

The Senate

Economics
Legislation Committee

Additional estimates 2013–14

March 2014

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Senate Economics Legislation Committee

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Senator David Bushby, Chair	Tasmania, LP
Senator Mark Bishop, Deputy Chair	Western Australia, ALP
Senator Alan Eggleston	Western Australia, LP
Senator Louise Pratt	Western Australia, ALP
Senator John Williams	New South Wales, NATS
Senator Nick Xenophon	South Australia, IND

Senators in attendance

Senator Mark Bishop	Western Australia, ALP
Senator David Bushby	Tasmania, LP
Senator Sam Dastyari	New South Wales, ALP
Senator Ronald Boswell	Queensland, NATS
Senator the Hon Carr	Victoria, ALP
Senator Richard Di Natale	Victoria, AG
Senator Sean Edwards	South Australia, LP
Senator David Fawcett	South Australia, LP
Senator Mark Furner	Queensland, ALP
Senator the Hon Bill Heffernan	New South Wales, LP
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Senator the Hon Joe Ludwig	Queensland, ALP
Senator Bridget McKenzie	Victoria, NATS
Senator Christine Milne	Tasmania, AG
Senator Barry O'Sullivan	Queensland, NATS
Senator Stephen Parry	Tasmania, LP
Senator Louise Pratt	Western Australia, ALP
Senator Lee Rhiannon	New South Wales, AG
Senator Rachel Siewert	Western Australia, AG
Senator Dean Smith	Western Australia, LP
Senator Glenn Sterle	Western Australia, ALP
Senator Peter Whish-Wilson	Tasmania, AG
Senator John Williams	New South Wales, NATS
Senator the Hon Penny Wong	South Australia, ALP
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Abbreviations

CEFC	Clean Energy Finance Corporation
CFMEU	Construction, Forestry, Mining and Energy Union
DIICCSRTE	Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education
DRET	Department of Resources, Energy and Tourism
EPBC	Environment Protection and Biodiversity Conservation Act
FOFA	Future of Financial Advice
ICT	Information and communications technology
MBS	Medicare Benefits Scheme
MYEFO	Mid-year Economic and Fiscal Outlook
NDIS	National Disability Insurance Scheme
NIIS	National Injury Insurance Scheme
NATESE	National Advisory for Tertiary Education, Skills and Employment
NOPSEMA	National Offshore Petroleum Safety and Environment Management Authority
PEFO	Pre-Election Fiscal Outlook
RMBS	Residential mortgage-backed securities
SKA	Square Kilometre Array
TAFE	Technical and further education
VET	Vocational education and training
WET	Wine equalisation tax
WTO	World Trade Organisation

Additional Budget Estimates 2013–14

Report to the Senate

Introduction

1.1 On 13 February 2014, the Senate referred to the committee for examination and report the following documents in relation to the Industry and Treasury portfolios:

- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2014 [Appropriation Bill (No. 3) 2013–2014];
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2014 [Appropriation Bill (No. 4) 2013–2014];
- Final Budget outcome for 2012–13; and
- Issues from the advances under the annual Appropriation Acts for 2012–13.¹

1.2 The committee is required to report to the Senate on its consideration of 2013–14 Additional Estimates on Tuesday 18 March 2014.²

Portfolio structures and outcomes

1.3 Following the Administrative Arrangements Orders issued on 18 September 2013 and 3 October 2013, the committee notes the following changes to the Industry portfolio's responsibilities as reported in Portfolio Additional Estimates Statements (PAES) 2013–14:

- the department now has four outcomes and 12 programs (Appendix 3); and
- outcomes and programs have been transferred as follows:
 - Outcome 1, Program 3 from the Department of Resources, Energy and Tourism (DRET) 2013–14 Portfolio Budget Statements (PBS) was transferred to Austrade.
 - Outcome 2, Program 2.1 and Outcome 3, Programs 3.1, 3.2, 3.3 and 3.6 from the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICCSRTE) 2013–14 PBS were transferred to the Department of Education.
 - Outcome 4 from the DIICCSRTE 2013–14 PBS was transferred to the Department of Environment.

1.4 As a result of the Administrative Arrangements Orders following the federal election, the small business policy function transferred to the Treasury from the Department of Industry.³

1 *Journals of the Senate*, No. 14, 13 February 2014, p. 484.

2 *Journals of the Senate*, No. 6, 4 December 2013, p. 224.

1.5 The complete structure and outcomes for each portfolio are summarised in the appendices as indicated below:

- Industry (Appendices 3 and 4); and
- Treasury (Appendix 5).

General comments

1.6 The committee conducted hearings over two days:

- 26 February 2014 –Treasury portfolio; and
- 27 February 2014 – Industry portfolio.

1.7 In total, the committee met for 18 hours and 12 minutes, excluding breaks.

1.8 The committee received evidence from the following ministers:

- Senator the Hon. Arthur Sinodinos AO, the Assistant Treasurer, representing the Treasurer; and
- Senator the Hon. Michael Ronaldson, Minister for Veterans' Affairs, Minister Assisting the Prime Minister for the Centenary of ANZAC, and Special Minister of State, representing the Minister for Industry.

1.9 The committee thanks the ministers and officers who attended the hearings for their assistance. Evidence was also provided by:

- Dr Martin Parkinson, PSM, Secretary, Department of the Treasury;
- Ms Glenys Beauchamp, Secretary, Department of Industry; and
- officers from the Industry and Treasury portfolios.

Questions on notice

1.10 The committee draws the attention of all departments and agencies to the agreed deadline of Thursday, 24 April 2014 for the receipt of answers to questions taken on notice from this round, in accordance with Standing Order 26.

1.11 As the committee is required to report before responses to questions are due, this report has been prepared without reference to any of these responses. Indices of questions taken on notice during and after the hearings are available at: http://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/economicsccte/estimates/add1314/index.

1.12 Answers to questions taken on notice are tabled in the Senate. They may be accessed from the committee's website.

1.13 For the 2013–14 Supplementary Budget Estimates round, answers to questions on notice were due to be provided to the committee by Friday,

17 January 2014. The committee commends the Resources, Energy and Tourism portfolio for submitting all answers on time. The committee notes that:

- The Industry portfolio submitted all their answers before the commencement of the 2012–13 Additional Budget Estimates hearings, however only 36 questions out of the total of 192 questions were answered by the deadline set by the committee; and
- Answers to 1038 out of 1100 questions placed on notice with the Treasury portfolio were still outstanding at 17 January 2014. Answers were still being sent to the committee secretariat a day prior to the Treasury portfolio's appearance at the Additional estimates hearings. This practice means that committee members do not have all the information they need at hand in order to perform their examination of the portfolio adequately. On the date of tabling this report, Treasury had 7 answers from the Supplementary Budget Estimates 2013–14 still outstanding. Furthermore, 21 questions still remained to be answered by Treasury from the Budget Estimates hearings of 2013–14.

