



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

ECONOMICS LEGISLATION COMMITTEE

Estimates

(Public)

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ECONOMICS LEGISLATION COMMITTEE

Wednesday, 6 November 2024

Members in attendance: Senators Bragg, Canavan, Ghosh, Hume, Kovacic, McKim, O'Neill, Barbara Pocock, David Pocock, Rennick, Roberts, Roberts, Dean Smith, Stewart and Walsh

TREASURY PORTFOLIO

In Attendance

Senator Gallagher, Minister for Finance, Minister for the Public Service, Minister for Women

Treasury

Dr Steven Kennedy, Secretary

Macroeconomic Group

Mr Luke Yeaman, Deputy Secretary

Dr Adam Cagliarini, First Assistant Secretary, Macroeconomic Conditions and Population Division

Dr Shane Johnson, First Assistant Secretary, Macroeconomic Analysis and Policy Division

Dr Alex Heath, First Assistant Secretary, Climate and Energy Division

Ms Mohita Zaheed, First Assistant Secretary, National Interest Framework Division

Mr Kai Everist, Assistant Secretary, National Interest Policy and Governance Branch

Ms Rachael McCrick, Assistant Secretary, National Interest Assessments Branch

Mr Jee Karunarathna, Assistant Secretary, Front Door Taskforce

Ms Ineke Redmond, Assistant Secretary, Macroeconomy Branch

Mr Patrick D'Arcy, Assistant Secretary, Domestic Demand, International and Trade Branch

Mr Nick Latimer, Assistant Secretary, Centre for Population

Dr Nathan Deutscher, Assistant Secretary, Data and Structural Analysis Branch

Ms Riki Polygenis, Assistant Secretary, Fiscal and Monetary Policy Branch

Ms Eleanor Williams, Assistant Secretary, Australian Centre for Evaluation

Ms Rebecca Cassells, Assistant Secretary, Climate and Industry Modelling Branch

Mr Matthew Maloney, Assistant Secretary, Climate and Energy Policy Branch

Ms Penny Sirault, Assistant Secretary, Sustainable Finance Branch

International and Foreign Investment Group

Mr Chris Tinning, Acting Deputy Secretary

Ms Isobel Sloan, Assistant Secretary, Frameworks Branch

Ms Katrina Di Marco, First Assistant Secretary, International Economics and Security Division

Ms Steph Gorecki Natik, Assistant Secretary, Geoeconomics Branch

Mr Paul Cotterill, Assistant Secretary, International Engagement Branch

Mr Justin Baguley, Assistant Secretary, Indo Pacific Branch

Mr Hector Thompson, Deputy Commissioner, International Support and Programs, Australian Taxation Office

Small Business, Housing, Corporate and Law Group

Ms Victoria Anderson, Deputy Secretary

Mr Anthony Seebach, First Assistant Secretary, Small and Family Business Division

Ms Kylie Bourke, Assistant Secretary, Small and Family Business Division

Ms Robyn Beutel, Assistant Secretary, Small and Family Business Division

Ms Kerren Crosthwaite, First Assistant Secretary, Housing Division

Mr Felix Donovan, Assistant Secretary, Housing Division

Ms Kaixin Owyong, Acting Assistant Secretary, Housing Division

Mr Nicholas Dowie, Assistant Secretary, Housing Division

Mr Heath Axelby, Acting Chief Operating Officer, Corporate Division

Ms Tarnya Gersbach, Chief Finance Officer, Corporate Division

Ms Amara Foster, Assistant Secretary, Corporate Division

Ms Erin Wells, First Assistant Secretary, Law Division

Mr Chris Leggett, Assistant Secretary, Law Division

Ms Helen Sykes, Assistant Secretary, Law Division

Mr David Hertzberg, Acting Assistant Secretary, Law Division

Fiscal Group

Ms Sam Reinhardt, Deputy Secretary

Ms Philippa Brown, First Assistant Secretary, Budget Policy Division

Mr Luke Spear, Assistant Secretary, Budget Policy Division

Mr Oliver Richards, Assistant Secretary, Budget Policy Division

Ms Natalie Horvat, First Assistant Secretary, First Nations and Commonwealth-State Division

Dr Louise Rawlings, First Assistant Secretary, Labour Market, Environment, Industry, and Infrastructure Division

Mr Nick Loan, Assistant Secretary, Labour Market, Environment, Industry, and Infrastructure Division

Mr Brendan McKenna, Assistant Secretary, Labour Market, Environment, Industry, and Infrastructure Division

Ms Anthea Long, First Assistant Secretary, Social Policy Division

Ms Marg Thomas, First Assistant Secretary, Social Policy Division

Mr Jordan George, Assistant Secretary, Social Policy Division

Ms Khanh Hoang, Assistant Secretary, Social Policy Division

Mr Adam Bogiatzis, Assistant Secretary, Social Policy Division

Ms Joanna Houghton, Acting Assistant Secretary, Social Policy Division

Ms Heather Cochrane, Assistant Secretary, First Nations and Commonwealth-State Division

Dr Adam Cagliarini, First Assistant Secretary, Macroeconomic Conditions and Population Division

Mr Nick Latimer, Assistant Secretary, Centre for Population

Markets Group

Mr Brenton Philp, Deputy Secretary

Ms Lynn Kelly, First Assistant Secretary, Financial System Division

Mr Robb Preston, Assistant Secretary, Insurance Taskforce Branch

Mr Tim Baird, Assistant Secretary, Banking and Credit Branch,

Ms Lauren Hogan, Acting Assistant Secretary, Regulators and Capital Markets Branch

Dr Andre Moore, Assistant Secretary, Banking Review, Investment and Financial Advice Branch

Mr James Kelly, First Assistant Secretary, Digital Competition and Payments Division

Ms Sally Etherington, Acting Assistant Secretary, Payments System and Financial Innovation Branch

Mr Tony McDonald, Assistant Secretary, Competition and Digital Platforms Branch

Mr Tom Dickson, Acting First Assistant Secretary, Market Conduct Division

Mr Aidan Storer, Assistant Secretary, Consumer Branch

Ms Vaishali Dave, Acting Assistant Secretary, Corporations Branch

Ms Shellie Davis, Director, Scams Taskforce

Mr Jason McDonald, First Assistant Secretary, Competition Taskforce Division

Mr Marcus Bezzi, Chief Adviser, Competition Taskforce Division

Ms Annalisa Heger, Acting Assistant Secretary, Competition Taskforce Division

Dr Owen Freestone, Assistant Secretary, Competition Taskforce Division

Revenue Group

Ms Diane Brown, Deputy Secretary

Mr Damien White, First Assistant Secretary, Tax Analysis Division

Ms Laura Berger-Thomson, First Assistant Secretary, Personal and Indirect Tax and Charities Division

Mr Marty Robinson, First Assistant Secretary, Corporate and International Tax Division

Ms Emily Martin, Acting First Assistant Secretary, Retirement Income and Superannuation Division

Ms Susan Bultitude, Assistant Secretary, Corporate and International Tax Division

Ms Kathryn Davy, Assistant Secretary, Corporate and International Tax Division
Dr Yi Yong Cai, Assistant Secretary, Tax Analysis Division
Mr Darren Kennedy, Assistant Secretary, Tax Analysis Division
Ms Angie McCosker, Acting Assistant Secretary, Tax Analysis Division
Ms Emma Baudinette, Assistant Secretary, Personal and Indirect Tax and Charities Division
Ms Carlie Beach, Acting Assistant Secretary, Personal and Indirect Tax and Charities Division
Mr Bede Fraser, Assistant Secretary, Personal and Indirect Tax and Charities Division
Mr Adam Hawkins, Assistant Secretary, Retirement Income and Superannuation Division
Ms Victoria Woolley, Acting Assistant Secretary, Retirement Income and Superannuation Division

National Housing Supply and Affordability Council

Ms Susan Lloyd-Hurwitz, Chair, National Housing Supply and Affordability Council

Portfolio Agencies**Australian Taxation Office**

Mr Rob Heferen, Commissioner of Taxation
Ms Jacqui Curtis, Chief Operating Officer, Enterprise Strategy and Corporate Operations
Mr Jeremy Hirschhorn, Second Commissioner, Client Engagement Group
Mr David Allen, Second Commissioner, Frontline Operations
Ms Kirsten Fish, Second Commissioner, Law Design and Practice [by video link]
Mr Matthew Hay, Acting Chief Information Officer, Enterprise Solutions and Technology
Ms Janine Bristow, Chief Finance Officer, ATO Finance
Mr Bradley Chapman, Deputy Commissioner, Enterprise Strategy & Design
Mr Hector Thompson, Deputy Commissioner, International Support and Programs
Ms Karen Foat, Deputy Commissioner, ATO Corporate
Ms Emma Rosenzweig, Deputy Commissioner, Superannuation and Employer Obligations
Mr Nicholas Shizas, Assistant Commissioner, ATO General Counsel
Ms Rebecca Saint, Deputy Commissioner, Client Experience, Public Groups
Ms Alison Stott, Deputy Commissioner, ATO People
Mr Sean Voegt, Acting Chief Finance Officer, ATO Finance
Mr Will Day, Deputy Commissioner, Small Business
Ms Anna Longley, Deputy Commissioner, Frontline Risk and Strategy
Mr Ben Kelly, Deputy Commissioner, Policy, Analysis and Legislation

Tax Practitioners Board

Mr Peter de Cure AM, Chair
Mr Michael O'Neill, Chief Executive Officer and Secretary
Ms Janette Luu, Assistant Secretary

Australian Charities and Not-for-Profit Commission

Ms Sue Woodward AM, Commissioner [by video link]
Ms Natasha Sekulic, Assistant Commissioner and General Counsel
Ms Rachel Smith, Acting Assistant Commissioner

Australian Prudential Regulation Authority

Mr John Lonsdale, Chair
Ms Margaret Cole, Deputy Chair
Ms Therese McCarthy Hockey, Executive Board Member
Ms Suzanne Smith, Executive Board Member
Ms Lucinda McCann, General Counsel

Australian Competition and Consumer Commission

Ms Gina Cass-Gottlieb, Chair
Mr Scott Gregson, Chief Executive Officer
Ms Sarah Proudfoot, Executive General Manager National Anti-Scam Centre [by video link]
Ms Sharon Alley, Chief Financial Officer
Mr Tom Leuner, Executive General Manager, Mergers, Exemptions and Digital [by video link]
Mr Rami Greiss, Executive General Manager, Consumer and Fair Trading
Ms Nicole Ross, Executive General Manager, Infrastructure Regulation
Ms Kathie Standen, Executive General Manager, Consumer Data Right [by video link]
Ms Melinda McDonald, Executive General Manager, Competition Division [by video link]
Ms Madeline Richardson, Executive General Manager, Consumer Product Safety [by video link]

Housing Australia

Mr Scott Langford, Chief Executive Officer
Mr David Le, Acting Chief Financial Officer
Ms Rowena Johnston, Chief Credit Officer
Ms Jennifer Chew, Chief Program Officer, Home Ownership
Mr Michael Camerlengo, Chief Origination Director

Australian Bureau of Statistics

Dr David Gruen, Australian Statistician
Ms Kylie Bryant, Deputy Australian Statistician
Mr Brenton Goldsworthy, Deputy Australian Statistician
Mr Duncan Young, General Manager Census and Population

Productivity Commission

Ms Danielle Wood, Chair
Professor Alexander Robson, Deputy Chair
Dr Lisa Studdert, Head of Office
Ms Rosalyn Bell, First Assistant Commissioner

Australian Small Business and Family Enterprise Ombudsman

The Hon. Bruce Billson, Australian Small Business and Family Enterprise Ombudsman
Dr Craig Latham, Executive Director
Dr Matt Steen, Executive Director

Committee met at 09:00

CHAIR (Senator Walsh): I declare open this hearing of the Senate Economics Legislation Committee into the 2024-25 supplementary budget estimates. I begin by acknowledging the traditional custodians of the land on which we meet today and pay my respects to their elders past and present. I extend that respect to Aboriginal and Torres Strait Islander peoples here today. The committee has set 14 November 2024 as the date by which senators are to submit written questions on notice, and 19 December 2024 as the date for the return of answers to questions taken on notice. The committee's proceedings today will begin with the Department of Treasury's Macroeconomic Group and International and Foreign Investment Group.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence.

The Senate has endorsed the following test of relevance of questions at estimates hearings. Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in estimates are relevant questions for the purpose of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a

discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given a reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. Witnesses are reminded of the Senate order specifying the process by which a claim of public interest immunity should be raised. I incorporate the public immunity statement into the *Hansard*.

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

CHAIR: I remind all senators that, as we continue our work implementing the *Set the standard report*, as chair, I will ensure that proceedings are conducted in an orderly, respectful and courteous way. The committee has agreed to authorising all media outlets to record the proceedings of the public hearing subject to the broadcasting resolutions in the standing orders and the following conditions. Media entry is subject to not exceeding the maximum capacity of the room; social distancing must be observed; the committee or a witness may object to being recorded at any time and the committee may require that recording cease at any time;

recording must not occur from behind the committee or between the committee and witnesses and must not otherwise interfere in the proceedings; computer screens and documents belonging to senators, members and witnesses must not be recorded, and flashes must not be used; and the directions of the committee secretariat must be followed at all times.

An officer called to answer a question for the first time should state their full name and the capacity in which they appear. I remind committee members and witnesses who are appearing via videoconference and who are not speaking to please mute your microphones. As we get ready to get underway today, I'll remind senators and witnesses that in line with the *Set the standard* recommendations for improvements to our workplace, the hours for these economic estimates will be 9 am to 10 pm with modified breaks, and the hard marker is 10 pm in this committee.

Department of the Treasury

[09:04]

CHAIR: I now welcome Senator the Hon. Katy Gallagher, Minister for Finance. Good morning, minister.

Senator Gallagher: Good morning.

CHAIR: I welcome Dr Steven Kennedy, and we look forward to your opening statement.

Dr Kennedy: The global economy has evolved broadly in line with expectations, but there is considerable variation in growth across economies. Economic conditions in our largest trading partner, China, have remained weak. Household spending has been subdued and the major adjustment underway in the real estate sector continues to be a drag on growth. This is reflected in the decline in steel and iron ore prices since the beginning of the year. In September and October, the Chinese authorities announced a range of monetary and fiscal measures. However, China faces significant cyclical and structural headwinds, and the effects of these measures are uncertain. Growth in the United States has been stronger than expected and it has been a clear outlier among advanced economies. The US has seen inflation moderate without a significant slowing in demand. In most other advanced economies, growth has been subdued, including the UK and Europe. With labour market conditions easing and increased confidence that inflation will sustainably return to target, central banks have begun reducing interest rates. Central banks in the US, the UK, New Zealand, Canada and the Euro area have joined Sweden and Switzerland in cutting interest rates this year. Despite these reductions, in a number of these countries interest rates remain above the level in Australia.

While markets anticipate a further easing in monetary policy, the level of long-term government bond yields across advanced economies suggests that interest rates are not expected to return to the low levels that prevailed before the onset of the COVID pandemic, including here in Australia. As has been the case for some time, a significant ongoing source of uncertainty is the potential escalation of geopolitical tensions, particularly in the Middle East.

The Australian economy recorded subdued growth of 1.4 per cent in 2023-24, which was weaker than forecast in the 2024-25 budget. Household consumption grew by 1.1 per cent in 2023-24, which is the weakest growth in around three decades outside of the pandemic and the GFC. While the government's tax cuts are supporting real disposable incomes, recent indicators suggest that consumption remains subdued, and households are using the income boost to rebuild savings buffers. Dwelling investment fell by 1.5 per cent in 2023-24 as elevated construction costs weighed on activity. In a welcome development, the growth in the prices of new dwelling purchases by owner-occupiers has fallen from an annual rate of over 20 per cent to now be around five per cent, with the notable exception of Western Australia. The fall in prices of new dwelling purchases mirrors the easing in housing construction material costs.

Business investment grew by 6.6 per cent in 2023-24. Solid growth in investment reflects the need for businesses to grow the capital stock in line with strong growth in labour input. Machinery and equipment investment and non-dwelling construction activity remain the dominant drivers of investment. Although smaller in size, business investment in computer software has been growing rapidly over the past three years.

Public demand has been a strong contributor to economic growth over the past year. This reflects strength in both public consumption and investment. The strength in public consumption reflects increases in spending on health and education, including Medicare, the National Disability Insurance Scheme and the Pharmaceutical Benefits Scheme. Further, since May's budget, state and territory governments have released their budgets and, in total, around \$20 billion in new spending was announced for 2024-25.

Inflation over the year to the September quarter fell to 2.8 per cent. Underlying inflation also continues to fall, with the trimmed mean measure declining in the September quarter to 3.5 per cent. It's worth briefly revisiting the purpose and use of the CPI, sometimes referred to as headline inflation, and underlying measures of inflation such

as the trimmed mean in light of the differences in these measures at this time. The reduction we have observed in headline inflation represents a material reduction in cost-of-living pressures for households. The CPI captures changes in the price of a representative basket of goods and services that Australian households actually purchase. Therefore, the CPI remains our best overall measure of the price pressures faced by households. The RBA target range is expressed in headline CPI terms because this is the measure most relevant to households and price stability. Underlying measures of inflation such as the trimmed mean can be a guide to future movements in headline inflation and provide useful information in the setting of monetary policy. Underlying inflation is expected to continue to fall in the period ahead. As is often the case, changes in government policies have affected the prices of goods and services that households face and, hence, headline inflation. For example, we estimate that energy bill relief reduced inflation by 0.3 percentage points over the year to the September quarter.

Australia has had a somewhat similar inflation experience to the rest of the world. Inflation in Australia peaked at 7.8 per cent in the December quarter 2022. However, this was lower and later than most other OECD countries. The IMF recently published its World Economic Outlook, and it is worth putting its inflation forecasts in perspective. Based on these forecasts, the IMF expects that the cumulative increase in prices between 2019 and 2025 in Australia to be similar to that of the US and lower than that of the UK and New Zealand.

While we have made significant progress on inflation, just as importantly we have managed to maintain the gains in the labour market. Employment grew by 3.1 per cent over the year to September, and the unemployment rate remained at 4.1 per cent. Policymakers have a difficult trade-off to make. They can be more aggressive in bringing inflation down, but this would not be achieved at no cost. By way of example, in the RBA's November update and in our forecasted budget, unemployment is expected to peak at 4.5 per cent. If instead the unemployment rate were to reach the peak expected in New Zealand of 5.4 per cent, we would add an extra 130,000 people to the ranks of our unemployed. We remain optimistic in being able to preserve the gains that have been made in employment in a sustainable way. Recent data has shown a deceleration in nominal wage growth at the current level of unemployment alongside continued easing in inflation. While estimates of the NAIRU, which is the level of unemployment below which inflation would be expected to rise, are uncertain, Treasury estimates that the NAIRU is around 4.25 per cent, close to the current rate of unemployment.

Labour productivity across the economy was flat in 2023-24. This reflects in part a cyclical weakness in productivity because of the strength in our labour market. There are a couple of reasons why this is the case. Australia has absorbed a large number of new workers in a relatively short amount of time. Initially, this cohort of new workers on average is less productive than the existing workforce. Over time, however, these workers will become more productive as they build skills and find jobs that are a better match to their skills. This will contribute to better labour productivity outcomes. The other channel is through capital shallowing or a lower capital-to-labour ratio. The capital stock cannot adjust as quickly to the rapid increase in employment, because it takes time to make investment decisions and then build and install capital. Over time as the capital stock adjusts and employment growth eases, the capital-to-labour ratio will rise and this will provide a welcome boost to labour productivity growth.

Annual net overseas migration fell to 510,000 in the March quarter 2024 after reaching an annual peak of 560,000 in the September quarter 2023. This was largely driven by a fall in migrant arrivals. Going against this trend are New Zealand citizen arrivals, which have continued to rise with Australia's comparatively stronger economic conditions being a key factor. Lower than expected migrant departures mean that net overseas migration is likely to be higher in 2023-24 and 2024-25 than forecast at budget. Rather than depart, many migrants have extended their stay by applying for new visas, including permanent visas.

Since the lifting of international travel restrictions, other countries have also experienced rapid increases in net overseas migration. For example, New Zealand and Canada have recorded population growth rates that peaked around three per cent or higher. Australia's peak was 2.6 per cent over the year to September 2023. In September, the government released the 2023-24 final budget outcome. The Commonwealth recorded a surplus of \$15.8 billion in the 2023-24 fiscal year, or 0.6 per cent of GDP. This was \$6.4 billion higher than estimated in the budget and was due to lower payments being partially offset by lower receipts. Payments were \$10.2 billion lower than estimated in the budget, reflecting lower-than-expected payments across a range of programs, including around \$4.2 billion in lower payments across several national partnership agreements. Tax receipts at the final budget outcome were \$5.3 billion lower than estimated at budget, mostly due to weaker than expected personal income and company tax receipts. Receipts from total individuals and other withholding taxes were \$3.1 billion below the budget estimate. The 2024-25 budget shows a return to deficit in 2024-25, peaking in 2025-26 before narrowing. The government will update the fiscal outlook later this year as part of the Mid-Year Economic and Fiscal Outlook.

In terms of longer term fiscal pressures, the budget and the 2023 Intergenerational Report identified several major payments that are growing more quickly than national income over the longer term, including the NDIS and aged care. Bipartisan support to enable reform to these programs will help manage the long-term costs and is a very welcome development. It gives participants in these programs more certainty about the future and ultimately better care. The recent passage of the NDIS legislation provides the framework to give effect to the measures announced at budget. These measures are expected to reduce scheme costs by around \$60 billion over the next 10 years. By 2034-35 we expect the cost of NDIS will be reduced by roughly one-quarter of a percentage point of GDP compared to our estimates at budget.

The government reforms to the aged-care sector are welcome and will lead to a more sustainable program while delivering better services. The changes include expanding access to home care and introducing contributions for non-clinical care. Compared to projections in budget, the reforms are expected to slow the rate of payment growth from 5.7 per cent per year over the decade to 5.2 per cent. This represents total savings over the coming decade of around \$12.6 billion relative to our expectations at budget.

I sincerely hope parties can continue to work constructively in reforming government services as further reforms will be required and will improve the welfare of all Australians. Since the last estimates, the government has introduced legislation for merger reform. This is a policy process led by Treasury with support from the ACCC. We very much appreciate the support from the ACCC, including the secondment of staff to the Treasury taskforce. Mergers and acquisitions remain an important feature of dynamic economies. They can support cost and price reductions through generating greater scale and help spread the adoption of new technologies. Although most mergers are unlikely to harm competition, it is important that we have a credible regime that will stop mergers that are likely to reduce competition. The mergers and acquisition reform bill that parliament is currently considering will establish a new system for mergers and acquisitions in Australia. Under the new system, mergers that meet risk based monetary thresholds must notify and receive approval from the ACCC, who will have the mandate and the resources to review and stop anticompetitive mergers. The new regime will also be transparent, with greater certainty for businesses around the merger process. The ACCC will maintain a public register containing details of notified mergers, review timelines and reasons for its decisions. This will increase the transparency, understanding and ultimately confidence in the new merger regime. Businesses will also have certainty about whether they are obliged to notify the ACCC of a proposed merger and how long the ACCC's assessment will take place. This will help business structure mergers and acquisitions in a way that promotes competition.

Before I conclude, I would like to acknowledge the announcement made by the Presiding Officers last week that Sam Reinhardt has been appointed as the Parliamentary Budget Officer. I congratulate Sam on this appointment and would like to publicly acknowledge her work in Treasury over more than 20 years, most recently as the Deputy Secretary of Fiscal Group.

CHAIR: I know the committee would like to share their congratulations with Ms Reinhardt, who has been a regular participant in our inquiries. We will proceed straight to questions. I also call officers from the department in relation to Macroeconomic Group and International and Foreign Investment Group. We'll start with some 15-minute blocks of questions. Senator Hume.

Senator HUME: The Treasurer said publicly back in August that Treasury is undertaking some scenario analysis for the outcomes of the US election today, tomorrow and potentially coming days. Has that scenario analysis and modelling been completed?

Dr Kennedy: It has.

Senator HUME: What prompted the model?

Dr Kennedy: With any significant change underway and potential policies, we'll prepare advice for the government. There are some policies that the proponents in the US election have announced, including for example tariff increases and other types of changes, and we thought it was worth the government understanding the impact of those policy changes not only potentially on the US but on major trading partners such as China and other countries and then of course what the implications would be for Australia.

Senator HUME: It's something that Treasury automatically does rather than something that's specifically requested?

Dr Kennedy: The potential changes are significant, so that draws us whenever we see potential significant changes. If there weren't potentially significant changes, we might just provide broad advice. But in this case there are proposed substantial increases in tariffs, for example. There has been private sector modelling in the press you

would have seen on those issues as well. It was just simply worth understanding what the implications might be for the Australian economy.

Senator HUME: Was the modelling conducted specifically for the Treasurer or was it done as part of a cabinet briefing? Was it for the cabinet?

Dr Kennedy: It's always done for the Treasurer, but it was designed to inform the government more broadly.

Senator HUME: What scenarios did it analyse?

Dr Kennedy: We focused on the policies that the proponents in the US election have announced and what their implications might be, such as the most obvious one—the potential large increase in tariffs.

Senator HUME: Was it black and white? This is what happens if the Democrats win; this is what happens if the Republicans win?

Dr Kennedy: No. We looked more at changes in the announced policies. We're not providing any advice around the political ramifications or any politics in those matters. We're simply seeking to understand if this policy—and if it's significant—were announced, would it have an implication for Australia?

Senator HUME: What were the conclusions?

Dr Kennedy: A significant increase in tariffs would have implications for both the US economy—for example, if the tariffs were placed on Chinese goods—and for China and there would be flow-on consequences for Australia. Of course, there would be adjustments. Our models are general equilibrium models. Exchange rates adjust and a variety of other things adjust but, in broad terms, the imposition of trade restrictions such as tariffs typically leads to lower growth and higher inflation.

Senator HUME: Is it analysis you can share with the committee?

Dr Kennedy: I did provide it through cabinet process, so I should take that on notice, and just talk to the Treasurer about it. I'll take it on notice.

Senator HUME: So, it was requested by cabinet or was it requested by the Treasurer?

Dr Kennedy: It was definitely requested by the Treasurer—we discussed it—but it also has been provided to cabinet committees more broadly.

Senator HUME: It was a special briefing to cabinet by Treasury?

Dr Kennedy: There was a cabinet submission.

Senator HUME: Given the views of market economists who have also been looking at this issue, would it be fair to say that the outcomes of the modelling highlighted upside risk to inflation or growth outlook? You mentioned tariffs, but what is the upside risk for inflation?

Dr Kennedy: Some upside for inflation in the US; downside for growth in China; downside for growth in the US. The implications for Australia are more about growth because of the implications for China, of course, and their demand for our goods. There are lots of ons and offs. The price impacts are more relevant to the US outcomes than they are to other countries.

Senator HUME: You said that the modelling you have provided was for a cabinet briefing, but was there a specific briefing for the Prime Minister?

Dr Kennedy: Only through that.

Senator HUME: Only through the cabinet process? It was not a one-on-one briefing with any more analysis or anything more detailed?

Dr Kennedy: Of course, when it goes into those meetings, he gets the opportunity to see and discuss the detail of what we prepared.

Senator HUME: Was it specifically requested by the Prime Minister that information come to cabinet rather than just the Treasurer?

Senator Gallagher: We're not going into about who requested what? The Secretary has been clear: advice was sought, the cabinet has been briefed; people are doing their jobs.

Senator HUME: Does the Treasury have a dominant or a more likely scenario?

Dr Kennedy: They were scenarios exactly on the word. We weren't making judgments about—we don't have the expertise to do that—potential outcomes, et cetera. We were simply trying to explain this is a policy that's in play and, should that policy be enacted, this is the impact it would have on the economy.

Senator HUME: What about the potential for lower US company tax rates? Has Treasury done any analysis of Australia's international competitiveness with a lower US company tax rate?

Dr Kennedy: Our scenario is focused on the trade implications and the tariff changes. In terms of the potential for changes in company tax rates, we've seen in the past that they have been lowered in the past and increased in the past. We didn't provide any specific advice on that.

Senator HUME: Were you asked to provide any specific advice on tariff changes, or was it a more general scenario analysis requested of you?

Dr Kennedy: I'll have to go and check my own records, but it's a significant change that's potentially in play. I've discussed it with the Treasurer. We may have both agreed it would be a good idea to make both him and others more aware—and the Foreign Minister, of course—of the implications so they are understood. I'll go back and check my records about the specifics of the request, et cetera. To be quite honest, if it wasn't asked I would have provided the advice anyway. But I'll check on who said what first.

Senator HUME: What I'm trying to get at—and maybe I'm not making myself clear—is whether those scenarios that you were analysing were simply tariffs go up, tariffs stay the same, or whether there were broader economic indicators that might be a result of policy decisions or policy announcements that have been made by both candidates and whether they were analysed as well.

Dr Kennedy: Such as the tax change. Again, the increase in tariffs that was proposed is large. The scenario we looked at was if it were introduced quickly. You're normally most interested in the first instance in those changes that might be disruptive rather than the long-term structural changes. Changes to tax rates, et cetera, will have an impact, but they tend to have a much—

Senator HUME: Long delay?

Dr Kennedy: Yes.

Senator HUME: The RBA Governor yesterday stressed the impact of population on the imbalance between aggregate demand and aggregate supply. She stressed that, even with falls, the population is still too high for the level of household demand. Is Treasury's view that aggregate demand and aggregate supply are balanced or imbalanced?

Dr Kennedy: I don't think she said our population was too high; I think she said demand was too high for supply.

Senator HUME: Specifically, the reference is to housing demand.

Dr Kennedy: For the housing market?

Senator HUME: The population is still too high for the level of housing demand, is what she said.

Dr Kennedy: There's little doubt the housing market is tight. Supply in the housing market has been weak. I outlined that in my opening statement. We're hopeful of and we forecast a recovery of investment in housing. But there are two things I think we should think about in the housing market. One is that the housing market has underperformed now for quite some time—at least a decade—in terms of supply; and with the current level of demand and with some population growth, we have a cumulative effect of undersupply on top of then some cyclical factors, including of course monetary policy settings to slow the economy. I noted in the opening statement that we see some good signs of that disequilibrium, if you like, resolving itself. I did make a point of saying that in Western Australia new housing purchase costs, in the CPI in Perth, remain high—I'm sure Senator Smith will know this better than I—at around 19 per cent through the year in the last CPI. That economy is growing very quickly. Our population growth is strong and the housing market is struggling to adjust. Elsewhere they are easing. I'll have to go and check Ms Bullock's remarks about the balance of supply and demand. I am sorry. I didn't see her comments on the housing market in particular. I've seen them more and talked to her about them in aggregate about that adjustment. I'm sure she'll be well placed tomorrow to take you through what she thinks.

Senator HUME: What about the impacts of Treasury overshooting the net overseas migration targets? What is the potential effect of that on inflation and on housing supply?

Dr Kennedy: The number is overshooting our forecasts, if you like, or us undershooting—

Senator HUME: Yes, that was probably the better way to put it.

Dr Kennedy: quite significantly. The reasons have changed. Initially, it was much stronger inflows than we anticipated. We have that right more recently, and now it's departures as I've outlined. I think it's really sort of remarkable how well the labour market has responded to this rapid increase in population growth. It is easing

now, but other countries—I mentioned a couple—such as Canada and New Zealand saw this and their labour market outcomes aren't nearly as good. To have seen these people flow into supply through employment and see the aggregate rate remain low is an excellent outcome. It's been helpful, if you like, for business because per capita consumption has been very weak for a number of quarters. As I said, weakest outside—

Senator HUME: We're in a per capita recession.

Dr Kennedy: Yes, per capita. We've had more than maybe seven quarters now where it's been quite weak. In part, these are the ons and offs. It's assisted in keeping broader conditions a little stronger. I'm just still struck by the size of the swings we've experienced through COVID and subsequently. In some ways I'm very pleased at how we've managed to adjust. No-one is pleased about what inflation has done, but I'm very pleased to see it easing now. To see the labour market retaining this strength, the employment opportunities being generated for young people and to see the youth unemployment rate where it is is really a good outcome. To go back to migration particularly, there's no doubt it puts pressure into the economy. It's a net increase in supply and it adds to demand. For sure, the housing market feels the pressure of higher population growth.

Senator HUME: You mentioned in your opening statement lower-than-expected migrant departures. This is not the right forum to ask about that, but I did scratch my head at that. A visa is a visa. You kind of know when they're going to end. I'm surprised that we overshot our forecast on departures. Is that a monitoring issue? How does that happen?

Dr Kennedy: I'll let you talk—they may have already appeared—to Home Affairs about it, but the information we get from them is that, as I guess I've just said factually, many more people have applied to go to another visa than anticipated. They are staying in the country. It is not unusual—possibly we should have thought about this a bit more carefully—for us to see an inflow of Kiwis, if you like, when their economy weakens more than ours. That has also now come into play possibly. I guess the New Zealand economy has been a little weaker than anticipated, but the New Zealanders are finding job opportunities here. Let me put it that way.

Senator HUME: Does Treasury agree with the RBA that public expenditure is driving aggregate demand?

Dr Kennedy: I said in my opening statement that public expenditure, both consumption and investment, was a strong contributor to growth over the last year. That's in the data.

Senator HUME: Growth? Aggregate demand?

Dr Kennedy: Demand and growth, if you like. It is the same thing.

Senator HUME: Is Treasury concerned, I suppose, or monitoring state fiscal developments, particularly when it comes to measures that may boost demand?

Dr Kennedy: We're particularly interested in the infrastructure market for some time, the size of the pipeline and costs there. There's quite some debate over the workforce pressures and how they move between housing and infrastructure. If infrastructure is incredibly long, there are fewer people available, particularly for medium-density housing. Some people think the transferability is limited; others are more convinced there's more there, but it's certainly something we're looking at. We have seen some early signs in the easing or the completion of a couple of large state projects, but there's still a significant pipeline there. Of course, we all would like to see more infrastructure enabling economic activity, but it has to be done in a reasonable and proportionate way. Secondly, of course—and I make no judgment on this—high-quality projects given the scarce resources are very important.

Senator HUME: You mentioned in your opening statement that state and territory governments have in total around \$20 billion in new spending announced in 2024-25. What's your estimate for federal new spending in 2024-25?

Dr Kennedy: Since budget?

Senator HUME: A comparable figure since May's budget.

Dr Kennedy: We'll update that one for you in MYEFO.

Senator HUME: You can estimate it for states and territories, but you can't estimate it for the federal government?

Dr Kennedy: They've announced their budgets. That's how we know it. They put their budgets out after our budget. It's out there now. The Commonwealth government will in MYEFO in the usual way announce any new policy decisions, including spending, at that point.

Senator HUME: As a significant driver of inflation, it is essentially the ultimate driver of the cost-of-living crisis that's facing the country. Surely that's something that you are monitoring very carefully?

Dr Kennedy: I won't agree with your conclusion—

Senator HUME: Inflation causes a cost-of-living crisis.

Dr Kennedy: No.

Senator Gallagher: That's not what you said though.

Dr Kennedy: Certainly I do agree that inflation, as I outlined in my opening statement, and the CPI are a good measure of the cost of living that households face; in fact, our best. Sorry. I may have misheard you. I thought you said that the public demand is a contributor to growth at the moment. In aggregate, our growth is very weak.

Senator HUME: I know you say that we'll have to wait for MYEFO, but will the policy decisions in MYEFO be contractionary or expansionary?

Senator Gallagher: You'll be updated in MYEFO.

Senator HUME: I'm not after a dollar figure; I just want a vibe.

Senator Gallagher: I'm not going to give you a vibe.

Senator HUME: I think the Australian public probably deserve a vibe. They've had 2.5 years of inflation—

Senator Gallagher: No, they don't deserve a vibe.

Senator HUME: and of course a cost-of-living crisis. I think they want an indication from the government as to whether the government is taking this issue seriously.

Senator Gallagher: We've taken it seriously from the minute we came to government when inflation was running much higher than it is now and where you were handing down budgets with huge amounts of spending without any savings at all.

Senator HUME: I know you want to have a crack here.

Senator Gallagher: No, I'm actually just factually answering your question.

Senator HUME: No, you're not. You're deflecting.

Senator Gallagher: I am; I'm telling you what we inherited. In every economic update since we have found savings, we have reprioritised and we have looked at ways to support households with cost-of-living pressure without adding to the inflation challenge, and you will expect to see more of that.

Senator HUME: I know you've said you haven't added to the inflation challenge, but we've had this issue around a contractionary or an expansionary budget that has gone on now for 2.5 years. Every credible economist has said that the previous budgets you've handed down have been expansionary. I just want to understand whether MYEFO is going to be expansionary or contractionary?

Senator Gallagher: We've been handing down surplus budgets which have actually—and the Governor has noted this—been assisting in the challenge that's facing the country on an inflation perspective. That's what we've been doing. You will expect to see similar decisions taken in MYEFO.

Senator HUME: The budget today is in deficit, and we discussed this yesterday.

Senator Gallagher: There's a forecast deficit for this financial year. It's half of what we inherited, I would point out. We've made substantial progress on reducing the size of the deficits; delivering two surpluses; bringing down debt overall; and reducing the interest costs on debt, which is also helping the budget.

Senator HUME: The RBA's statement on monetary policy highlighted the challenge for jobs growth being concentrated in areas of low productivity. The Governor stressed then that productivity was essential for sustainable real wages. We've heard that from the previous RBA Governor as well. Has Treasury undertaken any analysis of recent EBA negotiations in these sectors that were specifically highlighted by the RBA Governor as to whether productivity is supporting that level of wage growth?

Dr Kennedy: I'll pass to my colleague just to confirm. I could make a couple of remarks on differences in productivity across different sectors or I can just stick with your line of questioning. It's up to you. Do you want me to go straight to that?

Senator HUME: Whoever is better placed to answer the question. Obviously I'm conscious we don't have you for long, so I'd like to pick your brain while you're here.

Mr Yeaman: While we monitor the releases and the outcomes of those administered wage cases and EBAs, we have not done specific analysis on a case-by-case basis of those as against productivity.

Senator HUME: Will Treasury be arguing in its submissions for next year's minimum wage case for a real wage increase?

Dr Kennedy: It's a government submission that gets prepared by us and the Department of Employment, from memory. Yes, we don't put a position in that. We prepared a submission for the government.

Senator Gallagher: The government won't look for no wage growth? Are you saying the Treasury would be arguing against a wage increase?

Senator HUME: No. A real wage increase. Will you be arguing for a real wage increase?

Senator Gallagher: That has been the position that we've put in last submissions, that we support a real wage increase for minimum wage earners. I don't think you'd be surprised by that. It's been a fundamental policy differentiation between this government and yours.

Senator HUME: Would you be commissioning any analysis on productivity that will accompany that real wage increase that you're advocating?

Senator Gallagher: They're separate things, but obviously a productivity agenda is important as well to the government, and that would form a component of the submission. I think it always has. We also believe that in some of those cases, particularly after a decade of wage stagnation, there was a level of underpayment going on, particularly in some of those care economy sectors, such as aged care and early childhood education and care, which is separate to the minimum wage. I think that is implicit in some of the criticisms that the opposition has made in its approach to the value and respect afforded to care economy workers.

Senator HUME: Just to clarify, you think the productivity and real wage increases are separate things?

Senator Gallagher: The point I'm making is I think there has been a level of underpayment in particular sectors of the economy, and we are addressing that. Obviously, productivity and dealing with the lack of productivity growth over a longer time, including for the decade that you were in government, is something that the government is also focused on. The submission will cover some of those issues, as you would expect.

Senator HUME: Is that Treasury's advice, that there has been underpayment in certain sectors?

Dr Kennedy: Yes. There are two issues. One is, if you like, in feminised industries in particular there was an aged-care case, and there have been other discussions around childcare. Many of those industries are largely government funded. At least it's the Fair Work Commission's view that relative wage cases show there has been some underpayment. My judgment would be that it's going to be difficult to attract people into those sectors and, frankly, improve productivity in those sectors. Because their wages are not being determined just by the interplay of market forces, it is a complex judgment. I think, yes. The second issue though is—I would just put this caution—that when such assessments are made it's always wise to ensure that the adjustments are made in a phased way, of course, because that minimises disruption to the labour market more broadly. But Treasury's general advice would be, yes, there has been underpayment, not in the legal sense but in the relative wage sense, in sectors such as childcare and aged care. You can ask the Governor about this tomorrow; I think she made some similar remarks around the aged care outcomes.

Senator HUME: Has labour productivity across those non-market sectors, which obviously includes the Public Service and also government funded health and education sectors, fallen to 2006 levels under this government? Is that correct?

Dr Kennedy: If you want to talk about non-market labour productivity and productivity in government services, it's probably worth having a chat to the Bureau of Statistics about that if they're on this evening. It's incredibly difficult to measure, because we don't have an independent measure of output. Understanding productivity in those sectors is very difficult. For example, the productivity we might see in the health, aged care or any of these other sectors we might not be seeing in our measured GDP numbers, but we may be seeing in higher, what they call, quality adjusted life years, a higher life expectancy or a better quality of life. It is a difficult area to judge, but it is definitely worth looking at closely and worth raising. It's one where economics is not going to provide all the answers. I will just make one other quick remark. Sometimes people are a little perhaps gloomy, I would say, about the potential for improving productivity in those sectors. In the past, the Productivity Commission has looked, for example, at the opportunity to improve productivity or efficiency in government services or government funded areas, and it sees ample opportunity and so do I. The types of reforms that you've engaged with the government on in aged care and NDIS are good examples of that. There are real opportunities to improve how we deliver government services—this sounds magical but it's not—that deliver both better outcomes and, if you like, higher productivity and potentially release workers to other sectors. That's why I encourage all governments to focus on what we can achieve in those government service areas because, particularly when the economy is near full employment or at full employment potentially, that has broader productivity implications. If we're employing more people than we need to in government services, they're not able to work in potentially higher productivity jobs elsewhere and we're not getting the services that we should get. There is ample

opportunity to improve aggregate productivity through a focus on government services and other areas. Whether that all turns up in measured productivity in GDP is a more vexed issue. I would encourage people not to diminish it. I think there is ample opportunity there.

Senator HUME: I grant you that it is a difficult thing to measure, but we have to refer to the best measure we have, which was the one that was referred to in the national accounts, which is prepared by Treasury and which says it's fallen to 2006 levels. Obviously, in previous hearings you've provided that the level of productivity growth would be required to support real wage increases without necessarily stoking inflation. I'm wondering whether Treasury has a view now of what productivity we need to ensure those real wage increases, which everybody supports in principle, but that won't fuel further inflation and how that I suppose interacts with the discrepancies we're now seeing in headline inflation and that underlying services inflation?

Dr Kennedy: Let's focus on long-term trends. In the longer term we think real wages are predominantly determined by productivity. There's no doubt. Nominal wages that are consistent with inflation, stable and somewhere in the middle of the band are going to be that productivity growth plus wages. If productivity growth were one per cent on an ongoing basis and inflation were stable at 2.5 per cent, we would expect to see nominal wages of roughly 3.5 per cent—something along those lines. Because of the issues of measurement in the market sector, measures of productivity because of the issues I've spoken about more broadly in the public sector, they are a little stronger. Mining productivity, for example, has been incredibly weak over the last few years and has been pulling down market sector productivity. There is weakness in market sector productivity as well as non-market productivity. In the IGR our assumption for long-term productivity growth was 1.2, from memory, but that was brought down from 1.5. Other countries have also been bringing down their productivity longer term trends. Some have brought them down to one now I think and some 0.8. Australia, I was going to say, is not an island—of course it is—but in the sense of productivity global trends in productivity will affect the numbers here. I'm going to go back to a comment I made a moment ago: if we are experiencing the global slowdown in productivity, it will turn up in Australia. That makes it even more important that we focus on those things we can control such as the efficiency of the delivery of government services. As I said, that will make the economy in aggregate more productive and, if you like, get us closer to the most efficient we can be in the world, which will generate more income for all Australians.

Senator HUME: I agree with you to a point, but particularly establishing the market regulatory settings to improve productivity and sustain real wages would be terrific. If the taxpayer is underwriting wages, particularly in that public sector area, is that a sustainable way of dealing with that underpayment you're referring to?

Dr Kennedy: There are just decisions that governments have to make about how much public spending they want in those areas. If they want them to work effectively, they'll need to pay people reasonably. As you say, it is a little more complicated because the market is not just determining it. Judgments have to be made about the relative contribution. I suppose 30 years ago I didn't feel particularly overpaid as a nurse. In feminised sectors they don't have that market interaction, and I've sometimes wondered whether people are getting the full value they should be getting. But you are absolutely right; it has to be paid for, and that will require the raising of revenue. They're the hard judgments, about how much does the government want to spend? What is the scope of the services? What is it willing to pay those people to deliver those services? If it doesn't pay them appropriately, the services won't be of a quality—

Senator HUME: You didn't touch on the regulatory settings and the potential to change the regulatory settings to make the market more efficient.

Dr Kennedy: Regulatory settings can make a difference, including for example the way the private and public sector can compete. My personal view is that Australia has, through having a private and public health system—

Senator HUME: Crowded out?

Dr Kennedy: Exactly. It does better than those countries who are more purely public than those countries that are more purely private. It's the interplay and the innovation that gets driven sometimes by the private side. But in health, where it's a complex good to deliver, there's a clear role for public delivery.

Senator McKIM: In September the Treasurer acknowledged that you'd been tasked with looking at options to reform negative gearing and the capital gains tax concessions. Did you provide advice to the government on those matters?

Dr Kennedy: I've mentioned in previous estimates—and I'm going to maintain the line—that we provide advice to the government on all aspects of the tax system—I will go this far—including on negative gearing and capital gains. I'm sorry this is disappointing, but I do it all the time; that's my job.

Senator McKIM: When was the most recent advice that you provided to government on negative gearing and the CGT discount?

Dr Kennedy: I haven't got a date in front of me about when a brief went to the Treasurer. I'm happy to take that on notice.

Senator McKIM: I wonder if some of your numerous officials might be able to provide that in real-time? That would be of assistance.

Dr Kennedy: You will see Revenue Group this afternoon and they are the area that provides that advice.

Senator McKIM: With respect, I wouldn't have thought it would have taken that long. Regardless, do you or Treasury agree with the proposition that winding back the capital gains tax discount specifically would be an economically progressive measure? Your own Tax Expenditures and Insights publication reveals that 80 per cent of the benefit of that tax break goes to the top 10 per cent of income earners. On the face of it, it would seem reasonable to propose that winding that back in any way would be progressive and would improve economic fairness in Australia?

Dr Kennedy: The capital gains tax discounts are a significant feature of the tax system. I don't have the numbers in front of me, but I'm sure they're right if you've taken them from the tax expenditure statement. It is an area—you would see all the press about it—where we think more generally around the operation of the tax system. For example, Ken Henry's tax inquiry made a number of recommendations around capital gains tax changes but also around other capital income taxation and savings taxation. There are two ways we think about it. We think about it from the point of view of the housing market and how it impacts on how the housing market operates; and, secondly, how it nests inside, if you like, both the efficiency and equity of the entire tax system. I think the tax system has to be thought of as a system—not just the individual taxes—but it is an area of strong interest to us.

Senator McKIM: Would you agree with the proposition that removing, restricting or winding back either or both of those two tax breaks would benefit people trying to buy their first home, particularly renters trying to buy their first home?

Dr Kennedy: I should just probably state that the government has made very clear its own policy position on negative gearing and capital gains taxation changes. It has stated—you'll tell me if I've got this right—

Senator McKIM: The minister will probably tell you whether you have it right.

Dr Kennedy: That's not a matter under consideration. Probably the capital gains arrangements have the most influence on the balance of ownership issues, but it is a complex area. I would encourage people not to rush to judgment. It's the sort of area where things have to be looked at carefully before any changes would be considered. To be crystal clear, we're not being asked to consider, and the government is not considering, changes in that area at the moment.

Senator McKIM: You were asked previously, and the Treasurer has been clear publicly about that. Specifically, on the capital gains tax discount, I think you said words to the effect that it would have the most influence on home ownership issues. Is that an acknowledgment that, if CGT discount were wound back in some way, it would benefit renters trying to buy their first home?

Dr Kennedy: It's likely to have an influence. Exactly what that influence would be and the materiality of it would be something we'd have to look at more carefully.

Senator McKIM: So you haven't done any work on the extent of a particular policy change in relation to housing availability?

Dr Kennedy: We do look at the issue more. We have looked at the issue over many years and, as I said in the last estimates, these features of the tax system have been in place for a very long time. We tend to look at it more from the point of view of tax reform, to be frank, or potential changes to the tax system over time rather than from the point of view of housing. As I've said to you in the past, I think the dominant impact on the housing market at the moment is simply not building enough dwelling units.

Senator McKIM: I acknowledge supply is a critical part of where we find ourselves today, but you can't completely separate supply and demand, can you? That's self-evident. It's the relationship between supply and demand that's the issue here, is it not? If you agree with that proposition, can I just simply ask: winding back negative gearing or the capital gains tax discount or negative gearing and the capital gains tax discount, would have the effect, would it not, of reducing demand in the housing sector?

Dr Kennedy: Do you mean investor demand or aggregate demand for housing?

Senator McKIM: Aggregate demand for housing, but there would be a subset of investor demand, would it not?

Dr Kennedy: It all depends on exactly how these policies are put in place. The taxation arrangements, I think, are probably more likely to influence the pattern of ownership rather than the aggregate outcomes.

Senator McKIM: Just to be clear, you don't accept the proposition that winding back or removing negative gearing or the capital gains tax discount would reduce aggregate demand in the housing sector? Do you not accept that proposition?

Dr Kennedy: To be honest, there are a lot of things going on there.

Senator McKIM: Yes, but all other things being equal?

Dr Kennedy: Let's do the 'all other things'.

Senator McKIM: Let's look at 'all other things'.

Dr Kennedy: Given—

Senator Gallagher: It would be great to live in your world, Senator McKim.

Senator McKIM: I beg your pardon, Minister?

Senator Gallagher: A bit of black and white, yes or no. Things are often more complex than that.

Senator McKIM: They certainly are. I'm just putting a proposition, and I think Dr Kennedy accepts that.

Dr Kennedy: Let's think about just the sheer physical volumes. If you think it reduces aggregate demand, you're basically making an argument there are going to be more people per dwelling unit. Let's just think about the physical aspect of the balance of these things. We have seen an adjustment in that. There are more people per unit of dwelling at the moment. I think those sorts of things are more likely to impact on the way the prices of those assets change over time and the way they're distributed; less so on the interaction of supply and demand, which in the much longer term is going to be driven by household formation and a range of other things.

Senator McKIM: You said you think it would impact on the pattern of ownership. By that, do you mean that we might see fewer property investors who are investing in property as an asset class buying a house and more homeowners buying a house? Is that a reasonable proposition?

Dr Kennedy: If the capital discount is less attractive, there's a less attractive tax incentive.

Senator McKIM: That's right.

Dr Kennedy: But it is, as the minister said, pretty complex. If there are fewer investors, there are fewer dwellings to rent. There are a lot of interactions. If they're investing less, rents rise. So, you've got to think pretty carefully about how these changes would unfold over time and the patterns that we've observed in the housing market and the current circumstances. We didn't make these tax changes yesterday. They've been persistent features of the tax system. We think that the things driving movements in the housing market at the moment are not predominantly coming from the tax system, they're coming from the market itself—the physical supply, for example, of houses.

Senator McKIM: Just to be clear, did you accept in that answer that, if you did wind back the capital gains tax discount, there would be a change in the pattern of ownership that would mean less property investors and more homeowners?

Dr Kennedy: Potentially. It would be something you'd have to look at carefully. As I said, we mostly look at this issue from the point of view of how it interacts with the whole tax system, because we think that's our focus. The housing bit is not irrelevant. I take your point. It should be thought about carefully. I've strongly encouraged the government to remain firmly focused on increasing the supply of housing—public affordable housing and housing more broadly. That's our engagement with the states. I wouldn't go as far as saying it's a distraction. We should always be debating and trying to understand where the tax system is at. But to resolve the issues that we face at the moment we simply have to increase the supply of housing and that should be our primary focus. My understanding is it's the government's primary focus.

Senator McKIM: We've been urging the government to do more on supply.

Senator Gallagher: By delaying our bill?

Senator McKIM: We have, and in fact we did leverage another \$3 billion out of you—

Senator Gallagher: You can pat yourself on the back for that.

Senator McKIM: in order that more social and affordable houses can be built. That is absolutely the case. We're really proud of achieving that outcome. Dr Kennedy, you've said that, if there was that change in ownership

pattern, there would be fewer rental properties, but there would also be fewer renters by definition, wouldn't there? So, the supply and the demand would wash out in the rental sector to a degree, would it not? Because self-evidently, if there were more people in home ownership, there would be fewer renters, correct?

Dr Kennedy: The devil is often in the detail. We model this very carefully, and there are quite significant differences across the income distribution in the pattern—

Senator McKIM: Have you done that modelling?

Dr Kennedy: No. And who's an owner—

Senator McKIM: Why haven't you done that modelling? We're in a full-blown housing crisis.

Dr Kennedy: I think today the chair of the housing supply council is appearing. She knows more than I'll ever know about this. We've invested in Treasury substantial resources in supporting her and her council work through these issues. I do reject that we're not interested. We've got a substantial—

Senator McKIM: No. I asked why you hadn't done the modelling.

Dr Kennedy: I've got substantial resources invested in that housing council and supporting them. They published a report last year which I think is substantial and goes to these issues, including the tax issues.

Senator McKIM: I'm just going to move on quickly. One other area on the demand side of housing is the exemption that's currently in place that allows self-managed super funds to borrow to purchase residential properties. We've seen close to \$30 billion of residential property that's been acquired by self-managed super funds through limited recourse borrowing. The Council of Financial Regulators has written to at least three Treasurers that I'm aware of—Mr Morrison, Mr Frydenberg and Mr Chalmers—inviting them to either remove that exemption or at least trim back limited recourse borrowing arrangements for self-managed super funds. Does Treasury have a view or have you had a look at what the impacts of ending or trimming back that exemption would be and what's the outcome, if you like, of allowing self-managed super funds to borrow to purchase residential properties in terms of the impacts on housing demand?

Dr Kennedy: We have looked at that issue. I'm very sorry. I just cannot recall when and the various aspects of the advice to hand. I think the best place to have a run at that would be in Revenue Group, with my colleague Deputy Secretary Brown. I'm sorry. I just cannot recall.

Senator McKIM: That's okay. It was a question without notice that we haven't discussed in previous estimates, so no adverse reflection on you there. Going back to the relationship between supply and demand in the housing sector, the Treasurer said this. I know you're not going to be critical of the Treasurer, but I just want to put this to you. The Treasurer said that one of the reasons we're not going down the path of changing the negative gearing arrangements and abolishing negative gearing or abolishing the capital gains tax discount is we haven't been convinced that would have positive consequences for supply. Those are demand-side measures, are they not? Doesn't a statement like that presume that demand and supply kind of live in a vacuum from each other rather than being completely interrelated?

Dr Kennedy: My understanding from the Treasurer's comments is that he was saying the biggest return here is from increasing supply rather than making changes to the tax system. You're right; I just fully endorse that comment. I've made this remark earlier. We've just got to be firmly focused on how to improve the supply of dwellings in Australia. I'm not saying it's a distraction. It's always worth debating those changes to the tax system, but they are not going to shift the dial anywhere near improving the supply of housing.

Senator McKIM: I'm reasonably certain that you're not saying we should do nothing on the demand side in relation to housing. I think you've said you think the priority should be supply side. Do you think there's a risk that increasing supply without any changes to negative gearing and the CGT discount that would impact on the demand side—just simply increasing more supply under current tax settings—would mean that property investors or property speculators who regard an investment home as an asset class rather than a place to live will basically just scoop them up over and above renters who are aspirationally desperate to get into the housing market and buy their first home? Do you think it's a level playing field? Don't you think that if we only sort of deliver on the supply side—and I certainly agree with you that we need urgent action on the supply side—there's a risk that, in doing nothing on the demand side and with the current massive tax breaks for property speculators, investors are going to scoop up more than they otherwise would and renters, once again, who want to get into the housing market are going to lose out?

Dr Kennedy: No, I'm not particularly concerned about that. We can see differences in housing outcomes across jurisdictions that predominantly reflect supply. It's a small jurisdiction, admittedly, but this jurisdiction here, the ACT, where there has been a substantial increase I think particularly in the supply of apartments, is

having somewhat different outcomes to other states where that supply has not responded nearly as fulsomely. I'm not saying the issues that you're raising aren't worth debating, looking at and considering, but I don't see them as something that's a necessary thing to be done to do the other response. I frankly see it much more strongly in the opposite direction. I think the dynamics of the market will operate if we supply more dwelling units—yes, social and affordable but just more dwelling units in aggregate. We see an adjustment and we've seen that over time. But we are chronically undersupplying them in Australia.

