof. Garnett**—The issue is to do with transport. The material is transported from Lucas Heights to the docks. That is done under ARPANSA's safety processes and we meet the appropriate requirements. The material then goes in boats to France and it is under the appropriate international transport regulations.

**Senator COONEY**—What you have been asked about was the transporting from Lucas Heights to the docks.

**Prof. Garnett**—It goes to the docks.

**Senator COONEY**—I may be wrong here. You were asked about this sort of thing and about contracts before and you said that is provided for by the contract. But it is provided for by legislation, isn't it?

**Prof. Garnett**—It does not need to be provided for by legislation.

**Senator COONEY**—You are saying this material is transported from Lucas Heights to the docks, and the protection given to the people of Sydney is not by any legislation but is pursuant to the provisions of the contract. I have understood that. I shall get the contract and see where there are provisions which provide for the safety of the people of Sydney. How are they going to be held safe, because they would not be able to enforce the contract if they thought their safety was being prejudiced in any way.

**Prof. Garnett**—I have said it is undertaken under the ARPANS legislation. ARPANSA is the Commonwealth authority which has the legislative basis to ensure safety. If you want to ask if there is legislation in place, there is. It is the ARPANS Act. The transport, as was said by colleagues from the department, would be under the ARPANS Act.

**Senator COONEY**—So the safety of Australians is protected not by the contract but by legislation?

**Prof. Garnett**—Understanding what you are trying to drive at, yes, it is under legislation.

**Senator COONEY**—So if we looked at the contract we would find no provisions for safety because you say that they are not needed because it is attended to by legislation.

**Prof. Garnett**—Within Australia, from our site to the docks, yes, it is covered by ARPANS legislation. In 2025, when material from the replacement reactor starts to return to Australia, it will also be covered by ARPANS legislation.

**Senator COONEY**—Just to make this clear, while it is on the water or however it goes, there are some provisions in the contract which attend to the issue of safety—is that what you are saying?

**Prof. Garnett**—That is correct.

**Senator COONEY**—When it got to France, it would presumably be attended by legislation in France?

**Prof. Garnett**—That is correct.

**Senator COONEY**—So when we asked about safety, you thought we were asking about the passage across the seas?

**Prof. Garnett**—Correct.

**Senator COONEY**—And you say that is attended to by the agreement and by some treaties.

**Prof. Garnett**—There are international regulations concerning the law of the sea and the transport of material across the seas.

**Senator COONEY**—I see: the law of the sea. It is a bit beyond the contract, isn't it? That is what I was trying to get from you.

**Prof. Garnett**—The contract calls up the meeting of appropriate safety standards.

**Senator COONEY**—But the law of the sea has some application in addition to the contract, doesn't it? You might not know that, but I think it would. So when you tell us that all the safety provisions are in the contract, that answer is perhaps not as effective as our needs call for.

**Senator CARR**—Professor Garnett, we have discussed this before, but I would like your assessment of the current situation in regard to the debate within Argentina concerning section 41 of the Argentine constitution, which you said would actually prohibit the importation of waste. Have you had any advice on that issue as a likely or possible barrier to the acceptance of Australian waste in Argentina?

**Prof. Garnett**—I think we have discussed this before.

**Senator CARR**—Yes, but what is the current situation?

**Prof. Garnett**—Absolutely no change.

**Senator CARR**—Have there been any discussions about the possibility of using Russia as a site for the disposal of Australian waste?

**Mr Cook**—Not as far as I am aware.

**Senator CARR**—Any other country, apart from France?

**Mr Cook**—No, not as far as I am aware.

**CHAIR**—We have had an indication from Senator Forshaw that he is held up in another committee and wishes his questions to be put on notice. Do you have any further questions for ANSTO, or can we move on to CSIRO?

**Senator CARR**—This is now the fourth time I have indicated to you that I do have questions and I am continuing to work through them, thank you very much.

**CHAIR**—I apologise, Senator Carr; I thought you were just filibustering. I am just indicating that there is no need to do that.

**Senator CARR**—Your problem is that you have become so sectarian about this matter that you do not know the difference.

**CHAIR**—I am very broad church.



**Senator CARR**—Professor Garnett, with regard to the construction licence the regulator, Dr Loy, stated that he expected to see progress in moving to the establishment of a store, and he described in his report what he called progress. He went on to say, however, that the South Australian government has already legislated to prevent a store being located in the state. In your assessment, is this likely to be an impediment to the further licensing arrangements for the construction of the new facility at Lucas Heights?

**Prof. Garnett**—If you look carefully at the full statements by the chief executive of ARPANSA, you will see that he hopes that there will be significant progress. I think you have just heard from the department that they have a strategy in place to continue to move this issue along.

**Senator CARR**—So we are waiting on the development of a facility. There is some uncertainty, in my judgment, as to what the South Australian government is going to do. We have no clear understanding of what is likely to occur, other than that there will be an announcement of possible sites for the high level waste later in the year. We clearly have some issues in regard to the possibility of external shipments. It just seems to me that there are unresolved matters there on the question of waste. But, Professor, you are saying that in your judgment they are not sufficient to cause you any concerns?

**Prof. Garnett**—The requirement of the chief executive of ARPANSA is that there is a strategy and that there is movement on that strategy. They are his words, as I understand them.

**Senator COONEY**—Those words are in inverted commas.

**Senator CARR**—I turn to the issue of the employer advocate and his intervention on the construction site itself. You are looking at me with a puzzled expression on your face.

**Prof. Garnett**—I think I understand what you are referring to.

**Senator CARR**—You are not aware of what I am talking about?

**Prof. Garnett**—I think I am aware of what you are talking about, Senator.

**Senator CARR**—On 19 April—bearing in mind that this committee also covers the work of the employment department and that we have heard from the employer advocate on this matter—it was confirmed that they sought to intervene in regard to an enterprise agreement between the CFMEU and John Holland Pty Ltd. According to the CFMEU, the issue was the concern to prevent the use of illegal migrant labour, to ensure the right of entry for the union and insurance for workers' death and disability compensation. We were advised that this matter was under discussion between you and the union. Can you advise us on the progress of those discussions?

**Prof. Garnett**—No. I think there is some misunderstanding. The proposed agreement is between John Holland Pty Ltd and Evans Deakin Industries Pty Ltd, the Australian contracting group involved, and the CFMEU. Given, however, that the work is on ANSTO land and it is Commonwealth land, it was deemed appropriate that we looked to ensure that what was in there from the point of view of the business case—that is, the dates and things—was consistent with other arrangements and agreements and then that it be referred to the department and the OEA. That is exactly what happened. We do not get involved in anything to do with the content of it, other than making sure that the relative business dates match.

**Senator CARR**—Professor, which department were you referring to?

**Prof. Garnett**—It was referred, as I understand it, to the OEA. That is the relative Commonwealth department.

**Senator CARR**—The OEA is a statutory authority—

**Prof. Garnett**—Yes, but it also falls within the Department of Employment and Workplace Relations.

**Senator CARR**—So this is Mr Abbott's department?

**Prof. Garnett**—Yes.

**Senator CARR**—I see. So you have no idea of the progress being made there?

**Prof. Garnett**—My understanding is that there have been further discussions between the relevant company and the union and that a revised version of that agreement has been forwarded to those bodies that we have just mentioned.

**Senator CARR**—Are you hoping that this will not inhibit the construction?

**Prof. Garnett**—That is correct.

**Senator CARR**—Have you been advised of any likelihood that the project will be delayed?

**Prof. Garnett**—No, I have not.

**Senator CARR**—Have you been advised what section of the Workplace Relations Act the minister relied on to intervene in this matter?

**Prof. Garnett**—I am not aware that the minister has intervened.

**Senator CARR**—Didn't he seek to impose compliance with the Commonwealth national code and guidelines?

**Prof. Garnett**—Which minister you are referring to, Senator?

**Senator CARR**—Minister Abbott.

**Prof. Garnett**—I am aware that it was referred back after consultation and after lodgment. But, as I said, this is a contract, or an agreement, between John Holland Pty Ltd and the CFMEU. This is not something that we are intimately involved in.

**Senator CARR**—Are you the contract managers overall? Do you have responsibility—

**Prof. Garnett**—No, we are not. This is a contract with John Holland.

**Senator CARR**—In terms of the project management, who in your agency is responsible for project management?

**Prof. Garnett**—We are project managing the project with INVAP. INVAP have a subcontract with John Holland-Evans Deakin. The relationship with John Holland is not to us; it is to INVAP.

**Senator CARR**—So the CFMEU does not come anywhere near you on these sorts of issues?

**Prof. Garnett**—That is correct.

**Senator CARR**—And John Holland does not come anywhere near you on these sorts of issues?

**Prof. Garnett**—Correct.

**Senator CARR**—So you just stand by and watch all this happen?

**Prof. Garnett**—We are an interested party and we hope to be assured that it is progressing well. I understand that they have had further discussions as a result of advice, and it has been sent back to the department for review.

**Senator COONEY**—But you are not an interested party in terms of being a party to the contract.

**Prof. Garnett**—We are not an interested party of that.

**Senator CARR**—So you are just a bystander.

**Senator COONEY**—If you saw a need for change in the construction, would you say, ‘Look, this is nothing to do with us and we’ll just have to live with it’?

**Prof. Garnett**—That is not true. The issue of a construction contract is with us and INVAP.

**Senator COONEY**—So you do have a construction contract—

**Prof. Garnett**—With INVAP. That is the whole contract—

**Senator COONEY**—The head contractor, I suppose. So, from what you are saying, you could take action whereby you could affect the contract and how the contract is carried out by complaining to the people who are directly responsible for the construction, or do you just take what comes?

**Prof. Garnett**—No, Senator. We are managing the contract with INVAP as a construction contractor. We seem to have moved. What was under discussion was an agreement between an Australian company and some workers, and because the work is on Commonwealth land—

**Senator CARR**—Professor, I do not know how you have reacted in front of estimates committees before, but it is not an uncommon practice to ask a question on one thing and find that it involves a range of other issues. I guess Senator Cooney is exploring with you the implications of my first question. The issue goes to how this affects people working on a Commonwealth project. That is a matter of concern to me, I can assure you. I am absolutely certain that it would be a matter of concern to you. Therefore, the idea that you are just an innocent bystander does strike me to be—

**Senator COONEY**—It is probably not a very frank answer.

**Prof. Garnett**—Because it is Commonwealth land, we have asked to ensure that that project agreement—it is not a contract, it is a project agreement—is reviewed by the appropriate Commonwealth parties. That is what we have asked. Comments were made by those parties to John Holland. My understanding is that they have undertaken further discussions and that they have now provided a revised document, and that revised document has been forwarded on to the department and to the OEA.

**Senator COONEY**—You were giving us the impression—and it was probably our fault—that somehow you were not able in any way to affect the way this contract is carried out. It appears that you would have considerable influence if you wanted to exert it to affect the way the contract is carried out, including the conditions that would be applicable to people working on that project. That would seem to be the position, and I think you have just agreed. I would take that as an agreement.

**Senator CARR**—Yes. Are you aware of any investigations in Argentina that are currently under way in terms of the ANSTO-INVAP arrangements? It has been put to me that there are two separate investigations under way within Argentina into your arrangements with INVAP. Therefore I would ask if you could provide me with any assistance here in terms of information you have. Are you aware of any investigations into irregularities in terms of corruption?

**Prof. Garnett**—I am aware that—and, again, this has been discussed before—under the Argentinean system, if an individual wishes to raise an issue, there is a particular process. It is

very different from our legal processes. Some opponents of the nuclear industry have started to use a process by which they challenge whether there are any irregularities. That does not mean that there is a formal process as such. As I understand it, there have been discussions whereby the state people who have the responsibility come along and talk to INVAP and INVAP have provided them with some material. I know no more than that. In fact, I do not believe that it has progressed any further than that.

**Senator CARR**—As far as you are concerned, it is essentially part of the political process?

**Prof. Garnett**—It is a legitimate way that people who are opposed to things can go about expressing opposition.

**Senator CARR**—You are not anticipating any difficulties on that front?

**Prof. Garnett**—There certainly have not been any to date and we do not see any at this stage.

**Senator CARR**—And it does not involve any Australian officials?

**Prof. Garnett**—No.

**Senator CARR**—I noticed on page 145 of the PBS that the staffing number at ANSTO will move from 21 to 13. Is that right?

**Prof. Garnett**—The ANSTO staff associated with the reactor project?

**Senator CARR**—Yes. Does that account for the drop? You will have fewer people involved?

**Prof. Garnett**—That is correct. There will be fewer ANSTO people because we are moving into a construction phase. We have gone through the safety analysis preparation, which had requirements on us.

**Senator CARR**—Whereabouts do you currently have staff stationed overseas? Do you have any staff posted externally?

**Prof. Garnett**—Yes, ANSTO has staff posted externally. We have staff in three embassies—in London, Vienna and Washington—we have staff manning the Beamline Facility in Japan; and we have staff at the Advanced Photon Source in Chicago.

**Senator CARR**—Do you have any staff in Argentina?

**Prof. Garnett**—We do not have permanent staff in Argentina. We send people as and when needed if we are looking at a particular trial or at a particular piece of technology for review.

**Senator CARR**—Could you give me a breakdown of where those staff are and, in particular, their capacities? Is it possible to get information on the capacity in which they are serving and what functions they are serving?

**Prof. Garnett**—I thought I had just given it to you. We have three staff—

**Senator CARR**—No, you told me you had three staff.

**Prof. Garnett**—They are counsellors nuclear in the respective embassies.

**Senator CARR**—They are counsellors nuclear. Is that their designation?

**Prof. Garnett**—That is correct.

**Senator CARR**—Are you able to tell me their remunerations and the nature of their employment conditions?

**Prof. Garnett**—Our staff are posted under standard overseas conditions.

**Senator CARR**—So they are absolutely standard. Are you certain that that is the case?

**Prof. Garnett**—In accordance with the policies that call up appropriate allowances and things that are paid.

**Senator CARR**—I was wondering if you could you give me a bit of archival material. Could I get some information on staff posted overseas for periods longer than three months since 1 January 1997?

**Prof. Garnett**—I will have to take that on notice.

**Senator CARR**—Thank you. Have there been any staff who might have been recalled prematurely from overseas postings since 1997?

**Prof. Garnett**—I would not say ‘prematurely’, because our posting conditions do not give people a defined length of time. Our postings, particularly embassy postings, identify that the periods can be up to or around a certain period, but they are not defined in exact terms. We have had people who have been away for two, and we have had people who have been away for three and four.

**Senator CARR**—You are saying there is no particular fixed time. Do you have any occasions where staff have been recalled earlier than was anticipated?

**Prof. Garnett**—Yes, we have had staff who have been returned to Australia earlier than they may have initially expected.

**Senator CARR**—Are you able to provide me with the reasons the persons were recalled without naming the individual—I do not want individual persons identified by name—and the year in which these circumstances have arisen? Can you also indicate to me whether any such persons have been redeployed to Lucas Heights, and if so, in what capacities?

**Prof. Garnett**—We can provide you with that information.

**Senator CARR**—I might come back to that. Can you give me advice on the indexation arranged for Commonwealth grants to ANSTO? How do the indexation arrangements work for ANSTO?

**Prof. Garnett**—I do not think we are seen as getting grants. Are you talking about the appropriations that are made?

**Senator CARR**—I will rephrase that—a block grant might be one way people used to put it. Are you able to indicate to me the nature of the indexation arrangements?

**Prof. Garnett**—They are standard indexation arrangements as I understand apply to the science authorities.

**Senator CARR**—What are the parameters? How are they calculated?

**Prof. Garnett**—The figures vary and they are calculated by the Department of Finance and Administration from year to year.

**Senator CARR**—Can I ask, Mr Cook, if you could provide me with some advice on this matter because this may well cut across the three major agencies. Can you give me advice on the indexation arrangements applying to ANSTO when compared to AIMS, the CSIRO—and you may have to get some external advice on this as well—but also to the universities?

**Mr Cook**—I would have to take that on notice.

**Senator CARR**—Yes, of course, I would expect that is the case. In regard to the budget statements, the capital usage charge levelled against assets employed. I wonder if you can explain to me what is meant here by a figure of \$28.1 million dollars under outcome 1 of the

budget statement on page 143. That is levelled against ANSTO. Is there a figure of \$28 million levelled against your accounts for a capital usage charge?

**Prof. Garnett**—It is a standard process again of the Department of Finance and Administration where, depending on the assets of an organisation, they give us some money and then take it back.

**Senator CARR**—Do you have any explanation as to why they take it back?

**Prof. Garnett**—It is a capital use charge. It was introduced some years ago and it is part of both appropriations and payments back. I think it is a question for the Department of Finance and Administration.

**Senator CARR**—Mr Cook, can you equally provide advice on how this charge is developed and how it affects all the scientific agencies within the department?

**Mr Cook**—I can take that on notice.

**Senator CARR**—In terms of the expenditure on publicity; what is the budget figure for, out of your operational costs, that is earmarked for public relations?

**Prof. Garnett**—That varies from year to year depending on what we have decided to undertake. We had an open day last year, so it would have been larger than it would be this forthcoming year when we do not have an open day. I do not have the figures in front of me but they are not fixed figures.

**Senator CARR**—So you have no forward estimate on publicity?

**Prof. Garnett**—We have on our budget—and we have not yet brought down our budget for next year—an agreement for the figure for 2002-03. What I am saying is that it does vary from time to time depending on the projects we determine to undertake.

**Senator CARR**—When will the budget be agreed?

**Prof. Garnett**—By the end of the month.

**Senator CARR**—I see. Given that the appropriations have been listed, I presume it will be predicated on the appropriations in the budget statements. Is that the same budget statement that you have given to us or is there another budget?

**Prof. Garnett**—This is the overall ANSTO budget. What we spend on separate projects and activities in ANSTO takes a great deal of planning and consideration.

**Senator CARR**—I am asking if it is possible for us to have a look at the breakdown of those figures when they are agreed.

**Prof. Garnett**—We have given the figures on our public relations activities regularly. In the past we have been asked and we are happy to give them again.

**Senator COONEY**—I get a bit confused about this but with all seriousness, Professor Garnett, you were asked a question and you said, 'That goes to the forward estimates in effect. We are still working it out but we will have it by the end of the month.'

**Prof. Garnett**—Sorry, I did not mention forward estimates.

**Senator COONEY**—That is what you were asked. You gave us the impression that you are still working out how you are going to spend your money. Then we asked another question and you said, 'We have given you these figures time and time before.' It seems to me to be terribly inconsistent to have a statement where somebody says they are going to work out the figure by the end of the month and yet they are able to tell us later on in the conversation that

that figure has been given time and time again as if it has been as it stands for a long time. Those two statements just seem inconsistent.

**Prof. Garnett**—I do not think they were, Senator, with all due respect.

**Senator COONEY**—I would have thought that they were, Professor Garnett. I think what you are trying to do is make sure that you do not have to answer the questions that are asked.

**Prof. Garnett**—Could I repeat my answer. What I said was that the amount spent on public relations varies from year to year. We have provided those figures in the past and I am happy to provide figures for what we intend in the future.

**Senator CARR**—We understand.

**Prof. Garnett**—Our detailed budget for this year, on the exact amount that we will spend for next year, has not yet been determined. It will go to a board meeting at the end of this month.

**Senator CARR**—Thank you very much. I take it, in the spirit that that exchange has occurred, that you would have no difficulties doing that when that is available; is that right?

**Prof. Garnett**—Yes.

**Senator CARR**—In regard to overseas travel, would you be able to provide us with advice on what the projections are for overseas travel?

**Prof. Garnett**—No, I cannot provide you with that because we have project budgets and we do not budget specifically for overseas travel.

**Senator CARR**—I see. Are you able to tell me then what you have spent on overseas travel in the past?

**Prof. Garnett**—In some years we have had those figures available. I guess they can be compiled. We work on project budgets; people have project budgets with agreements on what they are to do and the travel is part of the project budgets. So it is not something that we particularly budget against.

**Senator CARR**—Fair enough. But, as a management tool, I am sure that you would have information available that will tell you how much the organisation is spending on overseas travel and whether or not each unit in the organisation is actually meeting its budget. Can you tell me how many staff trips there have been to Argentina since the negotiations for the contract for the new replacement reactor began? Can you provide me with the details of the duration, the dates, the purpose and the associated costs of each trip?

**Prof. Garnett**—I can take that on notice and provide you with what we can.

**Senator CARR**—Of course, that is not the sort of information that I expect you to have in your head so I would be happy if you could assist me with that. Currently there is a bill before the parliament on research agencies, the [Research Agencies Legislation Amendment Bill 2002](#), which will provide the commercial framework in which you will operate. Is that your understanding of the purpose of the bill?

**Prof. Garnett**—The purpose of the bill as I understand it—and it was fairly well discussed—is, as you have said, to ensure that, where there are opportunities to do something with technology that is developed, which is not necessarily a nuclear application, it can be properly exploited.

**Senator CARR**—This discussion that you speak of—you say that it was well discussed. Where was it well discussed?

**Prof. Garnett**—I was referring to the discussions that occurred in the readings in the parliament. There was a very good description there as to the requirements.

**Senator CARR**—Professor Garnett, how do you think this bill will be able to facilitate the commercialisation of projects that you currently have under development?

**Prof. Garnett**—When one is doing research there are very often findings that have applications to a direction that is not necessarily where you started. So, we have knowledge and know-how that is applicable, for instance, in acid mine drainage. We have some work that has come out of a CRC where we hold the patents that is, in fact, to do with arsenic. We can, at the moment, go to the minister on a one-by-one basis and get agreement, but the suggestion is that the act be amended so that this can be more readily undertaken in the future.

**Senator CARR**—This is a bill that has been introduced to the House of Representatives and then adjourned. I asked you a question because I was seeking information. It is quite apparent to me that I was mistaken in that and, when you have had a chance to look at it, we may need to have a look at a bill inquiry which will provide you with a better opportunity to provide us with advice on this matter.

**Prof. Garnett**—I was trying to, Senator, by saying it will permit the commercialisation and I gave you two explicit examples of technologies. The issue at the moment is that AIMS and ANSTO are somewhat constrained.

**Senator CARR**—Can you please give me some advice on ANSTO Inc.? There is a reference to this in the annual report. I have seen it is incorporated in Delaware in the United States. Have I got the right company? Is that one of yours?

**Prof. Garnett**—Yes, that is correct.

**Senator CARR**—How is the company related to ANSTO? What is the relationship between the agency and this incorporated company?

**Prof. Garnett**—ANSTO Inc. is a limited liability company incorporated in Delaware. It was specifically set up so that we could pursue waste management opportunities in the US when we were trying to get the uptake of synroc technology, in particular, in association with US companies and we needed to have a US base.

**Senator COONEY**—Have they got limited liability companies in the United States?

**Prof. Garnett**—Yes, they have. They call them LLCs.

**Senator COONEY**—Interesting.

**Senator CARR**—In the statements it says that there has been a \$185,850 loss. Is that right? Have I read that correctly?

**Prof. Garnett**—It will have cost us that because we set it up and invested in it specifically so that we could go into contracts on the synroc, as I have said. We have probably talked about this before but, unfortunately, under the current administration they have decided not to go ahead with immobilising the plutonium in what was a synroc waste form. Therefore, the opportunities that we invested in and which the company was established to allow us to progress have now disappeared, so to speak. So, yes, there is no return on that particular investment.

**Senator CARR**—What do you intend to do with the company?

**Prof. Garnett**—It is there at the moment and, having invested in it, we are maintaining it because we are still seeking to explore other opportunities for the use of our waste technologies in the US.



**Senator COONEY**—So you are waiting to find a reason for it.

**Prof. Garnett**—No. We do not want to find a reason for it. We have it and we have technology, which is nuclear based and we believe there are other opportunities other than the major one which we were progressing in the US. We currently have a review under way on those. Once we have determined a strategy, some decisions will be made.

**Senator COONEY**—I have probably taken you wrongly here, but it sounds as if what you are saying is that you have a company that you set up on a particular basis and that basis has changed. Now, quite sensibly, you are looking for some other avenue for that company to operate in.

**Prof. Garnett**—An LLC is really a place in the US that allows us to comply with US legislation when we are working on government contracts.

**Senator COONEY**—So what you are saying is that you have got this company so that you can work on Australian government contracts in the United States.

**Prof. Garnett**—No, US government contracts. It is us providing services—

**Senator COONEY**—But it is a place for Australian companies to be so that they can carry out work in the United States.

**Prof. Garnett**—No. It is ANSTO's company. I do not consider ANSTO to be an Australian company, but maybe it is words again. It is simply a place. It is a company that was established that allowed us to go into partnership with US organisations to deliver various technology solutions in the US. If the work comes to ANSTO, it would then be subcontracted back to the ANSTO organisation to deliver.

**Senator CARR**—What do you anticipate the costs to operate this company will be on an annual basis?

**Prof. Garnett**—For this next year, about \$10,000.

**Senator CARR**—And so you think that will be the annual operating costs—about \$10,000?

**Prof. Garnett**—I have said the estimate of cost for this next year—

**Senator CARR**—I asked a question, 'What will it cost next year?' You said, '\$10,000.' My next question is, is that the ongoing cost? Is that the regular cost you would anticipate on a year-in, year-out basis?

**Prof. Garnett**—I am not prepared to comment on that, Senator, because we are only looking, for the moment, at next year and we are looking to see what the opportunities might be. If there are opportunities that emerge, the cost could be higher. But we may no longer maintain the registration; it is a registration, nothing else.

**Senator CARR**—Professor, can I just make a point to you? You are the CEO of a public agency. This is the budget estimates where the parliament—I emphasis that, no matter what you think of us as individuals—asks you questions about how you are spending the public's money. If we ask you a question about how you intend to operate in the future about a company that is run by your agency, I do not think it is appropriate for you to say that you are not prepared to comment.

**Prof. Garnett**—What I was trying to say is that I do not have estimates beyond the following year.

**Senator CARR**—That is a different response to my question.

**Senator COONEY**—The problem is that we get a company which we chase around in estimates for a little while. Then we find out that it is a company that is going to spend \$10,000, and that would seem to me to be no more than the rent of a room somewhere. You would not imagine anyone to be employed in this company in the United States if \$10,000 is the amount of money involved, so the question obviously arises of what does the company do. Has it got a room there and a word processor, or what? Do you know what the \$10,000 is taken up with?

**Prof. Garnett**—It is the appropriate licensing and registration fees plus the use of some space. We do not have a room; we have an address but when our people were working on the proposals with the US that have now not materialised into bigger things, we had more space and we had people over there.

**Senator COONEY**—But at the moment, it is more or less a letterbox company where you have a letterbox somewhere you can post things to and from. It does not sound like an organisation where great things are put at the moment.

**Senator CARR**—Can I ask you about the technology park. who are the tenants at the technology park at Lucas Heights?

**Prof. Garnett**—I can take that on notice to provide you with a list.

**Senator CARR**—Are you able to tell us whether all the tenants that use the facility are scientific based companies? Do you think there is any need for them to be scientific companies? For instance, I see the United Pistol Club is one of your tenants at the facility. That is right, isn't it?

**Prof. Garnett**—They are not in the technology park, Senator.

**Senator CARR**—I hope they are not. You are saying they are not tenants of yours?

**Prof. Garnett**—As I understand it, the club was started by some ex-AAEC members and there is a very longstanding agreement whereby a pistol range that is also used by the Australian Protective Service for practice was available to a group called the United Pistol Club. At the moment, their use of the facility has been put on hold for other reasons. They are an organisation with which we have an agreement and they have used some of the buffer zone area for their activities.

**Senator CARR**—You say that the United Pistol Club's use of the facilities has been put on hold for other reasons. Are you able to indicate to us what those reasons are?

**Prof. Garnett**—We have asked them to undertake updated safety assessments of their activities.

**Senator CARR**—So the facilities are substandard?

**Prof. Garnett**—No, it is the use of their facilities: issues of safety and controls of accessing keys and things like that. We are tightening up on our contracts, and they have been asked to provide an appropriate assessment.

**Senator CARR**—So the general security questions about the facility are now impacting upon tenants that are using land adjacent to the facility itself? Is that the impact of what you are saying?

**Prof. Garnett**—I said 'safety considerations'. I did not say 'security'.

**Senator CARR**—You do not think that the question of security has any bearing on these issues?

**Prof. Garnett**—The issue is a safety issue. It is about the way their operations or activities are controlled and supervised and whether there are one or two people there at a time. There are a number of issues to do with safety where we have had advice that we should make sure that people using the buffer zone are undergoing appropriate processes, and we have asked for an external review of those processes.

**Senator CARR**—I presume the United Pistol Club are not using water pistols, are they? They are actually using firearms.

**Prof. Garnett**—It is a pistol club.

**Senator COONEY**—You say that the only issues you have to worry about are safety issues. Where pistols and what have you are concerned, might not you also have some security provisions as well—security rules or regulations? But, if you do not have them, I suppose—

**Prof. Garnett**—It is in the buffer zone, and the buffer zone is open to the public.

**Senator COONEY**—I think I have only been to one pistol range, but the security there was very substantial. But here we have no provision for security, from what we can gather.

**Prof. Garnett**—Maybe there is a difference in your use of the words ‘security’ and ‘safety’. We consider ‘safety’ as being related to the oversight and use of facilities and the number of people that have access. We would put all of those things, I guess, in a ‘safety’ box.

**Senator COONEY**—By ‘security’ I mean to make sure that people do not go off with weapons.

**Prof. Garnett**—Weapons are not stored there. I do not think that is the issue.

**Senator CARR**—Frankly, given the problems you had with unauthorised entries to the site, it is a perfectly legitimate issue for ANSTO to improve security arrangements. I know you have and, as I have said to you, it is absolutely appropriate. I would have thought that, if you have tenants on the buffer zone on land adjacent to the facilities—and these, by the way, are tenants listed in your annual report, headed ‘Technology Park’—it is equally not unreasonable that new security arrangements apply to them. I presume that they are using the buffer zone in the knowledge that they are next door to a nuclear reactor. So I cannot see how there is any need to be defensive about this at all. If you have a pistol club using the facility next to a rifle range, I reckon you would want to have a good look at it.

**Prof. Garnett**—And that is what we are doing, but I guess it is the use of the words. We put that into a safety context, that is all.