Public interest immunity claims

1.14 On 13 May 2009, the Senate passed an order relating to public interest immunity claims.⁴ The order, moved by Senator Cormann, set out the processes to be followed if a witness declines to answer a question. The full text of this order was provided to departments and agencies prior to the hearings and was also incorporated in the Chair's opening statements on both days of the Additional Estimates hearings.

Record of proceedings

1.15 This report does not attempt to analyse the evidence presented over the two days of hearings. However, it does include a brief list of the issues that were traversed by the committee for the respective portfolios.

1.16 Copies of the Hansard transcripts, documents tabled at the hearings, and additional information received after the hearings (see Appendix 2 for a list of the documents) are tabled in the Senate and available on the committee's website.

1.17 Page numbers in brackets following the topics listed below refer to Proof Hansard transcripts. Page numbers in the Official Hansard transcripts, once they are produced, may differ from the page numbers in the Proofs.

Matters raised – Treasury Portfolio

1.18 On 26 February 2014, the committee examined the estimates for the:

- Treasury [Macroeconomic Group and Corporate Strategy and Services Group];
- Australian Securities and Investments Commission (ASIC);
- Productivity Commission;

4 *Journals of the Senate*, No. 68, 13 May 2009, p. 1941.

- Australian Competition and Consumer Commission (ACCC);
- Australian Office of Financial Management (AOFM);
- Australian Bureau of Statistics (ABS);
- Treasury [Fiscal Group] with the Clean Energy Finance Corporation (CEFC);
- Treasury [Revenue Group] with the Australian Taxation Office (ATO) and Australian Charities and Not-for-profit Commission (ACNC); and
- Treasury [Markets Group].

Treasury [Macroeconomic Group]

1.19 Dr David Gruen, Executive Director, Macroeconomic Group (Domestic), provided the committee with a summary of economic developments since the Mid-year economic and fiscal outlook (MYEFO) was published in December 2013. He explained that:

...global growth prospects are improving in what continues to be a slow, drawn out recovery from the financial crisis. Encouragingly sentiment has been improving in recent months. That said, both old and new downside risks remain. Advanced economies are picking up and growth in China remains solid while other emerging markets are softer. While the outlook for emerging market economies has been more moderate and mixed of late they are still expected as a group to contribute the bulk of global growth (pp 4-5)

1.20 Dr Gruen outlined developments in China where the economy grew by 7.7 per cent in 2013; in the United States with its modest but steady recovery; in the Euro where the economy appears 'to have turned the corner but the recovery remains weak and uneven'; and in Japan where the short-term outlook has been boosted by fiscal and monetary stimulus. (p. 5)

1.21 Turning to the domestic economy, Dr Gruen explained that:

...the outlook at MYEFO was for below-trend growth to continue over the current financial year and 2014-15 as the Australian economy transitions slowly to broader-based non-resources sources of growth. Recent data releases have been broadly consistent with this outlook. The September quarter 2013 national accounts showed an economy growing below trend, with growth of 0.6 per cent in the quarter and 2.3 per cent over the year. Growth outside the resources sector remained subdued, with below-average outcomes for consumption and dwelling investment in the quarter. Resources investment, which made a major contribution to economic growth in recent years, is now at or around its peak. The latest capital expenditure survey suggests that resources investment will remain elevated this financial year, supported by a few large LNG projects. Resources investment is expected to fall significantly as these projects are completed around the middle of the decade. (p. 5)

1.22 Other topics covered during the committee's examination of the Treasury included:

- trends in unemployment (pp 6-8);

-
- Australia's economy, which according to the evidence was travelling below trend attributed to a big transition in the economy—mining investment placing pressure on other parts of the economy that is not associated with the resources sector; impact of unemployment rate on budget outcomes from the estimates of people on unemployment benefits; the effect of the MYEFO projected unemployment rate remaining at 6 ¼ per cent relative to assuming the unemployment rate returning to 5 per cent, was to reduce the budget by \$3.7 billion over the forward estimates (pp. 7 and 24);
 - participation, real wages and productivity growths, including labour productivity or multifactor productivity between the 1990s and 2000s (pp 8–9);
 - the introduction of two alternative projection scenarios in the unemployment rate and their implications for the budget bottom line and a range of other confidence intervals into Pre-Election Economic and Fiscal Outlook 2013 (PEFO) and carried across into MYEFO, and their implications to budget figures, and changes to the terms of trade methodology; and the rationale behind these changes (pp 10-16);
 - implications for nominal and real GDP growth using the different methodologies; real trend GDP growth and above trend GDP growth; the difficulty of 'stepping off from the forecast years to the projection years, using the methodology that [...] have [been] used historically'⁵ (pp 12–14);
 - changes to forecasting and projection methodologies—an evolutionary process (pp 20–21);
 - the advantages to Australia from holding the G20 presidency so far and into the future and an analysis of the outcomes of the various G20 events that were held in Australia (pp 22–23);
 - the commitment to implement policies to grow GDP by more than two per cent above the current trajectory over the next five years, which translates to US \$2 trillion of global economic activity and its implications for growth and jobs in Australia and a brief explanation on what's been agreed to with respect to base erosion, profit sharing and common reporting standard (pp 22–24);
 - distinction between through-the-year growth rate and year average growth figures used by the Reserve Bank of Australia and the Treasury—through-the-year growth to June 2016 refers to the growth rate from 1 June quarter of 2015 to June quarter of 2016, whereas the year average is the GDP in the fiscal year 2015-16 over the GDP in fiscal year 2014-15 (p. 26);

- estimates of the direct and indirect job losses following the announcement of the closure of car manufacturing plants in South Australia and Victoria, the Prime Minister and Minister for Industry announcement of a competitiveness and investment agenda, which includes investment in projects such as adjustment programs for workers and regional centres impacted (pp 27–28); and
- Department of Prime Minister and Cabinet's carriage of an industry-wide analysis into the economic impacts on South Australia, Victoria and on the national economy more broadly in regards to the automotive industry, as well as in the context of the challenges that manufacturing faces in Australia (pp 27–28).

Australian Securities and Investments Commission (ASIC)

1.23 When asked about insolvency and Chapter 11, the Chairman of ASIC, Mr Greg Medcraft, referred to his experiences in the United States (US) and gave his views on Chapter 11, which he believed was 'a very good structure'. He stated that the difference between Australia's current regime and the US Chapter 11 is that:

...chapter 11 retains management with the company, as opposed to handing the management to an insolvency expert. It also means that basically everything is frozen—labour contracts, financial contracts—such that the company's management can go away and negotiate and try to put the company back on a solid footing (p. 30).

