

The Senate

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Economics  
Legislation Committee

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Additional estimates 2016–17

March 2017

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# Senate Economics Legislation Committee

## Members

Senator Jane Hume ( <i>Chair</i> )	Victoria, LP
Senator Chris Ketter ( <i>Deputy Chair</i> )	Queensland, ALP
Senator David Bushby	Tasmania, LP
Senator Jenny McAllister	New South Wales, ALP
Senator the Hon Ian Macdonald	Queensland, LP
Senator Nick Xenophon	South Australia, NXT

## Senators in attendance

Senator David Bushby	Tasmania, LP
Senator the Hon Kim Carr	Victoria, ALP
Senator Richard Di Natale	Victoria, AG
Senator Katy Gallagher	Australian Capital Territory, ALP
Senator David Leyonhjelm	New South Wales, LDP
Senator Sue Lines	Western Australia, ALP
Senator Scott Ludlam	Western Australia, AG
Senator Claire Moore	Queensland, ALP
Senator Deborah O'Neill	New South Wales, ALP
Senator Janet Rice	Victoria, AG
Senator Malcolm Roberts	Queensland, PHON
Senator Rachel Siewert	Western Australia, AG
Senator Murray Watt	Queensland, ALP
Senator Peter Whish-Wilson	Tasmania, AG
Senator John Williams	New South Wales, NATS

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# Chapter 1

## Overview

1.1 On 9 February 2017, the Senate referred the following documents to the committee for examination and report in relation to the Industry, Innovation and Science and Treasury portfolios:

- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2017 [Appropriation Bill (No. 3) 2016–2017];
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2017 [Appropriation Bill (No. 4) 2016–2017]; and
- Final budget outcome 2015–16—Report by the Treasurer (Mr Scott Morrison MP) and the Minister for Finance (Senator Mathias Cormann).<sup>1</sup>

1.2 The committee is required to report to the Senate on its consideration of 2016–17 Additional Budget Estimates on 28 March 2017.<sup>2</sup>

### Portfolio allocation

1.3 The committee has responsibility for examining the expenditure and outcomes of the Industry, Innovation and Science and Treasury portfolios.<sup>3</sup>

1.4 During 2016–17 the most significant change to the Department of Industry, Innovation and Science (the department) was the creation of the Northern Australia Infrastructure Facility (NAIF) on 1 July 2016. NAIF is a corporate commonwealth entity whose parent body is the department itself.

1.5 Within the Industry, Innovation and Science portfolio, Snowy Hydro Limited moved to the Environment and Communications portfolio and responsibility for Industry's Programme 2.5: Energy was allocated to the Department of Environment and Energy on 19 July 2016.

### Portfolio Additional Estimates Statements (PAES) 2016–17

1.6 The Portfolio Budget Statements (PBS) and the Portfolio Additional Estimates Statements (PAES) inform senators of the proposed allocation of funding to government outcomes by agencies within the portfolio. However, unlike the PBS, the PAES summarise only the changes in funding by outcome since the 2016–17 Budget. The PAES provides information on new measures and their impact on the financial and/or non-financial planned performance of programs supporting those outcomes.

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1 *Journals of the Senate*, No. 26, 9 February 2017, pp. 888–889.

2 *Journals of the Senate*, No. 12, 7 November 2016, p. 378.

3 *Journals of the Senate*, No. 2, 31 August 2016, p. 76.

## Hearings

1.7 The committee held hearings on 1 and 2 March 2017 to hear from the Department of Industry, Innovation and Science and the Department of the Treasury in relation to all outcomes as well as from relevant portfolio agencies.

1.8 The following outcomes and agencies appeared before the committee for the Treasury portfolio:

- Department of the Treasury—Secretary and Macroeconomic Group;
- Department of the Treasury—Markets Group (with the Foreign Investment Review Board);
- Department of the Treasury—Revenue Group;
- Australian Taxation Office;
- Australian Charities and Not-for-profits Commission;
- Department of the Treasury—Fiscal Group;
- Australian Competition and Consumer Commission with the Australian Energy Regulator;
- Productivity Commission;
- Australian Office of Financial Management;
- Australian Bureau of Statistics;
- Inspector-General of Taxation;
- Australian Securities and Investments Commission;
- Australian Prudential Regulation Authority; and
- Australian Small Business and Family Enterprise Ombudsman.

1.9 The following outcomes and agencies appeared before the committee for the Industry, Innovation and Science portfolio:

- Australian Nuclear Science and Technology Organisation;
- Geoscience;
- Commonwealth Scientific and Industrial Research Organisation;
- Office of Innovation and Science Australia;
- Department of Industry, Innovation and Science—Programme 3: Cross-portfolio;
- Department of Industry, Innovation and Science—Programme 1: Supporting Science and Commercialisation;
- Anti-Dumping Commission;
- Department of Industry, Innovation and Science—Programme 2: Growing Business Investment and Improving Business Capability; and
- National Offshore Petroleum Safety and Environmental Management Authority.

