

The Senate

Economics
Legislation Committee

Additional estimates 2012–13

March 2013

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ISBN 978-1-74229-767-5

Printed by the Senate Printing Unit, Parliament House, Canberra.

Senate Economics Legislation Committee

Members

Senator Mark Bishop, Chair	Western Australia, ALP
Senator David Bushby, Deputy Chair	Tasmania, LP
Senator Doug Cameron	New South Wales, ALP
Senator Alan Eggleston	Western Australia, LP
Senator Anne Urquhart	Tasmania, ALP
Senator Nick Xenophon	South Australia, IND

Other senators in attendance

Senator the Hon. Eric Abetz	Tasmania, LP
Senator the Hon. George Brandis SC	Queensland, LP
Senator the Hon. Richard Colbeck	Tasmania, LP
Senator Mathias Cormann	Western Australia, LP
Senator Sean Edwards	South Australia, LP
Senator Mitch Fifield	Victoria, LP
Senator Alex Gallacher	South Australia, ALP
Senator the Hon. Bill Heffernan	New South Wales, LP
Senator John Madigan	Victoria, DLP
Senator the Hon. Brett Mason	Queensland, LP
Senator Christine Milne	Tasmania, AG
Senator Fiona Nash	New South Wales, NATS
Senator Stephen Parry	Tasmania, LP
Senator Lee Rhiannon	New South Wales, AG
Senator the Hon. Michael Ronaldson	Victoria, LP
Senator Scott Ryan	Victoria, LP
Senator Rachel Siewert	Western Australia, AG
Senator Arthur Sinodinos AO	New South Wales, ALP
Senator Glenn Sterle	Western Australia, ALP
Senator Larissa Waters	Queensland, AG
Senator Peter Whish-Wilson	Tasmania, AG
Senator John Williams	New South Wales, NATS

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Abbreviations

ACL	Australian Consumer Law
ATAR	Australian Tertiary Admission Rank
CRC	Cooperative Research Centre
ELICOS	English Language for Overseas Students
FOFA	Future of Financial Advice
GFC	Global Financial Crisis
HECS-HELP	Higher Education Contribution Scheme – Higher Education Loan Programme
ICT	Information and communications technology
MoU	Memorandum of Understanding
MRRT	Minerals Resource Rent Tax
MYEFO	Mid-Year Economic and Fiscal Outlook
OECD	Organisation for Economic Cooperation and Development
PEFO	Pre-Election Fiscal Outlook
PRRT	Petroleum Resource Rent Tax
RMBS	Residential mortgage backed securities
SES	Socio-Economic Status
TAFE	Technical and further education
VET	Vocational education and training

Additional Budget Estimates 2012–13

Report to the Senate

Introduction

1.1 On 7 February 2013, the Senate referred to the committee for examination and report the following documents in relation to the Industry, Innovation, Science, Research and Tertiary Education; Resources, Energy and Tourism; and Treasury portfolios:

- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2013 [Appropriation Bill (No. 3) 2012–2013];
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2013 [Appropriation Bill (No. 4) 2012–2013];
- Final Budget outcome for 2011–12; and
- Issues from the advances under the annual Appropriation Acts for 2011–12.¹

1.2 The committee is required to report to the Senate on its consideration of 2012–13 Additional Estimates on Tuesday 19 March 2013.²

Portfolio structures and outcomes

1.3 The committee notes the following changes to two portfolios' responsibilities as reported in Portfolio Additional Estimates Statements 2012–13:

Industry, Innovation, Science, Research and Tertiary Education:

- The Australian Workforce and Productivity Agency (AWPA) replaced Skills Australia from 1 July 2012.

Resources, Energy and Tourism:

- The Australian Solar Institute (ASI) ceased operations and its functions were incorporated into the Australian Renewable Energy Agency.

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

- Industry, Innovation, Science, Research and Tertiary Education (Appendix 3);
- Resources, Energy and Tourism (Appendix 4); and

1 *Journals of the Senate*, No. 132, 7 February 2013, p. 3606.

2 *Journals of the Senate*, No. 121, 1 November 2012, p. 3239.

- Treasury (Appendix 5).

General comments

1.5 The committee conducted hearings over two days:

- 13 February 2013 – Industry, Innovation, Science, Research and Tertiary Education portfolio, and Treasury portfolio; and
- 14 February 2013 – Resources, Energy and Tourism portfolio, and Treasury portfolio (continued).

1.6 In total, the committee met for 21 hours and 19 minutes, excluding breaks.

1.7 The committee received evidence from the following Senators:

- Senator the Hon. Kate Lundy, Minister Assisting for Industry and Innovation, Minister for Sport and Minister for Multicultural Affairs (representing the Minister for Tertiary Education, Skills, Science and Research; and Small Business);
- Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry and Minister Assisting on Queensland Floods Recovery (representing the Minister for Resources, Energy and Tourism); and
- Senator the Hon. Penny Wong, Minister for Finance and Deregulation.

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

- Dr Don Russell, Secretary, Department of Industry, Innovation, Science, Research and Tertiary Education;
- Mr Drew Clarke, Secretary, Department of Resources, Energy and Tourism;
- Dr Martin Parkinson, PSM, Secretary, Department of the Treasury; and
- officers from the Industry, Innovation, Science, Research and Tertiary Education; Resources, Energy and Tourism; and Treasury portfolios.

1.9 The committee is concerned about insufficient time available for questioning the three portfolio departments and agencies ever since the machinery of government changes on 12 December 2011 which added a third outcome, tertiary education and skills, to the former Department of Innovation, Industry, Science and Research.

Questions on notice

1.10 The committee draws the attention of all departments and agencies to the agreed deadline of Friday, 5 April 2013 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/Committees/Senate_Committees?url=economics_ctte/estimates/add_1213/index.htm.

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 2012–13 Supplementary Budget Estimates round, answers to questions on notice were due to be provided to the committee by Friday, 7 December 2012. The committee commends the Resources, Energy and Tourism portfolio for submitting all answers on time. The committee notes that:

- the Industry, Innovation, Science, Research and Tertiary Education portfolio submitted all their answers before the commencement of the 2012–13 Additional Budget Estimates hearings, however only 22 out of the total of 203 questions were answered by the deadline set by the committee; and
- answers to 1003 out of 1881 questions placed on notice with the Treasury portfolio were still outstanding at 7 December 2012. Answers were still being sent to the committee secretariat during the Treasury portfolio's appearance at the Additional estimates hearings, which is a practice best to be avoided. On the date of tabling of this report, Treasury had 11 answers from the Supplementary Budget Estimates 2012–13 still outstanding. Furthermore, 13 questions still remained to be answered by Treasury from the Budget Estimates hearings of 2012–13.