**Senator CARR**—I do not think we need to play games with these words is all I am saying. Would you regard the technology park as a success?

**Prof. Garnett**—Given the current legislation—and this is an issue that we are trying to change—it is about as successful as we can make it. We need to change the legislation so that the technology park can be further developed and more reasonably expand.

**Senator CARR**—Did it make a profit last year?

**Prof. Garnett**—The technology park brings us an income, yes. It makes us some profit. Again, that is in the annual report.

**Senator CARR**—What was its contribution of revenue?

**Prof. Garnett**—I do not have the annual report with me, but it will be in that.

**Senator CARR**—What did it cost you? Obviously, there is a cost involved in having people on your land. There are expenses to the agency involved with doing that. I trust—and this is the point that I am getting to—that you are not running a charity organisation in this technology park, are you?

**Prof. Garnett**—No, we do not run a charity organisation.

**Senator CARR**—It produced a positive cash benefit to the public purse?

**Prof. Garnett**—It certainly did.

**Senator CARR**—Could you provide me with the detail of that, please?

**Prof. Garnett**—Yes.

**Senator CARR**—The aviation services, Sutherland Shire, the pistol club and the waste services are all listed here in the annual report. What is the waste service? Is that just an office? I take it that that is all it is: just an office?

**Prof. Garnett**—No, the very large tip across the road is partly on our land.

**Senator CARR**—That is the tip! Now I have got it! That is that smelly thing we drove past. They are very prime tenants to have next door to you.

**Prof. Garnett**—They are not only on our land. They spread a fair way; you are right.

**Senator CARR**—In a sense, you cannot move some of these things; they are there for good.

**Prof. Garnett**—They are there for a long time.

**Senator CARR**—Like the reactor. Is that what you are saying?

**Prof. Garnett**—That is correct.

**Senator CARR**—Can you give us an indication of what financial benefit it brings to the organisation? Senator Cooney has already touched on the synroc issue. Can I take from your answer that you have spent \$62 million on this project overall? Is that the case? You did in the February estimates.

**Prof. Garnett**—After the last estimates? I think we need to be somewhat careful about ‘on this project’. The total spend on things which that project uses, including all the capital equipment, is that figure, but we have also made the point regularly that that capital equipment is used for a variety of other projects and purposes. Indeed, it is some of the spin-offs from synroc that we would also like to be able to commercialise. That is one of the reasons that we would like to change the act so that we can better commercialise some of the sol-gel technologies and some of the things that that equipment could allow us to do.

**Senator CARR**—How much more money do you intend to spend on that particular project?

**Prof. Garnett**—Again you are going to say that this is semantics, but we do not talk about synroc any more; we look at waste management options that go beyond synroc. We have a research and development project involving around \$3 million that we are spending on the development of waste management techniques in a variety of areas. It is not all what you would traditionally have called synroc. We do not budget for synroc any more. We do not have a project called synroc.

**Senator CARR**—Are you saying that this technology applies to more than just nuclear waste?

**Prof. Garnett**—Yes, potentially.

**Senator CARR**—That is your plan: to sell the technology?

**Prof. Garnett**—At the moment. We believe that there are opportunities to explore and go beyond nuclear materials.

**Senator CARR**—So this is early stages in trying to diversify the use of this technology into other substances?

**Prof. Garnett**—At the moment, we are looking at and considering options for what might be possible. We hope to have further ideas by the end of the year.

**Senator COONEY**—So you could say that we do not have a satisfactory means of dealing with waste at the moment because we are trying to develop better ways.

**Prof. Garnett**—There are an awful lot of different wastes out there. We have technology and know-how and we are looking to see if it would be a good solution for some other forms of waste.

**Senator COONEY**—You say that we are not into synroc any more; we are looking for other means. I am saying that we are always trying to do better, which means that there is better to be done.

**Prof. Garnett**—Yes, but there is also a limit to how far you go. Some of the technologies that have come out of the so-called synroc research are certainly leading to waste forms that we are using at the moment to immobilise some of our own radioactive materials on site.

**Senator COONEY**—You need not comment on this, but I have been told that synroc was the absolute best thing possible; that you would not want anything safer than that. But things pass as time passes.

**Senator CARR**—At what point do you expect to be able to report to the committee as to what potential uses there are for this technology, given that \$62 million has been spent on the project?

**Prof. Garnett**—We have tried to advise in the past that the so-called synroc technology—synthetic rocks—was being developed because at one stage those involved thought that it would be useful for material coming out of the reprocessing of spent fuel. Glass is the accepted waste form at the moment. We then moved towards developing formulations that would be able to be used in the immobilisation of plutonium. Again, I refer to my earlier answer. That waste form was chosen by the US. It was to happen; there were to be multibillion dollar contracts that would use that technology. But President Bush has now stopped that process, so it will no longer proceed.

**Senator CARR**—What was the basis for stopping it?

**Prof. Garnett**—He has decided that he will not immobilise the plutonium. He will put some of it into mixed oxide fuel, and what they will do with the rest of it is, at the moment, an American decision.

**Senator CARR**—Has any action been taken through the Department of Foreign Affairs and Trade on this matter? Have you taken the matter up?

**Prof. Garnett**—There have been consultations, but it is a decision that has gone through the US Congress, and the matter is final.

**Senator CARR**—So when you say President Bush—

**Prof. Garnett**—They have entered into an agreement with President Putin about the way that they will mutually handle their plutonium sources.

**Senator CARR**—The US parliament determined that this technology would not be used?

**Prof. Garnett**—The parliament did not determine the nature of the technology to be used. Those advising initially decided that there would be a certain amount immobilised and a certain amount put into a waste form, which was going to be synroc. With the support of his parliament, President Bush has now decided to go in a different direction, and that is the outcome.

**Senator CARR**—So, in effect, you are basically saying that that avenue is closed off?

**Prof. Garnett**—That is correct.

**Senator CARR**—It then comes back to the point about the company that has been established to exploit this in the United States. Is there seriously any alternative activity for that company to engage in?

**Prof. Garnett**—Our activities in waste are not only based on synroc formulations. We have other know-how and other process technologies, and we are looking to see if those could possibly be exploited elsewhere in the US. Having set up the company—and that is where the cost is—we have decided that it is appropriate to maintain it for another year while we evaluate our strategies.

**Senator CARR**—So it is just a holding operation?

**Prof. Garnett**—Yes, it is a holding operation; that is right.

**Senator CARR**—On the question of radioisotopes, do you have any competitors in Australia?

**Prof. Garnett**—We have competitors in Australia for some of the isotopes. There are a few long-lived isotopes—which we do not make—that are imported only in very small quantities. We have some competitors who try to sell some of the intermediate-life isotopes and compete with us.

**Senator CARR**—You say that some people try to sell these. What is the nature of the enterprises that are competing with ANSTO?

**Prof. Garnett**—They are overseas companies that supply pharmaceuticals and those that have radiopharmaceuticals as part of their portfolio. If they are a company that is already operating to sell a variety of other medical things—imaging agents for MRI or other sorts of things—which is mostly what they are, they will have on their portfolio these things that are potentially available.

**Senator CARR**—Are there many companies that trade in this particular product?

**Prof. Garnett**—About another two.

**Senator CARR**—So it is a pretty closed shop for you, is it not?

**Prof. Garnett**—It is not a closed shop. It is—

**Senator CARR**—It would be pretty close to it, though. Are they very small operators compared with ANSTO?

**Prof. Garnett**—No, they are international operators.

**Senator CARR**—Yes, but are they small in terms of the goods that are supplied?

**Prof. Garnett**—If you take their radioisotope markets, yes, they are small. But, if you take their overall markets, they are not.

**Senator CARR**—Yes, that is what I mean. You provide facilities for medical uses and various other things. In terms of the percentage of isotopes used in this country, what percentage do you think would be sourced to ANSTO?

**Prof. Garnett**—It is about 80 per cent or 90 per cent.

**Senator CARR**—That is what I thought. How much did ANSTO receive from the return on patents last year?

**Prof. Garnett**—It was not much, but I am happy to give you the figure.

**Senator CARR**—What is it?

**Prof. Garnett**—I do not have it.

**Senator CARR**—Are you taking that on notice?

**Prof. Garnett**—I will take it on notice. It is not much because the majority of our patents are in the waste areas that we have just been canvassing.

**Senator CARR**—Do you have information readily available that goes back, say, five years; and are you able to tell me what you think it is going to be over the forward estimates period? Have you done any of those estimates?

**Prof. Garnett**—We would have the information. As I said, it is very small. Over the next few years, given the current picture, it will not rise particularly high, either. Again, one of the things we hope to do in changing the act is to ensure that some of the other spin-offs that come out of the technology that might have broader application can be taken advantage of.

**Senator CARR**—Thank you very much. Those are all the questions I have.

**ACTING CHAIR (Senator Heffernan)**—I thank Professor Garnett and her patient people. I now call the CSIRO.

[3.14 p.m.]

#### **Commonwealth Scientific and Industrial Research Organisation**

**Senator CARR**—Dr Garrett, at the last hearings we talked at some length on the strategic action plan. I wonder if you can provide us with an update, please. How do you see the plan now progressing?

**Dr Garrett**—We believe we are having some good success. As you will be aware, we developed the plan through a process involving a large number of people inside and outside the organisation in the early months of last year, culminating, at the end of May, in the plan which was approved by our board. We had a series of strategic priorities that we have defined around our people, our science, the commercialisation dynamic, operating excellence and a number of other domains. We set ourselves some clear objectives for the next five years in terms of the five-year mission. We have engaged comprehensively in the implementation of that plan, where each of the strategic priorities has 30-, 60- and 90-day objectives assigned to a senior officer in the organisation, and we are managing hard against those plans. We review them as the management team and, with our board, we report at each board session every two months.

We are working hard to put these plans into shape. For example, we have pushed hard on Going for Growth. We believe that this is a very important initiative on behalf of the nation, and I think, with this financial year coming to a close, we have reached our objectives. In a number of other areas we are setting ourselves short- and medium-term goals, which we are hitting. So, by and large, we believe as a management team that we are on track. Have I answered your question?

**Senator CARR**—Yes, you have. There is obviously more that I will be seeking from you. Last time, we discussed some of the perceptions in regard to the views of the staff towards management, and, in particular, the concerns about being aloof, arrogant and unresponsive. What specific initiatives have you taken to address that perception?

**Dr Garrett**—I will ask my colleagues to answer that. The work that we are doing, through Dr Wellings in the business development area, is in the first instance a comprehensive quarterly analysis of what our customers and stakeholders feel about us. We take that input, which gives us a rating, and we then analyse that client by client. We provide feedback to each of the divisions, and the divisions are required to implement actions. So the first step is to get the feedback from our various marketplaces, analyse what that is telling us, and require staff, through management, to act on that. The results that we are getting are improving, as indicated by the customer value analysis, and our growth targets indicate that we are making progress in that domain. So it is a question of providing and acting on the feedback loops between the people we are working with, who maybe in the past have sometimes seen us as unresponsive, and taking action on a case-by-case, individual client by individual client basis to address the difficulties.

**Senator CARR**—I speak with CSIRO staff on occasions, and I recently addressed a conference of CSIRO staff. One of the issues that came up in questions from staff was their perception that the plan relied too heavily upon promises of commercial success and that it was insufficiently based upon established research skills. Have you discussed this issue within staff groups other than people in management positions?

**Dr Garrett**—Part of our job as senior leaders in the organisation is to interact widely through the organisation, so we all, at all levels, run interaction groups, team sessions and formal sessions. It is very important to continually emphasise, as we do, that the core of our business is great science, and that our 75-year history of successes is based on excellence in science. On the other hand, some of the issues that we are trying to address require us to put a management overlay to leverage the great science job, to optimise that into the future. The answer to your question is yes, this is an ongoing debate with staff. I think we need to be demonstrating, as we are doing, that some of the management interventions that we are making are adding value but we also need to be reinforcing that the additional revenue we earn, for example, is continually invested back into the core of our business, which is science.

These are robust debates in the environment. We regularly now monitor our staff's perspective, both formally as well as in the informal sessions I talked to you about. Each of those responses from our formal staff satisfaction surveys is a key implementation action for each of the divisional chiefs. So we are listening hard to them. It is an ongoing debate. We are in the business of migrating a culture into the future. But we recognise that the core of our business is great science.

**Senator CARR**—Obviously that is a theme we will continue to discuss over time. Are you able to give us any assessment of the forward projections on commercial generation of revenue? Obviously you have a budget line, and the new budget negotiations really will not take effect until the end of this year—is that right?

**Dr Garrett**—Yes.

**Senator CARR**—What we are seeing really is just a rollover from the previous budget. There is not a lot that you would point to as new initiatives in the CSIRO budget, is there?

**Dr Garrett**—I could give you some examples. Recognising that we put the strategic action plan in place before the beginning of the current financial year, which is just ending, if you



look at the growth in our external revenue, our non-appropriation revenue, taking the preceding three financial years in combination averaged about 0.6 per cent per annum growth. This year we are forecasting to make approximately just under 11 per cent growth. I would submit to you that some of the interventions that we are making underpinning those led by the management interventions have, if you take those as one indicator, led to some action.

**Senator CARR**—And very substantial changes. Do you have a forward projection on that? That is this year—what do you think it will look like over the next five years?

**Dr Garrett**—There are two things. As you would be aware, in our strategic action plan we indicated that we wanted to grow our revenue by a total of 50 per cent to \$1.3 billion by the end of that five years. Growth in that external revenue is obviously an important component of that, but one component. We also recognise that growth of a revenue is a metric for what the real objective is, which is growth in impact and relevance—in making a difference to the nation. We are on track in this financial year. For the next financial year we are just completing our budget now, so from the beginning of July for the next 12 months we are also forecasting to grow our external revenue by around 11 per cent per annum.

**Senator CARR**—For the next five years?

**Dr Garrett**—For the next one year. For the next three years after that it is around that number—between 10 and 12 per cent.

**Senator CARR**—Does that have a compound effect?

**Dr Garrett**—Yes.

**Senator CARR**—That is a very substantial figure.

**Dr Garrett**—It is.

**Senator CARR**—It is an extraordinary figure.

**Dr Garrett**—We would say that stretch targets in our environment are important. The proof of the pudding is in the eating and we have actually proved in this financial year, in a climate of some considerable change, that we were able to go from 0.6 per cent per annum to over 10 per cent.

**Senator CARR**—You are persuaded that that is sustainable?

**Dr Garrett**—Yes we are. I would like my colleague—who is responsible for helping to craft the architecture around the business development that we are putting in place, which are fundamental new processes—to make that sustainable. Obviously, the sustainability will depend, in our view, on ongoing investment through the state and the nation, through our parliamentary appropriation. So we would anticipate support in our growth charge.

**Senator CARR**—The question, I thought, related to external earnings.

**Dr Garrett**—We can stick with that.

**Senator CARR**—Are the growth figures you have given me—11 per cent and 10 per cent per annum—external earnings?

**Dr Garrett**—That is the external earnings, yes.

**Senator CARR**—Just the external earnings?

**Dr Garrett**—That is where we have, obviously, more control over our destiny.

**Senator CARR**—I will just take that a bit further then. In the higher education sector, where this debate has continued for some time now, serious questions have been raised about the actual level of moneys added to the revenues for the organisation. That has to be measured

against the expenditure—that is, the amount of money spent raising that additional money. Are you saying that you are anticipating growth of 11 per cent in revenues or a growth of 11 per cent in profits from external earnings? Will we see the net effect of an 11 per cent increase in revenues on average across that period or thereabouts—10 or 11 per cent?

**Dr Garrett**—The 10 or 11 per cent relates to our projections for the growth in our externally generated revenue.

**Senator CARR**—The real issue—the pointy end of this whole question—is: how much money do you spend per dollar to raise a dollar? Are you spending 97 cents to raise a dollar or are you spending \$1.10 to raise a dollar? What is the figure?

**Dr Garrett**—You will have to be more specific around the rating. Are you talking about the leverage question?

**Senator CARR**—What I am saying is that, in the university sector, it is sometimes put that some activities cost more money than they bring in. Universities are sometimes accused of spending more money on marketing and overseas travel and all the other games that senior executives play in the name of raising money—it actually costs more money than it brings in to the organisation. How much do you spend per dollar raised? What is your overhead cost? What is the actual cost of raising this additional money?

**Dr Wellings**—We do not measure that metric of what it costs to capture a dollar in the way that you are putting it to us. We know that within any one division, for example, there would be project leaders and program leaders and people within a divisional commercial group who would put together a proposal. Those proposals would include the use of some appropriation dollars as well as the money that was coming from customers to deliver on a particular project. The project itself might be a \$2 million project with, let us say for simplicity, \$1 million from each side of the table—the customer and CSIRO. Of the CSIRO \$1 million we would not be able to say \$10,000 or \$100,000 was the direct overhead cost of doing that deal.

**Senator CARR**—That is a pretty serious line of argument you are putting to me.

**Dr Wellings**—We know what the costs of those staff are and so we would know, in aggregate, what the total costs of the commercial groups were within each division and the use of the senior scientists' time, but we would not have a detailed specification that said that 7c in every dollar was the cost of capturing a dollar.

**Senator CARR**—Unless you could, I think there would be a reasonable argument that the figure of 11 per cent growth in revenue is not meaningful at all. If there is an 11 per cent increase in revenue, has there been an increase in your expenditure to raise that revenue? It is not profit—to use another economic concept—is it?

**Dr Wellings**—No. We are not an organisation which delivers, in terms of our bottom line, a profit at the end of each year. Self-evidently, if we take our external revenues—as we have done—from \$248 million to \$287 million, which is roughly the figure that we will land on at 1 July this year, we are automatically constrained to finish with a positive operating result and a close to zero cash position, which would meet the guidelines set out for statutory authorities. QED, we have spent the money that is coming in on those projects against particular activities that we have contracted to do.

**Senator CARR**—I am particularly disturbed by this line of discussion, because in effect you are saying that you are engaging in commercial operations. That is the point, isn't it? You are selling the services of the organisation to raise money.

**Dr Wellings**—No—to deliver a service.

**Dr Garrett**—To deliver a service.

**Senator CARR**—To deliver a service—but you are asking people to pay you money for your services.

**Dr Garrett**—Correct.

**Senator CARR**—I do not want to be unfair to you; I am trying to get to the heart of a public policy problem. You are saying that your target is to raise an additional 11 per cent per annum, but you cannot tell me what it costs to actually raise that money. You cannot tell me in a business sense, given that we are talking about commercial operations, what the rate of return is on these commercial operations. That is the proposition, isn't it?

**Dr Garrett**—Are you talking about the rate of return, or are you talking about the profit on these external—

**Senator CARR**—These are concepts that we throw around because this does not really work very well, does it?

**Senator FERRIS**—Dr Garrett, doesn't Senator Carr's question assume that the proportion of this extra revenue raised resulted from extra expenditure in generating it, when in fact—

**Dr Garrett**—Of course—the cost of science.

**Senator FERRIS**—Yes, but surely it may also be that you are now selling some of the services that you may have always been carrying out and therefore do not require that extra revenue be generated in order to receive extra revenue? Did you start new programs for all of these exercises that returned this extra revenue, or have you in fact put a commercial focus on some of your research which you previously had not been generating revenue for? It is just a question of clarification, Senator Carr.

**Dr Wellings**—I think you are right. In this financial year, approximately an additional \$39 million worth of external funds have been generated. We have done that off the existing appropriation base that was allocated to us by government. The only way we would have done that is by either having 100 per cent externally funded projects coming in, as opposed to partnership projects that were sought before—so there may well have been some new activities—or changing parts of our costing and pricing structure to try to get better effectiveness out of the appropriation dollars that have been allocated to us. That is part of the process that is happening.

**Senator FERRIS**—Thank you for that clarification.

**Senator CARR**—Can I ask a follow-up question: is there a degree of public subsidy now being extended to commercial operators in the hope of getting a return on these activities?

**Dr Garrett**—Let me answer that one quite clearly. You would have noted that, in the operating excellence component of our strategic action plan, the elimination of subsidisation or perceptions of subsidisation of commercial contracts was one of our objectives. When we did our analysis previously, it was quite clear to us that we were not adequately pricing and understanding the cost of doing business externally.

We had not adequately assessed the level of overheads that we should be passing on to our external clients. As part of the strategic action plan, we put a whole process in place to eliminate subsidisation. This requires new business practices; training and coaching; courses in more effective value pricing and the introduction of effort logging in our environment, which should come on stream from the first of July—in other words, to understand the amount of time that individuals allocate to particular projects and contracts. So the answer is

that historically, through our own assessment, there was some subsidisation, which we can quantify in a number of domains. We are working very hard to eliminate that and I think our success in growing that external revenue can be attributed to putting in place business processes and a proper understanding of the cost of doing business.

**Senator CARR**—A couple of matters arise from that. Senator Ferris and I are arguing the same thing—we think we are entitled to know what the profit is.

**Dr Garrett**—What the profit is?

**Senator CARR**—The profit you make—that is, the income for a project that you receive minus the expenditure that of course is part of generating that revenue. Do you have the rate of return on the money invested? Do you have a figure for that?

**Dr Garrett**—My response will be as follows: individual contracts are priced on an individual basis. We will obviously seek to develop a margin, a profit, on individual contracts. That profit will be generated back into the business. If you take it from a very different angle, in terms of the profit from doing our work, during this past year we ran an independent process with the Centre for International Economics here in Canberra. In specific answer to your question, we sought to quantify the benefits associated with the cost of investing in research. This study investigated just four projects in our environment: road crack technology, a method for the accelerated detection of cracks in roads, which has been adopted by the New South Wales government; a bushfire detection system; robotic mining; and low vehicle emission cars. Just four projects were evaluated and the return on that investment was somewhere between \$5.7 billion and \$ 7.8 billion. The net rate of return is somewhere between 40 and 80 times.

**Senator CARR**—That is not what I meant at all. There is a whole series of issues that stem from the proposition that you have increased the rate of external earnings between 11 and 10 per cent. That is the figure you gave us, that is your expectation and that is your target. My question went to the issue of how much it cost you to raise that additional money. I think we are now getting confused; you have got some other issues that go to your public—

**Dr Garrett**—Let me just clarify; I need to answer you.

**Senator CARR**—If you are going to get an 11 per cent increase in your external revenues, what does it cost to raise that?

**Dr Garrett**—Let me just understand you exactly; are you talking about the costs in additional marketing costs?

**Senator CARR**—All of those things.

**Dr Garrett**—The cost of training?

**Senator CARR**—In universities it is sometimes put to me that—at best—it might be that, for every 97c spent on commercial activities, \$1 is returned.

**Dr Garrett**—Are you talking profit there? One dollar in profit?

**Senator CARR**—No, I am saying that 3c extra are returned for every 97c spent trying to raise the money. I am trying to get an idea from you, the CSIRO, what it costs you to raise an extra \$1 of revenue from these external sources. I do not seem to be able to get a figure from you.

**Dr Garrett**—We are really trying to understand your exact question. Are you talking about the costs of doing business, the cost of sales here? I need you to be more specific.

**Senator COONEY**—I think I understand what the senator is asking you. Let us use the example of businesses: if they say, ‘We’re going to make some additional profits,’ they will sometimes invest. So they make more profit and say: ‘Righto, next year we’re going to return so much to the shareholders. Therefore we’re going to invest in a new machine, new personnel or new buildings so we can raise some money.’ You would have an idea of what you are going to raise; how much would you have to spend to raise that money? How much have you spent in addition to what you had to raise the extra profit—if you have raised any? That might be the problem; you might not have had any extra profit through investment. Can you follow that? In some businesses you have got to invest to raise profit. Have you done that?

**Dr Garrett**—So that we completely understand each other, I think it might be helpful to take a particular example. You want to get CSIRO’s help to develop a new generation of glass beaker and you have had some problems in production. We will put to you a proposal for doing this work; that is an overhead. We will use equipment to analyse glass composition. We will charge that out in the project. We will use staff time to work on the project, which we will cost. We will put in the cost of the corporate overheads at a particular level and the divisional overheads that will be costed in, and there will be a profit margin on top, hopefully—we are not in the business of making huge profits other than to reinvest in our business. That is how we put up a particular project proposal. I am just trying to get a clear understanding from you of what component of that cost of doing business around our contract work you would like us to give you, because we are trying to improve our business processes to do that business better.

**Senator CARR**—There is a whole argument about whether or not you should be in the business of turning the CSIRO into another corporation. There is a very strong argument about your responsibilities to the country with regard to your public interest research and your community service obligations. It has been put to me, for instance, that there are facilities that used to be provided by the CSIRO where you picked up the phone and rang up someone and you got some information. Now it is said, ‘Oh, there is a charge on that.’ I do not want to go to specifics, but I can tell you that those sorts of complaints are being made. People say, ‘That’s not good. That is the wrong way to approach the operations of a national icon like the CSIRO.’ That is a debate that is aside to—

**Dr Garrett**—I think that is probably key to the debate.

**Senator CARR**—That is right, but it is important about the identity. But what I am asking you is very specific: you say you are going to increase external revenues by 10 or 11 per cent per annum over the next five years. My question to you, again, is how much extra money is it going to cost you? Will you be spending 8.5 per cent extra to raise the 11 per cent? Will you be spending 13 per cent more to raise the 11 per cent? That is all I want to know: how much will it cost you to raise that extra money.

**Senator FERRIS**—Perhaps Dr Garrett might be able to take the question on notice and reflect on it, because I think we have had half an hour of trying to find an answer to it. I will make the observation that a number of primary industries have in effect been funding their own commercially oriented research within CSIRO for almost its entire 75 years through the payment of levies which are then used for specific research targets. I can think of a large number of them in the primary industry commodities, and so I do not quite understand why you think this is a new trend within CSIRO. It is a very longstanding trend and part of CSIRO’s proud history, it seems to me.

**Senator CARR**—No. Senator Ferris, what we have here is that, over the previous three-year period, external earnings and revenues have increased by 0.6 per cent.

**Dr Garrett**—Correct, on average.

**Senator CARR**—That was the figure we were given: 0.6 per cent—in other words, bugged all in the size of your budget. Now you are saying that it is going to go up between 10 and 11 per cent per annum. On a compound basis, that is a huge sum of money.

**Dr Garrett**—Correct.

**Senator CARR**—All I am trying to find out is whether it is costing you more money to raise this money. I want to know what component it is of this figure.

**Dr Garrett**—How can we do business if it is costing us more money? What we are trying to do is eliminate subsidisation. We are trying to grow the business in terms of taking on more staff in order to help us do the work that we are developing. We are trying to enhance our profits and we will put in place better business processes. So the answer is no.

**Senator CARR**—So it will not cost you any extra money to have this extra revenue come in?

**Dr Wellings**—If it did, it would mean that our operating result would go negative, our cash position would go negative, and we would fall out of the bounds of what we are allowed to do as a statutory authority. So what we have done is drive our costing and pricing behaviour to get a greater proportion of the income on contracts from the customer and to use the appropriation dollars more efficiently. Our resources come from the Australian private sector as Senator Ferris indicated, Australian governments, CRCs and overseas entities. When I look at that breakdown, all of those components have grown, plus or minus a little, to the same extent. We have actually kept the shape of the organisation exactly as it was and have grown the organisation across all of those domains of activity. It is not as though we have stopped doing one thing—public benefit research, for example—and started doing another thing. We have actually expanded every domain of the organisation.

**Senator CARR**—You can think about what I am saying, and I might also think about drafting a question for you that helps you get to those issues. The external earnings target review that the Chief Scientist has under way has been delayed. When do you expect it to be released?

**Dr Garrett**—I do not know the answer to that.

**Senator CARR**—You have had no advice on that matter at all?

**Dr Garrett**—In terms of the date on which it will be released, no.

**Senator CARR**—Do you have any indication of how long we have to wait for it?

**Dr Garrett**—I would have thought it would be in the relatively near future—weeks or a couple of months.

**Senator CARR**—Soon?

**Dr Garrett**—Soon.

**Senator CARR**—In February, you said you thought there was wider consultation required. Do you still believe that is the case? Has there been wider consultation since February?

**Dr Garrett**—We have been pleased at the level of interaction and consultation on that process. We have obviously been very involved in that and we are comfortable with the results that are coming out of that process. It is providing new measures of performance for an

organisation like ours along the lines of, as I indicated earlier, the CIE study on benefit costs out of the work that we are doing. I think these are very important measures.

**Senator CARR**—Since February, have you had further discussions with the Chief Scientist on the issue?

**Dr Garrett**—On this specific issue, since February, yes.

**Senator CARR**—How often? What is the extent of these consultations?

**Dr Garrett**—As part of an ongoing series of discussion items that I have with Dr Batterham.

**Senator CARR**—So it is a dialogue between you and the Chief Scientist?

**Dr Garrett**—Correct.

**Senator CARR**—Have you had any discussions with the minister's office or with the minister?

**Dr Garrett**—Not that I can recall per se.

**Senator CARR**—What about with the department itself?

**Dr Garrett**—Primarily, they have been through Dr Batterham, who has responsibility for that assignment.

**Senator CARR**—What about any other government agencies?

**Dr Garrett**—We would have put in, to our own board, obviously, and through the department, measures of performance that are linked with the sorts of indications that are coming out of Robin Batterham's study.

**Senator CARR**—Have you been given any reason for the delay?

**Dr Garrett**—No.

**Senator CARR**—What is your view as to the reason for the delay?

**Dr Garrett**—I do not have a view other than that I guess these processes take time and consultation takes time. Meanwhile, we are putting in place—through discussions with our board—the sort of revisions to our performance metrics that are consistent with the sort of conclusions that I believe will come onto the table from Robin's report.

**Senator CARR**—It was due in January, wasn't it?

**Dr Garrett**—I understand that it was.

**Senator CARR**—It is quite an interesting period of delay for such an important matter. The Academy of Science Fellows Workshop was held in May and there was quite considerable criticism of the priorities in the science research process which had been adopted. Do you have a view on the nature of those criticisms? Do you recall those matters?

