

Budget Estimates 2014–15

Report to the Senate

Introduction

1.1 On 13 May 2014, the Senate referred to the committee for examination and report the following documents in relation to the Industry and Treasury portfolios:

- Particulars of proposed expenditure in respect of the year ending on 30 June 2015;
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2015;
- Particulars of certain proposed supplementary expenditure in respect of the year ending on 30 June 2014; and
- Particulars of proposed supplementary expenditure in respect of the year ending on 30 June 2014.¹

1.2 The committee is required to report to the Senate on its consideration of 2014–15 Budget Estimates on Tuesday 24 June 2014.²

Portfolio structures and outcomes

1.3 Following the Machinery of Government changes arising from the Administrative Arrangements Orders dated 18 September 2013, 3 October 2013 and 12 December 2013, the Department of Industry has simplified its outcomes and programmes structure. The Department has one outcome and four programmes. The Outcome is as follows:

Enabling growth and productivity for globally competitive industries through building skills and capability, supporting science and innovation, encouraging investment and improving regulation.³

1.4 The four programmes are:

- Programme 1: Building Skills and Capability;
- Programme 2: Supporting Science and Innovation;
- Programme 3: Encouraging Investment; and
- Programme 4: Programme Support.

1.5 The complete structure and outcomes for each portfolio are summarised in the appendices as indicated below:

- Industry (Appendix 3 and 4); and

1 *Journals of the Senate*, No. 27, 13 May 2014, p. 778.

2 *Journals of the Senate*, No. 6, 4 December 2013, p. 224.

3 Industry Portfolio Budget Statements (PBS) 2014–15, p. 34.

- Treasury (Appendices 5 and 6)

General comments

1.6 The committee conducted hearings over four days:

- 2 and 3 June 2014—Industry portfolio; and
- 3, 4 and 5 June 2014—Treasury portfolio.

1.7 In total, the committee met for 39 hours and 10 minutes, excluding breaks.

1.8 The committee received evidence from the following ministers:

- Senator the Hon Michael Ronaldson, Minister for Veterans' Affairs, Minister Assisting the Prime Minister for the Centenary of ANZAC, and Special Minister of State, representing the Minister for Industry;
- Senator the Hon Mathias Cormann, the Minister for Finance, representing the Treasurer;
- Senator the Hon Simon Birmingham, Parliamentary Secretary to the Minister for the Environment, representing the Minister for Industry;
- Senator the Hon Michaela Cash, Minister Assisting the Prime Minister for Women and Assistant Minister for Immigration and Border Protection, representing the Minister for Industry; and
- Senator the Hon Scott Ryan, Parliamentary Secretary to the Minister for Education; representing the Treasurer.

1.9 The committee thanks the ministers and officers who attended the hearings for their assistance. Evidence was also provided by:

- Dr Martin Parkinson, PSM, Secretary, Department of the Treasury;
- Ms Glenys Beauchamp, Secretary, Department of Industry; and
- officers from the Industry and Treasury portfolios.

Questions on notice

1.10 The committee draws the attention of all departments and agencies to the agreed deadline of Friday 25 July 2014 for the receipt of answers to questions taken on notice from this round, in accordance with Standing Order 26.

1.11 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. Following finalisation of indices of questions taken on notice during and after the hearings, indices will be available at:

http://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/economicsccte/estimates/bud1415/index.

1.12 Answers to questions taken on notice are tabled in the Senate. They may be accessed from the committee's website.

1.13 For the 2013–14 Additional Budget Estimates round, answers to questions on notice were due to be provided to the committee by Thursday, 24 April 2014. The committee notes that:

- The Industry portfolio submitted all their answers before the commencement of the 2014–15 Budget Estimates hearings, however, none of the 153 questions were answered by the deadline set by the committee; and
- Answers to 3069 out of 3300 questions placed on notice with the Treasury portfolio were still outstanding at 24 February 2014. Answers were still being sent to the committee secretariat during the Treasury portfolio's appearance at the Budget Estimates hearings. This practice means that committee members do not have all the information they need at hand in order to perform their examination of the portfolio adequately. On the date of tabling this report, Treasury had 98 answers from the Additional Budget Estimates 2013–14 still outstanding. Furthermore, 7 questions still remained to be answered by Treasury from the Supplementary Budget Estimates hearings of 2013–14.

