

The Senate

Economics
Legislation Committee

Additional estimates 2010–11

March 2011

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Senate Economics Legislation Committee

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Secretariat

Mr John Hawkins, Secretary
Mr CJ Sautelle, Research Officer
Ms Morana Kavagic, Administrative Officer

PO Box 6100
Parliament House
Canberra ACT 2600
Ph: 02 6277 3540
Fax: 02 6277 5719
E-mail: economics.sen@aph.gov.au
Internet: http://www.aph.gov.au/senate/committee/economics_ctte/index.htm

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Additional Estimates 2010–11

Report to the Senate

Introduction

1.1 On 10 February 2011 the Senate referred to the committee for examination and report the following documents in relation to the Innovation, Industry, Science and Research; Resources, Energy and Tourism; and Treasury portfolios:¹

- particulars of proposed additional expenditure in respect of the year ending on 30 June 2011 [Appropriation Bill (No. 3) 2010-11];
- particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2011 [Appropriation Bill (No. 4) 2010-11];
- the Final Budget Outcome 2010-11; and
- issues from the advances under the annual Appropriation Acts for 2009-10.

Portfolio structures and outcomes

1.2 The committee notes that no changes have been made to the portfolio structures and outcomes of the three portfolios since the 2010-11 Budget Estimates round.

1.3 The structures and outcomes for each of the portfolios are summarised in the appendices as indicated below:

- Innovation, Industry, Science and Research (Appendix 4);
- Resources, Energy and Tourism (Appendix 5); and
- Treasury (Appendix 6).

Questions on notice

1.4 The committee draws the attention of all departments and agencies to the deadline of Friday, 8 April 2011 for the receipt of answers to questions taken on notice from this round. 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. The secretariat has prepared indices for questions taken on notice during and after the hearings and these will be made available on the following website: http://www.aph.gov.au/Senate/committee/economics_ctte/estimates/index.htm.

¹ *Journals of the Senate*, 10 February 2011, p. 581

General comments

1.5 The committee received evidence from Senator the Hon Kim Carr, Minister for Innovation, Industry, Science and Research; Senator the Hon Nick Sherry, Minister Assisting on Deregulation and Public Sector Superannuation, Minister for Small Business and Minister Assisting the Minister for Tourism; Senator the Hon Penny Wong, Minister for Finance and Deregulation; and officers from the Innovation, Industry, Science and Research; Resources, Energy and Tourism; and Treasury portfolios.

1.6 The committee thanks the ministers and officers who attended the hearings for their assistance.

1.7 The committee conducted hearings on 23 and 24 February 2011. In total the committee met for 21 hours, excluding breaks.

Record of proceedings

1.8 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 main issues that were traversed by the committee for all portfolios.

1.9 Copies of the Hansard transcripts are available on the internet at http://www.aph.gov.au/hansard/senate/commttee/committee_transcript.asp?MODE=YEAR&ID=82&YEAR=2011. Copies are also tabled with this report for the information of the Senate.

Matters raised – Innovation, Industry, Science and Research portfolio

1.10 On 23 February 2011, the committee examined the estimates for the:

- Commonwealth Scientific and Industrial Research Organisation (CSIRO);
- Office of the Chief Scientist;
- Australian Nuclear Science and Technology Organisation (ANSTO);
- Australian Research Council (ARC);
- IP Australia; and
- Department of Innovation, Industry, Science and Research.

1.11 Matters examined included the following:

Commonwealth Scientific and Industrial Research Organisation (CSIRO)²

- opening statement from the CSIRO Chief Executive (pp 4-5);

² Page numbers refer to the *Committee Hansard*, Wednesday 23 February 2011. Transcript page numbers in the *Proof Hansard* may differ slightly from the *Official Hansard*.

- CSIRO's Ngara wireless technology and the NBN (pp 7-9);
- staffing cuts within the CSIRO's Environment group (pp 9-10);
- incursion of the Asian Honey Bee into Australia (pp 10-11);
- scientific papers on, and issues relating to climate change (pp 11-12); and
- CSIRO contingency funding (pp 12-13).

Office of the Chief Scientist

- Chief Scientist's recent decision to resign from her post (pp 13-14, 15, 17-18);
- role of the Chief Scientist, and input of the Chief Scientist to senior members of government (pp 14-15, 16)
- Copenhagen Climate Summit (pp 15-16); and
- role of the scientific community in informing public discussion on climate change (pp 16-17).

