The Senate

Economics Legislation Committee

Additional estimates 2009-10

February 2010

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Senate Economics Legislation Committee

Members

Senator Annette Hurley, Chair Senator Alan Eggleston, Deputy Chair Senator David Bushby Senator Doug Cameron Senator Louise Pratt Senator Nick Xenophon

Other senators in attendance

Senator the Hon Eric Abetz Senator the Hon Ronald Boswell Senator the Hon George Brandis SC Senator the Hon Richard Colbeck Senator the Hon Helen Coonan Senator Steve Fielding Senator Mitch Fifield Senator the Hon Bill Heffernan Senator Barnaby Joyce Senator Scott Ludlam Senator the Hon Ian Macdonald Senator Julian McGauran Senator Christine Milne Senator the Hon Nicholas Minchin Senator Stephen Parry Senator the Hon Michael Ronaldson Senator John Williams

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Tasmania. LP Queensland, NATS Queensland, LP Tasmania. LP New South Wales, LP Victoria. FFP Victoria, LP New South Wales, LP **Oueensland**, LNP Western Australia, AG Queensland, LP Victoria, LP Tasmania, AG South Australia, LP Tasmania, LP Victoria, LP New South Wales. NATS

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Additional Estimates 2009–10 Report to the Senate

Introduction

1.1 On 26 November 2009 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 2010 [Appropriation Bill (No. 3) 2009-10];
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2010 [Appropriation Bill (No. 4) 2009-10]; and
- Final Budget Outcome 2008-09.

Portfolio structures and outcomes

1.2 The committee notes that no changes have been made to the portfolio structures and outcomes of the three portfolios since the 2009-10 Budget Estimates round.

1.3 The structures and outcomes for each of the portfolios are summarised in the appendices as indicated below:

- Treasury (Appendix 4);
- Innovation, Industry, Science and Research (Appendix 5) and
- Resources, Energy and Tourism (Appendix 6).

Questions on notice

1.4 The committee draws the attention of all departments and agencies to the deadline of Thursday, 1 April 2010 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 indices 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/index.htm.

General comments

1.5 The committee received evidence from Senator the Hon Nick Sherry, Assistant Treasurer; Senator the Hon Kim Carr, Minister for Innovation, Industry, Science and Research; Senator the Hon Penny Wong, Minister for Climate Change and Water and officers from the Innovation, Industry, Science and Research; Resources, Energy and Tourism; and Treasury portfolios.

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

1.7 The committee conducted hearings on 10 and 11 February 2010. In total the committee met for 21 hours and 58 minutes, excluding breaks.

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Record of proceedings

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

1.9 Copies of the Hansard transcripts are available on the internet at http://www.aph.gov.au/hansard/senate/commttee/committee_transcript.asp?MODE=YEA R&ID=82&YEAR=2010. Copies are also tabled with this report for the information of the Senate.

Matters raised – Treasury portfolio

- 1.10 On 10 February 2010, the committee examined the estimates for the:
- Australian Competition and Consumer Commission (ACCC);
- Productivity Commission;
- Treasury outcome 3: effective taxation and retirement income arrangements; and
- Australian Taxation Office (ATO);
- 1.11 On 11 February 2010, the committee examined the estimates for the:
- Treasury outcome 1: sound macroeconomic environment;
- Treasury outcome 2: effective government spending arrangements;
- Treasury outcome 4: well functioning markets;
- Australian Prudential Regulation Authority (APRA);
- Australian Office of Financial Management (AOFM);
- Australian Bureau of Statistics (ABS); and
- Australian Securities and Investments Commission (ASIC).
- 1.12 Matters examined included the following:

Australian Competition and Consumer Commission (ACCC)¹

- catalogue pricing and freight costs (p. 5);
- sales of DVDs below cost in supermarkets (pp 5-7);
- ACCC's selection of cases (pp 7-10);
- bank margins and competition (pp 10-11);
- competition in wealth management (pp 12-13);
- supermarket leases and competition (pp 14-16);
- ACCC examination of fertiliser market (pp 16-17);

¹ Transcript page numbers refer to the *Proof Hansard* and may differ slightly from the *Official Hansard*.

- franchising (pp 17-18); and
- uniform pricing by supermarkets (pp 18-19).

Productivity Commission

- opening statement on developments in relation to the Productivity Commission's work programme (pp 20-21);
- cost-benefit analyses (pp 21-23);
- visiting academic researchers (p 24);
- executive remuneration (pp 25-29);
- female labour participation and productivity (pp 29-32);
- workplace bullying (pp 32-33);
- migration and productivity (p 33); and
- hospital data collection (p 35).