Senator McKIM: Again, just to be abundantly clear, there's no pushback from me or the Greens on the need to increase housing supply. We've been very clear about that. Further, just to be clear, we're not suggesting that any demand-side matters should be done in isolation of responding to supply. But isn't it the case that there's a lag in supply and you've got to actually build the things? There are a range of range of factors around that.

Senator O'NEILL: Six months—go for it.

Senator McKIM: In fact, that didn't delay a single dollar going out the door under the timeframes that were in the legislation—as you should know, Chair, if you'd read the legislation.

Senator Gallagher: Very touchy!

Senator O'NEILL: Tell the truth.

Senator McKIM: We're absolutely telling the truth. There is a lag, Dr Kennedy, is there not, in terms of actually having to build them? There are constraints around that in terms of trade professionals, the labour market, materials, supply chains and so forth. Whereas if you were to take action on the demand side, that could potentially flow through relatively quickly, could it not?

Dr Kennedy: I don't think so. I think it's probably worth us all reminding ourselves that most of the levers on the supply side are not held by us in this place. They're held by state governments. In fact, our Constitution—

Senator McKIM: That's a political choice. The federal government could build homes if it wanted to, and it should be doing that.

Senator O'Neill interjecting—

Senator McKIM: You don't think the federal government should be building homes?

CHAIR: I'll try to move on the call and give Dr Kennedy a final word.

Senator McKIM: I think I've hit a sore spot over there. Anyway, Dr Kennedy?

Dr Kennedy: We talked a lot about supply today. It is the case that the taxation arrangements are in the hands of the Commonwealth, and as I've said a number of times they should be debated and considered. But as I've also said, this dial only shifts when we get more supply. We have very constructive conversations with the states, and I'm not diminishing the difficulties they have in doing it. But it will lie with them. It's a tough job, but it's around planning and zoning and it's around the things they constitutionally have the power over. Many of the jurisdictions are working hard to do it, but it's just remembering that we're going to have to work as a set of governments to make that change. It won't be just solved by the Commonwealth.

CHAIR: We'll share the call. Noting that we've got Dr Kennedy until 11 am and a number of senators would like to ask questions while Dr Kennedy is with us. We'll go to 10-minute blocks. Senator Smith.

Senator DEAN SMITH: Dr Kennedy, in your opening statement you do reflect on the Western Australian experience with respect to housing affordability. Could you just expand on what is happening in Western Australia?

Dr Kennedy: If you don't mind, I might ask my colleague. The particular thing I was referring to in the CPI was the growth in housing construction costs in the CPI. I think that number was as much as 19 per cent.

Dr Cagliarini: Yes, that was 19.1 per cent.

Dr Kennedy: Through the year, which has not eased like other states where the price of new housing has come down to, as I said, around five per cent.

Senator DEAN SMITH: From the Treasury's perspective, what are the drivers of that in Western Australia?

Dr Cagliarini: To a large extent, we've had a significant increase in population in Western Australia. Western Australia, as you would know, Senator Smith, has a highly concentrated population in Perth. A lot of that population growth is in Perth. That has been a big driver of housing demand in that sector. As the Secretary mentioned, housing supply does take a bit of time to respond.

Senator DEAN SMITH: Do you have a sense of what that time frame might look like?

Dr Cagliarini: At the moment, no. We get a sense that the costs of building those dwellings are easing. Materials costs have come off. Labour costs are still a bit of a pressure on construction costs for housing. Across the states you've also seen dwelling prices in Western Australia being the strongest across the country.

Senator DEAN SMITH: The Western Australian state government has significant public investment in infrastructure. What impact has that had on construction costs in the housing sector? What do you observe?

Dr Cagliarini: Specifically for Western Australia I wouldn't know that. I apologise for not knowing that.

Senator DEAN SMITH: The METRONET project, which is \$11 billion worth of public investment—

Dr Kennedy: I could make a couple of general comments to that. This is an issue we are looking at carefully, this sort of competition for labour across sectors. Infrastructure Australia—I don't know when they appear—have recently done some work on this that we've drawn on. We would be surprised if the demand in infrastructure wasn't impacting the costs of labour in other sectors, and there would be a reasonable amount of transferability. But as I said—

Senator DEAN SMITH: The remoteness of Perth, I thought, would add to that also?

Dr Kennedy: Yes.

Senator DEAN SMITH: The immobility of some—

Dr Kennedy: The population growth in Western Australia is over three per cent, I think.

Dr Cagliarini: Yes.

Dr Kennedy: It's over three per cent.

Senator DEAN SMITH: It's the highest of any jurisdiction.

Dr Cagliarini: Correct.

Dr Kennedy: You're dealing with the difficulties of growth. It's growing strongly. It's an attractive place to live. People are moving there. There are job opportunities. It's tough. I understand the state government was also implementing a little while ago some planning reforms, in particular in that Perth-Peel region, to try to speed up the delivery of housing. The reason we drew it out is not in any way to criticise the Western Australian government. We just wanted to be clear with the committee that there was this quite distinctly different outcome in Western Australia compared with other places on this issue that we've been watching for some time. Other states had these price increases, but they have now dissipated. We do think they'll dissipate in Western Australia. They may take a little longer, because it's a bit like, interestingly, what Hobart and Tasmania were suffering from a couple of years ago. When you get a lot of inward migration and a place is very popular, it's tricky to adjust. These lags take time to adjust.

Senator DEAN SMITH: So Western Australia has had the highest rate of population growth in Australia, and just in recent weeks we tipped over the three million mark, which is three years ahead of the ABS prediction in 2022, I think that was. That has put pressure on the rental and housing market. In Western Australia, we've seen rents go from \$450 to \$650 in the three years to 2024. This is perhaps the most important point. It's true to say that rents do have a direct impact on inflation, on the CPI. Is that a correct statement?

Dr Kennedy: Rents are in the CPI measure, yes.

Senator DEAN SMITH: I think it's between 6 per cent or 10 per cent is the weight?

Dr Kennedy: I don't know about that.

Senator DEAN SMITH: The weight is roughly about six per cent. Rents and housing costs have been increasing in Western Australia, and in fact Perth recorded the highest CPI increase of any Australian city in the June quarter, at 4.6 per cent. With the maintenance of high construction costs, and the maintenance of continued strong population growth, is it right to then expect the Perth based CPI to continue to be higher than other Australian cities over the medium term?

Dr Kennedy: It may have a somewhat different cycle. It has in the past.

Senator DEAN SMITH: But we do say in the West that we are different. Senator Ghosh will agree.

Dr Kennedy: I find that we're all very much the same.

Senator DEAN SMITH: I'm sure we are, but the economy may not be.

Dr Kennedy: A few years ago Perth had a very significant housing downturn. You'll probably remember that house prices were falling and everything was on the other side.

Senator DEAN SMITH: I'd love to discuss these, but I'm interested in the expected projection.

Dr Kennedy: It wouldn't be unusual for a state, and in this case particularly Western Australia given how much it's driven by mining, to have a different cycle. In aggregate we are expecting rents to ease. Advertised rents have been falling. The RBA in their published—

Senator DEAN SMITH: To be fair, in all of these discussions I think what people are interested in is timeframes? It's not significant to say that rents are expected to decrease. What is interesting and what is valuable is in what time frame can people expect these things. At the heart of my question here is: should Western Australians be preparing for a Perth based CPI higher than other Australian cities based on population growth, which exceeds other states, higher housing construction costs and higher rents.

Dr Kennedy: As to the falls in the CPI in Western Australia—we have not modelled it separately. To be honest, Western Australian Treasury is much better placed to do this than I am. I still expect falls and the CPI in Western Australia to lag the falls elsewhere, but I still expect there to be a fall.

Senator DEAN SMITH: I want to turn to another matter very briefly—falling job vacancy levels. What do they indicate in terms of economic activity?

Dr Kennedy: It's usually a leading indicator of weakness in the labour market. There has been a fall in labour hires, going with the vacancies. I drew attention to the unemployment rate. That is often the last indicator in the labour market to move when the labour market weakens. That's why we do watch vacancies carefully. A couple of vacancy releases recently actually have bottomed out. They were falling dramatically, by 19 per cent to 20 per cent through the year. They just bottomed out. But labour hires are lower and it is an area that we are paying—I'm pleased you raised it—very close attention to, because in this desire to preserve the gains that we've made in the labour market an early signal that the unemployment rate might rise faster than we anticipate would be a rapidly falling vacancy rate or also a much lower rate of hires. We are seeing some of that. I might just ask my colleague to add to that.

Dr Cagliarini: Vacancies were at record high levels. They've come down quite a bit.

Senator DEAN SMITH: When?

Dr Cagliarini: Towards the end of 2022, mid to late 2022, they got to record high levels. They've come down quite a bit. The level of vacancies right now is still, across most measures, above where it was in December 2019. There is still some strength. But as jobs get filled as well—

Senator DEAN SMITH: Based on my calculations, private sector job vacancies fell by 70,000 in the year to August 2024. South Australia had a 24 per cent drop in job vacancies. Western Australia had a 20 per cent fall. These are private sector job vacancies. New South Wales had a 17 per cent fall in job vacancies. If I understood the Secretary, job vacancies are perhaps a lead indicator of or a precursor to rising levels of unemployment. Is that a correct statement?

Dr Kennedy: Yes, vacancies have been falling. The labour market has been easing, no doubt.

CHAIR: Senator Hume.

Senator HUME: I would like to know if the Treasury provided formal advice that the HECS-HELP announcement made on the weekend was not inflationary?

Dr Kennedy: We definitely provided advice around the HECS-HELP announcement as part of our usual analysis. I'm happy to say this in broad terms. The forgiveness of debt won't have any significant impact on aggregate demand in the short term; hence, we wouldn't expect it to impact inflation.

Senator HUME: So, it's not inflationary? Can you step me through how that advice was arrived at?

Dr Kennedy: In the usual way, we provided advice around the government's consideration of the policy. In simple terms, I'll focus on the debt part, not the change in the thresholds. I can do both if you want me to.

Senator HUME: It's a package deal, but if you could disaggregate them and then reaggregate them, that would be terrific.

Dr Kennedy: Firstly, the policy starts, I think, on 1 July 2025, so there's a timing issue. Our advice goes to when the policy comes into place, which is 1 July 2025. Debt forgiveness will be finalised in MYEFO—I think you discussed this with Secretary Wilkinson. I'm not sure how it will be reflected in the budget, but the amount of debt that has been forgiven by the government will then be reflected in its own balance sheet and, in particular, it is likely to impact net debt. If you like, a financial asset has been reduced. The debt forgiveness part doesn't impact the flow of income of people substantially other than over time it will bring forward when people pay their debt off and then they'll have more money. That's a very slow-run effect and that would go well beyond 2025 and the effect would be quite small. I haven't got the numbers in front of me, but changing the thresholds does directly go to people's income, so they do have more money to spend. However, the numbers around that in the light of

our economy are very small. There's no way we could discern any measurable effect on inflation from numbers of that size, but I will double check with Mr Yeaman, if that's okay.

Mr Yeaman: That's correct, Secretary. As you say, on the repayment side, on the forgiveness side, we think that's a very slow-moving—it is beneficial but slow moving—impact on the repayment schedules and the move to a marginal rate of repayment. That does mean that people who are close to those thresholds will receive more income in their pay packets, so to speak. That will add at the aggregate level in a modest way to demand. There's a number of steps here. There's how they then choose to use that income, and some will choose to save it and some will choose to spend that additional income. Then when you look at the aggregate number of people affected, which is substantial but in the overall size of the population not large, and you look at that benefit against a \$2 trillion economy, we don't think the effects on inflation are going to be substantial.

Senator HUME: Was the advice you provided specifically that the 20 per cent reduction in outstanding balances is cost-of-living relief?

Dr Kennedy: I'm happy to talk about how it translates through to inflation. We provided our advice around the policy and its consideration and scope. That went into a cabinet process and I don't think it's appropriate for me, unless you've got another view, Minister, to go into the details of the exact advice we provided to government around that.

Senator HUME: We've had so much evidence in estimates and in other forums saying that the government has charged Treasury with the task of identifying cost-of-living relief measures that won't be inflationary. Is this one of them?

Senator Gallagher: I answered that question yesterday. The government agrees that this has a cost-of-living element, but it also has an intergenerational element of acknowledging the debt burden that's been placed on younger Australians through their HELP or HECS loans.

Senator HUME: The advice—

Senator Gallagher: That was the evidence I gave you yesterday and that is the evidence I'll give you today.

Senator HUME: Did the advice—and this has been publicly referred to not just by you, Minister, but by other ministers in media statements—from Treasury say that this was cost-of-living relief?

Senator Gallagher: We don't really go through the content of advice. The Secretary has explained to you the role of Treasury. Treasury has provided advice. There is no doubt, particularly with increasing the thresholds that your government lowered, that will allow more money in the pockets of people who previously had to start repaying their debt, and we've been very clear about that. In that sense, yes.

Senator HUME: Did Treasury provide advice that the 20 per cent reduction in outstanding balances is an economic incentive to study?

Dr Kennedy: I'm happy to take some of this on notice, but I'm not going to go to the specifics of that advice.

Senator HUME: I'm interested to know exactly what the advice that you provided suggested because the government has said—

Senator Gallagher: I'm sure you're interested, but you're not in the cabinet.

Senator HUME: it's cost-of-living relief, and I'm wondering whether that is the advice that Treasury has given the government.

Senator Gallagher: You can be as interested as you like. We are trying to be as helpful as we can. We know that going forward nine out of 10 of the new jobs created will require a TAFE or university qualification. There is no doubt that when you speak with students and the higher education sector more broadly—and this has been acknowledged in the Universities Accord—the cost of that education impacts choices that people make. That's pretty obvious, and we need to be looking every which way we can to ensure that people aren't disincentivised from taking on a degree or doing further education.

Senator HUME: Did the advice from Treasury, specifically around the 20 per cent reduction in outstanding balances, generate any economic incentive to work?

Dr Kennedy: I'll give the same answer I gave earlier. We provided advice in broad terms around the policy. The policy was prepared by the education department and we provided our own views on the government's consideration. I should be really clear on that cost-of-living question. As Mr Yeaman said, it's a fact that, as the minister said, if you reduce people's repayments they have more income. I don't want to be controversial about that bit. For all the other dimensions, I'm happy to take them on notice. I'm also happy to say Treasury did provide advice around all features of the policy that were considered.

Senator HUME: I'm certain that you saw the response from economists to this policy that's been in the media in the last few days. I'm wondering if you agree with the following. Economist Chris Richardson, for instance, said that this is Robin Hood; that it's a tax cut generated for the big end of town with the money going from the less well off to the better off; that it's a fairness fail; that it doesn't encourage anyone to study or to work; and that, in fact, there are many things that Australia could spend \$16 billion on and this wouldn't feature on any list that someone fighting for a fairer and more prosperous Australia would put together. Is that something that you have considered and potentially agree with or disagree with?

Dr Kennedy: If I have to answer that, I have to tell you what our advice is, which I've said I'll take on notice.

Senator HUME: What about Andrew Lilley at Barrenjoey, who stated:

Many good ways to 'spend' 10 billion. Attempting to buy 3 million votes in a close election is not a good one.

Then there was Ashley Craig, the senior lecturer in public and labour economics at ANU, who said it's an abominable idea and it's popular because people don't understand this and are being misled. Are these economists that you agree with?

Dr Kennedy: I'm not an economic commentator.

Senator HUME: You're an economist.

Dr Kennedy: I am. Thank you, yes. But, no, I'm not a commentator.

Senator Gallagher: Noted. We had this discussion yesterday.

Senator HUME: I didn't have an economist at the table yesterday. I do today.

Senator Gallagher: Noted. 'Economists have views'—earth-shattering headline!

Senator HUME: You have just stated that if you reduce repayments you're putting more money into people's pockets. Have you modelled the impact of how that will extend to the amount of time it takes for people to repay their debts?

Dr Kennedy: The advice around those issues came forward from the education department. That is my understanding but I'll check.

Mr Yeaman: The education department worked with the Australian Government Actuary and other parts of the system to generate estimates around those numbers. Our colleagues from Fiscal Group led that work within Treasury so they may be able to provide some support in their session later today on that, but I don't have those details to hand.

Senator HUME: When was the advice on this policy requested of Treasury?

Senator Gallagher: There's been a range of work being done for the duration of the reform work that's been underway by Minister Clare. It's an ongoing piece of work through the accord our response to the accord and measures around supporting recommendations of that accord. So, it's been ongoing.

Senator HUME: The policy as it's—

CHAIR: Final question.

Senator HUME: I just want to understand about the policy, as has been presented, which was generated from the Department of Education. Clearly Treasury was asked for their opinion and to provide advice on it. When was that requested?

Dr Kennedy: As the minister said, the education department—Mr Clare has been bringing forward a range of reforms over quite a long period and we have been engaged with his department and with that directly. It's been part of that process which has been going on for quite some time.

CHAIR: Senator Rennick.

Senator RENNICK: Last time I note you said that Treasury significantly underestimated the recovery in temporary visa holders to the order of nearly 25 per cent. We simply underestimated how many students would flow back into our universities and higher education sector. Why would you need to estimate this figure? Wouldn't you talk to Home Affairs and the Immigration Department as to how many visas are issued and then, in terms of immigration, how many people have arrived and how many people are yet to arrive?

Dr Kennedy: It's definitely partly that. Part of our underestimation, if you like, with Home Affairs is to get to your pipeline, how many people applied? Initially post COVID, when we were talking to the universities, they were very worried about students returning to Australia and what the numbers would look like. You might remember that debate they were having at the time.

Senator RENNICK: Yes.

Dr Kennedy: So, we took that seriously. The surprise, if you like, flowed all the way through the system; many more people applied for visas, more were granted, more came in and—

Senator RENNICK: Sorry. I am short on time. Do you get a monthly report from Home Affairs and the Immigration Department as to how many visas are issued, how many arrivals arrive and how many departures go?

Dr Kennedy: We do get monthly reports.

Mr Yeaman: We get regular updates from Home Affairs on how those visas are tracking.

Senator RENNICK: I'll finish up on that one. I note in the last year the Australian Federal Police seized 3,000 hectares of Tasmanian farmland purchased by Chinese nationals using the proceeds of crime. Just about every business has to do ATO reporting. A small business, for example, with just one employee has to report a single payslip under Single Touch Payroll. Why does the real estate industry get a pass on this? Given that the real estate industry has to do annual software reporting, why can't they report to the tax office how much money in rent they receive and in particular how much rent they pay offshore? I note there's withholding taxes on dividends, interest and royalties, but there doesn't seem to be any withholding tax on rents paid offshore.

Dr Kennedy: I might ask Mr Tinning if he can comment. Are you placed to comment on this issue?

Mr Tinning: I think that's probably best directed to the ATO, who are appearing later this afternoon.

Senator RENNICK: I will ask the ATO, but I would have thought given this is to do with the whole issue of money laundering through the real estate industry and we've got a housing crisis as well, if we were to crack down on this type of behaviour we could free up some more housing.

Dr Kennedy: A real estate and monetary-laundering perspective is quite a reasonable issue and the government is looking at that issue. Have you talked to the Attorney-General's Department about it as well, about their policy?

Senator RENNICK: No.

Dr Kennedy: That's where the money-laundering policy starts, and you're talking about its intersection with the foreign investment regime.

Senator RENNICK: Yes.

Dr Kennedy: We're not well placed to answer your specific questions, but I can agree with you straight up; they are important issues. Apologies, we haven't—

Senator RENNICK: I'll come back to the ATO on that as well. I will follow that up with them.

Dr Kennedy: I'm happy to take your question on notice and provide an answer on notice if that's helpful.

Senator RENNICK: Yes, that's fine. I'll put this to you, Minister. Why would the Treasurer want to get rid of section 11 of the RBA act that gives him the power to override the RBA? Ultimately, I would have thought all independent statutory authorities should still have some sort of democratic oversight by the Treasurer of the day. I find it hard to believe the Treasurer would have woken up one day and just said, 'I'm suddenly going to give up my own powers to override the RBA.' I suspect most people weren't even aware this section existed. It's an odd thing to want to take away your own powers.

Senator Gallagher: My recollection is it came up through the review of the RBA. It's a power that's never been used. As the Treasurer and government's view is around strengthening the independence of the RBA, on balance that clause was not required.

Senator RENNICK: By strengthening the so-called independence of the RBA and noting that Michele Bullock won't provide minutes of her meetings with the Bank for International Settlements, just as important as independence I would have thought accountability is even more important in democracy in terms of a supposedly independent central bank that talks to other central banks. Isn't oversight of these bodies very important? We need the Treasurer as well as parliament to be able to have oversight of these bodies.

Dr Kennedy: Just to be clear, the Treasurer indicated that he was happy to revisit that issue as part of the negotiations that were going on around that legislation. He did make it clear and our review panel made it clear it was a closely run thing, and an on-balance recommendation. In terms of where the Treasurer got to, as I understand it, you are right that the initial reform was in implementing the entire set of the recommendations. However, he indicated an openness to look at that issue, not particularly for the specific issues you raised but in broad terms. The inquiry that was held, which you were probably part of, had a few former governors, for example, who said they were comfortable with that.

Senator RENNICK: I'm not as an elected representative. Anyway, I'll leave it at that. That's the question.

CHAIR: I'll need to share the call.

Senator RENNICK: Just one more. It's important.

CHAIR: Okay.

Senator RENNICK: Thank you. In terms of your policy—and I'll put this to both the minister and you, Dr Kennedy—are you concerned about the decline in the net company tax rate? When Peter Costello—I think it was in 2000—suddenly decided to start refunding franking credits, there was about \$500 billion in superannuation. Today we're approaching close to \$4 trillion and we basically have a headline tax rate of 30c and then franking credits are refunded; more and more franking credits are being refunded.

CHAIR: Can you ask a question?

Senator RENNICK: Firstly, can you tell me—and you may have to take this on notice—what the net company tax rate is? I'll ask the tax office this as well, but I think it's part of your policy formulation in your budget. Are you concerned about the continuing decline in the net company tax rate as more and more money is pumped into superannuation, which only has a tax rate of 15c in accumulation stage and can be as little as zero in the payout stage?

Dr Kennedy: I will have to take it on notice. I can say at the outset it's not something that's on my desk at the moment that I'm particularly concerned about, but I'll ask my colleagues in Revenue Group to look at it. On a slightly different point, I will note that—and I'll get them to confirm—the effective company tax rate has come up a little over time more recently. This is the effective company tax rate, putting to one side dividends. It is partly because—a somewhat separate issue, but I'll mention it to you as you might want to ask them when they talk later—resources companies have exhausted many of the investment losses that were offsetting their income in the past and they are paying a higher rate at the moment and some companies are paying tax for the first time. I'm going to have to ask my colleague. We will pass it on to her. They're here this afternoon. Apologies for not having that.

CHAIR: Senator Smith.

Senator DEAN SMITH: Secretary, do you stand by the advice that you provided during the COVID pandemic?

Dr Kennedy: Yes, I'm comfortable with the advice I provided during the COVID pandemic.

Senator DEAN SMITH: Some members of the government, including the Prime Minister and I think the Treasurer, have quoted the COVID report to suggest that policies pursued during the COVID period are the reason for our high period of inflation. Do you agree with that or do you think these sorts of comments should be contextualised?

Dr Kennedy: I stand by my advice. That's not saying that I didn't make errors, to be clear. Just to be 100 per cent clear, when I stand by advice, I don't resile from it; I take full responsibility for it. There's little doubt—

Senator DEAN SMITH: To be fair, errors in hindsight—

Dr Kennedy: There are two things that drove inflation. One was the balance of supply and demand, and that did reflect the supply constraints and the amount of monetary and fiscal policy that was put in place, but I do not resile at all from the advice I provided through that period and it is on the record and is somewhat related to the unemployment outcomes I spoke about earlier. The second issue, which the Treasurer has spoken about extensively, was we also suffered a significant energy shock from Ukraine. Both of those factors are the primary factors that drove inflation in the period post COVID.

Senator DEAN SMITH: Do you agree that when people are commenting on policy responses to the pandemic a more accurate description of them could form if they be provided some context?

Dr Kennedy: I can't get into specifics. It's always useful to provide context—and I have to note that the Treasurer did note this context that we were providing advice through that period very rapidly under circumstances of the most extreme uncertainty that I've experienced in my professional life. It's not surprising that we wouldn't have got it perfect in those circumstances.

Senator DEAN SMITH: If we had spent more during the pandemic, we could have expected the inflationary experience to be more than it currently is?

Senator Gallagher: There's a lot of hypotheticals in there.

Dr Kennedy: Today, yes.

Senator Gallagher: If we did something, would it result in this being the problem now?

Senator DEAN SMITH: It's not hypothetical—

Senator Gallagher: It is.

Senator DEAN SMITH: Because there were some clear policy options; there were clear different ideas being prosecuted at the time in terms of what should be the quantum of the pandemic response. Going to your point, you identified the pandemic response as well as the energy shocks arising from Ukraine as being the two key contributors to our current inflationary experience. If the pandemic policy response had included a larger sum of public money, is it right then to assume that the inflationary experience would be greater again?

Senator Gallagher: I could equally say if, for example, JobKeeper didn't go to profitable companies would that mean this?

Senator DEAN SMITH: No, you could equally say if you were on this side of the table, but you're not on this side of the table.

Senator Gallagher: I'm just making my point for you. You don't need to be defensive about this report. Overall, my takeout from it is about being better prepared next time for when the next pandemic comes. That is the purpose of the inquiry.

Senator DEAN SMITH: You've mischaracterised my line of questioning. I'm not in any way—

CHAIR: I've got to share the call.

Senator DEAN SMITH: I'm not in any way refuting the importance of this body of work in terms of capturing the learnings from the pandemic experience.

CHAIR: We don't have much time left. Final question.

Senator DEAN SMITH: My question is: if we had spent more public money in our pandemic response, would that have led to greater inflationary pressures?

Dr Kennedy: The difficulty of that question is the answer is that it depends. It depends how we spent it and it depends what we spent it on and that goes to theoretical nature. I will address one issue, if you like, so it's clear. It was my advice to the government—I am happy to put this on the record; I think I put it on the record previously—that it should take out some insurance and it would be better to err on the upside than on the downside in aggregate in responding. I am happy to put that on the record. It was previously on the record. As to the debate over the effect of different policies, what was effective and what wasn't that you and the minister are talking about, it is a little bit tricky for me to get in the middle because, firstly, I'm marking my own homework and, secondly, I'm beginning to comment on a previous government, which I think is not really appropriate for me to do.

CHAIR: We've got very limited time now and Senator McKim—

Senator DEAN SMITH: I've got two very brief questions.

CHAIR: Senator McKim.

Senator DEAN SMITH: Two very brief questions.

CHAIR: Senator McKim.

Senator McKIM: I have a couple of questions about insurance inflation, like inflation in insurance premiums. That inflation is currently significant and at double digits. It's driven by an increase in reinsurance costs, which in turn is driven by things like the breakdown of the planet's climate and, unfortunately, things are only going to get worse from here due to our collective incapacity to stop the increase in atmospheric carbon levels. Multiple properties in Australia are now uninsurable or effectively uninsurable. In fact, multiple suburbs and towns are becoming effectively uninsurable because of a massive spike in insurance premiums. Have you turned your mind to this? Would you agree that, from where I sit, the insurance industry looks like it's in the early stages of collapse. The government is already an insurer of last resort in some circumstances in Far North Queensland. What does this look like going forward for the government's balance sheet and in particular what does this look like going forward for people who simply can't afford to insure their homes anymore?

Dr Kennedy: We are monitoring it closely. Insurance premiums have been rising rapidly both for motor vehicles and for housing.

Senator McKIM: I expect the risk is being spread across multiple offerings. I think that is the problem.

Dr Kennedy: I think there are possibly some structural changes on the motor vehicle side, but let's stay focused on the housing side. The increase in costs we spoke about earlier are an important part of this increase. I'll come to the climate risk, which I agree with you is increasing and is a substantial part of the story. I do want to raise that also a very substantial part of the new-term story is simply, if the dwelling has increased in cost, it costs more to replace, and that is a significant part of premiums at the moment. So, at the very least we think that part of this very significant increase in premiums, as we spoke about earlier, should diminish. On the risks associated

with climate, I'm probably—I'm not going to say 'I'm probably'. I'm not as gloomy as you and saying that industry is in decline or finished or something.

Senator McKIM: I think there's a risk that it will collapse over time.

Dr Kennedy: Competitive industry will reprice risk. If that risk is higher, premiums will cost more.

Senator McKIM: Then risk will keep going up. I think we can agree on that.

Dr Kennedy: The question for government over time will become more and more the one you raised about where the private sector is finding it difficult to engage with that risk and where poorer people are unable to access that insurance because of the risk, for example, if they live in flood-prone areas. The devastation in Spain in recent weeks is terrible. I think there will be an easing in the current rapid increase we've seen in premiums. I think that will come off. But the longer term issue will only be solved through mitigation and it will involve the government not necessarily in the market itself but thinking very carefully about mitigation.

Senator McKIM: Government is already in the market in Far North Queensland.

Dr Kennedy: They are in the market in those particular areas; that's true. There are large parts of the market that are still operating effectively that big cost increases have driven. If we allow people to build very large and expensive homes in flood-prone areas or fire-risk areas, then premiums are going to rise. We have to think very carefully about what our planning is. I agree with you that the change in the climate means those risks are becoming more pronounced and it means the planning and zoning aspects of it are even more significant.

CHAIR: Last question, if you have one.

Senator McKIM: The Actuaries Institute has calculated there are \$57 billion worth of mortgages under insurance risk and that's growing fast. You basically can't finance a house now; if you go out to market to borrow money, you can't borrow the money unless the property is insurable. That means the property can't be sold to anyone except a cash buyer for a range of properties if they are insurable. What does this mean going forward, perhaps not in the short term, in the medium term for property prices, for stranded assets, potentially for stranded suburbs—

CHAIR: Is there a question?

Senator McKIM: and stranded towns? What do you see is the government's role in this and what risk does that expose the taxpayer to, given that the government is already in the market? Is there any other scenario other than the government going into the market in more circumstances and more areas? What is the public policy response to this in the medium to long term?

Dr Kennedy: There will be a need for government to respond to what is a significant change that will run through our climate as a result of climate change—there's no doubt—and that will unfold over time. I'm not saying there will be no response. I'm just cautioning on this; I don't mean it flips entirely to public provision. I think there will be a very substantial role for ongoing private provision, but you are pointing out some of the more extreme circumstances which may become more widespread, which governments, including state governments, will have to think very carefully about because we have people living in areas where, as you said, insurance companies are going to find it very difficult to insure.

CHAIR: I'll go to the deputy chair and we will go a few minutes over if that's okay with you, Dr Kennedy.

Dr Kennedy: That's no problem.

CHAIR: Senator Bragg.

Senator BRAGG: Dr Kennedy, I want to talk to you about your dual role as the Treasury secretary and also as a member of the Reserve Bank Board. Can you talk to us about how you navigate your role as an ex-officio member of the board but also as a policy adviser to the government?

Dr Kennedy: I am happy to. I'll do the board first and then the government; I will do it in two parts, if you like. On the board side, I see an important part of my role as updating the board and talking to the board about unfolding fiscal circumstances, including being able to talk to the board in a very frank way about how government decisions could unfold. Of course, I can't violate cabinet confidentiality, but it's the aggregates that move the numbers so I can talk to the board. In usual times, to be honest, it is interesting; it probably doesn't shift the dial all that much. In the COVID period it was very substantial because I, for example, would brief the board. At that time it was Treasurer Frydenberg, and we were running fiscal programs which we had never run in the past in terms of an order. The interaction between that and monetary policy was crucial. Of course, the governor and the deputy governor were also talking to the Prime Minister and the Treasurer directly throughout that period, but I was able to engage in the technical detail about how some of those things would unfold. I see it as an important role that as part of the board in making that decision, just as other board members bring forward

information about, for example, the unfolding circumstances in financial markets, I can talk about the fiscal circumstances and impulse and any other potential policy change that may impact our monetary policy decision.

On the government side, I don't—and I see this with the two Treasurers I've worked for—see my role as explaining the details and thinking of government decision-making. Both Treasurers have had a direct relationship with the governor. Of course, we speak about matters, but the governor is the spokesperson for the board. She engages directly with the Treasurer and sometimes with me and talks through the RBA's considerations and the board's considerations. I found with this government and the previous government that both governments have been very respectful of not putting me in a difficult position in the way they talk about the board or those sorts of issues, and I've always encouraged that discussion to happen directly with the governor.

The third part, very quickly—sorry to run over time—is we do provide advice on governance arrangements. We get the advice on what the dividend may or may not be, but we do that very much jointly with the RBA in a collaborative way. Is that helpful?

Senator BRAGG: That is helpful. Does the Treasury provide papers for you for these RBA meetings?

Dr Kennedy: Yes.

Senator BRAGG: What sorts of papers do they provide?

Dr Kennedy: A small number of Treasury officials, including Mr Yeaman, get a copy of the board papers.

Senator BRAGG: So, Mr Yeaman sees the RBA board papers?

Dr Kennedy: Yes.

Senator BRAGG: Anyone else?

Dr Kennedy: I take on notice the exact number, but it's four or five. We'll provide the detail on notice. In terms of the full set of board papers, a small number of Treasury officials see the board papers. That's been the case for many years. I used to see them, for example, in the past when I briefed Treasury Secretary Henry on monetary policy. That enables us to, for example, compare our forecasts, analyse and draw out different views and assists me in putting views to the government. I'll be clear about this in case there's a question. Those papers are never shared with the Treasurer or the Treasurer's office. Nor are they discussed with the Treasurer or the Treasurer's office. I've never known them to have been in the whole time I've been in Treasury. Occasionally I might get asked to talk to just the board by the governor. The board may be interested in an issue that leans on monetary policy and so I might ask the team. For example, the government has a significant number of bonds on its balance sheet at the moment, so I'll consult with the AOFM and I'll take some information to the board about what is the impact, for example, of the RBA having a significant number of government bonds on its balance sheet.

Senator BRAGG: Do you discuss how you would vote at the RBA's board with Treasury officials?

Dr Kennedy: No, I don't. My staff give me views on where they think things should go.

Senator BRAGG: Would you be prepared to disclose your vote if that change was made and there was to be transparency around the voting arrangements for RBA directors?

Dr Kennedy: That would be entirely a matter for the board and the governor. To be honest, I wouldn't be uncomfortable about it, but that's a theoretical question. I would very much want a decision to be made that the whole board was comfortable with and that was led by the governor if a decision was going to be made to disclose votes outside of the review process or any legislative arrangement.

CHAIR: Last question.

Senator BRAGG: Finally, have you discussed your voting intentions with the Treasurer?

Dr Kennedy: No.

CHAIR: Thank you very much, Dr Kennedy, for answering all of our questions over a substantial two-hour block. We very much appreciate your time and you go with our thanks. We will return with Treasury Macroeconomic Group and International and Foreign Investment Group.

Proceedings suspended from 11:07 to 11:21

CHAIR: We welcome back the Department of the Treasury, with the Macroeconomic Group and the International and Foreign Investment Group.

Senator BRAGG: Does Treasury look at IMF forecasts when preparing its own forecasts?

Mr Yeaman: Yes, we do.

Senator BRAGG: Do you think they are of reasonable quality?

Mr Yeaman: I won't speak for them. The IMF is a reputable body. The IMF doesn't look at Australia with the depth that we or the Reserve Bank do but, yes, I would say the IMF is credible.

Senator BRAGG: Do you have any expertise on Slovakia?

Mr Yeaman: Not particularly, no.

Senator BRAGG: You have no-one here today who can talk about IMF forecasts in relation to Slovakia?

Mr Yeaman: No. We have a global economy team in Treasury and we track global forecasts, but we tend to focus on our largest trading partners and the largest economies in the world.

Senator BRAGG: I am asking about Slovakia because Australia's headline inflation is projected by the IMF to be 3.6 per cent, which is second only to Slovakia's.

Senator Gallagher: Yes. I understood why you were going there.

Senator BRAGG: Why do you think that is?

Senator Gallagher: I don't think it is surprising that we don't have a person who is fully fluent in Slovakian economic parameters.

Senator BRAGG: Why do you think Australia's inflation is the highest in the world, apart from Slovakia's?

Mr Yeaman: Australia's inflation cycle has varied. While similar drivers have been at the core of it, it has varied from other countries in its timing. We peaked later and lower, lower than Canada, Germany, Italy, UK, and the US; they all peaked at higher rates of inflation than we did. So we've generally tended to lag the inflation cycle of other countries. Interest rates in Australia have risen by less than in many other comparable countries in the advanced grouping. In Australia, interest rates have risen by about 425 basis points. In the US it's 525 basis points; in the UK it's over 500; and in New Zealand it's over 500. There have been different policy responses, as well. That is why fundamentally Australia's inflation rate sits a little above those of other advanced economies. But as has been discussed earlier today, we and the Reserve Bank continue to see both headline and trimmed mean, or underlying, inflation coming down steadily. We expect it to be back in the band shortly.

Senator BRAGG: What are the RBA's forecast for headline inflation?

Mr Yeaman: I'll ask my colleague to speak to that. It was just released yesterday.

Dr Cagliarini: For which period?

Senator BRAGG: Over the next year.

Dr Cagliarini: So going to 2025 they have the headline CPI at 2½ per cent.

Senator BRAGG: What about the year ended 2025?

Dr Cagliarini: For the year ended 2025 it is at 3.7.

Senator BRAGG: What is Treasury's forecast for that period?

Mr Yeaman: We don't publish forecasts for the December period. Our longstanding practice is to forecast June in the budget, and we published that number. So we were at budget with 2¾ in both June 2025 and June 2026. We are working on our forecasts now for the MYEFO at the end of the year.

Senator BRAGG: Just so I get this right, because there are a lot of numbers here, the Reserve Bank is saying that CPI will be 3.7 per cent for the year ended December 2025.

Mr Yeaman: That's correct, in its latest statement.

Senator BRAGG: It seems to me that when the Treasurer and the Finance Minister were out doing media interviews they were saying that the IMF forecast of 3.6 per cent was wrong.

Senator Gallagher: No, I never said that, and I don't believe that the Treasurer has ever said that.

Senator BRAGG: So you weren't suggesting that the IMF forecast was inaccurate?

Senator Gallagher: No. I have never done that.

Senator BRAGG: What do you say then; that the Reserve Bank is forecasting this inflation figure of 3.7 per cent?

Senator Gallagher: I think they are the Reserve Bank's forecasts, and questions about them should be put to the Reserve Bank.

Senator BRAGG: So you don't dispute the IMF's predictions here?

Senator Gallagher: When I was asked, I said that they are not the Treasury forecasts.

Senator BRAGG: So you're not disputing them—

Senator Gallagher: They are a matter for the IMF. They are not the Treasury forecasts. We rely on the Treasury forecasts when we're making decisions.

Senator BRAGG: Are 3.6 and 3.7 similar figures?

Mr Yeaman: We have not finalised our forecast for the MYEFO. We don't forecast explicitly and publish a December through-the-year number; we focus on June. But in MYEFO, we'll present the information that we have, taking into account all factors.

Senator BRAGG: So the IMF is predicting 3.6?

Mr Yeaman: Correct.

Senator BRAGG: And the RBA is predicting 3.7?

Mr Yeaman: Correct.

Senator BRAGG: Would you say that 3.6 and 3.7 are similar numbers?

Mr Yeaman: Yes.

Senator BRAGG: Minister, it seems to me that you were suggesting yesterday on radio with Patricia Karvelas on the ABC—

Senator Gallagher: No; wrong.

Senator BRAGG: Was it yesterday?

Senator Gallagher: No. I wasn't on radio.

Senator BRAGG: When was it?

Senator Gallagher: I was in estimates hearings yesterday.

Senator BRAGG: Were you interviewed by Patricia Karvelas recently?

Senator Gallagher: I am regularly interviewed by PK.

Senator BRAGG: When was your last interview with her?

Senator Gallagher: Last Thursday, maybe.

Senator BRAGG: Did you have a discussion about the IMF's forecasts?

Senator Gallagher: No, I don't believe so. I did have one the week before that, which may be the one where the IMF forecasts had just come out.

Senator BRAGG: Was it on 24 October?

Senator Gallagher: There you go.

Senator BRAGG: It might have been? So you did have a conversation with Ms Karvelas about the IMF's forecasts?

Senator Gallagher: I had a broad interview around the state of the economy, and she asked a question about that. My answer to that, if I recall it correctly, was that they are not the government's forecasts. If you would like me to, I could read out the answer that I gave her more generally. I was talking in broad about the state of our economy, the strength of the labour market, the creation of jobs, delivering surplus budgets and getting inflation back to band.

Senator BRAGG: All the talking points.

Senator Gallagher: They're not talking points; they are facts.

Senator BRAGG: You said in the interview that the figures and those of the IMF don't identically match up.

Senator Gallagher: Okay, I trust you on that.

Senator BRAGG: So you're saying that 3.6 and 3.7 are materially different figures?

Senator Gallagher: The RBA's figures aren't the Treasury's figures.

Senator BRAGG: That's right. But 3.6 and 3.7 are still pretty similar numbers, wouldn't you say?

Senator Gallagher: I wasn't asked that question.

Senator BRAGG: Most people would look at that and say—

Senator Gallagher: Patricia Karvelas couldn't have asked me that because these figures only came out yesterday. If she had asked me, 'If you look at the RBA's figures that will be released in a week and compare them to what the IMF is releasing overnight, what's your view on that?' that would have been a different question. But that wasn't the one I was asked.

Senator BRAGG: Effectively, she asked you, 'Why does Australia have the second-highest inflation in the world?'

Senator Gallagher: Yes, and I explained that it's for all the reasons that we've gone through this morning.

Senator BRAGG: But the IMF is giving the same—

Senator Gallagher: It peaked later and lower here and is following a similar trajectory to that which we're seeing around other like economies. So that is the answer that I gave, which is correct. I also drew out that interest rates are lower and remain lower here than in many of those economies, despite some of those central banks cutting interest rates. Interest rates here peaked lower than they did in other countries. Our inflation challenge arrived later and peaked lower, and it's come down in a similar way to what we've been seeing around the world.

Senator BRAGG: I think you'll find that the RBA is predicting that inflation will be 3.7 per cent for the year ending 2025. That is still going to be very high by any person's measure, wouldn't you say.

Senator Gallagher: I'm sorry?

Senator BRAGG: Minister, the RBA is saying that inflation is going to be 3.7 per cent in the year ending 2025, so I think that most people would say that's outside the band and represents a high rate of inflation.

Senator Gallagher: I wasn't talking to the RBA's forecasts; I was talking to the information that the government had. The Treasury forecasts were included in the budget and will be updated in MYEFO, and I was talking about how we inherited inflation with a six in front of it, with it then peaking at 7.8 per cent in the December quarter of 2022. It has come down considerably. The last monthly inflation was at 2.1 and, for the September quarter, I think it was at 2.8. So I don't think you can sit here and not acknowledge that they are the facts.

Senator BRAGG: Are you disappointed that inflation is predicted to be 3.7 per cent at the end of next year?

Senator Gallagher: I am focused, as is the Treasurer, on making sure that we do whatever we can to get inflation back into band, which it has come back into, in the nearest possible time, based on the things that are within our control. We've always taken responsibility for that and will continue to do so.

Senator BRAGG: It sounds as though you are disappointed.

Senator Gallagher: I would be surprised if there was anyone, looking at the economy, who didn't want to see inflation get lower sooner, seriously. But I think, at the same time, people also want people to stay in jobs and earn good wages, and they want a whole range of other things as well. So this has always been a balance; I mean, the bank calls it 'the narrow path' from time to time. This has always been a balance. Growth is weak, but we haven't had a negative quarter of growth, as have other economies, and we haven't seen the job losses either. These are good things.

Senator BRAGG: My question was: are you disappointed that it's going to be 3.7 per cent at the end of next year?

Senator Gallagher: And I've answered that.

Senator BRAGG: Your answer is what—no or yes?

Senator Gallagher: I've answered it. If you didn't listen to it, that's your problem.

Senator BRAGG: I did listen, but it wasn't clear to me what the answer was exactly.

Senator Gallagher: I've answered it.

Senator BRAGG: We'll assume that you are disappointed with that because I think most people would be disappointed with it.

Senator Gallagher: Assume away, but I've answered it.

Senator BRAGG: You've spent a long time in government and not been able to—

Senator Gallagher: A long time in government! You were 10 years in government and—

Senator BRAGG: Long enough.

Senator Gallagher: and left a whole range of things not dealt with. We have done more in two years than you guys did in a decade.

Senator BRAGG: You've got inflation at 3.7 per cent at the end of next year. You've got the highest inflation in the world—

CHAIR: I'm at the point where I'll say that I'm looking for a discrete question and a discrete answer, so is there a question?

Senator BRAGG: No. I think we've exhausted that. I think that's been very revealing.

CHAIR: I'll share the call. Is anyone over here seeking the call? Senator Hume.

Senator HUME: I want to ask some questions around the budget papers that show that Australia is in structural deficit.

Senator Gallagher: No; the structural one is the one that we inherited.

Senator HUME: I haven't even asked a question yet.

Senator Gallagher: I'm just making the point.

Senator HUME: Chair, I have not even managed to ask a question.

Senator Gallagher: I'm just making the observation.

Senator HUME: I've not even asked a question.

CHAIR: Minister, don't make me rule in favour of Senator Hume. Senator Hume should ask her question. Thank you, Senator Hume.

Senator HUME: Could Treasury confirm the structural deficit increases for this year, 2024-25, and for next year, 2025-26.

Mr Yeaman: I'm just looking to confirm those figures, but I will say that my colleagues in the fiscal group may be able to help with the structural budget estimates. Depending on where the line of questioning goes, our fiscal group colleagues may be better placed to help, but I will ask Mr Johnson to speak to this.

Dr Johnson: The structural budget balance was revised up in 2023-24, but it's lower in most years over the forward estimates period compared to MYEFO.

Senator HUME: What decisions have resulted from the deterioration of the structural deficit this year and next year; how do you pivot advice and positions?

Dr Johnson: Most of those changes largely reflect revisions to the underlying cash balance.

Senator HUME: My question was: how do you then pivot from that; what decisions have resulted from that?

Dr Johnson: That would be the decisions taken at budget, so it reflects the underlying cash balance at budget.

Mr Yeaman: Senator, I think you're asking what the response is to the fact that the structural budget balance is—

Senator HUME: Yes.

Mr Yeaman: The secretary has made a number of speeches over the last year or two around the need to continue to improve the structural budget balance over time, and certainly the two areas he flagged in his opening statement today around the reforms to aged care and the NDIS are critical in helping to tackle that structural budget balance over time. Also, he noted in his statement that we would like to see continued action in that space but, ultimately, that's a matter for government and the parliament. But I think the two key responses to a deterioration in the structural budget balance are to continue to pursue a sound and sensible fiscal strategy overall as well as tackle longer term structural spending challenges within the budget.

Senator HUME: So the budget shows that it's worsening, yes?

Senator Gallagher: No. Let's just be clear: essentially, the deficits that were forecast when we came to government have been halved. That is the result of the decisions that we've taken to reprioritise in order to find savings; all of those decisions are reflected in that. I'm trying to get the number from PEFO but, essentially, in this financial year and the next financial year, we have halved the deficits, so let's be clear about that.

Senator HUME: Compared to 2023-24, the structural budget deficit increases, is a bigger deficit; is that correct?

Senator Gallagher: Compared to what?

Senator HUME: The end of year forecast. Compared to the 2023-24 budget, the structural deficits that we are now facing in 2024-25 and next year, 2025-26, are worsening. It is a bigger structural deficit; is that correct?

Mr Yeaman: Yes, that's correct.

Senator HUME: From macro's perspective, can you explain to me what, in the long term, the implications are of a worsening structural deficit?

Mr Yeaman: That's a very big and broad question.

Senator HUME: It's an economic question.

Mr Yeaman: It is possible for a government to maintain a structural budget deficit and still keep debt sustainability intact, provided that those deficits are not too large and depending on movements in interest rates, servicing costs of debt and revenue flows, particularly in our case from commodity prices. So, in the broad, it is possible to run an ongoing structural budget deficit and still maintain budget sustainability.

Senator HUME: You've anticipated my next question, which is very good. So, obviously, there have been budget surpluses that have been driven by cyclical factors?

Mr Yeaman: Yes.

Senator HUME: As for those cyclical factors, can you just explain, for the sake of the committee, the difference between a budget surplus that's driven by cyclical factors and a budget surplus that's driven by decisions of government?

Mr Yeaman: The common term that's used is 'automatic stabilisers', so there are automatic features of the budget, and probably the one most commonly cited is unemployment benefits. So, when the economy deteriorates and the unemployment rate rises, there's an automatic increase in expenditure through the welfare system with unemployment benefits.

Senator HUME: What was the contribution of the cyclical factors to the surpluses in 2022-23 and those in 2023-24?

Senator Gallagher: You don't like our surpluses; is that right?

Senator HUME: The ones that are caused by cyclical factors as opposed to decisions of government—

Senator Gallagher: They're better than those zero ones. You never delivered—

Senator HUME: We didn't have the cyclical factors in order to help us do it.

Senator Gallagher: Right. I see. Oh, dear! Over 10 years!

Senator HUME: Really, I have asked Mr Yeaman a question here, and it's a pretty basic one. What's the contribution of cyclical factors to the surpluses in 2022-23 and to the surplus in 2023-24?

Mr Yeaman: On the chart that's in the budget, I think the cyclical factors are contributing just under half a per cent of GDP and then the other structural and temporary factors are taking off around just over one per cent of GDP. Overall though, over the forward estimates period, the structural budget balance is about 0.7 per cent of GDP, which is consistent with what it was at MYEFO as well.

Senator HUME: So that's the percentage of GDP. What is their contribution to the surpluses?

Mr Yeaman: I'm sorry. What do you mean by 'contribution'?

Senator HUME: The percentage. There are two surpluses, and they have—

Senator Gallagher: She wants some evidence that says that government decision-making had nothing to do with the surpluses.

Senator HUME: Chair, I am trying to just ask—

Senator Gallagher: They're not good enough surpluses; is that right, Senator Hume?

Senator HUME: If they're not caused by decisions that you've taken, Minister, they're not good enough.

Senator Gallagher: They have been caused by decisions that we've taken.

Senator HUME: So you were the one that caused bracket creep.

Senator Gallagher: It's our budget full of all of the decisions that we have taken.

Senator HUME: You were the one that caused the high commodity prices.

CHAIR: Senator Hume, you are engaging in a conversation as well.

Senator HUME: I did try not to engage in a conversation.

CHAIR: Do you want to rephrase the question that you've asked the official, or is the official okay to answer?

Senator Gallagher: We're eventually being asked a political question, so it's unfair.

Senator HUME: It's been said that their cyclical factors were involved.

Mr Yeaman: Senator, the chart on page 119 of the budget papers reflects these figures, and it's quite difficult to read the specific point on estimates off the chart here, and I don't have the table behind it in front me, so I won't speak to that. I think what I would refer to is something that we've discussed before as a committee, that is, that there's no doubt that cyclical factors, particularly high commodity prices over recent years, have helped contribute to the improved budget position of the government overall, but active choices have been made by the government

to bank the majority of that revenue under their fiscal strategy. If that had not been the case, then the blue line on this chart would have been heavily affected and you would see larger spending as a result of government decisions. So there is no doubt that the cyclical factors—a strong economy, low unemployment and high commodity prices—over the last year or two have contributed materially to the overall improvement in the budget position, which this chart shows. But I would say that the government has made choices that have allowed those cyclical factors to flow to the bottom line rather than into higher spending. If that had not been the case, that would be a very different picture in terms of the overall deficit.

Senator HUME: What's the plan for when the cyclical factors end?

Mr Yeaman: As I've said, as Treasury, we would say that there is a need for continued effort to tackle some of the longer term structural challenges in the budget, which the government has—

Senator Gallagher: Like we're doing on NDIS and aged care. All of that is an important part of the budget repair story.

Mr Yeaman: Perhaps I can relate this in order to complete the picture. Senator, as you know very well, we also do take very conservative estimates in our budget around commodity prices. We have a very conservative budget approach, which I think is right and proper, but it has drawn criticism at times from others in the markets. So, generally, we think there's an upside. So these structural positions reflect very low commodity prices. If those commodity prices are sustained at higher rates, then there is an improvement in that deficit position over time; however, notwithstanding that, there is obviously a need to continue to tackle the structural spending challenges, which the government has a program to do.

Senator HUME: You are saying that, because of the forecast of low commodity prices—

Mr Yeaman: Because we forecast in the budget, in the medium term, that commodity prices will return to their long-run anchor rates—we take a very conservative view of those so that we're not banking higher commodity prices into our budget estimates—it means that, traditionally, there is a potential upside in our estimates, which overstates the extent of the structural budget deficit here. But as Treasury, we've been very clear that there are structural budget challenges that need to be tackled going forward.

CHAIR: I'll share the call and, Senator Hume, we can come back to you, unless you really want to conclude this line of questions.

Senator HUME: I've asked this before and I'm yet to be clear on the answer. Do you calculate the revenue effect of high commodity prices above the forecast rate and the revenue effect of bracket creep separately and then add those together and say, 'That's the amount of money that has come purely from cyclical factors, as opposed to government decisions'?

Mr Yeaman: I think the answer is no, we don't do that. What we try to do is forecast the key economic variables. We look at what incomes and corporate profits are doing in the economy, and we pass that to our revenue group colleagues, who then make assessments about the different revenue heads. They don't differentiate in that way. Obviously, the assumptions that we make about the future path of commodity prices, particularly iron ore prices, have a huge bearing on company profits in the mining sector, so that's a close relationship. But, no, we don't break it down that way in the way that we construct them.

Senator HUME: If I wanted to find out just how much revenue came from bracket creep, who would I ask?

Mr Yeaman: Our revenue group colleagues.

CHAIR: Senator Roberts.

Senator ROBERTS: Thank you for appearing today. As a crossbench senator, I have to get across many issues. I'm not looking for violins to come out and play tear-jerking songs, but we have to skate across many issues. We can't get deeply into some of those issues, so it's easy to fool us, but we've got constituents watching.

Senator Gallagher: No-one is trying to fool you, Senator Roberts.

Senator ROBERTS: I didn't accuse you of doing that.

Senator Gallagher: I know, but that's not the approach we bring.

Senator ROBERTS: Senator, what I've found over the last few years is that, in asking the ATO and then FIRB this question, I get conflicting answers and certainly not a complete answer. We put in a freedom of information request, looking for real property transfer reports held by the Australian Taxation Office. We simply requested an account of how many real property transfer records for residential property reported to the ATO are positively confirmed as Australian for each financial year. What we got back was:

Based on these searches, I have decided to refuse access to your freedom of information request under section 24A on the basis that the documents do not exist.

There's no data, no literal account of real property transfer reports. This is another quote:

Noting the extensive consultations undertaken with our business areas, I am satisfied that the documents are neither available in a discrete document format, nor is data held by the ATO stored in such a way where officers could be capable of retrieving, collating and producing the information in a discrete form.

So how do they manage this? You're relying on the ATO, as I understand it. This is another quote:

Taking into account the fact that an entirely new process of data extraction and validation would be required to create a document to satisfy your request and the resourcing involved in such a process, my view is this would substantially and unreasonably divert the resources of the ATO from its core operations and, as such, a document has not been created to satisfy your request.

Shouldn't FIRB just do it? It looks as though no-one is doing it; each is thinking the other is doing it.

Mr Tinning: Senator, as you note, the ATO are the regulator when it comes to foreign investment settings around residential real estate. We work closely with them, as the co-regulator for non-residential real estate foreign investment issues. The data that we have regarding foreign purchases of established residential property is that in 2022-23 there were 4,463 residential homes purchased, which represents less than one per cent of total purchases in that year.

Senator ROBERTS: Thank you. That doesn't tally with New South Wales data. In New South Wales it is up to 15 per cent. It's 14.9 per cent, I think.

Mr Tinning: We've got confidence in the ATO data. The ATO collects very granular information about residential real estate purchases.

Mr Yeaman: If you wish to provide us with that information for New South Wales, we're happy to follow up and see what that looks like.

Senator ROBERTS: Okay. Could we get a briefing and maybe discuss it?

Senator Gallagher: I'll check with the Treasurer's office to see if we can facilitate a briefing.