Australian Nuclear Science and Technology Organisation (ANSTO)

- Comcare report relating to OH&S standards at ANSTO (pp 18-19, 22);
- an ANSTO public telephone survey on nuclear issues (p. 19);
- ANSTO lobbyist on the Victorian Government lobbying register (p. 20);
- participation in the Generation IV International Forum (pp 20-21);
- status of supplies for nuclear medical isotopes (pp 22-23); and
- definition and purpose of behavioural suspensions (p. 23).

Australian Research Council (ARC)

- procedure for awarding ARC grants (pp 23-25); and
- the Excellence in Research for Australia (ERA) initiative (pp 25-29)

IP Australia

- IP issues relating to research and development legislation (p. 29).

Department of Innovation, Industry, Science and Research – outcome 2 – Science and Research

- ERA initiative (pp 30-33);
- use of social media websites by departmental staff (pp 33-36);
- Collaborative Research Networks program (pp 36-37);
- Cooperative Research Centres program (pp 37-41);
- Inspiring Australia program (pp 41-42); and
- Prime Minister's Science, Engineering and Innovation Council (p. 44).

Department of Innovation, Industry, Science and Research – outcome 1 – Innovation and Industry

- funding and potential staffing cuts across the department (pp 44-46);
- manufacturing industry issues (pp 46-48);
- R&D legislation and related IP issues (pp 48-49);
- car industry programs (pp 49-54, 55);
- departmental spending on media monitoring (pp 54-55);
- Book Industry Strategy Group (pp 55-56);
- Steel and Rail advocates, and the Oakajee port development (pp57-58);
- COAG decision to introduce a six-star rating for mandatory building energy efficiency (pp58-59);
- implications of recent natural disasters for Australian Building Codes (pp 59-60);
- National Construction Code (p. 60);
- meetings between Senator Sherry and union officials (pp 60-66);
- abolition of the Small Business Ministerial Council (p. 66); and
- 'sham contracting' in small business (pp 67-68).

Matters raised – Resources, Energy and Tourism portfolio

1.12 On 23 February 2011, the committee examined the estimates for the:

- Department of Resources, Energy and Tourism;
- Tourism Australia; and
- Geoscience Australia.

1.13 Matters examined included the following:

Department of Resources, Energy and Tourism – outcome 1 – resources and energy

- Global Carbon Capture and Storage Institute (pp 71-74, 85-86);
- Low Emission Technology Demonstration Fund (pp 74-78);
- exploration permits and regulatory framework for deep sea oil drilling (pp 78-81);
- ongoing activities of PPTEP after Montara oil spill (pp 81-82);
- potential impact of a carbon tax (pp 82-83);
- alternate fuels and the LPG and ethanol industries (pp 83-85);
- impact of the resources boom on the economy and projected labour shortages (p. 85);

- forthcoming Energy White Paper (pp 85-86); and
- energy security issues (pp 87-88).

Geoscience Australia

- impact of seismic testing on scallop populations (pp 89-90).

Department of Resources, Energy and Tourism – outcome 2 – tourism; and Tourism Australia

- Tourism Australia's most recent statement of expectations and statement of intent (pp 90-91);
- corporate issues concerning Tourism Australia (pp 91-92);
- Tourism Australia campaign and trade events (pp 93, 96-97);
- TQUAL grants program (pp 93, 95);
- Business Events Strategy Implementation Group (pp 93-94);
- international engagements of the Tourism Minister (p. 94);
- Tourism Research Australia (pp 94-95);
- National Long-Term Tourism Strategy (pp 95-96);
- Aussie Specialist Program (p. 97);
- inbound and outbound tourist numbers to and from Australia (p 97-98); and
- tourism in Western Australia (pp 98-99).

Matters raised – Treasury portfolio

1.14 On 23 February 2011, the committee examined the estimates for the:

- Treasury – outcome 1: Markets Group; and
- Productivity Commission.

1.15 On 24 February 2011, the committee examined the estimates for the:

- Australian Securities and Investments Commission (ASIC);
- Treasury – outcome 1: Revenue Group;
- Australian Taxation Office (ATO);
- Australian Bureau of Statistics (ABS);
- Australian Competition and Consumer Commission (ACCC);
- Australian Prudential Regulation Authority (APRA);
- Treasury – outcome 1: Macroeconomic Group;
- Treasury – outcome 1: Fiscal Group;
- Australian Office of Financial Management (AOFM); and

- Commonwealth Grants Commission (CGC).