Treasury – outcome 3: effective taxation and retirement income arrangements and the Australian Taxation Office (ATO)

- review on the Australian Tax System (pp 125–134, 139)
- temporary resident superannuation legislation (pp 134–135)
- the ATO's new computer system (pp 135-137, 141-144)
- Government tax relief packages aimed at supporting small business (pp 137-138)
- differential service model of GST issues (pp 138-139)
- improved compliance in lodging tax returns (pp 139-140)
- strategy around the GFC (pp 140-141)
- R&D concession changes (pp144-145)

Treasury – outcome 1: sound macroeconomic environment

- government spending, debt and interest rates (pp 18-19, 21, 23-24, 42, 47);
- projections of government deficit and peak debt (pp 19-21, 23, 29, 43-45);
- foreign debt in Australia compared to that of other countries (pp 21-23, 32);
- impact of fiscal stimulus (pp 24-27, 31-33, 38-39, 43);
- unemployment rate and spare capacity in labour market (pp 27-30, 47);
- wage pressures (pp 30-31);
- comparison of Australian and New Zealand economies (p. 34);
- female labour participation and productivity (pp 35-36);
- impact of bank funding guarantees (pp 37-38); and
- government spending and economic growth projections (pp 40-42).

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Treasury – outcome 2: effective government spending arrangements

- climate change modelling (pp 48-61);
- state government debt (pp 61-62);
- holders of, and yields on, Australian government debt (pp 62-64, 68);
- calculation of government net debt (pp 64-66); and
- projected budget balances and government debt (pp 66-69).

Treasury – outcome 4: well functioning markets

- bank funding guarantees (pp 70, 72-78, 85-87);
- FIRB activities (pp 72, 87-88);
- competition and margins in banking (pp 79-80, 90);
- cost-benefit analysis of government programmes (pp 81-82);
- car dealer special purpose vehicle (p. 82);
- support for mortgages securitisation market (pp 83-84);
- consumer law (p. 84);
- national broadband network (pp 88-90);
- Reserve Bank and banks' cost of funds (pp 90-91); and
- superannuation clearing house (pp 70-71, 91-93).

Australian Prudential Regulation Authority (APRA)

- opening statement outlining global financial market developments and their implications for APRA and financial institutions (pp 93-94);
- frozen mortgage funds (pp 94-97);
- bank capital and liquidity requirements (pp 97-99, 101-102);
- public sector superannuation funds (pp 99-100);
- bank lending (pp 100-101); and
- executive salaries in the finance sector (pp 102-103).

Australian Office of Financial Management (AOFM)

- government bonds outstanding and yields (pp 104-108);
- foreign ownership of bonds (pp 106-107); and
- support for mortgages securitisation market (pp 107-109).

Australian Bureau of Statistics (ABS)

- 2011 census (pp 110-112); and
- climate change statistics (p. 111).

Australian Securities and Investments Commission (ASIC)

- opening statement on three lost litigation cases (pp 112-115);
- frozen mortgage funds (p. 115);
- appeals on three lost cases (pp 116-119);
- processing of complaints (pp 121-122);
- definition of assets (pp 119-120, 126-127);
- staffing (pp 122, 129);
- ASIC takeover of market surveillance from ASX (pp 122-123);
- Storm Financial (p. 126); and
- liquidators (pp 127-130).

Matters raised – Innovation, Industry, Science and Research portfolio

- 1.13 On 10 February 2010, the committee examined the estimates for the:
- Australian Nuclear Science and Technology Organisation (ANSTO);
- Commonwealth Scientific and Industrial Research Organisation (CSIRO);
- Australian Research Council (ARC);
- Office of the Chief Scientist; and the
- Department of Innovation, Industry, Science and Research;
- 1.14 Matters examined included the following:

Australian Nuclear Science and Technology Organisation (ANSTO)

- expenses associated with Zigmund Switkowski's time working on the board of ANSTO (pp 39-40);
- negotiations with INVAP (p. 40);
- investigations into OH&S incidents (pp 40-42);
- feasibility of nuclear industry (pp 42-43); and
- climate change (pp 44-45).

Commonwealth Scientific and Industrial Research Organisation (CSIRO)

- opening statement from the CSIRO Chief Executive (pp 44-45);
- climate change (pp 46-48);
- CSIRO adhering to internal charter (pp 48-49);
- SKA project (pp 49-50);
- research relating to northern Australia (pp 50, 53-54);
- climate change (pp 51-52, 55-56, 60-62)

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- political influence on the CSIRO's research (pp 53-54); and
- research relating to irrigation and efficient use of water (pp 56-59).

