

The Senate

Economics
Legislation Committee

Budget estimates 2011–12

June 2011

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Senate Economics Legislation Committee

Members

Senator Annette Hurley, Chair	South Australia, ALP
Senator Alan Eggleston, Deputy Chair	Western Australia, LP
Senator David Bushby	Tasmania, LP
Senator Doug Cameron	New South Wales, ALP
Senator Louise Pratt	Western Australia, ALP
Senator Nick Xenophon	South Australia, IND

Other senators in attendance

Senator the Hon Eric Abetz	Tasmania, LP
Senator Chris Back	Western Australia, LP
Senator Guy Barnett	Tasmania, LP
Senator Cory Bernardi	South Australia, LP
Senator Simon Birmingham	South Australia, LP
Senator the Hon Ronald Boswell	Queensland, NATS
Senator Sue Boyce	Queensland, LP
Senator the Hon George Brandis	Queensland, LP
Senator Michaelia Cash	Western Australia, LP
Senator the Hon Richard Colbeck	Tasmania, LP
Senator Helen Coonan	New South Wales, LP
Senator Mathias Cormann	Western Australia, LP
Senator the Hon Bill Heffernan	New South Wales, LP
Senator Barnaby Joyce	Queensland, NATS
Senator Scott Ludlam	Western Australia, AG
Senator the Hon Brett Mason	Queensland, LP
Senator Christine Milne	Tasmania, AG
Senator Fiona Nash	New South Wales, NP
Senator Stephen Parry	Tasmania, LP
Senator Scott Ryan	Victoria, LP
Senator Rachel Siewert	Western Australia, AG
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Budget Estimates 2011–12

Report to the Senate

Introduction

1.1 On 10 May 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:

- Particulars of proposed expenditure in respect of the year ending on 30 June 2012 [Appropriation Bill (No. 1) 2011–2012]; and
- Particulars of certain proposed expenditure in respect of the year ending on 30 June 2012 [Appropriation Bill (No. 2) 2011–2012].¹

Portfolio structures and outcomes

1.2 The committee notes that changes have been made to the outcomes of one agency in the above three portfolios since the 2010–11 Additional Estimates round. These changes are summarised below:

Agency	Old outcome	New outcome
Australian Research Council (ARC)	Growth of knowledge and innovation through providing policy advice, measuring research excellence and managing research funding schemes	Growth of knowledge and innovation through managing research funding schemes, measuring research excellence and providing advice

1.3 The complete structure and outcomes for each portfolio 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).

General comments

1.4 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, the Minister for Small Business and the Minister Assisting the Minister for Tourism; Senator the Hon

1 *Journals of the Senate*, No. 28, 10 May 2011, p. 878.

Penny Wong, Minister for Finance and Deregulation; and officers from the Innovation, Industry, Science and Research; Resources, Energy and Tourism; and Treasury portfolios.

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

1.6 The committee conducted hearings over four days, from 30 May 2011 to 2 June 2011. In total, the committee met for 44 hours and 45 minutes, excluding breaks.

Questions on notice

1.7 The committee draws the attention of all departments and agencies to the deadline of Friday, 22 July 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 is preparing indexes 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/bud_1112/index.htm.

1.8 For the 2010–11 Additional Estimates round, answers to questions on notice were due to be provided to the committee by Friday, 8 April 2011. The committee commends the Innovation, Industry, Science and Research portfolio for submitting all answers on time. The committee notes that following an informal extension by the Secretariat, the Resources, Energy and Tourism portfolio submitted all their answers four days after the due date. However, the Committee expresses concern that no questions placed on notice with the Treasury portfolio were answered by the due date. For the Treasury portfolio, 118 questions (out of 181 questions placed on notice) remained unanswered at close of business on the due date. Furthermore, one question still remains to be answered by Treasury from the Budget Estimates hearings of 2010–11, three answers remain outstanding from the Supplementary Estimates hearings 2010–11, and 21 questions remain outstanding from the Additional Estimates hearings held in February 2011.

Procedural issues

Monday, 30 May

1.9 On Monday, 30 May, the committee discussed the government's proposed policy of plain packaging of cigarettes with IP Australia. Opposition Senators raised a point of order in response to Senator Cameron's alleged comment to Senator Boyce 'that's what \$3 million buys you'. The Chair asked Senator Cameron to withdraw the comment. Senator Cameron refused, prompting Senator Colbeck to ask that the matter be referred to the President of the Senate. The secretariat has asked Senator Colbeck and Senator Boyce if they would like to write to the President about the matter.

Wednesday, 1 June

1.10 Proceedings were suspended twice on Wednesday morning, 1 June (9.28–9.34; 10.23–10.37) to allow the committee to consider the appearance of Dr Parkinson, the Secretary of the Treasury, before the Fiscal Group. Coalition Senators asked for Dr Parkinson to appear and, after a private meeting, he did appear for 35 minutes.

1.11 As the estimates schedule is determined well in advance of the hearings, the committee generally expects the senior officer of each agency to appear. If, for some reason, this is not possible agencies should proactively inform the committee well before the relevant estimates hearing.

1.12 On Wednesday evening, 1 June, Senator Cameron raised a point of order concerning the hypothetical nature of the questions being asked (10:19pm)—the Chair ruled that there was no point of order but called on the Senators to be succinct in their questioning given the late hour.

Thursday, 2 June

1.13 On Thursday evening, Senator Cormann noted that the Productivity Commission (PC) had been issued with an Order of the Senate in November 2010 to produce documents in relation to the transparency of certain superannuation funds. The deadlines for the production of the documents recently passed without the documents being produced.