**Dr Garrett**—I think we discussed these when we met before.

**Senator CARR**—No; this workshop was held in May, and I think the last time we spoke was in February.

**Dr Garrett**—Presumably, the same sorts of criticisms around lack of consultation were being raised?

**Senator CARR**—Yes, that is right.

**Senator CARR**—So you see that more in the same—

**Dr Garrett**—That is my understanding and impression.

**Senator CARR**—There was a view expressed about the relative decline in investigator directed research—and Dr Bob Graham indicated this point. In terms of your new strategic plan, what position does research occupy and what safeguards are contained in the plan to ensure that that sort of research is maintained?

**Dr Garrett**—Are you talking about investigator led research?

**Senator CARR**—Yes, investigator directed research.

**Dr Garrett**—I would like your definition of ‘investigator led research’.

**Senator CARR**—Because it is late in the day and I do not want to go around the table again, I will ask you to take that on notice. In terms of what the agency is operating on, investigator directed research is not an unknown concept. In terms of the strategic plan, what protections are there for investigator directed research? What is the current level of targeted funding in the CSIRO for investigator directed research? I am told that the international benchmarks are between three per cent and 13 per cent. How does the CSIRO compare with that? Can you do that?

**Dr Garrett**—I can. This is obviously a very important component of any self-respecting research business.

**Senator CARR**—Absolutely, and I think that is why it requires pretty serious reflection.

**Dr Garrett**—And it is very important in our lives, and so we are happy to respond to that.

**Senator CARR**—Are you familiar with the Auditor-General’s research project management report?

**Dr Garrett**—Yes, I am.

**Senator CARR**—Page 12 relies upon an analysis of 3,000 projects. It says that about half are applied research and about four per cent are pure or basic research.

**Dr Garrett**—Which item are you on?

**Senator CARR**—I do not have a copy of the report in front of me. On page 12, under item 6 it says:

Around half the projects are applied research; just 4 per cent represent pure basic research.

Do you agree that that is what the quote says?

**Dr Garrett**—I agree that that is the quote.

**Senator CARR**—Do you agree that the auditor’s analysis is correct, that the ratios and percentages are right?

**Dr Garrett**—They used our figures.

**Senator CARR**—That is a very good point to start with. If that is the case, do you think those percentages have changed much? Do you have any advice on that? Are you able to provide me with equivalent figures for, say, 1996, 1998 and 2000, just to give us a trend line on that?

**Dr Garrett**—I would have to take that on notice. We could look at that.

**Senator CARR**—Do you have any targets for the next period, 2004-06?

**Dr Garrett**—One of the key points in our strategic action plan—and in the mission objectives—is that we plan to invest between 10 per cent and 15 per cent of our parliamentary appropriation in new science investment areas. As such, we believe that we would need to



increase that number. So we have a commitment: we have inaugurated a new science forum in our environment and we have provided some resources to invest more in these domains.

**Senator CARR**—So you are not happy with a figure of around half being applied research and four per cent being basic research?

**Dr Garrett**—I think we need to migrate that on, yes.

**Senator CARR**—Can you give us an indication as to what reason there is for the level of basic research being so low?

**Dr Garrett**—First of all, it is important to understand CSIRO's position in the national system of innovation, and its roles and responsibilities both in developing knowledge and in the application of that knowledge. We have been doing that, as Senator Ferris, indicated for 75 years. Therefore, one does not want to duplicate, in roles and responsibilities terms, those of the university. That is point 1. Point 2 is, however, that in an organisation like ours it is important to be at the leading edge of our research endeavours in many of these domains. We tend to use the term 'strategic research.' In our business there is always a lot of debate on what constitutes pure basic research, and you will get 15 different answers from 15 different scientists around a table. So that is not a useful debate to have.

**Dr Wellings**—I come back to your comment about why the figure is so low. If you are saying it is so low in comparison with the universities in Australia, that is true—and that is appropriate because we occupy a different space. We are a market-facing organisation doing things that are customer driven. If it is so low in comparison to an international benchmark against VTT from Finland, TNO from the Netherlands, CNRS and the Fraunhofers in Germany et cetera, I would put it to you that those organisations all have some basic research component—but by and large they are single digit basic research components—because they are an institution that sits in the innovation system globally. They are the analogues of CSIRO worldwide, and they all have a rather similar shape to that which CSIRO has.

**Senator CARR**—About 80 per cent of Australia's basic research is produced in universities. At four per cent, there is quite a remarkable contrast, I think you would agree. Is there any deliberate policy that CSIRO has, to invest in applied rather than basic research to that level of disparity?

**Dr Garrett**—That comes back to the point of our role and responsibilities in the national system of innovation. The importance of ensuring that technology is applied and creates jobs, creates wealth, creates improvement and quality of life will provide the locus of our activity. If you are asking the question, have we said this year we are going to put four per cent and next year we are going to put 5.5 per cent, the answer is no. Obviously, we are also dependent in our overall research portfolio on the level of investment that we have received through our parliamentary appropriation from the nation. And the level of that funding will dictate, to some extent, our flexibility to invest in what you are referring to as pure basic research.

**Senator CARR**—So you are dependent upon the government giving you an increase?

**Dr Garrett**—An increase from the government is always healthy.

**Senator CARR**—If it did give it, you could put more into basic research.

**Dr Garrett**—As I indicated in our five-year mission, our intention was to put more into new, emerging science areas. Have I answered your question?

**Senator CARR**—You are intending to change those statistics—

**Dr Garrett**—Yes. We must.

**Senator CARR**—and you acknowledge that they are unsatisfactory. That is very good. There is no question about any of those.

**Senator COONEY**—Just listening, I get the impression—and I want to check whether is a correct impression or not—that you are not particularly worried about the issue of basic research, except insofar as it operates within CSIRO, and that you simply say, ‘Well, we have no responsibility here. This is a matter for the universities. If we are going to be asked to compare ourselves to anyone, we will pick out similar institutions overseas where basic research is not a concern.’ Would it be right, first of all, that basic research is not of a concern to the CSIRO; that it does carry out some research but only in a peripheral sort of a way; and that it does not take any responsibility for the overall level of basic research in Australia? Is that a matter for the university, and what they do is a matter for them but it is not a matter for CSIRO plus the university plus any other body like that?

**Dr Garrett**—If I led you to that conclusion, that is a wrong conclusion. Throughout its history CSIRO has had, and will continue to have in the future, a significant commitment to the importance of basic research. Much of the work—as you will have seen from our strategic action plan, too—involves one of our key mantras, and that is ‘partner or perish’. We are pushing very much the importance of our working in partnership with our university colleagues. We cosupervise 600 postgraduate students at PhD and MSc level, and one-quarter of those are involved in the work we are doing with CRCs. Much of the work that our scientists are involved with is, in your terminology, basic research. It is a very important component of the work we do and it is very important for the nation. The level of investment is obviously something for ongoing attention. But the final point is that it is critical for the nurturing of talent in our own environment that top scientists, who are the key to our success into the future, need to have the opportunity to be engaged in this type of fundamental work, albeit of a strategic nature.

**Senator COONEY**—I just got the impression from what Senator Carr was asking that he was very interested in this basic research—as he and I are calling it—and that, somehow, given the amount of resources and what have you that went into it at CSIRO level, and probably around Australia, not as great a weight is given to that as we might like.

**Dr Garrett**—Yes. My response there would be that with approximately two per cent of the world’s R&D spend, it is important that Australia spends that money wisely and does not duplicate that. Therefore, by having clarity around respective roles and responsibilities of institutions, what you do not want is for CSIRO to be another university. It has a different role.

**Senator CARR**—I think that is very clear from what you are saying, Dr Garrett, and I can understand that line of argument. The question is whether or not the percentage differential is the correct one. You are saying it is not, and I agree with you. I think we are probably working on similar lines here. I think we can do more in basic research outside of the universities. I am not saying you should try to replace them and I do not see how you can replace them, given that one does 80 per cent, on average, and you do four per cent. There is just no way that you are going to be a competitor in that area to the universities. What does disturb me, though, is that in a footnote on page 11 of that report it suggests that CSIRO’s management systems ‘do not allow a reliable count of the number of research projects currently under way’. Would you be able to confirm that for me?

**Dr Garrett**—I would confirm that the answer is, yes. We have agreed with each of the recommendations out of this report. You will also note from the strategic action plan of more

than a year ago that operating excellence was one of the key issues. We instituted our own review of our project management practice before the ANAO came in, and many of the conclusions were aligned totally here. We have already instituted, under Ron Sandland's leadership, a number of corrective actions to put these processes back in place.

**CHAIR**—It being after 4 o'clock, the committee stands adjourned for 15 minutes.

**Proceedings suspended from 4.03 p.m. to 4.23 p.m.**

**CHAIR**—We will resume.

**Dr Garrett**—I have a comment on the debate around basic research: it is important for us to re-emphasise that the core of our business, the essence of our business, is in the strategic research domain, where there is a short-term, medium-term or long-term goal in mind. The quality of our work should not be confused with the nature of our work, which is our mandate and our charter within the Australian system. As indicated by *Science Watch* out of the USA last August, where CSIRO was classified as one of the heavy hitters of science, we are in the top 11 of 22 disciplinary areas. We are in the top three of environment and ecology, based on the quality of our publications and citations over a 10-year period, and we are in the top four in agricultural sciences. Internationally our work has been recognised. It is important as a statistical artefact that we do not confuse this with basic research or what many would call blue-sky research, which is not the essence of our business—strategic research is.

**Senator CARR**—I might also respond to you by suggesting that, while I understand why agency heads will want to tell us what great jobs they are doing, we do acknowledge CSIRO—and I keep using this term—as an Australian icon. You do not need to sell me on what a great job you do. What I am concerned about is how we improve the performance of the organisation. While it is obviously important for you to stress your achievements, I think that when the auditor makes a comment it is worthy of note, particularly when he said—when we were discussing the issues that he raised—that the report actually suggests that inadequate project guidance management had affected quality and consistency of both consulting and appropriation funded projects.

**Dr Garrett**—We agreed with that recommendation and we are fixing it.

**Senator CARR**—How?

**Dr Sandland**—We put in place a project management improvement initiative and we have taken off line to run that one of our leading deputy chiefs in the organisation. That has a number of components: the education; the culture; the development of overall standards for the organisation in terms of project management; improving our information systems to ensure that they provide the right kind of information to project leaders and others about various stages of projects; and bringing on board one representative from each of our research divisions so that they are all part of this process and transformation to a new way of managing projects in the organisation.

**Senator CARR**—The report says that this problem is actually more acute with federally funded projects.

**Dr Sandland**—What it says clearly is that in our appropriation funded projects, which were in fact more strategic projects, indeed there was less emphasis on project management in those areas. We do acknowledge that and we have agreed with that recommendation. Part of our process will be addressing that. I think it has to be recognised—and we had some long and healthy debates with ANAO about this—that for projects that are of a more exploratory nature, when you do not know where they are going to go, you really cannot express those

with the same forms of milestones, with precisely the same kind of project management that you would use, for example, in a consulting project or in building a bridge.

**Senator CARR**—I understand the principle you are giving. It is an extraordinarily generous view that half your projects do not have a budget. That is what the auditor has identified. When it comes to cost controls, that may well be an exceptionally generous view. Is there not some more effective way of ensuring that there is better control over the dollars expended?

**Dr Sandland**—Absolutely. One of the initiatives that we are putting in place—not just as a result of the ANAO report, because we have already conducted our own report and got very similar outcomes, so we are already down this path—is effort logging across the whole organisation. We will have an idea of the way in which everyone in the organisation is going to spend their time.

**Senator CARR**—I am a bit old-fashioned like this. I take the view that, while it is obviously important for people to have the discretion and flexibility to take ideas where they lead them, particularly when innovative research is involved, equally there is a need for managers of agencies to be able to say, ‘This is how we are going to spend the money,’ be accountable to parliament and do all the other things that you are required to do. I would like to know what percentage of the appropriation funded projects commissioned in the current financial year have had a budget and had a project plan?

**Dr Sandland**—I cannot tell you that; I will have to take that one on notice.

**Senator CARR**—The CSIRO have told the Audit Office—and conclusion 15 on page 14 highlights this statement—about ‘enhancement of policy and systems.’ Given that the ANAO is concerned that such policies are implemented well—and I use that term ‘well’—what independent evaluation has been commissioned to assess these enhanced policies and systems that you referred to?

**Dr Sandland**—We are still in the process; the ANAO report has only relatively recently been handed down. We do have the project management initiative in place. We have not commissioned an external review of performance, but I take that on board as being a good idea and we will do that.

**Senator CARR**—The report refers to available data suggesting ‘costs are exceeding contracted revenues for many projects,’ which is the point we started with. How many cases has this occurred in? Can you give me the details of the projects?

**Dr Sandland**—We cannot give you the details of the specific projects; we do understand the ANAO report on that matter. As I said earlier, we are in the process of putting this right: we were in the process of ensuring that we removed subsidies; Dr Garrett alluded earlier to our research excellence project within the strategic action plan and we are moving down that path. We do not have that data on hand.

**Senator CARR**—This is a reasonable question to put to you and I ask that it be responded to on notice. I make that comment again: on page 15, the ANAO makes the comment that costs are exceeding contracted revenue for many projects. I want to know in how many cases this has occurred during the audited period and I would like you to provide the committee with the details. I further ask you this: given that there is a reference made in the report to the use of appropriation funds to bail out overspent consulting or co-investing in research projects—this is again on page 15—how many times has this occurred and will you please provide the details?

**Dr Sandland**—I will take that on notice.

**Senator CARR**—I am wondering if you would provide the committee with a table detailing all consulting and co-investing research projects involved in contracted revenue during the period from June 1999 to June 2002, including information as to the purpose of the project, the value of the project, the extent of the CSIRO revenue and other sources involved, the extent of non-CSIRO involvement, whether costs exceeded contracted revenue and whether appropriation funds have been used to fund overspends in the projects.

**Dr Garrett**—We have recognised that this is a problem and we have put fixes in place. It is a huge amount of work to provide the detail that you have required of us; we are happy to do this, but we recognise that it would take our eye off the ball of improvement. We are happy to do this, but it will gobble up a huge amount of resources.

**Senator CARR**—Dr Garrett, I do not know if it will; it should not. You are the most advanced scientific organisation this country has. You keep telling me this.

**Senator FERRIS**—It is the only one.

**Senator CARR**—That is not a bad criterion. Are you telling me that your computer systems cannot tell you this basic information—this basic management tool—that you should know and that the auditor has just been through? You do not have this information readily available?

**CHAIR**—If you talk to Dr Shergold, he will give you a program for it.

**Senator CARR**—Yes, he will. He will give you a complete load of nonsense about trying to defy the parliament.

**Dr Garrett**—Thank you very much for your input. We will provide an appropriate response.

**Senator CARR**—Thank you.

**Dr Sandland**—Could I add something about our information systems. The problem that was being alluded to by the auditors was not in the information systems themselves but, rather, in the use of those information systems. What the auditors were going to in terms of our projects was that the information systems had not been adequately used, and that is a central tenet of what we are trying to improve. It may be extremely difficult for us to get some of the information that you require, because of the inadequate usage of our information systems.

**Senator CARR**—That in itself is surely a very useful exercise for the agency—to know what you cannot do? We are talking about very large sums of public money here. It is no good the government denying that this is an issue. We have an audit report that says it is a fundamental problem.

**Dr Garrett**—We have recognised that this is an issue, we have self-recognised that this is an issue and we are putting fixes in place. With regard to our financial capabilities, a 2001 review of CSIRO's financial management capabilities independently commissioned by KPMG found CSIRO to be ahead of other large budget dependent Commonwealth agencies. We have good systems in place. We have some flawed practices that we are fixing. We will provide you with the data you need; it is very important for us to do that.

**Senator CARR**—If it is excessively difficult, I am sure you will contact my office—you will have no trouble doing that—and we will talk about the nature of those difficulties. I want to make sure that that is understood as well.

**Dr Garrett**—Thank you.

**Senator CARR**—Thank you for that. I will turn now to the property sales issue that we discussed last time around. Mr Harley, I did enjoy your evidence last time and I am sure this will be very quick. It is a delight to deal with public servants who get straight to the point. I notice that the hurdle rate of return for CSIRO properties has been reduced from 15 per cent to 11 per cent. Does that mean that you have had a big win?

**Mr Harley**—I think commonsense has had a big win.

**Senator CARR**—Very good. Has the list of properties for sale but not yet sold now been withdrawn from sale?

**Mr Harley**—Only two of the original six have been withdrawn: Marmion in Perth and Cleveland in Brisbane. Riverside has been sold, in Sydney, and three ACT properties will be sold before the end of June, in accordance with the decision with government.

**Senator CARR**—How did you manage to get them to change their minds?

**Mr Harley**—With the hurdle rate?

**Senator CARR**—Yes.

**Mr Harley**—I am sure it was a matter of strong opinion from a lot of independent sources. It was ridiculous where it was.

**Senator CARR**—Do you think the matter being raised here had any impact on the matter?

**Mr Harley**—It was under consideration at that time, but I am sure it did have some form of assistance.

**Senator CARR**—Thank you for that. Has DOFA given the CSIRO any explanation as to why they persisted with their flawed methodology right through that review process?

**Mr Harley**—No, nothing like that. Only that it was part of the review process.

**Senator CARR**—So they felt it was helpful to discover that they had a flawed methodology, too, did they?

**Mr Harley**—I guess.

**Senator CARR**—Have there been any further asset sales required of you?

**Mr Harley**—No, only those ones that were listed two years ago.

**Senator CARR**—Has there been any commitment from government in regard to future funding in lieu of asset sales, or is that part of the ongoing budget discussions?

**Mr Harley**—No. The commitment from government is to fund the rental on those properties that we have sold.

**Senator CARR**—Is there a PBS reference here that I could draw upon that identifies the supplementary funding that you will receive in the 2002-03 period for additional rental costs? Where would I find that?

**Mr Harley**—I believe it is a separate line in our appropriation.

**Senator CARR**—So it is definitely there.

**Mr Garrett**—The specific amount is not actually identified as a single line item in the PBS documents. It is incorporated in our revenue from government figure. But I can tell you the figure incorporated is \$10.8 million for the 2002-03 financial year.

**Senator CARR**—Does it escalate for the out years?

**Mr Garrett**—Yes. That simply covers the lease costs of the North Ryde site and the ACT site; there are still yet to be some finalised figures because the ACT sites have not been sold.

So they are estimates at this stage amidst those formal outgoings—and it does escalate by whatever the escalation clauses are in the rental or lease agreements.

**Senator CARR**—But that is not identifiable in the budget papers themselves?

**Mr Garrett**—It is not specifically identifiable as a number in the PBS statement.

**Senator CARR**—Would you prefer it to have been?

**Mr Garrett**—Where do you stop in terms of line items? On the one hand, as an agency, we would prefer a single line item. On the other hand, we would like it to be identified and that commitment to go into the future, obviously.

**Senator CARR**—That is the point I am looking at, whether or not there is any security in the aggregate sum being presented in that way. Will it be absorbed in future years? What is the nature of the commitment that you have got, Dr Garrett? Do you have it in writing? What form does this commitment take?

**Dr Garrett**—I think we mentioned this last time. I think we have a letter.

**Mr Harley**—It is a cabinet decision.

**Senator CARR**—Thank you for that. That is all I really needed to know.

**Mr Garrett**—There was cabinet decision and a statement in last year's PBS in terms of what the measure was.

**Senator CARR**—Mr Harley, are you responsible for all asset sales or just property?

**Mr Harley**—Just property.

**Senator CARR**—Who handles the sale of other assets in the organisation?

**Mr Garrett**—Largely each business unit.

**Senator CARR**—I want to ask you some questions about the oceanographic research vessels that the CSIRO owns. Are you the right man to speak to?

**Mr Garrett**—I do know about the proposal.

**Senator CARR**—Can you confirm that CSIRO is proposing to sell the research vessel *Franklin*?

**Mr Garrett**—The CSIRO is certainly looking at the option of selling that and all those considerations are under way at this point in time.

**Senator CARR**—Is there any proposal to remove funding from the *Franklin* and transfer it to another vessel, the *Southern Surveyor*?

**Mr Garrett**—The whole proposal about selling the *Franklin* is one about rationalisation of ships in terms of oceanographic research. The steering committee of the national facility, which currently runs the *Franklin*, and the chief of the CSIRO division of marine research that currently runs the *Southern Surveyor* believe that there would be benefit in the *Southern Surveyor* vessel being in the national facility. So in terms of selling the ORV or selling the *Franklin*, the organisation is committed to upgrading the *Southern Surveyor* to a point where it will meet the requirements of the national facility.

**Senator CARR**—Can you confirm this for me? Was the *Franklin* built as a purpose-built vessel with a life expectancy—a service period—of 30 years, and was that done 15 years ago?

**Mr Garrett**—From memory, it was about 1986 that the *Franklin* was commissioned, or built. As to what its actual life was at the time of construction, I am not aware, but right now is earlier than its normal life would be expected to be.

**Senator CARR**—About half? Would that be right? Half of its operational life?

**Mr Garrett**—Yes. My advice is that it has about eight or 10 years to go, of its useful life. That is from an accounting definition of the value of the asset and its useful life.

**Senator CARR**—It has been put to me that, 15 years ago, you built a special purpose vessel that had a 30-year operational life expectancy—operational period. You are only halfway through it. You can tell me if I am wrong here, but I am advised that there are yet 15 years to run on it.

**Mr Garrett**—That could be true, operationally, but here we are talking about whether it is viable running two major vessels to support oceanographic research.

**Senator CARR**—Fair enough.

**Mr Garrett**—The research over that time has changed.

**Senator CARR**—Can you confirm that the *Southern Surveyor* is a 30-year old converted North Sea trawler?

**Mr Garrett**—Yes. We purchased the *Southern Surveyor* as a secondhand vessel in about 1988 and did a major refit of it then, to meet the fisheries research needs. How old it was prior to that, I am not sure.

**Senator CARR**—Can you confirm the cost of converting and maintaining the *Southern Surveyor*?

**Mr Garrett**—To be accurate, I would have to take it on notice, but I believe the conversion costs were somewhere in the vicinity of \$5 million—and the operating costs of the *Southern Surveyor* probably in the vicinity of \$3 million per annum. I would have to take that on notice, to be accurate.

**Senator CARR**—Yes, please. I would be interested to know what the operating costs are of the *Southern Surveyor*, by comparison with the *Franklin*. Do you know that figure offhand?

**Mr Garrett**—Not exactly, but I am aware the *Southern Surveyor* is dearer in operational costs.

**Senator CARR**—It costs more to operate. How much more, do you think, than \$3 million?

**Mr Garrett**—Maybe in the order of half a million a year or something like that.

**Senator CARR**—It is in the order of \$3.5 million?

**Mr Garrett**—Yes. As I say, I am working from memory here. I would like to take that on notice, to be accurate.

**Senator CARR**—My advice is that the CSIRO has spent about \$20 million, to date, on the *Southern Surveyor*.

**Mr Garrett**—Are you talking about operating costs or capital costs? If you are talking operating costs and it is \$3 million plus a year and we have had it since 1988—

**Senator CARR**—How much were fit-out costs?

**Mr Garrett**—Fit-out I estimated was about \$5 million, from memory.

**Senator CARR**—What was the purchase price?

**Mr Garrett**—About \$8 million, as I recollect. I would have to have a look at that.

**Senator CARR**—What was the purchase price of the *Franklin*?



**Mr Garrett**—I am not aware. When it was constructed, I was not involved, but we could get that for you.

**Senator CARR**—I am told that the New Zealand government has recently built a new research vessel, the *Tangaroa*, for \$15 million. Is that right?

**Mr Garrett**—I am not aware.

**Senator CARR**—Can you confirm that additional allocations of money have now been appropriated for further work on the *Southern Surveyor*?

**Mr Garrett**—No, not to my knowledge—additional money has certainly gone to the division of marine research—to put into any further work for the *Southern Surveyor*.

**Senator CARR**—Are there any repair works being undertaken on the *Southern Surveyor*—for instance, the removal of rust?

**Mr Garrett**—I would have to take that on notice. The operation of that vessel is done out of Hobart, by the division of marine research. If they are doing it out of their normal operating budget, that is something we would have to take on notice.

**Senator CARR**—If you would not mind, please, can you indicate to me just how extensive the refit required of the *Southern Surveyor* would be before it is ready for sea?

**Mr Garrett**—The *Southern Surveyor* is already at sea, apart from being tied up from time to time.

**Senator CARR**—How long has it been tied up?

**Mr Garrett**—I do not know when it was last at sea; I would have to take that on notice.

**Senator CARR**—Would you?

**Mr Garrett**—Yes. It is seaworthy, if that is what you are getting at.

**Senator CARR**—It is seaworthy at the moment?

**Mr Garrett**—Yes.

**Senator CARR**—In your judgment, what is the reason for selling the *Franklin* and keeping the *Southern Surveyor*?

**Mr Garrett**—As a finance officer, it is probably not appropriate for me to make judgments.

**Senator CARR**—You would have thought about this, surely?

**Mr Garrett**—Yes, but the steering committee of the national facility which runs the *Franklin*—which is made up of a number of independent people other than CSIRO people involved in the marine research fraternity—have decided that the *Southern Surveyor*, I think largely because it is a bigger and more stable ship and would enable research to be undertaken, for example, at much lower levels of latitude—that is, down closer to the Antarctic—than the *Franklin* is able to go, would be a far better platform, once it is modified, than the current *Franklin*.

**Senator CARR**—So it requires modification?

**Mr Garrett**—It does require some modification and fitting out. At the moment it is dedicated as a fisheries research vessel, and the national facility has far broader responsibilities than just fisheries research.

**Senator CARR**—Yes, certainly it does. I am interested to know if you can provide any detail as to the cost-benefit analysis, particularly in research terms, of the sale of the *Franklin*

and the refitting—which I presume is what you are saying—or the replacement of the facilities provided by the *Franklin* with those provided by the *Southern Surveyor*.

**Mr Garrett**—We can take that on notice.

**Senator CARR**—Would you, please?

**Mr Garrett**—Yes.

**Senator CARR**—I take it that that should have already been done.

**Mr Garrett**—Yes, there are arguments, but they are largely out of our division of marine research.

**Senator CARR**—What papers can you provide me in terms of the need to reduce your oceanographic research capacity?

**Mr Garrett**—I am not aware of the full extent of papers, but I am sure our chief of the division of marine research would be able to provide information on that.

**Senator CARR**—And can you provide me with whatever advice is available on why it is necessary to sell the *Franklin*? I want to see the case for it. What are the relative merits of both vessels? You will give me a cost-benefit analysis of the financials, but the appropriate division will be able to provide the policy argument. Why was it decided to sell the *Franklin* rather than adopting another option? I take it you are not anticipating replacing the *Franklin*, are you?

**Mr Garrett**—Not in terms of owning a vessel, but we may still need to lease a vessel for short-term periods.

**Senator CARR**—So there may in fact be additional costs?

**Mr Garrett**—It is not an additional cost. Obviously by giving up a ship one has savings in operating costs. Those costs would then be deployed, maybe, into leasing. It may be actually saving the division of marine research more money.

**Senator CARR**—Would it be leased on a permanent basis or just a casual basis?

**Mr Garrett**—I would say probably a casual basis, but certainly for a much lesser time than a full-time vessel.

**Senator CARR**—Are you able to give us an assessment as to what impact these arrangements would have in regard to seagoing research capacity?

**Mr Garrett**—I would have to take that on notice, and that would come out of the division.

**Senator CARR**—In that process, are you able to tell me if there will be any research programs that might have to be shelved, deferred or amended as a result of the decision?

**Mr Garrett**—I will take that on notice.

**Senator CARR**—Could you provide the committee with the details of the forward research programs that were anticipated, with the current forward research program? What is the change? What is the net effect in policy terms of the decision? You are saying that it has not been finalised—is that the case?

**Mr Garrett**—No, it has not. At this stage, it is a proposal. There has been no formal decision taken as yet to sell, and no action has been taken to sell or otherwise.

**Senator CARR**—It is quite clear that I have had representations on the issue, so I am wondering whether or not the CSIRO has received any representations on this matter from universities, museums or other research agencies.

**Dr Garrett**—We will take that on notice. I am not aware of those representations.

**Senator CARR**—The broader issue that I am worried about is that we are at a time when, as a country, we are talking about providing greater support for our marine territories in terms of the research effort. I am wondering what the justification really is for reducing our capacity.

**Dr Garrett**—We will provide you with the appropriate case for that.

**Senator CARR**—The other little problem I have is this report about a foot-and-mouth disease outbreak on the sheep property owned by the CSIRO.

**Dr Garrett**—You are talking about footrot; you are not talking about foot-and-mouth.

**Senator CARR**—Sorry. Footrot, is it? It is not foot-and-mouth?

**Senator FERRIS**—You would have to declare an interest there, Senator Carr!

**Senator CARR**—So it is footrot, is it?

**Dr Garrett**—It is footrot; it is a fairly common disease amongst sheep.

**Senator CARR**—I must bow to your superior knowledge about this matter. I will not claim to have great knowledge of sheep, apart from a few I have had here in this place.

**Dr Garrett**—Two point two per cent of flocks in the Yass region are affected with footrot. It is a common disease.

**Senator CARR**—That is the result of the Yass saleyards, is it? The reports I am getting say that it has something to do with the Yass saleyards. Is that where the problem comes from?

**Dr Garrett**—We keep approximately 4,000 sheep at the Ginninderra site. It is a commercial flock. Income generated by selling the wool contributes to offsetting running costs; it is not there for experimental purposes.

**Senator CARR**—So it is a commercial activity?

**Dr Garrett**—It is really there to keep the pasture under control.

**Senator CARR**—You have a large flock of sheep to keep the pasture under control?

**Dr Garrett**—It is commercially viable.

**Senator CARR**—I see. That will look good in the *Hansard*.

**Dr Garrett**—It provides our scientists with the opportunity to do research in an appropriate setting.

**CHAIR**—You do that very well up at Chiswick, near Armidale.

**Senator CARR**—No, this is the farm that they own down at Yass.

**CHAIR**—I know that it is. I am talking about—

**Senator FERRIS**—It is not at Yass; it is at Ginninderra. It is just outside of here.

**CHAIR**—I am talking about a similar one that I have an interest in. Perhaps you could update us very briefly on Chiswick, near Armidale, and how that is progressing.