1.16 Matters examined included the following:

Treasury – outcome 1: Markets Group

- Mortgage exit fees and the government's proposed banking reforms (pp 103-113);
- Code of Banking Practice (pp 113-114);
- EFTPOS transactions (pp 114-115);
- threshold for investigation of foreign investments by FIRB (pp 115-118);
- Chinese and US investment in Australia (pp 118-119);
- bilateral trade agreements (pp 119-120);
- Future of Finance Advice reforms (pp 120-123);
- competition in the market for trading in listed shares (pp 123-124);
- recommendations of the Cooper Review into superannuation (pp 124-125);
- Strong Super reforms (pp 125-126);
- National Consumer Credit Protection Act (pp 126-127); and
- OECD National Contact Point for Australia (pp 127-129).

Productivity Commission

- opening statement on developments in relation to the Productivity Commission's work programme (pp 130-131);
- data on funding for private schools used in the Report on Government Services (pp 131-132);
- Productivity Commission staff with qualifications in ecologically sustainable development (pp 132-133);
- progress of forthcoming Productivity Commission reports (pp 133-134);
- Productivity Commission report on executive remuneration (pp 136-137); and
- Productivity Commission report into gambling reform (pp 137-138).

Australian Securities and Investments Commission (ASIC)³

- opening statement covering ASIC's ongoing activities (pp 4-5);
- ASIC action against banks relating to unconscionable fees or unfair contracts (pp 5-6);
- stock market competition and ASIC's market supervision (pp 6-8, 15, 17-18);

³ Page numbers refer to the *Proof Committee Hansard*, Thursday 24 February 2011. Transcript page numbers in the *Proof Hansard* may differ slightly from the *Official Hansard*.

-
- potential merger between the ASX and the SGX (pp 7-8, 15, 18-19);
 - Chi-X market licence application (p. 8);
 - regulation of advice in the property investment industry (pp 8-9);
 - corporate governance issues and the operation of boards and AGMs (pp 9-11);
 - topics arising from ASIC's recent summer school (pp 11-13);
 - mortgage exit fees (pp 13-14);
 - funding for legal cases pursued by ASIC (pp 14-15);
 - issues relating to secured lending investment companies (pp 15-16);
 - structure of ASIC's program areas (p. 19); and
 - questions on notice from the previous estimates in October 2010 (pp 19-21).

Treasury – outcome 1: Revenue Group and the Australian Taxation Office (ATO)

- expressions of thanks to Dr Henry for his service over the past decade as Treasury secretary (p. 21);
- upcoming tax summit (pp 21-22);
- proposed mining tax (pp 22-29, 32-33, 34-36, 45);
- flood reconstruction levy (pp 26, 29-31, 44-45);
- effects of 'two-speed' economies and the structure of the Australian economy (pp 33-34);
- ATO change program and staffing (36-41);
- proposed carbon price (pp 41-42);
- superannuation issues and the Cooper Review (pp 42-43, 47-8, 50);
- R&D tax legislation (p. 44);
- housing affordability issues (pp 45-47); and
- legal cases undertaken by the ATO (pp 48-49).

Australian Bureau of Statistics (ABS)

- opening statement regarding the upcoming ABS census (pp 50-51);
- ABS quarterly CPI report (p. 51);
- superannuation fund returns data (p. 52);
- estimates of residential property vacancies in the census (pp 52-3);
- increase in ABS activities since 2008-09 (p. 53);
- Northern Territory enumeration strategy for the census (pp 53-54); and
- ABS data on victims of crime (pp 54-55).

Australian Competition and Consumer Commission (ACCC)⁴

- voluntary administration of the REDgroup booksellers (p. 55);
- joint marketing of natural gas from the North West shelf in WA (pp 55-56);
- legal action relating to inclusive pricing laws (p. 56);
- Fuel Consultative Committee (p. 56);
- time frames for completing small business investigations (pp 56-57);
- mediators under the Franchising Code of Conduct (p. 57);
- milk pricing and the dairy industry (pp 57-58, 59-61, 62-64);
- telecommunications scams (p. 58);
- financial sector issues and investigations (pp 58-59, 65-66);
- flood insurance issues (pp 61-62);
- ACCC report into airport car parks (pp 64-65);
- ACCC investigation into breast imaging technology (p. 65);
- applications before the ACCC regarding the AWB (pp 66, 68-69);
- regulation of the credit ratings industry (p. 66); and
- fuel prices (p. 67).