Public interest immunity claims

1.14 On 13 May 2009, the Senate passed an order relating to public interest immunity claims.⁴ The order, moved by Senator Cormann, set out the processes to be followed if a witness declines to answer a question. The full text of this order was provided to departments and agencies prior to the hearings and was also incorporated in the Chair's opening statements on all four days of the Budget Estimates hearings.

Record of proceedings

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

1.16 Copies of the Hansard transcripts, documents tabled at the hearings, and additional information received after the hearings (see Appendices 1 and 2 for the list of the documents) are tabled in the Senate and available on the committee's website.

1.17 Page numbers in footnotes following the topics listed below refer to proof Hansard transcripts. Page numbers in the official Hansard transcripts, once they are produced, may differ from the page numbers in the proofs.

Matters raised—Industry portfolio

1.18 On 2 and 3 June 2014, the committee examined the estimates for the:

- Australian Nuclear Science and Technology Organisation (ANSTO);
- Commonwealth Scientific and Industrial Research Organisation (CSIRO);
- Chief Scientist and Office of the Chief Scientist;

4 *Journals of the Senate*, No. 68, 13 May 2009, p. 1941.

- Geoscience Australia (Geoscience);
- Anti-Dumping Commission;
- Australian Institute of Marine Science (AIMS);
- National Offshore Petroleum Safety and Environment Management Authority (NOPSEMA);
- Australian Skills Quality Authority (ASQA);
- Department of Industry [Cross-portfolio];
- Department of Industry—Programme 1: Building Skills and Capability [covering Vocational Education and Training (VET)];
- Department of Industry—Programme 2: Supporting Science and Innovation [covering Science and Innovation]; and
- Department of Industry—Programme 3: Encouraging Investment [covering Industry, Resources, and Energy]. Questions related to the Australian Renewable Energy Agency (ARENA) were asked in the session for Programme 3.

1.19 Matters examined included the following:

Australian Nuclear Science and Technology Organisation

1.20 During the opening section of its appearance, the Australian Nuclear Science and Technology Organisation's (ANSTO) briefed the committee on its recent achievements. The Chief Executive Officer commented on the importance of single-crystal silicon and the agency's role as lead supplier of neutron transmutation doped silicon (or irradiated silicon) globally:

Single-crystal silicon is the basis of most modern microelectronic systems, and the high-performance end of single-crystal silicon requires irradiation in research reactors. During the course of the last year ANSTO has moved to be the leading supplier of neutron [transmutation] doped silicon globally, supplying nearly one-third of the world market. This allows us to utilise the reactor to serve industries such as the high-speed train, hybrid car, wind turbine and other industries that use microelectronics that are of the highest quality. In addition, [ANSTO is] busy developing a rare earths capability in minerals extraction and processing in the Dubbo area. The Dubbo Zirconia Project is set to provide hundreds of jobs for the people of Dubbo, and the underlying capacity to extract the value from this mineral deposit was developed at ANSTO Minerals.⁵

1.21 In relation to questions on the nuclear medicine project, ANSTO was able to update the committee with the project's progress:

On 8 May an important milestone was marked in the ANSTO nuclear medicine project, which is designed to put in place a facility which will produce molybdenum-99, which is the basis of about 85 per cent of all nuclear medicine procedures locally and internationally. On that day, Minister Macfarlane, the honourable Minister for Industry, was at ANSTO to do the sod-turning ceremony for the start of the construction phase for that facility and for the associated Sunroc waste processing facility. These two projects in aggregate have attracted \$168.8 million of funding from

the government, and we will be in a position on completion of these projects to supply around 20 per cent of the global requirements for molybdenum-99, which would service approximately 10 million to 11 million patients a year who would get diagnoses from that supply. So we are very excited by this project. We are very excited to be moving into the construction phase. We will be able to supply from the middle and towards the end of 2016.⁶

1.22 Other matters of interest discussed during the hearing included:

- the new lutetium facility used to produce the therapeutic radioisotope lutetium-177 to treat diseases;
- the particular design of the OPAL reactor which allows it to undertake some of the most difficult and precise irradiations, which many overseas reactors cannot do;⁷
- the important contribution of the Australian Synchrotron in Clayton to Australia's research and innovation infrastructure, its staffing and funding arrangements, level of activities undertaken at the facility and its future;⁸
- \$45 million over five years to return spent fuel from ANSTO's OPAL reactor to the United States until the end of May 2016 and the expiration of this arrangement with the United States;⁹ and
- the operational capacity of the reactor and the rebaselining of the funding for the reactor's ongoing operation, which is an update on the original baseline set by the operations of the HIFAR reactor.¹⁰