**Dr Garrett**—What particular aspects of it, Senator?

**CHAIR**—I believe that it moved to a partly commercial arrangement, with other organisations coming in and taking up space. Can you update me on the way in which the permanent staff and the projects have moved over the last few years?

**Dr Garrett**—We do not have any details on that. Can we take that one on notice?

**CHAIR**—Yes, certainly.

**Dr Garrett**—Have we responded adequately to your questions, Senator Carr?

**Senator CARR**—You are saying that there is a research component to the station.

**Dr Garrett**—Of course.

**Senator CARR**—It is not just a commercial operation?

**Dr Garrett**—Not at all. Obviously, we have done all due diligence, notified the neighbours, got the thing under control; it is fine.

**Senator CARR**—Thank you.

**Senator FERRIS**—Dr Garrett, you will recall that, last time we were talking about CSIRO, I asked you some questions about CSIRO communication. I believe that you told me at that time that you were upgrading and expanding your communications base, and I drew to your attention how particularly helpful senators and members had found the CSIRO briefings in Parliament House.

**Dr Garrett**—You did.

**Senator FERRIS**—Could you give me an update on how you are going with the reintroduction of those briefings? I do not believe that we have had any in recent times. What plans do you have to expand CSIRO's communications, and how is that proceeding?

**Dr Garrett**—As we indicated, we have reorganised and consolidated our communication activities, which were in quite a diverse domain. We have reprioritised our processes under the leadership of Di Jay, who is a new appointment to that position, and the group are completing their business plan now. Out of that will come the planned introduction of new briefings and other vehicles for more effectively communicating our activities. Again, it was certainly a key issue out of our strategic action plan. Communication is one of our strategic priorities, and we felt that we were not appropriately coordinated as an organisation. The group are now putting in place their plans to reintroduce them into the future.

**Senator FERRIS**—What new priorities will you be introducing?

**Dr Garrett**—The domains in which we will operate include obviously aspects of briefing, a re-evaluation of the effectiveness of our general media briefings, press releases, work with radio and other media, and a requirement to evaluate the effectiveness of our web site, which is quite highly regarded but is certainly a very important instrument of wider communication. The domains of evaluating our various tools, in terms of education and outreach—science education centres, the CREST awards, and the Double Helix Club—will, I think, get further support into the future.

**Senator FERRIS**—Does this involve more staff?

**Dr Garrett**—In all probability we will need to bring some additional skills on board.

**Senator FERRIS**—In what sort of area?

**Dr Garrett**—Some of the areas will interface with the sort of questions that Senator Carr was asking around the need to develop our business in terms of brand management, marketing and positioning skills.

**Senator FERRIS**—I wondered if you were going to move into the area where new business is involved in the private sector.

**Dr Garrett**—Very much so.

**Senator FERRIS**—And how you were going to manage the issuing of communications given that, very often, you are working with a private company. With the management of the

communications from both of those entities being combined, I wondered if you had any comments to make on how you plan to manage that.

**Dr Garrett**—Perhaps you could convert your comments to a question.

**Senator FERRIS**—Private companies often seem easier to communicate with when they have something to say than CSIRO, which has always been naturally cautious and modest, I always feel, about broadcasting and communicating its new work. I am wondering whether the joint venture work will involve any new arrangements for communicating the results of that work, which involve new staff coming, or whether you were planning to move people from private sector companies into CSIRO to do this work.

**Dr Garrett**—The one domain in which we do need to lift our game is the way in which we communicate the results of our activity. This requires individuals throughout the organisation to be more effectively interacting with their receiving communities. This requires, obviously, improved coordination, improved support vehicles and structures to do that. In all probability, we will need to recruit some skills from the private sector to help coach our own staff in this domain, as well as leverage cross-organisation skills amongst the communicator fraternity. We have a bunch of very exceptional communication people already in the organisation, as you will know, and we will be seeking to enhance those skills. Those decisions have not been made yet.

**Senator FERRIS**—Do good communication skills get taken into account when scientific promotion occurs within divisions?

**Dr Garrett**—Yesterday, for example, we had a round of senior promotions across the organisation, including administrative posts and a number of the individuals concerned were required to make presentations on their work. The way that work comes across is obviously but one component in the core of our business of science. It is around the outputs that are being produced—scientific publications, results achieved and peer reviews are the predominant activities. However, good communication skills are a fundamental pivot for leadership. As we select for leader positions, those communication skills are obviously required.

**Senator FERRIS**—I am very pleased to hear it. I would like to ask some questions about an unrelated issue. The historic house in Canberra—I believe it is called Lane Poole House—I understand it has undergone extensive refurbishment. It is within the forest research area.

**Dr Garrett**—In Banks Street? It is Westridge House in Yarralumla.

**Senator FERRIS**—It is well known in the area as a very historic property, and I understand that it has undergone extensive conservation and refurbishment. Can you tell me a little about what has been done there?

**Mr Harley**—Westridge House was the residence of the chief forester when the forestry school was established in the 1920s.

**Senator FERRIS**—It had fallen into disrepair, as I recall.

**Mr Harley**—It is many years since it was used as a residence; CSIRO used it off and on for some research activities. It is a heritage listed property, as you have said, and we have an obligation to upgrade it, whatever we do with it. We had not done that for some years, although we had considered it. Ten years ago we decided, as an organisation, that it should be the house for the chief executive of CSIRO. We have had three or four chief executives since then. We undertook this refurbishment in two parts: one to bring it to heritage standard and

the other to make it into a modern house. It is now the residence of our current chief executive.

**Senator FERRIS**—I have watched the conservation of it with great pleasure. I was always very concerned, because it was no longer being occupied by scientists or by anybody who looked after it, that it would fall into disrepair and be vandalised, so I am very glad to see that it has been refurbished. Can you tell me the cost of that refurbishment?

**Mr Harley**—The cost, in total, is about \$500,000: about \$300,000 to bring it up to heritage standards and about \$200,000 to make it a livable, contemporary residence.

**Senator FERRIS**—That is very good. Has the work now been completed?

**Mr Harley**—Yes.

**Senator FERRIS**—Does that include the landscaping of the gardens? As I recall, the gardens that were there were very important to the historic house, and I am wondering whether that work is also going to be done.

**Mr Harley**—That work has not been done, as yet. It is our intention to do it over time, as we find money for that project.

**Senator FERRIS**—As a resident of Banks Street, I have watched the conservation work being done with great pleasure, because it is a neighbouring house of mine and because the house has great significance to the area. I think the last time I visited it when scientists were in there was when some cloud seeding scientists were in there many years ago. I am very pleased to see that the building has been restored, albeit quite expensively because of the amount of deterioration that had taken place over the years, I guess.

**Mr Harley**—Yes.

**Senator FERRIS**—Thank you for that information.

**Senator CARR**—Last Monday, at a hearing of the Senate legal and constitutional committee, I spoke to the secretary of the construction industry royal commission, Mr Thatcher. He said that research had been commissioned on the history of industrial relations in the building industry, which was being carried out by a CSIRO officer. Can you confirm that?

**Dr Garrett**—I cannot confirm that. I can take that on notice and give you a response.

**Senator CARR**—He said a Dr Selwyn Tucker was working on the project.

**Dr Garrett**—What information would you like?

**Senator CARR**—I have here Dr Selwyn Tucker's CV with information on his publications, which was taken from your web site, so I know that he does work for the organisation and that he has extensive experience in pipeline systems, life cycles of urban water, environmental assessment issues and various other matters to do with engineering. That is a very good thing for him to be involved in, but I am wondering how you managed to secure a contract for a history project in the building industry which requires some specialist skills, I would have thought. I have some qualifications in history, and when doing my history degree there was not much of a call in my training to undertake research in engineering.

**Senator GEORGE CAMPBELL**—I thought you said it was industrial relations.

**Senator CARR**—It is a history of industrial relations in the building industry.

**Senator GEORGE CAMPBELL**—It would be a Manning Clarke exercise.

**Senator CARR**—It would be a major exercise and a very important piece of research, one would have thought, unless one was not actually employed to undertake a task—

**Dr Garrett**—We would obviously need to investigate the full nature of the project; whether this is one component of the project, because of his obvious experience in building and construction; and maybe there are other dimensions to—

**Senator CARR**—Do you do much in the way of historical research as part of your normal charter?

**Dr Garrett**—It is not our normal business.

**Senator CARR**—How many historians do you employ?

**Dr Garrett**—I will take that one on notice. Not many.

**Senator CARR**—Thank you.

**Dr Wellings**—Is the contract with CSIRO or is it something that this person is doing—

**Senator CARR**—I do not know. It was put to me by them as being carried out by the CSIRO Building, Construction and Engineering section. I think that was the way it was presented to me and I thought that this was a very innovative way of gathering consulting revenue. I may have to ask a few other questions that flow from this. How was this contract secured? Given that there are so many acknowledged experts within our universities on industrial relations and history of the building industry, how is it that the CSIRO was able to secure a contract in that environment?

**Dr Garrett**—I do not know any of the answers; we will provide you with the information on notice.

**Senator CARR**—Did the royal commission actually approach the CSIRO or was it the CSIRO that went looking for this particular work? What was the value of the consultancy? Is there any intention to sublet the contract? When will it be completed?

**Dr Garrett**—We will respond to all those questions on notice.

**Senator CARR**—And just in case I have missed something on the CSIRO site: what specialist history qualifications does Dr Tucker have?

**Dr Garrett**—We will respond.

**Senator CARR**—Thank you very much. One of the issues that has also been raised with me is about the CSIRO looking for consultancies outside what might be regarded as their primary line of expertise, and whether or not in fact it ends up being a competition scramble for money from one government agency to another, which is not necessarily constructive or conducive to your best interests in terms of your core activities.

**Dr Garrett**—We agree.

**Senator CARR**—I would like to go to the issue of some of the exclusivity arrangements that we discussed with you the last time we were here—the issue of intellectual property, I suppose. How many exclusivity arrangements does the CSIRO currently have? I remember we were discussing magnesium last time around. Do you have an indication on that score?

**Dr Garrett**—We will have to take that on notice. I cannot give you quantitative indicators.

**Senator CARR**—Thank you. Where are they, and what areas of research are covered by those agreements? What information can you give me that is readily available about the trend in recent years? How many arrangements have commenced and since been translated into companies? What has been the development of intellectual property which arises from these

exclusivity agreements? Does the CSIRO hold any shares in any spin-off companies that have been generated out of these arrangements?

**Dr Garrett**—We will provide all this information on notice.

**Senator CARR**—Can you provide me with a table showing the extent of the CSIRO's investments in projects or companies, and also the returns that arise from each of the cases that can be developed within this field? Do you have any forward estimates on what you plan to do in this area in terms of the investments in projects stemming from exclusivity arrangements? When you actually undertake these arrangements, is there an account in your annual report? Is there any way of identifying these issues from your annual report?

**Dr Garrett**—I do not believe so, at the moment—no.

**Senator CARR**—Are you able to tell me what the book value is of holdings—both listed and unlisted companies—on these matters?

**Dr Wellings**—I think that is in our annual report.

**Mr Garrett**—It certainly is an attachment to the financial statements. There is a note there listing subsidiary companies, associated companies and the value of those investments.

**Senator CARR**—Does that reflect the cash and in-kind contributions to the CSIRO?

**Mr Garrett**—It would simply reflect the at-cost contributions.

**Senator CARR**—The recent ANAO project management report which I have referred to spoke of the cross-subsidisation issues. Has there been any form of subsidisation of exclusivity arrangements or projects other than the ones we have spoken of in respect of research consultancies?

**Dr Garrett**—Not that we are aware of. We can certainly investigate and provide that information to you.

**Senator CARR**—Thank you. With regard to the costs of management of these commercial partnership projects you undertake, do you include in your assessments the costs of the board, senior administrative oversight of projects and other forms of activity? I think you were starting to allude to this earlier.

**Dr Garrett**—In terms of engagement with companies?

**Senator CARR**—Yes, with private sector partners. Do you include the costs of management of those arrangements in your costings?

**Mr Garrett**—The answer is yes. The organisation's pricing policy is to include all overhead costs, including costs of the executive, corporate costs, divisional overhead costs and direct costs. From time to time, the actual price that is negotiated will have other factors that will bear upon that. But, as a basis of understanding what the cost of that contract is, it is the organisation's policy that all overhead costs are to be incorporated.

**Dr Garrett**—Have we answered your question, Senator?

**Senator CARR**—You are saying yes. That is the answer. That is good.

**Dr Garrett**—It is standard policy.

**Senator CARR**—Is there a set of guidelines for establishing the arrangements where exclusivity arrangements have been entered into?

**Mr Garrett**—There is a set of guidelines. We have a commercial practices manual that goes into quite a bit of detail about issues that should be accounted for and considered in negotiating contracts.



**Senator CARR**—Alluding to the project I mentioned last time with regard to magnesium, I take it that, as far as you are concerned, the guidelines were adhered to in all cases?

**Mr Garrett**—To say ‘in all cases’ worries me.

**Senator CARR**—Yes, that one is always a dangerous question. Have you had a look at that? Since I have raised the topic, I presume you have been over your files. Are you satisfied that the AMC project met a reasonable criteria established within those guidelines?

**Mr Garrett**—I do not believe we have done a specific assessment—

**Senator CARR**—Can you have a look at that for me? I do not want to waste all your time now. I will be interested to know whether or not you think the guidelines were adhered to. Can you indicate to me, Dr Garrett, whether the extent of your agreements relating to magnesium and magnesium development extended beyond the particular project at AMC? Did you enter into any other projects involved in magnesium?

**Mr Garrett**—I am aware that our division of minerals has been talking to some other companies in areas of technology that are outside the agreement with AMC—companies such as SAMAG and Pacific Magnesium come to mind. I understand other companies have been talking to our division of minerals about processing of magnesium from fly-ash. Those discussions have been proceeding.

**Senator CARR**—In terms of policy, do you think the exclusivity arrangements have inhibited the development of alternative technologies? In your evaluations of the magnesium matter, has there been any discussion about whether or not the exclusivity arrangements inhibit alternative developments?

**Mr Garrett**—I have not personally been involved in any specific discussions on that, but these agreements on exclusivity arise in virtually every research contract that the organisation enters into. A consideration is made at that point as to what degree the ownership or use of the intellectual property should be exclusive, non-exclusive or whatever. It is an issue of commercial policy in the organisation. In terms of magnesium specifically, at the time the contract and the arrangements were entered into it was probably seen to be reasonable practice given that there were very few players in the market. Whether or not that means the organisation was given an exclusive contract a bit too early, I am not aware that we have made that assessment.

**Senator CARR**—Let us take this a bit further. I refer to the answer to question on notice No. E449, which I asked last time around in regard to to the Pacific Magnesium Corporation, there was a series of exchanges here which also involved Senator Schacht. Your description of the agreement is:

... general restrictions in respect to conducting research on the production of magnesium from magnesium oxide and end-users of all magnesium-containing materials.

You say that that agreement was terminated on 26 September 2001. First of all, have I understood your description of it accurately, and, secondly, is it true that it was terminated on 26 September 2001?

**Mr Garrett**—That is correct.

**Senator CARR**—When you say that there were general restrictions, is there any chance I can have more detail on the nature of these general restrictions?

**Dr Garrett**—We can provide you with that.

**Senator CARR**—Does this description mean the impact of this was that the CSIRO was actually prevented from any involvement in any other aspect of the magnesium technology and manufacturing except that by AMC?

**Dr Wellings**—I do not believe so. I thought the restriction was that AMC would have the first right of refusal for any subsequent development during that period prior to September 2001.

**Senator CARR**—The first right of refusal. Were there any other companies that approached you in regard to the development of magnesium technology?

**Dr Wellings**—In the period 1988 to 2001?

**Senator CARR**—Yes.

**Dr Wellings**—I would have to take that on notice.

**Senator CARR**—Have you received any approaches in the last six months from other countries—that is, after the conclusion of this contract?

**Dr Garrett**—Do you mean other countries or other companies?

**Senator CARR**—Other approaches from other companies.

**Dr Garrett**—As we replied last time, there have been previous conversations with Pacific Magnesium Corporation. In terms of the last six months, I would have to take that on notice and check with the officers concerned.

**Senator CARR**—Quite clearly they are of the view that the exclusivity arrangements were much broader than you are suggesting. Have you had discussions with them on that issue?

**Dr Garrett**—Do you mean Pacific Magnesium?

**Senator CARR**—Yes. They are clearly of the view that the exclusivity arrangements prevented alternative technologies being developed through the CSIRO's cooperation.

**Dr Garrett**—As we indicated in our previous response on notice, a senior officer visited them on 9 April and had discussions around the restrictions. I understand it was an amicable and useful discussion.

**Senator CARR**—Those discussions have occurred and you say they were useful.

**Dr Garrett**—That is one interpretation. We would need to check, obviously through your sources, to clarify that.

**Senator CARR**—That is fair enough. You are entitled to put a view about the nature of the discussions. In your judgment, they were successful. Do you think now that the Pacific mob has accepted your version of events? Would you confirm that for me, please?

**Dr Garrett**—Yes.

**Senator CARR**—You essentially had \$50 million tied up in that contract with AMC; is that right?

**Mr Garrett**—There was actually \$75 million tied up in that. There was an early contract in 1993 of \$25 million and one that was entered into in 2001 of a further \$50 million.

**Senator CARR**—What happens to that money now that the contract has ended? Was there an ongoing commitment, or was it a finite amount of money confined to those particular years?

**Mr Garrett**—No. That was a finite amount of money in return for which CSIRO retained 50 per cent ownership in the intellectual property and will get a percentage of royalties, over a fairly long period, once that plant becomes commercial.

**Senator CARR**—The plant is not commercial yet; is that right?

**Mr Garrett**—No, not as yet.

**Senator CARR**—So there has been no return?

**Mr Garrett**—No return to date.

**Senator CARR**—Is it the case that there was another agreement with the AMC, concerning outsourcing of its R&D to the CSIRO?

**Mr Garrett**—There may have been. I am not aware of it. It would be a standard sort of contract between AMC and one of our research divisions on a particular piece of technology.

**Senator CARR**—I am told it is a four-year agreement. Can you confirm for me whether or not that does exist?

**Mr Garrett**—We will take that on notice.

**Senator CARR**—And further, whether or not that agreement in any way compromises the capacity of the CSIRO to undertake research in areas of magnesium processing and manufacture with any other organisation. Presumably you will take that on notice.

**Mr Garrett**—Sure.

**Senator CARR**—With regard to magnesium, can you confirm that Mineral Holdings Australia and CRA approached the CSIRO regarding assistance and advice in relation to the Tasmanian deposit of magnesite?

**Dr Garrett**—We will take it on notice.

**Senator CARR**—Can you confirm that these companies have, in fact, contacted AMC and the CSIRO, regarding an alternative source of magnesite that they believe will—when blended with the ore and made available to AMC—have the potential to reduce production costs further and that, in effect, small samples of ore were provided to the CSIRO for that purpose?

**Dr Garrett**—We will contact the officers concerned and get you a response.

**Senator CARR**—Can you confirm that these two companies approached CSIRO for technical advice, regarding this Tasmanian deposit of magnesite and were told that a Dr Frost from the CSIRO said, and I quote:

... due to the contract that organisations have with Queensland Metals, CSIRO was unable to provide any assistance.

**Dr Sandland**—Malcolm Frost no longer works for CSIRO. He works for the AMC, as we understand it. He left CSIRO some five years or so ago.

**Senator CARR**—So these are events that you think must have occurred before that time?

**Mr Garrett**—That could well have been. I know Malcolm Frost was the research scientist involved in the mid-1980s when we first got into magnesium or magnesite-type research.

**Senator CARR**—That would have been during the period of your contract. So that would be consistent with your contractual obligations. It may well be that the quote I have been given is, in fact, accurate—the issue is the date.

**Mr Garrett**—That is right.

**Senator CARR**—Are you able to indicate to the committee, how many other companies or organisations were rejected during the operations of this contract?

**Dr Garrett**—Are we talking about magnesium technology?

**Senator CARR**—Yes, how many organisations or companies were rejected as a result of this agreement between—

**Dr Wellings**—How does that differ from your earlier question of asking us which companies approached us from 1988 to—

**Senator CARR**—That is a reasonable point. I am trying to establish whether or not the exclusivity agreements are, in fact, productive or actually, unproductive. For one intellectual property development, in this case I think, we are talking about or competing technologies for an industry. That, to me, does have a few serious implications.

**Dr Garrett**—When we responded on notice to your question along this line at the last hearings, I think we clearly articulated that commercial reality. Let me repeat:

... that companies require a degree of exclusive access to new technology as a condition for investing in its further development and use for business purposes. CSIRO offers such access to enable the economic benefits of its research to be realised, but seeks to balance this with support for the wider industry over time.

This tension—

and all the Senate hearings I have been involved with have been talking through this—

between the two presents some complex challenges for CSIRO, in which our best efforts are made to deliver the greatest benefits for Australia.

So it is going to continue to be an ongoing tension.

**Senator CARR**—I raised it in February, and I suppose it was raised before my time in this job, and so you will not have any trouble responding to these sorts of questions?

**Dr Garrett**—No. We will respond on notice as we have agreed to.

**Senator CARR**—With regard to another exclusivity arrangement—this time with Ceramic Fuel Cells—there is an arrangement here from the 1990s that related to the CSIRO entering into a commercial arrangements with external partners in the research and development of ceramic fuel cells. Are you or any of the officers familiar with the exclusivity agreements between Ceramic Fuel Cells Ltd and the CSIRO?

**Dr Garrett**—We do not have that expertise here.

**Senator CARR**—I can understand that might be the case, because it is a bit old. What I am interested to know is whether the CSIRO invested public funds in that project, what the extent of the expenditure on the project was, whether there was any investment from other investors in this particular joint venture—as I can perhaps call it—and what benefits to the CSIRO derived from the arrangements.

**Dr Wellings**—You would be aware that Ceramic Fuel Cells shows in our annual report as an associate company, where clearly we have put resources in, along with the private sector, to build a new company for Australia; and that sits there as an unlisted company. So the answer to those questions is most certainly that we have put funds in.

**Senator CARR**—I am sorry, we are going to have to come back to this, because the ANTA officials need to get to Brisbane. Perhaps we can press on for 15 more minutes.

**Senator GEORGE CAMPBELL**—Dr Garrett, at the estimates last year, you were still with DIST, and we had a fairly lengthy discussion about commercialisation of intellectual property by CSIRO. What developments have occurred in that area?

**Dr Garrett**—We have been putting in place appropriate policies to review the history of our successes and weaknesses in that domain. We have recruited to a commercial group individuals that are adding to our own team. So we are putting in place new approaches, building on our past and bringing on board some skills. It is one of our key thrusts, coming back to our strategic action plan, to really move into the future.

**Senator GEORGE CAMPBELL**—Have you had any successes since you started this process last year?

**Dr Wellings**—The most recent report I have seen suggests that we have had 12 spin-off companies produced by CSIRO in the past year. This is from the commercialisation review we are currently conducting through the arrangements that Dr Garrett has just referred to. If you look at the licensing revenue component coming into CSIRO, that is modestly increasing over and above what it was off a historical basis.

On top of that, we have established a series of internal processes where the commercialisation group and my group, which deals with business development, meet on a regular basis with the chief executive to examine investments in commercial issues—we would be meeting about once a month at the moment, I think, Dr Garrett—to make sure that the internal policies and processes are in complete alignment so that the CSIRO board has a line of sight on those developments.

**Dr Garrett**—In addition, the board has introduced a commercial committee from last year to oversee our strategy and policy development in this domain. Our new chairman, Catherine Livingstone, has particular expertise because of her cochlear history in this area. So we are bringing on board governance skills as well as operational skills. One of the areas that is very important to us is access to pre-seed funding. You are probably aware that on 8 May the government announced the successful four candidates for this pre-seed funding out of Backing Australia's Ability, and CSIRO is aligned appropriately with each of those four. We would see that as a success in terms of the ability that we have to commercialise technology into the future. So there are a number of building blocks that we are putting in place.

**Senator GEORGE CAMPBELL**—With regard to these 12 experiences that you have had since last year, the spin-off companies, are they public-private partnerships between the CSIRO and private companies?

**Dr Wellings**—They are a mixture of activities, I think. Some of them are public-private partnerships; others are vehicles in order to allow us to build more effective business planning and internal incubation of companies, but they are all companies that have ACN numbers and have formally gone through the process of being set up in that way. So there is a portfolio of activities moving down this pipeline now.

**Senator GEORGE CAMPBELL**—Some of these companies would be wholly owned by you?

**Dr Wellings**—Yes.

**Senator GEORGE CAMPBELL**—Some would be—

**Dr Wellings**—A mixture.

**Senator GEORGE CAMPBELL**—As to the nature of the investment by CSIRO in those companies, are you still taking your return in terms of royalties for intellectual property? Or is your investment in the nature of equity investments?

**Dr Wellings**—I think, ultimately, the move around those company structures will be to take equity in them. The bulk of our royalty stream is derived from licence agreements—although we have taken technologies out for agribusiness purposes, say, to seed companies where we would get plant variety right type returns coming into the organisation. So there are quite distinct streams; but, in relation to the bulk of the companies that we are creating, the preference would be to take equity.

**Senator GEORGE CAMPBELL**—In the PBS, I think it says that 65 per cent of it is funded by government and the rest is from revenue. Do you expect that balance to change?

**Dr Wellings**—In terms of our overall revenue?

**Senator GEORGE CAMPBELL**—Yes—do you expect to see that balance change over time?

**Dr Garrett**—We do. I think this is an important issue in terms of the overall growth of the organisation. With the growth in our external revenue of, as we said earlier, between 10 and 12 per cent, it is unlikely that our parliamentary appropriation will grow to that extent—that would be good, but it is unlikely—and therefore the balance over the course of the next four to five years is likely to be closer to 40 per cent.

**Senator GEORGE CAMPBELL**—Right. Have you any benchmarks in place for the extent to which that growth will occur over a period of time? Have you looked at benchmarks in terms of—

**Dr Garrett**—Yes, as Dr Wellings mentioned earlier, sister organisations like ours worldwide have, in the course of the last 10 or 15 years, been migrating to increased revenues from external funding. VTT in Finland is now 70 per cent; TNO in Holland is also 70 per cent, I think. Our personal view is that that migratory path would be a mistake for Australia, considering the role in public-good research that we do. This is obviously dependent on ongoing support from the public purse.

**Senator GEORGE CAMPBELL**—What type of safeguards have you built into the process, Dr Garrett, to ensure that genuine research—if I can use that term—is focused on as well as the areas of research that might be money making activities?

**Dr Garrett**—We have developed—again, as part of our action plan—a business model that clearly defines our core activities in terms of strategic research. Firstly, we have the dimensions, which is where you have co-investment with strategic objectives shared by both parties; secondly, we have the specialised research services and consultancy as a clearly delineated line of business; and, thirdly, we have the exploitation of intellectual property and the growth of our licensed revenue and equity earnings. We have put in place a clear understanding of the nature of the businesses we are in so that we cannot confuse those. Each of those divisions have, in terms of our five-year planning, been asked to look at the growth trajectories in those domains to ensure that we are not, in your words, doing inappropriate work.

**Senator GEORGE CAMPBELL**—Dr Wellings, can you provide us with a list of the 12 spin-off companies and the equity investment in them?

**Dr Wellings**—Yes, I can.

**Senator GEORGE CAMPBELL**—Will you take that on notice?

**Dr Wellings**—I will take it on notice.

**Dr Garrett**—A number of those companies are listed by guarantee arising from our involvement with the CRCs, and so they are part of the collaborative arrangement. We will take that on notice.

**Senator CARR**—I will put the rest of my questions on notice, if that is not too difficult for you. I trust we will not have the same problems we had with Dr Shergold on this issue.

**Senator Troeth**—Not to the tune of \$3million, we hope, Senator.

**Senator CARR**—Since you have raised that, I have a few more questions on notice that I will now have to move, given that remark!. I thank the officers very much. The manner in which you have answered the questions today has been very helpful. I will put those questions on notice and perhaps let you get home for tea.

[5.43 p.m.]

#### **Australian National Training Authority**

**CHAIR**—I welcome back officers from the Australian National Training Authority and the VET officers.

**Ms Scollay**—Before the break, Senator Crossin asked about the membership and terms of reference of the ANTA board's enterprise and training provider working group. I am very happy to table those documents.

**CHAIR**—Thank you. We will go to questions.

**Senator CARR**—Ms Scollay, the Senate committee report *Aspiring to excellence* recommended strongly that an educational practitioner should, as a matter of urgency, be included in the board's membership. I notice that Mr Mark Paterson has left the fruits of private enterprise behind him and has now joined the Commonwealth Public Service. Is that an opportunity to actually put an educationalist on the ANTA board?

**Ms Scollay**—The membership of the ANTA board is established, as you know, on the nomination of the MINCO and by appointment by the Governor-General. Certainly, at least, the chair of the ANTA board has an advisory role to the ministerial council. The most recent MINCO passed a resolution that agreed to convene a subcommittee comprising the Commonwealth and three other ministers to provide out-of-session recommendations to ministers on the appointment of the ANTA board and to consider appointing an educationalist to the ANTA board.

**Senator CARR**—Mr Walters, has there been a discussion within government about the replacements on the ANTA board?

**Mr Walters**—To the extent that the issue came up at the ministerial council; but the formal position is very much that it is an issue that is decided by the ministers, and that process is yet to start; and so I really do not think I could speculate on where it might lead.

**Senator CARR**—So there has actually been no discussion with the Commonwealth about that matter?

**Mr Walters**—Only to the extent that we discuss all sorts of things.

**Senator CARR**—You have had no detailed consideration of the ANTA board replacements?

**Mr Walters**—As I say, the process has just been established; and so, really, it would be fruitless for me to speculate on where it might lead.

**Senator CARR**—I ask that the committee be kept informed of progress on the question of ANTA board representation. The need for an educationalist on the ANTA board is an issue that needs to be pursued. It is a view I strongly hold. It is a view of the Senate references committee. I have yet to hear a substantive argument against the proposal. Even Mr Terry Moran now holds the view, I understand, that it would be a good idea to have an educationalist somewhere in the system. I trust that that is a view held within the ANTA board. Do you think there would be any objections on the ANTA board itself?