Australian Prudential Regulation Authority (APRA)

- opening statement outlining the impact of the recent natural disasters on industries regulated by APRA, and the Basel banking reforms (pp 68-70);
- request for investigation into Sandhurst Trustees (pp 70-71);
- prudential issues relating to superannuation funds (pp 72-74);
- definitional issues surrounding natural disaster insurance (pp 74-75); and
- liquidity coverage ratio agreement with the RBA (pp 75-76).

Treasury – outcome 1: Macroeconomic Group

- opening statement outlining the impact of recent natural disasters on the Australian economy (pp 76-77);
- superannuation guarantee and retirement incomes (pp 77-82);
- impact of recent natural disasters on sectors of the Australian economy (pp 82-83);
- current interaction between fiscal and monetary policy, and impact of stimulus measures in Australia and overseas (pp 84-87, 90, 92-94);

4 Transcript page numbers refer to the *Proof Hansard* and may differ slightly from the *Official Hansard*.

- reassessment of Australia's structural budget position (p. 87);
- Australia's current terms of trade and their impact on the economy (pp 87-90, 91);
- investment by Chinese and Australian mining companies in Africa (pp 90-91);
- Australia's balance of trade and current account deficit (pp 91-92);
- Australia's underlying cash balance (p. 94); and
- a report authored by Sen, Fitoussi and Stiglitz about economic measurement tools (p. 95).

Treasury – outcome 1: Fiscal Group

- climate change modelling (pp 95-111);
- COAG reform of health and hospitals funding (pp 111-112);
- purpose of the conservative bias allowance (pp 112-114);
- government financial transactions (p. 115);
- proposal to discuss a mining tax at COAG (pp 116-117); and
- women's workforce participation (pp 117-118).

Australian Office of Financial Management (AOFM)

- AOFM's current business outlook (pp 118-119);
- total Commonwealth government securities on issue (pp 119-122); and
- government investment in the residential mortgage-backed securities market (pp 122-123).

Commonwealth Grants Commission (CGC)

- Treasurer's terms of reference for the distribution of GST revenue in 2011-12 (pp 123-125);
- impact of gambling revenue and mining royalties on the GST distribution process (pp 125-127); and
- discussions concerning a floor under which a state or territory's return on GST cannot fall (pp 127-128).

Senator Annette Hurley
Chair

Appendix 1

Abbreviations

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ANSTO	Australian Nuclear Science and Technology Organisation
AOFM	Australian Office of Financial Management
APRA	Australian Prudential Regulation Authority
ARC	Australian Research Council
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
AWB	Australian Wheat Board
COAG	Council of Australian Governments
CPI	Consumer Price Index
CSIRO	Commonwealth Scientific and Industrial Research Organisation
EFTPOS	Electronic Funds Transfer at Point of Sale
ERA	Excellence in Research for Australia
FIRB	Foreign Investment Review Board
GST	Goods and Services Tax
IP	Intellectual Property
LPG	Liquefied Petroleum Gas
NBN	National Broadband Network
OECD	Organisation for Economic Co-operation and Development
OH&S	Occupational Health & Safety

PPTEP	PPT Exploration and Production company
R&D	Research and Development
RBA	Reserve Bank of Australia
SGX	Singapore Exchange Ltd
TQUAL	TQUAL Grants – Tourism Quality Projects

Appendix 2

Index to *Proof Hansard* transcripts¹

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Innovation, Industry, Science and Research portfolio

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¹ Transcript page numbers may differ slightly in the *Official Hansard*.