1.24 Mr Medcraft explained further that he had always been a supporter of Chapter 11 because:

I think it significantly mitigates the loss of value that results from essentially going in and just selling up whole entities. Also, I think it is far less harmful in terms of job losses and general destruction of value. So, certainly I think chapter 11 is a very good system, because it allows a freezing. But the most important thing is that you retain the management. Often we see with companies that the issue is its financial structure, not necessarily its management. And I know from my time as a banker that often the company may be being lumbered with too much leverage or contractual commitments. This gives a chance for that to be sorted out. We can provide the committee with more information about chapter 11 (p. 30).

1.25 The remaining topics covered during the committee's examination of ASIC included:

- proposed changes to the Future of Financial Advice (FOFA) legislation (pp 32–36);
- Australian Securities and Investments Commission's (ASIC) investigation into insider trading by an ex-officer at Gunns Ltd, and key issues relating to the proceeds of crime (pp 38–40); and
- superannuation and trusts (pp 40–42).

Productivity Commission

1.26 Mr Mike Woods, Deputy Chairman of the Productivity Commission, provided the committee with an update on the Australian automotive sector. He gave the following statistics and analysis of the current level of production in Australia, which is about 200,000 in total, and the economics of operating in Australia:

The largest single plant is being run by Toyota. It is producing 100,000 vehicles. It has something like 30,000 in the domestic market and it is relying on 70,000 vehicles for the export market, primarily to the Middle East. Then you move down to Holden at 80,000. That is producing two vehicles, the Cruze and the Commodore. The Ford plant is producing less than 40,000. In fact the sales there are falling away quite rapidly. None of them [inaudible] what can be considered internationally for high-volume, low-value vehicles—that is the small and medium size, including Commodores and Falcon levels of international standards. That causes scale economy problems. They are not insurmountable problems, but they do significantly affect the economics of operating in Australia (p. 42).

1.27 The committee also examined the Productivity Commission on the following matters:

- ASIC's study into whether the issue of multipliers and the related issue of spill-over benefits for the auto sector justified public assistance, and transitional assistance to assist component manufacturers to diversify and remain viable (pp. 43–44 and 47–48);
- the Productivity Commission's inquiry into the childcare sector (p. 48); and
- perceived unfairness of free-trade agreements, interventionist monetary policies by overseas governments and their impact on the manufacturing sector in Australia (pp 48–49).

Australian Competition and Consumer Commission (ACCC)

1.28 The Chairman of the ACCC, Mr Rod Sims, offered the committee some comments on the Commission's budget. He noted:

We have just had an increase in our funding for 2013-14, which the government has very kindly provided in the additional estimates process. That sorts out our position for 2013-14. We are making a few budget adjustments to accommodate that—travel and things of that nature—and we are still in discussion with the government about the out years through the new policy process.

1.29 Mr Sims also referred to some of the savings measures that the ACCC is employing. He stated:

We have reduced our travel expenditure by having much less travel and making sure that everybody travels economy class, obviously. Really, it is by cutting back and having less travel. We have cut back printing costs. We are basically trying to do absolutely everything online. We have cut back on some of our IT expenditure.

1.30 The Chairman also noted that Mr Brian Cassidy, the Chief Executive Officer of ACCC, was retiring after being in the position for 14 years. Mr Sims informed the committee that he has taken over the CEO's role: that under the Act, he is now the chief executive.

1.31 During the ACCC's appearance, the committee also examined the following matters:

- current position of the Australian Competition and Consumer Commission (ACCC) (pp 50–51);
- ACCC's concerns in relation to the proposed acquisition of the business and assets of Macquarie Generation by AGL Energy Limited and its impact on competition in the New South Wales electricity market (pp 51–53);
- status update on the root-and-branch review (p. 53);
- ACCC court action against Coles and Woolworths for allegedly breaching undertakings relating to fuel shopper docketts (pp 53–54);
- country of origin labelling requirements in relation to 'Ugg' boots after these products have passed Customs (pp 53–54);
- inquiry into misleading claims by producers who claim their products are produced by free range animals (pp 55–56); and
- any action taken by the ACCC in relation to the secondary boycott by the Construction, Forestry, Mining and Energy Union (CFMEU) against Boral (pp 55–56).

Australian Office of Financial Management (AOFM)

The committee covered the following topics during its examination of the Australian Office of Financial Management

- updated bond yields (p. 57);
- the current market for issuing residential mortgage-backed securities (RMBS), which looked healthy at the start of the year, with \$3.9 billion worth of issuance in the calendar year to date (p. 57); and
- increase in projected Commonwealth securities on issue, the relationship between the figures that are in PEFO and MYEFO and AOFM's projections and its process of doing forecasts for financing requirements for the government (pp 57–60).

Australian Bureau of Statistics (ABS)

1.32 The committee examined the Australian Bureau of Statistics on the following main topics:

- population projections and net migration assumptions produced by the Australian Bureau of Statistics (ABS) and those contained in Treasury's *Intergenerational report* and the Department of Immigration and Border Protection's *The outlook for net overseas migration* (pp 60–62);

- article in the Australian Financial Review claiming the ABS was in financial difficulty with a deficit above \$40 million, the majority of which is attributed to depreciation (pp 62–63);
- approach to government with an investment proposal, (which the ABS is currently working on and is cabinet-in-confidence), for a capital injection to refresh their systems and processes and the need for periodic capital injections in order to maintain ABS’s overall operating health as the accumulating depreciation amount reflects a gradual decay of the ABS’s assets (pp 62–64); and
- progress update on the Work, Life and Family Survey and options for an investment to be able to conduct that survey before 2019 (pp 65–66).

Treasury [Fiscal Group] and the Clean Energy Finance Corporation (CEFC)

Clean Energy Finance Corporation (CEFC)

1.33 The Chief Executive Officer of the Clean Energy Finance Corporation, Mr Oliver Yates, informed the committee that there were still about 150 proponents in its pipeline. He explained further:

We have about 35 active projects that are in the pipeline for consideration. Our pipeline really is approximately \$12 billion in its full form of about 150 proponents. Currently we are looking at about \$3 billion worth of transactions, which constitute another 34 investments going forward. That is what happens with pipelines—things come in and things fall off. Clearly there is a large pipeline of projects. Importantly, a lot of them are not in renewable energy. A lot of them are in energy efficiency and a lot of them are in increased productivity. Remember, increased productivity and increased energy efficiency reduce emissions. Our core activity here should not only be considered renewable energy or even emission reductions. It is actually productivity. As part of that, we will drive emission savings (p. 72).

Mr Yates noted further that all the projects are different and with the support of the board and the current minister, CEFC was continuing to fulfil its mandate as best it could. He explained that CEFC was:

...continuing to do transactions in an orderly fashion. We gave an indication that we thought we would invest approximately a billion dollars over the 12 months. We still think we will probably end up investing approximately a billion dollars over the 12 months. That is our target and we are continuing on with our business plan (p. 72).