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1.10 The committee thanks the Ministers and officers who attended the hearings for their assistance.

### **Questions on notice**

1.11 In accordance with Standing Order 26, the committee has drawn the attention of the Department and their agencies to the agreed deadline of Thursday, 13 April 2017 for the receipt of answers to questions taken on notice.

1.12 As the committee is required to report to the Senate before responses to questions are due, this report has been prepared without reference to any of these responses.

1.13 Responses to questions on notice and additional information provided to the committee are tabled in the Senate and uploaded to the committee's website.

### **Public interest immunity claims**

1.14 On 13 May 2009, the Senate passed an order relating to public interest immunity claims.<sup>4</sup> The order sets out the processes to be followed if a witness declines to answer a question. The full text of this order has previously been provided to departments and agencies and was incorporated in the Chair's opening statement at the commencement of each hearing.

### **Record of proceedings**

1.15 This report does not attempt to analyse the evidence presented to the committee over the two days of hearings. However, it does include a brief explanation of the main issues that were raised during the examination of each portfolio.

1.16 Copies of the Hansard transcripts and documents tabled at the hearings are available on the committee's website.

### **Note on Hansard page referencing**

1.17 Hansard references throughout this report relate to the Proof Estimates Hansard. Please note page numbering may differ between the proof and final Hansard.

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4 *Journals of the Senate*, No. 68, 13 May 2009, pp. 1941–1942.



## **Chapter 2**

### **Treasury portfolio**

2.1 This chapter summarises certain key areas of interest raised during the committee's consideration of additional estimates for the 2016–17 financial year for the Treasury portfolio. This chapter of the report follows the order of proceedings and is an indicative, not exhaustive, account of issues examined.

2.2 On 1 and 2 March 2017, the committee heard evidence from Senator the Hon Mathias Cormann, Minister for Finance, Senator the Hon James McGrath, Assistant Minister to the Prime Minister, and Senator the Hon Arthur Sinodinos, Minister for Industry, Innovation and Science, along with officers from the Department of the Treasury (Treasury) and agencies of the Treasury portfolio, including:

- Australian Charities and Not-for-profits Commission;
- Australian Competition and Consumer Commission and the Australian Energy Regulator;
- Productivity Commission;
- Australian Office of Financial Management;
- Australian Bureau of Statistics;
- Inspector-General of Taxation;
- Australian Securities and Investments Commission;
- Australian Prudential Regulation Authority; and
- Australian Small Business and Family Enterprise Ombudsman.

2.3 Senators present over the course of the two days of hearings included Senator Hume (Chair), Senator Ketter (Deputy Chair), Senators Bushby, Di Natale, Gallagher, Leyonhjelm, Lines, Ian Macdonald, McAllister, Moore, O'Neill, Rice, Roberts, Siewert, Watt, Whish-Wilson, Williams, and Xenophon.

#### **Macroeconomic Group and Corporate Group**

##### ***Departmental Secretary***

2.4 The opening statement made by Mr John A Fraser, Secretary of the Treasury, covered a wide range of topics including the global economy, commodity prices, the new US administration, the Australian September quarter results, labour market conditions, the budget deficit, Australia's taxation system, housing affordability, investment in infrastructure projects, Treasury's resourcing constraints and its new Structural Reform Group.

2.5 Mr Fraser reflected on the current state of the Australian economy, noting that it was continuing to 'perform reasonably well' despite its transition away from the

mining boom. He indicated that the global economy was showing positive signs for Australia early in 2017, particularly drawing the committee's attention to strong growth of the GDPs of both China and the United States of America.

2.6 The Secretary commented in detail on the results of the September quarter noting that:

Domestically, the September quarter results show that our economy remains sensitive to shocks. The Australian economy contracted by 0.5 per cent in the September quarter. There were some factors that were likely to be of a one-off nature, such as the weather-related disruptions in the construction sector. However, there is no denying that it was a very weak quarter. We do not believe that this represents the underlying pulse of the economy and anticipate a rebound over the forecast period. We will be in a better position to judge the very near-term outlook when national accounts for the December quarter are released later today. Market economists are expecting them to show a rebound.<sup>1</sup>

2.7 The Secretary concluded his remarks noting that Australia needed to work towards preparing the country for 'whatever the future may hold, both the good times and the bad'.<sup>2</sup>

### ***AAA credit rating***

2.8 The committee sought information on Australia's AAA credit rating and its importance in relation to the Federal Budget. Mr Fraser noted that the three major credit rating agencies were unanimous in pointing to the federal debt as the principle source of instability in relation the credit rating. Mr Fraser went further noted that the loss of the Australia's AAA credit rating would pose a problem for the country's borrowing power.

