

Additional Estimates 2007-08

Report to the Senate

Introduction

1.1 On 13 February 2008 the Senate referred to the committee for examination and report the following documents in relation to the Innovation, Industry, Science and Research; Resources, Energy and Tourism; and Treasury portfolios:

- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2008 [Appropriation Bill (No. 3) 2007-2008];
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2008 [Appropriation Bill (No. 4) 2007-2008];
- Issues from the Advance to the Finance Minister as a final charge for the year ended 30 June 2007; and
- Final budget outcome 2006-07—Report by the Treasurer and the Minister for Finance and Administration, September 2007.¹

Changes to allocation of portfolios

1.2 The committee notes that significant changes have been made to the Administrative Arrangements Order since the last budget estimates round. These changes have resulted in changes to the allocation of portfolios to committees so that the Economics Committee now covers the following portfolios:

- Innovation, Industry, Science and Research;
- Resources, Energy and Tourism; and
- Treasury.²

The structures and outcomes for each of these portfolios are summarised in Appendices 4, 5 and 6, respectively.

General comments

1.3 The committee received evidence from Senator the Hon Kim Carr, Minister for Innovation, Industry, Science and Research; Senator the Hon Stephen Conroy, representing the Treasurer and Assistant Treasurer; Senator the Hon Nick Sherry, Minister for Superannuation and Corporate Law; and officers from the Innovation, Industry, Science and Research; Resources, Energy and Tourism; and Treasury

1 *Journals of the Senate*, No. 2, 13 February 2008, p. 111.

2 *Journals of the Senate*, No. 2, 13 February 2008, pp 97–98.

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

1.4 The committee conducted hearings over three days, from 20 to 21 February 2008, and on 11 March 2008. In total the committee met for 24 hours and 5 minutes, excluding breaks.

Questions on notice

1.5 The committee draws the attention of all departments and agencies to the deadline of Friday, 11 April 2008 for the receipt of answers to questions taken on notice from this round. As the committee is required to report before responses to questions are due, this report has been prepared without reference to any of these responses. The secretariat has prepared indexes for questions taken on notice during and after the hearings and these will be made available on the following website http://www.aph.gov.au/Senate/committee/economics_ctte/estimates/add_0708/index.htm.

Record of proceedings

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

1.7 Copies of the Hansard transcripts are available on the internet at http://www.aph.gov.au/Senate/committee/economics_ctte/estimates/add_0708/index.htm. Copies are also tabled with this report for the information of the Senate.

Matters raised – Innovation, Industry, Science and Research portfolio

1.8 On 21 February 2008, the committee examined the estimates for the:

- Department of Innovation, Industry, Science and Research;
- Commonwealth Scientific and Industrial Research Organisation (CSIRO);
- Australian Nuclear Science and Technology Organisation (ANSTO); and
- Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS).

1.9 On 11 March 2008, the committee examined the estimates for the:

- Office of the Chief Scientist.

1.10 Matters examined included the following:

Department of Innovation, Industry, Science and Research³

- ministerial staffing arrangements (pp 7–16 and 19–22);
- effect of efficiency dividends on departmental operations (pp 16–19 and 22–24);
- Innovation Ambassador programme and *Southern Surveyor* research vessel (pp 24–27);
- departmental support to the Minister (pp 27–29);
- administration of the *Scout Association Act 1924* (pp 29–30);
- savings outlined in the Portfolio Additional Estimates Statements (p. 30);
- Clean Business Australia, Green Building Fund, Climate Ready Support and Re-tooling for Climate Change grants programme (pp 30–33);
- departmental involvement in free trade agreement negotiations (pp 33–34);
- assistance packages to Ford and Holden (pp 34–35, 47–48 and 50);
- Review of Australia's Automotive Industry (pp 35–46);
- closure of Mitsubishi's Adelaide plant (pp 46–47);
- Review of the Australian Textile, Clothing and Footwear industry (pp 48–49);
- green car proposal (pp 49–50);
- charter letter (pp 50–51);
- National ICT Australia (pp 51–52);
- Review of the National Innovation System (pp 52–53); and
- Review of the Cooperative Research Centres programme (pp 53–54).