Australian Research Council (ARC)

• bionic eye research (p. 63).

Office of the Chief Scientist

- bovine spongiform encephalopathy (p. 63); and
- climate change (pp 63-66).

Department of Innovation, Industry, Science and Research

- Inspiring Australia strategy (pp 67-68);
- Excellence in Research for Australia Initiative (pp 68-69);
- nanotechnology funding (pp 69-70);
- Australian Stem Cell Centre (pp 70-71);
- R&D concession changes (pp 71-84);
- Innovation Investment Follow-on Fund (pp 84-85);
- Commercialisation Australia (pp 85-86);
- Enterprise Connect (pp 86-91, 96-98);
- Green Building Fund (pp 91-95);
- Green Car Innovation Fund (pp 99-100); and
- Tasmanian Innovation and Investment Fund (p. 100).

Matters raised - Resources, Energy and Tourism portfolio

- 1.15 On 10 February 2010, the committee examined the estimates for the:
- Department of Resources, Energy and Tourism; and
- Geoscience Australia.
- 1.16 Matters examined included the following:

Geoscience Australia

- agency funding (pp 103-104); and
- offshore petroleum exploration acreage (pp 104-105).

Department of Resources, Energy and Tourism – outcome 1 – resources and energy

- increase in staffing levels (pp 105-106);
- the exclusion of Perth Basin from offshore petroleum exploration acreage release (pp 106-107);
- departmental travel expenditure to UN conference in Copenhagen (pp 107-108);

- appointment of counsellor in New Delhi (pp 108-110);
- Resources Tax (pp 110-113);
- radioactive waste (pp 113-115, 117-118);
- national radiation dose register (pp 115-117);
- Geothermal Developments in Victoria (pp 118-120); and
- Carbon Capture and Storage (pp 120-121).
- 1.17 On 11 February 2010, the committee examined the estimates for the:
- Department of Resources, Energy and Tourism; and
- Tourism Australia.
- 1.18 Matters examined included the following:

Department of Resources, Energy and Tourism

- state satellite tourism accounts (p. 4);
- tourism industry accreditation scheme (pp 5-6);
- labour costs in tourism (pp 6-7); and
- legal costs related to Apex Club grant (pp 8-10).

Tourism Australia

- expenditure by Tourism Australia (pp 10-11);
- inbound tourism from China, India and Japan (pp 11-12);
- tourism in northern Queensland (pp 12-13);
- long-distance tourist road routes (p. 13); and
- tourism to South Australia (p. 14).

Senator Annette Hurley **Chair**

Appendix 1 Abbreviations

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ANSTO	Australian Nuclear Science and Technology Organisation
AOFM	Australian Office of Financial Management
APRA	Australian Prudential Regulation Authority
ARC	Australian Research Council
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DVD	Digital Versatile Disc
FIRB	Foreign Investment Review Board
GFC	Global Financial Crisis
GST	Goods and Services Tax
INVAP	an Argentine high-technology company
OH&S	Occupational Health & Safety
R&D	Research and Development
SKA	Square Kilometre Array
UN	United Nations

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¹ Transcript page numbers may differ slightly in the *Official Hansard*.

Appendix 3 Document tabled

10 February 2010

• Received from Dr Megan Clark, Chief Executive, CSIRO: Letter to the Editor, *The Australian*, from Dr Ian Poiner, Chief Executive Officer, Australian Institute of Marine Science, 26 November 2009.

11 February 2010

No documents tabled.

Portfolio structure and outcomes for the Treasury portfolio¹

Portfolio Minister - Treasurer The Hon Wayne Swan MP Assistant Treasurer Senator the Hon Nick Sherry Minister for Financial Services, Superannuation and Corporate Law The Hon Chris Bowen MP Minister for Competition Policy and Consumer Affairs The Hon Dr Craig Emerson MP

Department of the Treasury

Secretary: Dr Ken Henry AC

Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations

Australian Bureau of Statistics

Statistician: Mr Brian Pink

Informed decisions, research and discussion within governments and the community by leading the collection, analysis and provision of high quality, objective and relevant statistical information

Australian Competition and Consumer Commission

Chairman: Mr Graeme Samuel AO

Lawful competition, consumer protection, and regulated national infrastructure markets and services through regulation, including enforcement, education, price monitoring and determining the terms of access to infrastructure services