Procedural issues

1.14 On a few occasions, officers were asked to express their opinions and views on matters of policy or hypothetical situations.³ As per the *Government guidelines for official witnesses before Parliamentary Committees and related matters* released in November 1989, public servants are not expected to comment on policy or express their opinion on matters of policy.

1.15 On three occasions during the hearing held on Wednesday 13 February, various reasons were outlined for not providing the information requested:

3 Refer to *Proof Hansard*, 13 February 2013, pp 64 and 129; and *Proof Hansard*, 14 February 2013, pp 37–38.

- The first was on the ground of prejudice to legal proceedings and related to a discussion about a Comcare report concerning a former employee of CSIRO. The claim was accepted by the committee and the information was elicited in other ways;⁴
- The second was a claim of 'commercial confidentiality' involving the government's funding of car manufacturers. It was also implied, however, that the legislation under which the funding occurred prevented the disclosure of the funding amounts; a position that wasn't challenged. The senator asking the questions indicated that he would explore other ways to obtain the information, possibly through the freedom of information process;⁵ and
- The third was when an officer didn't believe it appropriate to respond to a question about whether advice had been given to the government about the implications of current funding levels for TAFE infrastructure. This response was accepted but could have been challenged as an unacceptable ground on which to decline to provide information.⁶

Public interest immunity claims

1.16 On 13 May 2009, the Senate passed an order relating to public interest immunity claims.⁷ 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.

Ordinary annual services of the government

1.17 On 17 June 2010, the Appropriations and Staffing Committee tabled its 50th Report in the Senate. The report focused on an ongoing issue relating to the classification of ordinary annual services of the government. In the report, the Appropriations and Staffing Committee highlighted that:

Expenditure for the ordinary annual services of the government has always been contained in a separate bill to preserve the Senate's right under section 53 of the Constitution to amend bills appropriating funds other than for the ordinary annual services of the government and to comply with section 54.⁸

4 Refer to *Proof Hansard*, 13 February 2013, pp 16–18.

5 Refer to *Proof Hansard*, 13 February 2013, pp 33–36.

6 Refer to *Proof Hansard*, 13 February 2013, p. 77.

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

8 Senate Appropriations and Staffing Committee, 50th Report, *Ordinary annual services of the government*, June 2010, p. 1.

1.18 In this most recent report, the Appropriations and Staffing Committee restated concerns it had raised in its 45th Report:

Recent appropriation bills have been based on a mistaken assumption that the committee agreed to abandon the long-standing principle that all new policies would be classified as not part of the ordinary annual services of the government, and that the committee agreed that any expenditure falling within an existing outcome would be classified as ordinary annual services expenditure. On this view, completely new programs and projects may be started up using money appropriated for the ordinary annual services of the government, and the Senate is unable to distinguish between normal ongoing activities of government and new programs and projects or to identify the expenditure on each of those areas.⁹

1.19 The Appropriations and Staffing Committee considered correspondence from the Minister for Finance and Deregulation in relation to the matter and noted 'that the Minister's response has not provided a way forward to resolve this difference of view.'¹⁰ The committee therefore resolved that:

...the solution to the problem is to return to the Senate's original determination, so that new policies for which no money has been appropriated in previous years are separately identified in their first year in the appropriation bill which is not for the ordinary annual services of the government.¹¹

1.20 In light of this, the Economics Legislation Committee draws the attention of the Senate to measures included in Appropriation Bill (No. 3) 2012–2013, that is, the ordinary annual services bill, that appear to be new policies for which no money has been previously appropriated. These include:

- Superannuation Consumer Centre – investment fund (\$10.0 million over three years) in the Treasury portfolio.¹²
- Official Development Assistance – Poverty Reduction and Growth Trust (\$13.9 million in 2012–13) in the Treasury portfolio.¹³

9 Senate Appropriations and Staffing Committee, 50th Report, *Ordinary annual services of the government*, June 2010, p. 1.

10 Senate Appropriations and Staffing Committee, 50th Report, *Ordinary annual services of the government*, June 2010, p. 2.

11 Senate Appropriations and Staffing Committee, 50th Report, *Ordinary annual services of the government*, June 2010, p. 2.

12 *Mid-year Economic and Fiscal Outlook*, pp 196 and 280; and *Treasury PAES*, pp 11, 14, 16 and 19.

13 *Treasury PAES*, pp 11, 14, 15 and 16.

Record of proceedings

1.21 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 three portfolios.

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

1.23 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 – Industry, Innovation, Science, Research and Tertiary Education portfolio

1.24 On 13 February 2013, the committee examined the estimates for the:

- Australian Nuclear Science and Technology Organisation (ANSTO);
- Commonwealth Scientific and Industrial Research Organisation (CSIRO);
- Australian Research Council (ARC);
- Office of the Chief Scientist;
- Department of Industry, Innovation, Science, Research and Tertiary Education [Outcome 1: Industry and Innovation] and the Small Business Commissioner;
- Department of Industry, Innovation, Science, Research and Tertiary Education [Outcome 2: Science and Research] and Questacon;
- Department of Industry, Innovation, Science, Research and Tertiary Education [Outcome 3: Tertiary Education and Skills] with the Australian Workforce and Productivity Agency (AWPA) and the National Advisory for Tertiary Education, Skills and Employment (NATESE);
- Tertiary Education Quality and Standards Agency (TEQSA); and
- Australian Skills Quality Authority (ASQA).

1.25 Matters examined included the following:

Australian Nuclear Science and Technology Organisation (ANSTO)

- ICT policy and action taken as a result of a misuse of resources (pp 5–6);
- PETNET subsidiary and the Productivity Commission's report discussing issues that have arisen about PETNET's competitive neutrality in the marketplace and PETNET's ex ante breach of competitive neutrality policy; the Australian Competitive Neutrality Complaints Office investigation and

legal proceedings following a report filed by Cyclopet, a subsidiary of Cyclopharm in competition with PETNET in New South Wales (p. 6);

- PETNET's profitability and functioning in a commercial market, and the transparency and disclosure of its financials (pp 6–7); and
- the September 2012 announcement of a \$168 million investment in a new synroc and molybdenum plant, and a discussion involving the cost of the development (p. 7).