Senator ROBERTS: Thank you. This is what I would imagine Australia would do to catch foreigners who are buying property without permission. First, get a list of all the title deeds from sales and get the details of the sellers and the purchasers. The ATO does that. It automatically gets 2.4 million names a year. Once you've got the names, try to automatically match them to the data that you've already got in order to confirm how many of the 2.4 million are actually Australian. Start working through the leftover list of people that you can automatically confirm are Australian to find who are the foreigners. That's not what we do for an enforcement program, apparently. What do you do for an enforcement program?

Mr Tinning: As mentioned, the ATO do compliance and they—

Senator ROBERTS: But they don't have the list.

Mr Tinning: I think the ATO, who are appearing later today, will be very well placed to talk in detail about how they promote compliance around our foreign investment settings when it comes to residential real estate.

Senator ROBERTS: So you rely on the ATO for the numbers.

Mr Tinning: Correct. They are the regulator.

Senator ROBERTS: So you can't explain the discrepancy between the reports from New South Wales and the federal reports.

Mr Tinning: The ATO will be best placed to talk to that.

Senator ROBERTS: I understand that the ATO doesn't keep account of how many of the 2.4 million records are confirmed as Australians. In the answer to the FOI request, they've just admitted that they don't.

Mr Tinning: As mentioned, we have clear data around foreign purchases of established—

Senator ROBERTS: Where do you get your data from?

Mr Tinning: From the ATO.

Senator ROBERTS: This is what I mean. We've been going around and around in circles for the last couple years. State government data shows that foreign purchases in New South Wales are at least double the number of approvals that you're making. Is that the ATO again?

Mr Yeaman: Senator, we're in a difficult position because we set the framework and then rely on the ATO to enforce compliance and report the data. We have confidence that they are reporting that data in good faith. I have

to defer to the ATO on the FOI request. The information required may be available but, given what you've read out, it might require such an investment to pull it together that it's not viable for the ATO. What you are essentially driving at is that there are differences in the outcomes of the compliance exercises being done by the ATO and the New South Wales government, and I think those two institutions would be better placed to dig in and understand what those differences are.

Senator ROBERTS: Without this being a reflection on you, Mr Yeaman, Queensland is one of the richest states, potentially, in the world, and we've got thousands of people out of home. We have good working families who go to work and then come home and sleep in the car with their kids, if their kids are still with them. We've got a shortage of housing in this country. We've got record immigration, which is double the previous record, and we've got people without houses. We want to stop foreigners buying houses until Australians can get houses. That's what's driving me. I'm not trying to embarrass FIRB, the ATO or anyone like that. I just want some honest answers.

Mr Yeaman: I very much understand that. We've been clear on the record and the secretary has been clear on the record that, from our perspective, when we look at the overall housing challenges in Australia now, which are acute in many places, we think primarily that improving the supply of housing into the market is the most meaningful policy measure, with the largest impact. We have not been as convinced that foreign ownership is a significant factor driving the challenges in the housing market that we currently see, based on the data that we have available. If there are other sources of data in the states that are conflicting with the information that the ATO are providing then we will seek to understand that. Primarily, it's a matter for the ATO and those state agencies to work through, but we are open to helping to understand those challenges.

Senator ROBERTS: Thank you, and I thank the minister for undertaking to get a briefing from the Treasury.

Senator Gallagher: I will. I will get back to you.

Senator ROBERTS: We'll come with our data.

CHAIR: Senator McKim.

Senator McKIM: I've got some questions around the MOU between the Japanese state-owned investment bank, the Japan Bank for International Cooperation, and the Northern Territory government. It has been announced that they've signed an MOU to 'further strengthen cooperation between our two jurisdictions on financing, energy and infrastructure projects'. My first question is: with regard to that MOU, has FIRB or the Foreign Investment Division of Treasury had any engagement with JBIC on those issues?

Mr Tinning: Not to my knowledge.

Senator McKIM: Mr Tinning, you sit on the board of FIRB, don't you?

Mr Tinning: I do, yes.

Senator McKIM: So is Treasury or FIRB aware of what projects JBIC intends to invest in?

Mr Tinning: We look at the cases submitted under the foreign investment framework that come before us. Where JBIC is a party to an application that is submitted then we have visibility of that. We do not have broader visibility of all JBIC engagement.

Senator McKIM: You've got a Japanese state-owned investment bank signing an MOU with the Northern Territory government to finance energy and infrastructure projects in the Northern Territory, and you're just not interested in that or it hasn't come across your desk? I have to say I find that extraordinary.

Mr Tinning: We would see it when the specific application comes in. In other words, if there were applications or specific projects supported under that MOU—

Senator McKIM: Do you recall what happened when the Port of Darwin was leased out?

Mr Tinning: Our framework has a certain role, an important role, within government, but it's not the only regulatory or policy framework when it comes to our foreign investment settings. Broader issues, such as MOUs, would tend to be dealt with by DFAT or other agencies across government.

Senator McKIM: Just to be clear, neither the department nor FIRB is aware of the MOU signed between the Northern Territory government and JBIC; is that correct?

Mr Tinning: I am not aware of that.

Senator McKIM: Could you take on notice, please, whether that's been brought to the attention of the department in any other way. Would you take that on notice?

Mr Tinning: Yes, we can take that on notice.

Senator McKIM: Are you able to take on notice the same question with regard to FIRB? Would it be appropriate to ask you to do that in this setting; that is, whether FIRB is aware—

Mr Tinning: Whether FIRB is aware of the MOU, yes. I can check and confirm. But I'm confident that FIRB, as an institution, has not been briefed on that MOU.

Senator McKIM: Thank you. Could you also then take on notice whether JBIC has met with any part of the department or FIRB regarding this MOU.

Mr Tinning: I can confirm it, but I'm confident that JBIC have not met with FIRB.

Senator McKIM: You've got a proposed project at Middle Arm that the Australian government has invested taxpayer money in—\$1.5 billion, approximately. I'm interested in knowing whether JBIC intend to invest in Middle Arm and whether that would be the limit of their investment, or whether their investment might include things like Beetaloo or gas pipelines that might be part of the gas supply chain for Middle Arm. Can you shed any light on that, Mr Tinning?

Mr Tinning: Our foreign investment settings are clear in the sense that, if there was a foreign government investor, such as JBIC, investing in a specific project, that would require foreign investment approval. That would go through the FIRB process at the time of the specific investment, rather than at the time of an MOU.

Mr Yeaman: As Mr Tinning said earlier, I strongly suspect—I can't be sure—that our colleagues in the Department of Industry, Science and Resources and also our colleagues in Foreign Affairs are probably more familiar with the MOU than Treasury.

Senator McKIM: Thank you, Mr Tinning and Mr Yeaman; that's helpful. I might just move to another topic. ATO data shows that, in the 2023-24 financial year, over 22,000 people removed over \$500 million from their superannuation accounts to pay for dental treatment. Just to be clear, in 2018-19 that was \$66 million. That's a growth rate of 693 per cent over six years. If you want to annualise that, it's about a 140 per cent annual growth in people raiding their superannuation funds to pay for dental treatment. The government has introduced a bill to legislate the objective of superannuation, and that is to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way. How does using super to pay for your dental treatment align with the legislated objective of super to preserve savings for a dignified retirement? How does that align?

Mr Yeaman: Matters of superannuation are dealt with by our colleagues in the revenue and markets groups, who will be appearing later today.

Senator McKIM: They'll know what's coming, Mr Yeaman. Minister, I want to ask you this, while you're here and while I'm on the topic: why won't you put dental into Medicare? Would you prefer to see people taking dental expenses out of their super accounts, or would you actually prefer to see dental included under Medicare? It's extraordinary to have \$500 million removed out of the superannuation system just so that people can pay to get their teeth fixed.

Senator Gallagher: There are exemptions. As you know, there's a process to go through for people to use their super for certain requirements. I have seen reports around the increasing use for that, and no doubt the minister responsible will be looking at that, as you would expect. As for the first part of your question, about putting dental into Medicare, we're doing everything that we can to strengthen Medicare; but, when the budget is under such pressure, we have to make a range of choices about what additional services we can afford. That is a constant challenge before the ERC. It's easy to be in the Greens, to be fair, and I know that you have a lot of ideas, but you never have to work out how to pay for them and deliver them.

Senator McKIM: In fact, all of our ideas are fully funded; all of our policies are fully funded.

Senator Gallagher: Yes.

Senator McKIM: That will be very clear to the Australian people before the next election. I will come back when the revenue group appear. Is that what you said, Mr Yeaman?

Senator Gallagher: Revenue, yes.

Senator McKIM: I'll come back then. I want to ask about a different topic; that is, the RBA has flagged concerns with the superannuation performance test because it's forcing super funds to herd together. Is it—

Mr Yeaman: I'm sorry to cut you off, Senator, but I suspect the answer will be the same as before. I'm happy to take the question now so that they have notice, if you'd like, but matters broadly of financial stability and superannuation are better asked of markets group and revenue group.

Senator McKIM: Markets, did you say?

Mr Yeaman: If it's a financial stability question, where they engage heavily with the Reserve Bank and the Council of Financial Regulators, that's markets group. If it's superannuation specifically and the tests there, it's revenue group.

Senator McKIM: What about the key metrics for the performance test being—

Mr Yeaman: That's revenue group.

Senator McKIM: What about people retiring with massive mortgages; can we talk about that here?

Mr Yeaman: If you like, we can try.

Senator McKIM: It sounds pretty macro, so I'll give it a go. There has been a large increase in mortgage sizes in Australia, which is obviously driven by the increase in house prices. There's data from the census showing that the number of Australians who are aged 55 to 64—so they're on the cusp of retirement—who own their own homes outright has fallen dramatically in the last couple of decades; it was down from 64 per cent in 2000 to 36 per cent in 2020. Should we be worried about the large number of people who are going to exit the workforce still holding substantial mortgages and still not having paid off their homes? Basically, they're going to cash out their super to pay off their mortgage; then they'll be reliant on the age pension.

Mr Yeaman: It's an interesting question. It's not an area that I or my colleagues have focused heavily on recently; we haven't done detailed work on this on which I could comment. There is a range of factors as to why that's occurring. Some of those factors are choices by individuals to delay home purchase and other aspects of their life choices until later in life; but, in many cases, it's also a direct result of some of the challenges that we've talked about today around the housing market and housing affordability overall, which we've all discussed and would like to see addressed over time. To the extent that people are forced to retire with larger mortgages and to the extent that undermines their overall income in retirement, yes, that's something we would take an interest in. But I'll confess: I haven't seen those statistics specifically, and it's not an area that we're focused heavily on in macro group. I can flag it for my colleagues and see whether they've thought more about the broader systemic impacts on the superannuation system and what it means for adequacy; I can test whether they've thought about that.

Senator McKIM: Perhaps you could also take this on notice: if it is the case that there will be a significant increase in the number of people who are going to cash out their super and basically use that to pay off their homes, with the super of those people then being less sufficient to offer them a dignified retirement and their perhaps being more reliant on the age pension, will that mean that the housing bubble that we've seen—we can talk about why that housing bubble has been in place, but I'd place a significant portion of the responsibility of that with the RBA and their over-stimulation in monetary policy in the early pandemic period—potentially will be responsible for not just undermining the policy objective of super, which is to provide people with a dignified retirement, but also undermining the government balance sheet in terms of a significant increase in demand for the age pension?

Mr Yeaman: There are a lot of steps there that you've flagged. Certainly, as we've discussed many times here, including today, housing affordability remains a critical issue. I think there are a range of factors and ways in which that will impact the economy and the budget, if not addressed over time. As I've said, I can't speak to the magnitude of those impacts; so, at a high level, I wouldn't necessarily contest your logic flow, but I can't speak in any depth on the magnitude of each of those steps and which factors are more significant at each stage.

Senator McKIM: Maybe you could take it on notice and see whether there's anything that you can come back to us with.

Mr Yeaman: I'm happy to talk to our colleagues and see what they have.

CHAIR: Senator Smith?

Senator DEAN SMITH: I want to turn to some questions about the care economy. In its most recent statement of monetary policy, the RBA calculated that what they call the 'nonmarket labour market' contributed three-quarters of employment growth over the last year. Is that a calculation that the Treasury supports or agrees with?

Ms Redmond: I haven't read that exact sentence in the statement of monetary policy just released, but that rings true to me, in terms of Treasury's analysis of recent employment growth. Also, to the extent that's been in the nonmarket sector with about three in four jobs, you'll see other market economists and bank notes speak to about 70 per cent of that new jobs growth.

Senator DEAN SMITH: On notice, could you provide me with some of those third-party sources that reinforce that RBA figure or view? Does Treasury conduct its own analysis around the proportionality of nonmarket factors in the broader market?

Ms Redmond: We don't forecast on that basis; we forecast at an aggregate level. Of course, we do try to understand what's happening with different sectors in the economy and, certainly, the private sector is adjusting in a somewhat different way to parts of the nonmarket sector. We spoke earlier about the expansion of demand-driven programs, which is largely accounting for that. When the detailed labour force is released, following the aggregate labour force, we look at that industry-level data, detecting trends, but we don't forecast on that basis.

Senator DEAN SMITH: Can you give the committee a sense of what trends the Treasury is currently seeing?

Ms Redmond: Broadly describing social assistance in that industry, in education and in health services; that's where we're seeing the majority of that jobs growth occurring. In contrast, in more cyclical responsive areas of the economy, going to the household sector and interest rates, we're seeing quite a softening of jobs growth in hospitality and retail sectors et cetera.

Senator DEAN SMITH: Do you agree with the Treasury's statement that nonmarket parts of the economy tend to be less cyclical and often more aligned with government spending? That is in the RBA's statement. I'll read the RBA's statement from yesterday.

Ms Redmond: In the broad, I wouldn't disagree with that statement.

Senator Gallagher: Can you read it out? Which area are you reading from?

Senator DEAN SMITH: Page 60 of the RBA's *Statement on monetary policy* states:

Around three-quarters of employment growth over the past year was in the nonmarket parts of the economy such as health and social care, where labour demand tends to be less cyclical and often more aligned with government spending. As measured productivity growth in these areas is lower than other parts of the economy, this was a small drag on overall productivity growth.

Mr Yeaman: I would agree with that characterisation. When you tend to get changes in interest rates or changes in the economic cycle, the areas that are most sensitive to that tend to be household consumption and the housing market. They tend to fluctuate quite significantly, and you can see quite large cycles in that; whereas, as you'd imagine, people still need to go to the doctor, see health professionals and access education services, and those things stayed more stable. There is an adjustment in those sectors of the economy. Typically, when the economy tightens or expands, costs will increase or decrease. But it's pretty common in cycles that you see the public sector exposed—

Senator DEAN SMITH: You don't expect this to be a structural change; you are expecting this to be episodic?

Mr Yeaman: I think it's been well documented that we've seen a very long-term shift. This is not new; this has been a long-term shift towards increasing spending on the care economy and on government services. That's partly due to the ageing of the population because, as people move into older age, they require more of those services; and, to an extent, it's also a shift in preferences amongst households. We're seeing this longer term shift towards those areas of the economy which, as you say, tend to have lower measured levels of productivity; although, as the secretary said, we are quite cautious about the actual productivity versus the measured productivity in those sectors. But you're seeing that long-term trend. Around that, you get the cycle. It's true that, at the moment, while you're seeing interest rates and inflation moving, you would tend to see less of a cycle in government-exposed areas of the economy than you would in private, and that's what we're seeing today.

Senator DEAN SMITH: Are you able to provide me with some information about the peaks and troughs in that long-term trend, or is it rising equally and consistently across the years?

Mr Yeaman: Probably, the best source is the *Intergenerational report*. It has flagged both historical and expected future increases in those areas of the economy, particularly around the care economy. I would say that there's been a steady long-term increase in those areas of the economy as a share. Separate to that, what we're currently seeing, because—

Senator DEAN SMITH: I'm particularly interested in knowing at what points that experience is accelerating or decelerating, in terms of that long-term projection. Are we looking at an equal and consistent trend or at peaks and troughs?

Mr Yeaman: Without having it in front me, I'd say that it's primarily linked to the ageing of the population. When you look at the IGR—I don't have the specific figures in front me—you'll see a steady increase and then an acceleration, as the population ages. As the baby-boomer cohort moves into older age and requires more services,

more aged care and more health services, that's driving that trend. There is a steady increase, which ramps up over time, in the longer term trend.

Senator DEAN SMITH: Does the Treasury analyse private-sector productivity versus government-funded productivity or non-private-sector productivity?

Senator Gallagher: What have you got against care economy workers?

Senator DEAN SMITH: Nothing. I'd consider myself happy to receive care—

Senator Gallagher: I've heard the opposition passing judgement on nonmarket jobs, as though they're less than other jobs.

Senator DEAN SMITH: No. That might be your—

Senator Gallagher: Yes, I have heard that. It might not have been you. It was definitely Senator Cash.

Senator DEAN SMITH: Senator Gallagher, I am interested in understanding—

Senator Gallagher: Senator Cash had a view about it.

Senator DEAN SMITH: how the labour market is changing in this country.

Senator Gallagher: Okay. I'll give you the benefit of the doubt, but it just seems to be in line with some of the other—

Senator DEAN SMITH: You won't be proven wrong; thank you for the benefit of the doubt.

Senator Gallagher: judgements that have been made about nonmarket jobs.

Mr Yeaman: I'll ask my colleagues to speak to this, but I would note for the record that all of this data that you refer to is published by the ABS. The ABS does publish sector breakdowns.

Senator DEAN SMITH: I do like to triangulate.

Mr Yeaman: Yes. It's all a matter of public record. We look at the different trends across those sectors. I'll ask my colleagues whether they would like to add anything.

Dr Johnson: We try to take a look at the market sector and the market sector productivity. As the secretary said in his opening address, there are measurement issues in the nonmarket sector, so what we don't see are things like quality improvements coming through. There might be quality improvements in the care sector and the health sector. There is some interesting research by the Productivity Commission. Around 12 months ago they did a study around service sector productivity and highlighted some of the challenges around measurement and why productivity in the more face-to-face part of the service sector might be lower. They have also done some research looking at the health sector, in particular. They found that in the health sector productivity growth in Australia was quite high relative to other countries. From memory, we were ranked third out of the 28 countries, but that takes into account quality improvements which do not get picked up in the official statistics. So it is a hard one to measure; the secretary mentioned that this morning.

Senator DEAN SMITH: So it's a hard one to measure, but one that you are measuring?

Dr Johnson: We don't measure it; the ABS do the statistics. They do it in their particular way—and they don't pick up quality improvements. The secretary mentioned that this morning. It is very difficult. Those kinds of things aren't getting picked up. The PC had a look at that—the report might have been earlier this year—focusing on the health sector. They looked at quality improvements, and showed that there had been around, from memory, three per cent growth in productivity since 2010-11. In addition, Australia's productivity relative to perhaps 28 advanced economies ranked No. 3.

Senator DEAN SMITH: So labour productivity in the nonmarket sector—

Dr Johnson: It was not the nonmarket; that was just the health sector. They looked at the health sector in particular.

Senator DEAN SMITH: I'm talking about the nonmarket sector more broadly. Does Treasury have any observations about labour productivity in the nonmarket sector, noting the qualifications you talked of?

Dr Johnson: Yes. In the nonmarket sector, when we observe or measure overall services sector productivity, certain elements of the service sector have productivity just as high as other areas of the economy. In the nonmarket component, where there are difficulties with measuring, we look at health, NDIS and other things, and measured productivity is normally lower than it is in the rest of the economy.

Senator DEAN SMITH: How are Treasury forecasts of productivity improvement in the economy impacted by the growth of the nonmarket sector? Does it introduce a higher level of risk or variability into those figures?

Dr Johnson: I wouldn't say that it creates risk or variability. We would look at trends and what is happening in productivity, and that informs our longer term assumption for productivity. As was mentioned this morning—I'm not sure whether it was by Luke or the secretary—we had revised down the long-term productivity assumption in the IGR.

Mr Yeaman: In the long-term space, a productivity slowdown has been noted across the world, and Australia has been part of that. There are many different explanations for why that has been the case and which of the stronger factors is driving it. One of the things that is postulated—we would say it is certainly an effect, but how big an effect is hard to measure—is the steady increase in the services economy and the care economy, broadly characterised, which tend to have average lower productivity than some other sectors of the economy. That is one of the reasons why there has been a structural decline over the longer term in aggregate productivity. So when we reduced our aggregate long-term productivity assumption from 1.57 to 1.2, that was implicitly built into the decision.

Senator BRAGG: Am I able to ask you questions about PsiQuantum?

Mr Yeaman: It depends on the nature of the questions. If they're about the process itself, it is our fiscal group colleagues who should be asked.

Senator BRAGG: I will defer those questions to the fiscal group. Mr Yeaman, last time you were here I asked you about the nexus between migration and housing. At the time you said that you hadn't done any particular modelling on the impact of migration on housing. Have you now done some modelling on that?

Mr Yeaman: No, I don't have any new information there. I repeat what I said previously. We look at the relationship and the impacts, but we have not done an exercise modelling the direct channels.

Senator BRAGG: But isn't there a pretty strong nexus between the number of people coming into the country and the cost and availability of housing?

Mr Yeaman: As the secretary said earlier today and as we have acknowledged many times, there is no doubt that when you get large increases in migration for the economy in the medium term, that essentially washes out through the system. That is because you get an increase in labour supply and the productive capacity of the economy but you also get an increase in demand for services and goods, and housing is one of those. To the extent that it is an unexpected spike in migration, that definitely puts short-term pressure on the housing market because of the constraints in the market that we have discussed around supply. So we do consider that in our forecasts. We think about that issue and factor it into our forecasts, but we haven't done a specific modelling exercise.

Senator BRAGG: We have had the largest increase in per capita migration since the 1950s, haven't we?

Mr Yeaman: That's correct. We have had a significant increase.

Senator BRAGG: So it might make sense to look at the potential to do some more modelling and analysis on the impact of the very large migration program which the government has run, the largest since the 1950s, on the ability of Australians to buy a house in their own country.

Mr Yeaman: There are two points. One is that the increase we have seen followed a period where the borders were closed, so there is a net issue here across the whole period of COVID which needs to be kept in mind. We have seen a very large increase over the past two years, and we have been open and on the record in saying that is adding pressure to the housing market. We track a whole range of housing market indicators. Vacancy rates across the housing market, house prices and construction costs all implicitly embody the impact of higher migration. We look at that very closely, and it is an area we will continue to look at closely.

Senator BRAGG: Let me ask you a dumb question, then. Do you look at housing construction and how many houses are built?

Mr Yeaman: Yes.

Senator BRAGG: Over the last few years have we been building more or fewer houses?

Mr Yeaman: Than when?

Senator BRAGG: Five or six years ago.

Mr Yeaman: Because of the increase in interest rates and constraints in the market, approval and completion rates have been picking up more recently, but they are still at modest levels by historical standards.

Senator BRAGG: If we were to look at the figures from, say, 2018, which is six years ago, are we building more or fewer houses than we were building then?

Mr Yeaman: I'll ask whether my colleague has that detail to hand.

Dr Cagliarini: We don't have the number of completions.

Senator BRAGG: Don't you do that sort of modelling?

Dr Cagliarini: The housing division would typically look at that from their perspective. We're looking at the amount of activity in the housing sector, so the amount of building activity that goes on.

Mr Yeaman: My colleague may be able to speak to the cycle.

Mr D'Arcy: There is data on completions. I have a chart that I am drawing from, so I won't have specific numbers, but completions have fallen from the peak in 2018 of a bit over 200,000; they are running around 170 at this point.

Senator BRAGG: So we are heading in the wrong direction.

Mr D'Arcy: We've come off 2018, which was a historically high level. We are back to an arguably more normal level for completions.

Senator BRAGG: We are building fewer houses, but we have more people.

Mr D'Arcy: Yes. The growth rate in the number of completions is lower than in 2018; that's correct.

Senator BRAGG: Over a million people have come into the country in the last couple of years, but we are building fewer houses.

Mr D'Arcy: As Deputy Secretary Yeaman has said, there has been a fluctuation in the number of migrants coming in, so that fell and then picked up very sharply.

Mr Yeaman: In our forecasts in the budget—this remains our view—we still expect to see a fairly substantial pick-up in construction activity over the next two years in response to the pressure on the housing market today. We have been open about the fact that we see constraints in the market currently, particularly around the supply of housing, labour skills and materials in the sector, which are holding back construction. When interest rates rise, you tend to see a drop-off in housing demand from other parts of the system, and that is flowing through into the cycle. But we expect to see it pick up over the next two years.

Senator RENNICK: My question goes to foreign investment in particular, but I want to touch on some comments made earlier today by Steven Kennedy regarding tariffs. There is this view that we shouldn't have tariffs, but we do have tariffs in this country. We have reverse tariffs in the form of our taxation system, whereby our withholding tax rates are much lower than the onshore tax rate. We have another tariff in the form of capital investment, whereby the 128F public offer test says that, if Australian companies or banks issue bonds in the primary market, the people who issue those bonds don't have to pay withholding tax. So foreign banks lend into Australia and don't pay any tax on the interest income that we pay offshore. Surely, if we want to get serious about retaining our own earnings in this country, shouldn't we think about abolishing 128F and stop giving the foreign banks a tax break so that we retain our own capital here and reduce the reliance on foreign debt?

Mr Yeaman: That question goes beyond the scope of macro group.

Senator RENNICK: The reason I am asking it is that it goes to capital flows and foreign investment. Effectively, if you have a higher onshore tax rate, you're not going to receive as much money for your interest. I know, through my work experience, that we would go offshore. I have worked for Australian companies that go offshore and tap foreign debt markets, instead of tapping debt markets here. We don't have a debt market in this country because we have a tax act that gives a tax break to foreign investors. This is something that the international and foreign investment group should look at.

Mr Yeaman: Certainly.

Senator RENNICK: I'll give another example, and I've quoted this before. A particular multinational in 2022 made \$1.4 billion in revenue and shifted \$1 billion of that offshore to Ireland. In Ireland there is a withholding tax rate on royalties to Ireland of 10c and a company tax rate of 12½c, and 10 plus 12½ is 22½, so that is less than the 30c onshore tax rate here. So there is a 7½c arbitrage on that \$1 billion shifted offshore, which gives a \$75 million profit just for the sake of doing a couple of journal entries. Isn't this something we need to look at? My understanding is that these tax settings were set by Treasury in the first instance. The ATO has to enforce them and administer them, but this is something Treasury should be looking at. We have structural imbalances in this economy that have been built up over the last four decades of so-called 'having to attract foreign debt' instead of promoting domestic investment and retaining the earnings from that investment.

Mr Yeaman: As Treasury, we are concerned with the overall settings and how they affect investment flows in and out of the country, what they mean for domestic versus international balances and what they mean for our ability to service the investments in the country that we want to see to support future economic growth. I'll flag

that question with my colleagues in revenue group. They think about this from a range of perspectives, including international competitiveness, which is one of the areas you've flagged. They look at it from an integrity perspective and issues around arbitrage that you've described. They also have to consider things like the overall fiscal sustainability and other issues of equity and consistency with other parts of the broader tax and financial system. I am not set up to talk in detail about the measures you have described and the impact they are having; I'll ask our colleagues whether they wish to add anything. But we are certainly concerned about the integrity of the tax system and how that affects investment flows.

Senator RENNICK: You may find this interesting, Minister. One of the findings of the 1937 banking royal commission was that the central bank should always control the volume of credit in the system. One of the authors of that royal commission was Ben Chifley. That was overturned in 1985, when another Labor Prime Minister, Paul Keating—he was Treasurer at the time but later became Prime Minister—lifted all capital controls. So we had foreign debt held by the four major banks inflate from \$8 billion to \$800 billion, which has mainly been lent against housing, and which has inflated house prices relative to income—

CHAIR: Your question?

Senator RENNICK: My question is: instead of using other central banks to control the volume of credit—which, effectively, is what Paul Keating did in 1985, when he took his hands off the capital controls—why don't Treasury and the federal government take responsibility for controlling the volume of credit, which was the recommendation back in 1937 and served us very well in terms of building infrastructure and homeownership?

Mr Yeaman: That's a very large and complex question.

Senator RENNICK: But can I just say that it's a very important one and goes to the nub of why we've had a decline—

Mr Yeaman: What I would say is that the reforms that have been made to our financial system, central bank and capital markets over the last 20 to 30 years, I think fundamentally, have served Australia well and reflect changes not only here but also in the broader global economy. Recently, we had a review of our central bank and, personally, I don't see a current case to change, but I note your comment.

Senator RENNICK: Could I just finish with one comment.

CHAIR: No, actually.

Senator RENNICK: We've got a decline in the level of homeownership in this country by young people—

CHAIR: You've said that this is just a comment. I'll go to Senator Smith.

Senator DEAN SMITH: Is the single front door open?

Mr Karunarathna: The front door is not open yet. The government has just finished consultation on the high-level design of the front door, and I'll leave it to the government to announce decisions.

Senator DEAN SMITH: Is it still a single front door, or is it like French windows now? I thought it was called a 'single front door', but I heard that it's a front door taskforce or a front door implementation group, so is it still a single door?

Mr Karunarathna: The taskforce itself isn't the front door; it's charged with providing advice on the design of the front door to the government. The front door is intended to help investors with projects navigate across government approval processes and connect with different government departments. It's not trying to create a funnel in which all interactions with government agencies, specialist investment vehicles, need to be funnelled through. The proponents can still engage with other agencies and SIVs, specialist investment vehicles, as they always have. This is providing a way for proponents to be able to understand how to navigate across the system.

Senator DEAN SMITH: To date, how many investment proposals has the front door received?

Mr Karunarathna: As I've said, the front door has not commenced. We're a taskforce within Treasury.

Senator DEAN SMITH: So the answer is no.

Mr Karunarathna: Yes.

Senator Gallagher: Senator Smith, it was announced as part of our Future Made in Australia in the budget. As you've heard, there have been consultations, as we discussed at the last estimates, that happened and finished on 4 October. There's a range of formal submissions through that, including virtual forums that were held. There has been a lot of interest in this—I've certainly had a number of discussions about it—and we will be taking further decisions based on that. So I think you understand where it's at.

Senator DEAN SMITH: Minister, how many investment proposals has the front door received?

Senator Gallagher: We've just answered that we are finalising the model that will be put in place.

Senator DEAN SMITH: So none as of today.

Senator Gallagher: How can something that's being finalised be receiving something?

Senator DEAN SMITH: That's a very good question. I'm coming to that.

Senator Gallagher: This is not a joke. You might think it's pretty funny.

Senator DEAN SMITH: I'm not joking.

Senator Gallagher: I can see you. This is serious work.

Senator DEAN SMITH: To be fair, the coalition provided in-principle support, so we are critiquing the work that has been done thus far to make the single front door operational.

Senator Gallagher: So a consultation process finished on 4 October.

Senator DEAN SMITH: When will the front door open?

Senator Gallagher: You will be informed of that when decisions have been taken—

Senator DEAN SMITH: Before the election or after the election?

Senator Gallagher: following the formal consultation process.

Senator DEAN SMITH: This financial year or next financial year?

CHAIR: Senator Smith, just ask the question and wait for an answer.

Senator Gallagher: The government is considering the outcomes of the formal consultation process.

Senator DEAN SMITH: How many submissions were received as part of the consultation process?

Mr Karunarathna: Around 50. Some of them will be confidential, but we intend to publish those submissions on the Treasury website.

Senator DEAN SMITH: When?

Mr Karunarathna: It will be a decision for the government to publish those.

Senator Gallagher: We're considering the submissions.

Senator DEAN SMITH: So there's been a consultation process and submissions have been received, and those submissions—

Senator Gallagher: They closed on 4 October.

Senator DEAN SMITH: So, based on the consultation process, has advice gone to government; has the next step been completed, and—

Senator Gallagher: The government is considering that. It is before government.

Senator DEAN SMITH: is there a formal set of decisions before the government at the moment?

Senator Gallagher: You'll find out. It's before government.

Senator DEAN SMITH: It's a process question. I want to know—

Senator Gallagher: And I'm telling you where the process is at. It is currently before government.

Senator DEAN SMITH: When is a decision expected?

Senator Gallagher: We will advise you. You will be advised of that.

Senator DEAN SMITH: Will the submissions be released prior to or after an announcement?

Senator Gallagher: I would imagine it would be simultaneously with the announcement because you're using the submissions, the feedback and the input to finalise decisions.

Senator DEAN SMITH: So the door is still closed.

Senator Gallagher: The door is being developed.

Senator DEAN SMITH: Knock, knock; who's there?

Senator Gallagher: As for the front door, again, in response to a lot of work that the Treasurer has been doing around investor roundtables and meetings with industry, this is something where we are responding to feedback about navigating opportunities across government. So it's an important part of the Future Made in Australia in attracting investment in key industries.

Senator DEAN SMITH: When we talk about the approximately 50 submissions to the consultation process, does that include the virtual meetings that Senator Gallagher alluded to—

Senator Gallagher: They were meetings and not submissions, weren't they.

Senator DEAN SMITH: I just want to be very clear. Perhaps, on notice, you might be able to provide to us—or you might know already—the number of written submissions and then what other processes inform the consultation process.

Mr Karunarathna: I'm happy to speak to that. We've gone through the consultation process and, in addition to receiving the formal written submissions, we conducted three virtual forums, which were open to anyone who was interested in signing up, as well as extensive bilateral meetings with more than 30 different stakeholders, cutting across business, industry, community groups and First Nations. So all of that has informed our design that we've been developing.

Senator DEAN SMITH: On notice, can you provide us with the dates and attendees of those various virtual forums and the details of the other elements of the consultation process in addition to the formal or written submission elements of the consultation process?

Mr Karunarathna: I'm happy to take that on notice.

Proceedings suspended from 12:40 to 13:25

CHAIR: The committee will resume.

Senator DEAN SMITH: We were talking about the single front door. Just to reiterate, the coalition has offered in-principle support. This line of questioning or critiquing of the progress is very helpful in maintaining that level of in-principle support. Is it required to legislate any parts of the initiative?

Ms Zaheed: As we were talking about before the lunch break, the government is still making decisions about the design of the front door and how it would operate. There are a number of ways a front door can be established. Those are all decisions that government will make and announce.

Senator DEAN SMITH: So a legislative requirement to give effect to the front door may be an option available to government, or is it a necessary precondition in making the front door open, given that we are dealing with other agencies, like AusIndustry, EPA et cetera?

Ms Zaheed: There are a number of ways functions can be set up within government. It can be an agency; it can be a function that sits within a department. It really depends on those decisions. It is not necessary to have legislation to operationalise the front door. It depends on the function and the structure the government chooses for the front door. Legislation's not a necessity; it's an option.

Senator DEAN SMITH: That would be an option that is under consideration?

Ms Zaheed: As we have previously discussed, the government has got advice in relation to the front door. The government will announce its decisions in due course.

Senator DEAN SMITH: How many ASL are operating on the front door team? It did have a name. Can you remind me of the name of the working group or implementation group?

Mr Karunarathna: The Front Door Taskforce.

Senator DEAN SMITH: How many ASL are attached to that at the moment?

Ms Zaheed: Treasury was provided with six ASL. It is a half-year costing, so it's about 12 people. We've got a team of about 12 to 14. It's varied a little bit. The point I would make is that the front door is about making the Commonwealth work better. We are working very closely with a number of Commonwealth agencies, such as the department of industry, Austrade, Finance, the Net Zero Economy Agency, EFA—a number of the special investment vehicles. Across the Commonwealth and across the other departments we are working with, there are a larger number of staff who are supporting Treasury's establishment task force.

Senator DEAN SMITH: The single door task force has Treasury officials and it has officials from other parts of government?

Ms Zaheed: Within Treasury, within my division, we have a team. We've got secondees that we have previously brought in from Austrade and Finance. Some of them have chosen to become Treasury employees. The way it works on proposals that are cross-cutting is that there are teams within other departments that we are engaging with, we are working very closely with, and there are interdepartmental committees. The usual way that cross-cutting things in government get done means that there are other staff across other departments within government who are supporting and are engaged in that work.

Senator DEAN SMITH: Earlier, it was described as an opportunity to navigate the existing system, rather than as a funnel. To be fair, I think that when people hear about a single door, they imagine a funnel or a fast-

tracking of approaches. The existing structure will continue to exist and this is literally just an entry point to the existing structure, rather than a whole new—my word—streamlined process?

Ms Zaheed: Senator, you're asking questions about decisions that government will make. These are questions around how the front door interacts with existing agencies, existing functions and existing ecosystems. These are parts of the design of the front door. The government will make its decisions in relation to that and announce that when the government chooses to.

Mr Yeaman: The key is that the front door has been agreed and designed to help major transformational investment proposals across government. When we said that it won't be a complete funnel, we imagine there will still be a need for people like Austrade to go into the international networks and their posts and speak with small businesses who are interested in investing in Australia. There will still be direct approaches to places like ARENA and the CEFC, where those are not major transformational investment proposals but are still important. Government is not seeking through this necessarily to have every interaction with government brought through this door. There will be thresholds that will be announced around which projects are relevant for the front door itself.

Senator DEAN SMITH: I can't imagine that it will be operationalised before the next budget. There is a process that we have to go through. Advice has been given to government; a decision now has to be made on that advice. Once those decisions around structure and process are made, based on Senator Gallagher's earlier evidence, I assume the government will then make a statement so that the broader stakeholder community is aware. There would then be a process of implementation; there may even be a legislative process, as part of that implementation process.

Mr Karunarathna: In the consultation paper that we released, we flagged that the front door would go through a staged implementation process, whereby we would start with the model proposed in that consultation paper. The actual design of the model is a decision for government, and it would involve a staged implementation process where the front door starts small and grows over time.

Ms Zaheed: As you would expect, setting up a new function will take some time. It will not happen overnight; it never does.

Senator DEAN SMITH: When do you expect the first investment proposal to be invited through the front door?

Ms Zaheed: Again, those are subject to decisions of government.

Senator DEAN SMITH: Minister, when can interested stakeholders expect to be invited to step through the front door?

Senator Gallagher: The government will be finalising its decisions and they will be made public when that's done.

Senator DEAN SMITH: Is the government working to a timeline internally?

Senator Gallagher: You can see that something was announced in the budget; we have legislation under Future Made in Australia in the parliament, which I understand you aren't supporting. This is an element of that.

Senator DEAN SMITH: We have offered in-principle support.

Senator Gallagher: Time will tell.

Senator DEAN SMITH: Absolutely, time will tell. This is an important part of the process.

Senator Gallagher: We have been through a comprehensive consultation process that finished on 4 October. That is pretty quick to be moving on this. We will have more to say shortly.

Ms Zaheed: I will make one comment here. Proposals have existing avenues. The government is looking at other proposals. The front door is trying to bring those processes together and make them easier to navigate and more coherent and to facilitate investors working through a single front door. For investors looking to invest in Australia now, there are a number of avenues that are open. There is the department of industry. There are a number of avenues. The time that the front door takes to be stood up—

Senator DEAN SMITH: I have asked Industry about its various front doors or locked doors.

CHAIR: Senator Hume?

Senator HUME: I want to ask some questions about the new climate disclosure regime. The Australian Accounting Standards Board standard for mandatory climate disclosures was issued a couple of months ago, on 20 September. Can Treasury explain concisely what exactly it will require for reporting entities to disclose about

their financial emissions under the financial market? I know that it's quite an extensive standard; that's why I am asking for the concise version, which I know is not easy.

Dr Heath: We've had a few conversations about climate-related financial disclosures. The standards are quite extensive. There will be requirements to disclose scope 3 emissions, if you are a firm that is caught by this regime. There will also be requirements to do some forward-looking disclosures about your plans and justify the targets that you have. If we go back to the TCFD, the Task Force on Climate-related Financial Disclosures, the elements of that included risk management metrics. I will not remember them all. Basically, it is information that supports any claims that you make about your climate targets, information that will help not only you as a company but also investors to understand the climate risks and opportunities associated with the activities that you currently have underway and are planning to undertake.

Senator HUME: So that my understanding is clear regarding what scope 3 is, upstream and downstream, upstream involves things like production, sourcing, transport, business travel and employee commuting—that was an interesting one. Downstream involves things like logistics, use and disposal of products, investment and franchising. What have I missed?

Dr Heath: I will not be able to give you a complete list of all the activities. At a very high level, I think about it as the emissions of your customers in one direction and the emissions sitting in your supply chain in the other direction.

Senator HUME: My understanding—and correct me if I am wrong—is that large companies, which have quite a specific definition of assets, revenue and employees, are due to start reporting on 1 July 2025. For smaller companies, it's 1 July 2028; is that right?

Dr Heath: The first reporting is required on 1 January 2025.

Senator HUME: It's January, not July; forgive me.

Ms Sirault: The largest entities are required to report for financial years commencing from 1 January 2025.

Senator HUME: Has Treasury had any further consultations with small businesses about things like their insurers, their bankers, their sources of capital finance and whether they are collecting that information?

Ms Sirault: There was extensive consultation in developing the legislation that was passed by parliament on 9 September. That included a range of entities, including small businesses. Since then, members of Treasury have attended forums that have included small businesses to discuss the reporting arrangements.

Senator HUME: On what dates did they occur?

Ms Sirault: I would have to take that on notice, Senator.

Senator HUME: Did they discuss issues like how they report scope 3 from their insurers, from their bankers, from those providers of capital? Did that come up?

Ms Sirault: Yes. We are aware of concerns amongst small businesses about how they would be required to report. The design of the legislation is intended only to require the disclosure of material information that's readily available with minimal cost or effort. The entities who—

Senator HUME: 'Minimal' or 'undue'?

Ms Sirault: Without undue cost or effort. The entities who are reporting could rely on primary data sources for their scope 3 reporting, which is actual data from entities in their supply chain. But if that's not available without undue cost or effort, they can rely on estimates, industry averages or other indicators to meet the requirements under the legislation. There's also work underway to support improved estimates of emissions from, for example, the agriculture sector. The budget included a significant initiative in the agriculture portfolio which provides funding over 10 years to improve emissions estimates for the ag sector. The Treasurer has also asked the Council of Financial Regulators to provide advice on how to improve scope 3 estimates. We understand from discussions with industry that a number of accounting firms are developing tools which would allow more readily available estimates using existing information.

Senator HUME: Obviously, this is quite an extensive reporting requirement. The chair of ASIC said it was the biggest change to corporate reporting in a decade. I want to understand some of the policy rationales behind the policy decisions that were made here. With the policy rationale for requiring reporting of internal carbon prices, which is on page 13 of the standards, AASB 2, is that potentially commercially sensitive?

Dr Heath: We are talking about this future-looking piece—how they are thinking about the risks and the opportunities in the future in assessing business cases. It is quite standard for there to be an assumption about internal carbon pricing, as a part of that. I would have to go back to the specifics of the requirements to

understand how things that are considered to be commercial-in-confidence should be treated. Obviously, that's a sensitivity that would be important to think about.

Senator HUME: If a company can reduce its emissions at a lower price, that's a competitive advantage. That's not something that you necessarily want to cough up in a disclosure report.

Dr Heath: In the context of this, it would be an assumption that's been used to do the assessments. In things like infrastructure projects, there are carbon prices assumed for making these assessments. There are publicly available assumptions that could be used for that purpose.

Senator HUME: How do you check the accuracy of the disclosures?

Dr Heath: One of the important things about the forward-looking piece is that you end up talking about scenarios. There is a lot of uncertainty in this space. With any forward-looking strategic decisions that companies make, there will be uncertainty. What is really important, if you think about it from a board's perspective, is that they need information to make decisions. A range of scenarios that are well designed to think about the risks and opportunities under different possible scenarios is the sort of information that they would typically use to make an assessment about any proposed business project.

Senator HUME: I agree. The fact that the board are making decisions demonstrates that this is, in fact, proprietary information, to a large extent. This is a wholesale price that you are talking about. It is the equivalent of publishing supplier prices. That would be the most analogous—

Dr Heath: There are also publicly available carbon prices through the ACCU market. There are ways of making assumptions using publicly available information that would not necessarily—

Senator HUME: So it's an assumption rather than what the actual carbon price is?

Mr Yeaman: Going to the policy rationale, I agree that there are commercial sensitivities in this space, as there are in other disclosures inside the accounting system. The goal here, in relation to sustainability-related risks and opportunity, is to report on measures that affect the entity's cashflow, its access to finance, and its cost of capital over the short, medium and longer term. The kind of matters that you're describing certainly do that. The intention is to drive that information into the market in a way that helps investors interested in supporting businesses in this space to make rational decisions. As the team has said here and in previous evidence, especially in the early stages of the regime, allowances have been made for best endeavours and estimation techniques. Also, some leeway was given to the regime's directors in the earlier years so that they had an opportunity to sort their systems and comply in an accurate and robust way. As Dr Heath said, we know that in this space there is a learning journey to go on. There will be some learning as we go. This is not fundamentally different to other areas of disclosures for boards, where they have to understand and report on aspects of their business and their operations.

Senator HUME: What is the policy rationale for requiring reporting on whether and how climate-related considerations are factored into executive remuneration?

Mr Yeaman: It is the same point. We are looking at disclosing information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cashflows, its access to finance or cost to capital over the short, medium, and long term. That also goes to remuneration decisions at the senior levels.

Senator HUME: An organisation could have a goal of reducing emissions; it doesn't have anything to do with executive remuneration.

Dr Heath: It would be open for that point to be made. This is about understanding the risks and the opportunities. There will be some aspects of this disclosure where there are no material climate-related risks and opportunities. It's possible to make that point. There will be other aspects of the business where that is relevant.

Senator HUME: We impose other forms of reporting on corporate Australia—we were talking about them the other day—things like the WGEA reporting. We don't necessarily ask if executive management remuneration has the implementation of a gender target embedded into it.

Dr Heath: I am not familiar enough with the situation. I would have thought that, if a company has a gender target and remuneration is related to that target, that would be relevant information.

Senator HUME: It would be unusual for that to be embedded into remuneration as far as an executive's obligations. The reporting starts very soon. The instrument was only just made. It is coming into effect on 31 December. Does Treasury still expect group 1 entities to comply on day 1?

Dr Heath: As my colleague Ms Sirault said, it is a requirement for the reporting year that starts on 1 January 2025. There has been a lot of conversation about reporting requirements and climate-related financial disclosures coming in. The first group of companies that are caught by that time frame are all ASX 200 companies, which

largely already do significant climate risk and opportunity reporting. For them, the costs of changing over systems will be less significant than it will be for many other companies because they are effectively already doing it. I can't remember the exact numbers, but a very high proportion of ASX 200 companies were already reporting against the TCFD standards that I mentioned. The international standards that the AASB standards are based on are an extension of that TCFD framework.

Senator HUME: I get the sense that these are much higher, more stringent standards than any other jurisdiction has imposed on equivalent sized organisations. That's the feedback we have had. Is that right?

Ms Sirault: The standards that have been issued by the Australian Accounting Standards Board are largely based on the International Sustainability Standards Board's requirements. In terms of the scope 3 reporting requirements, a number of jurisdictions currently require scope 3 reporting, or will be requiring scope 3 reporting from 2026. I am not aware of Australia's requirements being substantially higher than other jurisdictions.

Senator HUME: Is there another jurisdiction that has more onerous standards and also has the same lenient approach to, say, class actions and civil litigation?

Dr Heath: We would have to take that on notice.

Senator HUME: I know it is a consideration because there is a three-year safe harbour against class actions.

Dr Heath: The point that my colleague Ms Sirault made is important. There are international standards. The feedback we got as part of the Sustainable Finance Strategy was that it is incredibly important for any Australian standards to be as consistent as possible with international standards because the interoperability of standards across jurisdictions eases the reporting burden. The specifics of how close or otherwise other jurisdictions are to those international standards is something I would have to take on notice. The jurisdictions that already have scope 3 reporting in place include the EU and New Zealand. A number of other countries are introducing the standards in 2026, and other jurisdictions that are actively considering how they might implement those international standards.

Senator HUME: The safe harbour provision that I referred to only refers to civil actions. It doesn't refer to action taken by the regulator. Are there any protections against ASIC taking action against those reporting entities in the event that they are not compliant by the due date in the first three years?

Ms Sirault: ASIC has already published some information on their website about their approach to enforcement of the new requirements. They will publish further guidance to support entities' preparation. The modified liability arrangements that apply for three years were deliberately included to allow entities to prepare, and to better understand how they can deliver the material that is required in the standards.

Senator HUME: Is that cover rolling in the same way that the obligation to comply is rolling for a different size of entity? Will that safe harbour apply to businesses with \$25 million in assets and \$50 million in revenue and 100 employees for the following three years? Is the intention to keep rolling out that safe harbour so that small businesses are protected in the same way that larger businesses are protected against civil action? There are a whole bunch of activists out there who are practically salivating waiting for this to come into effect. This is the second biggest country for class-action lawsuits.

Mr Yeaman: This is something you can take up with ASIC and test their approach to enforcement and compliance in this regime. ASIC are on the record as saying that, outside the formal mechanisms you described, they intend to take a 'pragmatic and proportionate' approach to the enforcement and supervision of this regime in recognition of the substantial change. There are substantial policy benefits to this change, but there are also substantial costs. It is a big shift. ASIC, on the record, has said that they will take a pragmatic and proportionate approach in the way they consider enforcement.

Senator HUME: That is for actions taken by the regulator. I want to know about civil actions.

Dr Heath: To paraphrase your question: does the modified liability period apply from the point in time you as a company have to comply? The answer to that is yes.

Ms Sirault: I can provide on notice detail of how that progressively rolls out.

Senator HUME: That would be terrific. Can Treasury rule out that farms, manufacturing plants, and data centres—those emissions-intensive organisations—will be debanked or will lose finance because of this requirement? Has that been raised with you?

Dr Heath: The first question is whether all the institutions or entities you have mentioned would be captured by the mandatory reporting regime. If we take farms, for example, most farmers will fall well below the boundary of what a large proprietary company is. In that sense, they are not captured by the regime.

Senator HUME: In the first three years, potentially, but there are farms which are worth \$25 million or which have \$50 million in revenue and 100 employees.

Dr Heath: It can't be ruled out that there are no farms, but most farms would not be captured by these obligations.

Senator HUME: Is there concern about debanking?

Dr Heath: We spend a lot of time speaking to financial institutions. It is important for the banks to understand the climate risks and opportunities. They have generally expressed the view that it is important for them to work with these companies to manage the emissions. It is not about debanking as much as finding ways to work with these entities to help them reduce their emissions.

Senator HUME: Was the litigation risk—the growing tendency in this country for class-action lawsuits around disclosures—considered in the costs to business when this new regime was being considered?

Ms Sirault: I would have to take that on notice and provide detail from the impact analysis that was published together with the legislation.

Senator HUME: As part of Treasury's modelling and scenario analysis on the impact of the US election, which we spoke about earlier today, has the impact of the US's refusal to embrace scope 3 reporting on the competitiveness of our agriculture, our mining or our manufacturing industries also been assessed?

Dr Heath: We have done no modelling on that.

Senator HUME: Have companies come to Treasury regarding the compliance cost of this legislation, and are they aligned with what was published in that impact analysis?

Ms Sirault: I am not aware of any alternative estimates from companies.

Senator HUME: So companies haven't come to you and said, 'This is really concerning'? Is that what you are saying?

Ms Sirault: In relation to the estimate for affected reporting entities, I am not aware of revised estimates that have come through since the legislation was passed.

Senator HUME: So they did before the legislation was passed?

Ms Sirault: I would have to check that.

Dr Heath: I haven't been involved in every conversation with every company that has come to speak to us about the introduction of this disclosure regime. In the conversations I have been involved with, cost has never come up. There have been a lot of questions about the detail of the application. Again, with the caveat that I have not been involved in every conversation, it hasn't focused on cost as much as the details of implementation.

Senator HUME: The intention is for no undue cost and effort to be required. 'Undue' is a very opaque word, and open to interpretation by those who might wish to take on civil action, or by ASIC. Even though everyone said, 'We are going to go softly, softly on this', once you've opened Pandora's box it will be hard to put the lid back on. We have already had, in initial conversations, a misinterpretation of what 'undue' is. Ms Sirault said it is 'minimal cost and effort'. 'Minimal' is very different from 'undue' but no-one knows what the difference is. This is going to need an awful lot of oversight. I know that you're building the plane while we're flying it, but my concern is that this is open to enormous exploitation by activists.

Dr Heath: ASIC is actively engaged on the topic of how this is rolled out. The minister has commented on the guidance that ASIC has put out to date. As the regime is rolled out and it becomes clear that further guidance from ASIC is going to be helpful, I am sure that they will be finding ways to make sure that clarification on some of these points are communicated effectively.

Ms Sirault: ASIC did receive \$10 million of additional funding in the 2024-25 budget to support its enforcement actions associated with sustainability reporting.

Senator HUME: I am not concerned about ASIC's costs here; I am concerned about Australians' private sector costs.

CHAIR: Senator Hume, are you in a position to conclude within the 10 minutes?

Senator HUME: I will do my very best, Chair.

CHAIR: You have the call.

Senator O'NEILL: I have some questions too.

CHAIR: Senator Hume is going to conclude. We will stick with Senator Hume.

Senator HUME: That will be fine, but just before we move off this one can I just ask whether you've asked about the costs of compliance in any of the meetings and engagements that you've had with those who have given you feedback as part of the consultations? Is it a specific question that you've asked?

Dr Heath: Given that I have not been involved in all of that, we will need to take that on notice.

Mr Yeaman: It was a very detailed impact assessment. It was clear that a cost was associated with the reforms but with policy benefits. We did a lot of work to get that impact assessment done. As Dr Heath said, the feedback and discussion we've had since have not raised questions around those costs as displayed in the impact assessment.

Senator HUME: Again, I understand and I have no reason to doubt you. My concern is that corporate Australia seems to be coming to us saying, 'This is really alarming'. And you guys are saying, 'We haven't even heard from them.'

Dr Heath: We have had quite extensive consultation on the sustainability finance strategy, on the legislation. There have been many opportunities for people to raise issues of this nature, if that is something they have felt they've needed to. Now that the legislation and the standards are out and people are exploring the specifics of how to implement things, they've got more concrete information, which is something that they can bring to our attention.

Senator HUME: I don't doubt the good intentions behind this. Something that concerns me is some feedback that I've had from a director of two publicly-listed companies. He said that both his companies are now spending \$30 million a year simply reporting to government on things that are well meaning and good intentioned. We are WGEA reporting, modern slavery reporting, sustainability reporting and now climate reporting. It is \$30 million before they have even started on this one. This is the most onerous. That \$30 million goes straight down to the cost of whatever it is that those organisations are producing that the consumer ends up paying for. There is an enormous price to pay for a compliance burden placed on corporate Australia. While it sounds like a great idea and it is done with the best intentions, it should not be considered without the costs not just to the individual companies but also to the economy.

Mr Yeaman: I hear the point. I am very conscious of those aggregate costs. As Dr Heath said earlier, most of the large companies in Australia were moving in this direction anyway and were reporting on climate because of a range of other factors around broader ASG preferences of those companies. There is a very strong international push in this direction as well. Without knowing the company, I suspect that, in the absence of this regime, many of the large companies in Australia would still be spending more on assessing and reporting on climate. We are trying to provide consistency, more transparency and certainty for businesses in the way in which they report because of the issues that are frequently raised around greenwashing and other challenges in the market. I appreciate that you're saying that you understand the intent of the regime, but I think that, to a large degree, this was happening to the regime. This is meant to help us get consistency and transparency across the market.

Dr Heath: In conversations that I have had in an earlier period where people were trying to do climate reporting well, one of the concerns was that they didn't have a particularly good standard to work to, so they would ask questions, just as you have, about, 'What does "undue" mean?' There was a strong desire from companies to get clearer definitions, clearer standards to work to because that actually cuts out quite a bit of the cost for them. From an investor's perspective, if everyone is reporting to a common set of standards, it's much easier to compare the information you get from different companies. There are huge benefits to having commonly understood standards that people can work to, rather than trying to do the right thing and report information in a situation where there's no clear standards.

Senator HUME: A permanent safe harbour from civil action would, I imagine, put an awful lot of companies at ease on this. Is that something that has been considered?

Dr Heath: The legislation has been out for consultation. A whole range of feedback was considered. The legislation was introduced on 9 September, having weighed up all the sets of information that came through that consultation process.

Senator HUME: So, no. I have some more questions but on a different issue. If you want to share the call, that's fine.

CHAIR: Senator Pocock.

Senator DAVID POCKOCK: Thank you for your time. I have some questions about the broad economic impact of the proposed ESOS bill. I was interested where International Education Corporation ranks in terms of value in Australia's export industries.

Dr Cagliarini: In terms of its ranking, it's the fourth highest ranked export. That's by a long part. For instance, like mining exports are a pretty large chunk of our exports, so there is a pretty big difference between education exports and others. Last financial year it counted for about \$46.6 billion of exports.