Commonwealth Scientific and Industrial Research Organisation

1.23 The main topics canvassed by the committee during the Commonwealth Scientific and Industrial Research Organisation (CSIRO)'s appearance included:

- the capital and ongoing operational costs for the new marine national facility vessel, the *RV Investigator*¹¹ which is now able to undertake more extensive and prolonged research than previously;¹²
- the Square Kilometre Array Pathfinder project, with an approved funding of \$188 million, is fully on scope and will be equipped with 36 antennas to survey large parts of the sky not previously possible;¹³

6 *Committee Hansard*, 2 June 2014, p. 5.

7 *Committee Hansard*, 2 June 2014, p. 6.

8 *Committee Hansard*, 2 June 2014, pp. 7–8.

9 *Committee Hansard*, 2 June 2014, pp. 9–10.

10 *Committee Hansard*, 2 June 2014, pp. 10–11.

11 *Committee Hansard*, 2 June 2014, p. 12.

12 *Committee Hansard*, 2 June 2014, p. 13.

13 *Committee Hansard*, 2 June 2014, p. 13.

- the reduction in CSIRO's appropriation in the forward estimates and its impact on different areas of research, including geothermal sciences and technologies;¹⁴
- to date, CSIRO has received \$425 million from its wireless LAN licences arising from its wi-fi technology, with a small part of the market being chased up;¹⁵
- the budget will not impact on CSIRO's research projects related to resistance starch and its role in bowel cancer as it will continue to be active in the research areas of food and nutrition;¹⁶
- in relation to CSIRO's non-Square Kilometre Array (SKA) related radioastronomy and astrophysics areas of work, the Chief Executive Officer indicated several intentions, including reduced staffing in the area of astrophysics and the closure of the Mopra telescope and reduced services;¹⁷
- the consolidation of CSIRO sites;¹⁸
- general staffing levels, staffing arrangements and redundancies;¹⁹ and
- any effect on particular areas of research, including urban water, nontechnology, and climate change due to a reduced budget and softness in external investment in research and development (R&D) in the manufacturing and resources sectors.²⁰

1.24 In response to a question by the committee about CSIRO's funding priorities, the Chief Executive Officer advised:

[CSIRO has] discretion on where [it] allocate[s] funding, but we also need to consider the external revenue market. [CSIRO is] 40 per cent funded by the external market and 60 per cent funded, so both of those factors come into play in our strategic decisions, both our decadal strategic decisions and also decisions that we make over the four years.

...

[CSIRO sets its] national priorities through [its] national flagship programs, so we are very focused on the national priorities and have been for many decades. [CSIRO continues to] set those national flagships in consultation with leaders at all levels—government, community, industry—[to set its strategic and decadal strategic plans]. So [it is] guided by national priorities.²¹

14 *Committee Hansard*, 2 June 2014, p. 14.

15 *Committee Hansard*, 2 June 2014, p. 14.

16 *Committee Hansard*, 2 June 2014, p. 14.

17 *Committee Hansard*, 2 June 2014, p. 15.

18 *Committee Hansard*, 2 June 2014, p. 17.

19 *Committee Hansard*, 2 June 2014, pp. 17–19.

20 *Committee Hansard*, 2 June 2014, pp. 20–23.

21 *Committee Hansard*, 2 June 2014, p. 22.

1.25 In relation to CSIRO's organisational reform to bring its three lines of business together, the Chief Executive Officer advised:

[CSIRO's] key lines of business are, firstly, that we are the pre-eminent manager of national facilities, and we will have that as a separate line; we will also have our flagship program, which is our multidisciplinary program; we will bring our divisions and flagships together to become the most multidisciplinary organisation of our type in the world; and we will also separate our services business, which we do for industry and the community. So, they are the main three lines of business. Secondly, as I mentioned, one of the key elements of what we do is focus on the national priorities, and we will do that through nine flagships, and these nine flagships will encompass the work we have done in our divisions and give us a simpler and much more streamlined positioning.²²

1.26 In the Chief Executive Officer's assessment, this organisational reform would set CSIRO up for 'growth [...] [in] the decades to come, and it will position [CSIRO] as one of the leaders in R&D in the world'.²³