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Appendix 3

Documents tabled

23 February 2011

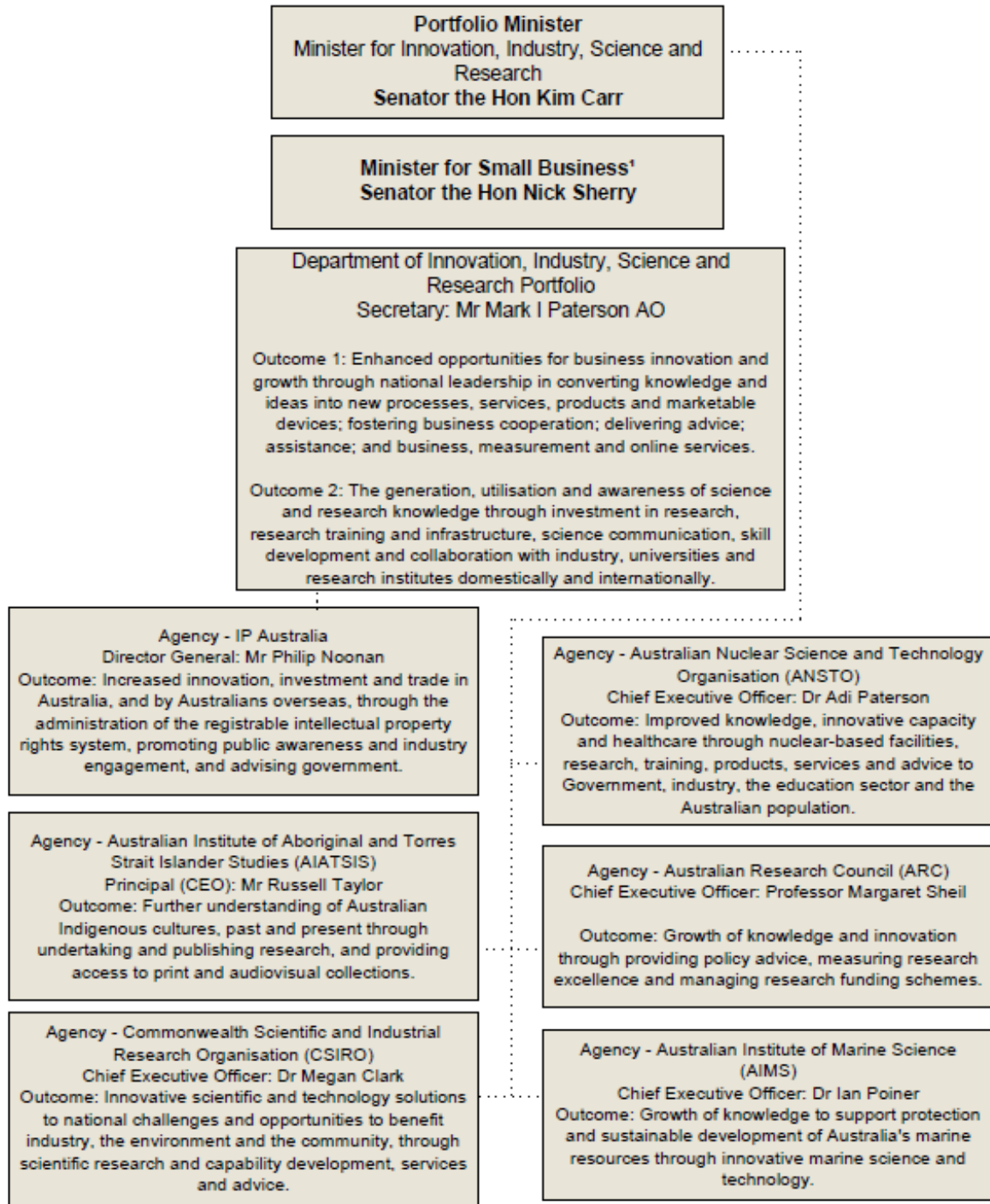
- Received from Dr Megan Clark, Chief Executive, Commonwealth Scientific and Industrial Research Organisation: CSIRO Organisational Strategy 2011-2015.
- Received from Ms Jane Madden, Head of Tourism Division, Department of Resources, Energy and Tourism: Statement of Intent – Role of Tourism Australia.
- Received from Ms Jane Madden, Head of Tourism Division, Department of Resources, Energy and Tourism: Statement of Expectations for Tourism Australia.
- Received from Ms Jane Madden, Head of Tourism Division, Department of Resources, Energy and Tourism: TQUAL Grants Application Form.
- Received from Ms Jane Madden, Head of Tourism Division, Department of Resources, Energy and Tourism: TQUAL Grants Program Guidelines for 2011-12.
- Received from Ms Jane Madden, Head of Tourism Division, Department of Resources, Energy and Tourism: TQUAL Grants Program Frequently Asked Questions.
- Received from Senator Mathias Cormann: Orders for the Production of Documents – Statutory Agencies or Officeholders.