Senator DAVID POCOCK: Do you anticipate that changing should the ESOS bill pass?

Dr Cagliarini: We'd still expect there to be some growth in education exports. There have been a couple of other factors there, so I should elaborate on what has been going on. One thing that the ABS has been reporting is a lower average spread by students when they are in Australia. The other factor is that in the first half of this year we have actually seen less growth than we had anticipated on education exports. If you have a look at things like where those students are coming from, so students from mainland China, for example, have not come back nearly as much as they did. We haven't even reached their pre COVID levels. We have seen general weakness. There are a range of factors in other countries, as well as obviously some policies here.

Senator DAVID POCOCK: So Ministerial Direction 107 is already having a slowdown not only in the education numbers but also because people aren't spending as much.

Dr Cagliarini: Yes. We would have expected a slowdown anyway. When we re-opened borders in 2022-23 there was 68 per cent growth in education exports. We wouldn't have expected that to persist. The following year, so last financial year, it was 33½ per cent. They were just unsustainable rates of growth, and obviously that was coming off a very low base. We expect that to slow even further.

Senator DAVID POCOCK: Has Treasury modelled what the impact the proposed changes would have on GDP growth specifically?

Dr Cagliarini: We are going through that process at the moment for our forecast for MYEFO. In my earlier testimony for the inquiry on the bill, our estimate is that the caps announced by the government were consistent with the student NOM forecast that we had at budget. At this point we don't anticipate a broader macroeconomic effect on the economy.

Senator DAVID POCOCK: No impact. Do you dispute the evidence tendered to the committee that it would reduce GDP growth? Treasury disputes that?

Dr Cagliarini: I couldn't dispute it until I have done the MYEFO forecast. I would say that claim would be very doubtful.

Senator DAVID POCOCK: I note that in the September meeting minutes the RBA said that a drop in international student numbers would lower the economy supply capacity, that they would assess the implications of these various effects and would more carefully look at the implications as part of the subsequent forecast update. In your reading, does this suggest that the RBA has some concerns with the bill's impact on the economy?

Dr Cagliarini: You will have talk to the RBA about how they're seeing the impact on the economy. They would be reacting to what we have been reacting to in terms of the flow of the data that we've seen in the national accounts—in the balance of payments on education exports. The other thing I should note is that there are supply effects as well as demand effects. Yes, there are probably fewer students as a lot of them work. There will be some supply effects, but there is also offsetting demand effects. In terms of the overall balance of demand and supply in the economy broadly, we don't expect that would have much of an effect.

Mr Yeaman: If I could add one point. We need to be careful to separate the effect of the bill and the student caps themselves from the broader student environment, which Dr Cagliarini discussed. The Reserve Bank is probably covering both in its commentary, from my reading of it. It is definitely worth checking with the Reserve Bank. Our view is that the student caps in the bill will not negatively affect GDP compared to our current forecasts. However, a range of other factors could change education exports, as my colleague said, including, for example, demand from China, that are nothing to do with government policy per se. The Reserve Bank is reacting to both, I suspect.

Senator DAVID POCOCK: How do you come up with the expectation that there will be continued growth in international students?

Dr Cagliarini: We would expect that to be slowing. We go through a process of looking at, for instance, growth in other countries as well. Migration policies in other countries is also another factor. For instance, a few weeks ago Canada announced some pretty restrictive migration policies. That would actually divert some students here as well. We think there are external factors as well that would be pushing students here. We were expecting a slowdown in student NOM in our forecast at budget. In the ESOS hearing we tabled our statistics on that. We were expecting that to slow. That was also consistent with some slowing in education exports.

Senator DAVID POCOCK: If you are looking at the Canadian example, did you look at what happened when they introduced caps?

Dr Cagliarini: We are still in the process of looking at that. The most recent announcement was for 2025 and 2026, and they've announced policies to reduce their population by 0.2 per cent in each of the next two years. We are looking at that and what effect that would have.

Senator DAVID POCOCK: If you are telling me that you don't think this will have an impact, why haven't you looked at a comparable country like Canada that has actually introduced caps and found that they battle to actually hit those caps because of the reputational damage?

Dr Cagliarini: They have also had a range of other policies in place. It's not just the caps in isolation. They have introduced a range of other migration policies.

Senator DAVID POCOCK: Recently?

Dr Cagliarini: Recently. But even before that. As the secretary mentioned earlier today, Canada's had a massive increase in migration. Their unemployment rate went up much more than it has here. They've also experienced pressure in housing infrastructure and social services. Canada has introduced a range of migration policies not just recently but going before. Student caps has been one, as well as a whole range of others.

Senator DAVID POCOCK: You just told me that you hadn't looked at Canada when it comes to student caps.

Dr Cagliarini: We are looking at that.

Mr Yeaman: There are two questions. There is the question of the cap itself and whether that leads to a drop in education export—a binding drop in education exports and therefore GDP. Our view is that our budget forecasts are consistent with the caps and therefore we wouldn't see that. In terms of the broader market and how the market responds to a range of policies in Australia and international factors, we are watching that closely. It is still a bit early to tell exactly how a student market will respond not only to our policies but also to the policies of other countries. That could see movements around that, but not directly related to the caps per se.

Senator DAVID POCOCK: I am not a mathematician, but I am interested to know how having fewer students next year equals growth.

Dr Cagliarini: I am not sure it is actually fewer students per se. There is a little bit of growth that the student caps have encapsulated. The other thing you've got to account for is that the caps are only on commencements. There are other students who have already commenced their courses, who are already in the country, who are also spending and paying their fees. We have to add those into those numbers. The other thing to account for is that the caps only apply to higher education and vocational education. There are people who come here for English language training, who come here for primary and high school and other forms of education, and they are not subject to the caps. There are other factors that we include in our forecasts.

Senator DAVID POCOCK: On notice, could you come back today and confirm whether it is more or fewer students next year. Thank you.

CHAIR: Senator Hume.

Senator HUME: I want to ask some questions about the Future Made in Australia framework, specifically in relation to an op ed that the Treasurer wrote, entitled, 'Powering Future Made in Australia' on 4 July. He wrote:

Our agenda reflects the new economic orthodoxy of a churning and changing world.

I am interested to know what that means and whether Treasury has provided any briefs to the Treasurer on this new economic orthodoxy.

Ms Zaheed: I am familiar with the op ed you are talking about. We have provided a number of pieces of advice to the Treasurer about Future Made in Australia, about the National Interest Framework and about the economic and geostrategic context that these policies are being designed in. We have provided a range of advice to the Treasurer on these issues over an extended period of time.

Senator HUME: Does any of that advice say: 'Hey, Treasurer, there is a new economic orthodoxy and we need to respond to it'?

Mr Yeaman: I have heard the Treasurer use that phrase. He's used it in a number of speeches and op eds and in broader discussion. What is mostly referred to there are a couple of things. One is the increased focus on economic security that all countries are pursuing. There is a heightened focus on economic security post pandemic but also because of changes in geopolitical relationships, both in country and as groupings of countries. There is obviously a heavy focus on investing in the net zero transition. That has drawn governments more into

supporting elements of that transition. That changing of the geopolitical environment, economic security, supply chains and net zero is what he means, as I read it, when he refers to a shifting and changing world. That is certainly very consistent with the advice we have been providing to him over a number of years.

Senator HUME: The phrase 'new economic orthodoxy' is something that he has used, not something that Treasury has used.

Mr Yeaman: Yes. That's his take on the advice that we've provided.

Senator Gallagher: He writes his own opinion pieces.

Senator HUME: It's an interesting phrase and an even more interesting approach. The Productivity Commissioner has said, in relation to Future Made in Australia:

If we are supporting industries that don't have a long-term competitive advantage, that can be an ongoing cost. It diverts resources, that's workers and capital, away from other parts of the economy where they might generate high value uses.

Is that something that Treasury agrees with?

Ms McCricker: Under the net zero transformation stream, a key consideration is that the sector would have a sustained comparative advantage in a net zero economy. Certainly, something under that stream would be considered to be not be reliant on ongoing government support. It would be able, in the net zero economy of the future, to sustain a comparative advantage.

Senator HUME: Is that something that you agree with, Minister?

Senator Gallagher: That's why we've targeted the assistance through the production tax credits. It's part of the reason. It's about ongoing—

Senator HUME: I want to understand. Did you agree with the Productivity Commission?

Senator Gallagher: I don't have the words in front of me from the Productivity Commission, but I would say that the reason that we are looking at some of the support that can be provided in the transition through production tax credits is to deal with supporting the delivery of those products, whatever they are.

Senator HUME: To give those organisations a long-term competitive advantage, you're going to give them taxpayer subsidies?

Senator Gallagher: When they produce.

Senator HUME: That's how you are going to make them sustainable?

Senator Gallagher: We are incentivising through the reduction.

Senator HUME: That's how they are going to be long-term competitive? Is that the new economic orthodoxy?

Mr Yeaman: There have been some recent comments by Danielle Wood, who is the chair of the PC. I know the PC are up later tonight or tomorrow, and they can expand on this in their own words. Danielle Wood did a piece called 'Industry policy in today's Australia', on 12 September, where she talked about current industry policy trends and responses to real concerns around climate change and supply chain resilience. She essentially talked to very similar themes to the Future Made in Australia agenda and our National Interest Framework. She highlighted the green transition and economic security as the two main reasons why you would intervene in this market and, I think, is aligned broadly with our own framework.

Senator HUME: Was that specifically on solar panels?

Mr Yeaman: I am talking about the National Interest Framework generally.

Senator HUME: Is it the view, then, of Treasury that solar panel manufacture in New South Wales can compete with the entrenched international solar panel manufacturing industry, which we could purchase from?

Ms McCricker: Solar panels were part of the clean energy manufacturing stream appointed as a priority sector under the budget. A supporting paper was released by the Treasury, with the budget. Clean energy manufacturing is actually under the economic security and resilience stream. I don't want to spend time on the supporting paper in this forum because it is a public document, but some of the considerations under that stream are things like the concentration of supply chains, both globally and domestically, the vulnerability of supply chains and the criticality of the things that are in those supply chains. Those are the kinds of considerations that went into the clean energy manufacturing stream when it was assessed as being aligned with the NIF under the budget.

Senator HUME: So that's what informed the view that Treasury now has—that we can eventually compete with the entrenched international solar panel manufacturing industry.

Ms Zaheed: The economic resilience and supply chain within the framework is about needing some level of domestic capacity. The government assessed that some level of domestic capacity is necessary as almost an insurance or as a counter to the concentration in the supply chain risks. That's not quite the same as suggesting it's a sustained comparative advantage or it's an industry at scale. It's about looking at where those supply chains are concentrated, what's the impact on the Australian economy and key priorities for the wellbeing of Australians. If those supply chains are impacted, what is the risk that poses for the economy and is some level of domestic manufacturing or domestic capacity necessary or useful to counteract that? That's the set of conditions that's assessed in relation to the economic resilience and security stream.

Senator HUME: My understanding is that the solar panel manufacturer in New South Wales has only got one customer, and that's the New South Wales state government.

Ms Zaheed: Questions on specific programs around solar are better directed to DCCEEW or ARENA. They administer the programs that the government has. In terms of how Treasury would assess the solar panels under the National Interest Framework, we can talk to that, but questions on specific programs are better directed at DCCEEW.

Senator HUME: Did Treasury give advice to the Treasurer on this particular project, the solar panel project?

Ms Zaheed: I don't know about the specific project. Solar Sunshot was announced in budget. Treasury, in its capacity in the ERC process, provides advice on proposals that go to cabinet, so we provided advice on the Solar Sunshot Program.

Senator HUME: Whether you think it stacks up.

Ms Zaheed: We provided advice on Solar Sunshot. Our advice and how solar fits into the National Interest Framework is in our supporting paper. That's pretty evident. I've talked a bit about that already. We would have provided advice in standard ways, as we provide advice in budget processes.

Senator HUME: That advice is that this project that's being considered by cabinet stacks up or it doesn't stack up?

Senator Gallagher: Don't go to the content of that.

Senator HUME: I am not after content.

Senator Gallagher: You are.

Senator HUME: No, I don't want to know what the recommendation was. I just want to know whether that's the kind of advice that Treasury—

Senator Gallagher: You are not going to get that information.

Senator HUME: What else would they be advising on?

Mr Yeaman: There are two elements. Under the Future Made in Australia agenda and the National Interest Framework that was endorsed by the government, we provided advice. It was summarised in the paper that Ms McCrirkick referred to. We provided advice around those areas of strategic interest—key priority sectors under Future Made in Australia. The government took a decision, based on all of that advice, to select clean energy manufacturing, including solar and batteries, as a priority sector under the economic security stream. We provided formal FMIA advice around that sector. It is then a matter for the relevant minister in those streams to bring forward proposals that are consistent with developing that sector over time. We slip more into classic central agency mode at that point and we provide the normal advice on whether the best way to grow that sector is Solar Sunshot or some other form of support. We do that. That's a standard Treasury central agency function, drawing on the information we've gathered from the first stage.

Senator HUME: Is that the same process that was followed with the PsiQuantum decision?

Ms Zaheed: PsiQuantum questions are better directed to our fiscal policy colleagues.

Senator HUME: I am absolutely certain that Treasury would provide advice.

Ms Zaheed: Absolutely; it was the same approach with PsiQuantum. Treasury appeared before this committee last estimates and talked at length about it. Treasury had the similar central policy agency role and provided advice to government throughout the process in which PsiQuantum was considered.

Senator HUME: Has Treasury communicated with the Queensland government to confirm that it is still supportive of the commitment of the previous Queensland government?

Senator Gallagher: DISR has responsibility for PsiQuantum.

Senator HUME: Treasury wouldn't need to do that?

Ms Zaheed: No, Senator. As the minister has said, DISR is responsible for the PsiQuantum investment, working with EFA. Treasury provided advice to the Treasurer during the budget process. At this point in time, we would not engage with Queensland. That would be left for DISR to do because they are the lead policy agency.

Senator HUME: As part of the advice that you would provide to the Treasurer, you wouldn't just provide a yes or a no; you would obviously say, 'These are the risks involved too.' Knowing that there was a Queensland election coming up, where the chances of the government changing were considerable, would that be the kind of risk that would be considered by Treasury in its recommendations?

Senator Gallagher: You are not allowed to ask about the content of advice, Senator Hume. We weren't when you were a minister and you aren't now. We've got the same arrangements.

Senator HUME: Let me just understand. Are risks involved, not just a yes or no?

Senator Gallagher: It's a comprehensive brief.

Senator HUME: I just want to understand whether there is a risk assessment involved in those briefs.

Senator Gallagher: You've been a minister of the Treasury. You've received Treasury briefs.

Senator HUME: I've never had to deal with a billion-dollar investment in quantum computing—

Senator Gallagher: As you know, it's not a billion dollars from the Commonwealth.

Senator HUME: Sorry; it's a billion dollars in the Solar Sunshot.

Senator Gallagher: I presume you dealt with large contracts, particularly through COVID. You would understand the nature of the brief that you get from Treasury.

Senator HUME: There are risks involved. That's what I remember, yes.

CHAIR: Senator Hume, does this conclude your questions for macro?

Senator HUME: I still have one more question for macro, then I think Senator Smith might have some. My memory of those kinds of pieces of advice—

Mr Yeaman: It is comprehensive advice. We look at all aspects of the proposal.

Senator HUME: Including risks. Thank you. Do you anticipate that there will be payments of similar quantum amounts to these other projects—half a billion, one billion, or whatever it might be, in the future? I am assuming that, if there is, they will be subject to the framework that the government has introduced to parliament, as opposed to the previous projects that I've referred to that weren't subject to that framework; is that right?

Senator Gallagher: There's a lot of 'ifs' in that: 'If future projects will be getting this sort of money.' That's entirely—

Senator HUME: Let me rephrase it.

Senator Gallagher: Officers cannot answer that. The National Interest Framework exists. It's part of the Future Made in Australia package, which you oppose, I would say. I am just reminding you. Proposals that come through and are considered in that way would be considered against the National Interest Framework.

Senator HUME: The National Interest Framework didn't exist when these proposals were considered. I am assuming that proposals like these will, from now on, go through the National Interest Framework, but these two didn't. Is that correct?

Senator Gallagher: Which are the two you are talking about?

Senator HUME: We're talking about solar panels in New South Wales and PsiQuantum.

Senator Gallagher: Sunshot.

Senator HUME: The National Interest Framework didn't exist.

Ms McCricker: Solar Sunshot is part of the clean energy manufacturing stream, which was in the budget paper that I mentioned earlier. The National Interest Framework was one of the many tools that were used to do the assessments that fed into that framework.

Senator HUME: But it didn't exist. It is part of the Future Made in Australia legislation.

Ms McCricker: It has been codified and legislated as part of that legislation.

Senator HUME: It doesn't actually need to be legislated because it already existed.

Senator Gallagher: The legislation codifies it and sets it permanently in law.

Senator HUME: If it is a decision of government, why does it need to be codified?

CHAIR: I am going to share the call.

Senator Gallagher: Because investors are also wanting certainty.

Senator HUME: They got certainty. You gave them a billion dollars.

Senator Gallagher: Incorrect again, but anyway.

CHAIR: Thank you, Senator Hume. Senator O'Neill.

Senator O'NEILL: I would like to get on the record some of the facts around job creation. My first question is: how many jobs have been created since May 2022? I note, as a former teacher, that I had students come back and tell me about getting a job and how much that plugged them into a future. A job is a very big deal. It matters to every Australian, no matter what age.

Dr Cagliarini: The number of jobs, at least over the past year, is at 3.1 per cent, which is reasonably strong compared to some similar economies. Did you ask about the number of jobs created since—

Senator O'NEILL: Since May 2022.

Dr Cagliarini: It has just exceeded one million, last month.

Senator O'NEILL: That's one million people working. I'm sure they're pretty happy to be taking home a pay packet or a salary. The disruption that has happened has been global. I want to ask about the jobs rate growth over that period compared to similar countries. Can we go to the G7 for a comparison?

Ms Redmond: Australia has had jobs growth of 7.7 per cent since May 2022. That's the period you're looking for. That compares to the United States with 4.7 per cent, as the next highest. It's substantially exceeded that level of jobs growth. We've also had very high levels of labour force participation over the period. They've reached record highs. We've maintained, on the demand side, strong jobs growth, while also having that supply response, which has meant it's not had an impact on unemployment and it has had a less than otherwise impact on inflation as well.

Senator O'NEILL: By comparison to G7 and our own jobs growth history, how does that sit?

Ms Redmond: That's an elevated level of jobs growth.

Senator O'NEILL: With the current rate of unemployment compared to the period prior to COVID, if we try to compare apples with apples, everybody knows COVID caused chaos and our figures are in a recovery point, but we are far enough along now that we can probably get an accurate reading about where we are. Perhaps we will go back to that as a point in time to compare. What's the story to be told there?

Dr Cagliarini: Leading into COVID, the unemployment rate was just above five per cent, about 5.1 per cent. It is currently 4.1 per cent. Obviously, during COVID there were some disruptions and the unemployment rate spiked. That was partly because of the lockdowns that the economy went through. As we opened up, there was a pretty strong surge in employment. The unemployment rate dipped to about 3½ per cent, which is the lowest we've recorded, I would say, since the 1960s. It is a significant low. We have pretty much remained low. The unemployment rate has only increased by 0.6 percentage points.

Mr Yeaman: Compared to pre COVID, that December 2019 period, Australia's unemployment rate is now one per cent lower than it was then. If you look at comparable countries around the world, the United States unemployment rate is about half a percentage point higher than it was pre COVID. Canada is 0.9 per cent higher than it was. New Zealand is 0.5 per cent higher than it was. While most countries have seen an increase in unemployment relative to pre-COVID levels, we have managed to maintain a lower unemployment rate than pre COVID.

Senator O'NEILL: Which is a pretty significant outcome for all of those individuals.

Mr Yeaman: It is a very significant outcome for them and for the economy overall. As we've discussed a few times, a heavy focus of government policy and central bank policy, without speaking for them, has been to try to tread this narrow path and preserve the employment gains that we've made. We have drawn a lot of new people into the labour market during this period—people who were previously unattached to the labour market. We hope that they will remain in the labour market and develop higher productivity and greater skills over time.

Senator O'NEILL: It is something that hasn't been seen for a long time, when you refer to the 1960s as a point of reference; that is a pretty significant intergenerational shift that we should be very proud of and seek to maintain as much as possible. What's been driving this higher participation rate that you referred to, Ms Redmond, here in Australia?

Ms Redmond: A mix of factors. We were talking before about the care economy. It could be that people have been released from those informal care responsibilities and are entering the workforce. We have seen trends within age and sex cohorts where prime-age women are participating at higher rates than before. Migration

usually has a positive impact on participation. They are a younger population structure. We have also seen lifts within age-sex cohorts. Cyclically, when you have a strong labour market, you have an encouraged worker effect. You might draw people into the labour market through that avenue.

Senator O'NEILL: Was that 'encouraged worker'?

Ms Redmond: That is economic jargon. They see their employment prospects as potentially better than they would be during a down period of the economy.

Senator O'NEILL: That's actually a very important phrase because that's a currency of hope for people.

Ms Redmond: You could call it that.

Senator O'NEILL: This is economics, and it's pretty dry. In the end, as it pertains to people, this is what we're here to talk about.

Mr Yeaman: When someone observes colleagues, friends or family accessing the labour market and finding new jobs, they're more likely to go into the labour market themselves and seek those opportunities. You tend to see, when the unemployment rate is falling, an increase in the participation rate, as more people seek employment from outside the labour force.

Senator O'NEILL: We have that participation rate, and we've just been talking about the figures, and comparatively doing much better than like countries. How does this participation rate compare to our historic level of participation rate? Do you have a longitudinal dimension for that?

Dr Cagliarini: Do you mean historically?

Senator O'NEILL: Historically, with the participation rate, not just employment?

Dr Cagliarini: We have reasonably high rates, participation in the labour force, at the moment. I want to add one other factor there. With the NDIS, there are a lot of people who are doing work that wasn't recognised and are now being recognised for that work. That is particularly women who were at home looking after other people. That recognition is now coming through. That is being reflected in the labour force as well. That is now being recorded. The participation rate at the moment is 67.2. It is, historically, quite high. That's in line with what we've seen with the employment-to-population ratio, which last month recorded an equally high 64.4 per cent.

Senator O'NEILL: That's good to hear. Annual real wage growth, obviously, is pretty important for people. Are real wages growing again, in an annual sense? In how many quarters have you recorded this annual growth?

Dr Cagliarini: In real terms, using the WPI, real wage growth has been about 0.3 per cent, up to the June quarter. We will get the September quarter read a bit later, when we get the September quarter WPI. It has zig-zagged a bit. We started recording an increase in the December quarter. That's three quarters in a row.

Senator O'NEILL: All signs that we're heading in the right direction?

Dr Cagliarini: Some won't see that; but, yes, it's a positive outcome that we have some real wage growth.

Senator DEAN SMITH: On a similar point, is it true that part-time employment growth is now outpacing full-time employment growth?

Dr Cagliarini: That is true. At the moment growth in part-time employment is growing faster than full time. I would add that the growth in full-time employment has started to pick up, as part-time employment has started to slow.

Senator DEAN SMITH: On notice, could you let us know at what particular point part-time employment started to outpace full time, or can you tell us that now?

Dr Cagliarini: Based on the graph that I have here, I would say roughly the middle of last year.

CHAIR: That concludes the questions that we have for the Treasury macro group and the International and Foreign Investment Group. Thank you very much for answering our questions.

[14:41]

CHAIR: I welcome Treasury Small Business, Housing, Corporate and Law Group and the National Housing Supply and Affordability Council. Welcome, Ms Anderson and team. Welcome, Ms Lloyd-Hurwitz. I think this is your first appearance before us. Do you have an opening statement that you wish to make?

Ms Lloyd-Hurwitz: No, thank you.

CHAIR: Everyone is happy to proceed straight to questions?

Ms Anderson: Yes, we are.

CHAIR: We will go to the deputy chair.

Senator BRAGG: How many houses will be built in Australia this year?

Ms Anderson: Are you talking about housing construction figures or—

Senator BRAGG: How many completions?

Ms Anderson: I will ask Ms Crosthwaite and Mr Dowie to come to the table on that point.

Ms Crosthwaite: We anticipate that somewhere between 160,000 and 170,000 completions will occur this year.

Senator BRAGG: That's 160,000 to 170,000?

Ms Crosthwaite: Correct.

Senator BRAGG: How many were built five or six years ago?

Ms Lloyd-Hurwitz: The last 10 years average was 194,000.

Senator BRAGG: We are on a downward trajectory. We are building less houses than we have, on average, over the last 10 years?

Ms Crosthwaite: As colleagues in the earlier session provided in evidence, that was off a peak of around 200,000 in 2018.

Senator BRAGG: How many?

Ms Crosthwaite: I believe 200,000 was the figure.

Senator BRAGG: It might be a bit more than that. It appears to me that we are building about 160,000, which is your evidence, which is about the same amount that we built in 1989, when the population was about 17 million. We are in a pretty bad way on supply, aren't we?

Senator Gallagher: That is why we're trying to do everything on supply.

Senator BRAGG: I'm glad you've answered that. I'm very pleased to hear from you, Minister, because you have been very quiet on these issues.

Senator Gallagher: Not really. We have very capable and competent officials who can speak to the detail of your question. The broader political point is that, yes, there is an issue around the supply of housing, which is why the Commonwealth is so heavily invested in driving an increased supply of housing.

Senator BRAGG: I am really pleased that you have come into this part of the estimates session, Minister.

Senator Gallagher: Are you?

Senator BRAGG: Of course I am. I enjoy our exchanges, as you know.

Senator Gallagher: I am here for the whole lot. I don't really have a choice to come in and out. I am here.

Senator BRAGG: I appreciate your contributions very much, as you know. It was interesting to hear evidence from the official that over 200,000 houses were built just six years ago, under the coalition. Despite this government now having had 2½ long years, we're down to 160,000 houses. You'd have to say, Minister, that the supply policy hasn't been too flash, has it?

Senator Gallagher: This is not a case of—as much as you would like to present it as such—everything went swimmingly under you, and then the Albanese government was elected and now there are issues in the housing market. That is an incorrect analysis of the complexities of the housing system in Australia. I don't believe any government has done as much as we have done in two years to provide investments and work with the states and territories to relieve some of the blockages in the housing supply.

Senator BRAGG: But we are going backwards, Minister. We have gone from over 2700,000 to 160,000. Or are you disputing those figures?

Senator Gallagher: I don't necessarily dispute the fact that we have in the last year or so seen pressure on the delivery of supply. That is why we are focusing on unblocking some of the barriers that we are told are preventing that; through, for example, agreements with the states and territories.

Senator BRAGG: We are going backwards; that is what the numbers show. Let's go through your supply policies. Everyone agrees that supply is crucial. How many houses has the Housing Australia Future Fund built?

Senator Gallagher: The first round has gone out.

Ms Anderson: The Housing Australia Future Fund Round One closed recently. The successful proponents are currently in discussions with Housing Australia, who are appearing later today. We expect some houses to come online this financial year. The process has only just been held.

Senator BRAGG: The answer is zero.

Ms Anderson: The answer is that there are significant numbers in the pipeline from the Housing Australia Future Fund, which is one element of the government's supply policy. It is social and affordable housing. The overall supply problem in terms of the 1.2 million target, and other things that governments have agreed to, will require significant uplift from the private sector. The HAFF is one element of the government's approach.

Senator Gallagher: Since we came to government, we have directly supported the building of more than 10,000 homes through the Social Housing Accelerator program, through new builds under the Home Guarantee Scheme and through Housing Australia's Bond Aggregator. There are more homes to come. More than 20,000 are in the pipeline through direct Commonwealth investment, including 13,700 under round 1 of the Housing Australia Future Fund.

Senator BRAGG: The answer is that the Housing Australia Future Fund has built zero houses so far.

Senator Gallagher: I have just given you some figures, but you don't like them, do you? We can put numbers on them.

Senator BRAGG: I am happy to hear the truthful answers. I am trying to get to the bottom of what the position is right now. My understanding is that the answer is zero.

Senator Gallagher: The round has just been determined because the bill was delayed in the Senate. You opposed the bill; remember? So now you are complaining about a bill you opposed that we couldn't get through the Senate—the ultimate hypocrisy! So the bill you don't support hasn't delivered enough housing soon enough for you, even though you don't support it. Come on!

Senator BRAGG: We built more houses with less bureaucracy; isn't that the point?

Senator Gallagher: Oh, right. I am having images of Mr Sukkar out building houses—which didn't happen, of course. We are dealing with different economic circumstances and issues that have built up over years.

Senator BRAGG: You inherited more houses. Under us, 200,000 a year and, under you, 160,000 houses; that's fewer, and 200,000 is more.

Senator Gallagher: You are opposing the measures to try to deal with it, yet you are criticising the fact that they are not happening fast enough. I am trying to get my head around it.

Senator BRAGG: What I am trying to get to the bottom of, Chair, is how many houses this fund has been able to build, as it stands today. My understanding is that there have been commitments to spend money but no actual houses built so far. Is that right or wrong?

Senator Gallagher: Round 1 has just been approved. Are you seriously suggesting that the houses approved in the last month should have been built?

Senator BRAGG: You have been in government for 2½ years.

Senator Gallagher: Has the HAFF been operational for 2½ years, Senator Bragg? No, it hasn't, so don't sit there and spout mistruths.

Senator BRAGG: Let me ask you about Round 1, then. Round 1 was announced by Minister Clare O'Neil on 16 September 2024. Is that right?

Senator Gallagher: I don't have that media release, but it was around then.

Senator BRAGG: I'll ask Ms Anderson. The media release says: 'Minister O'Neil announced the Albanese government greenlights the most social and affordable housing in a decade.' That was on 16 September 2024; is that right?

Ms Anderson: Yes.

Senator BRAGG: The statement says that the government is going to provide for 13,000 new houses.

Ms Anderson: Yes, in excess of 13,700.

Senator BRAGG: Where is the detail of this announcement? Who is going to get the money?

Ms Anderson: Housing Australia is currently working through the process to come to contractual close with those proponents who are successful. As you would imagine, that is going to take a bit of time for 185 projects. Housing Australia are appearing later today. They would be able to give you an update of where they are at in working through to financial close for those projects.

Senator BRAGG: It has been announced, but there has been no formalisation of the housing arrangements.

Ms Anderson: The proponents have been selected by the Housing Australia Board. The next step is to move those to a financial close.

Senator BRAGG: This is my point: more announcements, more media, but no houses.

Senator Gallagher: Rubbish! There is a proper process—

Senator BRAGG: Media, media, media, but no houses.

Senator Gallagher: There is a proper process—

Senator BRAGG: Where are the shovels?

CHAIR: Is there a question in that? What was that?

Senator Gallagher: He is entertaining himself at this point.

Senator BRAGG: When will the first house be built?

Senator Gallagher: That is dependent on these agreements being finalised.

Senator BRAGG: On the bureaucracy?

Senator Gallagher: No.

Senator BRAGG: I'll ask Housing Australia later.

Senator Gallagher: There is a formal process, as you would expect, when it comes to the use of taxpayer dollars. If there were not, and if proper process were not being followed, you would be critical of that, as well.

Senator O'NEILL: It is delay that has been brought on by the decisions of your party. You need to accept responsibility.

Senator BRAGG: So Housing Australia is your first supply policy. The next supply policy is the build-to-rent, isn't it, Minister?

Senator Gallagher: That is a component, yes.

Senator BRAGG: Who is the build-to-rent policy going to give a tax cut to?

Ms Anderson: I might ask Ms Crosthwaite to talk about the build-to-rent policy.

Senator BRAGG: I want to know which institutions will be getting a tax cut.

Ms Crosthwaite: The changes currently before the parliament for build-to-rent would provide tax concessions to foreign investors investing in build-to-rent housing.

Senator BRAGG: What sorts of foreign investors would want to build houses in Australia that Australians could never own?—a fabulous policy, by the way!

Ms Anderson: The build-to-rent sector is a well-established sector overseas. The idea is to stimulate capital and liquidity into the Australian sector. Hopefully, that will then stimulate housing which supplies better rental opportunities and better purchasing opportunities for Australians. That is the idea behind it.

Senator BRAGG: What sorts of fund managers do you think would be open to doing it?

Ms Anderson: I am not sure. That is something that our revenue group colleagues, who are leading this policy—

Senator BRAGG: This isn't your policy? Isn't this a housing policy?

Ms Anderson: Yes, it's a housing policy, but it is a revenue measure, so it is led in Treasury by revenue group.

Senator BRAGG: Is this a supply policy?

Ms Anderson: It's a revenue group measure. I am not saying it is raising revenue. It is around the taxation system.

Senator BRAGG: What I am trying to do in this session is to work out exactly what the government's supply policy is. There are bits and pieces of legislation, there are bureaucracies, there are different parts coming today. In a coherent way I am trying to understand and educate myself as to what exactly is the government's housing supply policy.

CHAIR: I don't think Ms Anderson is ready to answer the question about the government's supply policies.

Senator BRAGG: In regard to the build-to-rent policy, you're not sure who would want to get these tax cuts to build these houses for perpetual—

Ms Anderson: I am saying that I am not sure. It doesn't mean the government is not sure. It is just not the relevant party to ask.

Senator BRAGG: So we have to ask another Treasury official about that?

Ms Anderson: Yes.

CHAIR: Ms Anderson has said she can take us through the supply policies.

Senator BRAGG: I think that is one. What types of investors might want to avail themselves of these tax breaks?

CHAIR: You don't want her to answer your question—

Senator BRAGG: Of course I do.

CHAIR: about what other supply policies—

Senator BRAGG: But my question is about which type of investors.

Ms Anderson: I am confused. Would you like me to work through the government's supply policy, Senator? Build-to-rent is one of many policies in play at the moment. I take you at your word that you are confused about the policies. I am happy to work them through.

Senator BRAGG: I want to know what types of investors would want to avail themselves of this tax break.

Senator Gallagher: You can ask that of the relevant group.

Senator BRAGG: Let's move to the next one. What about the housing targets? Is that a good one for Ms Lloyd-Hurwitz?

Ms Anderson: It is a national cabinet target, so we can answer questions about that. The Housing Council has a specific role in assessing the suitability of the target. Ms Lloyd-Hurwitz could go to that issue.

Senator BRAGG: What is the target, and how are we tracking towards the target?

Ms Lloyd-Hurwitz: The target is 1.2 million new homes over the period of the accord, which is five years. The modelling that the council has done and released publicly earlier this year suggests we are looking at 943,000 over that period; so 260,000 short.

Senator BRAGG: When was that modelling released?

Ms Lloyd-Hurwitz: That was released in April this year.

Senator BRAGG: There is quite a big gap, isn't there?

Ms Lloyd-Hurwitz: It is certainly a gap that needs to be addressed. Our expectations would be that, as policies get put in place over that period of five years, that number will continue to change. But as things stand now, that is the forecast of the council.

Senator BRAGG: That number we discussed before in detail, the 200,000 going down to 160,000, needs to go up towards 250,000, doesn't it?

Ms Lloyd-Hurwitz: To 240,000.

Senator BRAGG: That is a big correction that is needed.

Ms Lloyd-Hurwitz: Correct.

Senator BRAGG: Are there any other supply policies that you would like to—

Senator Gallagher: There is the New Homes Bonus with the states and territories, the Housing Support Program, the Social Housing Accelerator. Work has been done on infrastructure, through the infrastructure department. You know about them. You just want to sit here and poke fun at them.

Senator BRAGG: I am just trying to help you explain in a cogent way all the different supply measures you have.

Ms Crosthwaite: If I can provide something that might be helpful, the National Housing Accord is probably the overarching supply policy that brings all of this together. That is an agreement between the Commonwealth, state and territory governments, industry, investors and local government which provides a range of actions that all of those parties have committed to, including some of the ones we have just described around Commonwealth actions. It acknowledges that, to achieve the housing supply targets and to increase housing supply to the degree necessary, it will require actions in all those parts of the system. Whilst there are actions that are specifically for the Commonwealth, there are those that are appropriately to be taken by states and territories and others.

Senator BRAGG: The Accord was announced back in 2022, wasn't it?

Ms Crosthwaite: Yes.

Senator BRAGG: In the 2022-23 budget, provision was made for 'availability payments'—is that what they are called?

Ms Crosthwaite: Yes. That was for the provision of 10,000 affordable homes, which have been committed to under the Accord by the Commonwealth.

Senator BRAGG: How much money is that? Is that \$140 million?

Ms Crosthwaite: I would need to check that.

Senator Gallagher: This is after you abolished NRAS and have essentially withdrawn—

Senator BRAGG: We built more houses than you—a lot more houses. You are going backwards.

Senator Gallagher: No, you didn't.

Senator BRAGG: Your supply policy is a mess.

Senator Gallagher: No. Part of the issue we have here—

Senator BRAGG: Spare me the politics.

Senator Gallagher: Part of the issue we have here is that there has been no investment in social or affordable housing because you got rid of the only program the Commonwealth was involved in.

Senator BRAGG: We built more houses; that's the key test of the supply policy. Mr Donovan, I believe you are going to tell us how much money has been set aside for availability payments.

Mr Donovan: I don't have those previous budget papers with me, but we can take that on notice.

Senator BRAGG: Take it on notice; thanks for that. I am looking at an extract from a 2022-23 budget paper which says that there was going to be \$70 million in 2024-25 and \$70 million in 2025-26. These availability payments, it says, will be paid to institutional investors, including super funds. How much of this money has gone out the door to the institutions and the super funds?

Mr Donovan: The process to allocate funding under the accord is linked to the process with the HAFF. Deputy Secretary Anderson mentioned a moment ago that the HAFF round 1 and the accord round 1 process were recently concluded with 13,742 dwellings progressing through to the next phase, which are now being moved to contractual close by Housing Australia; at that point final ability payments for both programs will be set for round 1.

Senator BRAGG: How much of that money is being spent?

Mr Donovan: That money has been budgeted but has not yet gone to proponents because we will need to achieve contractual close before it will be spent.

Senator BRAGG: How is the money paid? Is it paid to the institutions or is it paid to the consortiums?

Mr Donovan: A range of eligible project proponents sit under the HAFF and the accord. They're named in the subordinate legislation. They include the community housing providers and then some special purpose vehicles, which would comprise community housing providers and their investing partners in cases where that's relevant.

Senator BRAGG: That could include super funds?

Mr Donovan: We don't have visibility at this point because those are still proceeding to contractual close. That is where investors could come in with equity or debt investments to support the construction of those dwellings, and the availability payments go towards bridging the viability gap for social and affordable housing because those types of dwellings involve discounted rent. In affordable dwellings that rent is below 75 per cent market rent, and for social dwellings it is usually at 30 per cent of a person's income. Because that's below market rent, those availability payments go towards the costs of proponents making those dwellings available to individuals to rent them at discounted levels.

Senator BRAGG: It could flow through to the consortium of investors. That's the idea of it. That's what it says in the budget papers.

Mr Donovan: It is fair to say that the availability—

Senator BRAGG: It is designed to facilitate institutional investment in housing, isn't it; or is the budget wrong?

Ms Anderson: The primary purpose is not to facilitate institutional investment; it's to increase the supply of social and affordable housing.

Senator BRAGG: I will read out what the budget paper states: 'The Commonwealth will include availability payments over the longer term to facilitate institutional investment, including by superannuation funds, in affordable homes.' So it is designed to do that.

Ms Anderson: It is designed to supply more social and affordable homes, and the way in which the government and the scheme is designed to do that is by attracting investment, which has been missing from the sector.

Senator BRAGG: Institutions.

Ms Anderson: Yes. A range of bodies, I think, might find it worthwhile, states and territories included.

Senator BRAGG: I don't want to waste any more time going around in circles.

Senator Gallagher: When you get them, you don't like the answers, do you?

Senator BRAGG: No. The answer is 'designed to help institutions'.

Senator Gallagher: I know you hate the super funds. You are just obsessed.

Senator BRAGG: I know you love them. You love them. They're your best friends. I know you like them.

Senator Gallagher: I wouldn't put it that way.

CHAIR: This isn't very productive.

Senator BRAGG: I better wind up on this part of it.

Senator Gallagher: You have an obsession with them. It may be super funds. It may be community housing providers. It may be state and territory governments. It may be all three, who knows.

Senator BRAGG: Thank you. I have another question about supply. We heard from Ms Lloyd-Hurwitz that you are hundreds of thousands of houses short on the supply target. The HAFF hasn't built any actual homes yet. Minister, will you bring on the Build to Rent scheme for a vote in parliament?

Senator Gallagher: We have got Help to Buy that we're trying to get through.

Senator BRAGG: That's a demand side measure.

Senator Gallagher: We are ready to go on Build to Rent. I'd have to have a look at the legislation program.

Senator BRAGG: You think it's a good idea, still?

Senator Gallagher: Yes. I think the Commonwealth should be doing whatever it can to improve the housing market, definitely.

Senator BRAGG: Even if it means—

Senator Gallagher: I would say—

Senator BRAGG: Do you think BlackRock, Vanguard and foreign governments should be major investors in housing that Australians can never own?

Senator Gallagher: In the last 12 months of your government 176,000 homes were built.

Senator BRAGG: Yes; more than your government.

Senator Gallagher: No. In the last 12 months of this government it's 176,000. Just for the record, the decline started, like in so many areas that we inherited, from failure of the previous Commonwealth administration.

Senator BRAGG: I have some more questions. Thank you for that for now.

CHAIR: Senator Rennick has told me he has one question.

Senator RENNICK: With regard to the whole housing fund et cetera, you are planning to build 6,000 houses per year over the next five years, so 30,000 houses. Wouldn't it be simpler to lower the immigration rate, not create a whole new department, not risk the \$10 million and give tax incentives to foreign investors? Wouldn't it just be easier to lower the immigration rate and simplify everything?

Ms Anderson: That's quite complex because if you lower the immigration rate you will have less of a workforce to build houses—there is a balance here—as well as less labour supply to other important parts of the economy.

Senator RENNICK: But 50 per cent of immigration is foreign students. They're not building houses, they're at university.

Ms Anderson: That's right. Different segments of the migration intake put pressure on different parts of infrastructure and housing across the country. Students have a different profile to others as well. We need more houses no matter what. The government's supply-side initiatives are designed to stimulate that action, noting that a lot of these belong to the states and territories. There is a careful balance to be struck around migration not only in terms of the benefits that it brings but also the pressure that it brings.

Senator RENNICK: I don't disagree with that. I will leave it at that.

Senator McKIM: I've got some questions about the Small Business Energy Incentive scheme. It was announced as a budget measure and that it would spend \$314 million in the last financial year. How much was spent?

Ms Anderson: I will pass to my colleagues in the Small and Family Business Division.

Ms Bourke: That measure ended at the end of June this year.

Senator McKIM: That's right. We tried to extend it by another year but the government wouldn't have it. So how much was spent?

Ms Bourke: I don't have those numbers in front of me.

Mr Seebach: We'll take that on notice. We will see whether we can get back to you before the end of the day, or the hearing.

Senator McKIM: Would it be fair to say that little or no advertising or awareness raising of the scheme was undertaken?

Senator Gallagher: Which measure are we talking about?

Senator McKIM: The Small Business Energy Incentive scheme. It was budgeted for \$314 million. I am interested to see whether or not you got 10 per cent of that. What advertising or awareness raising with regard to that scheme was undertaken by either the department or the government?

Mr Seebach: As I have flagged before, we will have to take that on notice. I'll come back to you as soon as I can with expenditure and whether anything was done in relation to advertising and education.

Senator McKIM: The reason I am asking is that the legislation only passed a couple of months before the financial year ended.

Senator Gallagher: This is the instant asset write-off?

Senator McKIM: The Small Business Energy Incentive scheme.

Senator Gallagher: I think that's what it is.

Senator McKIM: The legislation passed only a couple of months before the financial year ended. We tried to extend it by a year, by an amendment in the Senate. That was opposed by the government. We warned that this would not be anywhere near fully subscribed. I am surprised that with a \$314 million scheme no-one can tell me how much was spent. Anyway, there we find ourselves. Our view is the scheme was more about greenwashing than it ever was about rolling out effective programs to reduce emissions.

Senator Gallagher: Also, Revenue Group might be able to help with that.

Senator McKIM: I am happy to ask them. Could you also take on notice please, because I presume you won't be able to answer, what happens to any unspent part of that scheme and whether you're able to quantify any emissions reductions from that program? If you can take those on notice.

Ms Anderson: We'll take those on notice.

Senator Gallagher: I am still confused about whether we are talking about the instant asset write-off. You are not talking about the energy bill rebates to small business, are you?

Senator McKIM: No. Just because the minister has raised it, and just for clarity, it's not the instant asset write-off, but they were in the same legislation. They were in the same bill but it's not the same scheme; not the same program.

Senator Gallagher: We'll see whether we can find anything more for you.

Proceedings suspended from 15:10 to 15:20

CHAIR: The committee resumes with Treasury's Small Business, Housing, Corporate and Law Group, and the National Housing Supply and Affordability Council, and I call Senator Kovacic.

Senator KOVACIC: Deputy Secretary, I'd like to take you to the number of business insolvencies collected and published by ASIC. Is this something that Treasury has been watching particularly closely?

Ms Anderson: Yes, Senator, it is.

Senator KOVACIC: And what have you been able to glean from that data?

Ms Anderson: In a level sense, there's been an increase in corporate insolvencies. Obviously, business-related personal insolvencies are also very relevant to small business because many small businesses are single operators or very, very small businesses. So we watch both the corporate insolvency data and the personal insolvency data. In a level sense, that has increased. As a proportion of total businesses, it's not the highest ever, but it's still something we're watching quite closely.

Senator KOVACIC: You speak about it not being the highest ever. The data that we see in relation to insolvencies—and I note that the Prime Minister on the weekend also noted that the past few years have been

very difficult, and small businesses have done it hard. The data suggests that we've had 12,191 insolvencies in the past year. Do you have any comment to make on that?

Ms Anderson: Yes. As I said, that's in a level sense, and that is high, so I'm not diminishing it; it's something we are watching. I think I've also seen some reporting that that is the highest ever. In a level sense, that's true, but of course the number of companies grows. So in a proportion sense, whilst it's high, I think it's not the highest ever. But again it's irrelevant to us; we are watching it. It is important for us to watch it and to think about the things that might be contributing to that higher level of insolvency.

Senator KOVACIC: When you speak about a level sense, you mean in terms of physical numbers?

Ms Anderson: The actual numbers, that's right, yes.

Senator KOVACIC: On that basis, was the 2024 financial year the worst financial year on record for insolvencies?

Ms Anderson: I might ask Mr Seebach to make sure I've got my numbers correct. In a level sense, yes. In a proportion sense, which is actually what we would pay attention to if we were using that kind of a statement, it is not. Mr Seebach.

Mr Seebach: I'll just deal with corporate insolvency and business-related personal insolvency just to make sure we cover the field. While the total in 2023-24 for corporate insolvencies was slightly higher than prior peaks seen in 2011-12 and 2012-13, it is proportionately smaller, given the higher numbers of companies in Australia in 2023-24. So that's for corporate insolvencies. According to the Australian Financial Security Authority, the level of business-related personal insolvencies has increased over the 2023-24 financial year, but it does remain substantially lower than pre-COVID levels. So it is something, as Ms Anderson said, that we monitor closely, but at this time there is, I guess, nothing particularly anomalous about the figures that we're seeing, based on historical trends.

Senator KOVACIC: Let me get that straight. The level numbers, which are record level numbers—

Mr Seebach: For corporate insolvency, yes.

Senator KOVACIC: Yes. You're saying that they're not alarming to you guys at all. They're not something that you see as being problematic at all, because you're saying that, even though there are record numbers, because there are more businesses it doesn't really matter.

Mr Seebach: It is consistent with what you would see for that number of companies at any point in time.

Senator KOVACIC: So it's unremarkable in the view of Treasury?

Senator Gallagher: You could ask this of the governor tomorrow, but there's a statement she gave recently at the standing committee on economics where she said

... if you take it as a proportion of the number of businesses, which is growing over time, it is not at historical highs. ... if you look at the trend of insolvencies over time, we're not even back to where we were pre-pandemic, trend-wise.

I think there's some important context, but of course Treasury have already said it is something that they watch and monitor.

Senator KOVACIC: Aside from watching and monitoring, has there been any engagement with the Minister for Small Business on those record levels of insolvencies in terms of those level figures?

Senator Gallagher: The small-business minister is a minister of the Treasury portfolio, so, yes, there would be.

Ms Anderson: Yes, we would keep the minister updated on any relevant matters. We do provide advice from time to time about significant data releases, whether it's a private sector data release or an ABS data release that tells us something about the small business or the conditions affecting small businesses. Yes, we would provide that from time to time.

Senator KOVACIC: Has Treasury been tasked by the small-business minister to respond specifically to these record insolvencies?

Senator Gallagher: We do that through the measures, particularly—in our close working relationships with the small-business sector, the minister's always consulting and listening to issues and support that we can provide to assist them.

Senator KOVACIC: But my question is specifically: has the small-business minister tasked Treasury to look into this with particular policy options to manage that situation? There were 11,053 business insolvencies in the 2024 financial year. These are really alarming numbers. Businesses are closing down. People are losing their jobs. Families are losing their homes. In the 47th Parliament, 23,645 businesses have closed their doors in Australia. So

I'm trying to understand what the level of concern is in government, particularly from the small-business minister. It's one thing to say, 'We're worried and we're consulting,' but what is happening in relation to these alarming statistics?

Ms Anderson: I might ask Mr Seebach to talk that through, but this is not something that we've just started monitoring. Obviously, post COVID there was an increase in insolvencies, given creditors started calling in debts that were otherwise not being called in. It is something we've been watching. I would say the best answer I have to that question is the small-business statement which was released in budget. There were three main elements to that. The first was easing pressure on small businesses, the second was supporting growth and the third was levelling the playing field. So there were a range of policies that were implemented through that small-business statement that go to easing pressure, which partly goes to the insolvency issue and a range of other factors affecting small business as well. We can go through those if you like. But that's broadly where we've invested effort, based on the assessment of what small business needs at the moment and some of the pressures that they're facing.

Senator KOVACIC: I guess what I'm trying to get an understanding of is the level of concern in government and from the small-business minister as to these numbers. Australian small businesses want to know if the same alarm bells are ringing in the corridors of government as they are in the main street of Australian centres where businesses are closing down. When we go for a walk, we can see that shops are closed. 'For lease' signs are up. It's very difficult to get a tradesperson. Construction businesses lead these figures in New South Wales, followed by hospitality and retail. These are really significant numbers. What we're trying to understand is whether these alarm bells are being rung in the corridors of government. And, to that end, has Treasury briefed the small-business minister specifically on these issues and has Treasury briefed the Prime Minister's office, and what are the outcomes of those briefings?

Ms Anderson: I won't go into the details of briefings, but, yes, we've briefed the small-business minister, and usually it would be she or her office that talked to the Prime Minister about these matters, unless they were the subject of a specific matter before cabinet or something else. But the short answer to your question is, yes, we are not ignoring this issue. We are also keen to ensure it's put in a historical context, and some of the factors that might be contributing to that are brought to bear in how we're thinking about these things. We're trying not to be alarmist, but we also understand the points you've made about the genuine pressure people are feeling, particularly small-business owners. And a lot of that advice and analysis did lead to those government budget measures that I mentioned before. I think that is the main place we're investing, and some of those are still ongoing and being implemented, like looking at payment times, for example; there's major reform there.

We have some reviews underway that are significant as well. There are a range of things, from looking at the safety nets for small businesses in terms of mental and financial wellbeing through to supporting growth, which is also an important element for small businesses as well. There's still opportunity there. So we need to look at both sides of the coin.

Senator Gallagher: I should say that the ABS data shows that from 30 June 2023 to 30 June 2024, there was a net increase of over 69,000 businesses with nought to 19 employees. That would be the creation of over 69,000 businesses over that financial year.

Senator KOVACIC: Respectfully, Minister, I don't think this assists the small-business owners who have had to close down their businesses to point to new businesses that have opened.

Senator Gallagher: Unfortunately, insolvencies occur—

Senator KOVACIC: They're occurring at record rates.

Senator Gallagher: —under any government at any time. We've already been through the fact that the proportion of insolvencies is not at the highest level. We accept that there are businesses that are doing it and finding these circumstances really hard, which is why the small-business minister has been so focused on making sure that we have a range of measures that can support them, including through our energy bill rebates and others. But it's also important to see that there has been businesses opening during this time as well. A lot of them—69,000.

CHAIR: The last question, Senator Kovacic.

Senator KOVACIC: Thank you. I want to get a clear understanding of whether there is any policy directive or any specific direction or directive been given by the minister to Treasury to deal with, or to attempt to manage or mitigate the record insolvencies, particularly in construction, retail—

Senator Gallagher: We don't have record insolvencies.

Senator KOVACIC: I haven't finished my question. Yes, we do. We have record numbers of insolvencies. The data shows that we have record numbers of insolvencies.

Senator Gallagher: Not as a proportion of overall businesses.

Senator KOVACIC: We have—

Senator Gallagher: I just want to be factually correct here.

Senator KOVACIC: I haven't finished my question. Chair, can I have the courtesy of completing my question, please?

CHAIR: Yes, ask your question.

Senator KOVACIC: Thank you.

Senator O'NEILL: It needs to be accurate, though. I think the minister has already corrected your characterisation on three occasions that I've counted.

Senator KOVACIC: Thank you. I'm able to ask my own questions.

Senator O'NEILL: Yes, truthful ones.

CHAIR: You have the call, Senator Kovacic.

Senator KOVACIC: Thank you. I'd appreciate the courtesy to complete the question. So to begin again, I would like to get an understanding. The data suggests that there are record numbers of level insolvencies in Australia at the moment. Record numbers since—I'll just make sure I get it correct so there is no confusion in relation to it. There are record numbers of insolvencies as reported by ASIC. Has the minister given any particular directive in relation to how to manage this or to point to the urgency of the problem, particularly given the key numbers are in hospitality, construction and retail, and construction is required for the building of houses in the current housing crisis that we have.

Senator Gallagher: Yes. Ministers don't go around giving directives, as I understand it. I haven't given a directive. I work with my department, as Minister Collins would work with her department on all issues that are raised in the portfolio. Of course it is about what the government could do to provide assistance. That's her whole job, so yes.

Senator KOVACIC: What has been done in that whole job since the budget in relation to record insolvencies?

Senator Gallagher: The measures that we've put in place to support small business.

Senator KOVACIC: Which are?

Senator Gallagher: We went through a couple of them. There's the instant asset write-off. There's the new energy scheme that we were just talking about before, which we have an answer for you on. There's the energy bill rebates that have been put in place. There's the payment times work, which has always been an area where small business have raised concerns with us. There's the Cyber Wardens Program to make sure that we are supporting them with the cyber resilience services that has always again been raised as a real area. I could go on. There's a review of—

Senator KOVACIC: That doesn't answer the question.

Senator Gallagher: There's the franchising code—yes, it does.

CHAIR: We'll have to share the call as well.

Senator Gallagher: Is there an area that you—if that doesn't address pressures in small business, which are the main issues that have been raised with us by small business, what is it that you are after from government?

Senator KOVACIC: I'm after an understanding of what the small-business minister has done since—

Senator Gallagher: She's done all of that.

Senator KOVACIC: the record insolvency numbers have come out in order to address it, and to see whether any urgency has been placed on the record insolvencies, or not. Or do we think it's fine; there aren't any problems out there; small business is okay?

Senator Gallagher: No, we've already answered that. The reality is, proportionately, insolvencies are not at a record high, nor have they returned to the trend levels of pre-pandemic times. That's the first fact. Sixty-nine thousand new businesses have opened during this time, and I've gone through a range of the measures that the small-business minister has put in place to respond directly to concerns that have been raised with her by small business.

Senator KOVACIC: So all in the budget, but nothing since the records were broken.

CHAIR: Thank you, Senator Kovacic. Thank you, Minister.

Senator Gallagher: Well, it wasn't broken in one day.

Senator KOVACIC: No, they've been—

Senator Gallagher: Nor was it broken.

CHAIR: Thank you.

Senator Gallagher: It didn't happen in one day.

CHAIR: I'll share the call.

Senator Gallagher: Small business engage with government all the time about issues that are affecting them. It's not like there's one number that comes out and everyone goes: 'Oh my goodness! This is a number, and now you have to do something completely different.' That's not how it works. All of those measures that we have put in place—and the ones I read out were really over the last two budgets—were all about responding to small-business concerns that have been raised with the government. That is the minister doing the job that she needs to do in representing her stakeholders.

CHAIR: Senator Bragg.