Commonwealth Scientific and Industrial Research Organisation (CSIRO)⁴

- funding provided by the CSIRO to other bodies (p. 54);
- Marine National Facility and the *Southern Surveyor* research vessel (pp 54–56);
- CSIRO charter (pp 56–59); and
- climate change research, including carbon capture and storage, renewable energy and biofuels (pp 59–64).

3 Transcript page numbers for the Department of Innovation, Industry, Science and Research, refer to *Proof Hansard*, 21 February 2008 (see the index at Appendix 2 of this report).

4 Transcript page numbers for the Commonwealth Scientific and Industrial Research Organisation (CSIRO), refer to *Proof Hansard*, 21 February 2008 (see the index at Appendix 2 of this report).

Australian Nuclear Science and Technology Organisation (ANSTO)⁵

- temporary shutdown of the OPAL nuclear reactor (pp 64–67 and 68–71); and
- nuclear science and technology training for graduates (pp 67–68).

Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS)⁶

- scope of research undertaken at AIATSIS (p. 71);
- AIATSIS governance and membership (pp 71–72);
- AIATSIS involvement in the preservation and protection of indigenous art, artefacts and languages – following up on the Senate Standing Committee on Environment, Communications, Information Technology and the Arts' report into Australia's Indigenous visual arts and craft sector, entitled *Indigenous Art – Securing the Future* (pp 72–73); and
- AIATSIS additional estimates statement (pp 73–74).

Office of the Chief Scientist⁷

- staffing arrangements for the Chief Scientist (pp 1–2 and 2–3);
- effect of efficiency dividends on the Office of the Chief Scientist and the Department in general (p. 2 and 14–15);
- transition to the position of Chief Scientist being full-time (p. 2);
- Chief Scientist's involvement in the Review of the National Innovation System (p. 3);
- nature of the Chief Scientist's advice to government (pp 3–4);
- Chief Scientist's report on the scientific aspects of the Gunns Limited Pulp Mill proposal in Tasmania (pp 4–14); and
- appropriations for the Office of the Chief Scientist (p. 14).

Matters raised – Resources, Energy and Tourism portfolio

1.11 On 21 February 2008, the committee examined the estimates for the:

- Department of Resources, Energy and Tourism (including Geoscience Australia); and

5 Transcript page numbers for the Australian Nuclear Science and Technology Organisation (ANSTO), refer to *Proof Hansard*, 21 February 2008 (see the index at Appendix 2 of this report).

6 Transcript page numbers for the Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS), refer to *Proof Hansard*, 21 February 2008 (see the index at Appendix 2 of this report).

7 Transcript page numbers for the Office of the Chief Scientist, refer to *Proof Hansard*, 11 March 2008 (see the index at Appendix 2 of this report).

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- Tourism Australia.

1.12 Matters examined included the following:

Department of Resources, Energy and Tourism⁸

- nuclear waste and the *Commonwealth Radioactive Waste Management Act 2005* (pp 76–78);
- ethanol production subsidy (pp 78–79);
- effect of efficiency dividends on departmental operations (pp 79–81);
- uranium mining and royalties (pp 81–87);
- offshore oil and gas (pp 87–90)
- carbon trading schemes, emissions controls and geosequestration (pp 90–99);
- the effect of infrastructure bottlenecks on the resources and energy sector (pp 99–100);
- foreign investment in resource companies (p. 100);
- division of responsibility for tourism issues between the tourism division of the Department, Tourism Australia and state/territory governments (pp 100–101);
- overview of the state of the tourism industry in Australia (pp 101–102 and 104–105);
- proposed national accreditation system for tourism operators (pp 102–103);
- 'rogue operators' in the tourism industry (pp 103–104); and
- Pacific 'open skies' policy (p. 105).

Tourism Australia⁹

- effect of efficiency dividends on Tourism Australia operations (pp 105–106); and
- the proposal for a soap opera set in Australia to be screened in Japan (p. 106).

Matters raised – Treasury portfolio

1.13 On 20 February 2008, the committee examined the estimates for the:

- Treasury – outcome 3: effective taxation and retirement income arrangements;

8 Transcript page numbers for the Department of Resources, Energy and Tourism, refer to *Proof Hansard*, 21 February 2008 (see the index at Appendix 2 of this report).