**Ms Scollay**—The reason the ANTA board has set up the subcommittee for which I have just given the membership and the terms of reference was in part to address that issue that, I presume, led to the recommendation from the Senate inquiry that there be an educationalist. It is certainly true that, with the range of educationalists that are now on that committee advising the ANTA board, that is a level of representation of educationalists that we have not had before. That was a very direct way in which the ANTA board could take up the issue that had been raised about the need for stronger participation of educationalists in the system.

**Senator CARR**—I turn to another issue, the question of the review of incentive payments for new apprenticeships. In volume 2 of the MINCO papers, on page 7 of appendix 4, on item 3, clause 25 says:

25. Five areas have been identified by industry where work might be progressed to improve the coherence and compatibility of incentives and subsidies between jurisdictions, acknowledging the importance of incentives and subsidies for each State and Territory in attracting business in a competitive environment. Of these five areas, workers compensation and payroll tax raise many complex cross-government issues. ANTA proposes to continue to monitor industry concerns in both of these areas throughout 2002, and to update its national summary of incentives and subsidies information for each jurisdiction ...

It says that the other three areas are:

- access to incentives for people with prior qualifications
- travel and accommodation allowances
- variations between jurisdictions for the incentives provided to enterprises employing apprentices ... at the same level but in different occupations.

Will this matter be part of the government's review of incentive payments that was announced recently?

**Mr Walters**—The minister wrote to a number of stakeholders inviting views on what the scope the incentives review should be. We hope to be in a position to make an announcement about that very soon and about how the review should be conducted. But I think I will not be giving anything away if I say that I think it will be a fairly wide review, and that in any case people are likely to raise all sorts of issues. I would be very surprised if the ones that you have mentioned do not come up.

**Senator CARR**—You obviously felt it necessary to put in a report of this nature that improving coherence and compatibility of incentives and subsidies is an issue that should presumably be looked at by a Commonwealth review. Will you be able to make representations to the ministerial review?

**Ms Scollay**—I am not sure it is a ministerial review.

**Senator CARR**—How would you describe it then, if I have incorrectly described it?

**Ms Scollay**—I did not think that the Commonwealth review was a ministerial review.



**Senator CARR**—So will the review into employer incentives be a ministerial review, that is, initiated and run by the minister, or will it be run by the department?

**Mr Walters**—As a distinction, I think it is a bit too subtle for me. It will be run by the department and I am sure that the minister will keep in very close touch with it.

**Senator CARR**—How has the minister described the review himself?

**Mr Walters**—The minister so far has written to stakeholders and invited their views on how the review should be conducted. The review comes out of an election commitment. The relevant documentation, which was called *Skilling up Australia* said:

New Apprenticeship centres have been highly effective in encouraging employers to take on new apprentices. The current system has evolved over a number of years that, at the same time, the new apprenticeship and training system has changed considerably. Given that governments implement incentive arrangements to influence employer behaviour, it is important that any systems in place should be targeted and simple to communicate through employers is possible. A Howard government will put the Commonwealth incentive program to this test to ensure that government resources are used in the most effective way to engage industry and the Australian new apprenticeship system. The review will be conducted in consultation with industry, group training companies and states and territories.

**Senator CARR**—Again I hear the word ‘industry’. Is it understood by you, Mr Walters, that that refers to the ANTA definition of industry?

**Mr Walters**—I do not think I am giving too much away if I say that I hope the proposals which will come up very shortly will involve some degree of holding consultative fora around the country and there will be an invitation to all parties who are interested to come along to those.

**Senator CARR**—Will you be seeking views from ANTA and the ANTA board?

**Mr Walters**—Of course.

**Senator CARR**—Will there be an opportunity for unions, I must say it again, to have input into this process?

**Mr Walters**—Absolutely.

**Senator CARR**—Thank you. I have representations made to me on a regular basis about this issue of employer incentives. For instance, just last week I was at a meeting where I was advised by people who said that Microsoft computer systems are now being used as a register through the frameworks to be a training package. So, it is said to me, that whereas in the past employers would train workers to run a Microsoft basic word processing computer system, they are now attracting incentive payments by the Commonwealth to fund people to undertake that basic training program. Can you confirm that?

**Mr Walters**—It comes back to that point that we were discussing earlier about whether there is separate training in high technology areas or whether we have it as part of the National Training Framework. I mentioned to you that we are trying to get more of the provider training brought within the National Training Framework and the training package system. That is a development we would encourage; in other words, to bring provider training. Whether that particular provider training is brought within the system at the moment, I could not say. Whether or not it is payable as a New Apprenticeships incentive depends on whether that particular package and that particular qualification is approved in one or more states as a New Apprenticeships pathway. If it is, then employer incentives will be payable.

**Senator CARR**—Ms Scollay, can you confirm that basic Microsoft word processing is now part of the New Apprenticeships scheme and attracting Commonwealth support?

**Mr Byrne**—I think to the extent that it is in the IT training package as a subcomponent of a recognised Australian qualification then it could do so.

**Senator CARR**—Maybe this is a joint question for you and Mr Walters, but would you confirm for me whether or not employers are actually attracting Commonwealth financial support for employees undertaking basic word processing skills through Microsoft, which they normally would have paid for themselves.

**Mr Walters**—I can certainly say that there are New Apprenticeships in the IT and T area and I would be surprised if they do not include training in Microsoft products because, let us face it, Microsoft have an enormous part of the market and it would be pretty difficult to get an IT and T qualification without being qualified in Microsoft products; that is the truth of it. I would have thought that is something we need to encourage.

**Senator CARR**—That is true, but if it is basically a cost-shifting exercise—

**Mr Walters**—But you could say that about almost any training that comes within the New Apprenticeships scheme. One of the objectives of the New Apprenticeships scheme has been to spread workplace based training beyond the traditional skills areas and that was one of the avowed intentions at the very start of the scheme. So there are all sorts of areas which would not previously, if you went back 10 years, have qualified for government support that do qualify now. I would have thought, in the high technology IT area, that is absolutely one of the prime target areas where we would want it to happen.

**Senator CARR**—However, this is basic IT skilling; it is not high tech at all. This is basic word processing skills.

**Mr Walters**—Word processing skills would certainly be part of virtually every IT package in one way or another. However, word processing as such, from what I know of it, would not be particularly linked to a proprietary product, except for the fact that Microsoft products do have something like 80 or 90 per cent of the market.

**Senator CARR**—Yes, it is a very substantial part of the market.

**Mr Byrne**—Senator, I believe the package does not specify Microsoft but it would specify competencies in a word processing application from any brand.

**Senator CARR**—So, in your view, because Microsoft would have such a substantial part of the industry, it is more than likely that that becomes industry specific or company specific?

**Mr Byrne**—It would be very likely that the application chosen by many providers would be the Microsoft application.

**Senator CARR**—Will this review of incentive payments also consider the misuse of incentive payments?

**Mr Walters**—I go back to the position we have had for the last three or four years: there is nothing to stop people bringing forward evidence of alleged misuse of incentive payments if they wish. We will always inquire into them, and if there is any hint that there may have been some sort of a fraud, we take it up. If there is any suggestion that there may have been a misuse of state systems, we refer it to the states. So it does not require this inquiry for people to be able to bring that sort of stuff forward. But if they have got any, they are welcome, of course.

**Senator CARR**—But it will be an opportunity for people to raise these sorts of concerns.

**Mr Walters**—My advice would be that if people have got anything to bring to us on that issue at all, there is no need to wait for this inquiry. They should bring it to us straightaway.

**Senator CARR**—I note that in the budget there is an additional incentive to be available for apprentices in IT and other highly skilled occupations. This is what the PBS says on page 56. Was there any input from ANTA into this budget measure?

**Mr Walters**—The budget measure reflects an election commitment.

**Senator CARR**—I see. Maybe we will just short-circuit all of this. The budget commitments made in *Skilling Up Australia*—that was the Liberal party document, was it not? It talked of an extra \$365 million over three years for an additional 100,000 training places. That is \$230 million for growth, \$120 million of indexation, and \$15 million for people with disabilities. Has that happened?

**Mr Walters**—That was reflecting the outcomes of last year's budget and the ANTA agreement.

**Senator CARR**—So that was an election commitment made on promises actually already implemented?

**Mr Walters**—Already arising from last year's budget, I think, if we—

**Senator CARR**—So in terms of the commitment in the election—I just want to be clear about this; it is not your responsibility to speak for the Liberal party on this—you understand that these figures actually relate to actions already taken prior to the election?

**Mr Walters**—It depends whether you regard a budget commitment coming out of last year's budget, but not yet implemented, as something that has already happened. I must be careful of overstepping the line of explaining what is in a document that is not a government document, but it is a question of whether you regard a commitment to actually implement a decision announced in the budget, but not yet implemented—

**Senator CARR**—I see what you mean. So because the ANTA agreement was signed before the election, the election commitment really meant that the government was just going to implement the agreement?

**Mr Walters**—Obviously, there were certain commitments in last year's budget which related to the out years which had not happened at the time of the election. So I imagine that the government would argue that they are committing to implement that.

**Senator CROSSIN**—In terms of targeting apprenticeships with increased IT training and skills, was the election, or budget, commitment based on any skills shortage research the department did?

**Mr Walters**—I cannot really answer for where election commitments had their genesis, but I would say that there is concern going back a couple of years about IT skills shortages issues. There has been a great debate about all of that, including a great deal of documentation surrounding what is now called the IT Skills Hub. So there has been a general debate on that particular issue. Obviously, the election commitments—

**Senator CROSSIN**—But it does not come from any specific research, evaluation or analysis of skills shortage in this country that needs to be targeted, as far as you know?

**Mr Walters**—I think you would have to address that to the authors of the election documentation.

**Senator COONEY**—As I understood it, Senator Crossin was asking for the facts of the situation that called for this commitment. You seemed to be saying, 'I'm not responsible for the electoral commitments' as if the electoral commitments were not based on some matter of

substance. I can understand that you are not speaking to the commitments, but I cannot understand why you would not speak to the reality.

**Mr Walters**—I just simply do not think that I can answer for precisely why election commitments were framed in the way they were.

**Senator COONEY**—I can follow that.

**Mr Walters**—But the matter of substance is simply a continuing concern, I think, that the country will not, unless it takes actions like this, have a sufficiently skilled work force for a rather crucial and rapidly expanding part of the economy—which is the part of the economy which deals with high-tech and IT skills. So this is just one of a whole range of initiatives that the government has taken, for example, through Backing Australia's Ability, to try and address that part of developing Australia's capacity.

**Senator COONEY**—You would agree therefore that there is a shortfall on the skills and learning that we presently need in the community, because there have been commitments made to try to remedy that situation. You can agree that there is in fact a shortage of skills.

**Mr Walters**—That is inalienable logic, and that is why the government has taken a number of steps to try and address future skills needs in that area. Of course with IT skills it goes up and down. We have had the tech wreck and things like that, but I think industry experts—of which I am not one—still think that there is a substantial need to build up the country's skills base in that area.

**Senator CARR**—The new budget initiatives speak of incentive payments for apprentices in IT and other highly skilled occupations. How much is the new incentive payment?

**Mr Walters**—It is \$1,100.

**Senator CARR**—That was an election commitment too, wasn't it?

**Mr Walters**—Yes.

**Senator CARR**—Thank you. What are the other highly skilled occupations?

**Mr Walters**—They are yet to be defined, and I think we will do a little bit of consultation with the industry before finally deciding that.

**Senator CARR**—It is well after the event, isn't it?

**Mr Walters**—No, it does not come in until 1 January next year.

**Senator CARR**—So you have between now and next January to actually define what a 'highly skilled occupation' is?

**Mr Walters**—Yes.

**Senator CARR**—Who will be consulted?

**Mr Walters**—We have not yet decided, but people who are likely to have an interest.

**Senator CARR**—Mr Walters, to cut a long story short, this does not seem to be well thought through.

**Mr Walters**—I think I would have difficulty in responding to that, in view of the origin of the budget measure.

**Senator CARR**—It is a budget measure. So you are saying that because it is an announcement, you have not had any input into it?

**Senator Troeth**—I think it related more to your comment that it was not well thought through, and expecting Mr Walters to respond to that.

**Senator CARR**—Fair enough. What I am asking is: if we do not know who is going to be consulted or who it involves, but it comes in on 1 January, what preparation has been made for this budget measure?

**Mr Walters**—We are already working on the IT skills. It does not require a great deal in the way of implementation, because all we will need to do is put another field into the computer system and advise the New Apprenticeships Centres and industry of the availability of the incentive, and then it will kick in from 1 January. I think we are making a bit too much of this; it will be paid for IT occupations, and then there is room for discussion about what other occupations are brought into that. We will consult the peak business organisations and anybody else that has a view can let us know.

**Senator CARR**—Time is short and I can assure you that this is not an issue that can be dispensed with lightly. Do you recall the National Industry Skills Initiative review of IT?

**Mr Walters**—The National Industry Skills Initiative has not done a review of IT; it is currently doing a review of emerging industries, but that is really rather different. The area of IT skills has been dealt with in connection with the creation of the IT Skills Hub in a rather separate process.

**Senator CARR**—Are you telling me that there has been no review by the National Industry Skills Initiative?

**Mr Walters**—The department has been looking at the issue of IT skills and as a result of that it has helped to create the IT Skills Hub. That is a different issue and it has not been handled by my group for the reason that it extends to higher education as well. A lot of the concern about IT skills has been around the production of graduates in IT, and that is being handled by what is now the research and evaluation group.

**Senator CARR**—Yes, I see. Mr Walters, is this not an issue we discussed last year?

**Mr Walters**—You have discussed it with officers of the department but it was handled by Mr Horne, if you remember.

**Senator CARR**—Now you are bringing back memories for me. That probably accounts for why I am so vague as to what was actually discussed. My recollection is simple: whatever review is undertaken, it will not be fixed by an extra \$1,100 employer incentive over three years.

**Mr Walters**—The point is that, as I mentioned earlier, the government are undertaking a wide range of initiatives to improve the performance of the country in high technology skills. They have had the whole Backing Australia's Ability suite of initiatives. We have put a requirement in the ANTA agreement that the states produce an innovation plan for VET for the extra \$230 million worth of Commonwealth funds that were put in last year. Under the National Industry Skills Initiative, we are taking a look at emerging industries and at what the VET sector can do for those. There is a whole raft of things, and this is just another initiative which is intended to improve the gearing of New Apprenticeships to the IT industry.

**Senator CARR**—If we keep going through the list of election promises—clearly you would argue the 1,001 IT occupations are covered—there is an IT voucher of \$500 for 11,500 mature age people. Has that been implemented?

**Ms Johnston**—The IT skills training for older workers that was announced in the budget has not yet been implemented. The funding is available from next financial year. We will be going very shortly to tender to select brokers to provide training for older workers.

**Senator CARR**—That will be an open tender, will it?

**Ms Johnston**—Yes, it will.

**Senator CARR**—That will be operating as of August, will it?

**Ms Johnston**—By the time we have gone to tender, we expect to be providing training by about October this year.

**Senator CARR**—How much has been allocated for that?

**Ms Johnston**—I think \$23 million; I do not have that figure in front of me.

**Senator CARR**—So that is \$23 million in the next financial year?

**Ms Johnston**—Sorry, no. That is \$23.2 million over four years.

**Senator CARR**—How many people? Is that for 11,500 people?

**Ms Johnston**—Each year.

**Senator CROSSIN**—How do they access that training?

**Ms Johnston**—The tender will select brokers who will manage the training through a range of providers. It will be up to the brokers to effectively subcontract with providers who may be TAFE institutions and adult learning providers and so on.

**Senator CARR**—We discussed this earlier in the week, I think.

**Senator CROSSIN**—Are you expecting that that will cover the full costs for people wanting to do, say, a three-day course that might cost \$800? What happens there? I make up the difference, do I?

**Ms Johnston**—It will cover the cost of three modules of a certificate 1 in IT. They will be modules that cover—

**Senator CARR**—turning the computer on and turning the computer off—that sort of thing.

**Ms Johnston**—word processing, accessing the Internet and communication skills.

**Senator CROSSIN**—Has the cost of the modules per person been calculated on a recovery basis around the country or has it been based on an average price in capital cities?

**Ms Johnston**—We have had advice from various providers that they can provide that sort of training for that cost.

**Senator CROSSIN**—If I sit in the middle of Arnhem Land at Gapuwiyak, can I get three modules for \$500 just like somebody who might be sitting in Parramatta, Sydney?

**Ms Johnston**—There may well be the capacity to adjust the price across different areas as long as it averages \$500.

**Senator CROSSIN**—There may well be. I want to know from you: will I have the same access to this initiative if I live in remote Australia that I would if I lived in a capital city?

**Ms Johnston**—With the number of places around Australia, we are not going to be able to guarantee access to every area of Australia. We will try to make as wide a coverage as possible, bearing in mind where the eligible clients are.

**Senator CROSSIN**—But, if you make a decision that somebody sitting in remote Australia would be eligible, I want to know whether I am going to get the same value for money for my \$500 voucher as someone in a capital city?

**Ms Johnston**—It is not actually a voucher.

**Senator CROSSIN**—‘Voucher’ is my terminology. We are talking about the fact that you have estimated that each person can have \$500—that is what you quoted—for 11,500 people per year. You say to me that is equivalent to three modules in a certificate 1 course.

**Ms Johnston**—That is right.

**Senator CROSSIN**—I guess that is based on an eastern seaboard cost of delivery. Is that correct?

**Mr Walters**—The election commitment was to provide \$500 worth of training, and we will tender that in such a way that there will be some flexibility to vary those costs so long as it comes out at \$500 overall. That is what we shall implement.

**Senator CROSSIN**—But what I am getting at is that \$500 worth of training in Melbourne buys me heaps more training than \$500 worth in remote Northern Territory, north-east Arnhem Land. I want to know from you: can you guarantee that I will get access to the same amount of modules under this initiative as someone who lives in a capital city?

**Mr Walters**—We only have so many places around the country. There will not be the ability to provide this facility absolutely everywhere. We will do our best to spread it and make it as available as we can within the commitment that has been given and the resources that are available.

**Senator CROSSIN**—But you cannot guarantee—absolutely, categorically—that I could have access to the same amount of training under this provision as someone who lives in an urban, built-up environment.

**Mr Walters**—Unfortunately, I think it is true across the whole training system that it is impossible to guarantee the same level of service to people who live in really remote areas and to those who live in the metropolitan areas. That is a challenge we face. We will do our best, within the limitations of the resources we have been given for this program and the objectives of the program, to see that we can make some provision for remote areas. That is really the best that I can say.

**Senator CARR**—We have gone through the election initiatives, and there are a few that are obviously still looking to receive some result. I return to the agenda items in the MINCO papers. It may be that you want to take this on notice, given the hour. Item No. 14 was a discussion led by the Commonwealth. Following the budget, I understand that there was a letter to Mr Hornery from the Commonwealth. I am right about that, am I not?

**Mr Walters**—I do not have the list of agenda items in front of me. Which one was that?

**Senator CARR**—It was the 14th.

**Mr Walters**—Yes, the minister wrote to Mr Hornery on budget night.

**Senator CARR**—That is right. The minister says that he thinks that there has been ‘considerable concern about the complexities and effectiveness of the current ITAB arrangements expressed by a range of business and industry bodies.’ That is right, is it not?

**Mr Walters**—I am just looking for the letter, but, if you are reading from it, I am sure that you are right.

**Senator CARR**—That is a quote I have taken from it, yes. As I say, you may want to take this on notice because it relates to what I have been saying all afternoon about the government’s view of industry, which is different from ANTA’s. Could you give me some advice on this letter? In particular, can you give me details of these considerable concerns, which businesses and industry bodies have expressed these concerns and whether ITABs have been ad-

vised of these concerns and given the opportunity to respond? Also, given that we have heard that ANTA is already conducting a review of ITAB arrangements—with, I trust, an opportunity to address these concerns—would the Commonwealth be happy that the ANTA review is sufficient to address these concerns?

**Mr Walters**—I think I will take most of that question on notice, simply because the minister has said what he said in the letter to Mr Hornery. I am not sure whether he would particularly want to go beyond that, so I will have to ask him. As far as the last question is concerned, there are two reviews which are related. There is the ANTA review, which you have heard about. Also, the minister is going to review and consult about the flow of industry advice to himself as Commonwealth minister and he will be talking—I think we discussed this earlier on—to the industry peak bodies about that. I think that the minister is certainly satisfied that that is enough to get to the bottom of what the future industry advisory arrangements should be at national level.

**Senator CARR**—What concerns me here is why it is, as the document says, that the Commonwealth sees itself as being in a position to ‘oversee consultations with key stakeholders,’ particularly in a situation where ITABs advise ANTA via the Commonwealth government.

**Mr Walters**—This is why I say that there are two reviews. ANTA is conducting a review, which Ms Scollay and Mr Byrne described in some detail earlier on. However, the minister is also looking at the way industry advice comes to him. He is not seeking to duplicate the review which is being conducted by ANTA, but to talk to the industry bodies about the way in which advice comes to him.

**Senator CARR**—Could it be reasonably concluded from this that the minister wishes to bypass the ITAB processes?

**Mr Walters**—It is a rather separate issue because historically, in terms of direct input from ITABs to the Commonwealth minister, there has not been a great deal; they have focused very much on the ANTA process.

**Senator CARR**—That is right.

**Mr Walters**—The minister is looking at the rather different issue of the way in which he receives advice from industry.

**Senator CARR**—The other issue—and I think this will do us for the evening—is the subsidy of \$750 that will be provided to employers who take on an apprentice or trainee while they are at school. I understand this is a retention bonus.

**Mr Walters**—There are two different incentives. Page 57 of the portfolio budget statements explains what they are. It reads:

Employers who are willing to take on a New Apprentice while they are at school will receive \$750.

**Senator CARR**—It could be \$1,500?

**Mr Walters**—It could be \$1,500.

**Senator CARR**—You are saying that there will be \$4.2 million next year, \$9 million, \$9.2 million and \$9.2 million. How many people have you based that on? What are the figures behind those calculations?

**Mr Walters**—On the commencement one, over four years, the figure I have is 30,000; for the continuation one, 27,000.

**Senator CARR**—Are you able to tell me how you reached that conclusion?



**Mr Walters**—I believe this was in the election commitment.

**Senator CARR**—So there is no scientific basis to this analysis; this is a rough guess, is it?

**Mr Walters**—Senator, I would be the last person to suggest there is anything unscientific about an election commitment.

**Senator CARR**—Absolutely! It would be unfair of me to suggest that you had anything to do with the election commitments of the government. The department would not have contributed in any way to the election commitments of the government.

**Mr Walters**—The department has to ensure that the costings are accurate. Therefore I believe that in this particular case the department would have had to confirm that the number of incentives—the number of places which are being described here—can be afforded within the figures given in the election commitment.

**Senator CARR**—Did you just say that you had to confirm the government's election costings?

**Mr Walters**—I believe that is the way it works, to the best of my recollection.

**Senator CARR**—And when you say 'the government', do you mean your department?

**Mr Walters**—I mean in the sense of the Charter of Budget Honesty and its process.

**Senator CARR**—No, but that does not mean you, does it?

**Mr Walters**—I forget exactly how it works.

**Senator CARR**—We want to check that, Mr Walters. I do not want to get you into trouble unnecessarily but I understood that that job belongs to the department of finance, not the department of education.

**Mr Walters**—It could well work in that respect.

**Senator CARR**—What support did the department give to the preparation of the government's election commitments prior to the last election? Did it undertake any costings of any election promises on behalf of the government prior to the election?

**Mr Walters**—I know that whatever was done was purely what is in accordance with the normal conventions.

**Senator CARR**—I would ask you to take that on notice, if you would not mind. Did the department in any way provide advice on the figures of 30,000 and 27,000 for each of these incentive payments?

**Mr Walters**—I am certain that the numbers here were not provided by the department.

**Senator CARR**—You have answered the question. Are you certain that the answer is that the department did not provide those figures?

**Mr Walters**—We are talking here about the number of places—the 30,000 and the 27,000.

**Senator CARR**—Yes, we are, and this second question—

**Mr Walters**—They were not provided by the department.

**Senator CARR**—Basically they have come from the government?

**Mr Walters**—They have come from however the government produced its election commitments.

**Senator CARR**—So you are unable to provide us advice as to the basis for those predictions?

**Mr Walters**—I surmise that they represent the existing numbers—we have about 10,000 school based new apprenticeships—and hopefully they provide for some growth on top of that.

**Senator CARR**—Is the 30,000 for the three-year period?

**Mr Walters**—It starts halfway through the next financial year so I think it is effectively—

**Senator CARR**—And does the 27,000 operate on the same basis?

**Mr Walters**—Again, that is a rather new figure because it represents a payment for people who continue to be employed as a new apprentice six months after leaving school. At the moment, I do not believe we have any statistics on people who are new apprentices six months after leaving.

**Senator CARR**—Is this a bit of a mystery to you as well?

**Mr Walters**—I would not say it is a mystery. It is an attempt—which I have to say we have had some positive feedback on—to encourage school based new apprenticeships.

**Senator CARR**—I have no doubt that you would have positive feedback. I am interested to know not how much feedback you have had but where the figures come from. These are budget figures, we are spending public money, and we have a reasonable expectation to know how they have been developed. What I am hearing from you—you can correct me if I am mistaken—is that you do not know where they come from.

**Mr Walters**—I think you have me on Morton's fork here because officials are not supposed to contribute to the development of election commitments, and then you will say that we do not know anything about how the election commitments have been developed, and I have to say, 'Guilty.'

**Senator CARR**—You can understand the method in my madness then.

**CHAIR**—It is just lose-lose.

**Senator CROSSIN**—I do not know if you can help me, Mr Walters, but I refer to page 50 of the PBS. Is your area responsible for looking at the myfuture.edu.au web site and careers counselling?

**Mr Walters**—It was once upon a time. I was actually in on the beginning of the development, but it is now handled by schools—by the Enterprise and Career Education branch.

**Senator CROSSIN**—Then that is another question I have for them. Can you provide statistical information on new apprenticeships? Do you have the number of apprenticeships, traineeships and new apprenticeships, by gender, from June 1995 to June 2001?

**Mr Walters**—I think we will have to take that on notice, because it is quite complex. The overall number of new apprenticeships in training at the end of December was 330,000. Over the 12 months to December 2001, female new apprenticeship commencements increased by 16.2 per cent to 100,500. Female commencements in this period were 43.6 per cent of all commencements, compared with 41.6 per cent for the 12 months to December 2000. Between 31 December 2000 and 31 December 2001, the number of female new apprentices in training increased by 20.1 per cent from 95,300 to 114,400. As of 31 December 2001, women represented 34.3 per cent of all new apprentices in training, compared with 32.2 per cent the year before.

**Senator CROSSIN**—Figures from the NCVER suggest to me that the proportion of female apprentices compared with the total number of trainees and new apprentices increased

from 27.5 per cent in 1995 to 41.1 per cent in June 2001. Does this correlate with your figures?

**Mr Walters**—We do not have the 1995 figures handy, but in training we had 34.3 per cent at December 31 2001, and I think commencements were 43.6 per cent as at December 2001. So there has been a substantial increase.

**Senator CROSSIN**—Those figures seem to correspond, within 0.1 or 0.2 percent, with the NCVET figures that I have done some research on. I cannot anywhere find any justification for the numbers used in the letter that came with the little ‘stress brain’ Senator Vanstone sent everybody for International Women’s Day, alleging an increase of 480 per cent in the number of females in new apprenticeships since 1995. Did your department have any input into that figure? If not, can your department verify for me how the Office of the Status of Women came up with that figure? For the life of me, I cannot find how an increase of 480 per cent in the number of females in new apprenticeships over that six-year period has been calculated.

**Mr Walters**—I had better take it on notice to get hold of one of Senator Vanstone’s brains and investigate.

**Senator CROSSIN**—I am happy to give you a copy of the letter that came in the mail with that object. The best that I can find for the increase over that five-year period is, as you say, around 16 per cent in one area, and another calculation I have found is just over the 50 per cent mark; but I cannot find a 480 per cent increase in females. This letter says that in 1995 there were 23,400 apprentices in training and that in 2001 there were 112,500 apprentices in training. This suggests that the total increase is wholly attributed to the increased number of females, which my figures show is definitely not possible. Surely some men have started as new apprentices in training in that period. If I give you a copy of the letter, would your department take it on notice to verify for me how the increase of 480 per cent in the number of females was calculated?

**Mr Walters**—As you know, there has certainly been a substantial increase in the number of new apprentices overall and there has been a substantial increase in the number of females; but I would rather take that on notice and check it out for you.

**Senator CROSSIN**—Thank you very much.

**Proceedings suspended from 6.34 p.m. to 8.08 p.m.**

**CHAIR**—The committee is considering issues relevant to the higher education group, outcome 2 and outcome 3.

**Senator CARR**—Mr Burmester, are you taking questions for the division list?

**Mr Burmester**—That is correct.

**Senator CARR**—I am wondering if you could confirm for me that the higher education report for the triennium has on the last three occasions reported on the actual operating result for the whole sector.

**Mr Burmester**—I cannot confirm that off the top of my head, Senator, because I have only got the last funding report with me; I have not got the previous two.

**Senator CARR**—Have we got the previous two here? Have we got copies of the triennium reports anywhere?

**Mr Burmester**—The latest report does, in fact, give and provide information on the previous years. So, from the latest report you can find out.

**Senator CARR**—You can take my word for it that it does. In fact, I will put to you that it actually occurs in the previous three reports. We can confirm that, do you think?

**Mr Burmester**—Certainly.

**Senator CARR**—Can we confirm that attachment D, entitled ‘Diversity of performance of the Australian universities,’ the ‘Higher Education at the Crossroads’ paper lists information on the context and scale of operation and governance of individual institutions, including revenues, fields of study, student enrolments, staffing, research, funding and finance, for each individual university in Australia?

**Mr Burmester**—Attachment D does refer to the diversity of the higher education system and it covers, as you have mentioned, a range of indicators and that is listed by each university.

**Senator CARR**—Can you describe to me, Mr Burmester, the purpose of the profiles reports and the visits that you had over the last year—not each one of them?