1.34 Other main topics dealt with during the examination of the Corporation included:

- government cost of borrowings for the purposes of the Clean Energy Finance Corporation (CEFC) (pp 66–67);
- clarification to evidence relating to: concessionality included in the Fiscal Balance impact over the forward estimates, CEFC’s performance in relation to Treasury estimates used for fiscal balance impact, items

not included in the estimate of fiscal balance impact over the forward estimate period and estimated public debt interest cost impact of abolition of the CEFC, which is not included in the fiscal balance impact over the forward estimates⁶;

- any investments made by the CEFC in projects that were already built or already under construction or had already received development approval at the time of the CEFC's investment; and whether any of the investments made in projects by the CEFC would have proceeded without the CEFC's investment (p. 68);
- number of board meetings the CEFC held and the total direct costs and indirect costs from support for the meetings since the establishment of the CEFC, and the leasing costs incurred since its establishment (p. 69);
- principal backers of the CEFC's investments, update to last estimates' evidence on the \$2.2 billion invested through the CEFC (presently a total \$2.4 billion scheduled to be invested in 35 projects), current expected return on the CEFC's direct investments at above seven per cent and anticipated surpluses forecast in the next four years (pp 69–70);
- arrangement for the management of the CEFC's investments following its closure and its return to Treasury (pp 70–71); and
- any change in investor relationship with the CEFC since the Senate's decision not to abolish it, the amount of emissions reduced to date and possible emissions reduced in the pipeline, the emissions reduction that the CEFC believes is achievable and CEFC's estimation per tonne of emissions reduction to date (p. 73).

Fiscal Group

1.35 The main topics covered during the examination of the Fiscal Group included:

- evidence provided by Fiscal Group officers to the Commission of Audit (p. 76);
- interest payment on the previous government's debt; the inclusion or exclusion of the medium-term fiscal strategy in Mid-Year Economic Fiscal Outlook (MYEFO); Charter of Budget of Honesty and fiscal rules (pp 74–77);
- information in Pre-election Economic and Fiscal Outlook (PEFO) and MYEFO; decisions of government; and changes to the projections assumption for the unemployment rate and the terms of trade methodology (pp 80–83);

6 A letter of clarification received from Ms Jillian Broadbent AO, the Chair of the Clean Energy Finance Corporation (CEFC), dated 5 March, received on 6 March 2014, clarifying evidence provided at the Additional Estimates hearing on 26 February 2014. Refer to *Proof Committee Hansard*, 26 February 2014, pp. 67–68.

- Treasury's work on housing supply and affordability (pp 83–84);
- update on the National Injury Insurance Scheme (NIIS) which complements the National Disability Insurance Scheme (NDIS) and projected savings to the NDIS, the application of insurance principles that are a risk based approach or claim management rather than a premium pool insurance scheme, four elements to the NIIS—motor vehicles, workplace, medical treatment injuries or misadventure, and general accidents (pp 84–87);
- whether Treasury has undertaken any work on the impact of a GP co-payment or means testing of any Medicare Benefits Scheme (MBS) item numbers and whether Treasury was aware of any similar work undertaken by the South Australian Department of Health (pp 87–88); and
- Treasury staff seconded to the Commission of Audit, whether the methodologies used in PEFO and MYEFO will be adopted in the Commission of Audit's report (pp 89–90).

Treasury [Revenue Group] with the Australian Taxation Office (ATO) and Australian Charities and Not-for-profit Commission (ACNC)

Treasury [Revenue Group]

1.36 During the examination of the Treasury [Revenue Group], the committee examined the following matters:

- clarification around the nature of revisions in relation to forecast of wages growth and corporate profitability in MYEFO (pp 94–97);
- primary drivers of the downward revision to company tax (pp 96–97); and
- any changes to the tax-to-GDP assumptions in the years beyond the forward estimates in MYEFO compared to what is described in PEFO as the underlying trends scenario (p. 97).

Australian Taxation Office (ATO)

1.37 The Commissioner of Taxation, Mr Chris Jordan, provided an assessment of the ATO's current strengths and weaknesses, and anticipated developments over the coming 12 months. He stated:

We have developed over the last six months a whole new, longer term strategic plan for the ATO. It is named the 2020 Vision, which was one of the issues that the capability review identified, that we did not have any particularly clearly articulated longer term strategy or positioning, and that meant that we were not particularly having a lot of strategic investments in getting to that new position.

It has focused us a lot on the service improvements that we need to make for our clients, Australian citizens and businesses. There has been a lot of effort over the last eight to 10 years in refreshing, renewing and rebuilding the core processing systems of the ATO, but a lot of that focus has been internal. I want to change that focus to be more looking at the interactions

that citizens have with us and making those more contemporary. We have defined a new mission and a new vision, which is about reinventing the ATO and it is a lot about more contemporary service offerings. I think people would expect to deal with large government agencies like the ATO in a way that they deal with large businesses and have that more modern and contemporary interaction.

There is a large cultural change part of the reinventing of the ATO. That will be a fairly longer term, and not particularly easy, process but we have got substantive plans in that area. We have formed a 2020 program office to make sure that we properly coordinate our new activities in reinventing of the ATO to make sure that we stay on track and that we do also meet our obligations in terms of our action plan under the capability review. In summary, the ATO is an organisation that has many strengths, it is very good at large processing of information and it is very good at implementing large new policy proposals and projects (p. 92).

1.38 The ATO was examined on a range of other matters including:

- recent case of the Commissioner of Taxation v Messenger Press Pty Ltd and whether the ATO considered applying for special leave to appeal to the High Court and whether advice was sought from the Solicitor-General or any other legal counsel (pp 97–98);
- the \$882 million paid to News Corporation and clarification on how it has been recorded in MYEFO (pp 99–100 and pp 112–113);
- ATO rulings on managed investment schemes, resources available to monitor product rulings (pp 104–105);
- use of Australian tax-deductibility laws by Friends of the Earth used by Safe Food Foundation and Gene Ethics, who do not have deductible gift recipient (DGR) status, to collect donations on their behalf (pp 105–106);
- the value of the wine industry in revenue raising, whether the expected percentage of rebates of tax receipts will fall or rise, discussions with stakeholders within the wine industry and the referral of instances of the misuse of the wine equalisation tax (WET) rebate to the Australian Federal Police (AFP) (pp 106–108);
- discussions between the ATO and the Australian Charities and Not-for-profit Commission (ACNC) about its future and also between the ATO and the government on the role the ATO is to assume should the ACNC close and the functions of the ACNC be split across different departments (pp 108–109); and
- impact on revenue projections and maintaining service standards as a result of 900 staff cuts (p. 114).