2.9 Mr Fraser elaborated:

The precise impact in terms of interest rates either for our 10- or 30-year bonds, or even shorter-term bonds, is hard to judge because—I know it sounds trite—it depends on what is happening elsewhere in the world. But the bottom line is: if we lose it then our relative advantage, which you alluded to, at the moment would diminish, and that would not be a good thing for the economy. We would all pay a price. I think we would pay a greater price, the greater the interest rate levels are. We have seen a very clear message coming out of the United States, including overnight, that it looks as though interests rates may increase a tad more quickly in the United States than certainly was expected three or four months ago. In an environment of uncertainty, as I said earlier, the credit rating is a very useful advantage to have.<sup>3</sup>

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1 *Proof Estimates Hansard*, 1 March 2017, p. 6.

2 *Proof Estimates Hansard*, 1 March 2017, p. 8.

3 *Proof Estimates Hansard*, 1 March 2017, p. 9.

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### ***Housing affordability***

2.10 The topic of housing affordability was a recurring issue throughout the two days of hearings, with the committee directing questions not only to Treasury, but a number of its agencies as well.

2.11 In its examination of the Macroeconomic Group, the committee discussed what the government was doing to address some of the issues relating to rising house prices, especially in Sydney and Melbourne, and the supply and demand for housing. Mr Fraser noted that the affordable housing taskforce that Treasury chairs is working with the States and Territories to address issues, with particular focus on land supply, regulation, land taxation, and infrastructure.<sup>4</sup>

2.12 The committee also raised the issue of data collection in relation to individuals' decision making when it comes to renting, saving, needs and expectations. Mr Fraser commented that this type of data was difficult to obtain, but that Treasury was consulting widely in order to fill the gaps in the available data.<sup>5</sup>

### ***Fair Work Decision***

2.13 The committee discussed the Fair Work Commission's decision in relation to penalty rate cuts with Treasury and a number of its agencies.

2.14 The committee inquired as to whether Treasury had done any modelling based on the outcome of the decision. Mr Fraser responded that no modelling had taken place. Senator Cormann further noted that the job of the Fair Work Commission, in putting together its report, was to 'assess the economic impacts as part of the overall assessment.'<sup>6</sup>

## **Markets Group**

### ***Structural Reform Group***

2.15 The committee discussed the new Structural Reform Group with officers of the Markets Group, noting that Ms Meghan Quinn, currently Acting Deputy Secretary of Treasury's Markets Group, would become the new Deputy Secretary of the Structural Reform Group.

2.16 The composition of this new group was also considered, with Ms Quinn noting that staff for the new group would be sourced from within Treasury and re-allocated to the structural reform area, but that any particular expertise would be sourced from outside Treasury, as is the current practice for Treasury.

2.17 The committee also discussed what the functions of the new group would be. Ms Quinn informed the committee that the final list of functions was still in flux, however was able to disclose that the group would draw elements from the five

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4 *Proof Estimates Hansard*, 1 March 2017, p. 16.

5 *Proof Estimates Hansard*, 1 March 2017, p. 18.

6 *Proof Estimates Hansard*, 1 March 2017, p. 23.

existing Treasury Groups. Ms Quinn further explained that the Structural Reform Group would include:

infrastructure; competition policy; industry policy; labour market elements; energy; policy; regional development; industry development; and regulatory reform—that is off the top of my head. It is things to do with structural economic reform around the changes in the economy and the way things work going forwards. Elements from fiscal group and elements from markets group are coming together to do cross-cutting themes.<sup>7</sup>

2.18 Ms Quinn advised that the Structural Reform Group was due to commence operation on the following Monday (6 March 2017).<sup>8</sup>

### ***Foreign Investment Review Board***

2.19 The committee discussed rates of foreign land ownership in Australia with representatives from the Foreign Investment Review Board (FIRB). This included not only the ownership of residential real estate, but also of other commercial and agricultural land.

2.20 FIRB officers confirmed that, currently, 13 per cent of agricultural land in Australia is foreign owned. Officers also noted that the government has recently released an initial version of the foreign investment in agricultural land register which will be functional from 1 July 2017.<sup>9</sup>

2.21 The committee requested information on the process for acquisition of Australian rural and metropolitan property. FIRB commented that the processes differed based on the type of property being sought for acquisition: residential, agricultural or commercial. FIRB provided significant detail on the process, explaining:

For residential property, an applicant will need to apply to the ATO. They can do that through an online system. They provide information, which allows the ATO to do some checks about the investor, their eligibility to purchase the property and about the property itself. They pay a fee and, assuming the ATO runs all of its checks and finds that the individual is eligible for that purchase, they will be granted approval. The statutory period for that, along with the statutory period for all FIRB approvals, is 30 days from the receipt of payment of the application fee. The ATO, in the vast majority of residential cases, does much better than that 30-day time period. In a simple case it may even be as quick as a couple of days.