**Mr Burmester**—The profile reports are the mechanism by which we account for the performance and the delivery of the government’s requirements from the universities that are funded. They cover a wide range of matters, not only the ones that you have mentioned in regard to the diversity one. They go to the provision of places, their research plans, their quality assurance plans, their equity plans and so forth.

**Senator CARR**—So they are quite detailed, aren’t they?

**Mr Burmester**—Yes, they are quite detailed and cover a wide range of aspects of the universities’ operations.

**Senator CARR**—How has their mission and the conduct of the profiles process changed over the last five years?

**Mr Burmester**—It is fair to say that the nature of the profiles documentation and the discussions we have with universities following the presentation of the documentation is always evolving. Even from five years ago, they were different from when they were initially introduced, and that has continued to evolve over that period.

**Senator CARR**—In terms of the department’s view, do you think they are now providing you with more information than you have had before?

**Mr Burmester**—They are providing a different range of information. I could not say whether it is more or less. They are providing a number of their own internal documents that are available within the university as part of that, so it is not all necessarily information generated just for the Commonwealth.

**Senator CARR**—No, they are often said to be intrusive. I understand that. That is the complaint of some vice-chancellors. I know there have been public expressions of frustration at the reporting requirements. You would acknowledge that, wouldn’t you Mr Burmester?

**Mr Burmester**—Yes, and that is one of the matters which the higher education review will be considering.

**Senator CARR**—But from a departmental point of view, are they useful devices in understanding how institutions are going?

**Mr Burmester**—Certainly, that is their purpose.

**Senator CARR**—Does every university receive a visit in the profiles round?

**Mr Burmester**—My understanding is—not having participated in the most recent rounds—that each university was in fact visited, but universities have been informed that this year we will not be visiting every institution.

**Senator CARR**—Why is that?

**Mr Burmester**—There is a great deal of information we can gain from the documentation that they provide. Given that there is a review of higher education under way, we felt that, until we consider that range of issues that go to the nature of reporting to universities, this year we would focus on the review, and not necessarily visit every university.

**Senator CARR**—But you do get a fair bit of information, in fact a considerable amount of information, from the reporting requirements that you have in place?

**Mr Burmester**—Yes.

**Senator CARR**—When you do make a visit what sort of issues are discussed?

**Mr Burmester**—There would be a general set of agenda items that would go through the basic accountability requirements of a university under the act, plus for each university, if we had identified from our analysis of their documentation particular issues within a university, we would follow those up with the university staff.

**Senator CARR**—With the staff themselves?

**Mr Burmester**—With the people representing the university at the profiles, usually the vice-chancellor.

**Senator CARR**—So you talk to the administration. Do you talk to the staff?

**Mr Burmester**—It depends on what matters we are dealing with. Throughout the year there is contact between the division and a range of people in universities. For example, equity officers would no doubt have discussions, from time to time, with the people running the equity program. The statisticians, no doubt, would talk to the administration officers about the collection—

**Senator CARR**—But you do not just rely on the documents; you do not just rely on what the vice-chancellor tells you, do you?

**Mr Burmester**—The documentation covers a range of matters. We do our analysis and then meet with the university to follow up any of the issues that we believe warrant following up with the university.

**Senator CARR**—I see. How many universities do you expect to visit this year? You have said that you are not going to visit all of them, so how many of them are you going to visit?

**Mr Burmester**—We have not determined the final number of universities that we intend to visit or how that might be undertaken but I would expect that we would probably do 15 or so. That is just a preliminary estimate in my mind about the number of universities that we would want to visit this year.

**Senator CARR**—How would you pick the 15?

**Mr Burmester**—There would be a number of indicators or issues in their documentation that may lead to us wishing to meet with the university. That is why I say that we have not determined a list of universities; we have not received their profile documentation as yet and therefore we have not made an assessment of the basis on which we would wish to talk to them further.

**Senator CARR**—What records are actually kept by the department of the profile visits?

**Mr Burmester**—Minutes are taken—they are not verbatim minutes—of the meeting and a profile record is compiled following the visit. That goes onto the university file as a record of the interchange and records the understandings or undertakings that were agreed at the profiles meeting.

**Senator CARR**—What sort of financial data do you actually request as part of that profile process?

**Mr Burmester**—In the last few years we have been requesting the financial accounts of the universities, from which we undertake a range of analyses to establish the financial standing of each of universities.

**Senator CARR**—Could you provide me with a copy of the instructions that you send to the universities regarding these profile visits?

**Mr Burmester**—I am sure we could.

**Senator CARR**—Does the department provide the financial position of each university in that profile process?

**Mr Burmester**—I am not sure of exactly the information that is provided back to the university prior to meeting with them. My understanding is that our analysis of their financial position is returned to them prior to the meeting so that when we get there we can have a discussion about that. Perhaps Stella could confirm that.

**Ms Morahan**—The financial analysis is sent to the universities and, as Mr Burmester has stated, there is a discussion of that analysis. The comments or views of both parties are recorded in the minutes of the profile visit, where that is appropriate.

**Senator CARR**—So you provide the university with your analysis of their financial statements?

**Ms Morahan**—That is correct.

**Senator CARR**—And then you keep a record of the dialogue that occurs around that document.

**Ms Morahan**—Where that is warranted, where there are any significant issues.

**Senator CARR**—None of this I would find extraordinary. In the preparation of those discussions does the department receive a three-year forward projection of the planned student enrolments?

**Mr Burmester**—I am not sure whether we do.

**Ms Morahan**—Yes.

**Senator CARR**—Do these enrolment projections include the Commonwealth HECS liable students and the fee paying students, both domestic and overseas?

**Ms Morahan**—They include operating grant load, so HECS liable but also HECS exempt non-fee paying and the overseas fee paying students and domestic fee paying students.

**Senator CARR**—That is right. Essentially it is the HECS liable, fee paying students, both domestic and overseas?

**Ms Morahan**—That is correct.

**Senator CARR**—Thank you. Does the department make estimates of the income and expenditure for each of the universities on the basis of these enrolment projections?

**Ms Morahan**—Yes.

**Senator CARR**—What other factors affect the estimates of income expenditure? For instance, questions such as failure to meet revenue targets or over capitalisation—would that be part of your assessment as well?

**Ms Morahan**—Yes.

**Senator CARR**—Does the department draw inferences or conclusions about the current and future borrowings of the universities based on projection capital activity levels?

**Ms Morahan**—Yes.

**Senator CARR**—How many universities actually have an external debt?

**Ms Morahan**—I would need to take that on notice.

**Senator CARR**—Thank you. And could you also, while you are there, provide me with advice on the current levels of debt at each of these universities that are—

**Mr Burmester**—Senator, just to clarify the nature of your question, we could provide that for the last financial year. We would not have the accounts from the university—

**Senator CARR**—No, this is the information you have available to date; I appreciate that. It is a bit hard to predict what they are going to have in some of these matters. You can project it but you cannot necessarily know precisely. Can you also tell me what information the department collects about the conditions of the loans. Do you actually know what the conditions of the loans and repayments are?

**Ms Morahan**—No.

**Senator CARR**—I want you to think about that.

**Mr Burmester**—There is probably a range of grounds on which a university would enter into external debt—and for various purposes, and for various income streams. They are not all necessarily contingent on Commonwealth funding.

**Senator CARR**—No, they are not.

**Mr Burmester**—For example, there would be commercial arms of universities that would no doubt have such arrangements, which are basically not involving Commonwealth funds and therefore the terms and conditions under which they are entered into would hardly be important to the Commonwealth.

**Senator CARR**—Yes, that is right. But take, for instance, Melbourne university, where there is a loan of \$150 million. I have discussed this in the past; I have seen the documents; I know it is true. There is a caveat on the loan that the operating surplus for the university would have to be 2½ times the repayments. Wouldn't that be a matter that you would know about?

**Ms Morahan**—We have undertaken analysis, and it was also discussed in profiles. The university assured us that they were able to meet the requirements of that loan, and there was nothing in their financial statements for the year 2000 that led us to dispute that.

**Senator CARR**—My question is not about the veracity at this point; the question I am asking you is: what information are you provided with about the conditions of loans and repayments, all of which affect, I would have thought, the financial standing of the university? Wouldn't that be a matter that you would discuss with them in the profiles?

**Mr Burmester**—The overall level of debt of a university, their financial capacity, operating result and so on, are obviously all of interest to the Commonwealth and are discussed. Where the level of debt is such that our analysis shows that it would put a university in some

area of concern for the Commonwealth, then we would take it up with them and discuss it in more detail. But I have not been involved in those sorts of discussions, so I cannot say whether or not it has occurred in the past.

**Senator CARR**—It occurs to me that, if the documents in regard to, say, Melbourne University Private that I have discussed here, and the ones that clearly indicate the situation at Melbourne University, are available around the traps, they would be discussing it with you.

**Mr Burmester**—Where there is an undertaking by a university which is having a negative impact on its operations, that would be a matter which we would need to discuss with the universities. I am not sure that is the case with Melbourne University Private, but if, in the records, that became apparent, then we would follow it up with the university.

**Senator CARR**—Mr Burmester, this is a \$150 million loan with a caveat on it that says that the university has to have an operating surplus, which I understand is 2½ times the repayments. That would be a matter, surely, that would go to issues that you would be concerned about.

**Mr Burmester**—I am not familiar with the particulars of that loan, so I cannot answer that question. I do not know what has been discussed in this committee before about that loan. It sounds like it has already been discussed to some extent.

**Senator CARR**—I can assure you it has. As a normal process, the issue I am putting to you is this: as a normal process through the profiles process, wouldn't you gather information of that type?

**Ms Morahan**—Yes.

**Senator CARR**—Thank you. Do you collect information on universities where you might suspect that the university is experiencing a cash flow problem?

**Mr Burmester**—That would be one of the first things I think our financial analysis would be directed to.

**Senator CARR**—I am sure it would be. Do you project over the forward planning period the financial health of individual institutions?

**Ms Morahan**—Yes. We are not, of course, in possession of the full facts, and that is one of the issues that is discussed in profiles.

**Senator CARR**—So you would have an analysis of what you think over the forward period the financial health of an individual institution is; you would make predictions. I will just go back over the things you have said to me that you collect. You said to me that you send them a three-year forward projection of planned student enrolments. You have agreed with that. You have said to me that you provide the projections based on the Commonwealth HECS liable student places, and the numbers of fee paying students—both domestic and overseas. You have indicated to me that you collect information on income and expenditure. You have indicated to me that you collect information on their debt levels. You have already indicated to me that you collect information on a whole range of indices. So when it came to the issue of whether or not a university was in financial trouble, presumably you would be in a reasonable position to determine that?

**Ms Morahan**—Yes.

**Mr Burmester**—Yes. That is the intention of our analysis.

**Senator CARR**—That is right. I would expect nothing less of you. And no doubt the university would have an opportunity to discuss with you the merits of your projections



versus their accounting techniques. I am sure there might well be departures from opinions on some of those matter from time to time. I have heard vice-chancellors tell me what a wonderful job they are doing and how they are operating on a particular set of figures, and then I read in the paper that the same institutions are in deficit, and they say that is down to an accounting difference. You would discuss that sort of thing with them, wouldn't you?

**Mr Burmester**—To the extent that there was an accounting difference, I think we could work our way through that. I think the interests of the Commonwealth in going to profiles would be to establish where our analysis indicated some cause for concern; we would test the university on whether that was a fair and reasonable assessment, and what strategies they intended to put in place to redress that.

**Senator CARR**—Thank you, Mr Burmester. When you discuss these things with the university, do you provide your projections in written format to each of the universities, in preparation for the profile visit?

**Mr Burmester**—We have already indicated that we do.

**Senator CARR**—What about where you do not have information? A classic case is salaries. Vice-chancellors tell me they never know what is going to happen in the next EB round. What assumptions are made? How do you handle that situation in your projections?

**Ms Morahan**—We are in a position to do modelling. We can model various impacts, again based on the knowledge in our possession.

**Senator CARR**—The modellers tell me that, under those circumstances, they use a flat line assumption. Is that term familiar to you?

**Ms Morahan**—Yes.

**Senator CARR**—Is that what you do?

**Ms Morahan**—For some items we use flat line analysis, but the model would allow us to model different scenarios.

**Senator CARR**—Mr Burmester, recently the minister made public comments in relation to the 'Higher education at the crossroads' report and said that some institutions are doing very well and some are not doing so well. Can you confirm that?

**Mr Burmester**—I believe that is some of the comment that is included in the crossroads report.

**Senator CARR**—Do you recall seeing a report in the press recently that the La Trobe University was having some financial difficulties, and that that was one of the nine institutions with a financial deficit?

**Mr Burmester**—I do recall some press comment on RMIT. There were two aspects to that. One was some initial difficulty with their computer system for student enrolments. The other was that, I believe for the next few years, they are running a cash deficit as they refurbish some of their buildings. They have an extensive refurbishment program. In that case, you would expect them to have a cash deficit—not that that would necessarily put them in too difficult a financial situation.

**Senator CARR**—A cash deficit for La Trobe?

**Mr Burmester**—Sorry. I was talking about RMIT.

**Senator CARR**—I mentioned La Trobe. Which one were you talking about?

**Mr Burmester**—Sorry. I have got my universities mixed up.

**Dr Shergold**—Senator, if you have a press release, could you read out what the gist of it is, so we know we are talking about the same thing?

**Senator CARR**—A press release?

**Dr Shergold**—You said there was something in a press release—

**Senator CARR**—Do you mean a press release that is ready for this conversation, or is this a press release I am going to write tomorrow? What are we talking about? A press release from me?

**Dr Shergold**—Senator, you asked my witnesses if they had seen a press release. I was trying to help proceedings—

**Senator CARR**—No. I said a press report.

**Dr Shergold**—A press report. If you could tell us which it was, we would appreciate that.

**Senator CARR**—It was an article on the front page of the *Age* about three weeks ago that gave a list of the universities. I have it here. I do not think it is a particularly confidential document.

**Mr Burmester**—I do not recall any issues being brought to my attention about La Trobe's situation, but there had been some matters brought to me with regard to RMIT.

**Senator CARR**—There are a lot of issues in this article.

**Ms Morahan**—It is the case that the financial statistics for universities are published in both hard copy and electronic copy form. From memory, the 2000 statistics are available on the Web.

**Senator CARR**—Can we say that, of those universities that are doing well, the top performers all belong to the 'Group of eight'?

**Ms Morahan**—Yes.

**Senator CARR**—Can you tell me the situation? Adelaide is in the group of eight, isn't it?

**Mr Burmester**—Yes, it is a member of the group of eight.

**Senator CARR**—Is it doing well?

**Ms Morahan**—Let me correct my statement here. As you know, it has faced a number of challenges where cash reserves have been reducing. They have now put in a number of strategies to improve their cash reserves.

**Senator CARR**—Can you indicate to it me, state by state. South Australia has some problems with the list. Is it possible to identify universities in terms of their strengths and weaknesses? Is there any pattern that emerges on a regional basis?

**Mr Burmester**—I was looking at attachment that you mentioned at the beginning of this conversation, attachment D of the funding report. I believe one of the indicators there is a measure of financial equity for each university listed by the universities, which is a first level indicator of their standing.

**Senator CARR**—We will cut this short. Is it not the case, though, that universities in the more regional parts of Australia are facing greater strains than those in Melbourne and Sydney?

**Mr Burmester**—I think as a general statement that would be true. They have a range of different challenges than metropolitan universities and some constraints on their ability to attract other revenue flows that some of the other universities would be able to tap into.

**Senator CARR**—I will go to the detail of this later on. We will go right through this. But take the Northern Territory, for instance. There has recently been a bailout in the Northern Territory. It is in a very different position from, say, Sydney or Melbourne universities.

**Mr Burmester**—That is correct. That is a fair assessment that there is a difference between the base on which NTU is trying to operate and some of the Sydney universities.

**Senator CARR**—Can you confirm for me—because this is where we get to the issues—that the information that is provided to the department is in fact a requirement of the legislation?

**Mr Burmester**—The legislation requires that the universities provide information to the Commonwealth, that is correct. I am not sure exactly what—

**Senator CARR**—That is the case. It is in the HEFA, isn't it, that there is a requirement for universities to provide a whole series of information to the Commonwealth, and that is the legislative basis on which you seek from universities this sort of detail. It is also the case, is it not, that this is information that the department actually seeks on the basis of an authority given by this parliament?

**Mr Burmester**—That is correct. I would also add that, in determining the sorts of information we get, we try a collaborative approach with the universities, with the AVCC, to ensure that our requests are not only reasonable but practical and that the universities will be able to provide the information. So there is a discussion with the sector prior to finalising the information that we do collect.

**Senator CARR**—I would expect nothing more from you—nothing less for that matter—than that you would provide reasonable requests for information to the universities and that in turn that the universities would understand—and I want you to confirm this for me—that universities are required to provide this information as a condition of grant. Is that not the case?

**Mr Burmester**—Yes. The act requires that they provide a profile to the department in a form that the minister determines to be eligible for an operating grant.

**Ms Morahan**—It is also a requirement that universities acquite their grants in the approved form, and the financial statements are part of that requirement.

**Senator CARR**—Again, that is very reasonable. Is the summary of this information actually provided in the triennium report?

**Mr Burmester**—Yes.

**Senator CARR**—I do not think you will carry this with you but, having gone through all of that, I would like for you now to provide the Senate estimates committee with a copy of the forward projections for the current triennium on the operating results for each of the higher education institutions in Australia.

**Mr Burmester**—I would need to take that one on notice and take some advice. I am not personally familiar with the basis on which we have sought that information and made those projections and whether there have been undertakings of confidentiality given to some universities in that process. I will need to take that question on notice.

**Senator CARR**—What you will need to do when you get that advice is to confirm what I have said to you and what you have said to me throughout this evening's work: that the information is required by an act of parliament and is required as a condition of grant.

**Mr Burmester**—I believe you went beyond what we require from the universities to ask for copies of our own projections and the basis on which the universities have provided in-

formation on which we can perform those projections. That will be the issue on which I seek advice.

**Senator CARR**—When you do that, show me the clause in HEFA that says that commercial-in-confidence is a grounds for not providing information to parliament.

**Mr Burmester**—I will establish that.

**Senator CARR**—Thank you. Could you also identify for me the specific reporting requirements of the Senate that would prohibit the provision of this information?

**Dr Shergold**—We have taken the question on notice and, as we have said, we will come back to you with our assessment of whether it is commercial-in-confidence and the basis for that decision.

**Senator CARR**—I am asking you further than that: for the clause in the act.

**Dr Shergold**—There are a number of grounds. It could be the clause in the act; it could be from elsewhere. We will take it on notice.

**Senator CARR**—Dr Shergold, what is the process for the legal branch responding to a return to order from the Senate?

**Dr Shergold**—I would not like to hazard a guess on a hypothetical example.

**Senator CARR**—Given we are now discussing the possibility that the department will not be able to provide this information—

**Dr Shergold**—Senator, I am not going to answer on a hypothetical what our answer to the question we have taken on notice will be.

**Senator CARR**—I will give you a specific case. Perhaps Mr Kriz can tell me how you dealt with the return to order on the schools states grants matter that we dealt with last year. Would you be able to indicate to me how that was dealt with?

**Mr Kriz**—Certainly, to the extent that it does not involve actually going into the legal advice itself.

**Senator CARR**—No; but the process in the department. How does it all work?

**Mr Kriz**—We act on instructions, like any other legal advisers. So, when an area—

**Senator CARR**—Let us take the last one you did—the States Grants Act, last year. Remember? I asked for a whole lot of material on the States Grants Act relating to the provision of information about the SES codes for schools.

**Mr Kriz**—Yes, Senator.

**Senator CARR**—Did you deal with that?

**Mr Kriz**—It is the same approach as in any other request. We act on instructions from the client area, be it from the executive, a particular group or the minister.

In relation to these sort of issues—claims which might involve the minister actually claiming public interest immunity before this committee or another forum in parliament—the issue is examined on the basis of what has been found to be acceptable, what the approach has been in the past and the advices provided to the minister. The minister makes a decision as to whether he or she wishes to make such a claim. There are governmental processes which are involved whereby the Attorney-General and the Prime Minister's office are involved as well—not just for our department but for every department—and the matter proceeds like that.

**Senator CARR**—Can you explain to me what public interest immunity is?

**Mr Kriz**—The issue of public interest immunity, as far as this committee or other parts of parliament is concerned, is really not a justiciable issue. At the end of the day, it is a question of numbers.

**Senator CARR**—So it is a matter of numbers?

**Mr Kriz**—Absolutely. This is not something that is justiciable; it is an issue of whether this forum is prepared to accept the claim by the minister or not, whether it wishes to exercise its powers or not.

**Senator CARR**—A very honest answer, thank you, Mr Kriz. How long do you think it will take us to get an answer on that, Dr Shergold?

**Dr Shergold**—I do not know, Senator.

**Senator CARR**—It is not something you are prepared to consider overnight?

**Dr Shergold**—No, Senator.

**Senator CARR**—Then we will wait upon your reply. I trust that when you do you will examine the *Hansard* pretty carefully. I trust that that will be part of your consideration on the matter. Thank you very much, Dr Shergold and Mr Kriz. Can I go through some other matters. In the cross-portfolio discussions yesterday I raised some questions about indexation arrangements within the department. I basically have to go around to each of the divisions to have explained to me what the indexation arrangements are for higher education. Mr Burmester, I take it you are aware of that.

**Mr Burmester**—Yes, I am aware of that request.

**Senator CARR**—Can you provide us with advice as to how the indexation arrangements are calculated for your division?

**Mr Burmester**—Apparently, we have provided this advice before and we can give you a reference to that. Simply, the higher education cost adjustment factor is made up of two components: 75 per cent is based on the safety net adjustment factor and the remaining 25 per cent is indexed using CPI. It is a cocktail of those two factors, both of which are advised to us by the department of finance.

**Senator CARR**—I see. How do your indexation arrangements work by comparison with the other divisions—for instance, schools?

**Mr Burmester**—I am not sure of the basis of the schools index.

**Senator CARR**—What is the net effect of it?

**Mr Burmester**—In the last budget, for example, the contribution of indexation to the increase in operating grant was about \$70 million, I believe.

**Senator CARR**—It was \$70 million?

**Mr Burmester**—That is right, Senator.

**Senator CARR**—How does that compare with the other divisions? I presume you have had a good look at that.

**Mr Burmester**—I personally have not had a good look at that; I was concerned about making sure I had the information on higher education for you.

**Senator CARR**—I would have thought, though, that it would be an issue that you would have a glance over from time to time.

**Mr Burmester**—Just to confirm that answer, a major component of the increase between 2001-02 and 2002-03 was some \$70 million due to indexation.

**Senator CARR**—That is \$70 million on a \$3.7 billion budget?

**Mr Burmester**—I think that is—

**Senator CARR**—My apologies. I have got to take out the VET from that, but, yes, basically \$4 billion.

**Mr Burmester**—That would be about right.

**Senator CARR**—\$70 million?

**Mr Burmester**—That is correct.

**Senator CARR**—I looked at the schools one and I saw it was about \$1.6 billion, and you have got \$70 million.

**Mr Burmester**—They are the figures that I have got.

**Senator CARR**—So you are pretty certain that is right?

**Mr Burmester**—Yes.

**Dr Shergold**—What he is certain of is in terms of higher education.

**Senator CARR**—Yes, that is all I am asking him. It seems to me such a remarkable contrast with other sections of the department. Regarding the government's election commitments, I wonder if you could draw my attention to these items in the budget. The government said before the last election that they were going to provide 28,000 new domestic undergraduate places over five years. That is at an additional \$198.3 million. Where will I find that in the budget?

**Mr Burmester**—I think that was in last year's budget, but I will just confirm that with Ms Morahan.

**Senator CARR**—This was before the election?

**Mr Burmester**—It was part of the Backing Australia's Ability package.

**Senator CARR**—It is just that the election commitment was made after then.

**Mr Burmester**—The provision of additional places that are provided for in the current forward estimates are covered by Backing Australia's Ability.

**Ms Morahan**—They are the pipeline effect of Backing Australia's Ability plus the regional places.

**Senator CARR**—But they made this commitment after you announced Backing Australia's Ability. Obviously it was not referring to that, surely? The government would hardly announce a promise that they had already started on, would they?

**Mr Burmester**—I do not have the basis from which you seem to be quoting. The government may well have confirmed that—

**Senator CARR**—It is a document 'Investing In Higher Education'. Are you familiar with the government's election promises?

**Mr Burmester**—We had a look at them prior to the return of the government.

**Senator CARR**—You did not do any work on them?

**Dr Shergold**—It is not unusual in documents, going into an election, to talk about a range of forward commitments, some of which may have been made before the election and some of which are made during the election. It is quite normal.

**Senator CARR**—That is normal?

**Dr Shergold**—It is quite normal to talk about what forward commitments are in terms of the number of school places, the number of university places—

**Senator Troeth**—I think it is called an election policy.

**Senator CARR**—It is probably called an election promise, which is probably in the same category.

**Senator FERRIS**—It might be a bit of a surprise to you—

**Senator CARR**—If I was to look at the forward estimates, can you show me what the number of places created would be in 2003-04?

**Mr Burmester**—Built into the forward estimates there is an increase between 2001-02 and 2002-03 of \$33 million for the flow-on effect of the increased places under the Backing Australia's Ability package.

**Senator CARR**—So how many places will that be?

**Mr Burmester**—The flow-on effect of the initial places and the 670 regional places announced in the last budget together provide for that \$33 million.

**Senator CARR**—Sure. I am trying to get the number of places that are created by \$33 million. How many would that be?

**Mr Burmester**—I am hesitating because I am not sure of how much of the pipeline has kicked in between those two years. I will need to confirm that figure.

**Senator CARR**—Do you want to take that on notice then?

**Ms Morahan**—If I could answer that question shortly.

**Senator CARR**—That is fine.

**Senator CROSSIN**—Do you have a breakdown of whether or not these 670 places have been taken up and, if they have been taken up, the universities at which they were allocated?

**Mr Burmester**—When places are allocated to universities, they are included in their load for the years in which the increased places are provided and the universities have to, at the end of the year, provide us with information that shows that they have filled their places—fully enrolled their funded places. From year to year there may be one or two universities that do not meet their target and that is one of the issues we take up with them at the profile discussion.

**Senator CROSSIN**—The 670 places were due to kick in this calendar year; is that correct?

**Ms Morahan**—That is correct.

**Senator CROSSIN**—Universities will not have reported back against that target at this stage; is that right?

**Ms Morahan**—That is correct, although the preliminary estimates would indicate that universities have increased their enrolment this year compared with last year. They were already over-enrolled.

**Senator CROSSIN**—All universities?

**Ms Morahan**—Not all universities are over-enrolled.

**Senator CARR**—In fact, some are under-enrolled aren't they?

**Ms Morahan**—To return to the question about the total pipeline, by 2005, there will be an additional 7,310 places arising from the 2,000 places under Backing Australia's Ability and the 670 regional places.

**Senator CARR**—But what about the total number of places, effectively, as a result of the funding that is in the budget? We are assuming that these are the forward estimates; we are taking it from Backing Australia's Ability as a starting point. The additional places are 7,300?

**Ms Morahan**—Backing Australia's Ability and the regional places.

**Senator CARR**—Yes, but the total whack—I have not missed anything? There are none tucked away somewhere I have not seen? It is 7,310 places for one year?

**Ms Morahan**—Per year.

**Senator CARR**—Per year, and that is over a four-year period?

**Ms Morahan**—No. By 2005 there will be an additional 7,310 places.

**Senator CARR**—You are saying that I should aggregate that? There are 21,000 places—is that what you are saying?

**Mr Burmester**—The way that university places are provided are that, in the first year, the number is provided. Obviously those students who enrol in those places have to continue to the completion of—

**Senator CARR**—I do understand what the pipeline is.

**Dr Shergold**—We would not multiply the 7,000 by three.

**Mr Burmester**—The end point of the pipeline is a continuing—

**Senator CARR**—I thought that is what they were saying, Dr Shergold. All I am trying to do is let the officers actually answer the question.

**Dr Shergold**—I thought you said that you understood, and it was clear from what you were saying that you did not.

**Senator CARR**—I understand what it is. When I asked the question 'What is the total number of places?' I was told that it was 7,310 per year.

**Mr Burmester**—That is the ongoing increase in the number of places at the end of the pipeline effect.

**Senator CARR**—Where do I find the 28,000 undergraduate places promised in the government's election statement?

**Ms Morahan**—If you add the additional places created each year—

**Senator CARR**—That is it? Is that your answer?

**Ms Morahan**—There would also be some flowthrough of undergraduate places that have been created, as a result of the transfer of gap places from the research training scheme into undergraduate places.

**Mr Burmester**—I believe the figure of 28,000 that you quote is a reference to the number of additional students that will be in the system at any point in time as a result of those increases.

**Senator CARR**—We might need to come back to this in the morning. I will give you a chance to have a look at this, because my reading of the position was that it said 28,000 new domestic undergraduate places. Anyway, I will let you have a look at what we have talked about tonight. In the statement here, it says there will be an increase in the number of postgraduate courses by over 30,000 through PELS. Have you got an indication of those numbers yet?

**Ms Morahan**—Sorry, I did not hear the question.



**Senator CARR**—The election promise was an additional 30,000 postgraduate places. Can you show me where I can find those? That is through PELS, of course. I know the PELS take-up rate has been very high, but can you show me where I would find an indication of the 30,000?

**Ms Morahan**—In the forward estimates?

**Senator CARR**—Yes.

**Ms Morahan**—I am not quite sure what you are looking for in the forward estimates. The funds for PELS will appear in the cash statement, but PELS will have a positive impact—

**Senator CARR**—In accrual accounting, how does PELS calculate?

**Ms Morahan**—In accrual accounting, PELS has a positive impact on the fiscal balance.

**Senator CARR**—Really? What sort of debt level do you think will come about as a result of this?

**Mr Burmester**—Under accrual accounting, a loan such as PELS or HECS is not a liability; it is an asset, because it is money owed to the Commonwealth. Going back to your reference to 28,000 places, I believe that is a count of the total increase in EFTSU, provided in a four-year period, due to increases in student places. Over the five-year period, it is equivalent to 28,000 EFTSU of teaching, load, or whatever you want to call it, within the universities.