Senator BRAGG: Thanks very much. I want to take the minister's invitation to traverse superannuation and housing issues. There was a quote from Minister O'Neil on the 7.30 TV program on 16 September this year, and the minister said:

... so just quickly, super funds here in Australia are very invested in this model of housing overseas but they're not investing it in Australia, because our tax system basically stops them from doing it. So we're trying to address that issue.

What's the minister talking about there, do you think?

Ms Crosthwaite: Senator, I believe the minister was talking about build-to-rent.

Senator BRAGG: So the government wants super funds to do build-to-rent?

Ms Crosthwaite: The government wants institutional investors to be confident in investing in build-to-rent developments in Australia, and I believe what the minister was talking about there was the legislation that's currently before the parliament which is intended to encourage foreign investors to help further develop that sector to create that environment where Australian institutional investors would participate.

Senator BRAGG: That was my understanding as well, Ms Crosthwaite. The bill in the parliament would provide a tax cut for a fund manager, most likely, a foreign fund manager. It wouldn't provide a tax cut for a domestic super fund, would it?

Ms Anderson: I think there is a second element.

Senator BRAGG: That's a separate measure, isn't it?

Ms Anderson: The deductions.

Ms Crosthwaite: That's right.

Senator BRAGG: So the policy of the government is to say that we do want foreign fund managers to build-to-rent, and we've got a tax cut for them if the parliament would agree to that. I don't think the parliament will agree to that, but that's the policy, nonetheless. Then, separately, there's a Housing Accord policy which wants to promote institutional investment into housing generally, including build-to-rent, right?

Ms Crosthwaite: Yes.

Senator BRAGG: Is that a fair characterisation?

Ms Crosthwaite: Yes.

Senator BRAGG: So that's what she was talking about. I want to take you to that now, because there has been a lot of work behind the scenes with institutions and the housing space, hasn't there?

Ms Anderson: When you say, 'A lot of work—

Senator BRAGG: It's not a trick question.

Ms Anderson: No.

Senator BRAGG: The department and Housing Australia have worked closely with the super funds to try and get them to become institutional investors in Australian housing since this government was elected, have they not?

Ms Anderson: There have been investor round tables that the Treasurer has convened, and I think housing has been a feature of at least a couple of those, and there has also been—so obviously Treasury has a super policy area that would be engaging with superannuation companies, institutions, all the time.

Senator BRAGG: That's right.

Ms Anderson: And then Housing Australia has a couple of products that superannuation institutions may wish to invest in—

Senator BRAGG: That's right.

Ms Anderson: —on behalf of their members. But that is a matter for them.

Senator BRAGG: Yes, that's fine.

Ms Anderson: I guess, as a suite, yes, there's been some work.

Senator BRAGG: There have been a lot of measures. Let's go to the National Housing Supply and Affordability Council which is chaired by Ms Lloyd-Hurwitz. This council was established by this government, was it not?

Ms Anderson: That's right.

Senator BRAGG: It was not an act of parliament. It was established through a ministry of arrangements; is that right?

Ms Anderson: No, it was an act of parliament.

Senator BRAGG: It was an act of Parliament, was it?

Ms Anderson: Correct.

Senator BRAGG: One of the first reports it did was on barriers to institutional investment.

Ms Anderson: That was the interim council last year, yes.

Senator BRAGG: Was that commissioned by a minister?

Ms Anderson: I believe it was part of the accord commitments that the Commonwealth made that they would commission this report from the interim National Housing Supply and Affordability Council, yes.

Senator BRAGG: It was commissioned by the government of the day.

Ms Anderson: Yes.

Senator BRAGG: By the minister, or would that have been cabinet?

Ms Anderson: It was within the accord. I think it was technically the Treasurer who was the proponent of the accord.

Mr Dowie: I can confirm that report was commissioned by the Minister for Housing.

Senator BRAGG: Minister who?

Mr Dowie: It was Minister Collins at the time.

Senator BRAGG: Apparently, the report says:

Institutional investment in housing typically refers to equity finance invested by institutional investors in a collection of related dwellings to provide rental services at scale. It stands in contrast to the single dwelling provided by the individual ...

There are 11 recommendations which would promote institutional investment. Have these recommendations been embraced by the executive?

Mr Dowie: That report is being considered by government.

Senator BRAGG: It's being considered by government. So it's only a consideration?

Ms Anderson: That's right.

Senator BRAGG: It hasn't been responded to?

Mr Dowie: No, not yet.

Senator BRAGG: Minister, do you think it's a good idea to get more institutional investors in place of individual people owning houses?

Senator Gallagher: I think we need a range of solutions.

Senator BRAGG: So you're quite open-minded to this report. That is useful, thank you. Now, I want to go to an annoying point of detail, but it is a bit of an integrity issue. I have to sort of walk you through this, if you don't

mind, but there was a freedom of information request seeking all communications with Cbus Super since the last election in relation to these housing matters.

Senator Gallagher: I think we've covered this in previous estimates.

Senator BRAGG: No, we haven't, actually. We did debate it in the chamber because there was an order of the Senate requiring you to explain what happened.

Senator Gallagher: Yes, right. I think you have raised it in estimates.

Senator BRAGG: Not since—

Senator Gallagher: Not with this info.

Senator BRAGG: Not with this latest information. So the issue I'm trying to work out is—I'm interested in what the department has to say about this. Effectively, there was an FOI filed. The Treasury's office said, 'We're not going to give you the information about the correspondence with Cbus.' Then the Senate had an order for production of documents, and I thank the crossbench in the Senate for supporting that order for production of documents. The Treasurer then, on 6 November 2023, files a public interest immunity claim which says, 'The disclosure of commercial-in-confidence information has the potential to damage the frankness and candour of future consultation processes.' It notes that Cbus is a large superannuation fund with many members and disclosure of the information would have the potential to damage their commercial affairs contrary to the public interest. So there's an FOI and there's an OPD. One is being sought as a citizen; one is being sought as a senator, if you like. A PII claim is made by the Treasurer. Was that claim supported by this part of Treasury?

Ms Anderson: The orders for production of documents are usually handled by Law Division. Ms Wells is here. But, effectively, we would have provided advice, I imagine, at the time around the grounds for which you might want to seek a PII to the Treasurer.

Senator BRAGG: So there's a PII claim made on 6 November 2023 signed by the Treasurer. It looks like it's an electronic signature. Do you know about this one?

Ms Wells: Yes, Senator, I do. Obviously, a PII claim is always for the minister to decide, but we do provide support to ministerial officers.

Senator BRAGG: Are you able to tell us any more information about this claim?

Ms Wells: Certainly. I'm aware of both the FOI claim and the PII claim. Obviously, there are different criteria that are applied to both. Under the FOI, there are relevant exemptions under Part 5 of the FOI Act of which a decision-maker can apply, and they often do. Then, under the PPI considerations, it's a public interest test. There's an open list of guidance around the kinds of considerations there in the official guide for witnesses, but that is an open list. I think it's probably been taken as common practice across successive governments that commercial-in-confidence or stakeholder consults that may prejudice or lead to stakeholders not giving frank and fearless advice would be common grounds that would support a PII claim.

Senator BRAGG: The Senate itself ordered the production of this document, and it was resisted by the Treasurer with this PII claim. The only reason these documents were made available was because of the Information Commissioner. The Information Commissioner said: 'I do not accept that the remaining material would cause detriment if it were disclosed. The remaining material does not contain specific commercial information about the fund. Rather, it just sets out the concerns about the operation of a particular area of superannuation regulation.' So the Information Commissioner has said that the Treasurer's PII claim did not contain any commercial information.

Ms Anderson: No. The Information Commissioner's findings were in relation to the FOI scheme, not the PII claim.

Senator BRAGG: No, but they're identical. They're seeking the same information.

Ms Anderson: The criteria are different.

Senator Gallagher: They're different criteria.

Senator BRAGG: They're seeking the same information. I think you've got to be really careful, because we're on the record here. This PII claim has been made over correspondence between Cbus and the Treasurer which was identical to the FOI. The FOI and OPD are the same material. It covers the same territory.

Senator Gallagher: Yes, I know, but the Information Commissioner—

Senator BRAGG: So the PII claim—

Senator Gallagher: —doesn't have jurisdiction over parliament.

Senator BRAGG: Over OPDs. I understand that.

Senator Gallagher: Yes, which was the point.

Senator BRAGG: The point I'm trying to make is, because the Information Commissioner has forced the release of these documents, we now know that they didn't contain any commercial-in-confidence information. I guess what I'm trying to get to the bottom of, and I accept your evidence, Ms Wells, is that it's up to the Treasurer to make his own claims. He's been prepared to do that for Cbus. I think that's extraordinary, but that's his prerogative. Did the department give the Treasurer advice about this? Who has made the judgement, that the correspondence between Cbus and the government was commercial-in-confidence when it wasn't?

Ms Wells: For the FOI claim, that would be for the decision-maker to make that judgement, and they would normally, as a matter of procedure, go out and consult with anyone or anyone's material that may be impacted by an FOI claim, and they would take advice from other impacted parties as to whether that's suitable for release.

I'd probably also add that the Information Commissioner did also say, specifically, in that decision that the decision itself, on the FOI to release that document, was not relevant to the public interest immunity claim. That was specifically called out in their decision as well.

Senator BRAGG: I'm not sure that's really—sorry, I mean, you answer the questions how you'd like to. But my question to you was did the department provide information to the Treasurer when he was preparing his claim?

Ms Wells: As standard practice, we normally would.

Senator BRAGG: So the department's view was—

Senator Gallagher: They provide advice to the Treasurer, and we don't know the nature of that advice.

Senator BRAGG: You don't want to say?

Senator Gallagher: I'm just talking you through the process here. Ultimately, as all PII claims are, they're a matter for the minister in charge of that area.

Senator BRAGG: I guess my question is—maybe you don't want to answer it—is—

Senator Gallagher: We're answering all of your questions, Senator Bragg.

Senator BRAGG: Did the department agree that it was commercial-in-confidence?

Ms Anderson: The public interest immunity claim was—we look at the general public interest here. There were grounds for a decision that we believed was the Treasurer's decision, not the department's, and it is with relation to the frankness and candour of consultation processes undertaken by Treasury. So we thought there were grounds. It was open to the Treasurer to make a decision. I think it's entirely different criteria that we're bringing to bear. They're the same documents and a similar outcome, in terms of what you're seeking, but I think there were grounds for that decision. Again, I wasn't party to our advice, but I imagine that was what it said, and Ms Wells will correct me if I get any of that incorrect.

Senator BRAGG: Effectively, just to step through this, there is an effort to try and recover what correspondence has happened in secret between Cbus and the government. The OPD is successful. FOI happens concurrently. I appeal to the Information Commissioner as a citizen, effectively, and the Information Commissioner finds in my favour. Therefore, the document is released and the Information Commissioner, whilst making no direct judgement about the Treasurer's PII claim, clearly, a typical person would look at that and say, 'Well, the Information Commissioner has said in their own words that there doesn't appear to be anything commercial-in-confidence here, so we will now grant the release of the document.' That's what's happened here. It's not a very good look, is it?

Ms Anderson: I think Treasury does have responsibility to those looking at it one step back, away from the specifics of this situation. We do have a responsibility to ensure that any entity can provide us information in confidence, if they so wish, in order to provide feedback or expert input into consultation processes.

Senator BRAGG: Yes, I understand that.

Ms Anderson: That is something we would like to protect, because I think it is very important that companies are able to do that.

Senator BRAGG: Okay.

Ms Anderson: If the judgement call, in this instance—if the Information Commissioner had a different judgement to what the original decision-maker in this one had for the FOI, then we'd accept that.

Senator BRAGG: So your preference would have been to conceal it?

Ms Anderson: No. My preference is definitely not to conceal it. My preference is to look out for what the public interest is in all the different circumstances, and if a company tells us they wish to provide us something confidentially, that is something we need to take seriously.

Senator BRAGG: Can I ask you then—and I would be grateful for your advice on this as well, Minister—were you concerned that, given Cbus is chaired by Mr Wayne Swan, who is the president of the Labor Party as well, the governing party, it may be prudent to err on the side of transparency, here, rather than concealment? Minister?

Senator Gallagher: I wasn't—

Senator BRAGG: Did you not think it was a bad look?

Senator Gallagher: I think—

Senator BRAGG: It's secret lobbying.

Senator Gallagher: It's not secret lobbying.

CHAIR: I think the minister is ready to respond.

Senator Gallagher: The rules are there, FOI should be applied and ministers make decisions about PII claims.

Senator BRAGG: Do you think it was a good claim to make?

Senator Gallagher: The rules should apply. The criteria should be met. If you disagree with that, you can have an appeal, in which case you have, and the Information Commissioner has made a determination. So the system is working.

CHAIR: I'll share the call. We'll go in 10-minute blocks. I'll go to Senator Pocock.

Senator Gallagher: Can we answer a thing we took from Senator McKim before the break?

CHAIR: Yes.

Ms Anderson: Senator McKim, it was in relation to that issue you raised before the break. Apologies we didn't have a better answer, at the time—

Senator McKIM: That's okay.

Ms Anderson: but Mr Seebach can read something that might help answer your question.

Mr Seebach: Thank you. Thanks, Senator. I'm not sure the answer will be exactly what you're after either.

Senator McKIM: We'll see.

Senator Gallagher: Don't talk him down.

Senator McKIM: You did spend more than 10 per cent of it.

Mr Seebach: I just wanted to flag that, given the way our tax arrangements work, the cost of the incentive won't be known until all tax returns for the last financial year come in, and people have until May next year to do that.

Senator McKIM: They do.

Mr Seebach: Once all the returns are lodged and processed, the ATO will report on the costs of the program as part of its annual statistics. If there is money left over and these were budget forecasts only, if there is money unspent, then that will return a consolidated revenue as higher than expected tax return receipts.

Senator DAVID POCKOCK: I've got some questions for the National Housing Supply and Affordability Council. Both Treasury and Home Affairs have previously told me that there is no actual target for net overseas migration, only forecasts in the budget and at MYEFO. I'm keen to understand what, if any, work the council has done or is doing looking at net overseas migration, household formation rates and housing supply.

Ms Lloyd-Hurwitz: In the model that drove the forecast that we released in April this year, in our first report, we've taken the population forecasts of the government into that model. We've done some sensitivities around those forecasts, in terms of the impact to housing construction of a slightly higher or slightly lower migration, which is included in the report, and we make our own determination around household formation. I would say that in the report that we're going to release next year, in 2025, the second report, we will be significantly enhancing the way that we're looking at household formation rates, because they are very important to the number of houses that we need.

Senator DAVID POCKOCK: Thank you. That sounds like really good and valuable work. When it comes to net overseas migration, what impact is this having on housing?

Ms Lloyd-Hurwitz: Interestingly, we've had house price escalation greater than income escalation in periods of high migration, periods of no migration and periods of low migration. It is not the single causal factor of what's happening in the property market. Nevertheless, a short-term spike in migration certainly does put pressure on the system.

Senator DAVID POCOCK: You addressed affordability there. What about availability? What have we seen there?

Ms Lloyd-Hurwitz: The two are inextricably linked, because prices go up when there's scarcity of supply. As we were talking about before, there is a balance here between thinking about the housing system, in which migration is not the primary cause of the housing crisis that we're in, and the benefits that we bring into the country through migration, including exports of students, education and, indeed, a supply of workers into the construction sector.

Senator DAVID POCOCK: Does it concern you that, given the challenges we face, we have no actual plan when it comes to population in Australia?

Ms Lloyd-Hurwitz: That really isn't a matter for the housing council to opine upon.

Senator DAVID POCOCK: It wouldn't make your job a bit easier, to work out how much housing we're going to need, if you knew what the plan was when it comes to population?

Ms Lloyd-Hurwitz: I think the population forecasts are reasonably reliable, and that's why we use them directly into the model.

Senator DAVID POCOCK: Given it's now well over a year since the publication of the September 2023 report *Barriers to institutional investment, finance and innovation in housing*, do you know when we can expect to see the government's response?

Ms Lloyd-Hurwitz: I might ask Mr Dowie to come to the table, unless Ms Crosthwaite wants to take that one. While I'm waiting for my colleague to come up, I want to note that some of the recommendations in that report are already, effectively, part of the government's policy—not all of them, but some of them have been responded to through government action. Mr Dowie can talk to specifically when we're expecting to respond.

Mr Dowie: A number of those recommendations relate to both the Commonwealth and state governments. There continues to be a process of testing the appetite of state governments, through the Housing and Homelessness Ministerial Council, with a view of coming to a national response to the report's 11 recommendations that cut across jurisdictional boundaries.

Senator DAVID POCOCK: It's been 14 months. This is the biggest issue I hear from people, when we can expect a response to this report.

Mr Dowie: It is being considered by various governments through that ministerial council.

Senator DAVID POCOCK: Don't you have a timeline, a goal, you're working towards or is it just, 'See how we go'?

Mr Dowie: We continue to try and facilitate discussion around this. This is something that we're working through with officials, to try and get an agreement on what a national response would be. It's been the subject of active conversations we've been having through the ministerial forum and the officials that sit underneath that.

Senator DAVID POCOCK: Minister, it's been 14 months since the report into the *Barriers to institutional investment, finance and innovation in housing*. It seems like this is right up the government's—in line with their agenda. How come we don't see a response to the report for 14 months?

Senator Gallagher: Because we are working with the states and territories on this, is essentially the answer. It's not a matter of unilateral responding, particularly when there are areas that have different levels of responsibility at different points of government. It has to be worked through with the states and territories.

Senator DAVID POCOCK: I take that point. I'm just concerned it fuels this perception that the government has been pretty slow to clock how bad housing is, and we see government move much quicker on other things that do actually require coordination.

Senator Gallagher: I reject—we have been working on housing for the last couple of years, coming at it from every different angle, including legislation, working with states and territories, working with local government, with the housing supply council, with the reports that are being done. This has all been at the government's initiation. As much as we'd like it all to be within the realms of the Commonwealth to solve some of these issues, it isn't. We have to work with different levels of government that might have different levels of priority, but we

continue to work with them. I have no doubt that Minister O'Neil will be seeking to get agreement on as much as she can, as soon as she can, with the ministers.

Senator DAVID POCOCK: One of the council recommendations that was targeted squarely at the Commonwealth was that the Commonwealth should support the establishment of an aggregator of social and affordable housing assets—for example, by subsidising the establishment costs and ongoing administrative costs of such a vehicle. How has this been progressed?

Ms Anderson: It's being progressed along with the consideration of the report as a whole. That is quite a significant recommendation that you've selected there, and it's still under consideration at this point in time.

Senator DAVID POCOCK: On that one, given it's just Commonwealth, is there a time frame as well?

Ms Anderson: No, not specifically, but, yes, we are looking at it. Mr Dowie might know more than me.

Mr Dowie: If I can add to that. There is that recommendation there, but I think it's worthwhile drawing your attention to a number of announcements the government has made about extending the bond aggregator, particularly those made in the 2024 budget. I refer you to some of those announcements that were made. The cap on the government guarantee of Housing Australia's facilities was increased by \$2 billion to \$7.5 billion in the 2023-24 budget to provide lower-cost and longer-term finance to community housing programs through the affordable housing body aggregator. These loans can be used to acquire, construct or maintain social and affordable housing as well as refinance existing debt.

Ms Crosthwaite: The reason that's relevant is that the affordable housing bond aggregator, which is run by Housing Australia, is, as I'm sure you are aware, the existing vehicle by which investors can invest in affordable housing. The increase in the ability of Housing Australia to use that is at least going part-way toward the intent of fulfilling one of those recommendations. But, as Ms Anderson said, that specific recommendation is being considered alongside the others.

Senator DAVID POCOCK: Thank you. Has Treasury commissioned any work from the National Housing Supply and Affordability Council to model the housing demand and affordability impacts of possible changes in migration policy settings?

Ms Lloyd-Hurwitz: In our report, we do do some sensitivities around the migration levels and the impact that would have on demand for construction. If you want me to get to the page, if you give me a minute, I will give you the page.

Senator DAVID POCOCK: Sure. Treasury has asked you to do that work?

Ms Lloyd-Hurwitz: No, that was part of the work that the council did in the report. Obviously, when we have inputs into a model providing sensitivity around whether it was lower or higher—the same with interest rates—then it provides a slightly different answer.

Senator DAVID POCOCK: I'm interested in whether Treasury—given we are going into an election cycle, I'm sure immigration is going to come up—have requested that you model different scenarios.

Ms Lloyd-Hurwitz: Under the legislation, the report that we are required to produce by April each year can consider anything that's relevant to the state of the housing system, which does include migration amongst many other things. We took the legislation as the outline of things that we were to consider in the report. It wasn't specifically requested, but it's something that we thought was an important component of understanding the variability around the outlook.

Senator DAVID POCOCK: Has Treasury asked you to look at the social and affordable housing component of their 1.2 million goal for housing?

Ms Lloyd-Hurwitz: Again, under the terms under the legislation, we're to look at the entire housing system, from social and affordable housing through to market housing, both home ownership and rental. So we do look at the entire system and obviously are also tasked with consulting with DSS around the housing plan.

Senator DAVID POCOCK: So how many of the 1.2 million should be social and affordable?

Ms Lloyd-Hurwitz: The forecast is 40,000 social houses.

Senator DAVID POCOCK: Are those what are forecast or what are needed?

Ms Lloyd-Hurwitz: That's in the forecast. I'd have to take on notice the number that are required.

Ms Anderson: I think Ms Lloyd-Hurwitz is referring to the 40,000 Commonwealth commitment built into the forecasts. That's not all social and affordable housing; it's the specific policy commitment that we've made.

Senator DAVID POCOCK: On notice, how many do we actually need as part of that 1.2.

Ms Lloyd-Hurwitz: I'll take on notice.

Senator DAVID POCOCK: Thanks.

CHAIR: Thank you, Senator Pocock. Senator Bragg.

Senator BRAGG: I will finish up where we were before on the Cbus lobbying. Are you aware of what exactly the briefing note was that was provided to the government?

Senator Gallagher: I only just had a look at it now.

Senator BRAGG: Do you know what it is?

Senator Gallagher: Well, I've only just seen it in a media report. I haven't actually read it. But it looks to me like a briefing note.

Senator BRAGG: It's a briefing note from Cbus. They wanted to be exempted from disclosing certain fees to do with property investments. Was this considered by this part of the department?

Ms Anderson: We were not the decision-maker for either the FOI or the PIIs as far as I understand it.

Senator BRAGG: Did you receive this briefing note from Cbus?

Ms Anderson: The Housing Division would have received that in the context of the HAFF, I believe, because it was a part of the HAFF legislation consultation. Unfortunately, I think some of the people at the table were not—

Senator BRAGG: No, it's not.

Ms Anderson: Sorry.

Senator BRAGG: It says here, 'Superannuation funds are required to disclose fees and costs in line with ASIC regulatory guide—97 disclosures of fees and costs,' and then it goes on to complain about the disclosure of costs in these regulatory guides.

Ms Anderson: Yes.

Ms Crosthwaite: Revenue Group have the area that looks after superannuation policy, so they may have seen that briefing note if it came to the department.

Senator BRAGG: So who received the briefing?

Ms Anderson: Sorry; I was confused between what we were discussing before.

Senator BRAGG: This is the briefing note from Cbus.

Ms Anderson: Yes.

Senator BRAGG: Did you receive this note?

Ms Anderson: I didn't. As Ms Crosthwaite said, we would have to check with her Revenue Group colleagues as to whether our superannuation—

Senator BRAGG: Hang on. You just told me that you were involved in preparing the PII claim.

Senator Gallagher: No.

Ms Anderson: No.

Senator BRAGG: Sorry.

Senator Gallagher: Over here.

Senator BRAGG: The legal official working on behalf of the department as a whole prepared the advice and PII.

Ms Anderson: Yes.

Senator Gallagher: Yes.

Senator BRAGG: Okay. The substantial briefing note from Cbus that was transmitted to—

Senator Gallagher: It looks like it's one page to me.

Senator BRAGG: It was given to Markets Group, was it? It didn't come to you?

Senator Gallagher: I don't know that we can answer that for you. We will take that on notice as to who received the briefing note.

CHAIR: Can I just do some time housekeeping and come back to you, Deputy Chair. It would be noted that the committee is running substantially behind time. We do have a hard marker of 10 pm. We do not have substantial advice for those waiting about when they will come on except to say that it would be safe to say that

APRA will not be required until after the dinner break. That's what we have for witnesses at the moment. Senators will do their best to try to make up time.

Senator BRAGG: We will indeed, Chair.

CHAIR: Senator Bragg.

Senator BRAGG: Ms Wells, this briefing note was in your custody, I imagine, but it was handled by Markets?

Ms Wells: Normally, when we get an FOI request, we will do a whole-of-departmental search over our IT system to see what's in scope of the request. Once that comes through, that will go to the decision-maker. In this case, the decision-maker was the minister's office, so we would not have directly handled that information.

Senator BRAGG: Okay. Should I ask Markets about this, Deputy Secretary?

Ms Anderson: I'm not trying to be overly bureaucratic on you, but our super area has moved from Markets to Revenue Group just to make me look even more foolish. I think it would be Revenue Group that—

Senator BRAGG: You don't look foolish. I just want to ask the people some questions about the actual request that was given to them.

Ms Anderson: Yes. Why don't we take that on notice, and I will speak to my colleagues and make sure that somebody is ready to answer that question for you.

Senator BRAGG: Just from a process point of view, Ms Wells, I think it would be helpful. I think most people would look at it and say, 'Well, the Information Commissioner found this wasn't commercial-in-confidence,' and force its release. As a result, that would cause most people to look at the PII claim and say, 'Well, that PII claim wasn't correct.' What processes will change in the future to ensure that people don't sign incorrect or misleading PII claims?

Senator Gallagher: The PII claim is a matter for the minister, not for the department.

Senator BRAGG: What processes will you put in place to ensure you don't make false PII claims?

Senator Gallagher: I don't think that has been found to be false.

Senator BRAGG: This is not commercial-in-confidence. This is lobbying.

Senator Gallagher: The Information Commissioner has made a finding in relation to the FOI Act, but they don't have—

Senator BRAGG: It's the same.

Senator Gallagher: Yes, I know, but they're different criteria, and they don't have jurisdiction over the parliament.

Senator BRAGG: So are you going to change anything as a result of this?

Senator Gallagher: Well, the PII process is established by the parliament.

Senator BRAGG: But I'm asking the department if it regrets being party to a false claim made by the Treasurer.

Senator Gallagher: You are assuming that.

Senator BRAGG: It wasn't correct, Minister.

Senator Gallagher: They have supported the Treasurer with advice around the handling of a PII claim.

Senator BRAGG: It sounds like you're not going to do anything.

Senator Gallagher: I imagine departments are going to continue to support their ministers in relation to the extraordinary amount of OPDs that go through the Senate. You know, OPDs used to be very rare. There used to be a handful of them, and the only reason we've got about 100 of them pretty much every sitting week is that we changed motions procedure. Instead of being able to move a motion, people now seek OPDs, and so they don't carry the same significance that they used to, and I think that's a shame for the parliament.

Senator BRAGG: But I think it's a shame—

Senator DEAN SMITH: They don't carry the same significance for whom?

Senator Gallagher: For the parliament, because they're done all the time. They're not—

Senator DEAN SMITH: They should, because, when an OPD is approved by the Senate—

Senator Gallagher: Well, they don't.

Senator DEAN SMITH: —it has the authority of the Senate.

Senator Gallagher: No, they don't.

Senator DEAN SMITH: The department does not have the liberty of making a judgment call—

Senator Gallagher: It's not the department.

Senator DEAN SMITH: —about whether it takes it seriously or not.

CHAIR: Okay. Senator Bragg.

Senator BRAGG: It sounds like, on that issue—to conclude the matter—the government recognises that the claim made by the Treasurer, which was effectively overturned by the Information Commissioner, is just a fact of life and there will be no reviews or changes in Treasury processes as a result of this pretty unseemly affair.

Ms Anderson: I don't accept the premise that the Information Commissioner overturned the PII; he overturned an FOI decision. But the department has an advisory role in these instances. As I said, we understand there was a ground upon which the Treasurer could have claimed PII. He decided to do that. We are not usurping any decision-making role on behalf of the Treasurer with regard to PIIs. That would be inappropriate. We simply provide advice on the process and take forth whatever the decision is in terms of administrative support for that decision.

Senator BRAGG: Fair enough. I want to ask you about Help to Buy and then I'm done on housing. You've introduced the Help to Buy bill into the House again; is that right?

Senator Gallagher: Yes, there is a second bill going through the House.

Senator BRAGG: Now, the Prime Minister has been talking about this being a serious proposition, and there have been media reports about whether this may be used as a double dissolution trigger. Is that an unfair characterisation or a fair characterisation?

Senator Gallagher: I'll leave others to speculate on that.

Senator BRAGG: I can't ask the department now; I'm asking you.

Senator Gallagher: I am aware that there is speculation about it as a trigger. I think it shows the government's commitment to continuing to pursue this despite the Senate's current position on it. We'll continue to do it. We want to get it through. And there will be a vote on this bill, won't there, in November.

Senator BRAGG: We hope so.

Senator Gallagher: No, the motion of the Senate is to have a vote.

Senator BRAGG: I think it's a good idea to have a vote on things. I think, if you believe in something, you should bring it on for a vote. That makes sense.

Senator Gallagher: We tried, remember? And you opposed it and moved it off and adjourned it. So get your story straight.

Senator BRAGG: My main question on Help to Buy, now we've got the Treasury here, is whether this is your only demand-side policy or whether there are other demand-side policies?

Ms Anderson: There are probably two at the moment. There is the Home Guarantee Scheme.

Senator BRAGG: That was a policy inherited by this government.

Senator Gallagher: An expansion thereof.

Ms Anderson: It was expanded and extended, yes.

Senator BRAGG: But it was a policy of the former government, was it not?

Senator Gallagher: Expanded and improved upon.

Ms Anderson: Yes.

Senator BRAGG: That was an inherited policy. And then what's the other one?

Ms Anderson: Help to Buy is the other one that you mentioned.

Senator BRAGG: That's the only one so far. Are there any other ones in the mix?

Ms Anderson: Not that we would specifically characterise as demand-side measures, because our advice to government has been largely to focus on supply measures.

Senator BRAGG: What do you make of the popularity of the shared equity or Help to Buy like schemes that have been run by the states?

Ms Anderson: Those schemes all have different criteria. I will invite my colleagues to help me out here, but the scheme that the government has developed is not particularly analogous to some state schemes and more

analogous to others. Take-up has been mixed, and that has very much depended on the specific circumstances of the schemes.

Senator BRAGG: So what about the New South Wales scheme?

Ms Anderson: I'll invite my colleagues to jump in.

Senator BRAGG: Are these popular or unpopular? Do people like co-owning their house with the government, based on the data available from New South Wales?

Mr Donovan: We've got data available from many jurisdictions that are operating shared-equity schemes.

Senator BRAGG: Why don't you tell me about New South Wales. I represent that state, so I'm interested in that state more than others, perhaps.

Mr Donovan: We've some numbers from various jurisdictions. If you look at a jurisdiction like New South Wales, I think that scheme in the last two years has helped slightly over 500 people. The eligibility is much more restricted than the Commonwealth's proposed Help to Buy scheme, so we would say there are other state schemes that are more analogous. The Victorian Homebuyer Fund has helped more than 7,300 people in the last three years, and WA's Shared Home Ownership model has helped about 1,800 people over the last 10 years or so. So there are a range of—

Senator BRAGG: In the scheme of the problem we're trying to solve here, they're not big numbers, are they?

Mr Donovan: I think it's fair to describe these as targeted interventions on the demand side.

Senator BRAGG: So it's a targeted intervention, and this is the government's only demand-side policy, apart from their Home Guarantee Scheme. There are not a lot of options, on the demand side, are there, Minister?

Senator Gallagher: We have a range of measures.

Senator BRAGG: You've got two: one you inherited and one that's stalled.

Senator Gallagher: No. Across housing, whether you look at supply, demand, support for renters—

Senator BRAGG: We're talking about demand. We're talking about demand.

Senator Gallagher: the work that we're doing with homelessness, social and affordable housing, we are coming at this problem from every which way. You're opposing most of it and then complaining in the same breath that not enough is being done.

Senator BRAGG: No. I guess my comment is—and leading to my next question on this matter—surely there's space for some more imagination here. Are there any other demand-side things that you could do to help tilt the scales for people?

Ms Anderson: Treasury's advice around demand-side measures has always been to exercise caution due to their inflationary impact.

Senator BRAGG: Yes, of course.

Ms Anderson: If anything, our view at this point in time is, until inflation is more within the target band more solidly and the economic conditions are right, governments should exercise significant caution about untargeted demand-side schemes.

Senator BRAGG: But the national conclusion, though, is that, if the Help to Buy scheme is permanently stalled, then does the government say, 'We're not going have any demand-side measures at all to help first home buyers?'

Senator Gallagher: Well, we're still hopeful to get it through. Stop your opposition—

Senator BRAGG: That's it. All the eggs are in one basket.

Senator Gallagher: No. We've just gone through all of the different measures in the housing plan.

Senator BRAGG: Two.

Senator Gallagher: No. Well, you're talking about—

Senator BRAGG: The demand side.

Senator Gallagher: demand. We have a whole range of other interventions that we are—

Senator BRAGG: We talked about supply before. That's a disaster.

Senator Gallagher: putting through, and you're opposing most of it.

Senator BRAGG: I think the cupboard is a bit bare, isn't it?

Senator Gallagher: Just support it. Find me another government that's done as much as we have. You won't be able to do it.

Senator BRAGG: The last government built more houses.

Senator Gallagher: No. We've already established that isn't correct. Find me the programs you ran, because you didn't.

Senator BRAGG: We built more houses.

Senator Gallagher: No, you didn't. You did not. The government did not build houses.

Senator BRAGG: I will table the data.

Senator Gallagher: You didn't build houses. You were not involved.

Senator BRAGG: Do you think the government should build all the houses?

Senator Gallagher: No, I don't.

CHAIR: Stop, everyone.

Senator Gallagher: I don't think you should sit there and say you built more houses when that's clearly incorrect.

CHAIR: Thank you, Minister. Thank you, Deputy Chair. I'm going to Senator Smith.

Senator DEAN SMITH: I just want to turn to a tender matter that was published on 25 March 2024 for the value of \$198,000 to Korn Ferry for what's described as management support services. The limited tender condition which is identified is 10.3B, extreme urgency or events unforeseen. But I understand that tender matter concerns the hiring of professional services to identify or headhunt people for the RBA board. Is that correct?

Ms Anderson: That's correct. That contract, to put in your mind, is being managed by our colleagues in Macroeconomic Group. We have some information, and we will help if we can, but there will be a point at which I tell you that's beyond our limits.

Senator DEAN SMITH: Brevity's a skill, so I'll keep it nice and tight. Has the full \$198,000 been expended?

Ms Anderson: I would have to take that on notice. We don't have that information.

Senator DEAN SMITH: Oh.

Ms Anderson: Usually how these contracts tend to work is there's a proportion up-front and then a proportion later, so I would expect not. But I can confirm that on notice.

Senator DEAN SMITH: Did the headhunters put forward any final candidates for the RBA board appointments?

Ms Anderson: I don't have any information on final candidates, sorry. I can take that on notice.

Senator DEAN SMITH: What information do you have in front of you that you thought might be helpful to me?

Ms Anderson: Korn Ferry provided recruitment services and board search services to Treasury. This included assisting with the selection process for the appointment of up to six members for each of the Monetary Policy Board and the Governance Board and establishing a merit list for additional vacancies. We procured Korn Ferry to provide bundled services, including screening and shortlisting, which includes a board search to complement the pool of candidates, interview and verification and selection reporting. I think that's probably all I have for you, Senator.

Senator DEAN SMITH: You said 'assisting with'. So the \$198,000 to hire Korn Ferry is complementary to another element in the overall recruitment process?

Ms Anderson: That's right, yes.

Senator DEAN SMITH: What's the other element?

Ms Anderson: That would involve us providing advice to government on actual appointments. That would not be undertaken by a headhunting company. That's undertaken by the relevant minister and with Treasury's support, in this instance.

Senator DEAN SMITH: I understand. How many candidates were identified on the longlist—I might just use that word—and then how many made it to a shortlist or a shorter list?

Ms Anderson: I'll have to take that on notice.

Senator DEAN SMITH: Has the contract been extended or modified?

Ms Anderson: In August, the contract was varied. There was no change to the contract value, but the end date was changed to 31 December this year.

Senator DEAN SMITH: It was to conclude on 30 June 2024.

Ms Anderson: I believe so, yes. I'll have to confirm that, though. I don't have that in my paperwork.

Senator DEAN SMITH: And it was extended until when?

Ms Anderson: 31 December this year.

Senator DEAN SMITH: For the appointment of people to a board that doesn't yet exist?

Ms Anderson: It was done in advance of the passage of legislation because we wanted to be ready to provide effective advice to government.

Senator DEAN SMITH: So that advice is before government. You're just waiting for the passage of legislation now?

Ms Anderson: I'd have to check where it is in the process. I suspect it will not be provided to government until the legislation is passed.

Senator DEAN SMITH: That would be a bit presumptuous.

Ms Anderson: It would be, yes.

Senator DEAN SMITH: Is it common for a recruitment process to be undertaken prior to the formal establishment of a board?

Ms Anderson: Again, I'd have to take on notice whether we've done that in the past. I have a memory that we may have.

Senator DEAN SMITH: If it has been done in the past 10 years, perhaps you might identify those instances where that has taken place. Thank you very much.

Ms Anderson: No problem.

Senator DEAN SMITH: True to my word, brevity. Now I just want to turn a previous matter that was discussed at estimates with regard to advertising campaigns and the creation of the Treasury spin unit, the TSU. How much of the \$40 million budgeted for the stage 3 tax campaign has been spent to date?

Ms Anderson: While Mr Axelby is preparing his tonsils, I will say we do not call it the Treasury spin unit. It is the Public Information Branch at Treasury.

Senator DEAN SMITH: I was making sure you are paying attention!

Ms Anderson: I will ask that Mr Axelby to take this question.

Senator DEAN SMITH: It's my working title, the TSU.

Mr Axelby: The total spend is \$22,241,098.

Ms Anderson: And I think you said \$40 million. The budgeted amount was not \$40 million, was it? It was slightly yes than that.

Mr Axelby: Yes.

Ms Anderson: Sorry, it was roughly \$40 million. You're right.

Senator DEAN SMITH: Can you break down that into the creative advertising spend elements? And are there any other key categories that might be useful to me?

Mr Axelby: I can break it down, yes. The creative was just over \$2 million ex GST, and the media spend was \$18,731,000.

Senator DEAN SMITH: I don't recall it being particularly creative.

Ms Anderson: We will take that as a comment.

Senator DEAN SMITH: Okay. What agencies were involved in working on the campaign?

Mr Axelby: As in other government agencies?

Senator DEAN SMITH: Other government agencies.

Mr Axelby: None.

Ms Anderson: Just Treasury.

Mr Axelby: Just Treasury.

Senator DEAN SMITH: Was there any market research undertaken to inform the campaign?

Mr Axelby: There was.

Senator DEAN SMITH: And who was the market research organisation?

Mr Axelby: Whereto.

Senator DEAN SMITH: Have they done previous work for government?

Mr Axelby: I can't say for certain, but I would assume so, given they're part of the village model that government uses through Department of Finance.

Senator DEAN SMITH: And who did the creative?

Mr Axelby: Clemenger.

Senator DEAN SMITH: And who's doing the media buy?

Mr Axelby: Universal McCann does the media buy. That's for the whole of government.

Senator DEAN SMITH: Do you have a breakdown of the contracts or payments provided to each of those particular organisations, entities? So how much was provided to Clemenger? How much was provided to Whereto? How much was provided to Universal McCann.

Mr Axelby: I do. Whereto was \$386,995.99. As I said, Clemenger the creative was \$2,044,826.52, and Universal McCann was \$18,731,788.52.

Senator DEAN SMITH: What was the call to action that the campaign was drawing the community's attention to?

Mr Axelby: It was a call to action to go to the tax cuts website to understand what your tax cut would be.

Senator DEAN SMITH: Right. But the tax cut was flowing automatically through the PAYG arrangements, wasn't it?

Mr Axelby: It was going to happen, but during the campaign research we did find that people were unaware of how the process would work. So it was important that they were provided guidance on how that would be delivered to them.

Senator Gallagher: And this was approved through the Independent Campaigns Committee, which all campaigns of that size—

Senator DEAN SMITH: Good value for money, Senator Gallagher?

Senator Gallagher: Yes, I believe so.

Senator DEAN SMITH: On what basis do you make that judgment?

Senator Gallagher: On providing people with public information. That's what it was. There's been a process set up about an independent campaign committee to go through and make decisions about whether it's appropriate public information, and it did go through that process.

Senator DEAN SMITH: Is the campaign completed?

Mr Axelby: It is.

Senator DEAN SMITH: And was there a post-campaign review or assessment?

Senator Gallagher: Yes, there's an evaluation.

Mr Axelby: There is an evaluation process, but it's not complete as yet.

Senator DEAN SMITH: When will that be completed?

Mr Axelby: I'd have to take the exact timing on notice. It's part of the process that we have to undertake.

Senator DEAN SMITH: When did the campaign end?

Mr Axelby: On 10 August.

Senator DEAN SMITH: I just want to turn to another matter that was canvassed previously. We were talking about the hiring of positions in the Public Information Branch to assist with the management of advertising campaigns. Just remind the community how many roles were advertised and how many of those have now been filled.

Mr Axelby: I guess there wasn't specifically advertising done. We went out to other government agencies to try and gather some people to come into the branch. That wasn't overly successful. So we sought to—

Senator DEAN SMITH: No-one wants to work in the Treasury spin unit?

Ms Anderson: I think these were temporary positions as well. That does factor into people's decisions in whether to move or not.

Senator DEAN SMITH: So it was the temporary nature of the position that made it unattractive to people?

Mr Axelby: I can't speak for people.

Ms Anderson: Yes, exactly. It's a matter for them, but these sorts of skills are quite highly sought after, and to be attract them permanent positions offer a bit more of an opportunity. We did our best to gather some people, and then I think we've got some other short-term people on as well.

Mr Axelby: Basically, the full workforce is non-ongoing, due to end 30 June, and our current ASL is 13.2.

Senator DEAN SMITH: How many are temporary positions?

Mr Axelby: All of them are technically temporary, in that, at the end of the campaigns that were undertaking those roles, some of the staff were from internal, or from another branch that moved across, so they will return to their substantive positions back where they were.

Senator DEAN SMITH: I'm just trying to understand. Temporary positions were advertised. There was lacklustre interest, but how many temporary positions were filled?

Ms Anderson: I think it's important to distinguish between the nature of the individual being temporary. Many of those individuals are permanent public servants doing a job for a particular period of time and then will return. Are you asking over and above those who are genuinely temporary staff, as in on a contract or other non-ongoing arrangement?

Senator DEAN SMITH: No. I'm trying to get a picture of, when those roles were operating at their peak performance, how many of those temporary positions were filled?

Ms Anderson: What's the biggest the branch has been in delivering those?

Mr Axelby: I think the number of positions were somewhere in the vicinity of 17 positions. I don't think we've ever filled all 17. We probably got to about 15, but I'd have to take the exact number on notice.

Senator DEAN SMITH: Have all of those—let's assume it's 15 for this purpose, but you're going to provide the accuracy of that on notice—15 now been returned?

Mr Axelby: No, they're currently still working on campaigns.

Senator DEAN SMITH: Campaigns with an 's'.

Mr Axelby: Correct.

Senator DEAN SMITH: Campaigns with an 's'. Were there any more than 15 involved in the stage 3 tax cuts campaign?

Mr Axelby: No.

Senator DEAN SMITH: Or that was the peak?

Mr Axelby: It was much—

Senator DEAN SMITH: Did you say that the 15—assuming that's what it is—are on non-ongoing arrangements?

Mr Axelby: Some, and some are obviously ongoing APS staff that will return to substantive positions elsewhere within the organisation.

Senator DEAN SMITH: On notice, can you identify where those 15 came from across the Public Service? You'd be able to do that easily, I would have thought.

Ms Anderson: Yes, we can.

Mr Axelby: Yes, we can.

Senator DEAN SMITH: As of today's date, which ones have returned to where?

Ms Anderson: Most of them are still working on the additional work.

Mr Axelby: All of them.

Ms Anderson: All of them, according to Mr Axelby.

Mr Axelby: All of them are still working on that.

Senator DEAN SMITH: What other campaigns are these people working on now?

Mr Axelby: There is currently in market a Supporting Australians campaign.

Senator DEAN SMITH: Supporting Australians?

Ms Anderson: Yes.

Mr Axelby: Yes, and there is in development a Future Made in Australia campaign.

Senator DEAN SMITH: Excuse my ignorance. What is the Supporting Australians campaign?

Mr Axelby: It was an expanded—some funding was taken out of the tax cuts campaign to expand to cover the energy bill relief and student debt relief help.

Senator DEAN SMITH: How much was taken out of the \$40 million of the stage 3 tax cuts campaign?

Mr Axelby: I think \$12.9 million was repurposed across to the Supporting Australians campaign.

Senator DEAN SMITH: So the Supporting Australians campaign has two elements?

Mr Axelby: It did touch on tax and then energy bill relief and student debt relief.

Senator DEAN SMITH: Of the \$12 million, how was that apportioned between those three elements of the Supporting Australians campaign? What does the Supporting Australians campaign look like? I don't think I've ever seen it.

Mr Axelby: Do you mean what the ad looks like?

Senator DEAN SMITH: Yes. Have you seen it?

Mr Axelby: I have.

Ms Anderson: It's quite a flow-on from the stage 3 tax cuts campaign. It looks and feels quite similar to that. It adds the additional measures that Mr Axelby said it talked about—energy bill relief and student debt relief. So, when you say the costs of the three different elements, they are one package. It's one package.

Mr Axelby: Yes. It's not split up into—

Ms Anderson: It's not split up into this was spent on HECS and this was spent on—

Senator DEAN SMITH: Just to be clear, the \$12 million repurposed from the \$40 million stage 3 tax cut campaign has been used to support the Supporting Australians campaign, which is communicating three messages: remaining stage 3 tax cut campaign message, an energy bill relief message and a student debt relief message.

Ms Anderson: That's right.

Mr Axelby: That's correct.

Ms Anderson: And I said HECS before and I should have said HELP, by the way, just to correct myself.

Senator DEAN SMITH: Thank you. That's interesting

CHAIR: If you're going to a different line, I'll go to Senator McKim and come back.

Senator DEAN SMITH: Senator McKim, perhaps I'll have a few more moments and I'll see how far I'll get.

CHAIR: Are you on the same line?

Senator DEAN SMITH: Yes. I'll turn to the Future Made in Australia campaign, which you said is in formulation—

Mr Axelby: In development, yes.

Senator DEAN SMITH: or being prepared.

Mr Axelby: Correct.

Senator DEAN SMITH: What is the total quantum of funds allocated to the Future Made in Australia campaign?

Mr Axelby: The campaign was allocated \$35.9 million, exclusive of GST.

Senator DEAN SMITH: I saw a report in the *Guardian* that suggested that it might have been—not that I test; I trust and verify what I read in the *Guardian*—\$45 million, but it's not. It's 39—

Ms Anderson: Yes. I think we covered that last time. I think that was the budget line in which it appeared—I can't remember what the second element of the line was—but it was two things that were part of that. So this is the correct number for Future Made in Australia.

Senator DEAN SMITH: So the \$35.9 million is allocated over what period?

Mr Axelby: Until 30 June.

Senator DEAN SMITH: Sorry, 30 June?

Mr Axelby: Until 30 June.

Senator DEAN SMITH: And how much of that has been expended thus far?

Mr Axelby: Only \$540,000 approximately—\$540,151.

Senator DEAN SMITH: Does that \$35.9 million include staffing costs, or is it just the—

Mr Axelby: It does.

Senator DEAN SMITH: It does?

Mr Axelby: Yes.

Senator DEAN SMITH: Could you break down for me what that \$35.9 million represents?

Mr Axelby: So it's \$33.5 million in administered, which is obviously the advertising research et cetera; and then \$2.4 million in departmental, which is staffing and other minor costs.

Senator DEAN SMITH: And that \$2.4 million, what does that buy? What does that get you in terms of—

Ms Anderson: It's primarily staffing.

Mr Axelby: Yes.

Ms Anderson: But some supplier expenses like if we have to fly.

Mr Axelby: Travel.

Senator DEAN SMITH: How many staff?

Mr Axelby: So we're clear, that is included in that whole branch—that money goes to the 15 staff we were talking about earlier.

CHAIR: We're getting up to the 20-minute mark, Senator Smith.

Senator DEAN SMITH: Thank you for your generosity, Chair.

CHAIR: You have a couple of minutes.

Senator DEAN SMITH: Just to be very clear, the Future Made in Australia amount that appeared in the budget paper was \$45 million, which comprised the \$35.9 million plus the difference between that and the \$45 million.

Ms Anderson: That's right, yes.

Senator DEAN SMITH: I might come back to this after Senator McKim.

CHAIR: We can't wait. Senator McKim.

Senator McKIM: I have some questions about the Social Housing Accelerator, specifically in regard to the \$2 billion in funding for social housing through the Social Housing Accelerator that was announced in June last year during the Housing Australia Future Fund negotiations. Firstly, how much, if any, of that funding has been allocated?

Ms Crosthwaite: In terms of the \$2 billion Social Housing Accelerator, that money has been provided to the state and territory governments through federation funding agreements, so that money is with those jurisdictions, and we are receiving regular reports from them about what they have been spending that money on in terms of increasing social and affordable housing stock.

Senator McKIM: How many homes have commenced construction out of that fund?

Ms Crosthwaite: I'll ask Mr Dowie to provide that evidence.

Mr Dowie: As to the statements of assurance that we receive from jurisdictions as of 30 June 2024—

Senator McKIM: Did you say 1 June?

Mr Dowie: That's 30 June 2024.

Senator McKIM: That's 30 June. Thank you.

Mr Dowie: The total number of homes that have been completed or refurbished is 402.

Senator McKIM: That's 402. Do you have a state and territory breakdown of that?

Mr Dowie: Yes. So 351 in New South Wales, 24 in Victoria and 27 in Western Australia. I'll also add that there have been a further 370 dwellings nationwide that have commenced but are not yet completed and a further 1,052 dwellings that have been committed—that is, contracts have been signed and exchanged but construction has not yet commenced.

Senator McKIM: Just to be clear, the first number, the 402, is completed dwellings?

Mr Dowie: That's correct.

Senator McKIM: But there are only completed dwellings in three states?

Mr Dowie: That's right, yes. Completed or refurbished, yes.

Senator McKIM: I beg your pardon?

Mr Dowie: Completed or refurbished.

Senator McKIM: Yes. Of the 370 that have commenced but are not yet complete, do you have a state breakdown of that 370?

Mr Dowie: Yes. New South Wales, 328; Victoria, 16; Queensland, 24; and Tasmania, two.

Senator McKIM: Of the 1,052 that are committed—that is, contracts have been signed but have not yet commenced—do you have a breakdown of that number?

Mr Dowie: New South Wales, 217; Queensland, 111; Western Australia, 293; South Australia, 319; Tasmania, 114; and the Northern Territory, eight.

Senator McKIM: Is nothing going to the ACT?

Mr Dowie: The Australian Capital Territory did receive \$50 million in payments under the Social Housing Accelerator. As of 30 June 2024, they have not reported to the Commonwealth that any homes have been committed or that any construction has commenced or that any construction has concluded.

Senator McKIM: Do you have a breakdown of the amount of that \$2 billion that was provided to each state and territory?

Mr Dowie: Yes. New South Wales, \$610.1 million; Victoria, \$496.5 million; Queensland, \$398.3 million; Western Australia, \$209.2 million; South Australia, \$135.8 million; Tasmania, \$50 million; Northern Territory, \$50 million; and the Australian Capital Territory, \$50 million.

Senator McKIM: Thanks very much. That's really helpful. Do you work on an average expected completion time for these projects? Do you make an assumption about how long it's going to take to get a project up to a commitment stage, and then, once a contract has been signed, how long it's going to take to complete that project?

Mr Dowie: We don't have any particular internal rules of thumb as to how long those processes go. Jurisdictions have the flexibility as to how they manage that. There is a contractual requirement on jurisdictions through the federation funding agreement for all funds to be committed by 30 June 2025 and all construction to be completed by 30 June 2028.

Senator McKIM: So, just to be clear, that's all commitments by 30 June next year?

Mr Dowie: Yes.

Senator McKIM: And all completions three years after that?

Mr Dowie: Yes.

Senator McKIM: Thanks; that's helpful. How does that timeline compare to the timeline on which the first Housing Australia Future Fund homes are expected to become available? Are there any relativities there in terms of timeframes?

Ms Crosthwaite: That's not something that we've necessarily drawn comparisons between. We do have some information about when we're expecting to start to see commencements and completions of HAFF programs.

Senator McKIM: I wonder whether one of your officers might be able to just take the committee through a similar kind of process that we just went through in regard to the Social Housing Accelerator but in terms of the HAFF?

Mr Dowie: Yes, absolutely, Senator.

Senator McKIM: Thank you.

Mr Donovan: I can take you through the number of dwellings that progress through to preferred application status in each jurisdiction, if that would be useful.

Senator McKIM: Can you explain what 'preferred application status' is?

Mr Donovan: Of course. That is the decision by the Housing Australia board that was announced in September for a subset of the projects that applied for funding under the HAFF to move through to contractual close.

Senator McKIM: I'm sorry, I didn't mean to interrupt. I would like that information, but I want to be clear. That's a step prior to what Mr Dowie just described as commitment, or when the contracts are signed.

Mr Donovan: That's right.

Senator McKIM: So, before you go to that, how many homes funded through the Housing Australia Future Fund have actually got to the commitment stage?

Mr Donovan: All of the dwellings under the Housing Australia Future Fund, all 185 projects representing those 13,700 dwellings, are now moving through to contractual close on different timeframes.

Senator McKIM: Are any of them closed?

Mr Donovan: At this stage, Housing Australia is still working with each of those proponents to negotiate contractual close. They can probably provide an update later on as to where each of those negotiations are up to.

Senator McKIM: Okay. I'm sorry, my eyes don't—are you Treasury?

Mr Donovan: Yes.

Senator McKIM: Yes, you are? Thank you. It's just to be clear—no shade on you for that.

Mr Donovan: I don't mind if I don't look the part.

Senator McKIM: No, that's fine. Is Treasury aware of any projects funded through the HAFF that have reached the contract stage—that are committed?

Mr Donovan: No.

Senator McKIM: I did interrupt you then. Feel free to go back and let me know the numbers that were preferred application status, thank you.

Mr Donovan: For Victoria, there are 4,135 homes. For New South Wales, it's 3,266. For Western Australia, it's 2,787; Queensland, 1,315; South Australia, 893; ACT, 757; Tasmania, 479; and the Northern Territory, 110.

Senator McKIM: I'm not sure who I'm going to address this question to, but I'll just address it broadly and someone can jump in. Would it be fair to say that directly funding grants for social housing like, for example, the Social Housing Accelerator delivers new social housing far more rapidly than a complex funding model like the HAFF? It seems to me that on the face of it, given what we've just heard, that's the case.

Ms Anderson: I might take that one, Senator. I think the comparison is a little unfair. The Housing Australia Future Fund and the accord fund are new programs that required quite a considerable set-up time. So I don't see that—once the program is up and running. Rounds are now being acted upon—the actual execution of it through to building. State governments are potentially in quite a few of the HAFF projects as well. It is just adding to the ways in which we are able to fund and support housing. So I don't think so, Senator, but I think the delay, I guess, was firstly in the legislation, but then it was very important to set up a very robust scheme, given the amount of money we're talking about here through the HAFF. That's now occurred, so we will now see rounds coming through and, hopefully, funding agreements or contractual agreements being reached with the proponents, and that housing will then commence. So I don't think there will be a significant difference, but time will tell, a little bit.

Senator McKIM: Under the Social Housing Accelerator we've got multiple hundreds of homes completed. We've got multiple hundreds more homes that are actually in the process of being completed. We've got over a thousand that are actually committed. Under the HAFF, none have reached commitment stage yet. Anyway, you can take that as an observation, not a question.

CHAIR: Are you in a position to wrap up? In terms of time management—

Senator McKIM: I'm going to put some questions on those matters on notice but I do just have a couple of others, which I think will be quite brief.

CHAIR: Okay.

Senator McKIM: I just wanted to check on Build-to-Rent. During the Senate inquiry, Treasury officials were unable to say how many new homes would be delivered through Build-to-Rent concessions. Apologies, Ms Anderson; that may have been you.

Ms Anderson: No.