For agricultural property, as part of the same set of reforms we have been discussing, the government dropped the threshold for agricultural property from \$252 million to \$15 million. That is a cumulative threshold, so if you already own \$14 million of property and you want to buy a \$3 million property, you still need to come and seek approval because at the end of the

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7 *Proof Estimates Hansard*, 1 March 2017, p. 32.

8 *Proof Estimates Hansard*, 1 March 2017, p. 32.

9 *Proof Estimates Hansard*, 1 March 2017, pp. 42–43.

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process you will have holdings in excess of the \$15 million threshold. Again, there is an online application process. The investor submits details about themselves and the property. That is assessed by a team in my division in the Treasury. Again, we go through a series of checks and in the event that we find that the purchase is in the national interest, then we can issue an approval, or the Treasurer does, depending on the various size and other national interest considerations that are involved.

Commercial property is quite similar to agriculture property in its process. There are some differences in threshold and the like in terms of what investors need to apply.<sup>10</sup>

2.22 The committee also sought details relating to the number of unsuccessful applications. FIRB noted some difficulty in providing this figure due to the fact that some applications are rejected and others are withdrawn, but endeavoured to provide what information they were able.

## **Revenue Group with the Australian Taxation Office**

### ***Commissioner's opening statement***

2.23 The Commissioner of Taxation, Mr Chris Jordan AO, highlighted a number of the ATO's activities in his opening statement, including the 2015–16 tax time, the Tax Avoidance Taskforce, and the website failures of the ATO portal.

2.24 The Commissioner gave a detailed explanation of the website failures that the ATO suffered in December 2016 and February 2017. Mr Jordan reflected on how the impact of the outages has highlighted society's reliance on technology and digital services. He noted that:

It does demonstrate how important it is to have some form of business continuity and contingency plans—what do you do when the system goes down, the power goes off, a telco is shut down or the bank is off-line? We all need to be able to turn our efforts to alternative and legitimate productive work at the same time as business resumption. In essence, it means we all should have some form of business continuity plans for when there is some kind of outage.<sup>11</sup>

2.25 Mr Jordan also noted that he had commissioned a review of the outages, to be conducted by PricewaterhouseCoopers, and that Hewlett-Packard is conducting their own review into the cause of the failures.

### ***Multinational Anti-Avoidance Law***

2.26 The committee requested an update on the Multinational Anti-Avoidance Law (MAAL). Treasury officers noted that 70 companies had been identified as requiring further investigation. Treasury also noted that the MAAL had already had a significant impact, with 25 companies having already changed their models to ensure compliance with Australian tax laws.

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10 *Proof Estimates Hansard*, 1 March 2017, pp. 43–44.

11 *Proof Estimates Hansard*, 1 March 2017, p. 50.

2.27 The committee asked the Revenue Group if any Australian companies previously identified as not paying tax in Australia would now start paying tax because of the MAAL.

2.28 Treasury officers responded noting that:

There will be an effect on the published tax data as a result of the MAAL. The companies which are already on the list are those companies which have disclosed income in Australia historically of more than \$100 million or \$200 million. So those companies have already acknowledged a taxable presence in Australia. What the MAAL will do is that some of these companies which have not previously acknowledged a taxable presence in Australia will now be incorporating Australian subsidiaries, returning the income in Australia and will now start appearing on that list.<sup>12</sup>

## **Australian Charities and Not-for Profits Commission**

### *Australian Consumer Law review*

2.29 The committee sought information from the Australian Charities and Not-for-profits Commission (ACNC) in relation to its involvement in the review of the Australian Consumer Law (ACL review), currently being undertaken by Consumer Affairs Australia and New Zealand (CAANZ).

2.30 The ACNC responded that they had made a submission to the inquiry, noting that their submission supported the review. The ACNC further commented that the review would provide a basis for updating the regulations around fundraising in Australia.

2.31 The committee asked the ACNC for data regarding the number of charities that were currently compliant with the appropriate regulations for fundraising. ACNC stated that it did not have the figures, however, presumed that the rate of non-compliance was high, indicating that in Queensland alone of the 10 500 charities on their register, only 2500 have fundraising licenses, leaving up to 8000 charities potentially carrying out fundraising activities without the appropriate licence. ACNC noted that the results for other states appeared to be similar.

2.32 The committee discussed with ACNC the possibility of the agency taking up some of the proposals suggested by the ACL review. ACNC responded that:

If this were to be taken up, it would lead to a very significant reduction in red tape for charities. And we think that the ACL would enable state regulators to be able to address issues of abuse in fundraising successfully as well. But they would not have to rely upon the licensing and reporting regime that is in place at the moment that causes so much of the headache and red tape.<sup>13</sup>

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12 *Proof Estimates Hansard*, 1 March 2017, p. 69–70.