Commonwealth Scientific and Industrial Research Organisation (CSIRO)

- CSIRO's involvement in the rollout of the government's Manufacturing Technology Innovation Centre (p. 8);
- recent job cuts in the wireless research division (p. 8);
- discussions between CSIRO and the government on how to share cash proceeds from CSIRO's wireless networking technology licensing scheme, and providing a dividend to taxpayers for their investments in wireless technology over the years (pp 8–9);
- the declining numbers for sponsored and supervised postgraduates in the last two years, as they relate to the students' interest in CSIRO's research programs (pp 9–10);
- CSIRO's annual report and five-year community awareness strategy, and the relevance and impact of research projects undertaken at CSIRO relative to the results of an online survey from 2011 showing overall positive community attitudes towards CSIRO but a lack of awareness of CSIRO's projects (pp 10–11 and 20–21);
- an independent two-phased review of allegations of bullying and harassment, commissioned by CSIRO and announced on 5 February 2013, the development of the terms of reference for the inquiry, and plans for the conduct of the inquiry (pp 11–16);
- action taken following reports of incidents of workplace bullying at CSIRO, and approachability of the senior executive by employees with concerns (pp 17–18);
- findings of a Comcare report into the allegations made by a former employee, and CSIRO's adopted approach and internal practices (pp 18–19);
- CEO position beyond the end of 2013, after the expiry of Dr Clark's appointment (p. 19);
- Science and Industry Endowment Fund, its equity and funding (p. 20);
- the progress made in the implementation of the 10 recommendations contained in the Regional Sites Working Group's report from November 2011 (pp 20–21);
- terms of reference for a government-commissioned study of the water resources in Northern Australia (pp 21–22); and

- the handling and future of the last preserved worsted wool equipment in Australia, currently in CSIRO's ownership (pp 22–24).

Australian Research Council (ARC)

- the ARC website (p. 24);
- absenteeism statistics according to the *State of the Service Report 2011–12* (p. 24);
- yearly costs of the Excellence in Research for Australia initiative (pp 24–25);
- Linkage Projects grants and the rationale for introducing the 'partner investigator' requirement in the rules for funding commencing in 2013; and the degree of involvement from a 'partner organisation' (p. 25);
- success and funding rates for the ARC's grant schemes, and research vulnerabilities identified in the Chief Scientist's *Health of Australian Science* report published in May 2012 (pp 25–26);
- the Future Fellowships scheme – last year of allocation for the four-year programs under the scheme (p. 26); and
- changes to university research funding that occurred in the midyear budget (pp 26–27).

Office of the Chief Scientist

- *Health of Australian Science* report and the vulnerabilities identified, including access to research funding for early-career researchers (pp 27–28);
- the extent of the 'comprehensive consultation process to look at the actions government and business bodies could take to use research to contribute to national productivity growth and innovation,' and the report on this topic produced for the Prime Minister's Science, Engineering and Innovation Council (pp 28–29);
- advice to the Minister in the form of the National Research Investment Plan 2012, regarding a whole-of-government approach for opening access to data from publicly funded research (p. 28); and
- Professor Chubb's role as Chair of the Climate Change Authority in addition to his role as the Chief Scientist (pp 29–30).

Department of Industry, Innovation, Science, Research and Tertiary Education [Outcome 1: Industry and Innovation]

- the Industry and Innovation Statement – staffing and external assistance for its preparation, its progress and release (pp 30–32 and 46);
- a breakdown of spending on each of the programs under the New Car Plan for a Greener Future (p. 32);
- discussions with motor manufacturers regarding their seeking special government grants; the reasons for the rejection of the *Australian Financial*

Review's request under Freedom of Information about the amount of public money provided to Holden, Toyota and Ford; and the restrictions of the disclosure of information under the legislation of the Automotive Transformation Scheme (pp 30–36);

- changes to the *Automotive Transformation Scheme Act 2009* compared to the legislation from 2003; openness in government and restrictions on the access to the information on schemes in the vehicle industry (pp 36–37);
- potential economic implications and employment in the vehicle and components sector if government support to the automotive industry was to be removed; and the contribution of this sector to the economy (pp 37–39);
- transferability of skills between trades and occupations in the automotive manufacturing sector and the minerals resource sector; and the value of the automotive manufacturing sector to the economy (pp 39–40); and
- model cycles for manufacturers' investment in car manufacturing in Australia (pp 40–41).

Department of Industry, Innovation, Science, Research and Tertiary Education [Outcome 1: Industry and Innovation] and small business

Outcome 1: Industry and Innovation

- funding and completion of the EV Engineering project administered by AusIndustry (pp 42–43);
- motor vehicle companies receiving government grants concurrently as making substantial payments for marketing and sponsorships of, for example, sports clubs from their internal cash resources (pp 43–44);
- the National Measurement Institute's sports drug testing (pp 44–46);
- the Manufacturing Technology Innovation Centre (p. 46);
- expenditure on the Researchers in Business component of the Enterprise Connect program, and mathematics and science based internships (pp 46–47);
- Australian representation at OECD meetings, the benefits of departmental staff travel to these and other international events, and the dissemination of accrued knowledge throughout the Department (pp 47–49);
- the Department's OECD reference group, the chairmanship of OECD committees and Mr Richard Snabel's appointment as Chair in June 2012 (p. 49);
- the commissioning of and funding for the production of reports by overseas bodies, including the OECD (pp 49–50);
- the Clean Technology Innovation Program and the Clean Technology Investment Program; funding for the training of staff working on the carbon tax compensation programs and on the Steel Transformation Plan (pp 50–51);

- funding for the Department's information and advertising campaigns for the Clean Technology Innovation Program, the Clean Technology Investment Program and the Clean Technology Food and Foundries Program (pp 51–52);
- the cost of relocating AusIndustry's Melbourne office from Collins Street to Bourke Street (p. 52);
- current distribution of food manufacturing businesses across Australia (p. 52);
- a ministerial release of 29 June 2012 by Ministers Combet, Ferguson and Crean in relation to the funds provided to Energy Brix Corporation to maintain its production of briquettes during the first years of the carbon tax (pp 52–53); and
- the Department's role in the implementation of Operation Sunlight (p. 53).