Senator McKIM: It wasn't?

Ms Anderson: It was actually my colleagues in another part of the department.

Senator McKIM: My apologies.

Ms Anderson: You may want to hold the question for them, but I—

Senator McKIM: I'll just ask the question. I don't mind if people know that I'm interested in this. Property industry witnesses testified that, in their view, the scheme in its proposed form would not lead to any additional housing above business as usual. Treasury said—and I do recall this—that there may be no new tenancies

provided which would be affordable to low-income families. So they accepted my proposition that the number of affordable tenancies that would be provided under Build-to-Rent could be zero. Since that inquiry, has Treasury done any further work on the likely impacts, or modelling on the likely benefits, in terms of the Build-to-Rent proposal, on new housing supply and, in particular, the supply of affordable housing?

Ms Anderson: I'm going to disappoint you. I'll take that on notice for my colleagues, if that's alright. If they are able to answer it when they come forward in Revenue Group, I'm sure they can.

Senator McKIM: For Revenue, did you say?

Ms Anderson: Revenue Group, yes.

Senator McKIM: Thank you.

CHAIR: We're about to conclude with this group after another short round of questioning and move to the Fiscal Group. Senator Smith.

Senator DEAN SMITH: Thank you very much. Just continuing with the Future Made in Australia. In Budget Paper No. 2, at page 65, there's a measure that says—budget measures in Budget Paper Number 2, there is a measure that says 'Future Made in Australia—Attracting Investment in Key Industries'. Based on the evidence I've just heard from you, the \$45 million advertising campaign looks to be the bulk of that \$68 million measure.

Mr Axelby: Sorry, Senator. The advertising campaign isn't \$45 million; \$35.9.

Senator DEAN SMITH: Well, still, the \$35 million advertising campaign appears to be the bulk—

Ms Anderson: That's right.

Senator DEAN SMITH: of the 'Future Made in Australia—Attracting Investment in Key Industries' measure.

Ms Anderson: This measure also funded some of the other functions that were set up in Treasury to investigate, for example, the front door, I believe, and a few other—sorry, maybe it was the Future Made in Australia National Interest Framework.

Senator DEAN SMITH: No, the budget measure says:

- \$11.4 million over four years ... to establish and manage a domestic National Interest Account with Export Finance Australia ...
- \$1.9 million in 2024-25 to undertake an independent statutory review of the Northern Australia Infrastructure Facility Act 2016—

and—

- \$54.7 million over two years

of which this \$45 million is a subset—

to administer, coordinate and promote the Government's Future Made in Australia agenda ...

Ms Anderson: That's correct, including the legislation development. So funding was received for that.

Senator DEAN SMITH: Yes. That's what it says.

Ms Anderson: Yes, we have received that.

Senator DEAN SMITH: But when I look at this here—'Future Made in Australia—Attracting Investment and Key Industries'—I would have expected something more substantive than—

Senator Gallagher: There are the production tax credits—\$22.7 billion.

Senator DEAN SMITH: Just finally, I want to turn to the organisational chart. What is the difference between the Public Information Branch and the Information Services Branch?

Mr Axelby: The Public Information Branch is the branch that looks after the government campaigns, and Information Services Branch is the IT branch.

Senator DEAN SMITH: Okay. Got you. Just on the Public Information Branch, then, how many ASL are in the Public Information Branch? I would perhaps canvass this in what I would call a loose way, but, just on notice, can you provide me with some information. How many ASL are in the Public Information Branch and what APS level are they employed against? How many of those roles are based in Canberra? Are any roles based elsewhere, and where are those locations and how many are operating from those locations? And what's the skills mix of those particular roles?

Mr Axelby: I can answer some of that off the top of my head, but I'd prefer to take that on notice, given the—

Senator DEAN SMITH: You don't want to err on accuracy and take it on notice.

Mr Axelby: I will definitely take it on notice.

Senator DEAN SMITH: Okay. Thank you very much.

CHAIR: I am going to release this group very quickly with my thanks. Thank you for answering all of our questions.

[16:56]

CHAIR: We will move now to Department of Treasury Fiscal Group. We extend our congratulations again to you, Ms Reinhardt, for your appointment as the Parliamentary Budget Officer and thank you for all of your work in this area. I assume there are no opening statements. We'll go straight to questions from the deputy chair.

Senator BRAGG: Thanks very much. Can I ask you about the PsiQuantum arrangements now? Were the Treasurer or Treasury aware of the alleged relationship, or friendship, between Minister Husic's office and the senior Blackbird executive?

Ms Reinhardt: Sorry, I'd have to take that detailed question on notice.

Senator BRAGG: You don't know?

Ms Reinhardt: I don't know the answer to that.

Senator BRAGG: Do you know much about Blackbird?

Ms Reinhardt: No, I don't have much detail on Blackbird—apologies.

Senator BRAGG: But you know about PsiQuantum, obviously?

Ms Reinhardt: Yes, I know about PsiQuantum. I don't know if Louise—

Dr Rawlings: No, I don't have any further information about Blackbird. It would be a matter for DISR, the Department of Industry, Science and Resources, which has led the process.

Senator BRAGG: So you think they might know more about this when they're—I don't want you to answer that, but I can ask them tomorrow when they're here, I guess. Are you taking that on notice or are you suggesting we should—

Senator Gallagher: We can take on notice your first question, which was about the state of knowledge, I think, of the Treasurer's office—was it?

Dr Rawlings: Treasury.

Senator BRAGG: That's right.

Senator Gallagher: The Treasury?

Senator BRAGG: My question is: does the Treasury have any knowledge about the interaction with Blackbird and the executive?

Ms Reinhardt: We'll take that on notice.

Senator BRAGG: What about the issue with PsiQuantum? Did the Treasury see the Australian Chief Scientist's advice on PsiQuantum?

Ms Reinhardt: Again, I'll ask Dr Rawlings to talk in detail to this, but I can say that Treasury provided advice on PsiQuantum and the policy issues around PsiQuantum. But it was the department of industry that was analysing and providing the full consideration of that, so that would be a question for Industry.

Senator BRAGG: Yes, I understand that, and we've had a number of sessions at Senate estimates where we have discussed it in detail with Industry. But Mr Yeaman did say that the Fiscal Group would be able to give the Treasury's perspective on these issues, to the extent that you have had departmental engagement.

Ms Reinhardt: We can check whether there were any discussions between Treasury and the Chief Scientist, but I would be very surprised if that was the case, because the department that was responsible for considering it in broader detail was the industry department. They were the department that would have done broader consultations on the proposal.

Senator BRAGG: Maybe it's easier if I go back one step and ask you, as a department: what has been Treasury's role in the PsiQuantum matter?

Dr Rawlings: I'll just add to your question around the Chief Scientist. We did answer in question on notice BET145, which was tabled on 1 November, that Treasury was made aware of advice from the Chief Scientist on the PsiQuantum deal proposal in October 2022.

Senator BRAGG: And what did the Chief Scientist say?

Dr Rawlings: I would have to take that on notice.

Senator BRAGG: Do you not know what they said?

Senator Gallagher: I think it was a while ago now, Senator Bragg. I think it's reasonable if officers want to reflect.

Ms Reinhardt: Dr Rawlings has just come into the role. I was in the role, but it was also another division head that was responsible for this. So we can follow up on detailed information—

Senator BRAGG: Hang on—

Ms Reinhardt: but we don't have an answer for you on the specific advice at the time.

Senator BRAGG: This is not asking for technical advice. At Senate estimates we're asking you about your engagement with the PsiQuantum matter, which has been led by another department.

Senator Gallagher: Yes—that being the key word here.

Senator BRAGG: But you would know that the Chief Scientist—

Senator Gallagher: The key words here are: 'It is being led by another department.'

Senator BRAGG: Treasury, as the central agency, has had some engagement with this PsiQuantum matter, hasn't it?

Ms Reinhardt: Yes, Treasury has definitely been involved in the PsiQuantum matter.

Senator BRAGG: So Treasury would know, you would assume, whether the Chief Scientist had given advice that this was a good idea or a bad idea.

Ms Reinhardt: So we will have on record our engagement on this matter. I, unfortunately, can't tell you what the Chief Scientist said to Treasury at the time.

Senator BRAGG: Does anyone else here know? How many people are here in the building from Treasury right now?

Senator Gallagher: A lot—probably too many.

Senator BRAGG: A lot.

Senator Gallagher: It's too many because the committee is running over time, so people have been banked up here all afternoon.

Senator BRAGG: I'm sorry to be the bearer of unfortunate news, but we are scrutinising the expenditure of public funds.

Senator Gallagher: Yes.

Senator BRAGG: This is a significant investment.

Senator Gallagher: By tying them up here.

Senator BRAGG: Pardon?

Ms Reinhardt: I just can't tell you what the Chief Scientist's advice was. I'm very happy to take it on notice but I don't have it in my notes here.

Senator BRAGG: Well, Minister, do you know who the Chief Scientist's advice was?

Senator Gallagher: As I understood it, there were some concerns raised. I believe she was at the announcement of the—maybe I've got that wrong, but I certainly remember her being supportive of it as well. But I think she did originally raise some concerns.

Senator BRAGG: So your understanding is that the Chief Scientist, Dr Foley, had some issues and raised them with the cabinet or with the executive.

Senator Gallagher: No, I only read that in the media. I read media reports. I know that Minister Husic obviously would have been having, as I imagine, consultations and discussions, but I understand that she was supportive of the agreement that was finally reached, which is probably the most important bit of information you need there.

Senator BRAGG: Then the Treasury—

Senator Gallagher: I'm rapidly trying to check that though.

Senator BRAGG: Treasury isn't sure what the advice was.

Senator Gallagher: Well, they are not responsible for the PsiQuantum agreement. They have a role—

Senator BRAGG: So what engagement—

Senator Gallagher: We went through this with Finance with Senator Hume yesterday; we went through what Finance's role was. Treasury have a role in advising the Treasurer and taking part in some of the discussions

across government to influence or to support the agreement that was finally reached. But, as to what specifically—

Senator BRAGG: So what has been Treasury's role here then?

Ms Reinhardt: As with the usual proposals that are considered by government, Treasury provides input on the likely costs and benefits, the implications for budget and the perspective of the department on the vehicles that might be used for financing. It might, for example, ask relevant departments about who they're working with and the role of state and federal governments in agreements. So that's the nature of Treasury's involvement in a process like this.

Senator BRAGG: Was the National Interest Framework applied here?

Ms Reinhardt: I presume you're referring to the FMIA National Interest—

Senator BRAGG: Yes.

Ms Reinhardt: So that wasn't in operation at the time.

Senator BRAGG: Fine. In terms of the payments, how much is the taxpayer on the hook for here?

Dr Rawlings: So the payments made to PsiQuantum by Export Finance Australia were equivalent to \$463.32 million and then obviously managed by Export Finance Australia. So it has been published in their accounts.

Senator BRAGG: It was \$463 million from the Australian taxpayer to PsiQuantum?

Dr Rawlings: That's correct.

Senator BRAGG: How much of that \$463 million has been paid so far?

Dr Rawlings: That would be a question for Export Finance Australia.

Senator BRAGG: You don't know?

Senator Gallagher: Well, some of this was answered yesterday by Finance, but many of the answers were that this should be directed to Export Finance Australia.

Senator BRAGG: Does the central agency not have that information?

Senator Gallagher: The relevant agency with responsibility for it has the information. We can provide you with elements—you wanted to know. It was \$463 million. We've answered that question, but, as to where it is up to at this point in time, you should direct that to the agency that has responsibility for it, which is DISR tomorrow. I think the Chief Scientist is here tomorrow, so you can ask her about how she feels. I think Export Finance will come as well.

Senator BRAGG: Is it a loan or is it a gift?

Senator Gallagher: The answer that was provided yesterday—and I'll just check—was that it's a convertible note.

Senator BRAGG: So when do repayments start?

Senator Gallagher: Again, you're going to have to direct those questions to the area that's responsible.

Senator BRAGG: Do you know what the interest rate is on the loan?

Senator Gallagher: It's 5.12 per cent.

Senator BRAGG: So you know some of the information.

Senator Gallagher: Yes, I'm providing you with what I have before me, which is the information we had before us yesterday, which is the terms of the agreement, but you are also putting into place questions about where things are up to right now and who said what to somebody a year ago. On those ones, you need to direct it to the responsible agency.

Senator BRAGG: What about all the other organisations that were part of the expression of interest program? I guess those are questions for Industry.

Senator Gallagher: Yes, DISR.

Senator BRAGG: Does Treasury have any concerns or comments about how this matter was handled? It's quite a large amount of taxpayer funds. It's a bit of an unusual process.

Ms Reinhardt: Treasury was involved in the EOI process and was part of the discussions around settling the outcome of that process.

Senator BRAGG: How many other organisations pitched for this money?

Ms Reinhardt: That would be a question for DISR.

Senator BRAGG: What was your involvement, then, as a department?

Ms Reinhardt: Treasury helped with the establishment of the EOI process and consideration of the application to PsiQuantum. As I understand it, DISR was part of evaluating the EOI process.

Senator BRAGG: So you were involved in the EOI.

Ms Reinhardt: We were involved in setting up the principles around the EOI process. We were consulted on that.

Senator BRAGG: How many days did the EOI go for?

Ms Reinhardt: I'm sorry. I don't have that information. I think that's another one for DISR.

Senator BRAGG: So you—

Senator Gallagher: It was an expression of interest process between August and September 2023. I don't have the dates.

Senator BRAGG: So the Treasury was pulled in to this process—

Senator Gallagher: Actually, I do. It was 14 August, with required responses by 11 September.

Senator BRAGG: So that's about a month. But you don't know how many other organisations pitched for this business, effectively.

Ms Reinhardt: I don't have it on me. I'm sure at the time they knew how many organisations had pitched for it, and I'm happy to take it on notice if that would be useful, but I do think it's more a question for the department of industry tomorrow.

Senator BRAGG: Did Treasury express any concerns about the way this was handled by the executive, by the ministers?

Ms Reinhardt: Not as far as I'm aware. Obviously I'm not going to talk about Treasury's advice to ministers but I can talk to the broader—this went through a full process, and Treasury provided input in the process.

Senator BRAGG: So you didn't see any disclosures or any other conflicts or registers provided as part of your engagement in the EOI?

Ms Reinhardt: I would have to check on that, but that would normally be the responsibility of the relevant department that was processing this.

Senator BRAGG: So Treasury was brought in because it had expertise in—

Ms Reinhardt: Treasury is always brought in to major financial decisions around budgets.

Senator BRAGG: And Treasury is comfortable this was handled prudently?

Ms Reinhardt: I'm not aware of any concerns that Treasury had around handling.

Senator Gallagher: As I understood it, there was an external probity adviser and probity plan in place for this, but, again, those questions would have to be put to DISR. I have been provided with some of the quotes from the Chief Scientist, which are supportive of the agreement that were released to the parliament in an order for the production of documents:

This investment shows that Australia is serious about its quantum industry development by ensuring we are at the front of the pack in the global race to build the first useful quantum computer.

And there are other quotes, but I'm sure she can answer for herself tomorrow.

Senator BRAGG: Okay.

CHAIR: Great. Are there any other questions for Fiscal Group? Senator Smith.

Senator DEAN SMITH: Does the national partnership agreement that underpins the reporting back from states to the Commonwealth on the energy bill relief actually have a name? I'm sure it has a name. Do we know? Could you share with the committee what that name is.

Ms Horvat: We can find out.

Senator DEAN SMITH: We might come back to that. Can the Treasury confirm that energy bill rebates are currently budgeted as a terminating measure, ceasing in the September quarter of 2025?

Unidentified speaker: Yes.

Senator DEAN SMITH: Yes?

Ms Reinhardt: I will say the energy bill relief does not normally sit with the Fiscal Group, but we'll do our best—

Senator DEAN SMITH: No, I'm getting ahead of myself.

Ms Reinhardt: or we will take some on notice.

Senator DEAN SMITH: The chair would like the fact that we moved—

CHAIR: We could release this group and get to the next group.

Senator DEAN SMITH: As long as energy bill relief is in the next group.

Ms Reinhardt: Energy bill relief, I think, might be with Macroeconomic Group.

Senator Gallagher: Don't discourage us.

Senator DEAN SMITH: That is a fail. That is a fail. Will you indulge me, Minister?

Ms Reinhardt: Of course we will indulge you.

Senator DEAN SMITH: Great. Excellent. Thank you. I'll keep it very brief. Can you confirm energy bill rebates are currently budgeted as terminating measures, ceasing in the September quarter of 2025?

Ms Reinhardt: I can confirm they're terminating. I think September sounds right, but someone will correct me if we've got that wrong.

Senator DEAN SMITH: When the rebate ends, is it true that electricity prices will increase?

Ms Reinhardt: We'll have to take these ones on notice.

Senator DEAN SMITH: In the national partnership agreement, it contains certain requirements (a) through to (f), I think, for states to have to report back to the Commonwealth certain information. How many households and small businesses have received a payment to date, state by state?

Ms Reinhardt: We'll have to take that—

Senator DEAN SMITH: On notice—of course. Have states been fulfilling their reporting obligations as set out in that national partnership agreement?

Ms Reinhardt: I'll take it on notice.

Senator DEAN SMITH: On notice?

Ms Reinhardt: We will have to, yes.

Senator DEAN SMITH: If not, which states have not been fulfilling their reporting obligations? I think they have to report monthly or something similar to that. Is the expenditure of the energy bill rebate to date in line with budget estimates? Yes. Finally, has the Treasury done any work to determine the accuracy of a comment made in the *Australian Financial Review* towards the end of September under the heading of, 'RBA interest rates and electricity costs expected to rise by 47 per cent'. Has the Treasury been asked to comment on this statement:

But out-of-pocket household electricity expenses could increase by 47 per cent on average nationally between October 2024 and September 2025 as state and federal government assistance expires, according to analysis by *The Australian Financial Review* of Westpac electricity price forecasts.

Ms Reinhardt: We will have to take that on notice.

Senator DEAN SMITH: Thanks for indulging me. Thank you.

CHAIR: That concludes questions that the committee has for Fiscal Group. Thank you very much. You go with our thanks.

Proceedings suspended from 17:15 to 17:17

CHAIR: We welcome the Department of the Treasury's Markets Group. Assuming there are no opening comments or remarks, we'll go straight to questions.

Mr Philp: Chair, I'll just say one thing, and I think the committee has picked up on this. Superannuation policies are with Revenue Group rather than with Markets Group.

CHAIR: Yes. Senator Bragg is excited at this juncture! We'll go quickly to Senator Rennick.

Senator RENNICK: My questions are in regard to the current investigation taking place with ANZ manipulating markets in regard to government bonds. Is it true—I've read it in the media—that it's \$100 million a year that the taxpayer pays to the banks for the syndicated fees?

Mr Philp: I might turn to my colleagues and see if we have any information on this one. The AOFM is normally within the responsibilities of the Macroeconomic Group, and your particular question may go to the ASIC investigation that we wouldn't be privy to, but I'll just check—

Senator RENNICK: I would have thought that, with you being markets and dealing with markets and bonds, it would make sense for it to go in markets.

Ms Kelly: I would just like to say the allegations are being investigated by ASIC at the moment, so it wouldn't be appropriate for us to comment while the allegations are still under investigation.

Senator RENNICK: Okay. But can you comment on this: do you or do you not pay fees to the banks to trade government bonds or issue government bonds to private banks?

Ms Kelly: AFOM use banks in relation to their arrangements when they're issuing in different capacities, so ANZ was used in a capacity in relation to this matter. But, again—

Senator RENNICK: I'm asking a general question here. It's not just to ANZ. I'm looking at—

Ms Kelly: Yes, banks are used by AOFM when they do issue—

Senator RENNICK: The question I want to get to is: why don't we use the RBA and save ourselves \$100 million in fees to private banks? The large private banks already get a lot of largesse anyway. I'm not sure why we have to use private banks to do our bond issues. I would have thought our RBA or Treasury could do their own bond issues.

Ms Kelly: Again, this would be a question for AOFM because it's in relation to how they undertake their borrowing activities.

Senator RENNICK: Right. I've worked in private companies, and we do our own bond issues. We don't have to pay another company to do it.

Ms Kelly: Yes.

Senator RENNICK: I don't know why the government has to outsource everything. As you're Treasury, I would have thought you should have the skill set to do it yourselves.

CHAIR: I think they're looking for a question, Senator.

Senator RENNICK: I guess my question is: why don't you have the skill set to do it yourselves?

Ms Kelly: AOFM are separate to Treasury, and they have a range of activities they undertake. Some are done in house and some use syndicates of banks in different ways. So, again—

Senator RENNICK: You're talking about the Australian Office of Financial Management?

Ms Kelly: Yes.

Senator RENNICK: Why are they separate to Treasury? I would say they either come under Treasury or are part of the RBA.

Ms Kelly: They're within the portfolio.

Mr Philp: They're one of our portfolio agencies, but they operate under their own mandate within the Treasury portfolio, much like how, for Markets Group, the ACCC, ASIC and APRA are portfolio agencies of ours but are independent agencies that operate in their own sense.

Senator RENNICK: Right.

Mr Philp: Senator, if you like, I'm happy to take the question on notice, and we can try to come back to you on that.

Senator RENNICK: Yes, if you could—because I'd like to know why they need to if they're operating independently or in their own little group and why they don't have the skill set. I've worked in companies that have a treasury department with the skill set so we don't have to pay \$100 million in fees to the private banks to do what we should be doing. You guys are all well paid. Are you paying again on top of that to issue bonds? Given that we have a trillion dollars of debt and we're to have debt for a long time, this is a skill set we should have our heads around, especially given the investigation with ANZ. I'll leave it at that.

CHAIR: Senator Smith.

Senator DEAN SMITH: I might just turn to competition review matters if I may, starting with some queries around non-compete clauses and the stream of work that's attached to that. Then I'd like to come to CDR, but that might be a little bit later. Was the Department of Employment and Workplace Relations consulted by the Treasury with respect to the issues paper on non-competes and other restraints which was published?

Mr Philp: I believe the answer is yes, but I'll ask colleagues.

Dr Freestone: We consulted with department of workplace relations quite regularly through that process, yes.

Senator DEAN SMITH: I think the casual observer would make the observation that this is clearly within the remit of the Department of Employment and Workplace Relations. So what justification do you use for it to be in the Treasury space?

Dr Freestone: I think the way we're looking at it is very much that this is a broader issue. There are elements that—I think you're right—would cut across the employment portfolio, but from our point of view it's also a competition issue. The way these clauses that we looked at restrain work and movement does have, again, effects on competition, so that's very much the lens we used in the issues paper you mentioned. I'd like to say also that what we were looking at went beyond non-compete clauses. We had a range of other clauses—for example, non-solicit clauses, which prevent, basically, fellow workers or consumers from getting an employee from a company and moving that employee to another company. I guess the way I'd frame it is that this is a question of labour mobility and competition, not just employment.

Mr Bezzi: I might add that within the Competition and Consumer Act there are various exemptions which arguably allow no-poach agreements in an employment context. In addition, they arguably allow employers to fix wages at a minimum level—put a cap on wages, if I could put it that way. And that's clearly within the Treasury portfolio. So it's one of those issues that cut across portfolios.

Senator DEAN SMITH: Can you provide the committee with some insight into how that consultation and discussion with DEWR has been undertaken?

Dr Freestone: It's been quite a regular set of consultations. We recognise that some of the issues certainly are, again, labour market issues and might cut across legislation that they have portfolio responsibility for, like the Fair Work Act. Whenever we've been moving to the next stage of our thinking and our process, we've been essentially consulting with them on those aspects. For example, over the past three or four months we would have met maybe—I'm just guessing—a dozen times with them over that period. They're one of a number of agencies we consult with. As Mr Bezzi said, the ACCC would be another one we've spoken to. But, again, it's been a pretty regular set of discussions.

Senator DEAN SMITH: At what level are these consultations?

Dr Freestone: Typically my level or potentially the level below me. But it's usually around band 1, which is what I am—so assistant secretary.

Senator DEAN SMITH: So the assistant secretary level?

Dr Freestone: Yes.

Mr J McDonald: We also have a regular meeting with all agencies, at the first assistant secretary level, where DEWR is invited, and we often talk about non-competes as well. I've also talked to senior people at the department about this as well.

Senator DEAN SMITH: Has the minister for employment met with the Treasurer on the topic of non-compete clauses or other restraint clauses?

Dr Freestone: We wouldn't be privy to the meetings that take place. I would expect so, but, again, we haven't been involved with those meetings.

Senator DEAN SMITH: But, if the Treasurer were to meet with the minister for employment, it would be normal course for Treasury to send him some talking points or background information?

Mr Philp: If requested.

Senator DEAN SMITH: So has that been requested?

Mr Philp: I think what we're saying is that we're not familiar with the particular meeting that the Treasurer might have had with the minister for employment.

Senator DEAN SMITH: And you're not familiar because there would have been a process that would have underpinned a meeting—that is, the provision of advice?

Dr Freestone: We provide pretty regular updates. In the natural course of events we provide updates to both the assistant minister for competition and the Treasurer. It may have been that that content would have been sufficient for particular meetings.

Senator DEAN SMITH: Would the assistant minister meet with the minister for employment on these matters, or would the Treasurer meet?

Mr J McDonald: I think he's the assistant minister for—

Senator DEAN SMITH: Competition, charities and Treasury.

Mr Bezzi: He's got an employment function as well.

Mr J McDonald: So I presume they meet on a regular basis, and I would—

Senator DEAN SMITH: Just to be clear, Mr McDonald, my question is: would the assistant minister meet with the minister for employment on these matters?

Mr J McDonald: I think he's the Assistant Minister for Employment as well.

Senator DEAN SMITH: You're correct, actually. You're quite right— as a result of the changes

Mr J McDonald: So I presume in that capacity he potentially raises non-competes as well.

Senator DEAN SMITH: So he's very adept at talking to himself!

Dr Freestone: Yes—exactly.

Mr J McDonald: I'll just emphasise that—

Senator DEAN SMITH: I'm not being frivolous here.

Mr J McDonald: the Treasurer and the assistant minister are well informed of our workings on non-competes, and so it would be quite easy for them at any moment to talk to any other minister that was interested.

Senator DEAN SMITH: Thanks very much. I'll just turn to broader industrial relations considerations, and I think we've touched on this previously before. How is the competition taskforce examining the use of wage-fixing agreements? Or is it examining the use of wage-fixing agreements?

Dr Freestone: I think Mr Bezzi mentioned that. Wage-fixing agreements and no-poach agreements are something we're looking at as part of our investigation. The issues paper that we put out in April and May covered those issues, so, yes, we are looking at them.

Senator DEAN SMITH: Did they give rise to any complexity when considering these broader competition issues?

Dr Freestone: Could you be more specific?

Senator DEAN SMITH: To what extent are they worthy of more detailed investigation, review, discussion, consultation?

Dr Freestone: I think we have had concerns. Again, we ran the consultation process earlier this year, and there were quite strong views that, basically, wage-fixing agreements and agreements that prevent poaching between businesses might be anticompetitive. It's interesting that in a lot of other jurisdictions overseas those types of agreements are actually banned for competition reasons, but in Australia at the moment that's not the case. So there was quite a bit of interest in the fact that they are allowed here at the moment.

Mr Bezzi: I should clarify, Senator—

Senator DEAN SMITH: Sorry, you'll have to speak up, officials. It does get a little bit noisy when colleagues at this end of the room are engaging in conversations.

Mr Bezzi: I just want to clarify that, when I talk about wage fixing, the problem that we're concerned about is not minimum wages; it's maximum wages—when employers agree amongst themselves not to pay employees more than a certain amount. They're the sorts of agreements that would be regarded as just naked price fixing in many overseas jurisdictions. But, because of the way the legislation is drafted in Australia, arguably it's exempt—that sort of conduct is exempt from the operation of the ordinary cartel provisions.

Senator DEAN SMITH: In regard to these particular issues, is the competition taskforce working to a timeframe?

Mr Bezzi: Yes, we've got a two-year timeframe.

Senator DEAN SMITH: Over the next six months, what can people external to the Treasury expect to see around these issues?

Mr J McDonald: Senator, we're at the moment working through the feedback from the issues paper, and at the appropriate time we'll provide advice to the government on some potential next steps and get direction from them about how they would like to proceed.

Senator DEAN SMITH: And there's no timeframe around that?

Mr J McDonald: There's no timeframe apart from the fact that we do end at some point within the two years we originally struck.

Senator DEAN SMITH: Yes. Finally, has the Treasury ever made any representations to the department of employment about single-interest multi-employer agreements potentially being anticompetitive or a form of wage fixing?

Mr J McDonald: That is not an issue that the competition taskforce has had any say in or information, or discussions with DEWR on. For the rest of the department I presume they have, but that's not the function for the competition taskforce.

Senator DEAN SMITH: Great. Thank you. I have others, but I'll come back.

CHAIR: Senator Barbara Pocock.

Senator BARBARA POCOCK: Thanks, everyone, for being here. In relation to professional accounting bodies in their industry, Treasury's consultation paper on the consulting industry found that 'self-regulation via professional bodies may not be fully effective' and the number of audit-standard-setting bodies may lead to overlaps and gaps. What led you to this conclusion?

Mr Dickson: In terms of what led us to that conclusion, we obviously have a range of ways that we engage with the sector and people that are connected with the auditing profession and financial reporting profession, and as we were doing that engagement—and this dates back some time, I have to admit—we were learning that there were a number of different accounting or auditing-standard-setting bodies as well as oversight bodies, as well as regulators in the sector. Then, when we compared that to what happens in overseas jurisdictions, there was potential for us to perhaps rationalise that in some way and strengthen the way that we actually produce those standards in Australia. That's essentially the history on that.

Senator BARBARA POCOCK: What's your assessment of the professional accounting bodies and their track record on upholding ethical and professional standards within their industry?

Mr Dickson: In terms of the professional accounting bodies, I think what you're talking about are bodies such as CPA Australia or CA ANZ. One of the pieces of feedback that we received during our consultation was that there were mixed understandings around what their role was in the standard-setting scene in Australia. On one hand there were people that thought that they actually were primarily responsible for things like regulation, which was a misunderstanding, because ASIC is actually the regulator of that conduct in Australia. In addition to that, we received feedback along the lines that, while the work that they had done on things like setting ethical standards was very valuable, there was a question around whether that could be strengthened, and whether the integrity of that could be strengthened even further, by having that undertaken by a government body instead of a professional accounting body, recognising that that professional accounting body is representing its members. So they're two main strands of feedback that we received.

Senator BARBARA POCOCK: Do you agree that we have a patchwork framework of regulation in this country, and what are the issues that arise as a result? How has this contributed to breaches of the code of conduct and other unethical behaviour that we've witnessed in the big four consulting firms and their partners?

Mr Dickson: In relation to whether there's a patchwork, one of the things that the government is committed to doing is actually rationalising those standard-setting bodies. The government itself has come out and said that it thinks that what would be best is if there were a combination of the FRC, the Financial Reporting Council, the AASB, which is the Accounting Standards Board, and the AASB, which is the Auditing Standards Board. So the government is now working through a process of consolidating those into one entity. There will be, naturally, consultation that we will do as part of that exercise, and we're hoping to do that very soon.

As to the second part of your question—to what extent that contributes to perhaps fostering misconduct in the sector—one of the reasons why you might consider the consolidation is that, when you've got those accounting standards and auditing standards all being considered in one place, it might be easier to communicate what some of those standards are. It might be more streamlined in terms of the way that people interact with those bodies, so it might actually facilitate a stronger regulatory component. I shouldn't say regulatory; I should say standard-setting component. Naturally, ASIC has regulatory responsibility.

Senator BARBARA POCOCK: Does the government or Treasury have a timeline for the next steps on the issues that you've talked about?

Mr Dickson: Certainly. Government's approach in responding to what we call the PricewaterhouseCoopers matter and how that originated is multipronged. There are a lot of activities that the government has undertaken, but I think the ones that you might be most interested in would be the merger activity, but also responding to the feedback that Treasury received with its issues paper on the regulation of the auditing and consulting profession and accounting profession.

In relation to the merger, the government had committed that the merger wouldn't occur before 1 July 2026. The reason for that is that modifying standard-setting arrangements in that sector comes with a high degree of complexity and risk, and so we wanted to give the industry certainty that it wasn't going to be rushed and that we would actually have a fulsome consultation exercise to make sure that we fleshed out all of the issues. As you can imagine, there are lots, and they go to things like appointments, conflicts of interest and standard setting. So that strand of work is on that timetable.

In relation to then putting out the options paper that the government committed to, the timing of that is a matter for government, but I understand that the government's quite close to finalising its consideration of that paper, so I hope to see something soon on that.

Senator BARBARA POCOCK: I wanted to focus on one professional accounting body, the Chartered Accountants of Australia and New Zealand, CA ANZ. In the FPA inquiry into consultants, we heard evidence that suggested that CA ANZ's response to the PwC scandal was severely wanting. In November 2023 they fined PwC a measly \$50,000 for breach of bylaws—a lot of money to many of us in this room; not a lot of money to an entity with a \$3.4 billion revenue in fiscal year 2023. And CA ANZ bungled Peter Collins's membership resignation. Let's just remember it's a serious moment in the PwC scandal unfolding as we're sitting here. We've got search warrants all week from the AFP, as we heard last night. CA ANZ bungled the resignation of membership by Peter Collins, who is one of the officers that is being pursued by the search warrants, allowing him to avoid investigation by its disciplinary committee by letting him cancel his membership. We know the police knocked on his door in August. In your view, was this an adequate response from CA ANZ to the role of Mr Peter Collins and PwC in the tax leak scandal?

Mr Dickson: One of the things that I think I would take into consideration if I was making a judgment one way or another would be what the responsibilities are in terms of regulation of the sector and what the limits are of particular elements of the regulatory environment that we have. It may be that CA ANZ faced their own limitations in what they might have been able to do, or they may have—and it's not for me to judge how they responded, but I think what's important is that we actually have an approach that considers the full regulatory environment. So what we have explored in our issues paper is that there is actually some degree of regulatory gaps, and we've received feedback on those regulatory gaps. One of those is actually in relation to ASIC's powers. The question is: are there things in the regulatory system that should be considered? We'll be seeking feedback on that, as to whether or not ASIC's ability to turn its surveillance activity into enforcement action—whether we should be considering measures on that front.

Of course, one of the largest gaps that we canvassed in that paper was the firm-level conduct. Despite the fact that there could be potential misconduct, there's a very limited ability to take action against the firm in the way that the current laws are framed. The current laws are framed very much in relation to the conduct of specific audits and the conduct of specific auditors in conducting that audit. So, in one sense, the way that we would look at it is to ask: how did the entire regulatory system respond, rather than—and I understand you might be interested in an opinion on how did CA ANZ respond, but if it's alright I prefer to just focus my answer towards—

Senator BARBARA POCOCK: You might prefer that, but I'm asking you a question—and I agree with you absolutely about the regulatory gaps that you've spoken of, but this is a professional body and I'm asking you your opinion, or Treasury's view, of its adequacy.

Mr Dickson: I suppose, if I was to express a view, I would need to have perhaps a regulator's perspective on that. I think it's probably best that you direct that to a regulator rather than a policy agency. The reason I say that is that I haven't got all of the evidence of that sitting in front of me in terms of the circumstances and internal decision-making they made. So I think questions around particular instances of misconduct would be best directed to ASIC.

Senator BARBARA POCOCK: My questions are not about any particular incident. It's about the functioning of the body to do the job that it says it's meant to do.

Mr Dickson: So I think—

CHAIR: It's a little like asking for a opinion, Senator Pocock.

Senator BARBARA POCOCK: I'll move on. The professional accounting bodies benefit from self-regulatory reporting and compliance mechanisms to promote ethical behaviour amongst their members. Do you think the self-regulatory nature of the professional accounting bodies is effective for co-regulating the consulting profession?

Mr Dickson: That was an issue that we canvassed in our issues paper as well, and in response to that issues paper we did receive feedback that suggested, even from the professional bodies themselves, that greater clarity in

relation to the roles and responsibilities in the regulatory system would be beneficial, and ensuring that government—we received feedback that suggested that government could play a stronger role in relation to those standards. So we're working through that.

Senator BARBARA POCKOCK: Is it possible, in relation to those professional accounting bodies, that fees paid by members create potential or actual conflicts of interests for professional accounting bodies when it comes to their compliance enforcement and sanctioning of misconduct? They're in receipt of income from those they are regulating. It seems like a very difficult conflict of interest structurally in-built.

Mr Dickson: That's something that I probably am not able to comment on. I think I'd have to look into that further before I made a remark on how that conflict of interest is managed, because, of course, conflicts of interest pervade all sorts of entities and businesses. Then the question is: how do you mitigate those conflict of interests? So you need to take a perspective on how those conflicts of interest would be managed internally—whether they've got separation between the decision-maker and the disciplinary actions, versus other aspects of how they manage their membership.

Senator O'NEILL: The first step is they have to identify them, Mr Dickson.

Mr Dickson: Understood.

Senator BARBARA POCKOCK: In Treasury's review of the eligibility requirements for registration with the TPB, the Tax Practitioners Board, it says that members of professional accounting bodies can bypass normal registration processes by utilising a specialised registration pathway. Through this pathway, potential tax agents do not 'need to hold a degree or diploma' or 'need to complete board approved courses in Australian taxation law, commercial law and basic accountancy principles'. Considering the track record of professional accounting bodies and their members, should these waivers continue?

Mr Dickson: Could I ask you to direct that question to Revenue Group. Revenue Group looks after the Tax Practitioners Board.

Senator BARBARA POCKOCK: Okay. I will do that.

CHAIR: Senator Pocock, last question.

Senator BARBARA POCKOCK: I'm done, I think.

CHAIR: Great. Senator Bragg.

Senator BRAGG: I'd like to ask some questions about cryptocurrency. We've traversed this several times. I'm trying to work out what's happening inside the Treasury, inside the government. In the last parliament there was a significant review into crypto, there were recommendations, and the Treasury issued a consultation paper before the election. The new government promised to regulate crypto. They issued an almost identical consultation paper. The Treasurer promised that this would be dealt with after the FTX collapse, and you turn up to estimates empty handed every time. So I guess I'm wondering why Australia is unable to regulate cryptocurrency.

Mr Philp: I'll ask Mr Kelly to—

Senator BRAGG: There's clearly a problem inside the executive government, inside the Treasury, because it's not normal for you to come every six months and to give the same answers. So I'm really looking for some insight.

Mr J Kelly: The state of play on that issue is that we're currently working on the draft legislation to implement where the government is at following the consultation process we ran at the end of 2023.

Senator BRAGG: Great. When is it coming out?

Mr J Kelly: We're working to prepare the draft legislation. In the ordinary course of business, the release of exposure drafts or the introduction to parliament is a matter for government.

Senator BRAGG: When are you thinking the exposure drafts will be released?

Mr Philp: I think that's a matter for the government, Senator.

Senator BRAGG: Pardon?

Mr Philp: That will be a matter for the government.

Senator BRAGG: What's happening, Minister Gallagher?

Senator Gallagher: I don't have a date for you.

Senator BRAGG: That's a shame.

Senator Gallagher: Yes. I don't have a specific date for that, but if I can provide you with any more information, I will endeavour to do so.

Senator BRAGG: Is the government intending to conclude and to deliver on its promise to regulate crypto in this parliament?

Senator Gallagher: That's the intention, yes.

Senator BRAGG: It is? Okay. So the plan is to have a draft bill exposed for comment and then to introduce legislation and then to pass that before the election?

Senator Gallagher: It's a matter for the parliament, isn't it, really, as to how it travels through. I note that crypto was an issue that the coalition didn't regulate, so it's another area we've inherited.

Senator BRAGG: We wanted to.

Senator Gallagher: If there's anything further I can provide you, I will, but we have committed to legislation. I understand that there's working being done on that draft legislation, and if I can provide any more info, I will.

Senator BRAGG: Okay. Can you understand some of the frustration in this sector about the uncertainty of investing in this country?

Senator Gallagher: I can understand. Certainly, from some of the discussions I've had, people have been more interested in how it's going to be regulated—being involved in the consultations to date.

Senator BRAGG: Okay. But do you think it's a risky strategy just to keep on deferring this? If there's another collapse—

Senator Gallagher: I don't think we are deferring it. There's been a consultation process, and we have made a commitment—

Senator BRAGG: Alright. You've had a long time to do this now—

Senator Gallagher: to regulate digital and crypto asset platforms, and that work is underway. As you know, this part of the Treasury portfolio is very legislatively heavy. There's a lot of legislation and a lot of work being done. If there's anything more I can update you with about timing, I will, Senator Bragg.

Senator BRAGG: Let's go to the money then, because we're not seeing any output in terms of even a draft bill at this point. How much money has the government spent on developing a crypto framework which doesn't yet exist?

Senator Gallagher: I don't know. I don't have any figures with me.

Mr J Kelly: The relevant figures are in the 2024-25 budget. The government provided ongoing funding of \$1.5 million a year to Treasury to progress the digital asset related reforms.

Senator BRAGG: Yes.

Mr J Kelly: So we have a team that is working on these issues. It's working on developing the relevant legislation that you've been discussing. It's consulting and advising on work related to central bank digital currencies—there was a paper put out by Treasury and the RBA, I think last month now—and working out through other issues that are related to the crypto and digital asset space.

Senator BRAGG: So Treasury has been given \$1.5 million to work on crypto.

Mr J Kelly: Yes.

Senator BRAGG: Is that the whole amount of money allocated, or would some of it be hoovered up in the BAU of markets?

Mr J Kelly: That represents the whole amount allocated within Treasury to crypto. It's equivalent to a team of about six or seven people. That's the current level of resources we have going towards it.

Senator BRAGG: Okay. They haven't done a bill yet. Has APRA been given money as well for this?

Mr J Kelly: It was ASIC.

Senator BRAGG: ASIC. How much has ASIC been given?

Mr J Kelly: They received funding of \$1.5 million to enhance its digital asset capabilities in 2024-25, and I think money has been set aside for when the legislation takes effect so that they're able to administer it.

Senator BRAGG: Okay. Right now, we've spent millions of dollars to have no bill and we're 2½ years into the term. That's not so good on the regulation side. What about on the tax side? There was a board of tax report. Who's here from the Board of Taxation?

Senator Gallagher: They'll be here later.

Mr J Kelly: Senator, that will be Revenue Group.

Senator BRAGG: They're not here right now?

Senator Gallagher: No. They'll be later.

CHAIR: They could be.

Senator BRAGG: That's very prescient! But they will be here, so we can ask them that. I think that's all I have. Basically, your answer on the regulation piece is that it is only consideration. Who's the minister?

Senator Gallagher: Minister Jones.

Senator BRAGG: Have you spoken to him about this?

Senator Gallagher: Personally? I have had a number of discussions around, obviously, the legislative program in this area because it's so huge, really.

Senator BRAGG: Does he seem to be alert and onto this?

Senator Gallagher: Absolutely—as he is across all areas of his portfolio.

Senator BRAGG: So he knows this is a priority?

CHAIR: Okay.

Senator BRAGG: I've almost finished. So he knows this is a priority?

Senator Gallagher: Yes. There are a lot of priorities in this portfolio area.

Senator BRAGG: Okay. This is my final question. We've touched on the investment certainty piece, but what do you say to consumers who might be hurt by the failure of the government to enact regulation? It's unregulated, so if they do their shirt, they do their shirt.

Senator Gallagher: I would say that it's a shame that this wasn't dealt with or commenced properly under the former government—

Senator BRAGG: It was properly commenced.

Senator Gallagher: and that we have put not only resources behind it but consultation effort behind it to make sure that we are in a position to legislate and protect consumers.

Senator BRAGG: You've had 2½ years—

Senator Gallagher: So that is what I would say.

Senator BRAGG: and there's not even a draft bill.

Senator BRAGG: It's not a very good effort.

Mr Philp: Senator, can I just clarify that? Consumers are not completely exposed in this sense. To the extent to which the ASIC obligations apply, as it is a financial product to which Australian financial service licence obligations apply, they still apply in the normal sense to financial products.

Senator BRAGG: They do, but it is also true that a lot of this would not be regulated. In fact, the Treasurer himself said in October 2023:

We are releasing a proposal paper today that recommends making crypto exchanges and digital asset platforms subject to existing Australian financial services laws ...

Why would the Treasurer say that if there was no problem to solve?

Mr Philp: What we're examining as part of this and what we've done through the consultation is ensure that there were no gaps in the system. As Mr Kelly pointed out, the work has been broad. It picks up everything from the asset platforms themselves, central bank digital currency, markets for tokenised assets and decentralised finance. There is a range of things that need to be considered here, and we need to ensure that there are no gaps in there, as you say, because we don't want consumers being adversely affected.

Senator BRAGG: Now you've gone there, I have to ensure that you've got all the right information, because the Treasurer said in the *Financial Review* on 17 November 2022 in relation to the FTX collapse:

These developments highlight the lack of transparency and consumer protection in the crypto market, which is why our government is taking action to improve the regulatory frameworks while still promoting innovation.

Now, Dr Chalmers said this on 17 November 2022. That's the position of the Treasurer, who is at the apex of your agency. He's said there's a consumer protection problem.

Mr Philp: I'm not saying there's not a consumer protection problem. I completely agree with what the Treasurer said there—that there is absolutely room for improvement—which is why we're doing this consultation and preparing the exposure—

Senator BRAGG: It's taken years and years and years to do nothing.

Senator Gallagher: And when you introduced your bill, nobody liked it.

Senator BRAGG: A lot of people liked it, actually. That's not true.

Senator Gallagher: No, they didn't.

Senator BRAGG: A lot of people liked it.

Senator Gallagher: I don't think that's a fair—

Senator BRAGG: I can send you a whole list of people who liked it.

Senator Gallagher: I don't think that's a fair assessment.

Senator BRAGG: At least there was a bill.

Senator Gallagher: We've been working closely with stakeholders to get this right. We look forward to introducing some draft legislation or an exposure draft soon.

Senator BRAGG: I did a bill with five people. You've got a thousand people working for you in Treasury and you can't do one bill.

Senator Gallagher: Yes, and nobody liked it—

Senator BRAGG: You can't even do one bill.

Senator Gallagher: and no-one wanted it passed—

Senator BRAGG: A lot of people did.

Senator Gallagher: because it wasn't proper.

Senator BRAGG: A lot of people liked it.

CHAIR: Alright. Okay. The usual thing is happening. Now, we've got Senator Smith and Senator McKim, and we're due to break at 6.05. I'll go to Senator McKim first.

Senator McKIM: I've only got a few relatively quick ones, I think, for Markets Group. I noted the speech given last week by Ms Cass-Gottlieb, the ACCC chair, who raised concerns about a lack of competition in the retail banking sector and supported reforms to make it easier for bank customers to switch home loans and compare deposit products. Does Treasury have a view and, if so, have you provided any advice to government about competition issues in the retail banking sector?

Mr Philp: We have and we are preparing advice to government on this. I'll ask my colleagues to join me at the table.

Senator McKIM: Sorry to interrupt, Mr Philp, I just want to isolate the merger legislation from this discussion.

Mr Philp: No, that's okay.

Senator McKIM: I'm aware of that legislation. It was more around specific issues relating to the banks and reforms to make it easier to switch home loans and compare products.

Mr Philp: Of course. The other point I was going to make was that the Council of Financial Regulators have a tasking from the Treasurer at the moment to consider competition, particularly the competitive offering of small and mid-tier banks as well. So that fits within it. I'll ask Ms Kelly.

Ms Kelly: In addition to the CFR review that's currently in play, on 15 June there was an announcement made. The Treasurer announced five measures that respond to the two inquiries ACCC had done in relation to retail deposits and home loan prices. There were five key measures announced as part of that. One was requiring banks to tell customers when their interest rates change and improve disclosure requirements. The second one was around requiring financial product comparison websites to better disclose how they determine and rank, and also their financial relationships with, the product providers. The third one was to make it easier to switch loans by having customers have direct and easy access to the form needed to exit a mortgage, which came up as quite a common pain point.

Senator McKIM: The what, sorry?

Ms Kelly: When you exit a mortgage, there's a form you have to fill out, and it was actually quite hard for a lot of consumers to find it. It was a real pain point that came up through the consultation, so consumers have to be provided with direct and easy access to that form. There is work with the banks to help improve how customers are notified about bonus interest rate offers and when that introductory period ends, including through potential development of industry standards. Lastly, Treasury has been asked to investigate how behavioural economics

and prompts could be used by the banking sector to better encourage customers to switch to cheaper loans and retail borrowing products.

Senator McKIM: Apart from that last one, which is a request of Treasury, have those other four been implemented?

Ms Kelly: They're currently in progress. Some will require legislation, and some require industry practice to change.

Senator McKIM: Alright. In terms of those that will require legislation, where are we in that? Are we at the draft stage, or has legislation been provided to the Treasurer?

Ms Kelly: We're working on it at the moment, so it's in progress.

Senator McKIM: Thanks. I'm not sure who to address this question to—perhaps Mr Philp in the first instance. Research from the Australia Institute shows that the big banks make a disproportionate amount of profit from owner-occupier mortgages compared to their other products. Between them the big four banks extracted \$17.6 billion from households with owner-occupier home loans. The research shows that the profit on owner-occupier housing loans comes to 39.5 per cent of the big four banks' total profit while those loans, in terms of their quantum, are just 24.6 per cent of their business. So the amount of profit they're making from those loans is far greater than the amount of their business that is made up by those loans. How are banks able to disproportionately extract profit from owner-occupier loans? Is that a lack-of-competition issue? I'm just trying to understand what's going on here. Has the Treasury has cast its collective mind in that direction?

Mr Philp: It's not a report I'm familiar with. I'll see if my colleagues can dive in. What we have seen recently is an increase in competition in home loans. The net interest margin for the banks is at a 20-year low; I think it's at 1.8 per cent or thereabouts at the moment. The way competition tends to work in the home loan market is a lot of it is driven through brokers; I think about 70 per cent of home loans are conducted that way. So a lot of the competition is through the broker side of the house. I'd be hazarding a guess as to how those numbers work. As I said, I'm not familiar with the report, so I'd hesitate.

Senator McKIM: Could I ask you to take that on notice?

Mr Philp: Yes, of course.

Senator McKIM: Maybe you could ask one of your officers to have a look at that report and provide a response.

Mr Philp: I'm happy to. As I said, the Treasury is concerned about competition in banking, particularly retail competition. It's why there were the conditions put on the ANZ transaction and, particularly, why there's that tasking to the Council of Financial Regulators about small and mid tiers and the competitive offering they can bring to the markets to really drive competition for the benefit of consumers.

Senator McKIM: Thank you. In October the government announced the Treasury is consulting on legislation to introduce a general prohibition on unfair trading practices. Is it the plan to release an exposure draft of that legislation. If so, when might we expect to see that?

Mr Philp: That is the intention. I'll ask Mr Dickson to take you through that.

Senator McKIM: Thank you.

Mr Dickson: In relation to unfair trading practices, I'm presuming you're talking about the announcement of 16 October that talked about consulting on the design of general as well as specific prohibition?

Senator McKIM: Yes, that's right.

Mr Dickson: It certainly is the intention that the government would be consulting.

Senator McKIM: To be clear, would that include an exposure draft of the legislation? Have you gone that far down the planning process.

Mr Dickson: As part of every legislative process that we undertake there will always be a consultation. That's built into the system.

Senator McKIM: I understand there will be a consultation, I'm asking specifically about whether an exposure draft will be released.

Mr Dickson: I will just throw to my colleague.

Mr Storer: In terms of the process going forward on unfair trading practices, the next step is actually to release a consultation paper. As the Prime Minister indicated in his press release, that's going to consult on the design of what was called option 4 under the consultation regulatory impact statement undertaken last year, which

is the design of the general and specific prohibitions. Feedback that we'll get to that will then inform a design that we would take forward then to a preferred proposal that the government would consider and then bring to the states and territories for a decision, as with the Australian consumer law changes. That's the process that works. Post that decision on a preferred option or a model there will be a sort of a drafting legislative process that would take place. We expect that would happen in the first half of next year.

Senator McKIM: There's been no decision on whether you'd actually release an exposure draft of the legislation?

Mr Storer: The usual course of practice would be that we would release exposure draft legislation in that process.

Senator McKIM: Thank you.

CHAIR: The committee will now break for dinner.

Proceedings suspended from 18:04 to 18:52

CHAIR: The committee resumes with the Department of the Treasury, Markets Group, and I go to Senator Smith.

Senator DEAN SMITH: Mr Philp, just to finish off the line of questioning that I pursued previously, has the Treasury ever made any representation to the Department of Employment and Workplace Relations about single-interest multi-employer agreements potentially being anticompetitive or a form of wage fixing?

Mr Philp: One moment, Senator. I will see if my colleagues—

Senator DEAN SMITH: It could be a lot of people if the answer is no.

Mr J McDonald: The Competition Taskforce hasn't, but there may be other parts of Treasury that have. But it's not our responsibility for that policy issue.

Senator DEAN SMITH: That's why I thought I would direct the questions to Mr Philp and not—

Mr Philp: I understand, Senator.

Senator DEAN SMITH: Perhaps on notice—

Mr Philp: I'm not aware of anyone elsewhere in the Treasury providing advice on that issue to the department of employment.

Senator DEAN SMITH: So the answer was that you're not aware?

Mr Philp: I'm not aware.

Senator DEAN SMITH: Thank you very much.

Mr Philp: Consistent with Mr McDonald, whether somewhere else has or not, I don't know.

Senator DEAN SMITH: Thanks very much. I'll turn to the matter of the CDR. Mr Kelly, is the CDR in some form of purgatory?

Senator Gallagher: Would you like an update on the CDR?

Senator DEAN SMITH: We'll soon discover. I might just begin with some questions, Mr Kelly. Since the passage of the Action Initiation Bill on 15 August of this year, what work has Treasury undertaken to determine the first actions to be included in the CDR, and what timeframes is Treasury working on?

Mr J Kelly: The minister, in early August, gave a clear direction as to the work we would be doing on CDR, and that related to making rules around improvements to consents and operational enhancements and extension of CDR to the non-bank lending sector. The minister, in what he said publicly, was also clear that that and some other work would be the focus, not making rules to allow action initiation to happen or to designate particular actions.

Senator DEAN SMITH: So what's the progress of that?

Mr J Kelly: The minister released draft consent and operational enhancement rules. We have now finalised the conversation and finalised those rules. They have just made those available to the minister, so the expectation is that they will be made soon. We are also very well progressed in providing the minister with draft rules to extend CDR to non-bank lending, and we should have that with the minister soon.

Senator DEAN SMITH: So recommendations for a course of action have been provided to the minister, and a further set of recommendations is expected soon?

Mr J Kelly: The rules are the CDR version of regulations which can be made by the minister. We've provided the first instalment of final rules relating to improving the consent arrangements in CDR and some operational

enhancements such as allowing banks to more easily be able to use CDR themselves. That is now with the minister, just very recently, so we have expectations they will be made soon by the minister. Then, for extending CDR to non-bank lending, the minister has flagged the timetable for that to happen. The first part of that will be to do consultations on draft rules. Those draft rules will be with the minister soon.

Senator DEAN SMITH: Great. Senator Gallagher, will Minister Jones be dealing with these matters expeditiously?

Senator Gallagher: Well, I can't answer on behalf of him, but I would expect so. That is his approach. He's a hardworking minister with a lot on his plate.

Senator DEAN SMITH: In relation to the CDR bill that passed the Senate recently, is Treasury aware of why there was such a significant delay to the bill being debated and then finally passed in the Senate?

Senator Gallagher: That's not a matter for Treasury. That was a matter for—

Senator DEAN SMITH: Minister Gallagher, perhaps you could illuminate.

Senator Gallagher: Yes. It was a matter of our legislative programming, getting agreement and getting it done.

Senator DEAN SMITH: No, it sat on the program.

Senator Gallagher: Yes, but—

Senator DEAN SMITH: And it was withdrawn from the program.

Senator Gallagher: As you know, Senator Smith, you don't see one bill in isolation; there's a whole lot of considerations given to the legislative program.

Senator DEAN SMITH: Mr Kelly, did the minister's office raise any specific concerns about the bill or tell you why it wasn't progressing and wasn't being brought to a debate in the Senate?

Mr J Kelly: We had discussions with the office at times about the bill and whether it needed to progress. I can't think of a discussion that was expressed in the way you've put it. It's been the case for CDR for a while now. We've been going through a process, of late, in the 2023-24 budget. The government kind of put a pause on expansion beyond the non-bank lending sector and to other sectors. We've been doing a lot of work to understand some of the issues that are affecting the Consumer Data Right—for example, cost for the data holders—and some of the barriers to the use of CDR. So we did a public consultation on whether we could replace screen scraping and be able to rely on CDR as a viable alternative. The very short answer for that is: not yet. So we've been doing that kind of body of work, and now the minister's set the direction for CDR, reflecting that work and the sorts of issues that we need to address to make sure CDR works efficiently. The minister has indicated that action initiation is not a priority at this stage. Given those other issues, that's been our focus as well—to make CDR work as well as it can before trying to expand it too fast.