9 Transcript page numbers for Tourism Australia, refer to *Proof Hansard*, 21 February 2008 (see the index at Appendix 2 of this report).

- Australian Taxation Office;
- Inspector-General of Taxation;
- Treasury – outcome 1: sound macroeconomic environment;
- Australian Office of Financial Management (AOFM);
- Takeovers Panel;
- Treasury – outcome 2: effective government spending arrangements;
- Treasury – outcome 4: well functioning markets; and
- Australian Securities and Investments Commission (ASIC).

1.14 On 21 February 2008, the committee examined the estimates for the:

- Australian Securities and Investments Commission (ASIC) – continuation;
- Australian Competition and Consumer Commission (ACCC);
- Australian Prudential Regulation Authority (APRA); and
- Productivity Commission.

1.15 Matters examined included the following:

Treasury – outcome 3: effective taxation and retirement income arrangements and the Australian Taxation Office¹⁰

- effect of efficiency dividends on departmental/ATO operations and, in particular, on ATO compliance work (pp 5–11 and 14–20);
- First Home Saver Account (pp 11–14);
- potential inflationary impact of proposed tax cuts (pp 20–22);
- changes to family trust rules (pp 22–26);
- capital gains tax compliance activities (pp 26–28);
- taxation of final arrangements (TOFA) (pp 28–29);
- withholding tax changes (pp 29–30);
- Tax Design Review Panel (pp 30–31);
- Federal Court cases relating to the GST (p. 31);
- ATO cash economy strategy (pp 31–33);
- tax deductibility of donations to political parties (pp 33–36);
- ATO pipeline recruitment model (pp 36–37);

10 Treasury – outcome 3 and the Australian Taxation Office were heard together. Transcript page numbers for the Treasury – outcome 3 and the ATO, refer to *Proof Hansard*, 20 February 2008 (see the index at Appendix 2 of this report).

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- update on Operation Wickenby (pp 37–38);
 - outstanding tax (pp 38–39);
 - self-managed superannuation funds (pp 39–41);
 - choice of superannuation fund regime (p. 41); and
 - 'lost' superannuation (pp 41–44).

Inspector-General of Taxation¹¹

- proposal to abolish or transfer the functions of the Inspector-General (pp 44–47 and 48–54); and
- effect of efficiency dividends on ATO operations (pp 47–48).

Treasury – outcome 1: sound macroeconomic environment¹²

- inflation and inflationary pressures in the economy (pp 55–66, 67–92 and 93–99);
- effect of the US subprime mortgage crisis on the Australian economy (pp 66–67); and
- future appointments to the Reserve Bank Board (pp 92–93).

Australian Office of Financial Management (AOFM)¹³

- management of Australian government debt (pp 99–100);
- effect of efficiency dividends on AOFM operations (pp 100–101); and
- AOFM contact with state authorities regarding state government debt management (pp 101–102).

Takeovers Panel¹⁴

- management of potential conflicts of interest for panel members (pp 103–104);
- the Panel's role in resolving disputes relating to takeovers (pp 104–105 and 106);
- numbers of cases currently before the Panel (p. 105); and

11 Transcript page numbers for the Inspector-General of Taxation, refer to *Proof Hansard*, 20 February 2008 (see the index at Appendix 2 of this report).

12 Transcript page numbers for the Treasury – outcome 1, refer to *Proof Hansard*, 20 February 2008 (see the index at Appendix 2 of this report).

13 Transcript page numbers for the Australian Office of Financial Management (AOFM), refer to *Proof Hansard*, 20 February 2008 (see the index at Appendix 2 of this report).

14 Transcript page numbers for the Takeovers Panel, refer to *Proof Hansard*, 20 February 2008 (see the index at Appendix 2 of this report).

- the Panel's relationship with the Foreign Investment Review Board (pp 105–106).

Treasury – outcome 2: effective government spending arrangements¹⁵

- impact of the labour market on inflation (pp 106–114);
- potential effects of climate change (and climate change mitigation measures) on the Australian economy (pp 114–118 and 124–125); and
- classification of items in the budget papers (pp 118–120).