24 February 2011

- Received from Dr David Gruen, Executive Director, Macroeconomic Group, Treasury: Opening Statement for Macroeconomic Group.
- Received from Mr Robert Nicholl, Chief Executive, Australian Office of Financial Management: Nominal CGS Yields Jul 2007-Feb 2011.

Appendix 4

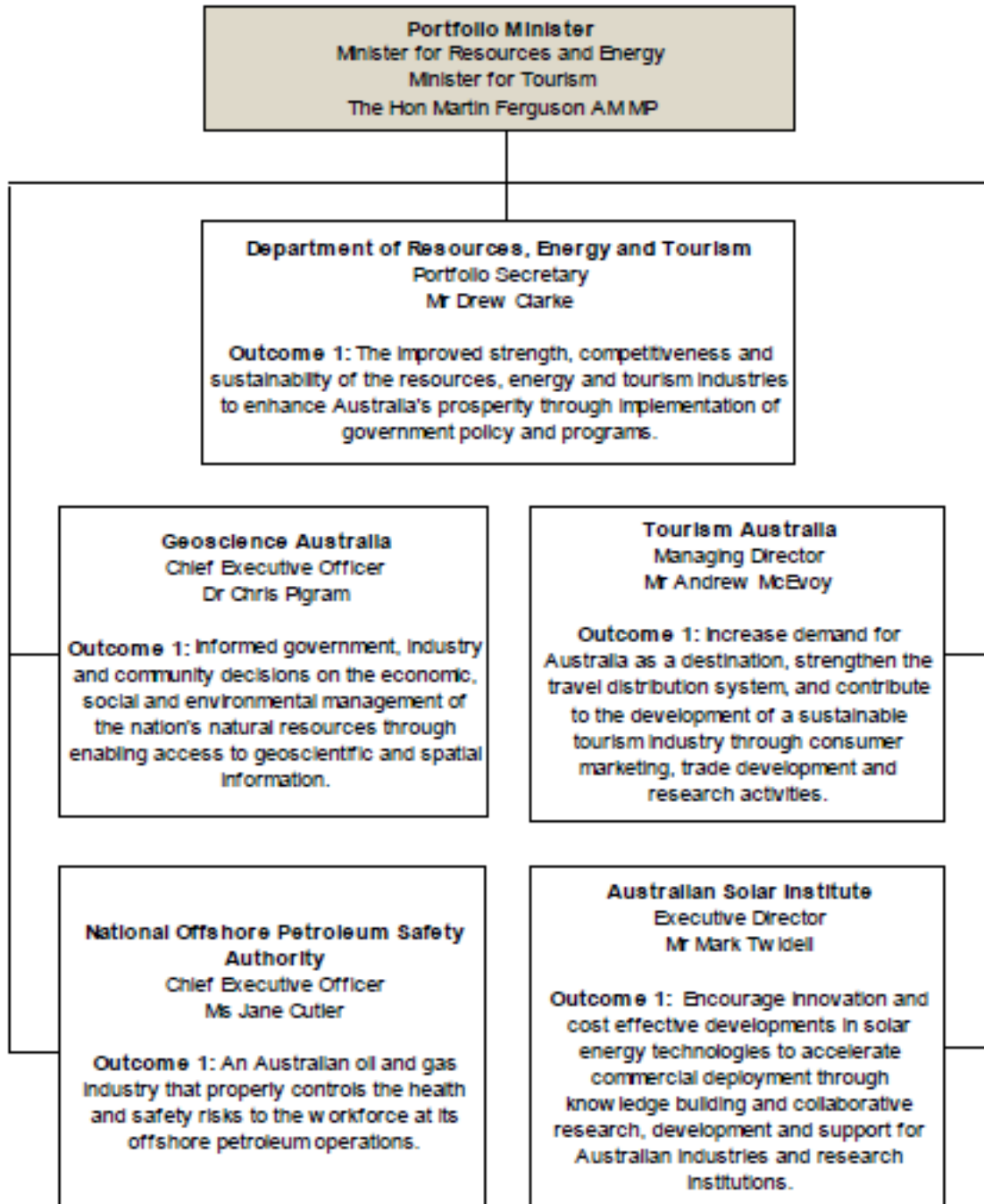
Portfolio structure and outcomes for the Innovation, Industry, Science and Research Portfolio¹



¹ *Portfolio Additional Estimates Statements 2010-11*, Innovation, Industry, Science and Research portfolio, p. 4.