1.14 The PC responded that compliance with the Order was in effect requiring the Commission to undertake an inquiry at the behest of the Opposition, rather than the government. The PC stated that it was different from other statutory agencies, such as the ACCC, in that it conducts public inquiries. The PC noted that an inquiry similar to the type in question will be referred by the Assistant Treasurer to the Commission next year.

1.15 Senator Cormann tabled an Occasional Note by the Clerk of the Senate from February 2010 relating to whether a statutory agency must comply with an Order of the Senate.

1.16 Senator Cameron requested an apology from Senator Eggleston for a comment made about his understanding of a Productivity Commission report. Senator Eggleston gave Senator Cameron an apology.

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 focussed 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 54.²

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.³

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.'⁴ 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.⁵

1.20 In light of this, the Economics Legislation Committee draws the attention of the Senate to several measures included in Appropriation Bill (No. 1) 2011–2012—that is, the ordinary annual services bill—that appear to be new policies for which no money has been appropriated in previous years. These include:

- the establishment of the Australia-China Science and Research Fund (\$9 million over three years, commencing in 2011–2012);⁶

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

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

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

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

6 *2011–12 Budget Paper No. 2*, p. 275.

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- implementation of Inspiring Australia (\$21 million over three years, commencing in 2011–2012);⁷
 - establishment of the South-East South Australian Innovation and Investment Fund (\$10 million over two years, starting in 2011–2012);⁸
 - building Australia's Future Low Income Tax Offset (\$1.37 billion in 2011–2012);⁹
 - AASB & AUASB Additional Funding (\$2.7 million over four years, commencing in 2011–2012);¹⁰
 - Australian Consumer Law—compliance and awareness of consumer guarantees law; (\$1.6 million in 2011–2012);¹¹
 - Australian Energy Regulator—new consumer protection role (\$18.6 million over four years, commencing in 2011–2012);¹²
 - Australian Securities and Investments Commission—additional funding (\$28.8 million in 2011–2012);¹³
 - Australian Office of Financial Management—implement the trading of CGS on a retail exchange (\$11.2 million over four years, commencing in 2011–2012);¹⁴
 - distribution of GST—Review (\$1 million over 2 years, commencing in 2011–2012);¹⁵
 - establishment of Australian Charities and Not-for-Profits Commission (53.6 million over four years, commencing in 2011–2012);¹⁶
 - establishment of National CO2 Infrastructure Plan (\$60.9 million over four years, commencing in 2011–2012);¹⁷

7 2011–12 Budget Paper No. 2, p. 279.

8 2011–12 Budget Paper No. 2, p. 280.

9 2011–12 Budget Paper No. 2, p. 15.

10 2011–12 Budget Paper No. 2, p. 316.

11 2011–12 Budget Paper No. 2, p. 316.

12 2011–12 Budget Paper No. 2, p. 317.

13 2011–12 Budget Paper No. 2, p. 318.

14 2011–12 Budget Paper No. 2, p. 320.

15 2011–12 Budget Paper No. 2, p. 320.

16 2011–12 Budget Paper No. 2, p. 322.

17 2011–12 Budget Paper No. 2, p. 301.

- establishment of the Renewable Energy Venture Capital Fund (\$108.7 million over fourteen years, commencing in 2011-2012); and¹⁸
- establishment of the United States–Australia Solar Research Collaboration initiative (\$50 million over four years, commencing in 2011-2012)¹⁹

Record of proceedings

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

1.22 Copies of the Hansard transcripts and documents tabled at the hearings (see Appendix 3 for a list of the documents) are available on the internet at http://www.aph.gov.au/Senate/committee/economics_ctte/estimates/bud_1112/index.htm. These documents are also tabled with this report for the information of the Senate.

Matters raised – Innovation, Industry, Science and Research portfolio

1.23 On 30 May 2011, the committee examined the estimates for the:

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

1.24 Matters examined included the following:

Australian Nuclear Science and Technology Organisation (ANSTO)²⁰

- Isotopes for late stage cancer treatment, in particular a letter from Professor Gray critical of ANSTO's role in producing/not producing the isotopes necessary for cancer treatment (pp 5-8);

18 2011–12 Budget Paper No. 2, p. 304.

19 2011–12 Budget Paper No. 2, p. 305.

20 Transcript page numbers for the Australian Nuclear Science and Technology Organisation (ANSTO), refer to *Proof Hansard*, 30 May 2011 (see the index at Appendix 2 of this report).

-
- Japan's nuclear fallout and the aid, support and monitoring that ANSTO, in conjunction with ARPANSA, is providing for their Japanese colleagues (pp 8-9);
 - the processes and licenses necessary for the decommissioning nuclear reactors in Australia (pp 9-10);
 - the volume of waste material produced and its safe storage (pp 10-12);
 - occupational health and safety issues at ANSTO's facilities and the severe repercussions reported to have been experienced by whistleblowers (pp 12-15);
 - various issues relating to ANSTO's commercial activities (pp 16-18);
 - ANSTO's review report into managerial practices (pp 18-19); and
 - national attitudes towards nuclear power (pp 19-20).

IP Australia²¹

- The plain packaging of cigarettes (pp 20-23);
- brand recognition issues and their possible legal ramifications (pp 23-24); and
- the nature of current patent laws (pp 24-25).

Commonwealth Scientific and Industrial Research Organisation (CSIRO)²²

- Staff agreements at CSIRO and union membership (pp 26-28);
- Climate Commission's recent report on climate change, CSIRO's input into this report and the volume of work compiled by CSIRO on the topic of Climate Change within the last four years (pp 28-31);
- Zero-emissions House project and the estimated reporting date for the project (p.31);
- Marine National Facility Future Research Vessel project, staffing issues and international testing facilities (pp 31-34);
- automotive projects with industry, and green car projects (pp 34-36);
- climate and soil conditions for carbon storage and carbon assessment for future carbon related programs (pp 36-37);
- the decline in CRC funding and its impact on future research projects (p.36);
- the Murray Darling Basin Authority and the methodology used to model rainfall and its influence on land and the waterways of the basin (pp 37-38);

21 Transcript page numbers for IP Australia, refer to *Proof Hansard*, 30 May 2011 (see the index at Appendix 2 of this report).