Treasury – outcome 4: well functioning markets¹⁶

- potential need for an inquiry given the current volatility in the financial markets (pp 120–121);
- potential need for an examination by Treasury of the practice of share lending (pp 121–122);
- short selling (p. 122);
- sovereign wealth funds (pp 122–124 and 127–128);
- transparency and efficiency in markets (pp 125–127); and
- infrastructure bottlenecks (p. 127).

Australian Securities and Investments Commission (ASIC)¹⁷

- opening statement outlining ASIC's work on current significant projects and major priorities for the coming year (pp 128–133 - 20 February);
- effect of potential budget cuts and efficiency dividends on ASIC operations (pp 133–134 - 20 February);
- ASIC's role in relation to bank fees (pp 1–3 - 21 February);
- ASIC's role in relation to the pricing of life insurance products (p. 3 - 21 February);
- current market volatility (pp 3–4 - 21 February);
- share lending, short selling, scrip selling and margin lending (pp 4–5 - 21 February); and
- market manipulation and insider trading (p. 6 - 21 February).

15 Transcript page numbers for the Treasury – outcome 2, refer to *Proof Hansard*, 20 February 2008 (see the index at Appendix 2 of this report).

16 Transcript page numbers for the Treasury – outcome 4, refer to *Proof Hansard*, 20 February 2008 (see the index at Appendix 2 of this report).

17 The Australian Securities and Investments Commission (ASIC) was heard on both 20 and 21 February 2008. Therefore, transcript page numbers for ASIC, refer to *Proof Hansard*, 20 February 2008 and *Proof Hansard*, 21 February 2008 as indicated (see the index at Appendix 2 of this report).

Australian Competition and Consumer Commission (ACCC)¹⁸

- opening statement outlining recent work undertaken by the ACCC in relation to petrol prices, criminalisation of cartel conduct, grocery prices and fertiliser prices (pp 106–108);
- grocery prices and the ACCC inquiry into the competitiveness of retail prices for standard groceries (pp 108–110, 112–113 and 129–130);
- petrol prices and the new petrol commissioner (pp 110–112, 113–121 and 124–127);
- ACCC interest and involvement in the rollout of ADSL2+ broadband services (pp 121–123);
- fraud and malpractice in the indigenous art industry – following up on the Senate Standing Committee on Environment, Communications, Information Technology and the Arts' report into Australia's Indigenous visual arts and craft sector, entitled *Indigenous Art – Securing the Future* (pp 123–124);
- enforcement activity, including litigation and undertakings (pp 127–128); and
- advertising of hire car costs (pp 128–129).

Australian Prudential Regulation Authority (APRA)¹⁹

- opening statement outlining the implications of turbulence in the global credit and equity markets for the financial institutions which APRA supervises (pp 130–132);
- changes to the macroeconomic environment in Australia and how APRA is responding (pp 132–133);
- APRA's contact with the financial media and financial analysts (p. 133);
- timing of the declaration of increased write-offs by authorised deposit-taking institutions (pp 133–134);
- Australian banks' exposure to the US subprime mortgage crisis (pp 134–135 and 136–137); and
- the state of the Australian general insurance and reinsurance industries (pp 135–136).

18 Transcript page numbers for the ACCC refer to *Proof Hansard*, 21 February 2008 (see the index at Appendix 2 of this report).

19 Transcript page numbers for APRA refer to *Proof Hansard*, 21 February 2008 (see the index at Appendix 2 of this report).

Productivity Commission²⁰

- opening statement on developments in relation to the Productivity Commission's work programme (pp 137–138);
- the Commission's involvement in the Review of Australia's Automotive Industry and the Review of the Australian Textile, Clothing and Footwear industry (pp 138–140);
- the Commission's inquiry into the market for retail tenancy leases in Australia (pp 140–141);
- the Commission's internal review mechanisms (pp 141–142); and
- the Commission's work on enhancing labour force participation (pp 142–143).

Senator Annette Hurley
Chair

20 Transcript page numbers for the Productivity Commission refer to *Proof Hansard*, 21 February 2008 (see the index at Appendix 2 of this report).