Small Business Commissioner

- the appointment of Mr Mark Brennan as the first federal Small Business Commissioner, the terms and scope of the role and responsibilities, the requirements and issues raised by the small business community, and the identified challenges and work plan (pp 53–59); and
- the definition of small business, including the proposed definition by the Australian Bureau of Statistics (pp 60–62).

Department of Industry, Innovation, Science, Research and Tertiary Education [Science and Research] and Questacon

- the development of strategic research priorities, and the funding of the strategies endorsed in the National Research Investment Plan released by the ARC in November 2012; challenges and priorities identified, the progress of the Australian Research Committee's report on the impact assessment measures; and the Department's planned discussion paper to be done jointly with the ARC (pp 62–63);
- the termination and the evaluation of the Future Fellowships program (p. 64);
- current research workforce outcomes of PhD candidates, the casualisation of the academic workforce impacting on completion rates of PhD study, the average length of time taken to complete postgraduate degrees in different areas of study, and the possibility of different costs of PhDs influencing students' choice of area of study (pp 64–66);
- the Research Workforce Strategy released in 2011; and the review of the research training arrangements, including the Research Training Scheme (p. 65);
- the government's consideration of national collaborative research infrastructure programs to replace the National Collaborative Research Infrastructure Strategy which expired in June 2011 and the Super Science funding which expires on 30 June 2013 (p. 66);

-
- the government's allocation to the Cooperative Research Centres (CRC) program over the forward estimates; the future of the Advanced Manufacturing CRC, the Bushfire CRC and the Antarctic and Southern Ocean Environment CRC (pp 66–68);
 - Questacon staffing and applying for grants, and their administration of government programs (pp 68–69); and
 - the decision about the extension of the Australia-China Science and Research Fund (p. 69).

Department of Industry, Innovation, Science, Research and Tertiary Education [Tertiary Education and Skills] and the National Advisory for Tertiary Education, Skills and Employment (NATESE)

- the International Education Advisory Council's final recommendations in relation to the government's five-year national strategy to support the sustainability and quality of the international education sector (pp 69–70);
- the transfer of responsibility for the marketing and promotion of Australia's international education industry from Australian Education International to Austrade; and Austrade's revised Future Unlimited campaign launched in June 2011 (pp 70–71);
- the Queensland government's formal response to the report published by the Queensland Skills and Training Taskforce on 5 November 2012; and implications for funding and quality outcomes in the state's TAFE system (pp 71–72);
- implications of budget and job cuts to the TAFE systems in New South Wales and Victoria; and the implementation plans under the national partnership (pp 72–74 and 77);
- *Undergraduate applications, offers and acceptances 2012* and *Undergraduate applications, preliminary data 2013* (pp 74–75);
- the yearly number of acceptances between 2013 and 2025 necessary to obtain the Bradley target of 40 per cent of the population holding a bachelor's degree (pp 75–76);
- implementation plans for the National Partnership Agreement on Skills Reform (pp 76–77);
- consideration given to allow use of TAFE facilities and infrastructure to private providers of vocational education (pp 77–78);
- TAFE and VET access to the Education Investment Fund (p. 78);
- a research paper commissioned from the Office for Learning and Teaching in relation to the changing trends in the academic workforce, and the professionalisation of the academic workforce (pp 78–79);

- the repayment of the HECS-HELP debt – the amount of the debt at risk of not being repaid, the debt held by Australians working overseas, and the possibilities for debt collection from overseas clients (pp 79–81);
- university admissions of students with low Australian Tertiary Admission Rank (ATAR) scores; and plans for improving the quality of teachers (pp 81–83);
- budget for the Higher Education Participation and Partnerships Program, and the proportion of the increase in the program having to do with the increase in the number of low SES students, as opposed to the proportion of the increase in the program having to do with the increase of the overall allocation and/or indexation; and projections of the number of low SES students over the next few years (pp 83–84);
- independent and dependent Youth Allowance and the parental income test (pp 85–86);
- the cost of undertaking agricultural courses at university (pp 86–87);
- post-study work rights of international students (pp 87–88); and
- the Prime Minister's announcement of a new Bushfire and Natural Hazards CRC operating from 1 July 2013 (p. 89).

Australian Workforce and Productivity Agency (AWPA)

- total cost of running the agency for the 2012–13 financial year; the research being outsourced; and the way in which funding is administered (pp 88–89).

Tertiary Education Quality and Standards Agency (TEQSA)

- concerns about the quality of teaching and learning; and the relationship between industrial relations conditions and the impact on the threshold standards (pp 89–90);
- the development of guidelines on Massive Open Online Courses for universities (pp 91–93);
- TEQSA's quality and risk assessments, including in relation to third-party delivery and student services, and the English language proficiency (pp 93–94); and
- university admissions of students with a low ATAR score, and the impact on university quality and standards (pp 94–96).

Australian Skills Quality Authority (ASQA)

- audits done to date, staffing levels, and complaints received from students and stakeholders about registered training organisations (pp 96–98); and
- the English Language Intensive Course for Overseas Students (ELICOS) and the minimum requirements for ELICOS teachers (pp 99–100).

Matters raised – Resources, Energy and Tourism portfolio

1.26 On 14 February 2013, the committee examined the estimates for the:

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

1.27 Matters examined included the following:

Department of Resources, Energy and Tourism [Tourism] and Tourism Australia

- the tourism trade deficit and the release of the national satellite account (pp 3–4);
- numbers in inbound and outbound tourism (p. 4);
- Australia's rating on the World Economic Forum of Tourism competitiveness index (pp 4–5);
- factors for an increase in the tourism trade deficit (pp 5–7);
- cost as a factor in people's travel decisions (p. 7);
- studies of the financial impact of tourism taxes and charges in the last five years, and the impact from the carbon tax on the costs for local tourism operators (pp 7–9);
- the industry consultation program which will frame the research program of Tourism Research Australia over the next year (p. 9);
- passenger movement charge (p. 10);
- the Department's interest into the impact that staff cuts at the Department of Customs and Border Protection will have on customer processing times, and the Department's interest in airport satisfaction surveys (p. 11);
- consultation with other departments on issues relating to taxation and levies (p. 12);
- the tourist experience and tourism visa regime (p. 13);
- support provided to tourism operators to cater for growing interest from markets such as Indonesia, Malaysia, Singapore and India; the training and development of the tourism industry in Australia; and the funding through the strategic tourism industry grants for a Welcoming Chinese Visitors project (p. 14);
- tourism employment plans, and a labour and skills working group looking at issues confronting the tourism industry as part of Tourism 2020 (p. 14);
- the T-QUAL accreditation program which provides a framework for quality tourism products (p. 15);
- increasing Indigenous participation in the tourism industry (p. 15); and

- the use of the National Tourism Incident Communication plan during natural disasters, and the criteria determining when the plan can be invoked (pp 15–17).