Appendix 5

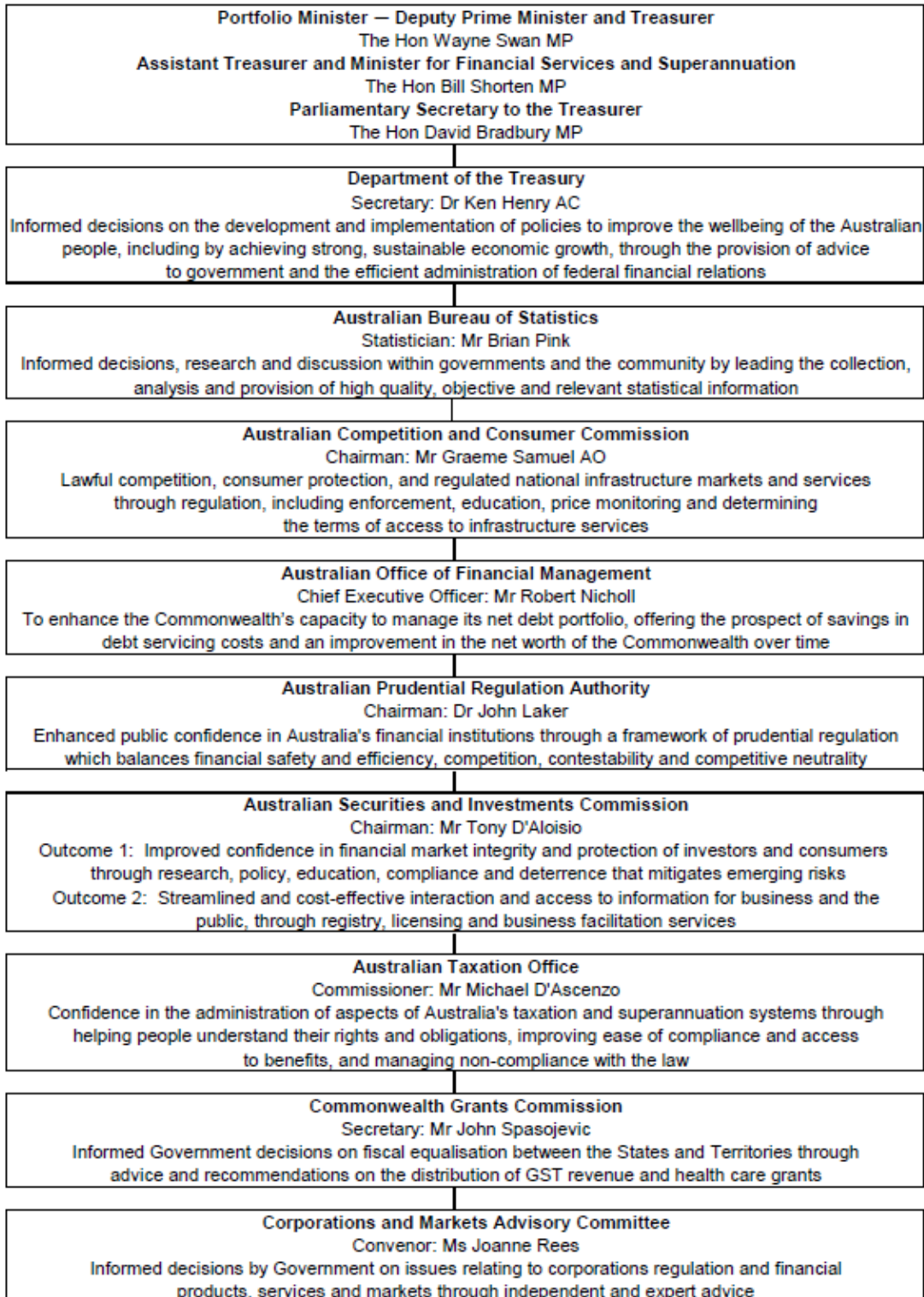
Portfolio structure and outcomes for the Resources, Energy and Tourism Portfolio¹



1 *Portfolio Additional Estimates Statements 2010-11*, Resources, Energy and Tourism portfolio, p. 5.

Appendix 6

Portfolio structure and outcomes for the Treasury portfolio¹



¹ *Portfolio Additional Estimates Statements 2010-11*, Treasury portfolio, pp 4-5.