Senator DEAN SMITH: Did Treasury consult or work on any amendments to the CDR bill?

Senator Gallagher: What are you referring to? To move amendments that were not moved or—

Senator DEAN SMITH: Work on any amendments that the Senate may not have seen in the end, or work on amendments that the government may not have brought forward.

Senator Gallagher: Well, I think the Treasury worked with the Assistant Treasurer on the CDR, and the bill, as agreed to by the parliament, has passed. So we're not going to go into the nature of any things that may or may not have happened. There were no amendments moved, from my recollection.

Senator DEAN SMITH: That's not my question. My question was to Mr Kelly: did the Treasury consult or work on any amendments to the bill? It was not on whether amendments were introduced to the Senate, because I would have known that.

Senator Gallagher: So what actually happened doesn't matter. It's what may have happened.

Senator DEAN SMITH: It's the work that was perhaps happening that the Senate didn't see any light of. Mr Kelly?

Mr J Kelly: I would have to take that on notice.

Senator DEAN SMITH: In his speech at CEDA on 9 August, Minister Jones stated:

The CDR will expand to non-bank lending data early in the new year with the intent to be operational by the middle of 2026. Is that a deadline that the minister is continuing to work to?

Mr J Kelly: That is the deadline we are working to. At this stage, we are confident we can achieve it.

Senator DEAN SMITH: Many experts have long argued that the restrictions on derived data use a stifling innovation within the CDR. What are the specific risks that Treasury is concerned about, regarding the scope of entities that can receive CDR data?

Mr J Kelly: That's a big question. One way to think about the issue of drive data is CDR has its own kind of data-protection, data-handling and use requirements that sit separately and above what's in the Privacy Act. If you're a recipient of CDR data and you're in the CDR system, you have to handle that data in a particular way and you have got to be ready, say, to delete it on request and those sorts of things.

If you combine CDR data with other data you hold, that also means all that other data and data information derived from that becomes subject to CDR and those additional rules. So, in some ways, having the differential treatment of data has given recipients and people thinking about business models to use CDR an interest and incentive not to get into the CDR system, because it comes with these overlays and costs.

Senator DEAN SMITH: So the Treasury's argument is that the Privacy Act principles may not provide sufficient consumer protection?

Mr J Kelly: In some ways, the issue that CDR confronted when it started was the Privacy Act wasn't, then, a process of—at the moment, another portfolio is considering reforms of the Privacy Act and, I think, the first tranche of legislation is being proceeded with. There's a general view that the Privacy Act itself has failings, in some areas.

One really obvious example of where there are issues is it has to carve out for certain small businesses. In the CDR system, where a lot of the recipients are fintechs, often they start very small. You've got this gap, where the Privacy Act wasn't seen as fit for purpose. It created its own set of rules to deal with that issue, but now the issue we face is that the differences between those rules really generate or affect the incentives of fintechs and other people to use CDR to deliver useful innovations and efficient outcomes for consumers.

Senator DEAN SMITH: Who is the Treasury consulting with around the Privacy Act considerations? Is it the Attorney-General's Department or is it just within the Treasury?

Mr J Kelly: We've got a broad awareness of what's happening under Privacy Act reforms. It's important for us to understand what's happening there, so we understand how some of those boundary issues may play out. The OAIC is also one of the regulatory agents, with respect to the CDR, for those privacy and data protection elements, so we have a good relationship with them. But, as I said a few questions ago, our focus is on the consent and operational enhancement rules on expanding CDR to the non-bank lending sector.

Senator DEAN SMITH: Is there a risk that the privacy concern considerations could further delay aspects of the CDR?

Mr J Kelly: It's not affecting our current planning and delivery of the commitment of the Assistant Treasurer. In his speech that he made and his statements, he has identified some things that go to that issue. One is, when we get to the stage of bringing in actions and designating certain actions, making sure they themselves don't cause problems or conflict with other government policies. There are areas, when you get to them, where they may turn up but that's not the current focus.

Senator DEAN SMITH: How would you characterise the representations that industry has made to the Treasury since the passage of the bill?

Mr J Kelly: 'Industry' is broad. I think the passage of the bill has been well received—

Senator DEAN SMITH: Fintechs, banks et cetera.

Mr J Kelly: by many of the people we speak to.

Senator DEAN SMITH: But it would be fair to say also that they're waiting with anticipation.

Mr J Kelly: The minister was very clear, in his speech and communications, that it's not the immediate priority. I think they're accepting, they're happy, that the bill has been passed. We're also in a world in which some players in the CDR system are finding ways to use CDR to deliver actions. People are finding other ways to use CDR to initiate actions. That's one thing we're really interested to understand, and the minister has also flagged his interest in experiments. The very first experiment that our standards body and chair did was around using the existing CDR framework, along with some industry standards, to allow for action initiation—in respect to initiating a mortgage, for example.

Senator DEAN SMITH: Just to be clear, has the Treasury started consulting with the Attorney-General's Department around these privacy considerations?

Mr J Kelly: We've had discussions with the Attorney-General's Department about some of the issues we've faced. My area within Treasury is involved—in some ways, like a central agency role—in overseeing the Privacy Act reforms. So I have been seeing both sides of that, but it's at a very general level. We have these differential regimes that have implications. The ideal world, in some ways, would be to have a reformed Privacy Act that delivers the appropriate standards that could be applied across all sectors, including into the CDR space.

Senator DEAN SMITH: In summary, the minister has now been presented with some matters on which to decide or release and will, again, soon be presented with a second suite of matters to decide and release.

Mr J Kelly: Yes, that's a fair comment.

Senator DEAN SMITH: So it's still in purgatory but repenting for—

Mr J Kelly: I think the days of penance have passed, and we're flat out doing what we have to do.

Senator DEAN SMITH: Thanks very much, Mr Kelly.

Senator BRAGG: I want to fly through a few different issues, with markets, if that's okay. Firstly, where are we up to with the quality-of-advice review? I think it's now 700 days since the review was given to the government. When will the second tranche be seen?

Mr Moore: We're in the legislation development phase, right now. The Assistant Treasurer indicated that he wanted to progress the bill in this term of parliament and we're continuing to work to those timeframes.

Senator BRAGG: What's the timetable?

Mr Moore: The next stage will be an exposure draft legislation. We're working on developing that legislation.

Senator BRAGG: When's the exposure draft coming out?

Mr Moore: Ultimately, we are a decision of the government and the minister. I don't have a timeframe for that at the moment.

Senator BRAGG: Have you got a draft?

Mr Moore: We don't have a complete draft, no. We're working on the legislation.

Senator BRAGG: The exposure draft would have to happen pretty soon, wouldn't it, if you were going to meet this parliament?

Mr Moore: It would have to happen in the coming—

Senator Gallagher: Period.

Mr Moore: Period.

Senator BRAGG: Fantastic. Clear as mud. Have you been using non-disclosure agreements?

Mr Moore: We have been using non-disclosure agreements.

Senator BRAGG: How many?

Mr Moore: I'd have to take that on notice.

Senator BRAGG: Who are you consulting with in secret?

Mr Moore: We've consulted confidentially with a full spectrum of stakeholders that are heavily engaged in the development of this legislation.

Senator BRAGG: With the super funds?

Mr Moore: Yes.

Senator BRAGG: How many?

Mr Moore: I'd have to take that on notice.

Senator BRAGG: With Cbus?

Mr Moore: I'd have to take that on notice. I can't recall exactly.

Senator BRAGG: Okay. They're pretty good at lobbying, I think. Alright. The position of the department is that you're trying to work to the minister's commitment of doing it in this parliament.

Mr Moore: Yes. As with all legislation, we work to the government's priorities, and that's exactly what we're doing.

Senator BRAGG: Of course. You've got non-disclosure agreements and you've got a bill coming soon, we hope. Thank you for that. Can I keep on flying quickly through these things?

CHAIR: Yes.

Senator BRAGG: Who's doing retail payments, the debit surcharging ban and all this other business?

Mr Philp: That's within—

Senator BRAGG: Yes. How's it going?

Ms Etherington: Good, thanks.

Senator BRAGG: What's happening there? You've got a new big announcement—from even the Prime Minister, wasn't it?—about banned debit surcharges.

Ms Etherington: That's right. On 15 October, the Prime Minister made an announcement of an intention to ban debit card surcharges pending the RBA review.

Senator BRAGG: Great. The legislation before parliament to give the RBA more payments powers would vest more capacity and authority in the RBA, wouldn't it, to determine payments policy in Australia?

Ms Etherington: Yes, but it's not directly related to surcharging. They already have authority on surcharging.

Senator BRAGG: That's right. Effectively, you're not proposing to remove the sovereignty of the RBA—maybe sovereignty is the wrong word. You're not proposing to strip the RBA of its capacity to regulate surcharging, are you?

Ms Etherington: The government's position is that they feel the surcharging rules are not working properly. They have indicated their preference to see the findings of the RBA review that the RBA are undertaking. Should the RBA not want to act on surcharging or update the regime, they've announced a disposition or a willingness to get involved.

Senator BRAGG: Has the government told the RBA that they're disappointed with how this has been handled?

Senator Gallagher: That's not the position of the government.

Senator BRAGG: What is the position of the government?

Senator Gallagher: We don't need to say that to the RBA.

Senator BRAGG: You just want this to happen.

Senator Gallagher: Yes.

Senator BRAGG: And how—

Senator Gallagher: The announcement was accompanied by the RBA's consultation paper, if I remember correctly.

Ms Etherington: That is correct.

Senator BRAGG: You want this to happen so the Prime Minister of the country announces this particular announcement—

Senator Gallagher: Along with some additional resourcing to the ACCC.

Senator BRAGG: Yes. So who executes the change on this proposed ban? Is it still the RBA? Does anyone know or is it just another one of these media releases which goes on to delivering nothing?

Mr Philp: This might depend on the outcome of the RBA's review. There is a pathway where the RBA might be able to control this. There is also a pathway in which the government may wish to introduce a legislation to ban debit card surcharges.

Senator BRAGG: You're basically saying, 'You do it or we'll do it.'

Mr Philp: I'm not saying that. What I'm saying is that they're the options available depending on the—

Senator BRAGG: It's pretty clear what you're suggesting.

Mr Philp: outcome of the RBA's decision. The government is quite conscious that it needs that advice, particularly to ensure that there are no adverse effects on small businesses.

Senator BRAGG: Who was consulted on this matter before this announcement?

Ms Etherington: The RBA was consulted.

Senator BRAGG: Any private businesses, small businesses?

Ms Etherington: Not, specifically, before this announcement but we have been consulting with a wide range of stakeholders on this issue for a long time.

Senator BRAGG: Is there a risk that small business will absorb some of this cost?

Senator Gallagher: They're some of the issues that we need to work through.

Senator BRAGG: But you've already announced it. The Prime Minister of the country announced this.

Senator Gallagher: Yes, and in the announcement, I think it makes it clear, we want to ease costs for consumers without added costs for small business or unintended consequences for the broader economy.

Senator BRAGG: What's the commencement date of this ban?

Senator Gallagher: In the media release I will turn you to:

We are prepared to ban debit card surcharging from 1 January 2026, subject to the consultation undertaken by the RBA, and sufficient steps and safeguards to ensure both small businesses and consumers can benefit from lower costs.

Senator BRAGG: So it's going to happen in about 18 months.

Senator Gallagher: Yes. I think that would take into account the work that the RBA is doing.

Senator BRAGG: But hasn't this been held out as cost-of-living relief?

Senator Gallagher: It will.

Senator BRAGG: It's pretty callous, isn't it—in 18 months?

Senator Gallagher: No. Why? That we're trying to work to bring down costs for consumers? No.

Senator BRAGG: It's been proposed as cost-of-living relief now.

Senator Gallagher: Well, I don't think anyone has said it's cost-of-living relief now other than the money that we have given to the ACCC to tackle excessive charging right now. That money has flowed to them. I don't know if we'll get to them tonight. They're sitting out there waiting. But you could ask them.

Senator BRAGG: I'm going as fast as I can. There are a lot of things that have been announced and not a lot of detail, so—

Senator Gallagher: I've answered your questions.

Senator BRAGG: Some detail.

Senator Gallagher: You asked me when; I've answered that.

Senator BRAGG: Who did you consult?

Senator Gallagher: You asked me whether we're thinking about small business; I've answered that.

Senator BRAGG: Who did you consult?

Senator Gallagher: I'm aware that the ACCC, the RBA—

Senator BRAGG: Yes, they're all government bodies. Any actual people or any—

Senator Gallagher: This is the point. The RBA has a discussion paper out. So, what, we're not allowed—we've got to consult widely before we can say we want to lower the price of charges on your debit cards? Come on.

Senator BRAGG: I can't think of any other time when the Prime Minister of the country has announced a payments reform due to start a year and a half. You haven't even worked out how are you going to get it yet. Anyway, if that's your answer, fair enough.

Senator Gallagher: We have been very clear in the release, Senator Bragg, so I think all of those criticisms are unfounded and unfair.

Senator BRAGG: I thought you'd say that. If that's your answer, fair enough. I'll go on to the next thing. What's happening with the payment service provider licensing framework?

Ms Etherington: That's another piece of legislation that we are working on and we are hoping to introduce in this term of government.

Senator BRAGG: Who is this actually going to apply to? This is not the crypto thing; this is something else.

Ms Etherington: No, this is for payment service providers.

Senator BRAGG: So when do you think it is going to happen?

Ms Etherington: We're working on the legislation now and are hopeful to release an exposure draft in the coming months.

Senator BRAGG: Have you got a draft bill?

Ms Etherington: Not a completed one.

Senator BRAGG: It is the same as the other issue: not completed. What percentage complete is it?

Ms Etherington: It's in initial stages of being drafted.

Senator BRAGG: Sounds like 20 or 30.

Mr Philp: Our intention is to have an exposure draft ready for release in the first half of 2025, so next year.

Senator BRAGG: How many people in Treasury are working on these payments issues?

Ms Etherington: On the payments licensing reforms, there would be a team of five people, and it's quite a detailed piece of legislation, so it has taken a lot of time to work through all the policy specifications.

Senator BRAGG: Is stablecoin in this or is that in our long-lost friend of crypto regulation?

Ms Etherington: The stablecoins part will be progressed with the rest of the payments licensing but is actually done by a different team. They will be progressed together.

Senator BRAGG: How many people are working in Markets at the moment?

Mr Philp: In Markets Group?

Senator BRAGG: Yes.

Mr Philp: I think we are about 270 people.

Senator BRAGG: It feels like it's a bit slow going there, wouldn't you say? A lot of projects seem to go there to die or not be progressed.

Mr Philp: We have constraints when it comes to the legislative agenda to have things on there, and they are things that are outside our control. Within the group, though, we are also responsible for the things that you're aware of: the financial system, market conduct, corporations law, competition and consumer policy, the competition taskforce, CDR and a range of other things. We prioritise those things that are important to the government of the day.

Senator BRAGG: It feels like we are a long way away from getting the financial advice stuff, the crypto stuff and the payment stuff. Is the constraint here the Assistant Treasurer's office?

Senator Gallagher: No.

Senator BRAGG: It's not?

Senator Gallagher: No. I know you like to besmirch him at every opportunity you can.

Senator BRAGG: He's going well? He's busy.

Senator Gallagher: He has a very large workload and a very high legislative agenda—probably, I would think, next to the Attorney, the biggest legislative agenda.

Senator BRAGG: Well, apparently he won't have a meeting.

Senator Gallagher: There are constraints, for example, in drafting resources and other things. The legislation, in my experience of these bills, is often contested and complex.

Senator BRAGG: I know it's tough, but I read in the paper the only way stakeholders can get meetings with him is by going to a Labor Party fundraiser, so he seems to be a bit of a problem.

Finally, don't you think it's a bit odd that the Prime Minister of the country is making these announcements on things which are clearly not concluded or in any state ready to show the public?

Senator Gallagher: No, I don't.

Senator BRAGG: You don't think it's strange?

Senator Gallagher: I don't think it's unusual, no. I think the Prime Minister is involved in almost every aspect across our government and—

Senator BRAGG: I think people look forward to the follow-through on some of these things.

Senator Gallagher: Yes, we are.

Senator BRAGG: I hope we don't have Groundhog Day at these next estimates hearings and have to ask the same questions again like I have today.

CHAIR: Senator Smith.

Senator DEAN SMITH: There is the continuing saga in regards to Sympli and PEXA and e-conveyancing in Australia. Rather than in our limited time going through all the various complexities around that, has the Treasury met with representatives of Sympli to discuss their concerns?

Mr Philp: I'll ask the team if they're familiar with that.

Mr Bezzi: Yes, we have.

Senator DEAN SMITH: Thank you very much. Has the Treasury put their mind to a particular course of action that can be recommended to government to resolve this impasse?

Mr Bezzi: This is an issue that is primarily an issue for the states.

Senator DEAN SMITH: Many competition issues are.

Mr Bezzi: Certainly. We anticipate that there may be interest from some of the states in progressing the issue through the vehicle of the National Competition Policy, but that's a matter that's currently under consideration.

Senator DEAN SMITH: Correct me if I am wrong. When we're thinking National Competition Policy, we have the issues paper process, which was a good read, but that is not going to resolve this particular issue or be a forum for resolution of this particular issue, given that we're going through an issues paper, consultation paper, negotiation with the states et cetera over a competition reform program that is expected to go for 10 years. I'm assuming you don't mean that process.

Mr Bezzi: No, I do mean that process.

Senator DEAN SMITH: You do mean that process.

Mr Philp: There are maybe two points I'd make on this one. The issue when it comes to e-conveyancing has been raised a number of times, as I understand it, through the Australian Registrars National Conveyancing Council, and the view is that this is a matter that the states can take forward—particularly inter-operability standards that New South Wales may be in a position to pursue. Where the national competition policy might become relevant is if one of the states want to take it forward as part of that. Now, that doesn't mean that we're waiting for a 10-year program and it comes at the end of that. The whole basis of the national competition policy is that particular reforms can advance as they're ready and as quickly as they can, much like mergers have progressed quickly when there is the appetite.

Senator DEAN SMITH: To be fair, it is a strong consultation process.

Mr Philp: Thank you.

Senator DEAN SMITH: Are you offering up a pathway here that, if the state's regulatory body was to refer or write to the national competition taskforce, that might be a pathway to bring the disparate parties to a conversation around this?

Mr Philp: Possibly. All states sit as part of the National Competition Policy. We would expect it to come through one of the state treasuries as part of that process.

Senator DEAN SMITH: Has Treasury met with PEXA on the matter?

Mr Bezzi: I certainly haven't met with PEXA, and I don't think the competition taskforce has met with PEXA. I can't recall any meeting that we've had with PEXA. I'm being a bit careful because, as you may be aware, I'm on secondment from the ACCC and I had some engagement with them in a professional capacity at the ACCC.

Senator DEAN SMITH: Fair point, and I will, just for full transparency, ask similar questions to the ACCC. Mr Philp, are you aware of Treasury officials having met with PEXA?

Mr Philp: I'm personally not aware, but I can happily take that on notice.

Senator DEAN SMITH: Has the Treasurer met with PEXA or representatives of PEXA?

Mr Philp: Again, we're not aware.

Senator DEAN SMITH: Has the Treasurer met with Sympli?

Mr Philp: I'm not aware, but we can take that on notice as well.

Senator DEAN SMITH: I might just finish with this comment that's contained in a Sympli media statement, just as a way of encouraging continued due diligence on this matter. The media statement says: 'Unfortunately, industry's consistent cries for help to the Treasurer and Minister Leigh have fallen on deaf ears.' Mr Philp, I think you provided what might be a suitable pathway for this particular issue to get some better traction. Thanks very much.

Can I ask some quick questions here about supermarkets?

Mr Philp: Sure.

Senator DEAN SMITH: Does anyone else have a line of questions?

CHAIR: Yes, so I'll go to Senator Pocock.

Senator DAVID POCOCK: Thank you, Chair.

CHAIR: I understand that Senator Smith has some more questions and Senator Bragg has some more questions. For those waiting in the wings, we are four hours behind. We've been unable to make an agreement on time management. The committee will meet at the 8.35 pm break and attempt to provide some advice to those who are waiting. Senator Pocock.

Senator DAVID POCOCK: Thanks for staying with us. I was keen to ask some questions about the scams prevention framework. In terms of the government policy being brought forward, is it your understanding that the intention is to pursue world's best practice when it comes to scams prevention?

Mr Dickson: In relation to scams prevention, the government is committed to trying to achieve two things. One is to prevent scams from occurring in the first place. It's consulted on legislation where there's a framework of principles-based regulation as well as providing for specific measures that can be targeted towards specific sectors. As a consequence of that, you would be expecting to see an uplift in the hardening of the approaches that particular sectors are going to take towards preventing scams. Another limb of that is, of course, providing opportunities for redress for people that are victims of scams.

Senator DAVID POCOCK: But I take it we are aiming for world's best practice here. We're not aiming for a mediocre scheme that does those things.

Mr Dickson: In terms of what the government is looking for, it's looking to have an ambitious approach that generates a significant uplift in scams prevention in Australia.

Senator DAVID POCOCK: What work did you do comparing different approaches being implemented in other jurisdictions, and what did you find? Could you keep it short.

Mr Dickson: Certainly. I have a colleague here who might be able to elaborate on our international comparisons on that front. But, yes, we have been very cognisant of what's going on around the world and also thinking about what, given those international developments, would be relevant to for the Australian context. We are fortunate in some respects that there have been approaches that have been taken internationally. I think they might have had some ambition associated with them, and some of the unintended consequences have been flushed out. That's helped us learn from those situations, which positions Australia in a good spot to learn those lessons and come up with something that we think would be fit for purpose. But I'm happy to invite colleagues if they would like to add more to that.

Ms Davis: During the process of considering and providing advice to the government on the scams prevention framework, we've had engagement with our counterparts in the UK, with Singapore and with New Zealand in particular to understand the arrangements that they have been developing and putting in place in their countries, thinking about the institutions available in each country and being able to bring that back to Australia to think about what, with the arrangements we have here, might be appropriate in the way that we give advice to the government about what could be developed here in Australia.

Senator DAVID POCOCK: Thank you. That's really useful. Mr Dickson, you touched on prevention. Clearly, there is punishment in here. I'm interested in why reimbursement is missing from the draft legislation.

Mr Dickson: As a point of clarification, we actually do have redress as a central part of the legislation. Perhaps what's not so obvious is whereabouts in the legislation that exists and where the opportunities for redress come from. I'm happy to talk through—

Senator DAVID POCOCK: Sure. I've had a look at it. It's about a 15- to 20-step process, from what I've seen, to get redress.

Mr Dickson: It might not be a 15- to 20-step process.

Senator DAVID POCOCK: It could be 30.

Mr Dickson: What you might be observing is that there are multiple channels that you can go through if you want to pursue redress. For instance, one of the channels that you would have seen in the draft legislation is the internal dispute resolution mechanism. Then there's an external dispute resolution mechanism. In addition to that there's also the ability for victims to actually seek redress through the court, and in addition to that the regulator itself can make a claim to court on behalf of a victim. A victim could join a class action. There are several ways in which that redress could occur.

Senator DAVID POCOCK: It just seems really complicated to me. If I get scammed, I'd look at this flowchart of the different options—and the easiest option, or the option that should be happening, is obviously going straight to your bank, and what we see there is a huge asymmetry in access to information. They've got it all; you've got nothing. What I'm hearing from scam victims is that the banks don't give you information, because they're not obliged to. I'm interested to look at the FOI documents that were released recently from Treasury that

say Treasury recommends 'a mechanism to determine redress and reimbursement of funds for breaches by a bank under sector-specific code'. Was this mechanism included in the government's draft framework?

Mr Dickson: Just to clarify in relation to seeking redress, you made a comment that perhaps it would be simpler for you could just go to your bank and seek redress from your bank—

Senator DAVID POCOCK: That's what people are trying to do, and they run into all sorts of hurdles.

Mr Dickson: Part of that appetite might come from the frequent media reporting that you might see where there is a bank that is involved in part of the scam activity that has occurred, but there are really important parts of the economy that are also contributing to scam activity in Australia. So, while it's typical that a bank might be at the end of it, the vulnerabilities that exist in the scam's ecosystem might not necessarily be originating in the bank; they actually might be originating in other sectors, such as in relation to digital platforms or telecommunications. So it's really important that there is a framework in place that tries to incentivise an uplift in capability in preventing scams from occurs across all of those sectors.

Senator DAVID POCOCK: Surely the way to do that, though, is to put them on the hook. Say, as in the UK, that up to a certain limit, with exclusions for things that I think are very reasonable, the bank's on the hook. The bank then has to go and decide with Facebook or with the telco that the scam comes through. How do you apportion this? Is it fifty-fifty? They are very good at actually doing this; they do it for all sorts of things. I'm concerned that Treasury is recommending something like that, yet the draft doesn't have that.

Mr Dickson: The draft certainly does contain—

Senator DAVID POCOCK: Is what was recommended by Treasury actually in the draft?

Mr Dickson: The draft definitely contains the ability for there to be—

Senator DAVID POCOCK: That's different to a reimbursement framework that we see somewhere like the UK, though.

Mr Dickson: If I could just finish, so we can make sure we're understood—the bill definitely does contain provisions that enable there to be redress in sector-specific ways. One of those sectors, if designated, is the banking sector. There would be the ability to set rules and create codes that talk about that. In relation to how that is different to the UK, yes, it is different to the UK. What the government is looking to achieve is providing incentives that are not just in relation to the banking system. It's possible to be too confident that putting all of the onus on one sector of the economy would result in the incentives that you need to see across the other sectors of the economy that are creating vulnerabilities in the system. While there might be a sentiment that perhaps the banks would be in some position to negotiate to create those incentives on other parts of the economy, the legislation actually is trying to do that. And it's doing it by making sure that there are responsibilities across key sectors of the economy and not just an incentive on one part of the economy. That means looking at, for example, as the government has explained, its intention to designate digital platforms. We know that digital platforms are a speedily growing vector of scams in the economy, so it's really important that there are multiple points at which we are tackling the problem, not just one.

Senator DAVID POCOCK: I don't disagree with that. I'm just concerned. What I hear from people in the community, from consumer groups is that the UK's model is the way to go, where you put business on the hook. That then means, if you are on the hook for something, you are obviously investing in all sorts of systems to detect scams early, to do all the things. We have seen with the banks that they're not even doing payee confirmation. It's an absolute joke, if they have wiggle room. We've seen it time and time again with banks putting their shareholders' profits ahead of customers.

Mr Dickson: This bill does put obligations on the banking sector when the banking sector is designated as a sector. And it would put obligations on other sectors too. Just because the bill is looking at other sectors doesn't mean the banking sector is in some way exempt. In addition to obligations on the banking sector, the government has the ability to put obligations on other sectors.

Senator DAVID POCOCK: How much do you expect scam rates to be decreased by after this legislation?

Mr Dickson: We haven't done specific modelling where we are able to look at a behavioural response. That's a matter for a much more sophisticated modelling capability than I think exists. But what we are able to do is examine, in terms of costs and benefits, what the level of scam activity is currently in the economy. We know that there are losses of around \$2.7 billion in 2003 from scams. It actually only takes a very small amount of reduction in scam activity to generate very material benefits.

Senator DAVID POCOCK: Sure. I think reducing scams is an important part of it, but I think reimbursement is also; in a cost-of-living crisis, reimbursement is an equally big part of it. How do you see that happening? From

the figures I've seen, UK banks currently reimburse 67 per cent of scam victims. Australian banks reimburse between three and five per cent. It's hard to get the exact data. Are we going to bridge that divide, or do we just accept that Aussies are going to get caught up through AFCA or the courts or whatever else it might be?

Mr Dickson: The figures that you're quoting are figures that are trying to capture a past state, and the question I think that you're getting to is: what is the future state, and will the legislation bridge the gap that you're seeking to close? Looking at the legislation, it's covering six general principles that are requirements upon designated sectors. There is requirements in governance in terms—

Senator DAVID POCOCK: I'm just worried we're going to run out of time. Have you looked at elsewhere that's done this and gone, 'Okay, their reimbursement rate went from three to five per cent to 20 per cent'? I guess we've got the UK to look at and say, 'If we did this, we can probably expect that we would head in that direction.' Where are we heading with this framework approach?

Mr Dickson: The key objective in the bill is to prevent the scams from occurring in the first place so that you're not in a position where you've got a consumer that requires reimbursement.

Senator DAVID POCOCK: I take that point, but people are going to get scammed.

Mr Dickson: I understand that. And that's why there are other limbs to the bill that enable redress to occur.

Senator DAVID POCOCK: Talking to consumer groups, my concern is they're really hard to navigate. People don't have time to be finding a lawyer to get their \$450 back that they got scammed on buying something online.

Mr Dickson: There's nothing in that bill that says that a consumer would be required to find a lawyer. For example, that's the—

Senator DAVID POCOCK: That's the advice I've been given. It's very hard to navigate this with the banks.

Mr Dickson: I can give you testimony that says that there's an aspect of the bill, in particular the external dispute resolution process, that's a free service that would be made available to consumers.

Senator DAVID POCOCK: Who is that by?

Mr Dickson: The government has expressed an intention that would be AFCA. By making that AFCA, that gives you the ability to have one external dispute resolution process that covers all of the sectors. It wouldn't just cover if banking—

Senator DAVID POCOCK: It's a one-stop shop.

Mr Dickson: It is a one-stop shop, which is exactly consumer groups have been saying that they have been looking for.

Senator DAVID POCOCK: Just on AFCA, in what percentage of cases where complaints have been put to AFCA has AFCA found in favour of the consumer versus found in favour of the bank? Do you have that data on you?

Mr Dickson: I don't have that in front of me, but I can take that on notice, if that's okay.

Senator DAVID POCOCK: Thank you.

CHAIR: The committee has agreed to spill over from APRA onwards in the program. We release tonight APRA, the ACCC, Housing Australia, the ABS, the Productivity Commission and ASBFEO on the basis that the committee has agreed to a spillover. To those of you who have been waiting patiently, we thank you for your patience, and you go with our thanks this evening.

Senator Gallagher: This happens quite a bit at this committee. Is there any better way to organise the program that doesn't fly in a lot of these bodies from Melbourne and Sydney and have them sitting here all afternoon only to be released at a quarter to eight in the evening? That's just a matter for the committee to consider. I think there has to be a more professional and better way to deal with people who are taking time out to provide accountability to the Senate. This has happened almost every time I've appeared—that we have sent away people who have travelled to be here and who have waited since lunchtime or abouts, because they come early in case they are called on early to appear.

CHAIR: For the Markets Group, Senator Smith.

Senator DEAN SMITH: I've got some questions around supermarket initiatives. Can I get an update on when the mandated food and grocery code is expected to be operational.

Mr T McDonald: We're currently working on the remaking of the code. We had an exposure draft of the code released, received a number of submissions and are working through those at the moment. We expect the date of effect of the new remade code to be 1 April next year, which is the time when the current code lapses, or expires.

Senator DEAN SMITH: Can you give me an update on when the anonymous complaints mechanism is expected to be operational.

Mr T McDonald: Part of why we're working to remake the code and have that in place ahead of the operational data of the code is to allow the code to be fully operational by 1 April next year. That's what we're working towards.

Senator DEAN SMITH: Is that one week prior to 1 April? Is it a month prior to 1 April that you expect the anonymous complaints mechanism to be in place?

Mr T McDonald: I expect the complaints mechanism to be in place when the code is operational.

Senator DEAN SMITH: Can you provide an update in terms of when you expect the code's supervisor, which was recommendation 6 of the Emerson review, to be operational?

Mr T McDonald: We're working on the code—the code supervisor role commences when the new code is operational. So we're working towards that position being filled and effective from the date of effect of the new code.

Senator DEAN SMITH: Finally, with regard to the Unit Pricing Code and the consultation process around that, can you give us an update in terms of work that is underway?

Mr Storer: That's my area. I updated you the other day at the cost-of-living committee.

Senator DEAN SMITH: To be fair, that was 11 October, so that was four weeks ago.

Mr Storer: Certainly. There are three elements to the Unit Pricing Code that were part of the government's decision. One was around the introduction of penalties for noncompliance with the code. That work is being progressed at the moment, so we've already started taking that forward, and that, subject to drafting resources, as we often have with these things, is something we're prioritising to progress. In relation to the consultation that was mentioned, we are working on the basis that we would kick that consultation process off in the first quarter of next year. A key part of the input into that will be the final report from the ACCC supermarket inquiry, which, as you know, has looked at the Unit Pricing Code and, on the interim report, had information around opportunities to enhance the Unit Pricing Code. We want to be informed by that, but that's when the consultation process will formally kick off, in the first quarter of next year.

Senator DEAN SMITH: So the Unit Pricing Code reform is not expected to be in place and operational before 1 April 2025?

Mr Storer: No, you wouldn't think that that would be in place by that time, given that timeframe.

Senator DEAN SMITH: Thanks very much.

CHAIR: Senator Bragg.

Senator BRAGG: I just wanted to ask Markets Group about one more thing. Do you know about the Compensation Scheme of Last Resort?

Mr Philp: We do.

Senator BRAGG: It is a very interesting idea, isn't it? Very interesting. How's it going down there at the CSLR?

Mr Philp: I'll ask my colleagues to come in here. CSLR has been operational for—

Ms Kelly: Since April this year.

Senator BRAGG: And who's running it?

Ms Kelly: There is a scheme operator.

Senator BRAGG: Who's that?

Ms Hogan: The CSLR operator is operated by a company called CSLR Ltd.

Senator BRAGG: Does any natural person work there?

Ms Hogan: The CEO is David Berry.

Senator BRAGG: Okay. And who's he?

CHAIR: The CEO.

Senator BRAGG: Who appointed him? These are not trick questions.

Mr Philp: Sorry, what was the question?

Senator BRAGG: Who's David Berry? Who appointed him?

Ms Hogan: The government appointed the chair of the CSLR operator.

Senator BRAGG: Who appointed him?

Ms Hogan: The minister appointed the chair of the CSLR operator.

Senator BRAGG: Who is the chair?

Ms Hogan: Jo-Anne Bloch, who was appointed on 1 February 2024.

Senator BRAGG: Who appointed Jo-Anne Bloch?

Ms Hogan: The government appointed Ms Bloch.

Senator BRAGG: Who?

Ms Hogan: That was the minister who appointed Ms Bloch.

Senator BRAGG: Minister?

Ms Hogan: I expect it would have been the Assistant Treasurer.

Senator BRAGG: Minister Jones?

Ms Hogan: Correct.

Senator BRAGG: He has appointed Ms Bloch, and the board or the chair has appointed the CEO?

Ms Hogan: I expect that would have been the case, but we can take that on notice.

Senator BRAGG: How much money is in this fund?

Ms Kelly: There have been a number of levies that have been paid. The first levy was paid by the 10 largest banking and general life insurance groups. That was \$241 million, and that's the pre-CSLR backlog. The first levy period was paid by the Commonwealth, and that was \$4.8 million. The second levy has been paid by industry, and that was a total of \$24.1 million. That was paid in October this year.

Senator BRAGG: How much?

Ms Kelly: It was \$24.1 million.

Senator BRAGG: How much in total was sitting in this fund?

Ms Hogan: Around \$290 million has been levied so far.

Senator BRAGG: Does the organisation report to Treasury, or does it report to—who does it report to? Where does it sit? Is it the people working in your building in Treasury in Canberra?

Ms Hogan: The CSLR operator is independent, but Treasury engages closely with the CSLR operator.

Senator BRAGG: Where are they based?

Ms Hogan: Physically, they are based in Melbourne.

Senator BRAGG: They're in Melbourne? Okay. I think in one of your papers Treasury estimated the admin costs would be \$3.7 million, but, according to the record for financial year 2025, the CSLR is estimating an admin cost of \$6.4 million. It's a vastly higher admin cost, so what is it spending the money on?

Ms Hogan: We'd have to take the specifics on notice, but generally they are the ones operating the scheme. That includes receiving the complaints that come through from AFCA, assessing them and making the payments.

Senator BRAGG: Apparently, last week, the CSLR posted a job ad for a communications partner. What's that job?

Ms Hogan: That would be a matter for the CSLR operator.

Senator BRAGG: Do we have CSLR coming?

CHAIR: No.

Senator BRAGG: What sort of agency is CSLR?

Ms Hogan: They're not a government agency; they're a corporate entity.

Senator BRAGG: It's a corporate entity. So is it established under legislation?

Ms Hogan: Yes.

Senator BRAGG: Okay. So is it a Commonwealth corporation? What is it?

Ms Hogan: It's a corporate entity that is appointed by the government as the operator of the CSLR.

Senator BRAGG: Is it undertaking a statutory function?

Ms Hogan: It's operating the scheme as set out in the legislation.

Senator BRAGG: I'm wondering whether it's undertaking a statutory function on behalf of the public—taxpayers.

Mr Philp: Yes.

Senator BRAGG: It is, isn't it?

Mr Philp: It's operating a scheme for the government.

Senator BRAGG: So how are we supposed to ask them questions if you're not going to answer questions on their behalf?

Senator Gallagher: I imagine you—

Mr Philp: I assume they can be called to the committee.

Senator Gallagher: We don't want to encourage more people to sit in that room and then get sent home despite the chair's best efforts to keep everyone on track. But I would have thought—

Senator BRAGG: This is a truncated program that we have. We're doing our best to get through it.

Senator Gallagher: Are you?

Senator BRAGG: Clearly I am. I'm actually quite efficient in my questions, and generally your answers are quite efficient as well. But we can't ask you these questions, clearly.

Mr Philp: We're happy to take—

Senator BRAGG: You don't know about the admin cost of this scheme; is that what you're saying?

Senator Gallagher: I don't have that information before me.

Mr Philp: Nor do we, but we'd be very happy to take that on notice and respond.

Senator BRAGG: Can they do that?

Secretary interjecting—

Senator BRAGG: You can take those questions on notice, about why they're spending so much money on administration and what this communications partner job is going to do. That would be much appreciated. Thanks, Chair.

CHAIR: That concludes the questions that we have for the Treasury Markets Group. Thank you very much for answering them. You go with our thanks. I call the Department of Treasury Revenue Group, ATO, TPB and ACNC.

**Department of the Treasury
Australian Taxation Office
Tax Practitioners Board
Australian Charities and Not-for-profits Commission**

[19:59]

CHAIR: We welcome Revenue Group, the ATO, the Tax Practitioners Board and the ACNC. Thank you, Ms Brown and team, for being with us, and Commissioner Heferen. We are aware that Commissioner Woodward is—is she joining remotely, or is she an apology and we have other staff? Yes, we have other staff. We have received your opening statement, Commissioner Heferen. Are you willing at this stage to table it or would you like to make some opening remarks?

Mr Heferen: I would like to make some opening remarks.

CHAIR: Please go ahead.

Mr Heferen: It's always a privilege to be before this committee with my executive team, including newly appointed second commissioner Mr Allen. Ms Fish is joining online due to a bout of COVID. Mr Allen's appointment was announced on 25 October. He leads our Frontline Operations group and brings a wealth of experience and expertise to the role. I'm very pleased, as is the government, to have Mr Allen in this critical role. So I want to make some brief comments in three areas that might be of interest to the committee.

Firstly, I'd like to update the committee on our progress in collecting outstanding debt. Through our efforts this year, we've seen a slowing in debt growth, but collectible debt remains high at around \$50 billion. The task ahead of us is substantial, and we can't ignore our obligations under the law as Australia's principal tax collector. In

many cases, if a business can't pay what it owes to the government, other creditors are often also going unpaid. The ATO's role is an important one because, when businesses are prompted to take action sooner, they are better able to get back on track. Doing our job protects viable businesses who rely on prompt payment from their business customers. This also protects employees for whom the consequence of unpaid superannuation can have a lifetime effect. My expectation is that we—the ATO—act with empathy and respect. If a taxpayer cannot meet their tax obligations, we encourage them to talk to their registered tax professional or contact us directly to understand the support that may be available to them. This could include payment arrangements or, in some instances, remission of general interest charges. In many cases, people can put payment plans in place through our online services. I want to emphasise this message to any taxpayers who may be experiencing vulnerability: the ATO can and will work with you to find a way forward, so please contact us. Ultimately, we serve the community and the government of the day, and our approaches must meet community and government expectations and standards.

Secondly, I would like to update the committee on our approach where a taxpayer makes a voluntary disclosure. I consider this important, given recent reporting in relation to voluntary disclosures of prior tax fraud or evasion and the misunderstanding of confusing voluntary disclosures on the one hand with settlements. Where a taxpayer incorrectly reports on a prior year return, penalties do apply, but the base level of penalty depends on the culpability of the mistake. For example, evasion can trigger a 75 per cent penalty of the tax shortfall, but a lack of reasonable care only 25 per cent. When a taxpayer comes forward with voluntary disclosure to correct what they have previously reported to us, and when they do so before we notify them of our intention to conduct an examination of their tax affairs, section 284-225 of schedule 1 to the Tax Administration Act automatically applies an 80 per cent remission of the penalties that would otherwise apply. This occurs irrespective of whether the prior year error was a simple mistake or deliberate evasion. The law is clear on this. The substance of this provision was inserted into the tax law in 1992 as part of the original self-assessment provisions and has not been substantially altered since then. The parliament has set this deliberate mechanism to encourage taxpayers to correct their past reporting of their own accord. Without this pathway in place, taxpayers will be far less likely to come forward and make corrections. This is important because the success of Australia's self-assessment system relies on the vast majority of taxpayers doing the right thing and making corrections when required.

Importantly, taxpayers who receive a reduction in penalties due to voluntary disclosures do not find themselves better off than if they were compliant from the beginning. These taxpayers are still required to pay 100 per cent of the tax that is owed, with interest, and the reduced penalties. Our most recent annual report shows that, in the last financial year, around \$1.3 billion was raised as a result of voluntary disclosures, including around \$700 million from large businesses, which shows the importance of this approach.

Thirdly, within Australia's tax system, there are a number of features that help to ensure that those with most capacity to pay meet their obligations, and we know that targeted system transparency is a motivating factor, particularly for some of our largest taxpayers. Last week, we released the 10th annual *Corporate tax transparency report*, which is a legislated exception to taxpayer confidentiality. Pleasingly, it shows the ATO received \$100 billion in income tax from large corporates and, of that, \$97.9 billion was paid at lodgement, and the remainder collected through our compliance activities. This is the highest since corporate tax transparency reporting began, a testament to the Tax Avoidance Taskforce, which helped secure more than \$32.2 billion in additional tax revenue from multinational enterprises and large public and private businesses since establishment in 2016.

Back in June, in my first appearance before the committee as Commissioner of Taxation, I said I was optimistic about the opportunities for the ATO to build on existing work and deliver for the Australian community and government. Having spent more time in the role, I'm now even more confident about what the ATO can achieve as an entity and as a group of dedicated public servants. Thank you, and we look forward to assisting the committee this evening.

CHAIR: Thank you, Mr Heferen. The committee tables your opening statement and that of Ms Woodward as well. If there are no other opening remarks, we'll proceed straight to questions, and I'll go to Senator O'Neill.

Senator O'NEILL: Thank you very much. My questions go first to the TPB. Mr de Cure, I understand you're here. We just had a question about whether Mr O'Neill might also be here. Is he?

Mr de Cure: Michael's here.

Senator O'NEILL: We just couldn't spot him. Senator Pocock was asking. Thank you. Would you be able to give a quick update, without compromising it in any way, on the current investigation into PwC and its current and former employees?

Mr de Cure: As we discussed at a previous appearance, at that stage there were nine ongoing investigations. Four of those investigations have been finalised with a decision to take no further action in those four cases. There are five still ongoing investigations, and, to preserve the procedural fairness of those investigations, I would like to say no more.

Senator O'NEILL: We do look forward with interest to your findings. Are you aware of the documents published on Friday last as part of the parliamentary joint committee inquiry into ethics and professional accountability in the audit and consulting sector—in particular, the supervised remediation correspondence between PwC International and PwC Australia?

Mr de Cure: I'm aware of the matters you refer to, and I've obviously seen the press, but I have no specific awareness other than that.

Senator O'NEILL: I therefore table before this committee documents that are already in the public place—the remediation letters. There are multiple copies here, if people need to refer to them. What is your understanding of what's embedded in those documents, Mr de Cure?

Mr de Cure: Only what I've read in the press.

Senator O'NEILL: Okay.

Mr de Cure: I really would prefer not to discuss in any detail matters relating to Pricewaterhouse because we have to maintain the procedural fairness of those investigations.

Senator O'NEILL: I acknowledge and accept that, but these are documents that are already in the public place that are about the intersection between PwC Australia and PwC Global—not just the tax matter but other matters that are referenced in this, in terms of the behaviour of the entity itself. I draw your attention to item 8 of the correspondence, which I hope might come before you shortly. Item 8 states that:

The Firm—

that's PwC Australia—

shall not provide to any regulator or other governmental or legal authority any formal, significant or substantive submissions or responses (whether oral or written) regarding any of the Topics until the Network Representative and I—

that being Global general counsel, Diana Weiss—

have reviewed and approved the materials.

So, in essence, it's saying, from the firm in the US, they cannot communicate with any entity, including regulatory agencies, without checking with their international counsel. Does that notionally provide any concerns for you about PwC International and its influence over the PwC Australia interactions with your body?

Mr de Cure: I understand this to be a matter that relates to the contractual arrangements between PwC Global and its Australian representative firm. I understand under the circumstances why they might want to conduct their relationship that way from the perspective of PwC International. I understand why they might want to conduct their relationship that way. Other than that, I think it would be inappropriate for me to express an opinion in the current circumstances.

Senator O'NEILL: Could I ask you to take it on notice and perhaps provide us with what you think might be appropriate on further consideration, Mr de Cure?

Mr de Cure: We will do.

Senator O'NEILL: Thank you. And perhaps that might happen with the next question as well that I have here. The remediation letter—and there are three here in this set of documents—threatened the expulsion of PwC Australia from the global firm if the terms of the remediation were not complied with. That means that, if PwC were to provide any evidence to the TPB or the ATO—not to mention the AFP or the parliament through the Senate inquiries or any other inquiries that we might have—without the approval of PwC International, they would be subject to expulsion from the global firm, which is a pretty significant consequence in anybody's book. Do you see this as an attempt by PwC International to intimidate their own firm in Australia as witnesses to your body and to this parliament from engaging in relevant investigations?

Mr de Cure: I'd prefer not to express an opinion on that.

Senator O'NEILL: I just observe that the committee's report is imminent, and this whole matter, I think, is a very important case study. I hope that the documents that the Senate has been able to extricate from PwC provide you with some useful opportunities to consider how they've interacted with you. Because certainly PwC have provided consistently a very, very tardy, delayed response to any questions we've had from the Senate. And, in these documents, you will see references to the way in which their publication strategy—their media management

strategy—appears to have been prioritised above a timely response to the inquiries of the Senate. And I hope that's not how they have interacted with the TPB or the AFP, but it has been consistently the experience of senators both in the F&PA committee and in the Parliamentary Joint Committee on Corporations and Financial Services. So I hope that these letters provide with you some further insight into the cultural practices that seem to be manifestly obvious to us as inquirers into what has gone on behind the scenes at PwC.

Mr de Cure: Thank you, Senator. We'll make sure that these letters are reviewed in full.

Senator O'NEILL: I've got other questions, but I'll share the call.

CHAIR: Thank you. We will go in 10-minute blocks. Senator Bragg.

Senator BRAGG: Thanks. I have some questions about tax policy and Treasury. Ms Brown, how are you?

Ms D Brown: Good, thank you.

Senator BRAGG: Good. What date was advised on negative gearing and capital gains tax changes requested by the Treasurer?

Ms D Brown: We provide advice on negative gearing and all aspects of the tax system on a regular basis and on an ongoing basis.

Senator BRAGG: So there hasn't been any request for advice?

Ms D Brown: As I said, we provide advice on an ongoing basis. I think indicating whether we have or haven't been tasked or being any more specific actually would compromise our ability to provide—

Senator BRAGG: Sorry, I can't—

Ms D Brown: Being any more specific than saying what I said would probably compromise our ability to have a constructive relationship with government.

Senator BRAGG: I understand that. Has there been any advice finalised and presented to the Treasurer on these matters?

Ms D Brown: Sorry, Senator?

Senator BRAGG: Has there been any advice finalised and presented to the Treasurer about these issues?

Ms D Brown: I think the Treasurer has said he's not expecting any big advice, and we just provide advice on an ongoing basis around the operation of all aspects of the tax system.

Senator BRAGG: So there hasn't been any particular request on these issues?

Ms D Brown: Senator, as I said, it's very hard to be specific about whether or not we've been tasked because—and I think we've had this discussion before at other hearings—it will lead to a game of 'what are you working on, what aren't you working on' and 'ruling in, ruling out'.

Senator BRAGG: Yes. I'm only asking you because I think the Prime Minister and the Treasurer have said publicly that there has been some specific new advice on these issues in relation to negative gearing and CGT. That's why I thought it was a reasonable question to ask you.

Senator Gallagher: I think what the Treasurer has said is that it would be unusual if treasurers or governments weren't getting advice on all matters of the tax system. That's part of him doing his job.

Senator BRAGG: Yes, I understand that.

Senator Gallagher: Yes.

Senator BRAGG: I don't think it's an unreasonable line of questioning, I'm just trying to get to the bottom of it.

Senator Gallagher: No. And I'm just telling you that it's a matter of—I think there has been a view by some that there's a single piece of advice, and what I'm trying to say to you is that it's a matter, and what Ms Brown has said is that it's essentially an ongoing role—

Senator BRAGG: Yes, I get that, of course.

Senator Gallagher: between the Treasury and Treasurer.

Senator BRAGG: Of course. I would be worried if it wasn't. The Treasurer has said publicly, though, Minister, which might be helpful for all purposes here:

... we haven't been convinced that that—

'that' being changes, I would imagine—

would have positive consequences for supply.

I'm just wondering if that's a reflection of what Treasury's advice is. I assume it must be, and I'm seeking some—

Senator Gallagher: Yes, I've got that quote. It reads:

I think it is primarily a supply challenge, and we've made that clear in a lot of different ways ... One of the reasons why we're not going down the path of changing the negative gearing arrangements, abolishing negative gearing or abolishing the capital gains tax discount, is because we haven't been convinced that that would have positive consequences for supply.

Senator BRAGG: And I would agree with that. So I'm asking Treasury whether that's based on their advice.

Ms D Brown: There was an FOI that was released on 1 November.

Senator BRAGG: I haven't seen that, sorry.

Ms D Brown: Yes, FOI 3751. In there, the advice was in accordance with FOI laws released. That advice says:

There are a number of tax settings that affect demand for and supply of housing. However, there are a range of other factors that have a more significant effect on the housing market than tax, such as the planning and zoning system, construction sector capacity and interest rates.

I think that's consistent with what the Treasurer has said.

Senator BRAGG: Okay. Is this matter now considered to be resolved by Treasury?

Ms D Brown: The government has announced it's not making any changes to negative gearing.

Senator Gallagher: But you would expect the Treasury to continue to brief the Treasurer on matters around the operation of the tax system.

Senator BRAGG: Yes.

Senator Gallagher: Yes.

Senator BRAGG: So you're referring to advice in an FOI—

Ms D Brown: Yes.

Senator BRAGG: that you provided to a citizen?

Ms D Brown: Yes. All our FOIs are released publicly. I think that's in response to a journalist. It's given to the journalist, and then all of the FOIs are disclosed on a disclosure log on the Treasury website, so it is publicly available to everybody.

Senator BRAGG: As far as you're concerned, that matter has been concluded for the short term. I was just confused that on one hand you're saying, 'You can't go into advice,' and then on the other hand you can say, 'This is the advice.'

Ms D Brown: Only because it's on the public record, Senator.

Senator BRAGG: So, because it has come out through an FOI, you are happy to talk about it?

Ms D Brown: I read out what was on the document that was released publicly.

Senator BRAGG: I'm just trying to work out what the standard is in the Treasury at the moment, because we had a discussion earlier. You weren't here, Ms Brown, but you may have seen it or maybe you had other things to do, but there was—

Senator Gallagher: No, everyone has just been waiting in that room.

Senator BRAGG: I'm not sure. I'm not sure what people are doing.

Senator Gallagher: For a committee that's very focused on productivity, there wasn't a lot of productivity happening on this side of the building.

Senator BRAGG: I don't like to make assumptions about what other people might be doing. It's safer that way. There was a discussion, Ms Brown, about the quality of a public interest immunity claim that was made by the Treasurer. Effectively, the Information Commissioner found as part of a separate process that that perhaps wasn't commercial in confidence. I'm just wondering what sort of standard we're working on here in terms of how Treasury is going to be engaging with this committee and more broadly, because it seems to me that, if information is exposed by a journalist or by the Information Commissioner, then, you talk about it, but otherwise it's all very secretive.

Senator Gallagher: I think it's a pretty standard practice, as far as I've been in the Senate. You can ask about whether advice was provided—whatever—but going to the contents of that advice and what the advice specifically was has not been something that's been open to the scrutiny of the committee. I think that's how it

has operated. But, obviously, if there has been an FOI and material should be released under the requirements of the FOI Act, then that information is public.

Senator BRAGG: So the FOI advice is dated 6 September?

Ms D Brown: The QTB that you're referring to, QTB 24000030, is dated 6 September, yes.

Senator BRAGG: So you're confident that when the Treasurer made those statements about changes to negative gearing and CGT being bad for supply and bad for housing generally that it's linked in part to this advice?

Ms D Brown: I think you're asking me to read the Treasurer's mind. It is consistent with what the Treasurer said, but I wouldn't presume to be able to read his mind.

Senator BRAGG: Is that something you can take that on notice as the Minister representing?

Senator Gallagher: So you want me to take on notice—

Senator BRAGG: I just want to know whether that statement is based on Treasury advice. I don't think it's a nasty question.

Senator Gallagher: Well, it would be informed by advice from Treasury and, I presume, others, for example, in the housing sector and other stakeholders. Of course, it would be informed by advice from others.

Senator BRAGG: So you are happy—is that your answer?

Senator Gallagher: Yes.

Senator BRAGG: When the PM said that negative gearing questions were 'not terribly clever' to Ms Karvelas on the ABC on 19 September, he was already in receipt of that advice from Treasury, wasn't he?

Ms D Brown: We give advice to the government, as I said, on an ongoing basis, and there could be various reasons for which that advice is provided. I think the Treasurer said that he gets advice on negative gearing annually in relation to the tax expenditure insight statement. We provide meeting briefs that would include commentary on what people have said, and, similarly, we provide these types of briefs, which often reflect information that will help the Treasurer address questions that people are likely to answer.

Senator BRAGG: What about the Prime Minister—

CHAIR: Last question.

Senator BRAGG: Certainly. Do you provide advice to the Prime Minister? And do you do that on a regular basis?

Ms D Brown: His department provides him his advice. The Treasurer may have provided our advice to the Prime Minister, but I don't ordinarily—

Senator BRAGG: You haven't provided it to him directly. Has Treasury provided this advice to the Prime Minister or his department directly?

Ms D Brown: We don't ordinarily deal directly with the Prime Minister.

Senator BRAGG: That wasn't my question.

Ms D Brown: So—

Senator Gallagher: I think it was. Treasury does not provide advice to the Prime Minister.

Senator BRAGG: So, on this occasion, it didn't happen?

Senator Gallagher: It doesn't normally happen. Treasury provides advice—

Senator BRAGG: But it did happen this time.

Senator Gallagher: Treasury provides advice to the Treasurer. PM&C provide advice to the PM. That's how it works.

Senator BRAGG: So it didn't happen this time.

Senator Gallagher: What didn't happen this time?

Senator BRAGG: I'm wondering whether this negative gearing and CGT advice was given directly from the Treasury to the Prime Minister or his department.

Ms D Brown: The Treasury hasn't provided any advice to the Prime Minister.

Senator BRAGG: Or his department?

Ms D Brown: We probably had—well, I don't think we advised his department.

Senator BRAGG: So you didn't provide it to the department?

Senator Gallagher: Provide what?

Senator BRAGG: The negative gearing and CGT—

Senator Gallagher: There is information sharing between departments.

Senator BRAGG: This is as clear as mud. I'm just trying to get a straight answer.

Senator Gallagher: We are trying to give you the straight answer.

CHAIR: Okay.