Department of Resources, Energy and Tourism [Resources and Energy] and Geoscience Australia

- the reach of the earthquake centred near Moe in Victoria on 19 June 2012 (pp 17–18);
- exploration of the potential of unconventional energy sources such as shale gas (pp 18–20);
- future domestic energy needs, and the latest Australian Energy Projections published in December 2012 (pp 20–21); and
- the renewable energy target; the calculation of federal royalties from James Price Point; and offshore fracking (pp 21–23).

Matters raised – Treasury Portfolio

1.28 On 13 February 2013, the committee examined the estimates for the:

- Australian Securities and Investments Commission (ASIC);
- Australian Competition and Consumer Commission (ACCC);
- Australian Office of Financial Management (AOFM);
- Commonwealth Grants Commission (CGC); and
- Productivity Commission.

1.29 On 14 February 2013, the committee examined the estimates for the:

- Treasury [Macroeconomic Group];
- Treasury [Fiscal Group] with the Clean Energy Finance Corporation (CEFC);
- Treasury [Markets Group];
- Inspector-General of Taxation (IGT);
- Treasury [Revenue Group] with the Australian Taxation Office (ATO);
- Australian Prudential Regulation Authority (APRA); and
- Australian Bureau of Statistics (ABS).

Australian Securities and Investments Commission (ASIC)

- investigation into the distortion and manipulation of the stock market by hoaxes such as the Whitehaven coal hoax, the related examination of section 1041E of the Corporations Act which covers misleading and deceptive statements, and the penalties regime in place (pp 105–106);
- the Storm Financial settlement, and ASIC's role in the matter (pp 107–108);
- access to flood cover as part of insurance contracts (pp 107–108);

-
- the suitability of ASIC resources and the delays in answering phone calls due to the increase in workload caused by the recently introduced Business Names Registration service (p. 108);
 - ASIC's guidance on the fee disclosure statement as part of the Future of Financial Advice reforms; professional indemnity insurance; and regulatory guide 126 (pp 109–111);
 - issues being considered by ASIC's self-managed superannuation funds taskforce, such as property investment advice, particularly targeting the self-managed super sector (p. 111);
 - current enforcement actions and investigations, ASIC's public comment policy, and the enforcement special account (pp 112–113);
 - the Treasurer's recent decision to allow the ASX to retain its monopoly over clearing, and the costs incurred if competition were introduced in clearing in Australia (pp 113–114); and
 - ASIC's budget and criteria for allocating resources to ensure an appropriate level of resilience in the financial system (pp 114–115).

Australian Competition and Consumer Commission (ACCC)

- the investigation which commenced in 2012 into the shopper docket discounting schemes; the ACCC's concerns over the extended duration and increasing size of the shopper docket promotions and the impact of shopper dockets on competition and consumer interests (p. 116);
- perceived breaches of country of origin labelling requirements since the enactment of the Australian Consumer Law (ACL) (p. 116);
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- investigations into union conduct with respect to campaigns against builders (p. 118);
- the formal merger and acquisition approval process, and reviewing guidelines on the informal merger process (p. 118);
- investigation into the supermarket supply chain issues; and the current legislative enforcement framework (pp 118–119);
- the Richmond amendment and predatory pricing or conduct that shows an abuse of market power (p. 119);
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claims of conformity with Australian regulations and standards, and the number of instances of false or misleading claims in relation to imports (p. 119);

- the ACCC's market surveillance program (pp 119–120); and
- the British government's appointment of a farming executive to its new supermarket regulatory body, with powers to fine supermarkets (p. 120).

Australian Office of Financial Management (AOFM)

- the current outstanding debt of the Commonwealth; total Commonwealth government securities on issue; and the AOFM's process of doing forecasts for financing requirements for the government (pp 121–122);
- the issuing of residential mortgage-backed securities (RMBS) and the current exposure of the Commonwealth in terms of moneys tied up in RMBS (pp 122–123);
- updated bond yields (p. 124); and
- the Australian economy's benefit from the sovereign fiscal stimulus program; the resilience of the local market and offshore investment (p. 125).

Commonwealth Grants Commission (CGC)

- the GST review panel's final report to the government which was released on 30 November 2012 (pp 125–126);
- state royalties and the impact of royalty credits offsetting the Minerals Resource Rent Tax (MRRT) (p. 126); and
- the financial relationship between local government and the Commonwealth, and the purpose of the review on improving the impact of the financial assistance grants on local government financial sustainability (pp 126–127).

Productivity Commission

- the process followed for the appointment of the new Chairman of the Productivity Commission, Mr Peter Harris (p. 127);
- a paper which the former Chairman, Mr Gary Banks, presented at the Economic and Social Outlook Conference in November 2012 (pp 127–128);
- coastal shipping protection and the shipping reform package (pp 128–129); and
- a brief for the new Chairman (p. 130).

Treasury [Macroeconomic Group]

- economic developments since the Mid-year Economic and Fiscal Outlook (MYEFO), and the state of global financial markets (pp 28–29);
- the distinction between nominal and real GDP (29–30);

-
- implications of the election timetable for the release of the Pre-Election Fiscal Outlook (PEFO) and the Final Budget Outcome for 2012–13; the data available before PEFO, and the extent of the data released (pp 31–35);
 - Treasury's approach to forecasting revenue from the mining tax, and their report on economic and revenue forecasting (pp 36–39);
 - monetary and quantitative easing (pp 39–40);
 - an analysis undertaken by Professors Ross Garnaut and Bob Gregory;
 - a change in the terms of trade and commodity prices; the structural budget position, and the sustainable long-term position of the terms of trade (pp 40–41);
 - an examination of the impact of extraction of non-renewable resources (pp 41–42);
 - skills shortages as a function of the mining investment boom; and the impacts of infrastructure demand in new mining towns (p. 43);
 - the nature of the mining boom which occurred in the 1980s as opposed to the current mining boom, in relation to the transfer of skills from manufacturing and engineering into mining (pp 45–46); and
 - Treasury's MoU with the Parliamentary Budget Office (pp 47–48).