22 Transcript page numbers for the Commonwealth Scientific and Industrial Research Organisation (CSIRO), refer to *Proof Hansard*, 30 May 2011 (see the index at Appendix 2 of this report).

- coal seam gas in general and its location along the eastern seaboard (p.39); and
- the role of CSIRO's climate scientists (pp 38-39).

Office of the Chief Scientist²³

- The committee congratulated Professor Chubb on his appointment (pp 39-40);
- the length of Professor Chubb's appointment. He was appointed for three years while his predecessor, Dr Penny Sackett, was appointed for five years (p.44);
- issues surrounding the resignation of Penny Sackett and her communications (or lack thereof) with the PM and Senator the Hon Kim Carr (pp 40-44);
- media training received by the Chief Scientist, particularly in relation to answering questions at Estimates (pp 41-42);
- Ian Chubb's duty statement (p.43);
- questions to Professor Chubb on the state of climate science and its academic integrity (pp 45-49);
- the regularity of meetings between the State Climate Scientists and the Chief Scientist (pp 47, 49-50); and
- staffing levels in the Office of the Chief Scientist (p.47).

Australian Research Council (ARC)²⁴

- The complete overhaul of the Excellence in Research for Australia framework for quality research (pp 50-57);
- the abandonment of the journal rankings system (pp 51-53); and
- commencement of a more consultative framework for measuring quality research and the mechanics of measurement (pp 53-57).

Department of Innovation, Industry, Science and Research [Innovation and Industry]²⁵

- the recruitment process of the new Secretary for the Department and dressing codes within the Department (pp 58,60-61);

23 Transcript page numbers for the Office of the Chief Scientist, refer to *Proof Hansard*, 30 May 2011 (see the index at Appendix 2 of this report).

24 Transcript page numbers for the Australian Research Council (ARC), refer to *Proof Hansard*, 30 May 2011 (see the index at Appendix 2 of this report).

25 Transcript page numbers for the Department of Innovation, Industry, Science and Research [Innovation and Industry], refer to *Proof Hansard*, 30 May 2011 (see the index at Appendix 2 of this report).

- the input the Department had into Climate Change policy, particularly in relation to manufacturing (pp 59-64);
- international comparisons in carbon policy, particularly in the UK and the EU (pp 64-65);
- international suppliers and issues surrounding keeping jobs and contracts in Australia (pp 65-66);
- the funding and operation of Commercialisation Australia, and conflict of interest issues relating to the Board and Committee members (p.67, 70-72);
- the operation of 'Clean 21' (pp 67-68);
- space programs and their funding (p.68-69);
- car industry and the impact of the carbon tax;
- PricewaterhouseCoopers modelling on impact of carbon tax on Australian manufacturing (pp 72-75);
- discussions of the Green Car Innovation Fund and the numbers of engines and car parts that are imported (pp 74-84);
- discussion of Unfair dismissal laws and the impact on small business (pp 84-86);
- discussions surrounding current consultations on Fair Work Australia and the Fair Work Tribunal (pp 84-87);
- the contents and costs of the Small Business Resource Kit, made available on a USB stick on request and on the website of Business.gov.au (pp 87-90); and
- budgetary allocations, grants and the re-allocation of funds between programs (pp 90-91).

***Department of Innovation, Industry, Science and Research
[Science and Research]***²⁶

- Discussions regarding the Cooperative Research Grants and cooperative research centres and the rationale underpinning funding cuts (pp 91-100);
- complaints about cooperative research grants (pp 100-101);
- commercialisation programs for PhD students (pp 104-106); and
- discussions of PMSEIC (Prime Minister's Science, Engineering and Innovation Council) and the attendance rates of Ministers (pp 106-110).

Matters raised – Resources, Energy and Tourism portfolio

1.25 On 31 May 2011, the committee examined the estimates for the:

26 Transcript page numbers for the Department of Innovation, Industry, Science and Research [Science and Research], refer to *Proof Hansard*, 30 May 2011 (see the index at Appendix 2 of this report).

- Department of Resources, Energy and Tourism [Resources and Energy];
- Department of Resources, Energy and Tourism [Tourism] and Tourism Australia.
- Geoscience Australia;
- National Offshore Petroleum Safety Authority (NOPSA); and
- Australian Solar Institute (ASI);

1.26 Matters examined included the following:

Department of Resources, Energy and Tourism [Resources and Energy]²⁷

- Carbon Capture and Storage flagship program and associated research activities (pp 3-9);
- access to federal funding for a new HRL dual gas plant in Victoria, its approval by the Victorian EPA and its potential to fall under the CCS flagship program (pp 10-13);
- renewable energy targets (pp 13, 16);
- the role of the Uranium Industry Council, and the launch of the Australian National Radiation Dose Register (p.14);
- nuclear waste issues and cleaning sites, such as the Rum Jungle Mine (pp 16-20);
- the adequacy of the restoration fund for the Ranger Mine (p.18);
- various mine safety issues (pp 21-22);
- addressing the skills shortage in the mining industry and immigration issues (pp 20-21); and
- coal industry levy and their contribution to green technology and research and development (R&D) programs (pp 21-23).

Department of Resources, Energy and Tourism [Tourism] and Tourism Australia²⁸

- Tourism Australia's ownership of land and buildings (pp 24-25);
- the impact of the high value of the dollar and international tourist numbers and expenditure in Australia for 2011-2012 (pp 25-26, 35);
- air services between Australia and China (p.26);

27 Transcript page numbers for the Department of Resources, Energy and Tourism [Resources and Energy], refer to *Proof Hansard*, 31 May 2011 (see the index at Appendix 2 of this report).