13 *Proof Estimates Hansard*, 1 March 2017, p. 76.

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## **Fiscal Group**

### ***Housing bond aggregator taskforce***

2.33 The committee discussed the Federal Government's involvement in finding a solution to the issue of housing affordability with Fiscal Group. Fiscal Group noted that the Council on Federal Financial Relations (CFFR) had resolved to use the bond aggregator model, similar to that used in the United Kingdom which is designed to be a 'financial intermediary which would assist with developing a bit of a scale for community housing providers to access debt markets'.<sup>14</sup>

2.34 Fiscal Group gave the committee detail surrounding the establishment of the housing bond aggregator taskforce stating that it is designed to 'look more specifically at how a proof of concept of this bond aggregator model could be developed, along with an implementation road map'.<sup>15</sup>

2.35 The committee noted the topic of housing affordability is one that has been recurring for many years, and discussed the Federal Government's relationship with the States and Territories on this issue. Fiscal Group noted that:

The predominant forms of support from the Commonwealth to the states are under the National Affordable Housing Agreement. There is a national affordable housing specific-purpose payment which is currently around \$1.3 billion a year, and that is to support social and affordable housing. There is also a national partnership payment under the National Partnership Agreement on Homelessness, and that is \$115 million, which is currently funded through to the end of June 2018. Together, those payments form the main basis of support from the Commonwealth to the states for social and affordable housing and homelessness.<sup>16</sup>

## **Australian Competition and Consumer Commission and the Australian Energy Regulator**

### ***Australian gas market***

2.36 The committee sought information on the nature of the issues currently facing the Australian gas market. The Australian Competition and Consumer Commission (ACCC) commented that 'the Australian gas market is short of gas' and that Australia is heading for a potential gas shortage from the year 2019. ACCC highlighted that many Australian manufacturing and industrial companies are dependent on gas:

[T]he current issues in the gas industry, particularly the very high prices and the difficulty of getting gas, are going to cause manufacturing a very big problem.<sup>17</sup>

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14 *Proof Estimates Hansard*, 1 March 2017, p. 85.

15 *Proof Estimates Hansard*, 1 March 2017, p. 85.

16 *Proof Estimates Hansard*, 1 March 2017, p. 85.

17 *Proof Estimates Hansard*, 1 March 2017, p. 107.

2.37 ACCC did note, however, that the forecast of a potential gas shortage by 2019 relied upon a number of assumptions that had not yet come to fruition, that is, some projects involving gas usage had not gone ahead.

2.38 The committee did not pursue this topic any further.

### ***National Electricity Market***

2.39 The committee discussed the National Electricity Market (NEM), noting the recent problems in South Australia. The committee requested details on electricity prices in Australian states and whether other market forces, such as renewable energy, would have an effect on electricity prices. The Australian Energy Regulator (AER) responded that South Australia had the highest wholesale prices for electricity in the 2016–17 year to date, at \$124 a megawatt hour, and also noted that the introduction of renewable energy into the market should put further downward pressure on the wholesale price of electricity.

2.40 The committee also discussed the possibility of anti-competitive conduct in the NEM. The AER responded indicating that they had recently been given a new function that requires the regulator to report on competitiveness of the wholesale market. AER commented that one of the initial cases they will consider is the closure of the Hazelwood power station. AER clarified that they will make biannual reports to the COAG Energy Council.<sup>18</sup>

## **Australian Securities and Investments Commission**

### ***Chairman's opening statement***

2.41 The Australia and Securities and Investments Commission (ASIC) Chairman, Mr Greg Medcraft's opening statement to the committee highlighted three particular areas: financial literacy, small business and whistle-blower reform.<sup>19</sup>

2.42 Mr Medcraft noted that the MoneySmart teaching program is being implemented in over 50 per cent of Australian Schools and that the website is now being accessed by six million people each year. He noted that the site was also encouraging people to take action in relation to their finances.

2.43 Mr Medcraft commented that there are two million Australian companies registered with ASIC, the majority of which are small businesses. Mr Medcraft advised the committee that, in response to this large number, ASIC would establish an office of small business.

2.44 The Chairman also addressed the issue of whistle-blower reform and the work that ASIC had done in that area, highlighting five key recommendations:

One is broadening the definition of whistleblowers to include companies' former employees, officers and contractors but also company directors and others. The second is extending the protections of whistleblowers to anonymous disclosures and ensuring whistleblower identity be subject to

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18 *Proof Estimates Hansard*, 1 March 2017, p. 109.