Australian Charities and Not-for-profit Commission (ACNC)

1.39 The main topics covered during the committee's examination of the ACNC included:

- staffing arrangements, voluntary redundancy numbers, and higher than usual attrition rate due to the uncertain environment in which the ACNC operates (pp 102–104);
- report in annual report on initiatives to reduce red tape which dovetails the work already completed to date with the government's deregulation agenda (p. 109);
- any feedback from not-for-profit organisations regarding the difficulty of meeting the ACNC's compliance requirements, the number of charitable endorsements revoked and applications for endorsement rejected (p. 110); and
- comparison between the ACNC and charity regulators in other common-law countries and the lessons learnt from the problems identified in the United Kingdom and United States (pp 111–112).

Treasury [Markets Group]

1.40 The committee examined the Treasury [Markets Group] on the following main topics:

- update on the consultations underway on the government's reform package on Future of Financial Advice legislation and an outline of the key changes under the reform package (pp 114–115);
- an overview of the process underway in relation to the government's discussion paper on improvements to the superannuation industry, including MySuper products designed as a default generic product that have built-in protections and safety features for consumers, as well as being used as a reporting benchmark for other funds to report against and the potential of a proportion of current MySuper products losing their default status and the upheaval this may cause (pp 116–117);
- recommendation and process surrounding the ADM proposed acquisition of Graincorp (p. 120); and
- update on the expansion of the 'unfair contract terms' provision to business-to-business contracts (p. 125).

Matters raised – Industry portfolio

1.41 On 27 February 2014, the committee examined the estimates for the:

- Australian Renewable Energy Agency (ARENA)
- National Offshore Petroleum Safety and Environment Management Authority (NOPSEMA);

- Commonwealth Scientific and Industrial Research Organisation (CSIRO);
- Australian Skills Quality Authority (ASQA);
- Anti-Dumping Commission;
- Geoscience Australia;
- Department of Industry [Cross-portfolio];
- Department of Industry [Outcome 1: Australian Industry—Manufacturing, Services and Small Business Sectors];
- Department of Industry [Outcome 2: Science and Research];
- Department of Industry [Outcome 3: Skills, Qualifications and Productivity] with the Australian Workforce and Productivity Agency (AWPA) and the National Advisory for Tertiary Education, Skills and Employment (NATESE); and
- Department of Industry [Outcome 5: Resources and Energy].

1.42 Matters examined included the following:

Australian Renewable Energy Agency (ARENA)

1.43 During ARENA's appearance before the committee, it was examined on a range of matters, including:

- administration of the One Million Solar Roofs scheme (p. 5);
- impact of proposed budget reductions on Australian Renewable Energy Agency's (ARENA) projects and programs (pp 5–6);
- the relationship between ARENA and the CEFC—ARENA covers the whole spectrum from the earliest stage of research and development through to the roll out of major projects, whereas the CEFC focuses more on the commercial or near-commercial end (pp 8–9);
- the working relationship between the two organisations to avoid duplication of effort (p. 9); and
- the two projects with a debt facility from CEFC, out of a total of 184 projects with an equity provision, or a grant from ARENA (p. 9).

National Offshore Petroleum Safety and Environment Management Authority (NOPSEMA)

1.44 During National Offshore Petroleum Safety and Environment Management Authority's (NOPSEMA) examination, officers were asked about the amendments to the environment regulations in the Offshore Petroleum and Greenhouse Gas Storage Act and whether NOPSEMA was confident these amendments would deliver stated protection outcomes (pp 9–10).

1.45 Other matters examined included:

- whether NOPSEMA has the necessary expertise to assess impacts on matters of national environmental significance, including in areas protected under part 3 of the Environment Protection and Biodiversity Conservation (EPBC) Act and the ability to manage specific risks from offshore petroleum activities (p. 12);
- whether the outcomes under NOPSEMA's processes would be equivalent to what is achieved under the current Environment Protection and Biodiversity Conservation (EPBC) Act (p. 11); and
- any difference between the current and the new regulation and whether the new requirements would meet the EPBC Act requirements (pp 11–14).

Commonwealth Scientific and Industrial Research Organisation (CSIRO)

1.46 The main topics canvassed by the committee during the Commonwealth Scientific and Industrial Research Organisation (CSIRO)'s appearance included:

- the measures adopted by the CSIRO to reduce red-tape (pp 14–15);
- new international travel guidelines and whether there are restrictions that might disadvantage postdoctoral students compared to their counterparts who are university-based (pp 18–19);
- the budget allocated for travel to conferences and the number of staff who would be attending the 17th biennial Ocean Science Meeting (pp 14–18);
- the importance of travel to international conferences for the work of the CSIRO, including to the Ocean Science Meeting for its world-class marine and atmospheric research division (p. 16);
- CSIRO advice for state and national management agencies in relation to white shark biology, advice to the Western Australian government in relation to its drum-line policy; and the impact of drum lines on the viability of shark population (p. 19);
- status update on the two-phased independent investigation into allegations of workplace bullying conducted by Professor Dennis Pearce (pp 19–21); and
- CSIRO's fact sheet on Australia's shale gas resources and the potential of shale gas in Australia (pp 20–23).

1.47 The committee also acknowledged the tremendous contribution Mr Mike Whelan, the Deputy Chief Executive of Operations, has made to the country following his upcoming retirement (p. 23).

Australian Skills Quality Authority (ASQA)

1.48 During ASQA's examination by the committee, the committee questioned officers about funding for the authority and the pay levels for each commissioner (p. 23).

1.49 Mr Christopher Robinson, the Chief Commissioner, informed the committee that ASQA comprised three commissioners:

I am the chief commissioner of the agency, and we have a commissioner for compliance, who manages the audit activities of the organisation, and a commissioner for risk and legal, who covers off the risk analysis work of the organisation and the risk assessment work of the organisation and all the legal work that goes with it. The three commissioners under the act form the national regulator. ASQA as a national regulator makes decisions based on a majority of commissioners (pp 23–24).

1.50 Other areas canvassed by the committee during its examination of ASQA included:

- further information about the recruitment process used to appoint the three commissioners (p. 24);
- a broad overview of the work the authority is undertaking to improve the quality of the skills and training sector, how the authority assesses its success and the rejection rate of applications by existing providers (pp 24–25);
- ASQA's role in Victoria and Western Australia, considering these two states have not referred their regulatory powers to ASQA (p. 25);
- parties ASQA consults with in relation to its complaints mechanism; the difficulty consulting with local students in the vocational education and training (VET) sector as opposed to more easily identified groups such as overseas students, employer, industry, union and provider organisations; organisations (p. 25);
- complaints about registered training organisations and the nature of some of those complaints: for example, of the 2,625 complaints received from students in 2 ½ years up to December 2013, 30 per cent related to poor quality training or lack of facilities or work placements, 20 per cent related to assessment process, and other areas are more varied, including 18 per cent of complaints relating to misleading marketing or the student's experience not reflecting what they had been advised by the registered training organisation (RTO) (pp 25–26); and
- audit process and the number of compliance audits undertaken by ASQA since its establishment, fit and proper person test and better communication with students to inform them on how to make a complaint (pp 26–27).