28 The Department of Resources, Energy and Tourism [Tourism] and Tourism Australia were heard together. Transcript page numbers for the Department of Resources, Energy and Tourism [Tourism] and Tourism Australia, refer to *Proof Hansard*, 31 May 2011 (see the index at Appendix 2 of this report).

-
- the effectiveness of the current national tourism *There's Nothing Like Australia* campaign and other initiatives (pp 28-30);
 - current funding for Tourism Australia relative to 2007 levels (pp 26-30, 34-35);
 - the economic impacts of climate change and the possible impact of a carbon tax on the tourism industry in Australia (p.31);
 - regional tourism in Australia and regional infrastructure issues (pp 33-34, 39);
 - the difficulty and expense of travel to Norfolk Island (pp 31-32);
 - labour shortages, particularly chefs (pp 37-38);
 - discussion of the Sustainable Tourism report (p.39); and
 - indigenous employment in the Tourism industry and industry attempts at monitoring and facilitating indigenous interest (pp 39-40).

Geoscience Australia²⁹

- impact of seismic testing on scallop and squid fisheries in Bass Strait (pp 41-42); and
- the impact of coal seam gas mining on aquifers including any cumulative effects (pp 43-45).

National Offshore Petroleum Safety Authority (NOPSA)³⁰

- federal division of responsibility for offshore well safety – responsibility for well integrity in Commonwealth waters was transferred to NOPSA on 29 April 2011 (pp 46-47); and
- negotiations with the states and territories regarding referrals of powers for well safety in coastal and inland waters (pp 47-49).

Australian Solar Institute (ASI)³¹

- affordability of solar energy in Australia and current solar projects/initiatives (pp 49-51);
- National Electricity Market and Western Australia's exclusion (pp 50-51); and
- The Solar Institutes budget and investment into R&D grant funding (pp 51-52).

29 Transcript page numbers for Geoscience Australia, refer to *Proof Hansard*, 31 May 2011 (see the index at Appendix 2 of this report).

30 Transcript page numbers for the National Offshore Petroleum Safety Authority (NOPSA), refer to *Proof Hansard*, 31 May 2011 (see the index at Appendix 2 of this report).

31 Transcript page numbers for the Australian Solar Institute (ASI), refer to *Proof Hansard*, 31 May 2011 (see the index at Appendix 2 of this report).

Matters raised – Treasury portfolio

1.27 On 31 May 2011, the committee commenced its examination of the estimates for:

- Australian Securities and Investments Commission (ASIC);
- Australian Bureau of Statistics;
- Australian Competition and Consumer Commission; and
- the Australian Prudential Regulation Authority.

1.28 On 1 June 2011, the committee examined the estimates for the:

- Treasury [Fiscal Group];
- Foreign Investments Review Board (FIRB);
- Commonwealth Grants Commission (CGC);
- Inspector-General of Taxation; and
- Treasury [Revenue Group] and the Australian Tax Office (ATO).

1.29 On 2 June 2011, the committee examined the estimates for the:

- Treasury [Macroeconomics Group];
- Treasury [Markets Group];
- Productivity Commission; and
- Australian Office of Financial Management (AOFM).

1.30 Matters examined included the following:

Australian Securities and Investments Commission (ASIC)³²

- Opening statement by the Chairman (p.58);
- selection process for the appointment of Mr Medcraft, staff numbers and ASIC's budget (pp 59-64);
- the regulation of liquidators and providers of financial products (pp 65-73);
- shadow shopping, its interim results and the upcoming reporting date (pp 69-70);
- Westpoint and Storm collapses (pp 70-71);
- concerns regarding Centrebet and the taking of bets on interest rates and the ASX (pp 75-77);

32 Transcript page numbers for the Australian Securities and Investments Commission (ASIC) refer to *Proof Hansard*, 31 May 2011 (see the index at Appendix 2 of this report).

-
- ensuring that ASIC has adequate resources to respond to small business concerns (pp 77-78); and
 - ASIC's use of coercive powers (pp 81-83).

Australian Bureau of Statistics (ABS)³³

- forthcoming Census (p.84);
- Treasury's criticism of the ABS methodology and sample in compiling recent GDP data (pp 84-86);
- Indigenous recruitment for the collection of census data and programs designed to the generation of interest (pp 87-88); and
- the methodology in compiling Union membership statistics (p.88).

Australian Competition and Consumer Commission (ACCC)³⁴

- the selection process for appointing the ACCC Chairman (pp 89-90);
- predatory pricing and the Coles 'Down, down' campaign (pp 91-92);
- auditing and the monitoring of businesses and/or franchises or particular concern (pp 92-93);
- the Birdsville Amendment and the recent Cabcharge case (pp 93-94);
- various Australian Consumer Law provisions and predatory pricing (pp 93-96);
- merger issues and the possibility of an ex-post merger review (pp 99-104);
- the timeliness of the ACCC's response to complaints (pp 101-102);
- Conflict of interest among ACCC staff and board members and code of conduct discussions (pp 105-106);
- Mr Samuel's involvement with DFO (Mr Samuel read out a prepared statement noting the particular legal sensitivity of his case give his public role and responsibilities) (pp 102-103);
- the takeover of Agrium by Cargill (pp 103-104); and
- various divestiture issues (pp 106-111).

Australian Prudential Regulation Authority (APRA)³⁵

- opening statement by the Chairman (pp 111-112);

33 Transcript page numbers for the Australian Bureau of Statistics (ABS) refer to *Proof Hansard*, 31 May 2011 (see the index at Appendix 2 of this report).