19 *Proof Estimates Hansard*, 2 March 2017, p. 5.

absolute confidentiality. The third is replacing good faith requirement with an objective test that should be sufficient for information disclosed to simply show wrongdoing has occurred. The fourth is a suggestion that a reward system be deferred until higher monetary penalties have been introduced—possibly following the review of our penalties regime. The fifth is an overhaul of whistleblower compensation to ensure better access and to better define the nature of damages, including a loss of lifetime earnings on which a whistleblower may claim compensation.<sup>20</sup>

2.45 The committee canvassed a broad range of topics with ASIC including the Cash Converters case, the mortgage broker remuneration review, ASIC's capability review, the review of ASIC's penalty regime, ASIC's investigations into mortgage lending practices by Westpac, the insurance market, and remuneration of ASIC's senior executives.<sup>21</sup>

### **Australian Prudential Regulation Authority**

2.46 The committee sought information on the Australian Prudential Regulation Authority's (APRA) role in advising government on private health insurers' annual premium increases. APRA responded that their role is to collect and assemble data on this issue, and explained that APRA does not give the government explicit advice:

Our concern is whether those increases create any prudential concerns for the viability of the insurers, but we do not pass a judgement as to whether we think those increases are, for example, too high.

[...]

We collect the data because we are the mechanism and the agency to do that. It is then up to the Department of Health to analyse that data and form a judgement on the appropriateness of those increases.<sup>22</sup>

2.47 The committee also asked APRA whether it had been tasked with considering any changes to private health insurance regulations. APRA indicated that it had not, however, did note that APRA was making a number of changes in the areas of risk management, governance and capital. APRA specified that these three elements would be looked at in three separate tranches of industry consultations.

2.48 The committee also discussed a number of other issues with APRA including the profitability of superannuation funds and carbon risk disclosure.

### **Other topics raised**

2.49 The committee discussed a wide range of topics during the two days of hearings with the Treasury portfolio. The above reporting of discussions is not complete. Other topics discussed by the committee included:

- Wage growth disparity across Australia

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20 *Proof Estimates Hansard*, 2 March 2017, p. 5.

21 *Proof Estimates Hansard*, 2 March 2017, p. 5–23.

22 *Proof Estimates Hansard*, 2 March 2017, p. 26.

- Levels of household debt
- Mining investment
- Corporate taxation rates and potential rate cuts
- Progressing women initiatives within the Department of the Treasury
- Credit card reform (in the context of the government response to the Economics Committee's inquiry report tabled in December 2015)
- 'Get out of the City' initiative
- Petroleum Resources Rent Tax (PRRT)
- Diverted profits tax and multinational tax avoidance
- Goods and Services Tax (GST) as it applies to salads
- Capital gains tax
- Income and allowance of Federal Members of Parliament
- Australia's gas and electricity markets
- ACCC's dairy market study
- Poker machine regulations
- Productivity Commission's timeline for reviews, including the pension system review
- 2016 Census: implementation and results
- ATO portal failures
- Whistleblowing framework (ASIC)
- ASIC's mortgage broker remuneration review
- Cash converters (pay day lending) case
- Reforms relating to liquidators/administrators
- Profitability of superannuation funds
- Recommendations of the Small Business loans inquiry

## Chapter 3

### Industry, Innovation and Science portfolio

3.1 This chapter summarises certain key areas of interest raised during the committee's consideration of additional estimates for the 2016–17 financial year for the Industry, Innovation and Science portfolio. This chapter of the report follows the order of proceedings and is an indicative, not exhaustive, account of issues examined.

3.2 On 2 March 2017, the committee heard evidence from Senator the Hon Arthur Sinodinos, Minister for Industry, Innovation and Science, and Senator the Hon Matthew Canavan, Minister for Resources and Northern Australia, along with officers from the Department of Industry, Innovation and Science (the Department) and agencies including:

- Australian Nuclear Science and Technology Organisation;
- Anti-Dumping Commission;
- Commonwealth Scientific and Industrial Research Organisation;
- Office of Innovation and Science Australia;
- Geoscience Australia; and
- National Offshore Petroleum Safety and Environmental Management Authority.

3.3 Senators present over the course of the day's hearing included Senator Hume (Chair), Senator Ketter (Deputy Chair), Senators Bushby, Carr, Lines, Ludlam, Ian Macdonald, McAllister, Smith, and Xenophon.

3.4 The committee altered the schedule on the day of the hearing, removing Programme 1 from the hearing schedule. The committee was satisfied that topics relating to Programme 1 had been sufficiently discussed in the cross-portfolio session.

#### **Australian Nuclear Science and Technology Organisation**

3.5 The committee opened its discussions with the Australian Nuclear Science and Technology Organisation (ANSTO) by congratulating Dr Adi Paterson on the renewal of his contract as Chief Executive Officer of the agency for a further five years.<sup>1</sup>

3.6 The committee also sought information relating to the agency's statement of expectations from the Minister, noting that the most recent statement was issued by Minister Macfarlane three years ago. Dr Paterson informed the committee that a new statement of expectations was currently being finalised. Senator Sinodinos confirmed this information.<sup>2</sup>

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1 *Proof Estimates Hansard*, 2 March 2017, p. 51.