**Senator CARR**—Do you think that is already taken into account in the normal indexation arrangements?

**Mr Burmester**—No. They would have been included in the forward estimates whenever the government decided to increase the number of places. In this year, there was no specific measure reflected, because they were included in the forward estimates.

**Senator CARR**—Will it require a specific measure to get up to that number?

**Mr Burmester**—No. The creation of the places and the allocation of places to the universities over those years increases their load, which they are bound to meet by enrolling more students.

**Senator CARR**—How much has the load increased this year through this budget measure? How would I find that?

**Mr Burmester**—We will be able to work that out fairly quickly. We can quickly calculate the year by year increase.

**Senator CARR**—Thank you. That would be appreciated. I noticed there was another commitment in the document that said there would be an increase in the number of graduating postgraduate research students by lifting the load completion rates for postgraduate degrees. Is there anything in the budget which would point to that matter?

**Mr Burmester**—Again, I am not familiar with that. I believe it was part of the Backing Australia's Ability package.

**Dr Arthur**—I do not know since, obviously, we were not involved in the preparation of that document. I would think that that is a reference to the policy change that was brought in in the research paper prior to Backing Australia's Ability, the introduction of the research training scheme, which provided a strong incentive in the formula for allocation of research training places to completion of degrees. I would speculate that that comment is referring to the effect of a policy measure, not of a spending measure.

**Senator CARR**—I see, a policy measure. That is, what, 18 months before the election?

**Dr Arthur**—I do not have that date in my head, but that seems a reasonable estimate.

**Senator CARR**—It was quite a considerable period before?

**Dr Arthur**—I do not challenge the accuracy of the estimate.

**Senator CARR**—It was a fair while before. How has the department responded to that? Has there been any change in the department's strategy? You said it was a policy response. How would we see that sort of policy response in the department?

**Dr Arthur**—As part of the accountability process, specifically in the profiles, we have been monitoring the effect of that policy on universities and their overall implementation of the research training scheme. An important part of the profiles documentation we require is an item known as the research and research training management plan. That plan is required to contain commentary on their approach to research training, including their approaches to ensuring appropriate completion rates.

**Senator CARR**—There was a promise of 25 federation fellowships a year.

**Dr Arthur**—That measure is administered by the ARC, and you would need to ask the ARC about the detail of that.

**Senator CARR**—You have no knowledge of whether or not a new 25 have come on this year?

**Dr Arthur**—I am aware that the minister announced the first number of federation fellows. I would need to take on notice whether he announced 25, because, as I recall, there was some issue in relation to whether all of those were completed.

**Senator CARR**—I would appreciate it if you could do that for me. Could you show me where in the budget I would find the next 25?

**Dr Arthur**—The funding for that would certainly be included in the funding for the ARC, and the increased funding that is in the estimates for the ARC. I would need to go back to the ARC to get the details.

**Senator CARR**—If you could, please. I did not notice any specific budget measure on that.

**Dr Arthur**—No, there is none.

**Senator CARR**—That is what I thought. I asked the ARC where I would find any new moneys in the budget and was told there was none.

**Dr Arthur**—That is correct.

**Senator CARR**—Thank you.

**Dr Shergold**—I think it is not in there because it is not a new budget initiative this year.

**Senator CARR**—That is what I said.

**Dr Shergold**—That is the reason you would not find it. What is in this year's PBSs is the new budget initiatives.

**Senator CARR**—I did say that. Furthermore, I asked if there were any new moneys in this budget for the ARC.

**Dr Arthur**—Clearly, as you are aware, there is increased funding for the ARC but there are not measures within the specific terms.

**Senator CARR**—There is no new money?

**Dr Arthur**—Not within the understanding of the term ‘a budget measure’, no.

**Senator CARR**—Not in the normal understanding of the concept of new moneys?

**Dr Shergold**—This is the big issue we have been talking about. There are significant increases in the budgets in our department, for example, which are unrelated to specific new budget measures this year. Most of the increase in funding in the department is a flow-on effect of previous decisions; it is not related to this year’s specific budget measures. In a sense, this is a variation of the discussion we had last night.

**Senator CARR**—How much money has been allocated for the Biotechnology Centre of Excellence?

**Dr Arthur**—From this portfolio, specifically from the ARC, funding is around \$23 million.

**Senator CARR**—It is \$23 million. The election promise was for \$46 million.

**Dr Arthur**—That was the money provided by the ARC; the balance is provided from the Industry, Tourism and Resources portfolio.

**Senator CARR**—So Industry are putting in the other \$23 million?

**Dr Arthur**—They are putting the balance of the funds in, yes.

**Senator CARR**—I suppose one should not be confused by a policy statement in Education that said that \$46 million was going to be funded when in fact only \$23 million was going to be funded.

**Dr Arthur**—Offhand, I do not know whether the document refers to the government providing that rather than a specific department.

**Senator CARR**—Yes, I know. I guess you have to have your eyes wide open when you read these documents. There is \$139 million to establish an ICT Centre of Excellence. How much was provided for that?

**Dr Arthur**—Again, that was split funding—some of the funding coming from the ARC and some of the funding coming, in this case, from the Communications, Information Technology and the Arts portfolio. From the ARC some \$63 million has been provided.

**Senator CARR**—Do you have in your brief there where the remainder is coming from?

**Dr Arthur**—Sixty three million dollars—and I have not got the subtraction, I am sorry.

**Senator CARR**—What is the total amount?

**Dr Arthur**—Over five years, \$130 million.

**Senator CARR**—So it is \$130 million, not \$139.5 million?

**Dr Arthur**—That is what I have in my brief, but I do not have the price basis of that so I cannot guarantee that.

**Senator CARR**—There is clearly a discrepancy of \$9.5 million there somewhere.

**Dr Arthur**—As I say, I do not know the price basis of the figures.

**Senator CARR**—And that was \$63 million? Is that over five years—or what length of time?

**Dr Arthur**—Over five years.

**Senator CARR**—In terms of the specific research projects in basic and applied and collaborative research, how much money is in the budget for that?

**Dr Arthur**—I do not have a brief with me in terms of the dollars involved for the doubling of the ARC competitive grants. However, that was pretty clear—

**Senator CARR**—We are not dealing with research now. Is there another component of the department dealing with research?

**Dr Arthur**—In terms of the department—

**Senator CARR**—I do not mind if you want to take it to research—

**Dr Shergold**—Part of it is in research. Many of the questions you are presently asking Dr Arthur relate to the ARC.

**Senator CARR**—Sure, but this is a departmental agency.

**Dr Shergold**—The ARC have already been before you.

**Senator CARR**—Yes, they have, but it is not unusual for Dr Arthur to have these sorts of pieces of information.

**Dr Shergold**—If he has, it is good, but he is not here for the ARC. He happens to have had some of those pieces of information.

**Senator CARR**—What we are doing, Dr Shergold, is going through the budget measures in higher education, which includes both teaching and research as a rule. Unless that definition has changed under the restructure, I guess I would have thought I was in the right to ask questions about budget measures in higher education that relate to teaching and research.

**Dr Shergold**—That is correct. Some of them are going to the ARC and Dr Arthur is answering as many of those questions as possible. Other questions we will put to the ARC on notice.

**Senator CARR**—There is a measure in the budget in regard to Bond, Melbourne university, Christian Heritage College, Tabor College and the University of Notre Dame to change their standing on HEFA. Is that right?

**Mr Burmester**—That is correct. There is a proposal announced in the budget to allow access from students of those universities to PELS.

**Senator CARR**—Just to PELS?

**Mr Burmester**—Correct, Senator.

**Senator CARR**—Wasn't the commitment to include them in HEFA? Would that mean to put them on the schedules?

**Mr Burmester**—The commitment was to provide access to their students to PELS.

**Senator CARR**—I have got here that it is HEFA.

**Mr Burmester**—We will have to amend HEFA to allow them access to PELS.

**Senator CARR**—Are there any proposals within the department to amend schedules 1 and 2 in HEFA?

**Mr Burmester**—I believe the amendments for the higher education funding bill are about to be introduced to the House and I am not sure that we usually discuss bills that are before the parliament in Senate estimates.

**Senator CARR**—I think you do.

**Mr Burmester**—I am advised that the bill was introduced into the House at 9.30 yesterday.

**Senator CARR**—That saves you, I suppose, under your definition. I tell you what it does mean though: it is fair enough.

**Mr Burmester**—I can confirm that the bill goes to affect the budget measure to provide PELS to the students at those four universities.

**Senator CARR**—Thank you very much, Mr Burmester. I think what we are going to need to do, given that we cannot discuss it now, is have a bills inquiry, which is fair enough. Thank you very much. In terms of the proposal to review the veterinary profession, where do I find that?

**Mr Burmester**—That is in the PBS.

**Senator CARR**—How much is allocated to that?

**Mr Burmester**—The budget measure provides \$100,000 to conduct a review and I understand that there were other funds provided to the portfolio covering AFFA—whatever AFFA stands for—

**Senator Troeth**—Agriculture, Fisheries and Forestry—Australia.

**Mr Burmester**—I am just about to be shot!

**Dr Shergold**—Well done, Mr Burmester, there is your career in ruins.

**Senator CROSSIN**—That is the benefit of having somebody here who knows that.

**Mr Burmester**—So there are further funds allocated for the implementation of the findings of that review.

**Senator CARR**—How much more is allocated for that?

**Mr Burmester**—It is in another portfolio; I believe it is in the order of about \$2 million in the forward years, but I do not know beyond that.

**Senator CARR**—But it is not part of this budget before us at the moment?

**Mr Burmester**—It is announced in this budget, and no doubt you would find it in their PBS.

**Senator CARR**—Thank you. In terms of the proposal to increase researcher's salaries by 2002 by between 18 and 42 per cent, where would I find that measure?

**Dr Arthur**—Again, you would not find it as a measure; you would find the funding required to carry out the measure in the detail of the ARC funding. That is a matter which is with the ARC and is a—

**Senator CARR**—So there is no new money to cover that particular angle?

**Dr Arthur**—There is no specific budget measure, no.

**Senator CARR**—The document that I have here talks of providing '\$246 million over five years to upgrade the system structures to support world-class research and research training'. Is there a specific budget measure for that?

**Dr Arthur**—That was a funding increase, in this case, for the department. It will be included within the department's forward estimates but it is not the subject of a specific budget measure in this budget.

**Senator CARR**—It also mentions providing '\$78.7 million over five years to address the gap between promising scientific discoveries and commercialisation'. Where would I find the budget measure to cover that?

**Dr Arthur**—I would have to take that on notice because I am not sure that the distribution of the commercialisation related funds between departments, particularly given the change in administrative arrangements orders.

**Senator CARR**—How much has been allocated as a new measure for the General Sir John Monash Awards?

**Mr Burmester**—In the PBS paper the announcement for the General Sir John Monash Awards is on page 54.

**Senator CARR**—How much is that?

**Mr Burmester**—The measure is described on page 54 of the PBS. Some \$250,000 will be provided as seed funding to the foundation to establish the awards, and that measure will be fully absorbed within the existing resources of the department.

**Senator CARR**—So there have been savings from other sections to pay for that?

**Mr Burmester**—There are other programs already allocated to the department, the funds for which will be directed towards that seed funding for this year.

**Senator CARR**—Where do I find those resources in the budget? Where are they described?

**Mr Burmester**—The funds to be used are coming from the Higher Education Innovation Program, which is part of our ongoing budget, so there is no individual description of it.

**Senator CARR**—Is there a reallocation of moneys from that program?

**Mr Burmester**—It is a discretionary program which goes to fund new initiatives and innovations within the higher education sector, and it is allocated by the minister throughout the year. On this occasion it has been announced in the budget that \$250,000 of those funds will go as seed funding for the General Sir John Monash Foundation.

**Senator CARR**—How were those moneys allocated last year?

**Mr Burmester**—I could take that on notice and provide you with a list of projects that were funded through that program in the last year. It may well be in the funding report.

**Senator CARR**—Sure, but does it mean that there is \$250,000 less for those projects this year?

**Mr Burmester**—These are rolling projects, so in any one year there are always funds available to move to new projects.

**Senator CROSSIN**—On page 54 of the PBS, under ‘General Sir John Monash Awards’ it says:

This funding will assist with the establishment of an endowment fund to provide awards to Australian postgraduate students to study abroad at the world’s leading universities in North America and Europe ...

Are we promoting our students to study abroad rather than at home under this fund?

**Mr Burmester**—I think that the notion of these types of awards is that, along with a number of other schemes that operate internationally, Australia should have a fund which does encourage some of its students to study overseas and benefit from that experience.

**Senator CROSSIN**—Is there any guarantee they would come back to Australia once they have finished their study?

**Mr Burmester**—I am not sure that the final criteria for the conditions under which a grant or an award would be made have been determined, but I would not expect that you could make it compulsory for people to return to Australia.

**Senator CROSSIN**—Why does it target North America and Europe?

**Mr Burmester**—I think that goes to the effect of some of the schemes that Australians are already able to benefit from. That is their focus. For example, Rhodes scholarships and Fulbright scholarships operate in those areas. A number of Australians undertake study in those and some of them return to the country.

**Senator CARR**—I hear that this is being sold as a sort of Rhodes scholarship equivalent. Is that the way the government would like to see it?

**Mr Burmester**—The intention would be to have a prestigious Australian based foundation offering scholarships to a number of Australian students to undertake postgraduate work overseas and, at the same time, invite a limited number of foreign students to Australia.

**Senator CARR**—Is it an exchange program?

**Mr Burmester**—It is not an exchange program. It would be a two-way program, where some Australians could study overseas but also overseas students could study in Australia.

**Senator CARR**—Would this foundation be funding the overseas students to study here?

**Mr Burmester**—Yes, that is what the foundation would be doing.

**Senator CARR**—Can you tell me anything about the foundation?

**Mr Burmester**—I believe it has been established for a couple of years. The head of the foundation is General Gration. I cannot recall other members of the board, but there is obviously a board—

**Senator CARR**—Could you take that on notice? If it is receiving \$250,000 of public money, presumably we could have this information provided.

**Mr Burmester**—Certainly. There would be no problem with that.

**Senator CROSSIN**—Do you know when the foundation was established?

**Mr Burmester**—Two years ago.

**Senator CARR**—When were the arrangements made for the foundation to be established in this way? Was it part of the process of establishment that the Commonwealth would provide \$250,000?

**Mr Burmester**—No, the foundation established itself with the intention of providing this sort of framework and an endowment fund by which they could fund their activities and, having established themselves, sought Commonwealth funding to assist in generating the support they needed to create such a fund.

**Senator CROSSIN**—Mr Burmester, what do you mean by ‘they established themselves’?

**Mr Burmester**—They are an independent foundation.

**Senator CROSSIN**—What is their charter?

**Mr Burmester**—I am not sure exactly what the nature of their charter is, but we could find out that information for you.

**Senator CARR**—Where are they based?

**Mr Burmester**—I believe they were established in Melbourne, but I am not sure whether they have offices or members from around the country.

**Senator CARR**—Is it at one of the universities?

**Mr Burmester**—No, I believe it is independent of the universities.

**Senator CARR**—Did they approach the government for money? How was this grant organised?

**Mr Burmester**—They made representations to the Commonwealth on the basis that this was a worthwhile enterprise and that assistance from the Commonwealth would assist them in establishing and achieving their goals.

**Senator CARR**—Who made representations to the Commonwealth?

**Mr Burmester**—I am not sure about that.

**Senator CARR**—When did they make representations to the Commonwealth?

**Mr Burmester**—Again, I do not know that background.

**Senator CARR**—Can you find that out for me?

**Mr Burmester**—We could take that on notice and find out as much as we can.

**Senator CARR**—I would like to know when they made representation—to the Minister for Education, was it?

**Dr Shergold**—We have said we will take that on notice.

**Senator CARR**—I am interested to know.

**Dr Shergold**—He has said he will take it on notice. He does not know, at this stage, and he has taken it on notice.

**Senator CARR**—I would not want him to come back and say, ‘We did not make representations to the minister; it was actually to the Prime Minister.’

**Dr Shergold**—He said he will take it on notice. We do not know the answer now. No matter how much you try to jog our memories, we will still not know the answer until we come back on notice.

**Senator CROSSIN**—Perhaps you could find out whether representation was made to the Prime Minister, the Minister for Education or the department.

**ACTING CHAIR (Senator Ferris)**—I think Mr Burmester agreed to do that, about four questions ago, Senator Crossin.

**Senator CARR**—I am just trying to establish—

**ACTING CHAIR**—Excuse me, Senator Carr, I heard him agree to do so.

**Mr Burmester**—I agreed to find out as much information as I could.

**Senator CARR**—Thank you, Mr Burmester. We are a little jaded by the reluctance of the department to actually address some of these issues—and then they complain when we put things on notice. We are anxious to get our terms precise.

**ACTING CHAIR**—Many of the questions could have been answered by a look at their web site.

**Mr Burmester**—Senator, I believe my undertaking was quite clear, that I would establish as much information as I could.

**Senator CARR**—Thank you. Are you able to tell me how this commitment ended up in the Liberal Party election manifesto?



**Mr Burmester**—I believe that if government considered the matter and thought it was worth while then they are entitled to include it in their commitment.

**Senator CARR**—Yes. The point is that if it was a government initiative, that is one thing; if it was a Liberal Party initiative, I think that puts it in a different category.

**ACTING CHAIR**—I believe that, at the time it was included in the manifesto, it was a government initiative.

**Senator CARR**—That is what I want to know. We will establish all of that when we look at the votes.

**ACTING CHAIR**—It was, in fact, policy. I think we established that at about ten to nine.

**Senator CARR**—I do not know that we did.

**Senator CROSSIN**—Who is conducting the review of nursing education?

**Senator CARR**—Where has Senator Tierney gone? Has he knocked off again?

**Ms Tchacos**—The department is the secretariat for the review of nursing. It is a joint secretariat between our department and the Department of Health.

**Senator CROSSIN**—It is a review that has been conducted across two departments; is that correct?

**Ms Tchacos**—Yes.

**Senator CROSSIN**—Is it examining only those three dot points in the PBS, on page 47? Is that its brief?

**Ms Tchacos**—That is correct.

**Senator CROSSIN**—What are the costs and time line for this review?

**Ms Tchacos**—I need to correct myself. It is an independent committee, chaired by Miss Patricia Heath. The secretariat is provided by the department.

**Senator CROSSIN**—This department?

**Ms Tchacos**—Yes.

**Senator CROSSIN**—Can you provide us with the names of the people who are involved in this review?

**Ms Tchacos**—Yes, I can.

**Senator CROSSIN**—This PBS says it is due to report in mid-2000. That must be only some weeks away then; is that correct?

**Ms Tchacos**—It is later this year that the review will be finalised and a report provided to both ministers—the Minister for Health and the Minister for—

**Senator CROSSIN**—Do you have a time on that? Not mid-2000—it is a bit later than that now?

**Ms Tchacos**—It is always hard to say the exact date, because people have to finalise the report. But it is scheduled for somewhere between August and October.

**Senator CROSSIN**—What amount of money has been set aside to conduct this review?

**Ms Tchacos**—I would have to take that on notice.

**Senator CROSSIN**—What does the department intend to do with the outcome of this review?

**Mr Burmester**—The report of the review will be provided to both ministers, and the recommendations will be considered by government to determine what action will be implemented. I would expect that, in a review of this nature, some of these recommendations may well go beyond Commonwealth responsibilities and relate to state matters where state health systems are involved. To the extent that it touches on vocational education, it may impact on state responsibilities in that area. Also, there may be recommendations that touch on the nursing profession itself.

**Senator CROSSIN**—I might return to this at some stage. I am sure that we will get to talk about overenrolments and supply and demand in universities. I notice that the third dot point talks about key factors governing the demand for, and supply of, nursing education. In formulating their report, has this committee looked at 2002 figures in relation to that?

**Mr Burmester**—I am not sure whether they have been able to access 2002 figures, as student statistic collections have not been finalised for the first semester of 2002. They would be relying on information available from previous years.

**Senator CROSSIN**—Your reporting date is the end of March, isn't it?

**Mr Burmester**—There is a census date at the end of March, which is the date on which the books are ruled off. But to compile the statistics in each institution, submit them to the department and compile them into a national report takes some time.

**Senator CROSSIN**—Do they have some interim data that they could be working with?

**Mr Burmester**—They may well have; I am not personally aware of that.

**CHAIR**—It being after 9.30 p.m., the committee will suspend for 15 minutes.

**Proceedings suspended from 9.31 p.m. to 9.48 p.m.**

**Senator CARR**—We were talking about the election commitments that the government made and trying to find them in the budget. There seems to be a bit of a patchy record on that score. Can we go to some of the colleges that the government proposed should have some sort of change in their status. Mr Burmester, are you aware of the entry requirements for the Christian Heritage College?

**Mr Burmester**—Two of the institutions mentioned in that measure—Tabor College and Christian Heritage College—are accredited by the state jurisdictions as providers of university level courses, so the requirements and the accreditation are the responsibility of the state governments.

**Senator CARR**—Is that right?

**Mr Burmester**—The other two, I believe, are self-accrediting institutions under their own legislation.

**Senator CARR**—So the Christian Heritage College would meet all the requirements of the MCEETYA protocols?

**Mr Burmester**—They would, because they have been accredited by the Queensland government.

**Senator CARR**—Can you confirm that the college bases its teaching on a commitment to the Christian faith? The prospectus says:

All subjects are set in a framework of the Christian world view, based upon the Bible as an inspired word of God.

I am wondering how that fits within the normal procedural arrangements that the Commonwealth embarks upon?

**Mr Burmester**—The state has found that they meet the standards necessary to be accredited as a tertiary provider. Our requirement would be that they do not breach any Commonwealth laws, such as discrimination laws. As long as they are operating within that framework and are accredited by the state, then that would be the basis on which their students would be eligible for PELS.

**Senator CARR**—Do you think they would be in breach of the discrimination laws if they discriminated against non-Christians?

**Mr Burmester**—Presumably, if any body discriminates and breaches the antidiscrimination act, then they are in breach of the antidiscrimination act.

**Senator CARR**—Where it says, ‘The year of your salvation’ on the application form, do you think that would fit within the discrimination laws?

**Mr Burmester**—I do not know whether students need to fill that in. I do not know what document you are reading from and what the nature—

**Senator CARR**—I am reading from the application for enrolment form of the Christian Heritage College. This is taken from their web site; it asks people for their church membership and the year of their salvation. I am just wondering how that would fit with the normal Commonwealth enrolment practices that we would expect.

**Mr Burmester**—I do not know how the institution uses that information or whether it discriminates on the basis of that information, and therefore I cannot say very much more than I have said.

**Senator CARR**—From your understanding of university practices in terms of discrimination, if a university was to maintain practices where either its policies or its teachings discriminated against a person on the basis of sex, sexual preference, marital status or religion, do you think that would be consistent with Commonwealth laws?

**Mr Burmester**—I do not really understand the nature of your question, which to me seems to be: if somebody breaches a law, are they in breach of the law?

**Senator CARR**—The problem is that I thought you said to us before—and I guess this is an opportunity to clarify my thinking on the subject—that these institutions were not in breach of the Commonwealth law and therefore they were entitled to Commonwealth support.

**Mr Burmester**—I believe I said that if they had been, or were, in breach of Commonwealth law then they would not be able to continue to access their entitlements proposed by the government.

**Senator CARR**—That is what I thought you said. So if it can be demonstrated that any of these institutions do discriminate against people on the basis of sex, sexual preference, marital status, religion or on any other similar grounds, you would not think that they would be entitled to Commonwealth entitlements?

**Mr Burmester**—My understanding comes from a government policy that each portfolio is made aware of and reports against, that they are not funding or providing support to institutions, bodies or individuals that have been in breach of the antidiscrimination laws. I believe that is government policy, which they should be adhering to.

**Senator CARR**—Yes, that is right. When I go through this application form, not only do I see that there is a requirement for the applicant to provide information on their year of salvation—I presume it is a requirement; it is certainly on the form—but it also asks for the name of their local minister, and I presume that is not a member of parliament they are talking

about. I presume there is a religious requirement to participate in the Christian Heritage College. Has the department made any inquiries about that?

**Mr Burmester**—I am not sure what inquiries may have happened in the past. I would have to take that on notice.

**Senator CARR**—Could you take that on notice for me, whether or not the department has established that the Christian Heritage College is in fact operating within Commonwealth law?

**Mr Burmester**—Certainly, I will take that on notice.

**Senator CARR**—That would be very helpful if that can be established.

**Mr Burmester**—If you have finished with that item, I wanted to clarify two things I said previously. One is the basis of the 28,000 places, which is nearly as I described, in that it is a count of the EFTSU provided by the additional funding over a period of, I said, four years; it is in fact over five years. The other thing I wanted to clarify was that in answering questions about the Sir John Monash Foundation, I limited my answers to the details included in the budget statements. You may also be aware that the Prime Minister made further public announcements on Wednesday about further funding for the foundation.

**Senator CARR**—So that is further funding from this budget? From this department?

**Mr Burmester**—No, the Prime Minister announced an intention for further funding to go to that foundation, but the funding that he was referring to would commence in 2004, I believe. I presume it will be included in future budget documents.

**Senator CARR**—So how much did he announce on Wednesday?

**Mr Burmester**—I think the total that he announced was \$5.1 million over a number of years.

**Senator CARR**—Does that include the seed funding that has already been announced in the budget?

**Mr Burmester**—No, this was additional to that.

**Senator CARR**—So now in fact we are now up to \$5.325 million.

**Mr Burmester**—I believe that is the basis of the announcement.

**Senator CARR**—Was that just a new initiative, was it?

**Mr Burmester**—The Prime Minister chose to announce it at a launch by the foundation on Tuesday evening.

**Senator CARR**—It has jogged my memory, you see, because I woke up to the dulcet tones of the Prime Minister, I think it was Wednesday morning. You say it is 2004, but we do not know where this money is coming from yet.

**Mr Burmester**—It will be considered in future budgets and included in the appropriations at that point.

**Senator CARR**—Do you expect that it will be funded through this department?

**Mr Burmester**—I would expect so because the nature of the foundation is for education related purposes, and therefore it is appropriate to come through this portfolio.

**Senator CARR**—Have there been any submissions on this matter? What are the processes of government that have led to a commitment of this proportion?

**Dr Shergold**—From the department's point of view, we would have provided policy advice in the normal way.

**Senator CARR**—So you actually recommended that this money—

**Dr Shergold**—I did not say that, Senator. The nature of the policy advice is not a matter to be shared here. I have said that we have provided policy advice on this matter in the normal way.

**Senator CARR**—Thank you, Dr Shergold. I think we have established already in the proceedings so far that you are able to tell me the date which you provided that advice. So can you tell me that?

**Dr Shergold**—No, in this instance I cannot. I can take on notice the dates that briefings were provided to the minister.

**Senator CARR**—I want to know so we are clear, Dr Shergold, the briefings that went to this prime ministerial announcement, not the \$250,000 in the budget.

**Dr Shergold**—I'm talking about any briefing that we have provided to our minister in relation to the extension of further funding to the Monash awards.

**Senator CARR**—Dr Shergold, since we have had such difficulty understanding one another, I think we do need to be clear as to the nature of my question—not your version of my question, but my question. I am asking you a question that relates to the Prime Minister's announcement. On what date did the department provide advice to the Prime Minister?

**Dr Shergold**—We did not necessarily provide advice to the Prime Minister.

**Senator CARR**—That is what I thought.

**Dr Shergold**—If the question is about the date on which we provided advice to the Prime Minister, I think there will be no such date.

**Senator CARR**—I take it that you will take it on notice and establish whether or not that is the case.

**Dr Shergold**—I can assert now that the department did not directly provide advice to the Prime Minister.

**Senator CARR**—Thank you very much, I would anticipate that response. What I will be seeking is the date on which advice was provided to the minister for the extension of funding beyond those announcements in the budget.

**Dr Shergold**—Precisely what I said.

**Senator CARR**—Just so that we are clear, that is all. I turn now to the issue of Tabor College Australia. This is another college that I understand is a Christian-centred and biblically based college. Can you confirm that this is a college that will not admit students who are not self-confessed Christians?

**Mr Burmester**—This college is in a similar position to that of the Christian Heritage College. In this case, it is accredited by the government of South Australia, and the same conditions as I outlined with regard to the Christian Heritage College would apply to Tabor College Australia as well.

**Senator CARR**—It says on the Tabor College Australia web site:

The College encourages Christian unity and revival, offering courses for people of all Christian churches and any nationality, and seeks to be a witness to the majesty of Christ in the whole of life.

But it gets better than that. It also says:

... teaching and learning take place in an atmosphere of charismatic worship ...

Have you taken steps to establish whether or not this particular college satisfies Commonwealth antidiscrimination laws?

**Mr Burmester**—My answer would be the same as it was for the Christian Heritage College, in that I personally do not know what steps may have been taken in the past. I will take it on notice to provide that information. I do not administer the antidiscrimination act, so it is not for me to make judgments, on the basis of the material that you are presenting, as to whether that constitutes discrimination.

**Senator CARR**—I do not expect you to accept what I am presenting to you as the basis for action. It might inform the department. I have noticed that, over the years, material that I have presented to estimates committees tends to inspire some action somewhere because, as I have indicated to you before, it seems to me that we do have a lot of private, shonky colleges that are no longer operating and we have a number of universities, which were clearly as bodgie as blazers, that are no longer operating. That information was presented here—condemned by the Liberal Party; great laughter from that side of the room. Now we find a situation like this. I do not expect you to take my word for it; all I am asking you is whether or not you have made any inquiries. Given that you have said that the condition for Commonwealth funding—Commonwealth ‘entitlement’ was the word that you used—was that the institutions acted in accordance with Commonwealth law, I would have thought that it was a reasonable question.

**Mr Burmester**—Yes, and I said I would establish what steps we had taken in that regard.

**Senator CARR**—Will you do the same with regard to this college will you do the same?

**Mr Burmester**—Certainly.

**Senator CARR**—We have the Australian Catholic University, but it operates in a non-discriminatory way. Would you agree? It does not try to sack teachers who are not Catholics, for instance, or prevent people from entering the university who are not Catholic. It has a genuine open door policy to students and staff. Would you agree?