34 Transcript page numbers for the Australian Competition and Consumer Commission (ACCC) refer to *Proof Hansard*, 31 May 2011 (see the index at Appendix 2 of this report).

35 Transcript page numbers for the Australian Prudential Regulation Authority (APRA) refer to *Proof Hansard*, 31 May 2011 (see the index at Appendix 2 of this report).

- the impact of the recent natural disasters in Australia on prudential arrangements and insurance claims (pp 111-112);
- various matters relating to mergers of superannuation funds, specifically the failed merger of Vision Super and Equisuper as reported in the *Australian Financial Review* article of 27 May 2011 (pp 112-122, 125-126);
- Moody's recent downgrade of the major banks was discussed (122-126);
- the status of charitable funds and the definition of 'not-religious' within the context of Religious Charitable Development Funds (pp 125-126); and
- the capability of superfunds to identify the performance of investments, and the development of an agreed set of risk descriptors (pp 127-128).

Treasury [Fiscal Group]³⁶

- Discussion and debate over the appearance of the Secretary of Treasury, Dr Parkinson (pp 6-8, 16-17);
- carbon tax and climate change modelling, including discussions relating to the range of modelling scenarios Treasury is currently undertaking and comparisons between the CPRS and the carbon tax (pp 9-16, 18-20, 25-37);
- the reasons for the negative quarter of growth (p.20);
- the impact of the natural disasters on the economy (p.21);
- the budget's structural deficit (pp 20-23);
- the effect on overall emissions if Australia chose not to buy overseas permits (pp 35-36);
- Frontier Economics' recent report on job losses in the Hunter if a carbon tax is imposed, quoted in the *Daily Telegraph* on 31 May 2011 (pp 36-38);
- Western Australia's GST share and Western Australia's royalties (pp 38-49, 52-53); and
- WA's royalty increases and comments from the State Government to the contrary (pp 38-41, 49-51).

Foreign Investments Review Board (FIRB)³⁷

- The national interest test, particularly as it relates to the decision on the ASX-SGX bid (pp 54-55);
- the FIRB process for case by case assessment (pp 55-56); and
- the benefits of FDI to the Australian economy (pp 56-58).

36 Transcript page numbers for the Treasury [Fiscal Group], refer to *Proof Hansard*, 1 June 2011 (see the index at Appendix 2 of this report).

37 Transcript page numbers for FIRB, refer to *Proof Hansard*, 1 June 2011 (see the index at Appendix 2 of this report).

Commonwealth Grants Commission (CGC)³⁸

- WA's increase in royalty rates (pp 59-64);
- the removal of royalty concessions (p.60);
- WA's fines royalty at 7.5%;(pp 63-65);
- redistribution of GST revenue among the States (pp 65-67);
- the Commonwealth Government's statement that all of the royalties increase will go to the other States (p.64); and
- penalties against states through the CGC process if a state does not impose the average tax rate (average tax rate calculated on historical data) (pp 66-67).

Inspector-General of Taxation³⁹

- criticisms of IT roll out by the ATO in processing income tax refunds (pp 68-69);
- Inspector General of Taxation's report into these 'glitches' (p.70); and
- review of ATO audits of larger SMEs (pp 70-71).

Treasury [Revenue Group] and the Australian Taxation Office (ATO)⁴⁰

- the administration of Family Tax Benefit A & B, and the number of people receiving Family Tax Benefit B (pp 71-73);
- Medibank Private modelling on the fallout from private health insurance flowing from a cut to the HI rebate (pp 73-75);
- the PRRT and the Infrastructure Fund (pp 75-77);
- the Ministerial Council of Federal Financial Relations (p.79);
- plain packaging for cigarettes and potential revenue impact (pp 81-83);
- modelling of the PRRT and issues relating to the MRRT and state royalties (pp 77-78, 83-85);
- 'Trust' regulations and the 1997 amendments in the *Income Tax Assessment Act 1997* (p. 80);
- FBT changes to cars in the May budget (pp 85-86);
- policy costing done for the Greens as part of the budget process (p.86);

38 Transcript page numbers for CGC refer to *Proof Hansard*, 1 June 2011 (see the index at Appendix 2 of this report).

39 Transcript page numbers for the Inspector General of Taxation, refer to *Proof Hansard*, 1 June 2011 (see the index at Appendix 2 of this report).

40 Treasury [Revenue Group] and the Australian Taxation Office were heard together. Transcript page numbers for the Treasury [Revenue Group] and the ATO, refer to *Proof Hansard*, 1 June 2011 (see the index at Appendix 2 of this report).

- the top marginal tax rates for 2011-2012 (47.5% for those above \$180,000) and the Medicare levy (pp 86-87);
- changes in the ATO's staffing numbers for its business line call centre (pp 87-89);
- the proposed updated reporting arrangements for contractors (pp 89-94);
- superannuation compliance issues relating to the self-employed and contractors (pp 94-97);
- the Inspector General of Taxation's review including private binding advice, ATO service standards, ATO's Change Program (pp 97-102);
- the Tax Office's increase in ComCare claims (pp 103-106);
- the new Not-for-Profit Regulator – how the amount of funding was determined (\$53.6 million); how the new regulator would be staffed (Treasury advised the committee that Treasury will assist the government with issues that require more consultation before the government makes a policy choice – these issues concern the legislation to establish the regulator, legislation for a new statutory definition of charity and charitable purpose, and how to better target tax concessions for charities); and the new Public Information Portal which will be implemented over time (pp 106—111);
- the education tax refund (pp 112-113);
- temporary residents' superannuation and payments made under the Departing Australia Superannuation Payments (pp 114-115);
- excess contributions tax (pp 115-116);
- the main functions of the ATO's media and public relations area (pp 117-119);
- the ATO's ability to pursue taxpayers who abscond overseas (pp 117, 120);
- total debt outstanding (pp 120-124);
- the number of workdays lost in a year as a result of workplace absences (pp 125-126); and
- the Inspector General of Taxation's claims that ATO staff lack technical skills and expertise (pp 127-128).