2 *Proof Estimates Hansard*, 2 March 2017, p. 51.

## **Synchrotron**

3.7 The committee then turned its attention to the financing of ANSTO's synchrotron.<sup>3</sup> ANSTO informed the committee that ANSTO had been working with a range of stakeholders on this matter:

The evaluation of the seven beamlines which have been agreed with the community is \$114 million. We think that within that envelope, depending on how technology is developed, we might be able to secure an eighth beamline, so that is the quantum. The process, as you may recall, is that we will go to the community for that funding—state governments, the New Zealand government, universities, medical research institutes and publicly funded research agencies.<sup>4</sup>

3.8 ANSTO noted that the full amount of funding would need to be secured by July 2018, with \$20 million of the final amount to be secured by the end of June 2017. ANSTO confirmed that no part of the final amount had yet been secured, however ANSTO officials were meeting with a number of universities in order to shore up formal written commitments for funding.<sup>5</sup>

## **Anti-Dumping Commission**

### ***A4 copy paper***

3.9 The committee questioned the Anti-Dumping Commission regarding the awaited release of its report relating to the alleged dumping of A4 copy paper in the Australian market from Brazil, China, Indonesia and Thailand. The committee noted that the report was due to be presented on 20 February 2017, but had been extended to 6 March 2017.<sup>6</sup>

3.10 The Commission explained that the investigation relating to the A4 copy paper was one of the most complex investigations that the Commission had undertaken, explaining that:

[T]he number of exporters and importers are many. It required a very comprehensive analysis undertaken over the last 12 months in relation to the alleged impact on Australian Paper at Maryvale, including extensive visitation and assessment of their own data and also extensive overseas verification of the data provided by exporters and traders in that regard.

3.11 The Commissioner confirmed that the final report would be released the following week, in line with the extension granted.

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3 ANSTO's synchrotron is a machine which produces powerful beams of light that can be used to examine the atomic and molecular detail of materials including medicines, food, biotechnology, nanotechnology and energy.

4 *Proof Estimates Hansard*, 2 March 2017, p. 52.

5 *Proof Estimates Hansard*, 2 March 2017, p. 53.

6 *Proof Estimates Hansard*, 2 March 2017, p. 61.

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## Commonwealth Scientific and Industrial Research Organisation

### *Staffing*

3.12 The committee discussed the Commonwealth Scientific and Industrial Research Organisation's (CSIRO) current staffing levels and the changing makeup of its workforce, noting that 'there is an extraordinary brain drain in public science occurring at CSIRO at the moment'.<sup>7</sup>

3.13 CSIRO indicated that the voluntary separation rate for staff was approximately 4.6 per cent, a figure CSIRO confirmed to be average over the last ten years.

3.14 The committee noted that CSIRO had not completed its enterprise agreement negotiations, meaning that CSIRO staff had not seen a pay increase for three years. CSIRO commented on the bargaining process, indicating that:

It has definitely had an impact on the morale of staff. Staff are talking about it more. But the message I would like to leave you and staff with is we are back around the negotiating table now. There have been extensive negotiations over the last fortnight. We believe we are making ground and we have the best interests of staff at heart. We believe they deserve a pay rise and they will get one as soon as we can get agreement with the unions. It takes two people to negotiate and we are both doing that, in good spirit, at the moment.<sup>8</sup>

3.15 CSIRO acknowledged that it had experienced a shift in its science priorities, and that this had an impact on the number and type of staff it employed. CSIRO also noted that the changes were in line with its Strategy 2020, which has specifically increased the funding of what it terms 'pure science' or 'blue sky science'.<sup>9</sup>

## Department of Industry, Innovation and Science—Programme 2

### *Northern Australia Infrastructure Facility (NAIF)*

3.16 The committee welcomed Ms Laurie Walker, the new Chief Executive Officer of NAIF to her first appearance before the committee.

3.17 In her opening statement, Ms Walker presented the committee with an overview of NIAF's role and current activities. The CEO described NAIF as a 'gap financier' and explained to the committee that its role is to finance projects that would not attract commercial finance:

We have a mandate to put in what is called concessional lending terms of tenor or interest rate where we are serviced in priority to other lenders, but we have to put the minimum concessionality in.<sup>10</sup>

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7 *Proof Estimates Hansard*, 2 March 2017, p. 66.

8 *Proof Estimates Hansard*, 2 March 2017, p. 66.

9 Pure science or blue sky science describes scientific research that is carried out in fields where 'real world' applications are not immediately apparent.

10 *Proof Estimates Hansard*, 2 March 2017, p. 125.