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

Fiscal Group

- carbon price forecasts for 2015–16 (p. 48);
- revenue estimates from the carbon tax in 2015–16 (pp 48–49);
- the relationship between lower emissions according to partial data from the Department of Climate Change and Energy and carbon tax revenue estimates, and the variables involved such as price and volume (pp 49–50);
- data available for the revision of estimates in the Budget; and a previously announced budget surplus for 2012–13 (pp 51, 53–55);
- the current fiscal position of the Commonwealth (pp 51–52);
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Clean Energy Finance Corporation (CEFC)

- the CEFC's current expenditure, and the proposed merger with Low Carbon Australia (pp 56–57);
- the CEFC's establishing legislation and its investment mandate which is currently being developed (pp 58–59);
- a letter from Andrew Robb and Greg Hunt indicating that there are new considerations for CEFC funding commitments as a result of the election time frame (pp 59–60); and
- risk assessment of investments, and the diversification of the CEFC's portfolio (pp 60–61).

Treasury [Markets Group]

- the implications of increasing taxes on retirement savings, and revenue measures targeting superannuation (p. 69);
- the implementation of FOFA and MySuper legislation and initiatives; and a new licensing regime designed for accountants (pp 69–73, and 78–83);
- a media release issued by the Minister for Financial Services and Superannuation, titled 'Safety First Following Victorian Quake' (pp 73–74 and 78);
- the Australian Prudential Regulation Authority's (APRA) release of the final package in the implementation of the Basel III capital banking reforms (pp 74–76);
- the funding composition for banks; and home lending (pp 76–77);
- projections on housing supply, and the possibility for the reallocation of resources from mining construction into housing construction (pp 77–78);
- shareholders' access to information on executive remuneration (p. 84);
- household debt levels and banks' liquidity necessary to deal with a possible upsurge in demand for venture capital and debt (pp 85–86);
- bank lending rate for small business and for big business; historical levels for Small Business Enterprises' interest rates, and their decline since the GFC from 10% to 8% (pp 86–87);
- the establishment and implementation of the National Injury Insurance Scheme (pp 87–88);
- possible distortion of the capital and commodity markets with foreign passive investments, and the bypassing of the market by declaring the production to be for humanitarian purposes; and the tax avoided due to the incapacity of countries to audit transfer pricing (pp 88–89); and
- Treasury's Strategic Workforce Plan 2012–16 (pp 89–90).

Inspector-General of Taxation (IGT)

- the findings of the IGT review into the self-assessment system, released on 13 February 2013 by the Treasurer (pp 90–91);
- the transparency and risk rating of the Australian Taxation Office (ATO); the sustainability and administration of the ATO's penalties; concerns relating to the interaction between the ATO and the Australian Valuation Office (AVO) and the independence of the AVO; and a review scheduled for the second half of 2013 (pp 91–92); and
- IGT reviews into transfer pricing and compliance approaches to individual taxpayers (p. 92).

Treasury [Revenue Group] with the Australian Taxation Office (ATO)

- Mr Chris Jordan's first appearance at estimates as the new ATO Commissioner (p. 92);
- the total of the instalments received in relation to the Minerals Resource Rent Tax; and MRRT revenue variables (pp 92–95);
- estimated cost to the MRRT revenue in 2012–13 from royalty credits and depreciation (pp 95–100);
- foreign sovereign wealth fund investments (pp 100–102);
- the taxation and operation of trusts, and the 1999 Ralph Review which recommended that trusts be taxed as companies; loans between trusts; and tax avoidance through trusts (pp 102–105);
- the development and implementation of the Charity Passport (pp 107–109);
- disclosures under the Australian tax regime of moneys fraudulently collected for a charitable purpose (pp 110–111);
- unauthorised access to data by ATO staff (p. 111);
- revenue from superannuation funds (pp 112–116); and
- Australia's Tax Expenditures Statement (pp 113–114).

Australian Prudential Regulation Authority (APRA)

- Basel III implementation and the new liquidity coverage ratio (pp 117–118); and
- advice provided to the National Disability Insurance Scheme Launch Transition Agency (p. 118).

Australian Bureau of Statistics (ABS)

- the incorporation of the Time Use Survey into a broader survey: the Work, Life and Family Survey, scheduled for 2019 (pp 118–119);
- constraints in the ABS funding allocation (pp 118–119);
- voluntary redundancies in the field interview workforce (pp 119–120);

- the impact of any future efficiency dividends on staffing levels and the quality of work produced (p. 121); and
- the use and application of data obtained through particular ABS surveys (p. 121).

Senator Mark Bishop
Chair

Appendix 1

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Appendix 2

Tabled documents

Tuesday, 13 February 2013

Industry, Innovation, Science, Research and Tertiary Education portfolio

1. Opening statement, received from Dr. Adrian Paterson, Chief Executive Officer, Australian Nuclear Science and Technology Organisation (ANSTO);
2. A letter from Mr Mike Woods, Commissioner, Competitive Neutrality Complaints (Australian Government Competitive Neutrality Complaints Office, Productivity Commission) to ANSTO; received from Dr. Adrian Paterson, Chief Executive Officer, Australian Nuclear Science and Technology Organisation (ANSTO);
3. An article entitled 'CSIRO resolves to strengthen values and culture', received from Dr. Megan Clark, Chief Executive, Commonwealth Scientific and Industrial Research Organisation (CSIRO);
4. Documents relating to the Australian wool industry, received from Senator the Hon. Bill Heffernan;

Treasury portfolio

5. Opening statement, received from Mr Greg Medcraft, Chairman, Australian Securities and Investments Commission (ASIC);
6. Opening statement, received from Mr Rod Sims, Chairman, Australian Competition and Consumer Commission (ACCC);
7. Charts depicting Nominal Commonwealth Government Securities (CGS) yields, and Treasury Bond Yields; received from Mr Rob Nicholl, Chief Executive Officer, Australian Office of Financial Management (AOFM);
8. Opening statement, received from Mr Mike Woods, Acting Chairman, Productivity Commission;

Wednesday, 14 February 2013

Resources, Energy and Tourism portfolio

9. A graph, 'Tourism balance of trade, 1997-98 to 2012-13' received from Senator the Hon. Michael Ronaldson;

Treasury portfolio

10. Opening statement, received from Dr. David Gruen, Executive Director, Macroeconomic Group (Domestic), Department of the Treasury; and
11. Opening statement, received from Mr Oliver Yates, Chief Executive Officer, Clean Energy Finance Corporation (CEFC).