Treasury [Macroeconomic Group]⁴¹

- the 1.2% fall in GDP in the recent National Accounts (pp 9-22);
- the interaction of fiscal and monetary policy (pp 12-15, 41-42);
- Western Australia's budget forecasts and its impact on, and relevance to, the revenue forecasts contained in the Federal budget; the macroeconomic effects (pp 23-35);

41 Transcript page numbers for the Treasury [Macroeconomic Group], refer to *Proof Hansard*, 2 June 2011 (see the index at Appendix 2 of this report).

-
- Australia's economic performance relative to that of the US (pp 38-39);
 - impact of fiscal policy on interest rates (pp 14-15);
 - trajectory of net debts and how it has been calculated by the Treasury (p.35);
 - high terms of trade (price for exports vs price for imports) and Treasury's decision to bring it down by 20% over 15 years (pp 9-15);
 - likelihood of higher terms of trade over next decade, and therefore the exchange rate (pp 51-52);
 - impact of an increase in real wages on the unemployment rate (pp 27-29);
 - the demographic make-up of minimum wage earners (p.29);
 - net and gross public debt (pp 32-36);
 - tax forum scheduled for October (p.37);
 - the effect of natural disasters on the economy and the budget bottom line (pp 38-39);
 - the evidence of Dutch disease in the Australian economy (pp 39-40);
 - peak oil and whether Treasury has done any analysis of this (pp 40-41);
 - the effect of Australia deciding not to import carbon permits and comparative analysis of global initiatives surrounding climate change (pp 44-49);
 - effect of a carbon tax on the manufacturing sector (pp 51-52); and
 - Treasury review of GST payments to the states (pp 53-55);

*Treasury [Markets Group]*⁴²

Superannuation Complaints Tribunal

- Unpaid superannuation and dispute resolution through the Super Complaints Tribunal (pp 56-57).

National Competition Council

- National Competition Council and the ongoing legal disputes involving the Pilbara Railway system (pp 57-59).

Corporations and Markets Advisory Committee

- Information that should be available in a shareholder's report, including executive pay (pp 59-60); and
- two current references, examining the definition of 'derivative' (pp 61-62).

42 Transcript page numbers for the Treasury [Markets Group], refer to *Proof Hansard*, 2 June 2011 (see the index at Appendix 2 of this report).

The Treasury's Markets Group

- Commissions to financial advisers and the regulation of these commissions (pp 64-78);
- access to lower cost financial advisers (pp 66-78);
- dollar value of RMBS, Fitch review; (pp 78-80);
- AOFM buy of AAA securities (pp 78-79);
- credit card reforms (pp 81-86);
- John Trowbridge's review of natural disaster insurance matters (pp 89-91); and
- microcredit providers and the Australian Consumer Law (p.90);

*Productivity Commission*⁴³

- the Chairman's opening statement (pp 91-92);
- issues surrounding the Occasional Note issued by the senate (pp 93-95)
- carbon pricing and the difficulties in measuring and comparing international carbon policies (pp 96-99);
- inquiry into the competitiveness of the Australian retail sector (pp 98-99);
- measures of productivity; contribution of productivity to wage growth over the last 4 decades (pp 100-103); and
- the PC report into anti-dumping (pp 104-105).

*Australian Office of Financial Management (AOFM)*⁴⁴

- the dollar value of RMBS purchased by AOFM (pp 105-107, 112);
- nominal CGS yields (pp 109-111); and
- the downgrade of the banks (p.106).

Senator Annette Hurley
Chair

43 Transcript page numbers for the Productivity Commission refer to *Proof Hansard*, 2 June 2011 (see the index at Appendix 2 of this report).

44 Transcript page numbers for the Australian Office of Financial Management (AOFM), refer to *Proof Hansard*, 2 June 2011 (see the index at Appendix 2 of this report).

Appendix 1

Abbreviations

AASB	Australian Accounting Standards Board
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
ARPANSA	Australian Radiation Protection and Nuclear Safety Agency
ASI	Australian Solar Institute
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
AUASB	Auditing and Assurance Standards Board
CGC	Commonwealth Grants Commission
CGS	Commonwealth Government Securities
COAG	Council of Australian Governments
CO ₂	Carbon Dioxide
CPRS	Carbon Pollution Reduction Scheme
CRC	Cooperative Research Centres
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DFO	Direct Factory Outlets
FBT	Fringe Benefits Tax

FDI	Foreign Direct Investment
SME	Small and Medium Enterprises
FIRB	Foreign Investment Review Board
GDP	Gross Domestic Product
HIFAR	High Flux Australian Reactor
IP	intellectual property
LPG	liquefied petroleum gas
MRRT	Mineral Resource Rent Tax
NOPSA	National Offshore Petroleum Safety Authority
PC	Productivity Commission
PRRT	Petroleum Resource Rent Tax
RMBS	Residential mortgage-backed security

Appendix 2

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Appendix 3

Documents tabled

Monday, 30 May 2011

1. Received from Senator the Hon Kim Carr, Minister for Innovation, Industry, Science and Research: 'Review of the Current Health and Safety Arrangements at ANSTO health' dated May 2011
2. Received from Senator the Hon Kim Carr, Minister for Innovation, Industry, Science and Research: 'Ministerial Statement to the Senate Economics Legislation Committee-Improvements to Excellence in Research for Australia'