Australian Office of Financial Management Chief Executive Officer: Mr Neil Hyden

To enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time

Australian Prudential Regulation Authority

Chairman: Dr John Laker

Enhanced public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety and efficiency, competition, contestability and competitive neutrality

Australian Securities and Investments Commission

Chairman: Mr Tony D'Aloisio

Outcome 1: Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks Outcome 2: Streamlined and cost-effective interaction and access to information for business and the public, through registry, licensing and business facilitation services

Australian Taxation Office

Commissioner: Mr Michael D'Ascenzo

Confidence in the administration of aspects of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law

Commonwealth Grants Commission

Secretary: Mr John Spasojevic Informed Government decisions on fiscal equalisation between the States and Territories through advice and recommendations on the distribution of GST revenue and health care grants

Corporations and Markets Advisory Committee

Convenor: Mr Richard St John

Informed decisions by Government on issues relating to corporations regulation and financial products, services and markets through independent and expert advice

1 Portfolio Budget Statements 2009-10, Treasury portfolio, pp 4-5.

Inspector-General of Taxation Inspector-General: Mr Ali Noroozi

Improved tax administration through community consultation, review and independent advice to Government

National Competition Council

President: Mr David Crawford Competition in markets that are dependent on access to nationally significant monopoly infrastructure, through recommendations and decisions promoting the efficient operation of, use of and investment in infrastructure

Office of the Auditing and Assurance Standards Board

Chairman: Ms Merran Kelsall

The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements

Office of the Australian Accounting Standards Board

Chairman: Mr Kevin Stevenson

The formulation and making of accounting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions

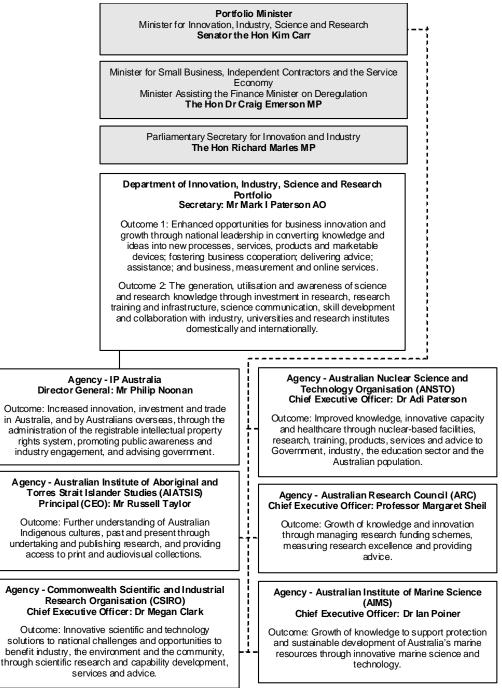
Productivity Commission

Chairman: Mr Gary Banks AO Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective

Royal Australian Mint

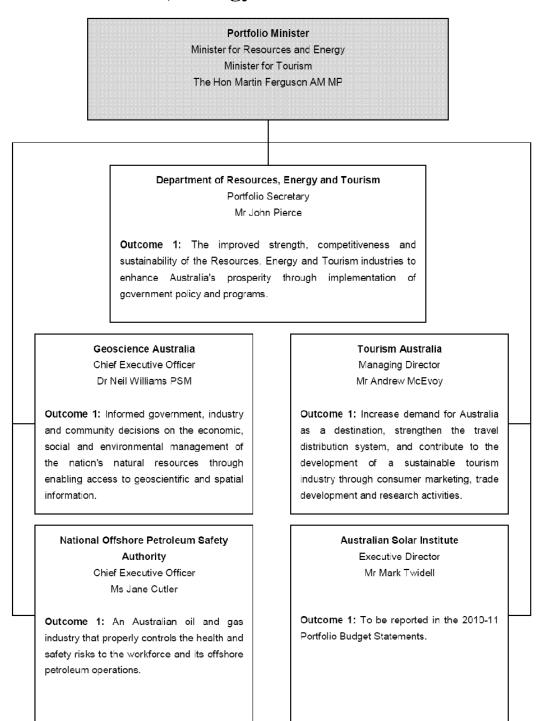
Acting Chief Executive Officer: Mr Graham Smith The coinage needs of the Australian economy, collectors and foreign countries are met through the manufacture and sale of circulating coins, collector coins and other minted like products

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



¹ *Portfolio Additional Estimates Statements 2009-10*, Innovation, Industry, Science and Research portfolio, p. 4.

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



¹ *Portfolio Additional Estimates Statements 2009-10*, Resources, Energy and Tourism portfolio, p. 6.