Anti-Dumping Commission

1.51 The committee welcomed Mr Dale Seymour to his first estimates appearance as the new Anti-Dumping Commissioner (p. 27).

1.52 During its examination of the Commission, the committee dealt with the following matters:

- staffing arrangements and the transition to the Industry portfolio following machinery of government changes (p. 27); and
- an increase in the number of inquiries and applications seeking a remedy for alleged dumping activities (pp 27–28).

1.53 Responding to a question about the work of the commissioner and the length of time it takes to make its assessment, the Commissioner advised:

... from a time line perspective, [the Anti-Dumping Commission is] one of the most efficient jurisdictions globally. From application to conclusion, we seek to finalise the matter in 155 days, which puts us at the top of the league ladder among jurisdictions.

....

New Zealand is 180 days; Canada is 210 days; USA is 280 days; and the European Union is one year (p. 28).

1.54 The Anti-Dumping Commission was also examined on the different findings between the Anti-Dumping Commission and the Productivity Commission in regards to preserved tomatoes imported into Australia under different criteria set up by different legislation derived from different agreements under the World Trade Organisation (WTO) (pp 28–29).

Geoscience Australia

1.55 During the opening section of its appearance, Geoscience Australia answered a question the committee had earlier put to the CSIRO in relation to gas shale, its development potential in Tasmania, and whether some concerns about its environmental impact were scientifically-based (p. 30).

1.56 Other related matters examined included:

- community concerns relating to fracking for shale oil and gas, including—the potential for contamination of aquifers and water supplies, the chemicals used in fracking, whether this activity could generate an earthquake, the information available relating to its environmental impact, and whether risks were known and manageable (pp 30–32);
- the impact of reduced revenue streams on Geoscience's activities as its budget is dependent on other departments' ability to pay for its services (pp 32–33); and
- the government's tax incentive for small explorers so they can enter the greenfield space and the work Geoscience is undertaking to complement the government tax incentive (p. 33).

Department of Industry [Cross-portfolio]

1.57 Under examination by the committee, the Department of Industry [cross-portfolio] was questioned about the outcome from the Department of Finance and the Minister for Finance's assessment of discretionary grants across the Australian public service and whether it had any involvement in the process (pp 34–36).

1.58 The department advised that as a result of that assessment, 13 programs proceeded as normal, others were either awaiting a decision or were closed and one (Tailored Advisory Service component of the Enterprise Connect) required an additional approval step by the Minister for Finance before any spending could proceed (pp 34–36).

1.59 Other areas of examination by the committee included:

- the Department of Industry's contribution of \$6.7 million to the \$20 million to establish a royal commission into the Home Insulation Program (p. 38);
- the number of staff assigned to the regulatory reform unit, where these staff will be sourced from and the budget for running the unit; (pp 38–39); and
- further clarification to a response provided for supplementary estimates on the areas of the portfolio for which the parliamentary secretary has responsibility (p. 39).

Department of Industry [Outcome 1: Australian Industry—Manufacturing, Services and Small Business Sectors]

1.60 The Department of Industry [Outcome 1] were examined by the committee on the administration of building leases, including one inherited from the Department of Climate Change following the machinery-of-government changes (pp 40–41).

1.61 The committee requested information about the terms of the lease for the Nishi building and the timing of the lease as well as what penalties were contained in the lease if the Commonwealth were to break it (pp 40–41).

1.62 Officers were able to advise the committee that staff from the Department of Industry currently occupied two of the 6 floors leased, with the remainder sub-tenanted to the Department of Education and Department of Foreign Affairs and Trade under a memorandum of understanding arrangement (p. 41).

1.63 The other main topics covered during the department's examination by the committee included:

- current situation for Forgacs, the defence white paper, which will provide guidance on the sustainability for aspects of defence shipbuilding (p. 42);
- discussions between the department and Toyota and General Motors prior to their announcement of closure in 2017 (p. 43);
- Productivity Commission's position paper in regard to the automotive industry and any consultation with the department on its draft position paper (pp 44–45);
- the government's competitiveness agenda, including its economic reviews of Victoria and South Australia, and a \$100 million growth fund in response to the announcement of motor vehicle manufacturing closures in Victoria and South Australia (p. 45);

- the Department of Industry's support for the review panels in their reviews and discussions with the panel and the minister about the options for programs including initiatives stemming from these reviews (pp 45–46);
- the composition of the review panels undertaking reviews of regional economies in Victoria and South Australia, and parties consulted for those reviews (pp 51–52);
- the department's evaluation of the situation at SPC Ardmona (pp 54–55);
- parties consulted with regard to the regulatory and compliance burdens of the Australian Jobs Act and the consultation process (pp 55–58);
- the amount of money remaining in the clean technology programs that might be identified as uncommitted funds and the amount of money saved from the discontinuation of the clean technology programs (pp 58–59); and
- total quantum of government assistance that has been provided to the automotive sector in Australia by the Commonwealth government from the late 1990s and structural challenges to the Australian automotive manufacturing sector (pp 63–65).

Department of Industry [Outcome 2: Science and Research]

1.64 The Department of Industry [Outcome 2] was questioned about Professor Schmidt's review of the Prime Minister's Science Prize and the 19 recommendations stemming from it (pp 69–70).

1.65 Of those 19 recommendations, departmental officers were able to advise the committee that 13 recommendations have already been implemented; five, which were more technical in nature, were still under consideration and one, which was a new prize for innovation, was not proceeded with as there was no guaranteed money (pp 69–70).

1.66 Other topics examined by the committee included:

- the split of programs between the Department of Industry and the Department of Education in relation to science (pp 70–71); and
- an update on the work undertaken in phase one and phase two for the Square Kilometre Array (SKA) telescope.

Department of Industry [Outcome 3: Skills, Qualifications and Productivity] and the National Advisory for Tertiary Education, Skills and Employment (NATESE), and Australian Workforce Productivity Agency (AWPA)

1.67 During the Department of Industry's [Outcome 3] examination by the committee, officers were questioned about the number of Vocational education and training (VET) Reform Taskforce meetings and skills workshops (pp 73–77) and the reason why they were by invitation only.

1.68 The committee was advised that the first six workshops, which were held in Canberra, were by invitation and engaged attendees from across Australia while the remainder of the workshops, held across the different capital cities, would be open workshops (pp 73–77).