Tuesday, 31 May 2011

3. Received from Senator the Hon Nick Sherry, Minister Assisting on Tourism: 'Tourism Ministers' Council 56th Meeting Communique' dated 15 April 2011
4. Received from Mr Greg Medcraft, Chairman of the Australian Securities and Investments Commission: 'Opening Statement for Senate Estimates';

Wednesday, 1 June 2011

5. Received from Nigel Ray, Executive Director, Fiscal Group, The Treasury; Document consisting of:
 - 5.1 Letter from the Hon Troy Buswell MLA to the Hon Wayne Swan MP, 18 March 2010
 - 5.2 Letter from Mr Timothy Marney to Dr Ken Henry, 11 May 2010
 - 5.3 Submission from Western Australian Department of Treasury and Finance to Policy Transition Group, 7 October 2010
 - 5.4 Letter from Mr Timothy Marney to Dr Ken Henry, 16 November 2010
 - 5.5 Letter from the Hon Andrew Fraser MP to the Hon Wayne Swan MP, 9 February 2011
 - 5.6 Letter from Mr Alan Henderson AM to the Hon Andrew Fraser MP, 17 February 2011
 - 5.7 Letter from the Hon C. Christian Porter MLA to the Hon Wayne Swan MP, 18 May 2011;

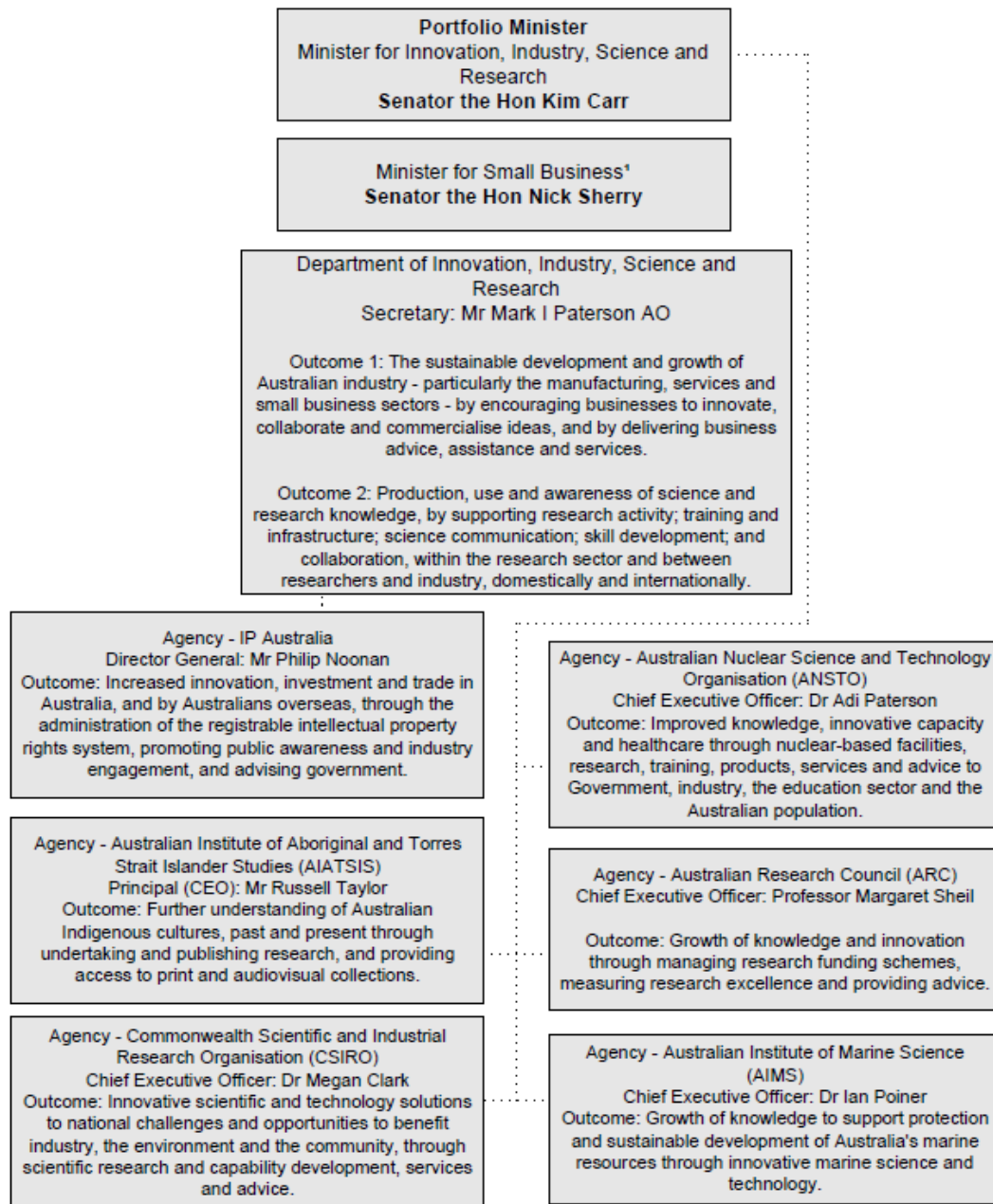
6. Received from Nigel Ray, Executive Director, Fiscal Group, The Treasury: letter to Senator Cormann from Treasury Secretary regarding Treasury modelling;
7. Received from Senator the Hon Nick Sherry, Minister Assisting on Deregulation and Public Sector Superannuation: letter addressed to Mr Michael D'Ascenzo AO, from Allen Asher, Commonwealth Ombudsman, dated 10 March 2011