**Mr Burmester**—The basis of continued funding for not only higher education purposes but also other purposes of the portfolio would be that they were not in breach of antidiscrimination laws.

**Senator CARR**—Given that this particular college is located not just in Adelaide but also in Hobart, Perth, Melbourne and Sydney, is it accredited in any other state?

**Mr Burmester**—I believe that you need accreditation from only one state to be able to offer courses in other jurisdictions, but I would have to check the legality of that.

**Senator CARR**—Would you do that for me?

**Mr Burmester**—Certainly.

**Ms Morahan**—I understand that Tabor College has accreditation in other states.

**Senator CARR**—Under this proposal, if a student was located in a state where they are not accredited, would they still have access to Commonwealth entitlements?

**Mr Burmester**—That goes to the mode by which education is provided to those students. If it was a distance education student, then I cannot see how their place of residence would impact on the course they were undertaking in an institution accredited in another state. I will establish for you whether the institutions have established separate bodies to administer their courses in several jurisdictions.

**Senator CARR**—Did the former minister for education, Dr Kemp, write to the Premier of South Australia at the time, Mr Olsen, supporting the inclusion of this college on schedule B of the Higher Education Funding Act?

**Mr Burmester**—I will have to take that on notice. If you have some information which would direct us to the time frame you are talking about, that would be helpful.

**Senator CARR**—It is 28 August 2001. I have a copy of the letter if you really need it. It is a letter from the Premier of South Australia to Dr Kemp, arguing the case for the inclusion. As I understand it, Dr Kemp actually supported the proposal. Was there correspondence returned to the college or to Mr Olsen indicating that?

**Mr Burmester**—I will take that on notice. To track paper flows would take some time. I cannot do it straightaway.

**Senator CARR**—It would not be too difficult to locate a correspondence file from 2001, would it?

**Dr Shergold**—It is not sure. I do not know whether it is a paper file that is generated in the department or directly in the minister's office.

**Senator CARR**—It is not in the archives or anything, is it?

**Dr Shergold**—It would not be archived at this stage, if that date is correct.

**Senator CARR**—I will just confirm that date, since that has been raised. Yes, 28 August 2001. Does the government have any proposals to include this college on either schedule A or schedule B?

**Mr Burmester**—I think that goes to the nature of the bill that is before the House of Representatives.

**Senator CARR**—So you cannot handle that—that is fair enough. If you cannot handle that, we will have to deal with it elsewhere. While we are on the issue of discrimination, there is, I am sure, deep interest within my office in Marcus Oldham College. Have you managed to get hold of the gender breakdowns on Marcus Oldham College?

**Mr Burmester**—Is that a request from a previous estimates hearing?

**Senator CARR**—We have discussed it. I am looking for more up-to-date information. Can you provide the numbers of male enrolments and female enrolments as at the last date you have them for?

**Mr Burmester**—We will be able to make inquiries and provide those, no doubt.

**Senator CARR**—I have some information here, and I would like you to confirm it if you can. In table 11, student statistics—which I think I saw in the *Crossroads* documents—there is a figure for 2001 that appears to have been an improvement, from four per cent to six per cent, in the numbers of women enrolled at the college. Unfortunately, however, it has fallen away: the figure for female enrolments at Marcus Oldham for 2002 is zero. Could that possibly be right?

**Mr Burmester**—I do not know the source of your document. You say it is one of our own statistical publications, but I do not have a copy of it with me.

**Senator CARR**—I would appreciate it if you could confirm that for me. Can you tell me what the enrolments for the Melbourne College of Divinity are?

**Mr Burmester**—Not off the top of my head. I could find that out.

**Senator CARR**—These are quite small colleges—I appreciate that—but they are still in receipt of various Commonwealth entitlements. How would total male enrolments of 209 and female enrolments of 133 compare with mainstream universities? Is that the gender balance you would normally expect?

**Mr Burmester**—As you have pointed out, they are small institutions and do not have a broad range of courses. It might therefore be more appropriate to compare enrolments in the same areas or courses in other universities rather than in the whole of a university that offers a broad range of courses.

**Senator CARR**—Let us have a look at Bond. Their 2001 student statistics say that there are 20 students in respect of whom Commonwealth funds are provided. Again, it is a private college and slightly different criteria apply. Six of those students are women—that is, 30 per cent. Given that about 55 per cent of enrolments across the sector are women, there seems to be some disparity in a couple of these colleges. Is that a matter you would look at in your profile discussions with these sorts of institutions?

**Dr Arthur**—On a hypothetical basis, it is perfectly possible for an institution to have that profile and it not be an issue of discrimination if the institution is preparing candidates who intend to take up a ministry within an organisation that happens to have a view on the ability of males or females to be ministers within that particular religion. That issue is covered by current discrimination legislation and it might have an effect, hypothetically, on the wish of people to enrol in those institutions.

**Senator CARR**—Mr Burmester suggested I should compare subject with subject. Agriculture enrolments at Marcus Oldham are 96 per cent male. You have advised me in the past that enrolments for the rest of the state of Victoria were in the order of 55 per cent or 60 per cent male. Have there been any discussions with the college about these sorts of statistics?

**Mr Burmester**—We do not have the same level of profile documentation or inquiry into these agencies as for other universities, so I am not sure what inquiries and analysis have been done on the figures that you have mentioned. I will establish what research analysis or inquiries have been taken up with the institutions.

**Senator CARR**—Can you confirm the figures I have just given? Is the percentage of males in Marcus Oldham College's agricultural school about 95 per cent or 96 per cent? Correct me if I am wrong, but is it the case that the range is about 55 per cent to 60 per cent for agriculture across Victoria?

**Mr Burmester**—We will provide you with a comparison of those figures.

**Senator CARR**—If a college wants to get into the HEFA system, what process do they have to go through? Is there a set process to do that?

**Mr Burmester**—It depends on which aspects of the Higher Education Funding Act an institution is seeking to be funded under. There would be some standing conditions, one of which being that they meet the requirements of a suitable course and quality of course under the quality framework. I believe there would be a need to demonstrate financial viability, but then it would go to the source of funding. For example, if you were seeking research grants as a research provider, your representations to government, and consideration that government might have for your inclusion through amendment of an act, would go to your ability to demonstrate that that was a benefit to the Commonwealth or to Australia.

**Senator CARR**—What process was undertaken by the Christian Heritage College, and the others I have mentioned tonight, to have a college within the framework of the HEFA Act?



**Mr Burmester**—Over a number of years, the Christian Heritage College has made numerous representations to government. The current government has determined that it is prepared to amend legislation to provide access to PELS to that college as a consequence of those representations and the government's consideration of them.

**Senator CARR**—We have seen a couple of cases tonight with regard to the General Sir John Monash Foundation and these private colleges. It appears that one of the critical components for getting the support is some sort of entrée through private processes to get to government. Would that be a fair conclusion to draw: you have to get to the government?

**Dr Shergold**—I would have thought that there was enormous correspondence to the government from just about every educational organisation in the higher education area. I do not find anything very surprising about that.

**Senator CARR**—Yes, but it helps to get onto the Liberal Party election promises list.

**Dr Shergold**—I do not think that any of our officers have even suggested that that is the case.

**Senator CROSSIN**—Could you provide a list of the institutions and the amount that they have received per the Indigenous support funding? When is that Indigenous support funding allocated to the universities?

**Ms Morahan**—Are you referring to higher education institutions?

**Senator CROSSIN**—Yes.

**Ms Morahan**—The Indigenous support funding is part of the universities' operating grants and it is provided to them as part of their operating grant. It is provided on a calendar year basis.

**Senator CROSSIN**—Out of each university's operating grant, is there a special line item for each university that you can show me that is their component of the Indigenous support funding?

**Mr Burmester**—There is a table on page 90 of the funding report which provides for the Indigenous support funding allocation for each of the universities for the years 2002, 2003 and 2004.

**Senator CROSSIN**—Is that anticipated funding or actual funding?

**Mr Burmester**—In this case it is the anticipated funding for those institutions. The footnote indicates that the allocations for 2003-04 are indicative only.

**Senator CROSSIN**—Do you have a list of the actual amounts that were paid to universities for 2001?

**Mr Burmester**—I am sure we would be able to provide past information for that program.

**Senator CROSSIN**—I have got the institutions and their figures for 2000, but I need the details for 2001. I know 2002, 2003 and 2004 are in the report, or the triennium report. Is it paid at the start of a financial year?

**Ms Morahan**—It is paid as part of the operating grant and it is paid in respect of a calendar year.

**Senator CROSSIN**—What is the overall amount of Indigenous support funding that was paid out last year?

**Mr Burmester**—The total for 2002 was \$23,719,000.

**Senator CROSSIN**—Do you have a figure for 2001?

**Mr Burmester**—I am sorry, I do not have the previous funding report with me.

**Senator CROSSIN**—In the budget for this year, what is the anticipated figure?

**Mr Burmester**—That was for the 2002 university year.

**Senator CROSSIN**—That is right. What is the figure for next year—2003?

**Mr Burmester**—The indicative figure is the same allocation for future years.

**Senator CROSSIN**—So it is \$23 million for next year as well? Is that right?

**Mr Burmester**—I believe that that would be affected by the indexation factors. So the actual dollar value would increase above that figure.

**Senator CROSSIN**—So you do not have the 2001 amount with you?

**Mr Burmester**—Sorry, no.

**Senator CROSSIN**—How is the Indigenous support funding calculated?

**Mr Burmester**—Again, it is described in the funding report. The total funding is distributed among institutions using a formula which, in effect, picks up student participation, student progress and number of completions. The weightings applying to those three factors are respectively 50 per cent, 35 per cent and 15 per cent.

**Senator CROSSIN**—In other words, it is allocated to universities on the basis of the number of Indigenous higher education students at those universities and their participation and completion rates. Is that correct?

**Mr Burmester**—That is correct. Over the years, the emphasis has shifted to increasing the weight to completion of courses, so that there is an incentive for universities to support students to completion of their course.

**Senator CROSSIN**—How many Indigenous higher education students have been enrolled in 2001 and 2002? You might not have the 2002 figures yet, I suppose.

**Ms Morahan**—We do not have the 2002 figures yet.

**Mr Burmester**—Could we take that on notice? I cannot readily find a figure amongst my documents here.

**Senator CROSSIN**—I am fairly sure you will find that if you have quoted from your report to me already they will be in there. Can you perhaps confirm for me that the number of Indigenous students who commenced higher education study in 1999-2000—in other words, the year 2000 statistics—actually decreased by 15.2 per cent?

**Mr Burmester**—There is a table on page 21 of the funding report which shows that the number of commencing Indigenous students declined from just over 4,000 in 1999 to 3,500 in 2000. There is a reference worked out in the report that does indicate a 15 per cent fall in commencing student numbers.

**Senator CROSSIN**—It is based on the statistics for 2000. Do you have the 2001 statistics?

**Mr Burmester**—The 2001 figures are a slight increase on the 2000 figures. I do not have an actual number, but reading the graph you would say that it is 3,500 and something.

**Senator CROSSIN**—My understanding is that since 1998 there has been a decrease in the overall enrolments of Indigenous people into higher education. Given that that directly relates to the Indigenous support funding and the way in which it is calculated, has your department actually ever considered reviewing the mechanism under which Indigenous support funding is calculated?

**Dr Arthur**—There is no logical connection between those two elements. The formula distributes funds between universities and the places their relatives share of whatever the total happens to be in any one year. The total is not a per capita product in that sense.

**Senator CROSSIN**—But, contrary to your view, I believe there is a direct relationship. Mr Burmester, did you not say to me that that funding is paid for students who not only commence but also participate in and complete their course? Is that correct?

**Mr Burmester**—That is correct. The formula that I described earlier is the current basis on which funding is allocated. That was introduced three years ago to in fact do as you suggested—encourage and provide incentives for universities to provide adequate support and encouragement to Indigenous students. I think your following question went to not only whether we regularly review it—which obviously we did prior to that policy change—but also whether the current measures are effective or not, given that the numbers have declined. I think it is a bit early to do the analysis on that if the arrangements have only been in place for a few years.

**Senator CROSSIN**—I am assuming the money is also for universities to put in place support structures so that at the end of the day these Indigenous people remain in higher education and complete their courses. Would that be correct?

**Mr Burmester**—That is correct.

**Senator CROSSIN**—But if, in fact, the Indigenous support funding is based on a per capita allocation—that is, directly related to the number of Indigenous students a university has—and if those numbers are actually declining, how can universities achieve that outcome if their funding remains static? You said that the money given for this year is \$23 million, and there is no anticipated increase in that for next year. How can they achieve that outcome of supporting those Indigenous students based on that funding formula?

**Mr Burmester**—The nature of this program is as an incentive payment to reward performance against those three criteria that I mentioned. We would not expect that universities limit their expenditure on Indigenous students only to the funding allocated specifically for that but that they would take decisions and provide support mechanisms—with not only that funding but also other resources—to in fact perform better against the criteria and benefit in future years from the additional funds flowing to the university from the incentive strategy that we have.

**Senator CROSSIN**—Are you suggesting, Mr Burmester, that universities would need to find other funds within their budget to assist Indigenous people to remain longer in higher education?

**Mr Burmester**—The purpose of the program is to provide an incentive for universities to effectively encourage and support Indigenous students in their institutions. How they might go about it and the level of commitment to that is up to each individual university, but they do receive additional funding if they are able to demonstrate that they are getting additional Indigenous students into the university, participating in their courses and completing those courses. For example, if the number of students going through to completion increased then you would expect their outlays on continuing support would also increase, and they would be rewarded for that.

**Senator CROSSIN**—But, Mr Burmester, I think you have just contradicted yourself. You just said to me that universities actually are rewarded for the number of students they can get into the university. Is it not the case that your funding is directly related to the number of students who are in that university? Despite whatever efforts the universities may or may not

make, your support funding is related to the number of Indigenous people in higher education. Is that correct?

**Mr Burmester**—The funds provided under the program that I was describing were, as I have said, on that basis. But there are other funds, and perhaps Ms Tchacos could explain that.

**Senator CROSSIN**—According to the report you have just read to me, those enrolments are actually decreasing. Is that correct?

**Mr Burmester**—That was a measure of commencements, not the total number of Indigenous students continuing to study or going through to completion. The figures I reported, the 15 per cent decline, were the numbers commencing university.

**Senator CROSSIN**—I would assume—

**Mr Burmester**—There would be a flow-on.

**Senator CROSSIN**—If you have fewer people commencing university, you are going to have fewer people actually finishing university in a particular period of time.

**Mr Burmester**—To the extent that the decline in commencement was not offset by an increase in continuing students, you are correct. I am not sure that a 15 per cent decline in commencing students necessarily turns into a 15 per cent decline in total students within the system. If our strategy is working—

**Senator CROSSIN**—But we are not talking about the total number of students; we are just talking about Indigenous people in higher education.

**Mr Burmester**—Yes, the total number of Indigenous students in the system. If more are retained and continue further into their courses, that would offset, for the initial years anyway, a decline in commencements.

**Dr Arthur**—There also appears to be a confusion here, in that, as I indicated earlier, the total amount of funding for the program is not derived on a per capita basis. So even if the year in which there was a 15 per cent decline in the number of Indigenous student commencements had led to a decline in the overall number of Indigenous students in Australian universities, that would not affect the amount of dollars available for the program. The amount of dollars available for the program is a result of a budget measure, as increased by the appropriate indexation amount. The formula does not apply in that sense to create the total number. It is a mechanism by which relative shares of that amount are made available to universities on the basis of their success, as Mr Burmester has indicated, in achieving levels of student participation and completion.

**Senator CROSSIN**—Mr Burmester, would you say, though, that the department has an overall aim, or should have an overall aim, of encouraging more Indigenous participation in higher education?

**Mr Burmester**—There is such a policy in place, and the changes to the payments under that program are directed towards that purpose. I believe some other funding is provided in line with that.

**Dr Arthur**—In the profile visits that occurred last year, when we were aware of the decline in figures, that issue was prominent in all of the discussions. With each university visited, we explored their detailed experience with that and the measures that they intended to take to address the issues. That was in the universities where there had been decline. There were some universities where there had been no decline.

**Ms Tchacos**—The funding under the Higher Education Operating Grants is only one source of funding to tertiary institutions. We also fund tertiary institutions under the IESIP, which is for tutorial assistance to students and other support, which is additional money. This funding is not the sole source of funding to universities to assist Indigenous students.

**Senator CROSSIN**—We will probably get to ATAS funding tomorrow. What I am really alluding to, Mr Burmester, is this: you have a pattern of declining enrolments in higher education and an aim—or what I am assuming is an aim—to support more Indigenous participation in higher education, but you have an Indigenous support funding model that is calculated purely on the basis of commencement, participation and completion rates that will remain static this year and next year. How does the department envisage it would achieve that aim of getting more Indigenous people into higher education if that money is not increased or the way in which you calculate the Indigenous support funding is not changed?

**Mr Burmester**—The decline in commencements that you refer to has been arrested, as evidenced by the figures for the following year which are maintained. To an extent, the decline was limited to one year. We need to focus the policy on returning to a higher level of commencement and a higher level of completion of awards by Indigenous students. The process by which we do that is to provide incentive payments to universities to pursue those goals—the more successful they are at attracting and retaining Indigenous students in their institutions, the more funds they have to support the increased numbers of students.

**Senator CROSSIN**—But figures that this department provided to Senate estimates last year clearly showed us that there were 685 fewer Indigenous students in higher education than in the year before. What you are saying to me is not translating into any evidence I can see. Universities are tied in a sense: how can they support more Indigenous people to get into higher education when your funding under this program for this year is \$23 million and will stay the same for next year—at this stage that is the predicted amount—and there is no means by which the department is going to review the way this Indigenous support funding is calculated.

**Ms Tchacos**—The point needs to be made that the department has recently commissioned some work to better understand Indigenous higher education needs and to assist us in our future policy development. I think there is some research currently being done for the department to analyse the outcomes of Indigenous ex-students who have withdrawn from university before completing their award course. We are hoping that this information will assist us in analysing what can be done in the future to meet their needs.

**Senator CROSSIN**—Is this an independent consultant's report? Dare I ask for it for fear of being called the '10-dollar girl' or something!

**Senator FERRIS**—Trish, you're worth more than that!

**Senator CROSSIN**—I would want only one copy of the report!

**Ms Tchacos**—My understanding is that research is currently under way, and I am not sure of the results.

**Senator CROSSIN**—Is research being conducted by this department or externally?

**Ms Tchacos**—My understanding is that it has been commissioned by this department, to be undertaken by a consultant.

**Senator CROSSIN**—Can someone confirm that?

**Dr Shergold**—We will confirm that overnight.

**Ms Tchacos**—It is on page 22 of the triennium report.

**Ms Morahan**—I understand it is an evaluation and investigations program consultancy.

**Senator CROSSIN**—Sorry, I missed that.

**Ms Tchacos**—It is on page 22 of the triennium report and it has been commissioned by our evaluation and research group.

**Senator CROSSIN**—When did this commence?

**Ms Tchacos**—We will have to take that on notice.

**Senator CROSSIN**—Could you also provide a time at which this is expected to be completed?

**Ms Tchacos**—I will take that on notice as well.

**Senator CROSSIN**—I will go into this in detail tomorrow if I have the time, but will it also look at reasons why students have withdrawn in relation to assistance such as Abstudy? Is that part of the brief in this research?

**Ms Tchacos**—That would be part of what they would examine, but I will have to take that on notice.

**Senator CROSSIN**—Mr Burmester, how long will the Indigenous support funding program continue?

**Mr Burmester**—The triennial report provides information for the three forward years.

**Senator CROSSIN**—Is there a plan to extend beyond that?

**Mr Burmester**—I will put it in the alternative way: there are no plans to change it.

**Senator CROSSIN**—Watch this space, in other words.

**Mr Burmester**—There are no plans to change the current arrangement. They will roll forward.

**Senator CROSSIN**—The Indigenous support funding was actually changed after 1998. At this stage you are saying there is a nominal allocation against it for at least the next two years. Is that right?

**Mr Burmester**—Yes. As I said, there are no plans to change that; in other words, it would be expected to roll on.

**Ms Morahan**—Funding for this program is included in the forward estimates. It is not separately identified; it is part of the moneys under HEFA.

**Senator CROSSIN**—You will provide for me the Indigenous support funding allocation since 1999, including this year, per university. Is that correct?

**Mr Burmester**—Yes.

**Senator CROSSIN**—I want to follow up on some work at the Northern Territory University. What is your department doing following the KPMG consultants report that both you and the previous Northern Territory government were part of. Can anyone give me an update?

**Mr Burmester**—The report and recommendations provided were agreed by both governments as a basis on which the university could address some of the challenges it faces, such as the demand for its courses and so forth. Some funding has been provided for the university to implement those recommendations, and that is under review now. It is open to

the Commonwealth minister to provide some additional funding, if that were necessary, to ensure the full implementations of the recommendations.

**Senator CROSSIN**—When were the outcomes of the KPMG report agreed by the Commonwealth?

**Mr Burmester**—I am not sure of that.

**Ms Morahan**—I do not have the specific date with me.

**Mr Burmester**—We will have to take that on notice.

**Senator CROSSIN**—You say that some funds have been provided; what amount, when and for what?

**Mr Burmester**—I will have to take that on notice, as I do not have a figure for the allocation provided by the Commonwealth.

**Senator CROSSIN**—You do not know what the funds were for?

**Mr Burmester**—I can take that on notice. I do not have the information with me.

**Senator CROSSIN**—I will have to get you to do that. We may need to pursue that tomorrow. I will follow those up with questions on notice, but it would be appreciated if you could provide that initial information.

**Mr Burmester**—Yes, Senator.

**Senator CARR**—I was running through the government's election commitments and seeing where they fit. One of the commitments in the government's election statement was that they were going to press ahead with voluntary student unionism. Are there any proposals to bring any measures before the parliament on that matter?

**Mr Burmester**—There is nothing in the budget papers because it is not a financial initiative. I am not aware of any government plans to reintroduce the legislation.

**Senator CARR**—So it is certainly not with the legislation branch to have drafting instructions prepared? Mr Kriz, have any drafting instructions been required?

**Mr Kriz**—No, I do not think there is anything. I will check up, but I think there is nothing there currently.

**Senator CARR**—I move to the government's response to the Senate inquiry's *Universities in crisis* report. At the last estimates hearing, we were told that the draft government response was with the minister's office. Did I understand that correctly?

**Mr Burmester**—I am not sure what was said at the last estimates hearing on that matter. I can advise that the government response to that report would be imminent.

**Senator CARR**—When you say it is imminent, does that mean that it is listed or that it has been sent to the PLO?

**Mr Burmester**—It is in the process of being cleared through government for presentation to the parliament.

**Senator CARR**—When you say it is in the processes of being cleared, does that mean that it is still with the minister's office, or has it gone beyond the minister's office?

**Mr Burmester**—I am not sure of the progress, or the actual process by which a government formulates its response, beyond the advice that we provide to our own minister.

**Senator CARR**—When did that advice go up to the minister's office?

**Mr Burmester**—Again, I will have to take that on notice; I do not know. I do not have a copy.

**Senator CARR**—When did it come back to the department? I would like to know when it went into the minister's office and when it came out; that is the point of my question.

**Mr Burmester**—I will find that out.

**Senator CARR**—Thank you. Are you anticipating that it will be in the next sitting period?

**Mr Burmester**—I do not know the details of the process by which a government would make its response to the parliament.

**Senator CARR**—Are all matters on overseas students now being dealt with through the international group?

**Dr Shergold**—Yes.

**Senator CARR**—All of them—all matters on international students; is that right?

**Dr Shergold**—Yes.

**Senator CARR**—So even though certain issues appear in the document *Higher education at the crossroads: An overview paper* they are still international issues?

**Dr Shergold**—If it is specifically about the Crossroads document, you could raise it here.

**Senator CARR**—I notice on page 52 of the Crossroads documents that figure a3 shows in pictorial form the trend since 1939.

**Dr Shergold**—This is university income by source.

**Senator CARR**—Yes. That is overseas student income, is it not?

**Dr Shergold**—No, it is not. This is total university income by source.

**Senator CARR**—Above the figure it says:

Thirdly, the figure shows increasing reliance of universities on revenue earned from other than domestic students, notably overseas fee-paying students but also including consultancy services.

Would that be what that table refers to?

**Dr Shergold**—Are you talking about figure a3, 'university income by source'?

**Senator CARR**—Yes.

**Dr Shergold**—It shows the amount of money that has come from the Commonwealth government, state governments, HECS, investments and other income. So I am not quite sure what the connection is.

**Senator CARR**—And it also comes from:

... revenue earned from other than domestic students, notably overseas fee-paying students ...

**Dr Shergold**—That is in paragraph a21 above.

**Senator CARR**—Yes. I ask you again, Dr Shergold: does that not relate to the diagram directly below, given that the paragraph starts off, 'Four key features of figure a3'?

**Dr Shergold**—Figure a3 relates to all university income by source. The paragraph above talks about the variety of those sources, including other income, and says that an increasing share of that is coming from overseas fee-paying students.

**Senator CARR**—Yes, that is right. Could you provide me with the numerical data on which this pictorial representation is based?

**Dr Shergold**—I will take that on notice. I am sure that we can.



**Senator CARR**—I take it that is readily available. It will not be too hard; it will not be too expensive; it will not be archived; it will not be lost in another department—none of those problems will emerge, I trust?

**Mr Burmester**—The graph has been compiled from data.

**Senator CARR**—I hope that is right. It was not just drawn up by you, was it, Mr Burmester? It is not a doodle done in front of the TV on a Sunday night—it is based on data?

**Mr Burmester**—You can rest assured that I did not produce that graph, although I have used it on a number of occasions.

**Senator CARR**—The way I read it, the report seems to suggest that there will be no further significant growth in Commonwealth funding for the universities. Page 52 of the report suggests to me that universities are relying increasingly on income from non-domestic students over this period. Would both those propositions be fair conclusions to draw from the report?

**Dr Shergold**—Proposition one, no; proposition two, yes.

**Senator CARR**—So you can say that the minister has said that there will be further significant growth in Commonwealth funds for universities?

**Dr Shergold**—No, to that proposition the answer is also no.

**Senator CARR**—He has not said that?

**Dr Shergold**—The minister has not said either that there will be or that will not be further public funding going into the university sector.

**Senator CARR**—So he has made no comment on future funding?

**Dr Shergold**—This is a discussion paper about options for the funding of universities.

**Senator CARR**—So the minister has made no statement on the question of funding?

**Dr Shergold**—The discussion paper has a number of statements about funding, the history of funding and the revenue sources of universities. There is nothing in here that puts forward a government position on funding. This is not a paper that is putting forward government positions on particular matters; it is a discussion paper to open debate.

**Senator CARR**—Was this discussion paper endorsed by cabinet?

**Dr Shergold**—This is a discussion paper that was put out by the minister and has been endorsed by cabinet.

**Senator CARR**—So it has the authority of the minister—it is actually issued in the minister's name?

**Dr Shergold**—It has the authority of the minister in providing a framework for debate.

**Senator CARR**—In his remarks introducing the paper and surrounding the release of the paper, has the minister indicated at any point what the government's funding policies were?

**Dr Shergold**—For the future?

**Senator CARR**—Yes.

**Dr Shergold**—No.

**Senator CARR**—I will have to go back and have a look at that. The distinct impression I was left with was that he was suggesting that the new funding would emerge only should there be agreement to so-called reform. Has that statement been made?

**Dr Shergold**—I do not have the speeches in front of me, but the minister may well have indicated that consideration of future public funding for universities would be considered as a total package of reform. I am certain on a number of occasions he would have put forward that type of proposition.

**Senator CARR**—The statement issued by the minister was covered in the *Australian* dated 1 May 2002. The article read:

The Federal Education Minister Brendan Nelson has again rejected calls for more higher education funding, saying he would not take such a proposal to cabinet until there were substantial reforms.

Is that a fair representation of the minister's speech?

**Dr Shergold**—I do not know if it is a fair representation of the minister's speech. I do not have the minister's speech and the newspaper article. I know that it seems to be a fair reflection of the minister's view that there will be no consideration of future public funding of universities outside the context of a total reform package.

**Senator CARR**—So this remark:

Dr Nelson kicked off his review of the sector on Friday with an issues paper that has drawn criticism for failing to acknowledge the main need of universities: enough income to do their jobs.

Was that a fair reflection of the response to the paper?

**Dr Shergold**—Senator, I cannot give you an assessment of the overall response to the paper?

**Senator CARR**—I will come back to my proposition. What I asked you was: is it the case that the minister in the *Crossroads* report—if you wish to quibble about that—and in supporting statements, implies that there will be no further significant growth in Commonwealth funding for universities, without a commitment to significant reform, as outlined in the *Crossroads* report? Would you think that would be a fair conclusion to draw?

**Dr Shergold**—Yes.

**Senator CARR**—So therefore we should have a look at the reform that is being proposed in the *Crossroads* paper? Would you agree?

**Dr Shergold**—Yes, except there are only propositions put forward for consideration. This does not put forward a government position, at this stage, on what the reform package should include. It talks about the issues that will need to be addressed in the reform package.

**Senator CARR**—Based on this table, what is the department's view of the likely source of non-Commonwealth funding to facilitate the claims in the document of future growth in revenue to the sector?

**Dr Shergold**—I am sorry, it was a long question and I was not sure what—

**Senator CARR**—Basically what I am saying is: given the table at a3, where do you think we should look to find additional moneys for the sector, if the government is not going to propose a significant increase in its own right?

**Dr Shergold**—If you read the *Crossroads* document that the minister has put out, you will find that it discusses a range of issues. It discusses public funding and it discusses a range of private funding, from fee-paying students through to alumni, through to the commercialisation of intellectual property and philanthropic support through relationships with business. All of that is set out in various parts of the discussion paper. So I think there are quite a few suggestions made.

**Senator CARR**—I think that is probably a good point to end. We will have to examine those suggestions tomorrow.

**CHAIR**—The committee stands adjourned until 9 o'clock tomorrow morning. We will be continuing with this program at that time.

**Committee adjourned at 10.59 p.m.**