3.18 Ms Walker also provided the committee with a summary of NAIF's work since its establishment in July 2016, noting that the agency had so far received 100 enquiries from projects in a broad range of sectors. Of these 100 enquiries, four were in the due diligence stage, which involves a detailed assessment of each proposal.

3.19 The committee requested information relating to the Adani rail proposal. NAIF indicated that it was unable to provide any response to this request as the information sought was of a commercial-in-confidence nature.<sup>11</sup>

3.20 The committee asked NAIF to provide, on notice, details of the 'specified potential harm to commercial interests' if the information being sought by the committee was to be made public.<sup>12</sup>

## **National Offshore Petroleum Safety and Environmental Management Authority**

### *Workplace health and safety*

3.21 The committee discussed the workplace health and safety compliance of the National Offshore Petroleum Safety and Environmental Management Authority's (NOPSEMA) operators and requested information relating to those operators that were non-compliant. NOPSEMA noted that there are some instances where operators were believed not to be acting in accordance with their safety obligations, and in these circumstances NOPSEMA has issued recommendations or taken action to ensure enforcement of the appropriate obligations.<sup>13</sup>

3.22 The committee asked NOPSEMA how their Offshore and Petroleum and Greenhouse Gas Storage Act compared with the Workplace Health and Safety Act and with related international legislation.

3.23 NOPSEMA responded that their own Act was consistent with the Workplace Health and Safety Act, noting that the only two differences between them are related to 'access to the workplace for the union representatives' and 'access to the safety case for people who are not on the facilities'. In relation to its legislation and how it compares internationally, NOPSEMA stated:

The legislation that we administer was introduced just over 10 years ago. It was modelled on the UK model of outcomes based regulation of offshore oil and gas, which is also applied in other countries, like Norway and Canada, which, along with Australia, are recognised as the world-leading regulatory regimes for this. That has also been recognised through international bodies such as the International Regulators' Forum, where there are four members of the management committee, those countries being the United States, the United Kingdom, Norway and Australia. So I

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11 *Proof Estimates Hansard*, 2 March 2017, p. 127.

12 *Proof Estimates Hansard*, 2 March 2017, p. 128.

13 *Proof Estimates Hansard*, 2 March 2017, p. 140.

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think it is fair to say that our regulatory regime is recognised globally as amongst the best in the world.<sup>14</sup>

### **Other topics raised**

3.24 The committee discussed a wide range of topics during the hearing with the Industry, Innovation and Science portfolio. The above reporting of discussions is not complete. Other topics discussed by the committee included:

- Remuneration arrangements for the portfolio's corporate Commonwealth entities
- Anti-Dumping Commission's implementation of new procurement rules
- Economics References Committee's steel industry inquiry
- Gas Industrial Social and Environmental Research Alliance (GISERA)
- Validity of records kept by NASA, the Bureau of Meteorology and CSIRO
- National Innovation and Science Agenda
- Business plan for the Office of Innovation and Science Australia
- Cooperative Research Centres
- Gas resources in the Bass Strait
- Resources in South Australia
- Cost of cattle transportation in Queensland
- Northern Australia Infrastructure Facility Board remunerations
- Adani coal mine

**Senator Jane Hume**  
**Chair**

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14 *Proof Estimates Hansard*, 2 March 2017, p. 141.



# Appendix 1

## Tabled documents

### Treasury portfolio

1. Opening Statement tabled by Mr John Fraser, Secretary of the Department of the Treasury, 1 March 2017
2. Opening Statement, tabled by Mr Chris Jordan, Commissioner of Taxation, Australian Taxation Office, 1 March 2017
3. ABN Lookup sheet, tabled by Senator Katy Gallagher, 1 March 2017
4. The Australia Institute: Re-emergence of One Nation, tabled by Senator Malcolm Roberts, 1 March 2017
5. Taxation Ruling 1999/10, tabled by Mr Andrew Mills, Second Commissioner, Law Design & Practice Group, Australian Taxation Office, 1 March 2017
6. Opening Statement, tabled by Mr Greg Medcraft, Chairman of the Australian Securities and Investments Commission, 1 March 2017
7. Conditionally approved loans from Commonwealth Bank of Australia, tabled by Senator Peter Wish-Wilson, 1 March 2017
8. Opening Statement, tabled by Mr Wayne Byres, Chairman of the Australian Prudential Regulation Authority, 1 March 2017

### Industry, Innovation and Science portfolio

9. Opening Statement, tabled by Dr Adi Paterson, CEO, Australian Nuclear Science and Technology Organisation, 2 March 2017
10. Map of Commonwealth Marine Reserves, tabled by Mr Graeme Waters, National Offshore Petroleum Titles Administrator, 2 March 2017
11. Opening Statement, tabled by Ms Laurie Walker, CEO, Northern Australia Infrastructure Facility, 2 March 2017