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8. Received from Dr Martin Parkinson, the Secretary of The Treasury: 'Underlying cash balance and rolling three fiscal consolidation' (graph)
9. Received from Senator Bill Heffernan: letter to Senator Heffernan from Peter McNamara, Superannuation Recovery Action Group
10. Received from Senator Mathias Cormann: Orders for Production of Document: Origins and Development of the Power
11. Received from Mr Robert Nicholl, CEO, Australian Office of Financial Management: Chart – Nominal Commonwealth Government Securities (CGS) yields

Appendix 4

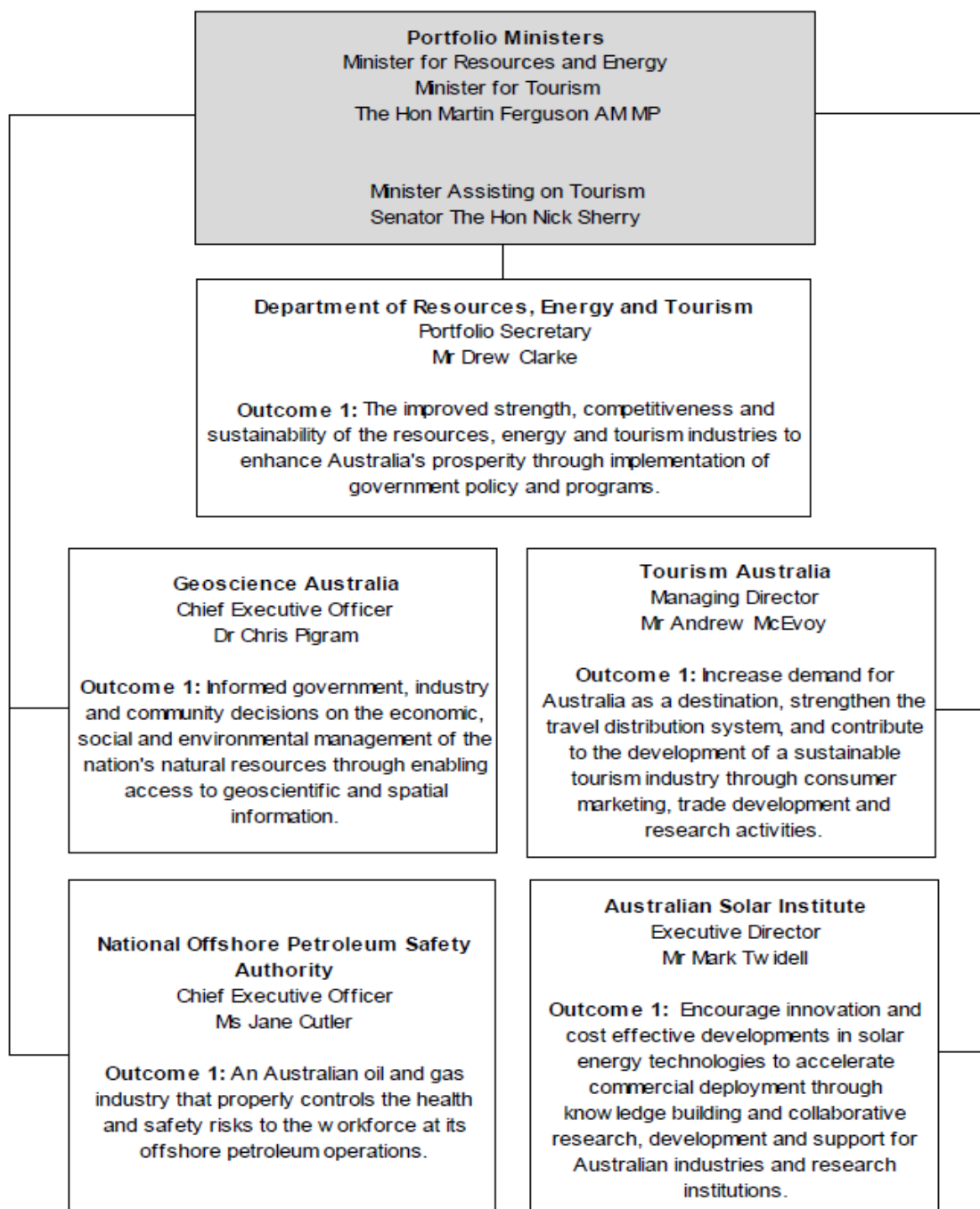
Portfolio structure and outcomes for the Innovation, Industry, Science and Research Portfolio¹



¹ *Portfolio Budget Statements 2011-12, Innovation, Industry, Science and Research portfolio, p. 7.*

Appendix 5

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



¹ *Portfolio Budget Statements 2011–12*, Resources, Energy and Tourism portfolio, p. 6.

Appendix 6

Portfolio structure and outcomes for the Treasury Portfolio¹



¹ *Portfolio Budget Statements 2011–12*, Treasury portfolio, pp 6–7.

<p style="text-align: center;">Inspector-General of Taxation Inspector-General: Mr Ali Noroozi Improved tax administration through community consultation, review and independent advice to Government</p>
<p style="text-align: center;">National Competition Council President: Mr David Crawford Competition in markets that are dependent on access to nationally significant monopoly infrastructure, through recommendations and decisions promoting the efficient operation of, use of and investment in infrastructure</p>
<p style="text-align: center;">Office of the Auditing and Assurance Standards Board Chairman: Ms Merran Kelsall The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements</p>
<p style="text-align: center;">Office of the Australian Accounting Standards Board Chairman: Mr Kevin Stevenson The formulation and making of accounting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions</p>
<p style="text-align: center;">Productivity Commission Chairman: Mr Gary Banks AO Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective</p>
<p style="text-align: center;">Royal Australian Mint Chief Executive Officer: Mr Ross MacDiarmid The coinage needs of the Australian economy, collectors and foreign countries are met through the manufacture and sale of circulating coins, collector coins and other minted like products</p>