1.69 The other main topics canvassed during examination by the committee included:

- update and progress on the implementation of the National Partnership Agreement on Skills Reform, any proposed changes to the funding amounts set out each of the funding agreements and a breakdown of where the funds have been distributed (pp 79–80);
- the department's role in encouraging and facilitating the uptake of digital modes of teaching and learning in the technical and further education (TAFE) sector (pp 80–81);
- actions taken by the department to address the problems of poor information and communications technology (ICT) skills among staff in regional TAFE institutes (p. 81);
- the National Workforce Development Fund and payment to Auseco to fund 300 students (pp 82–83);
- amount expended from the Workforce Development Fund, the number of projects approved this financial year for grants under the National Workforce Development Fund and probity process applied in assessing applications under the fund; (p. 84 and pp 88–89); and
- clarification on why the proposed meeting for the National Skills Standards Council would no longer proceed and the timing and nature of the previous chair's involvement with Vocation Ltd prior to his resignation (pp 85–87).

Department of Industry [Outcome 5: Resources and Energy]

1.70 During the Department of Industry's [Outcome 5] examination, the committee questioned the closure of Gove alumina refinery in the Northern Territory and the factors influencing its closure (pp 89–90).

1.71 The committee also sought further information about the suite of commitments Rio Tinto had entered with the Northern Territory government to support businesses and the communities affected by the refinery's closure (pp 89–90).

1.72 Related to such questions were the types of measures taken by the federal government to manage the additional need for a range of social and employment services assistance that is anticipated to rise in Gove as a result of the refinery's closure (p. 92).

1.73 Among other topics discussed included:

- what measures are available to the department to produce a more level playing field with a view to improve competitiveness and productivity (p. 93); and
- the department's assessment of the role of unconventional gas in Australia's future energy mix and needs and the potential opportunities provided by unconventional gas in Australia that might be similar to the United States (pp 93–94).

Senator David Bushby
Chair

Appendix 1

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Appendix 2

Tabled documents

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Treasury portfolio

1. *Recent economic development*, received from Dr David Gruen, Executive Director, Macroeconomic Group, Department of Treasury;
2. Opening statement, received from Mr Greg Medcraft, Chairman, Australian Securities and Investments Commission (ASIC);
3. *ASIC releases guidance on FOFA fee disclosure statements and ASIC update on FOFA*, received from Senator Dastyari;
4. *Treasury bond yields*, received from Mr Rob Nicholl, Chief Executive Officer, Australian Office of Financial Management (AOFM);
5. *ABS so in red it battles 'to keep lights on'*, Australian Financial Review, dated 29 January 2014, received from Senator Dastyari; and
6. *Australian Bureau of Statistics Statement of Comprehensive Income – for the period ended 30 June 2013*, Annual Report 2012-13, p. 143, received from Senator Dastyari.

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7. Opening statement, received from Mr Christopher Robinson, Chief Commissioner, Australian Skills Quality Authority (ASQA); and
8. *Proof Committee Hansard, Senate Economics Legislation Committee Estimates, 26 February 2014*, pp 42-43.

Additional information

Industry portfolio

1. A letter of clarification received from Ms Jillian Broadbent AO, the Chair of the Clean Energy Finance Corporation (CEFC), dated 5 March 2014, received on 6 March 2014, clarifying evidence provided at the Additional Estimates hearing on 26 February 2014.

Appendix 3

Department of Industry Outcome and Program Structure

Outcomes	Programs
<p>Outcome 1: The sustainable development and growth of Australian industry—particularly the manufacturing, services and small business sectors—by encouraging businesses to innovate, collaborate and commercialise ideas, and by delivering business advice, assistance and services.¹</p>	Program 1.1: Industry Development and Investment
	Program 1.2: Innovative Industry
	Program 1.3: Program Support
<p>Outcome 2: Production, use and awareness of science and research knowledge, by supporting research activity; training and infrastructure; science communication; skill development; and collaboration, within the research sector and between researchers and industry, domestically and internationally.²</p>	Program 2.2: Science and Research Capability
	Program 2.3: Program Support
<p>Outcome 3: A growth in skills, qualifications and productivity through funding to improve teaching quality, learning, and tertiary sector infrastructure, international promotion of Australia’s education and training sectors, and partnerships with industry.³</p>	Program 3.4: Vocational Education and Training
	Program 3.5: VET National Support
	Program 3.7: Program Support

1 Outcome reflected in the former Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICCSRTE) 2013-14 Portfolio Budget Statements (PBS).

2 Outcome reflected in the former Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICCSRTE) 2013-14 Portfolio Budget Statements (PBS).

3 Outcome reflected in the former Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICCSRTE) 2013-14 Portfolio Budget Statements (PBS).