Additional information

Industry, Innovation, Science, Research and Tertiary Education portfolio

1. A letter received from the Australian Nuclear Science and Technology Organisation (ANSTO) on 26 February 2013, in relation to an email sent by an ANSTO employee and referred to by Senator David Bushby at the hearing held on 13 February 2013.

Resources, Energy and Tourism portfolio

2. Charts provided by Senator the Hon. Michael Ronaldson relating to the Working Holiday Maker and Work and Holiday visas referred to in his written question on notice of 25 February 2013 for the Resources, Energy and Tourism portfolio (question AR15 in the index to questions on notice).

Treasury portfolio

1. The article referred to by Dr Martin Parkinson, Secretary of the Treasury, at the hearing held on 14 February 2013 (*Proof Hansard*, p. 45): *Globalisation and Unemployment*, Michael Spence, Foreign Affairs, July/August 2011.
2. COAG Regulatory Impact Assessment referred to by Ms Susan Pascoe AM, Commissioner, Australian Charities and Not-for-profit Commission (ACNC), at the hearing held on 14 February 2013.
3. A letter of clarification received from the Australian Bureau of Statistics on 13 March 2013, clarifying the terminology of 'voluntary' and 'involuntary' redundancies used in the Australian Statistician's testimony at the hearing held on 14 February 2013.

Appendix 3

Industry, Innovation, Science, Research and Tertiary Education portfolio structure



¹ Senator Evans is also Leader of the Government in the Senate

² Minister Combet is also the Minister for Climate Change and Energy Efficiency

³ Minister O'Connor is also the Minister for Housing and the Minister for Homelessness

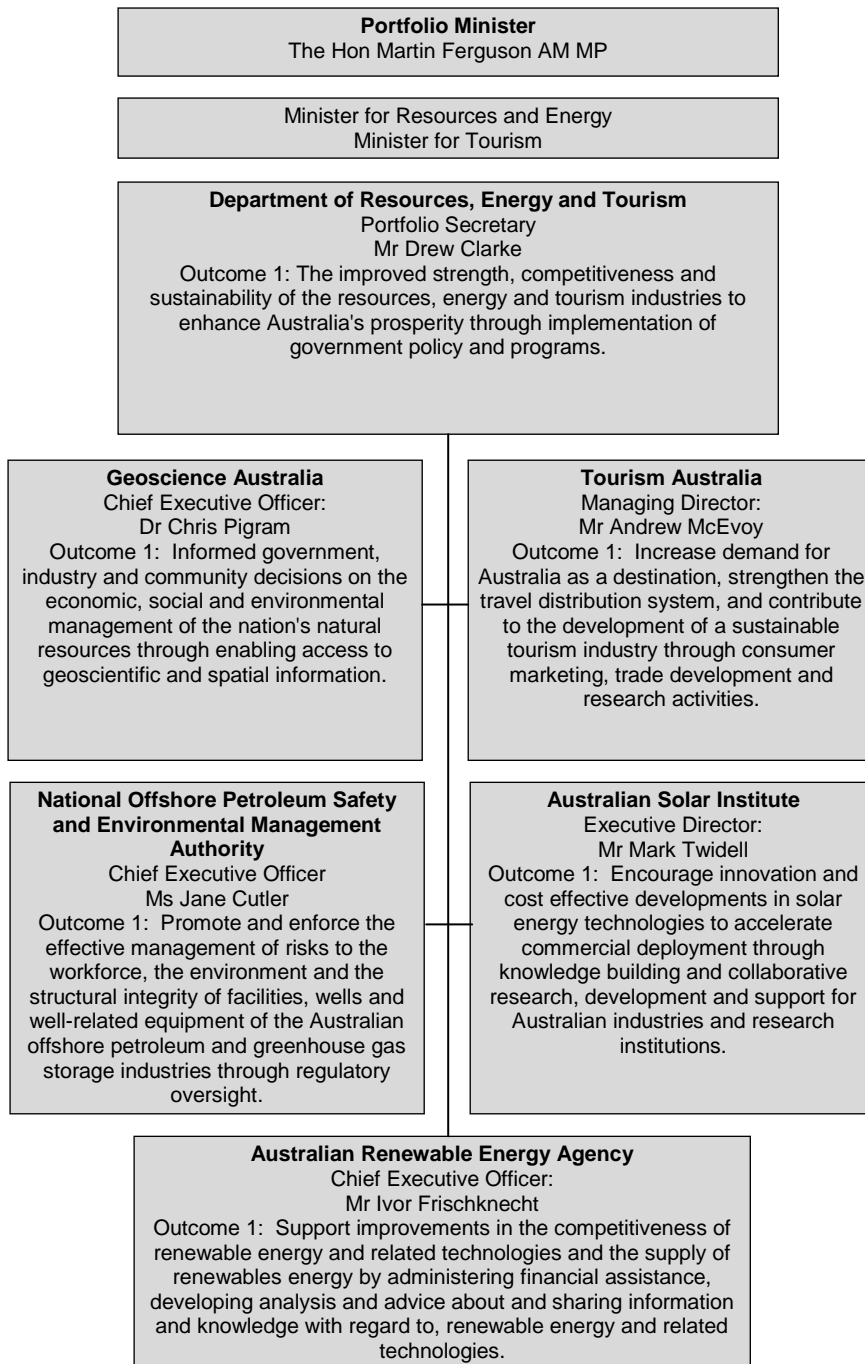
⁴ Senator Lundy is also the Minister for Sport and the Minister for Multicultural Affairs

⁵ Parliamentary Secretary Dreyfus is also the Cabinet Secretary and Parliamentary Secretary for Climate Change and Energy Efficiency

Source: *Portfolio Additional Budget Statements 2012-13, Industry, Innovation, Science, Research and Tertiary Education portfolio*, p. 4.