Senator Gallagher: It seems to me that you don't understand how the administrative orders operate. Treasury briefs the Treasurer; PM&C brief the Prime Minister. There might be information exchanged between the Treasury and PM&C on certain matters, and then that feeds into the advice the Prime Minister gets.

Senator BRAGG: It sounds like it was given to the Prime Minister's department.

CHAIR: Okay. I'm just sharing the call—

Senator Gallagher: I don't know what you're talking about. It's getting madder and madder.

CHAIR: in 10-minute blocks, and I'm going to Senator Barbara Pocock.

Senator BARBARA POCOCK: Thanks, everyone, for being here yet again. I want to go to the question of PwC. I would like to talk about, examine, ask questions about the way that the ATO dealt with PwC. Mr Hirschhorn, my questions are probably going to be ones that I will direct to you. I want to table three documents that are the basis of my questions, and I'm pretty sure you will be familiar with them, Mr Hirschhorn. The first is your answer to my question on notice No. 94 where you detailed your conversation with Mr Luke Sayers, who was, of course, ex-CEO of PwC at the time of the confidentiality breaches, on August 2019, where you read out the details of internal emails—I'm sure that meeting is imprinted on your brain—documenting the breaches which you detailed to him. So that's QON 94. It will be passed to you shortly, I hope. I brought a few copies. The second document is Mr Sayers' answer to my question on notice No. 181 where he repeats his evidence that he knew nothing of breaches of confidentiality in PwC's tax business until 2023. The third one is Ms Meredith Beattie, who was general counsel to PwC through the years of the confidentiality breaches, QON 190, which is her contemporaneous file note, of her conversation with Mr Sayers following your second memorable meeting with him in February 2020. I'll go to those. Are you familiar with the three of them?

Mr Hirschhorn: Yes.

Mr Heferen: This probably is imprinted on Mr Hirschhorn's mind, but, just in case, having the documents in front might be handy.

Mr Hirschhorn: Thank you.

Senator BARBARA POCOCK: Just a reminder for those who are following along, it's a bit of a rabbit hole, but it's important. In the QON 94, your first of two significant meetings with Mr Sayers, you list point by point concerns about inappropriate use of professional legal privilege, promoter penalty activity, assisting clients to prepare responses that included false and misleading information, breaching confidential Treasury consultation and information and commercialising it, subversion of Foreign Investment Review Board processes, which are under the process of examination at present, poor attitudes within PwC to the ATO and other regulators, the failure within PwC to call out poor behaviours and practices, and to offshore offences of interest to other regulators. As evidence of these concerns, you read out a select number of emails. Have I described that appropriately?

Mr Hirschhorn: That is a correct—

Senator BARBARA POCOCK: That's correct. Let's go, then, to item 2. This is Mr Sayers' answer not so long ago to my QON 181 where he reconfirms he knew nothing of breaches of confidentiality agreements in PwC's tax business until 2023. Have you read Mr Sayers' reply to my questions, Mr Hirschhorn?

Mr Hirschhorn: Yes, I have, Senator.

Senator BARBARA POCOCK: To summarise, he says he stands by his statements that he knew nothing of confidentiality breaches until 2023, and of course he left PwC in 2020. He also says that rather than directly name what the ATO thought PwC was doing wrongly—that is, committing a criminal offence, and we are now learning a series of criminal offences that are now under investigation by the AFP as we sit here, by improperly passing on information. And he says that you 'spread breadcrumbs'—a memorable phrase—'like little clues', to hint at a confidentiality problem without ever being direct, 'which may explain', Mr Sayers says, 'why I don't recollect.' He also suggests that the ATO's clues have changed over time and that the ATO did not formally give notice to PwC prior to his departure. Before I go to that, let's go, then, to the third document, which is Ms Beattie's file note of

her conversation with Mr Sayers after his 1½ hour meeting with you on 26 February, in which you were, in her words, 'aggravated', and canvassed in quite some detail the ATO's concerns with PwC, its misuse of professional privilege, hindering of processes, failure of competence and ethics and culture—a long list of serious transgressions for which there are criminal penalties. Mr Hirschhorn, I think you indicated you have read—or have you read Ms Beattie's note?

Mr Hirschhorn: I have read Ms Beattie's note.

Senator BARBARA POCOCK: You've read it. What do you make of it? And do you agree with her account?

Mr Hirschhorn: So it is a file note of her discussion, debriefing from a conversation I had, I think, relatively recently had with Mr Sayers. It is fair to say that, when I read that note, I do recognise a lot of the meeting that I had with Mr Sayers.

Senator BARBARA POCOCK: So do you see it as an accurate rendition of your memory of that meeting?

Mr Hirschhorn: Yes. Again, I'll just say that, even though it was a very memorable meeting, it was a few years back. But it is fair to say that what is in that note basically aligns with my memory of those parts of the meeting.

Senator BARBARA POCOCK: For Ms Beattie to construct such a note and to take the care to file it and retain it suggests that Mr Sayers was able to provide to her immediately after the meeting considerable detail about what was said at the meeting, and yet in his evidence on several occasions now, including in his written response to a question on notice, he has claimed and reclaimed to have no memory of these issues being discussed or, more accurately, he has been stating and restating that he did not have knowledge of the confidentiality issues that you were raising with him.

Mr Hirschhorn: Yes. I have obviously paid attention to the testimony surrounding these meetings. The note of Ms Beattie around the second meeting, as I've said, does align with my recollection of that meeting. Around the first meeting and the discussion of the confidentiality breach, I would refer to my contemporaneous file note, but also I would refer, as I have in the past, to PwC's fact report, which shows that the information about a commercialisation of a confidentiality breach was brought back to the governance board following that meeting and that, if they were breadcrumbs, they led directly to Mr Collins because the investigation was done by the governance board of Mr Collins.

Senator BARBARA POCOCK: Yes, it's a powerful breadcrumb to make it through those processes.

Mr Heferen: It's a loaf.

Mr Hirschhorn: It was a very direct part of the breadcrumbs, if they were breadcrumbs.

Senator BARBARA POCOCK: Perhaps a loaf of bread. Here we have two accounts which go in one direction and another account that goes in another. How do you account for the different recollections of these meetings by you and Ms Beattie on the one hand and Mr Sayers on the other?

Mr Hirschhorn: I would just say that I have had the benefit of contemporaneous records, as has Ms Beattie, and they align with my recollection of those meetings.

Senator BARBARA POCOCK: So you believe Ms Beattie's notes are a true rendition. Your memory and your own notes are also in that same line of argument and reinforce each other, and yet we have a different view rendered over and over again by Mr Sayers. Is Mr Sayers being truthful, in your view?

Mr Hirschhorn: I am not here to defend Mr Sayers. I would say that the meetings were a few years back. I would suspect he does not have access to any contemporaneous notes. I think his testimony has identified two of the important things which were discussed, which was professional privilege breaches and also promoter penalty investigations. That's all I can say. We have contemporaneous records and recollections. I think people's memories can honestly fail.

Senator BARBARA POCOCK: I want to come to the ATO and, in particular, its stance and practices—leaving aside that issue—in relation to potential criminal matters. It seems to me, both from your own account of your meetings with Mr Sayers and from Ms Beattie's notes that you were trying to warn or making some effort to warn PwC to get their house in order because the ATO was aware of the possibility of serious criminal offences by PwC. Was it your intention to try and help PwC or to assist PwC to avoid possible penalties in relation to the behaviours you were concerned about?

Mr Hirschhorn: No is the short answer. If you recall a previous answer to a question on notice where we provided quite a detailed timeframe, at the stage of these meetings with Mr Sayers we had previously referred the matter to the Federal Police and a position had been taken that criminal matters would not be pursued. So, from

my perspective at the time of these meetings, there were no prospects of a criminal matter being pursued. In that context, I was in a position where I was absolutely seeking to influence the behaviour of PwC and put their governance structure on notice that inappropriate behaviour was happening in their practice. My intent was certainly not to somehow assist them in relation to criminal matters.

Senator BARBARA POCOCK: I don't really want to go back and explore the events in 2017-18 where the initial reference was made, but it is the case that only limited material was given to the AFP. You had meetings and it took four months for the ATO to provide some documentation. AFP within 24 hours said, 'There's not a case here,' and yet here we are five years later in a very complex investigation made more complex by that five-year lag. But I digress. Can I finish this, because it is complex and I want to—

CHAIR: No.

Senator BARBARA POCOCK: Okay. I will come back.

CHAIR: We will come back to you. The committee has a scheduled break which we will take.

Proceedings suspended from 20:36 to 20:46

Senator CANAVAN: I just had a matter raised with me by a constituent. They are a small business who, during COVID, got behind on their superannuation payments—this is a matter for the ATO—and they have accepted they have to make amends and are happy to pay interest as well; that's been done. But they have also been given a huge fine—a very large fine. While I realise I can't prosecute that matter here, I just want to, on their behalf, ask: is there any degree of flexibility or acceptance of the difficulties of that COVID period and a willingness to consider some relief for a business in distress around those matters?

Mr Heferen: I can assure you, assure the committee and assure your constituent that we are very alert to the difficulties that people faced and the difficulties a number of people are still facing. As I mentioned in my opening statement, which you wouldn't have heard: where people have difficulties, please contact us. They can contact us through their registered tax agent. They can contact us directly. We understand there are challenges and want to help how we can. I would say there are some limitations imposed on us. Our discretions are not limitless. On occasion, the law compels us to go down a particular path. But to the extent there is some flexibility and we can utilise a discretion where people are having difficulty, particularly when they've shown goodwill in trying to rectify circumstances, we will certainly take it into account.

Senator CANAVAN: I think he's under the impression he might have to go through his registered tax agent, and it sounds like it might be a quite complex process. But he can contact you directly as well?

Mr Heferen: He can contact directly. There is often a situation where people have a good relationship with their tax agent, and sometimes that's an efficient way of doing things because the tax agent can act as a complexity broker. But, of course, the agency itself rests with the businessperson.

Senator CANAVAN: Thank you very much.

Senator DEAN SMITH: Thank you for your participation this evening. Ms Brown, in the United States President-elect Trump's business tax policy is set to restore the Tax Cuts and Jobs Act business tax provisions effective from 1 January 2026, which involves a 100 per cent bonus depreciation. Has the Treasury analysed the implications on Australia's international competitiveness if this proposal becomes law?

Senator Gallagher: We covered this morning a bit.

Ms D Brown: Mr Robertson can help with that.

Mr Robinson: We continue to monitor international developments as they arise, and in the ordinary course of our work we are just keeping an eye on what's happening on the international policy front. I wouldn't say we have done any explicit modelling or particular analysis around the implications of particular policy changes. It's more something that we just keep a general watching brief on.

Senator DEAN SMITH: Have you provided any advice to government on President-elect Trump's Tax Cuts and Jobs Act initiative?

Mr Robinson: We provide advice at various times to government on a range of matters. We have provided advice on US tax policy from time to time.

Senator DEAN SMITH: When was the last time you provided advice on US tax policy?

Senator Gallagher: I think we covered some of this morning with Macro Group.

Senator DEAN SMITH: Things have changed very quickly in the last few hours.

Senator Gallagher: Well, it was unfolding when the Macro Group was here.

Senator DEAN SMITH: Unfolding. I think it's clearer now.

Senator Gallagher: The secretary, I think, and Mr Yeaman talked about the various policies they had looked at.

Senator DEAN SMITH: No, I think the secretary talked specifically about the tariffs.

Senator Gallagher: That's right. That was the example he gave. I think some of the answer to that question was answered this morning.

Senator DEAN SMITH: Mr Robinson, when was the last time advice was provided on US corporate tax settings?

Mr Robinson: I can't recall that. I will need to take that on notice and check.

Senator DEAN SMITH: Thanks very much. In the United Kingdom, they have introduced full expensing until the end of March 2026 where companies can claim 100 per cent of the capital allowances on qualifying plant and machinery et cetera. Has the Treasury done any analysis or modelling, or provided any advice, on the implications of that for Australia's international competitiveness?

Mr Robinson: Not that I can recall. We have some experience from the Australian policy settings around temporary full expensing. As you'd be aware, that was a policy of the former government as part of the response to the global COVID pandemic. In fact I think there was some analysis that was written around the effects of the temporary full expensing on investment in a box in one of the budget papers in, I think, the 2022 budget.

Senator DEAN SMITH: Which neatly flows to my final question: has Treasury considered the positive economic impacts of expanding the instant asset write-off and making it a permanent feature in Australia, given the international developments?

Mr Robinson: That's actually part of a policy overlap with my colleague who looks after the—

Senator Gallagher: But ultimately it's a matter for government. Treasury provide advice about the instant asset write-off and other kinds of arrangements like that. Whether they are made permanent, or the size and value of that write-off, is a matter for government.

Senator DEAN SMITH: But my question was specifically about advice, given the changing or shifting international context.

Senator Gallagher: There are two answers to that. One is they provide advice to government about tax arrangements, including concessions, and we consider those as part of our normal budget process. Treasury have already confirmed that they provide general advice to government about international economic conditions and changes that may be underway or particular policies that may have an impact on the Australian economy.

Senator DEAN SMITH: On notice, could you provide the last date on which advice was provided to government in regard to both the President-elect Trump initiative and the United Kingdom initiative in the context of our international competitiveness. That would be great.

Very briefly, Ms Brown, are Australia's fundraising laws harmonised?

Ms D Brown: That's a question that goes to the Markets Group, I'm afraid. That's their responsibility. They look after that.

Senator DEAN SMITH: I always get that wrong; at least I'm consistent! Would you like—one of the other delegate secretaries did indulge me.

Ms D Brown: I don't believe they have yet been harmonised.

Senator Gallagher: We've passed the indulgent point of the day!

Senator DEAN SMITH: I have some brief questions of the ACNC, if they're available.

Ms D Brown: As I said earlier, Ms Woodward is absent, but we have two of her assistant commissioners present.

Senator DEAN SMITH: Thank you for your participation this evening. Yesterday I wrote to the commissioner—admittedly, it was late in the afternoon—wanting an update in terms of some data that was provided to me in a letter from the commissioner. Are you in a position to update that specific data that I requested?

Ms Sekulic: Yes. Was that in relation to the questions you sent through yesterday?

Senator DEAN SMITH: Yes, that's right.

Ms Sekulic: I understand your question was regarding the protocols that the ACNC has in place to deal with inquiries and investigations.

Senator DEAN SMITH: There were two sets of questions. There was an update on some data that was contained in a letter that Ms Woodward sent me on 24 June in regard to ACNC receiving concerns over leaks to terrorist organisations.

Ms Sekulic: Yes, I can start with that. Since the conflict started, we've had 146 concerns and they relate to 26 charities. Eleven are to do with terrorist financing, and they span both sides of the conflict. We have proceeded to investigate eight organisations. Five are ongoing and three have been finalised.

Senator DEAN SMITH: Did the three that were finalised involve any action?

Ms Sekulic: I'd need to take that on notice.

Senator DEAN SMITH: On 24 June, when Ms Woodward provided me the original advice, we had 51 concerns—that's now risen to 146—relating to 18 charities on 24 June; that's now risen to 26. The figure of 11 related to what?

Ms Sekulic: To terrorism and terrorism financing.

Senator DEAN SMITH: Yes—of which eight of the 11 led to investigations.

Ms Sekulic: Not necessarily 11—out of the total 146, eight have proceeded to investigation. That's 11 concerns that were raised regarding terrorism or terrorism financing, not necessarily 11 organisations.

Senator DEAN SMITH: Meaning that a number of concerns could relate to one organisation?

Ms Sekulic: That's correct.

Senator DEAN SMITH: And five are ongoing?

Ms Sekulic: That's correct.

Senator DEAN SMITH: And three have been resolved.

Ms Sekulic: That's correct.

Senator DEAN SMITH: Thank you very much. To the second part of the correspondence, the first question was: what protocols has the ACNC in place to deal with inquiries and investigations relating to registered charities associated, or activities, with terrorist organisations and antisemitic activities? The second part was: what other federal government agencies are engaged through these protocols? Then, thirdly: how many registered charities have been investigated by the ACNC due to a concern or over-involvement in or links to antisemitic activity? Are you able to provide an answer to those questions now?

Ms Sekulic: Yes, I can. Terrorism and terrorism financing is an established priority area for the ACNC with regard to our compliance priorities. We already had protocols in place prior to the conflict arising. We hadn't had concerns raised about antisemitic behaviour prior to the conflict, though; that's a new area.

When we are looking at triaging and determining which complaints proceed to investigation, we use a range of intelligence. That might come from other agencies, it can stem from the media, it can come from those concerns and it can also come from referrals from other agencies. We triage to determine whether there is substance to the complaint, and then we may proceed to investigate. Noting that we regulate charities, we are not a law enforcement agency and we can't pull back funds if they are sent offshore. It's really important that we work holistically across government and determine who is the best placed regulator.

In terms of the actual agencies we work with, we work closely with the AFP, we work closely with AUSTRAC and we work closely with DFAT—those are on those big issues. There might also be smaller local issues at play, so there might be other regulators that we need to pull in—the police, consumer protection. We have a number of MOUs in place with other agencies that help us share information, and it might be that a particular organisation might be best placed to take the lead on an investigation. That doesn't mean the ACNC won't still conduct its own investigation, but it will do it in parallel because we don't want to jeopardise, say, the action of the AFP.

Senator McKIM: I understand.

Ms Sekulic: No registered charities have been investigated by the ACNC due to concerns over involvement in or links to antisemitic activities at this date.

Senator DEAN SMITH: Great. Thank you very much.

CHAIR: Senator McKim.

Senator McKIM: Hello, Ms Brown. I've just got some questions about the work that Treasury did to look at changes to negative gearing and capital gains tax concessions. The Treasurer did acknowledge that Treasury had been asked to model the impact of changes to those tax concessions in September.

Senator Gallagher: I don't believe that that was the language that was used.

Senator McKIM: I beg your pardon?

Senator Gallagher: I don't think the Treasurer has used that language.

Senator McKIM: I think that's a reasonable precis of—

Senator Gallagher: No—

Senator McKIM: Anyway, perhaps I can just ask: was Treasury asked to have a look at—

Senator Gallagher: We've just gone through all that.

Senator McKIM: I don't want to get into a semantic argument.

CHAIR: Senator McKim, just for your genuine benefit, these questions were asked by Senator Bragg. You can ask them again, but they have been asked.

Senator McKIM: Yes, I know, but I hadn't started. Thank you. I'm just not sure what Senator Bragg has asked. So has Treasury done some work modelling potential changes to those tax concessions?

Ms D Brown: I think, as the secretary said this morning to your question, Senator McKim, Treasury looks at impacts on an ongoing basis.

Senator McKIM: Yes, I'm aware of that, but did you look at this again in September?

Ms D Brown: The reference to September throws me, sorry.

Senator Gallagher: Yes, I don't know what the September reference is.

Senator McKIM: I'm just asking: did you look at this and provide advice to government in September?

Senator Gallagher: The Treasury does provide advice to the Treasurer on all aspects of the tax system, and the Treasurer has made clear it's not unusual—these are his quotes: 'It's not unusual at all for governments or for Treasurers to get advice' on issues which are in the public domain, including in the parliament. This is all in September. This is what he's been saying, and we've already confirmed that Treasury does provide advice on all matters relating to the tax system, of which negative gearing and capital gains tax are a part.

Senator McKIM: Did Treasury provide advice to government on negative gearing and the capital gains tax concessions in September?

Ms D Brown: Senator, I think you might be referring to the document I was just referencing to Senator Bragg. There was an FOI request, No. FOI 375. It has a document in it dated 6 September.

Senator McKIM: No, I'm not referring to any FOI. I'm just simply asking—just to be clear, I'm not asking what the content of the advice was. It's quite normal for government departments to disclose the timing of advice given to government. That happens all the time. Did Treasury provide advice to the government on negative gearing and CGT concessions in September? It's a pretty simple question.

Ms D Brown: Yes.

Senator McKIM: I don't know why it's so hard to get an answer.

Ms D Brown: No, I'll try and help, because I know you did ask this morning—you put a question on notice—as to when we last provided advice on negative gearing, and I do have the answer to that with me. The last time we provided advice around the issue of negative gearing was 1 October.

Senator McKIM: This year?

Ms D Brown: This year, yes.

Senator McKIM: Okay.

Ms D Brown: If I can just add some extra context to that, because I'm afraid I am now going to get an avalanche of FOI requests for that document. I'm going to take a little bit of an unusual step and indicate that the document that was provided on 1 October was the same document that is in the FOI that I've just referred to, FOI 375. That was dated 6 September. For a new sitting period, we reissued that document. It was literally a reissuing with no additional information in it.

Senator McKIM: Who asked Treasury for that advice? Was that the Treasurer's office or the Prime Minister's office?

Ms D Brown: As I said, if you go to FOI 375, you will find that advice is a question time brief, which is just a brief we provide regularly—the minister can probably answer more fully than I can—to ministers to prepare them for question time on issues that might be raised because they've been referenced in the papers from time to time or we know that a particular member of parliament has an interest in it. It was in that context that that information was provided.

Senator McKIM: So that's a question time brief that was provided on 1 October?

Ms D Brown: Yes.

Senator McKIM: Previous to that, did Treasury provide any advice on those matters during September?

Ms D Brown: We first provided—we provided a QTB of the same form on 6 September.

Senator McKIM: It was the same document.

Ms D Brown: It was the same document.

Senator McKIM: The same document. So there was no other advice in September or early October outside those two QTBs?

Ms D Brown: I'm just going to check with Ms Berger-Thomson. She might have a recollection of the dates. Again, we provide it on a fairly—yes, tax expenditure statements towards the end of the year. We may have given some preliminary advice on that around 'what do you want in the tax expenditure statement' and in that context provided information around negative gearing. It's something we just do as part of our job—to talk about negative gearing. In finding that answer to your question on notice, we did look at other dates, and so we'll just see whether there was another date from 6 September to the one I've referenced.

Senator McKIM: Thank you.

Ms D Brown: Bear with us while we look.

Ms Berger-Thomson: No. As far as we are aware, there was no other advice provided.

Senator McKIM: Thanks very much. I've got some questions for the ATO on the corporate tax transparency report. There's already been some discussion about that; I'm aware of that. But my understanding is that the ATO has provided or released data indicating that 124 companies had assessments raised against them during the 2024 financial year to the value of about \$2.76 billion, and the bulk of the liabilities—that is, about \$2.5 billion—was raised against 24 different taxpayers, or 24 different companies, following audit and review activities. Are those numbers—am I speaking to you, Mr Hirschhorn, here or to Mr Heferen?

Mr Hirschhorn: Senator McKim, it'll be, I suspect, split between me and Rebecca Saint.

Senator McKIM: Is it right to say that the bulk of the liabilities about \$2.5 billion was raised against 24 different companies following audit and review activities?

Mr Hirschhorn: Yes, Senator.

Senator McKIM: Which sectors or industries are those 24 companies from?

Ms Saint: The assessments are actually split across a number of industries. We do see the mining sector, also the retail sector and other sectors as well. So there's no real dominant part of the population that you would say is attracting the bulk of those assessments. It is really reflective across the broader group.

Senator McKIM: Okay. Thanks. That's helpful. Could I ask how many were what you could call resources companies—so, basically, mining or coal, oil and gas companies?

Ms Saint: I would have to take that on notice, Senator.

Senator McKIM: Alright. Perhaps you could take on notice the breakdown of how many of those 24 companies came from which different sectors. Did the ATO engage in confidential settlement negotiations with any of those 24 companies?

Ms Saint: Not as yet, Senator, is my understanding. Sorry, I should reframe that. Certainly, it's not my understanding that we have concluded any settlements with those companies. Whether settlement negotiations may have occurred but not been successful—that may have happened during the year. But we'd have to take that on notice to come back and give you a fulsome answer on that. It was not in respect of the 24, but we did, obviously, also publish in our annual report recently data around what settlements we did conclude during the year.

Senator McKIM: Yes, thank you. As part of that response on notice, if there have been any settlements with those 24 companies that were identified, could you provide what the original liability was and what was the final settled amount. Last week the ABC reported that, Ms Saint, you had indicated that the government's bill that's before the Senate to impose a 15 per cent domestic and global minimum tax rate will not solve Australia's global profit-shifting issues, and I'm sorry if I've misquoted you there. I'm not intending to. Is that about right?

Ms Saint: That sounds about right.

Senator McKIM: Does that mean Australian taxpayers are missing out or the government, I guess, if you want to look at it like that, are missing out on revenue from large corporations due to global profit shifting? If that's the case, has the ATO estimated how much we are missing out on in terms of potential tax revenue?

Mr Heferen: Sorry, Senator, I think the question about the extent of profit shifting that occurs and any response that ought to be made, that's probably a policy issue more for our colleagues in the Treasury.

Senator McKIM: Perhaps can I just ask this. Has the ATO estimated how much we're missing out on, given that Ms Saint has said publicly that Australia has global profit-shifting issues?

Mr Heferen: Certainly we've got global profit-shifting issues, yes.

Senator McKIM: You accept that. How big is that issue in financial terms?

Mr Heferen: It depends on the counterfactual because, with our 30 per cent raise, there will always be incentive for firms to shift profits to a lower tax jurisdiction. A good example would be Singapore. How much goes there and under what circumstances it goes there, it's a sensible—what's the counterfactual one would compare to.

Senator McKIM: Based on our current policy settings, how much are we missing out on?

Mr Heferen: I don't think there's a sense of missing out on something, because the question is: what would you measure it against to determine what was being missed out on, if you know what I mean? The 30—

Senator McKIM: You accept the premise that we've got a global profit-shifting issue, but you—

Mr Heferen: But there's always a challenge. There's always a challenge, no doubt about that.

Senator McKIM: So you accept that premise, but you can't quantify the amount.

Mr Heferen: It would depend on assumptions about how much would be shifted, where it would be shifted to and profitability at any point in time of an economic cycle.

Senator McKIM: Mr Heferen, I'm not asking about what would happen or could happen. I'm asking about what has happened. I'm asking: how much did we miss out on last year?

Mr Heferen: Mr Hirschhorn may have better insight than I do on this.

Mr Hirschhorn: I might refer again to our annual report, page 126, where we included table 4.6, our net tax gap estimates across market segments. Our estimate of the tax performance of the largest corporate groups which are, of course, the groups which are, I suppose, by definition both the largest and the most likely to be multinational, have multinational operations and so have the potential for profit shifting. Our estimate of that group is that, after compliance activity, they are about 96 per cent compliant, the flip side being about four per cent theoretical tax unpaid across a tax base of, in 2021-22, which are our most recent numbers, our estimate of the net tax gap—which is our estimate of all, in a sense, non-tax compliance by large companies. So profit shifting must be a subset of that. In nominal dollars, that's about \$3.6 billion.

Senator McKIM: Okay.

Ms D Brown: From a policy perspective, obviously, there is work the government has done to try and address that issue. There's a tax avoidance compliance taskforce that funds the ATO to do compliance work. But Mr Robinson will probably tell you about some of the other areas of law, or tax laws, that are put in place to try and address profit shifting.

Mr Robinson: Just going to the pillar two global minimum tax, that's obviously been a global effort, with countries negotiating that and developing the policy through the OECD. As you'd know, that's currently before the parliament. That measure was estimated to raise about \$370 million across the then forward estimates, over to 2026-27, and what that's demonstrating is that, by raising the base on that minimum tax that applies to those larger multinational entities, we would expect to see some further revenue be taxed in Australia. As Ms Brown said, that's only one of a number of measures the government's also been implementing to try and address multinational tax avoidance. Another key measure of the government has been the changes to the thin capitalisation rules, and that was quite a substantial change in the rules around debt deductibility.

CHAIR: Last question.

Senator McKIM: I'm sorry, Mr Robinson, I just have one more topic, and I'm very short on time.

CHAIR: You've got one minute.

Senator McKIM: I want to ask the ATO about the data that shows that in 2023-24 financial year 22,000 people removed over \$500 million from their superannuation to pay for dental treatment. That's up from \$66 million in 2018-19, a growth rate of—I said this earlier today—693 per cent over six years. There was 139 per

cent annual growth, basically, in people taking money out of their super accounts, which are there to provide for a dignified retirement, and using it to fix their teeth. Has the ATO done any work to understand the demographics of the people who are doing this? Has the ATO modelled the impact that this kind of withdrawal can have over the lifetime of somebody's super balances? The ABC reported on an economist who'd indicated that, if a 30-year-old person withdraws \$20,000 to pay for dentistry, by the time they're set for retirement it has cost them over \$150,000 in their super scheme. Have you done any work on that, and have you provided any advice to Treasury? It's an extraordinary circumstance—such a massive increase in people raiding their super funds just to fix their teeth.

Mr Heferen: I will get Ms Rosenzweig to assist, but I make one observation on the capacity to release superannuation on medical grounds. I think it's fair to say that in the ATO we take the advice that's provided by the qualified medical professional. We take the view that the ethical obligations they have to their patients and to their profession are not something we're in a position to second-guess. So if someone comes along with that information we have to take it at their word.

Senator McKIM: Not a lot of qualified dentists in the ATO, Mr Heferen, basically?

Mr Heferen: We don't have a line of dental professionals. That is a good thought, Senator, but I'm not sure if we'd get sufficient funding for that, because they are quite expensive, I think.

Senator O'NEILL: Can I just clarify something there? Because you are going to trust these professionals, you can't discern between cosmetic dental and essential dental? You rely on the professional qualification and the professional penalty of a person selling that product to a person who may be in great need or perhaps is being exploited?

Mr Heferen: We're not dental professionals, we're not medical professionals, and—

Senator O'NEILL: Yes. And that rests with the professional body. Thank you.

Mr Heferen: But I would just like to get Ms Rosenzweig to expand on that, because, as you say, there is quite an increase.

Ms Rosenzweig: Senator, your first question was about whether we had done any looking at any demographics. We do actually publish annually a fair few statistics about the scheme for the compassionate release of super, and part of the statistics are about demographics of the people who take out. That is available on our website. And we have a range of age demographics across the various years, which might help you.

We have not done any modelling on the long-term impact to retirement savings of people withdrawing their superannuation, but I have seen media reports that you've talked about. The commissioner is correct that we rely on the reports provided by medical practitioners. An individual is required to have two independent medical practitioners certify their diagnosis, and it has to be a diagnosis that is one of the conditions prescribed in the legislation, and the treatment they are applying for has to be the treatment necessary to treat that diagnosis. As we've said, we don't have people who question those diagnoses or those appropriate treatments.

CHAIR: Thank you. I'll go now to Senator Rennick.

Senator RENNICK: Hi, guys. I'll just follow up on Senator McKim's questions about profit shifting, and I'll pick on one particular withholding tax rate, and that is in regard to Ireland. The withholding tax rate for Ireland is 10 per cent on royalties. Ireland has a company tax rate of 12½c, so 10 plus 12½c less the 30 cent tax deduction here gives someone who wants to shift profits to Ireland a 7½c arbitrage. Why have we got such a low withholding tax rate on royalties paid to Ireland, knowing that a number of multinationals use that to shift profits offshore?

Mr Hirschhorn: I might make the comment that Australia's 30 per cent corporate tax rate used to be in line with OECD averages and is now a relatively high rate. I think the comment that was quoted before, from Ms Saint says, was that when we have a high corporate tax rate and other countries have lower corporate tax rates, there are incentives to what we would describe as transfer misprice. The tax system is based a transfer pricing, but what we're concerned about is transfer mispricing. To your comment: I suspect that in Ireland the arbitrage is actually higher than that, because in Ireland they would likely get a credit for our withholding tax.

Senator RENNICK: Oh, right. Okay.

Mr Hirschhorn: I would say that withholding rate is in line with the treaty network. Why that is the case is more a policy question.

Senator RENNICK: Okay. Sorry. I haven't got a lot of time. What's stopping us, as an independent sovereign country, from resetting our treaty with Ireland to say: 'There's a clear arbitrage here. We're going to lift the

withholding tax rate to, say, 20c so that the cumulative tax rate is 32c, so that we actually discourage our profits earned here going offshore'? Do we have the power, as an independent sovereign country, to do that?

Mr Heferen: That's a policy question.

Ms D Brown: It's probably a question for Treasury, Senator Rennick.

Mr Robinson: Perhaps I can help you with that one. Under the network of double tax agreements that we have with countries, many of those are longstanding. Just during that discussion I was checking the date that we agreed a DTA with Ireland, and it was 1983. So that's quite a longstanding treaty, and that withholding rate on royalties of 10 per cent would have been negotiated as part of the negotiation of that treaty. For Australia to change withholding rates in respect of flows of payments to another jurisdiction that are governed under a double tax agreement, we would essentially need to engage in a renegotiation of the DTA and seek to vary it as part of the process.

Senator RENNICK: How hard is that? In 1983, Ireland didn't have a company tax rate of 12½c. What mechanisms do we have so that, when these countries on the other half of the tax treaty lower their tax rates with a view to attracting capital, we automatically go: 'Hang on here! A plus B minus 30 is tax arbitrage'? What are we doing to stop the leakage of profits offshore? What active steps do you guys, Tax or Treasury—I don't care who—take to stop the leakage profits offshore, notwithstanding that most politicians don't understand this? They're not watching this stuff. I do, but most of my colleagues don't. That's okay. They can't keep their eyes on everything. It's up to you guys, as the guardians, to stop those profits from going offshore.

Mr Robinson: I'll give you a two-part response. Treasury is very active in the OECD around the base erosion and profit-shifting program. We've been quite active through that. Successive governments have implemented a range of measures that have largely emanated from the OECD work to try to address base erosion and profit-shifting issues.

In relation to specific DTAs, we review the program periodically and provide advice to government, and it's then up to government to agree to a program. We currently have a program which has us pretty full on tax treaty negotiations and renegotiations out to the end of 2027.

Senator RENNICK: Okay, because you can google 'PwC tax treaties' and they've got, for a whole list of countries, dividends, interest and—what was the other one?—royalties. Do you guys keep a spreadsheet like that, where you go and add it all up to see whether or not it's less than 30 per cent, to detect these arbitrage opportunities?

Mr Robinson: I would say that in our broader scanning of tax developments globally we do keep an eye on it. Whether we have a specific spreadsheet or not, I don't know, but we do make an effort to keep an eye on developments globally.

CHAIR: Final question, Senator.

Senator RENNICK: As I said before, it's interests, dividends and royalties. We don't do it for rent. I asked this of Treasury this morning. If you're a small-business person and you employ one person, you've got to upload your employee's wages to the tax office. If you're a company you pay dividends. You've got to upload it to the tax office. Why don't real estate agents have to upload the rent they pay—in particular, the rent they pay offshore—to the tax office? My concern is that we're not tracking foreign investment in property here in Australia. The Australian Federal Police just recently seized 3,000 hectares of land in Tasmania that was through—

CHAIR: We'll get an answer from Mr Robinson on that, if we can—a brief one.

Mr Robinson: I think that, in this sort of specific situation, generally what would happen is you'd look at the Australian source income, and rent is a source of income. That would generally require that a foreign resident needed to file a tax return in Australia.

Senator RENNICK: Why can't the real estate agent do it?

CHAIR: I'm going to share the call.

Senator RENNICK: It's a most important question, Chair. This is money laundering.

CHAIR: I'm going to share the call with Senator Bragg—if you want to finish your answer, Mr Robinson.

Mr Robinson: I would just say that it's a general compliance issue. It's a general tax compliance issue.

Senator RENNICK: So that's a matter for government policy?

Mr Robinson: Sorry?

Senator RENNICK: That's a matter for government policy, is it?

Ms D Brown: The ATO may also be able to provide some information.

CHAIR: Thank you, Ms Brown. Senator Bragg.

Senator BRAGG: I want to come back to where we were before in traversing the negative gearing advice issue. I'm just trying to nail down whether your evidence tonight is that the advice you have given to government is contained into the question time brief or whether there are more elements than just that.

Ms D Brown: I suppose advice on negative gearing covers a range of circumstances. That's just the most recent advice we provided, effectively, given my answer to Senator McKim. But we've provided advice on other instances and in other contexts over time around the operation of tax laws generally and the operation of negative gearing provisions more specifically. The tax expenditure statement the Treasurer has referred to provided advice and modelling on the value of negative gearing—as another example.

Senator BRAGG: The Treasurer gave an interview—I think it was with Steve Cannane on ABC RN Breakfast on 30 September 2024. Do you know about that one, broadly speaking?

Ms D Brown: Only very broadly speaking.

Senator BRAGG: I understand there's a lot of media to go through.

Ms D Brown: There's a lot of ones we've gone through.

Senator BRAGG: Cannane said:

So why is it a state secret about whether you asked for that advice or not?

Chalmers says:

It's not. I've made it clear on a number of occasions now in the course of the best part of a week that I got this advice because it was a contentious issue ...

'I got this advice.' So what is the advice?

Senator Gallagher: There are a couple of things going on here. First, the advice in the FOI document, the QTB—that is advice. And then there are a range of other ways, during the normal course of a year, that Treasury would brief the Treasurer about all elements of the tax system. So the Treasurer would be relying on that advice—that's been released under FOI—but he would also be relying on discussions and knowledge he has about the operation of the tax system.

Senator BRAGG: He's referring to advice, so I imagine he's referring to modelling.

Senator Gallagher: Well, no. I don't think you can presume that.

Senator BRAGG: Just the QTB? That's all it is?

Senator Gallagher: That's not what I've just answered, Senator Bragg. I said he gets a range of information. The tax expenditure statement, when that comes out—is that what it's called these days?

Ms D Brown: The *Tax expenditures and insights statement*.

Senator Gallagher: That will have a section on CGT and rental deductions through negative gearing, like it does every year. That will be a piece of advice from the Treasury to the Treasurer. Through the course of updating the budget, the Treasurer would be briefed on what's happening with the tax system. It would form part of those briefings. It's constant and ongoing.

Senator BRAGG: Let me ask you a few other things quickly, because I know we are short on time. In terms of the instant asset write-off, did Treasury provide any advice or analysis to the Treasurer or Assistant Treasurer about whether the coalition or crossbench's amendments to the instant asset write-off contained in the Treasury Laws Amendment (Support for Small Business and Charities and Other Measures) Bill 2023?

Ms D Brown: I would have to ask—

Senator Gallagher: They were amendments that were put in the Senate, from memory, were they?

Senator BRAGG: I am just wondering if there has been any advice.

Senator Gallagher: I expect there would be discussion at a minimum about what those amendments would do, including their fiscal impact.

Senator BRAGG: So do you have that advice?

Ms D Brown: We can't go into the advice as such; that would not be usual convention.

Senator Gallagher: Nice try.

Senator BRAGG: Very secretive.

Ms D Brown: We can let you know if we did provide advice.

Senator Gallagher: It is advice to government.

Senator BRAGG: Many secrets—many, many.

Senator Gallagher: It is long-standing practice.

Senator BRAGG: So what can you tell me about this advice?

Mr Fraser: Would you mind repeating the question?

Senator BRAGG: Do you provide any advice or analysis on the question of the instant asset write-off contained in the Treasury Laws Amendment (Support for Small Business and Charities and Other Measures) Bill 2023?

Mr Fraser: As part of the normal process—

Senator Gallagher: Yes, because we have to speak to the amendment, so of course we get advice. But we don't have to go to what that advice said.

Senator BRAGG: So you can't table that?

Senator Gallagher: No. And the amendment didn't get up.

Senator BRAGG: Why is the government refusing to support these amendments? They are much cheaper than the \$13.9 billion in tax credits.

Senator Gallagher: That has been a decision of government. You are talking about the production tax credits, are you?

Senator BRAGG: Yes.

Senator Gallagher: I think there was a slightly different number that I had in my head for that. That is a measure that is supporting our Future Made in Australia agenda, and the instant asset write-off was a measure I think we agreed in the budget perhaps. It is doing different things.

Senator BRAGG: But is there a policy reason why the government has insisted on keeping the threshold of 20,000?

Senator Gallagher: It was a decision in the budget.

Senator BRAGG: I just want to come back to this issue we have been talking about a few times now, about this modelling. Is it your position—the position of the government—Minister, that the extensive media reports that talk about the existence of dedicated work on reform options on the CGT and negative gearing by a range of senior journalists and many others are actually factually incorrect?

Senator Gallagher: I don't have all of those reports before me but I have stood in a couple of press conferences with the Treasurer where a question around specific modelling has been raised. The Treasurer has answered that you are assuming there is something that exists that doesn't.

Senator BRAGG: So you are saying there is not?

Senator Gallagher: I can certainly say I haven't seen any and I have no idea where stories come from that get published in the paper.

Senator DEAN SMITH: So James Massola, David Grey and Anthony Galloway are wrong? The story is factually incorrect?

Senator Gallagher: I haven't got all those stories in front of me or the origins of that story. I know what work the government has been doing. Journalists obviously are going to get stories from other people and run them.

Senator DEAN SMITH: What I find curious about the QTB, if I may, was it was updated on 6 September. I'm not as familiar as others with QTBs, but there is no reference whatsoever to any of the media stories that appeared around 25 September. If I was a minister, I would regard that as quite a significant oversight.

Senator Gallagher: So 6 September for stories that appeared on 25 September. How can it have foreshadowed that?

Senator DEAN SMITH: But I thought Ms Brown said that the QTB was updated for the Treasurer after those—

Senator Gallagher: It was updated for the sitting week, 'Inspector' Smith.

Senator DEAN SMITH: I am doing my best.

Senator Gallagher: 'D-I' Smith, the normal course of business is you would update the QTB for the sitting period.

Senator DEAN SMITH: Fair point I understand. That is correct.

Senator Gallagher: I mean, sometimes there may be links to media stories in QTBs but it wouldn't be Treasury's normal—

Senator DEAN SMITH: That is not true. Under the heading 'Negative gearing' you go to some extent talk about the Greens' position as recorded in the *Australian Financial Review* on 12 February 2024.

Senator Gallagher: But what I'm saying is it would not necessarily provide immediate commentary.

Senator DEAN SMITH: It does seem rather strange, though, James Massola, David Grey and Anthony Galloway all getting it wrong.

CHAIR: I am going to share the call in a moment.

Senator Gallagher: I have nothing further to add.

Senator BRAGG: Just briefly before I get wound up on build to rent because I asked about that before I got told to come back to revenue. Is that here?

Ms D Brown: It is here.

Senator BRAGG: We had a discussion at June 2024 estimates. I asked you how many houses would be constructed under the build-to-rent tax subsidy you were proposing foreign fund managers. How many new houses will be built if your bill passes parliament?

Ms Bultitude: It is a pleasure to be here again and discuss this topic, Senator Bragg. I can give you a little bit of an update. There have been a number of private sector estimates of how many houses—or dwellings rather—would be built through the build-to-rent bill. Initially, if you go back to sort of when the policy was first announced, there were numbers around the private sector, saying over 10 years around 150,000 dwellings would be built. Since then, I believe there are some revised forecasts out. Some of those has been revised downwards to around 100,000 over those 10 years.

Senator BRAGG: Are these all to be owned by foreign fund managers?

Ms Bultitude: No, they are the dwellings of the build-to-rent sector.

Senator BRAGG: How many new houses will be built under the build-to-rent policy—the bill.

Ms D Brown: They have to be new.

Ms Bultitude: They have to be new?

Senator BRAGG: So how many?

Ms Bultitude: As I said, the private sector estimates, I have seen revised ones around for the private sector that say around 100,000 over 10 years. Obviously, there are varied estimates but around 100,000 over 10 years.

Senator BRAGG: Where do you think most of these fund managers will come from? Will they be American, Chinese? What do you think—Middle Eastern?

Ms Bultitude: As we have said before, Australia doesn't have a build-to-rent sector. There's not a lot of experience here. There is big experience especially in the UK, Canada and the US, so we probably expect investors to be coming in from those. Obviously, there is no restriction on where investors come from other than our usual foreign investment restrictions.

Senator BRAGG: So could foreign governments set up investment agencies to get these taxes cut? Could the Abu Dhabi investment authority get access to it?

Ms Bultitude: The requirements under the MIT regime is to be a widely held entity, so something like a foreign fund manager, something like a foreign superannuation or pension fund. Those are the ones that are—

Senator BRAGG: So you could be BlackRock or Vanguard but you could also be the Abu Dhabi investment corp?

Ms Bultitude: I can't comment on an individual taxpayer. I could take it on notice as to whether foreign government-owned entities of a certain type could be eligible.

Senator BRAGG: You have to be foreign; that is a key criteria, right?

Ms Bultitude: For the concession on the MIT withholding rate, that withholding rate only applies to flows from managed investment trusts to foreign investors. The bill takes that down from 30 to 15, so it is only relevant for the foreign investors. Of course, as we have spoken before, all investors domestic or foreign have access to the other concession, which is the faster capital works deduction for the increase to the capital works deduction.

Senator BRAGG: Houses Australians can never own. Thanks very much.

Senator BARBARA POCOCK: If I can just go back and conclude my questioning around PwC and then move onto some tax issues. I would like to return to Ms Beattie's file note, where she says that you, Mr Hirschhorn, advised Mr Sayers that it was unlikely that the ATO would take action in regard to the multinational anti-avoidance law—the MAAL. I take that to mean that you meant it was unlikely that the ATO would pursue prosecution of PwC over the MAAL workaround because it was too difficult and 'like a kind of get-out-of-jail-free card'. I'm concerned about not just the telegraphing but the stance and notion of a get-out-of-jail-free card from the ATO. What's your comment on that?

Mr Hirschhorn: Maybe to give context on a couple of aspects, I think I've previously given testimony that the promoter penalty rules in their current format have been proven to not be particularly apt for dealing with the sorts of transactions that we had under the MAAL schemes for various reasons. Without advocating for or against legislation which is in progress, there are basically proposed amendments—I'm not sure if they've come through yet; maybe they have come through—to the promoter penalty legislation to make them more appropriate for these sorts of schemes. I'm not sure if I used those exact words in that meeting, and I can understand why a simplistic reading of that note would give that impression.

The advice I had received from the teams is that we were likely to have to give up on the promoter penalty investigation that we had been going through and that we were not going to be able to make it stick. The point of the discussion with Luke Sayers was to not give him the false impression that, if that happened, that would mean that somehow we approved of their behaviour. We still had extraordinary concerns with their behaviour and, if it so happened that we did not pursue the promoter penalty, he should not take that as a positive sign and that this was still a very serious concern from our perspective.

Senator BARBARA POCOCK: Thanks for that explanation. Commissioner, if I can come to you, as a new leader of the ATO, what is your approach and stance on the practices of those kinds of discussions and the prospect of a possible get-out-of-jail-free card that they saw at PwC as a way out of prosecution? What's your approach to these issues?

Mr Heferen: I've got to say that I listened to Mr Hirschhorn's answer. I think the characterisation of us putting forward the idea that this could be a get-out-of-jail card—from my listening to the conversation and the discussion of this internally, I don't see that as a position that was put forward, rather it was the point that, simply because it may be difficult and we might not be able to pursue an investigation down the promoter penalty path, it doesn't mean that we accept that the behaviour was appropriate.

If I can go to a more general point, I think, when we engage with discussions with potentially any taxpayer or taxpayer representative that we deal with, our first task is to understand the issue, to act with empathy and respect, to apply the law and to be clear about what we're going to do. It's then to make sure that's recorded correctly, which, of course, in this case, the evidence is that Mr Hirschhorn did, and then it's to ensure that any follow-up is done in a concrete way. If we say we're going to do something, we need to proceed and do it, and, if we give a commitment that we're not going to do something—and that commitment would only be given for a good reason—then we make sure that we don't. They're general comments about how I'd like to see my officers operate. My observation is that that's precisely what we do, so I think I might leave it there.

Senator BARBARA POCOCK: While you've got the floor then, I'll move on to a tax matter in relation to MinRes and Chris Ellison. Is it true, as it's been publicly reported—and this goes to some of the comments you made in your opening contribution—that Mr Ellison's lawyers came to the ATO to voluntarily disclose a decade-long tax evasion scheme operating from around 2003 to 2014? Is that right?

Mr Heferen: As the committee would know, we're not at liberty to discuss the circumstances of individual taxpayers.

Senator BARBARA POCOCK: There's been an enormous amount of public discussion. You're not willing to enter into any of the factual correction or confirm what we have been reading?

Mr Heferen: My understanding is that the law is very clear in that respect—that taxpayer information needs to be kept confidential. There are particular exceptions in the Tax Administration Act, in section 355. The idea of participating in the public debate to try to correct material issues of fact—that's not one of them. So, regarding the comments I made in my opening statement about, in the general proposition, where a taxpayer comes forward, or their agent on their behalf, to make good what has happened in the past, and they do that before we undertake any audit activity, or before any connection with them—the law is very clear about the 80 per cent remission of the penalty that would otherwise apply, which I know has been picked up in some commentary, in the MinRes case. I can't comment on that specific case, but, in general, where a taxpayer or their representative comes forward to make good on a previous issue, even if it was a situation in the abstract concept of evasion, then they would have

to pay the tax and they would have to pay the interest, and there would still be a penalty attached. But the act is very clear that the penalty must be remitted by 80 per cent in circumstances where they come forward.

Senator BARBARA POCOCK: I hear you saying that you are required to do that, and I hear you're not willing to talk about MinRes, although the rest of the universe is very interested in it—certainly the board and the shareholders. If the disclosure is made in the shadow of clear knowledge that the ATO are knocking on the door and there will be a fine, is it still considered a voluntary disclosure, and they still get an 80 per cent reduction on the penalty? There's a big difference, is there not, between knowing that you're going to be hit tomorrow and getting years of notice that you're going to be hit and being someone who just made an honest mistake or comes genuinely to you, not knowing that you have any knowledge of it?

Mr Heferen: Perhaps I can again speak in the abstract. It is hypothetical, and I'm aware that I probably shouldn't be talking about hypotheticals, but in this case I think it may be useful. The provision is clear that it has to be done before any communication takes place. Where it happens after, there is a different subsection of the provision that will apply. Then there's a question of judgement that my officers would exercise. If someone comes forward, is it before any activity or has it been prompted by a particular activity? I think if my officers thought it had been prompted by a particular activity—so, it wasn't to try to [inaudible] the past—then we would have to have a different look and to see whether the conditions of that provision are satisfied.

Senator BARBARA POCOCK: So, there is a subjective element there for you to judge whether it is a genuine voluntary—

Mr Heferen: The act is clear that it has to be a voluntary disclosure. And if there's a thought that actually this is not a voluntary disclosure but that, rather, something else has brought it on, then that would be a material factor in looking at the application of the provision.

Mr Hirschhorn: And Senator, it might be worthwhile—we can forward you a copy of the provision—

Senator BARBARA POCOCK: I've been forwarded it, don't worry. It's corrected on there.

Mr Hirschhorn: The trigger is about notification. So, if we have notified, then it is no longer a voluntary disclosure. If we have not yet notified, then, even if the person may be fearing—well, not many voluntary disclosures are done purely through a complete change of face, if I can say it that way. There is hugely a fear of the tax office at some stage. But if we have not notified the taxpayer, the provision is very clear.

Senator BARBARA POCOCK: If a settlement is made and it emerges that a full disclosure has not been made—

Mr Heferen: Sorry; it wouldn't be a settlement. Are you talking about a voluntary disclosure?

Senator BARBARA POCOCK: Yes.

Mr Heferen: A settlement is where we discuss with the taxpayer what the appropriate amount of tax should be. To the voluntary disclosure that I mentioned in my opening statement, there's no concept of a settlement there; it's someone coming along and saying, 'I forgot, or got advice to say I was bad.' That's not a settlement; that's a voluntary disclosure.

Senator BARBARA POCOCK: Let's leave aside the settlement.

Mr Hirschhorn: If somebody has not fully disclosed their information, it is not a voluntary disclosure because it is not a full disclosure.

Senator BARBARA POCOCK: But if you have completed a voluntary disclosure with someone and subsequently learn there was not a full disclosure and there were further matters, what are the consequences for that disclosure?

Mr Hirschhorn: Then there is going to be a very significant range of consequences—further tax, further penalties, false or misleading statement—

Senator BARBARA POCOCK: Can I ask in relation to—

Mr Heferen: Sorry, just to be clear: in that situation, the idea of the 80 per cent reduction in penalty would not apply.

Senator BARBARA POCOCK: So it's back on the table.

Mr Heferen: Indeed.

Senator BARBARA POCOCK: I understand that, in some settlements—let's stay hypothetical—agreements are made to not refer matters to other agencies like the AFP and regulatory agencies. How often do you do that?

Mr Heferen: To be clear, here again we're talking not about the settlement but, I think, the voluntary disclosure. Just to be clear, in a situation where there is a non-tax crime—say there is a voluntary disclosure but we are concerned that the income that has been voluntarily disclosed is a result of illegal activity or there is a some non-tax crime associated with the activities—we simply wouldn't give any commitment not to pass that on to the relevant authorities like the police; it would largely be the AFP in that situation.

Where there is a suspicion of a tax crime—or prima facie if evasion has occurred, prima facie there is a tax crime—the point of the provisions that were in the original self-assessment when the self-assessment system was legislated was to take it out of the judicial framing and put it into administrative penalty framing to encourage people to come forward. In that situation, what's important is to collect revenue, collect money and make sure the interest is paid and the penalty is paid. In that situation, then pursuing someone for the tax crime as well, taking the money and using the administrative penalty and saying, 'That's going to be referred to the Federal Police as a tax crime'—there would be no voluntary disclosures. The idea of the admin penalty—

Senator BARBARA POCOCK: So how often—

CHAIR: I've got to go to Senator Smith.

Senator BARBARA POCOCK: I haven't had an answer to the question.

Mr Heferen: On the number: I think it would be best if we took that on notice and came back—

Senator BARBARA POCOCK: With the details of that. Thank you.

Mr Hirschhorn: Can I just say: in our very significant programs to encourage voluntary disclosure over the years, in both Project Do It from 2014 and the OVDI initiative which predates that, this was the approach we took across the programs. It's been a practice for 15 years plus.

Senator DEAN SMITH: Ms Brown, is it your evidence that the most recent advice to the Treasurer on capital gains tax and negative gearing reform provided by the Treasury is the QTB dated 6 September?

Ms D Brown: On the basis of a search of our records, we believe the last advice we provided to the Treasurer was on 1 October. That was in the form of the QTB that was released in the FOI.

Senator DEAN SMITH: And the QTB dated 6 September?

Ms D Brown: It was updated—

Senator DEAN SMITH: It says 'updated' on the document, yes.

Ms D Brown: to reflect the fact it was in this sitting period. That's a search of our records; that's what that indicates.

Senator DEAN SMITH: Thank you. Minister, excluding the *Tax expenditure and insights statement*, is it your evidence that the government has not at any point commissioned or considered modelling on reform options for negative gearing, tax concessions and capital gains tax concessions in the last six months?

Senator Gallagher: It's getting very late, Senator Smith! My evidence that I have given consistently through the day is that the Treasurer receives advice but the ERC would also, when considering budgets and MYEFO, consider advice about the operation of the tax system. It's an ongoing responsibility that governments have.

Senator DEAN SMITH: Thank you.

CHAIR: I think we can give you one last question, Senator Pocock.

Senator BARBARA POCOCK: Can I ask Mr O'Neill to come to the table? I want to ask a question of the CEO of the TPB, if I may.

Senator O'NEILL: I indicate that I have a line of questioning with regard to MinRes that will be put on notice, particularly on the intersection between the potential impact on shareholders of the use of funds from the publicly listed company to support offshore transactions and, if there is any intersection there, how that might impact your communications with ASIC or any other bodies.

CHAIR: Those questions will go on notice, thanks, Senator O'Neill.

Senator BARBARA POCOCK: To my question to you, Mr O'Neill: we have canvassed many of the ways in which you, the CEO of the TPB, were affected as the process of the inquiry into PwC unfolded. I particularly want to ask about the conditions in the security of the employment of the CEO position at the TPB, which was put at risk multiple times through multiple mechanisms which are documented in the report of the Senate inquiry especially; I went through it in detail in our additional comments. It's clear that regulators need security and protection. Do you have confidence that the security and protection that is essential to do the job exists for the CEO of the TPB now, both for you personally and for your successors into the future?

Mr O'Neill: The short answer is yes. I'm an ongoing public servant, and I have had discussions with my chair and the commissioner about my tenure and my position. The proposition that arose from Keith James's report, specifically recommendation 3.2, proposed different arrangements for my employment and the hiring and firing of the CEO position more generally. Those arrangements have not been implemented.

Senator BARBARA POCOCK: Do you have confidence they won't be implemented for your successors in the longer term? This is a critical question, so that we don't see insecurity introduced into the leadership role of a regulator.

Mr O'Neill: I'm not aware of any intention to implement that arrangement.

Senator BARBARA POCOCK: Thanks for your indulgence, Chair.

CHAIR: That concludes the questions the committee has for Treasury, Revenue Group, the ATO, the TPB and the ACNC. You go with our thanks.

Committee adjourned at 21:58