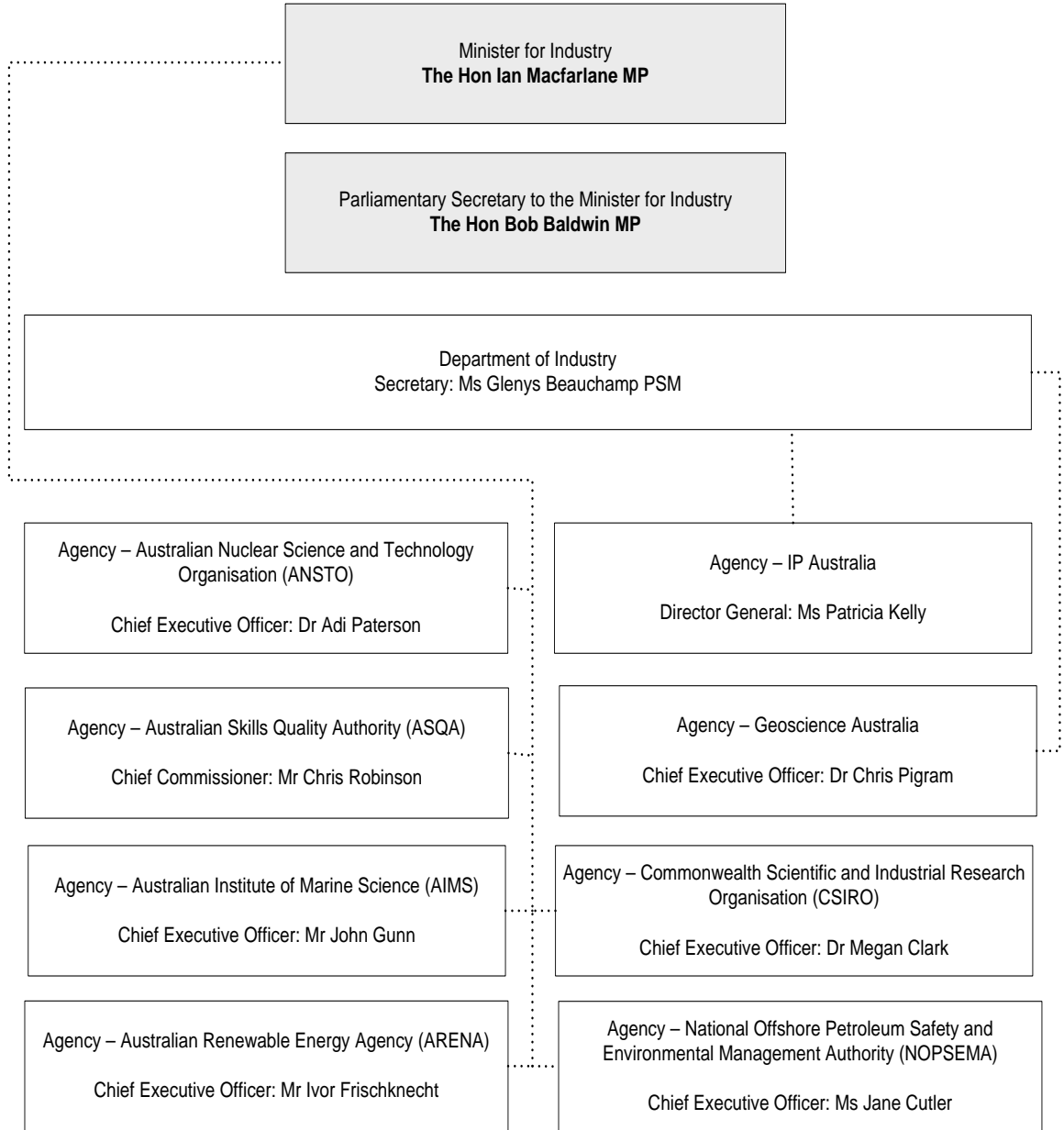
<p>Outcome 5: The improved strength, competitiveness and sustainability of the resources, energy and tourism industries to enhance Australia's prosperity through implementation of government policy and programs.⁴</p>	<p>Program 5.1: Resources Related Initiatives and Management</p>
	<p>Program 5.2: Energy Related Initiatives and Management</p>
	<p>Program 5.3: Improving Australia's Energy Efficiency</p>
	<p>Program 5.4: Program Support</p>

Source: *Portfolio Additional Budget Statements 2013-14*, Industry, portfolio, pp. 34-35.

4 Outcome reflected in the former Department of Resources, Energy and Tourism (DRET) 2013-14 Portfolio Budget Statements (PBS).

Appendix 4

Industry portfolio structure



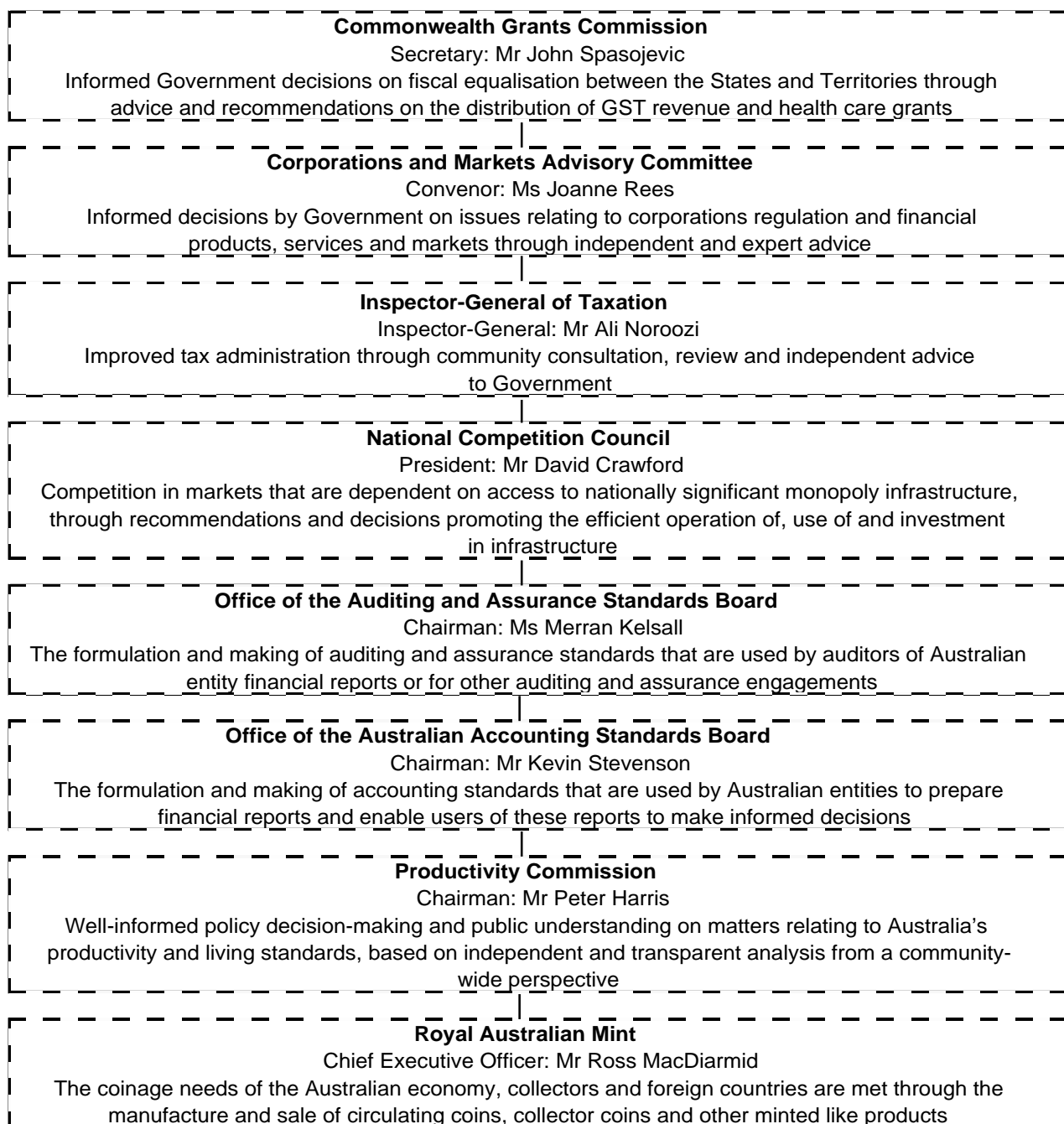
Source: *Portfolio Additional Budget Statements 2013-14, Industry, portfolio, p. 4.*

Appendix 5

Treasury portfolio structure and outcomes



Figure 1: Treasury portfolio structure and outcomes (continued)



Source: *Portfolio Additional Budget Statements 2013–14*, Treasury portfolio, pp 4–5.