Appendix 4

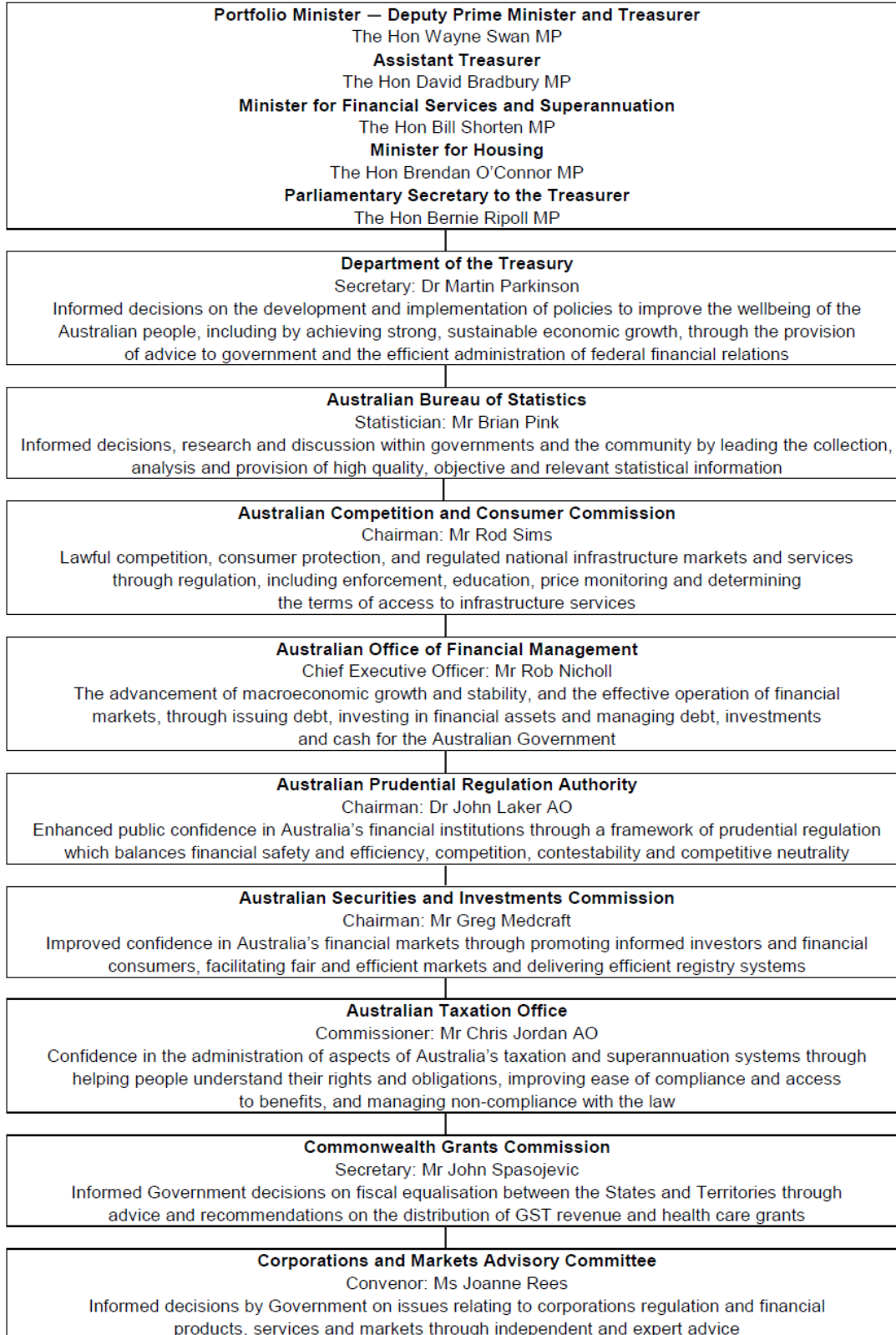
Resources, Energy and Tourism portfolio structure and outcomes

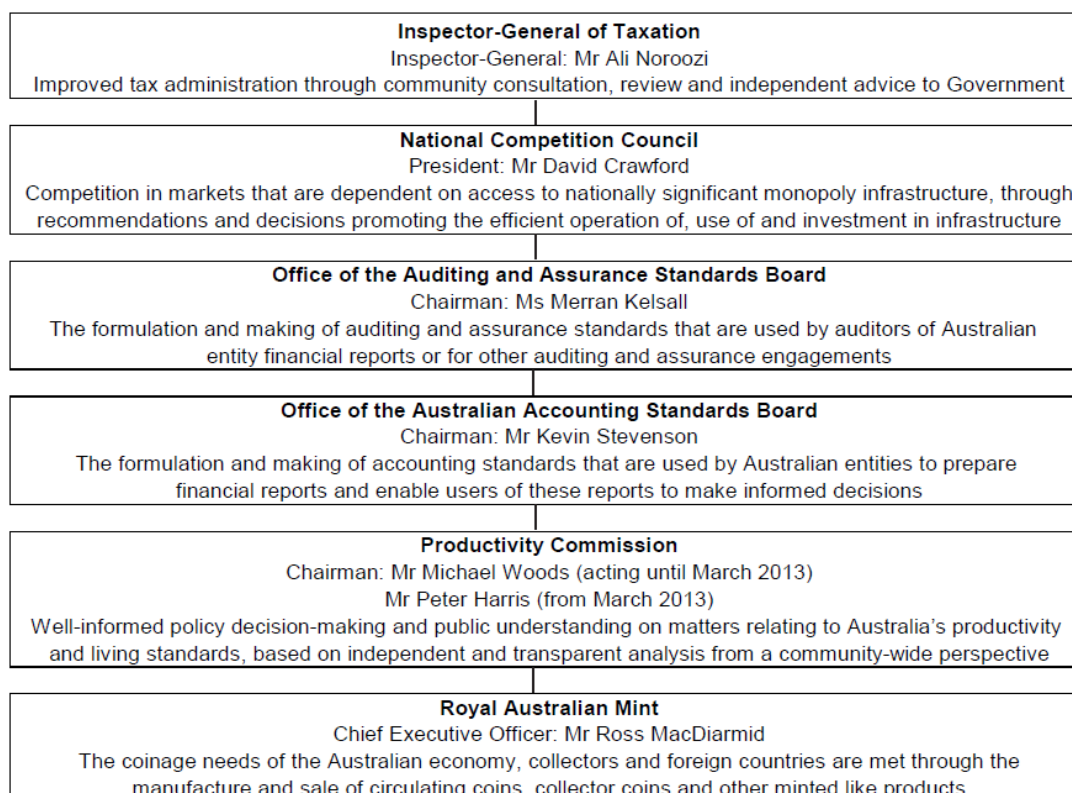


Source: *Portfolio Additional Budget Statements 2012-13*,
Resources, Energy and Tourism portfolio, p. 4.

Appendix 5

Treasury portfolio structure and outcomes





Source: *Portfolio Additional Budget Statements 2012–13*,
Treasury portfolio, pp 4–5.