Chief Scientist and Office of the Chief Scientist

1.27 During the Chief Scientist's appearance, the committee discussed one of the findings of the Kemp-Norton review of the demand driven funding system, which related to the issue of enrolments in sciences and mathematics. The finding stated: 'rapid increase in science enrolments is leading to employment problems for graduates'.²⁴

1.28 In response to the finding, the Chief Scientist made the following comment:

[...] I think that the data that were used to draw that conclusion were extensively from the health science group, and the graduate survey, and that includes some quite focused professional degrees. I would make the assumption, for example, that if you study forensic science you do it because that is what you want to do—and three or four months after graduation you might still be looking for a job in that area. On the other hand, I see a Bachelor of Science degree as a generalist degree that gives the student the content—whether it is physics, chemistry or mathematics—and also an understanding of the processes in science's application in the economy more broadly. I am not pretending that every science graduate can go and walk into a job tomorrow. But I think a survey of students taken just a few months under graduation, and comparing the whole of science with a cluster that is very much driven by a substantial number of highly focused professional degrees, is not all that illuminating.²⁵

1.29 Other matters of interest discussed included:

- in the last six months there were 35,000 hits from unique visitors on the Chief Scientist's speeches and 5,035 downloads of the book *Curious Country*;²⁶

22 *Committee Hansard*, 2 June 2014, p.12.

23 *Committee Hansard*, 2 June 2014, p. 12.

24 *Committee Hansard*, 2 June 2014, p. 26.

25 *Committee Hansard*, 2 June 2014, p. 26.

26 *Committee Hansard*, 2 June 2014, p. 26.

- whether the Chief Scientist had any discussion with the government in relation to its contribution for science and engineering graduates;²⁷
- the need for a comprehensive plan that embraces education, international engagement and innovation in science funding and to adopt a whole-of-government perspective;²⁸ and
- Australia's funding of science policy in comparison to other countries, especially those in Asia-Pacific region.²⁹

1.30 In relation to a question asked about how the Chief Scientist would lead a science research and development plan, he noted the importance of a whole-of-government approach. The Chief Scientist advised:

What we would do is have a group of people representing all the portfolios that have an interest in science. We would be identifying the four main planks in the platform. Let me start with the vision: you need to actually understand what it is all for, and we are trying very hard to distinguish ends from means. So if the endgame is to build a stronger Australia, what does that actually mean? Of course, innovation will play a part in that because we have to transform our economy. So in the mind's eye we have building a stronger Australia as the endgame. Innovation is a definite means to an end to transform the economy. And then we have the planks that underpin it—education, research and international engagement—and, sitting under that, the various disciplines. So there is no point in taking a position on Australia's position on clean energy, for example, without thinking, again, that we need physicists and mathematicians to be able to deliver on that aspiration. It is a question of how you build that base to deliver on an aspiration. We are trying to write an aspiration that is sensible and then line up all of the elements underneath that to make sure we can deliver on it and make sure they are all taken into account. We have got decisions being made in one portfolio which have an impact on capacity in another portfolio without the two actually being taken into account—the cause and the effect.³⁰

1.31 Some of the positive initiatives identified by the Chief Scientist in the budget included: the Future Fellowships; support for infrastructure; funds for operating the research vessel; the additional money to ANSTO for running its OPAL reactor; and the establishment of the Medical Future Fund.³¹

Geoscience Australia

1.32 The main areas of interest canvassed during Geoscience Australia's (Geoscience) appearance before the committee included:

- a data cube developed by Geoscience to allow researchers and the public access to their large collection of satellite imagery of Australia collected

27 *Committee Hansard*, 2 June 2014, p. 27.

28 *Committee Hansard*, 2 June 2014, p. 27.

29 *Committee Hansard*, 2 June 2014, p. 27.

30 *Committee Hansard*, 2 June 2014, pp. 29–30.

31 *Committee Hansard*, 2 June 2014, p. 29.

over several decades so information collected can be used and interrogated;³²

- any additional information since the last estimates in relation to the risks associated with fracking;³³
- the commercial viability of the salt extracted from the produced water as a result of coal seam gas mining;³⁴
- Geoscience's role in assisting the Australian Transportation Safety Board (ATSB) with its search for the missing Malaysian Airline MH370 plane;³⁵
- Geoscience's revenue has not been severely affected by a reduced budget due to its section 31 revenue holding up;³⁶
- the effect on Geoscience's capacities due to a reduction in its appropriation;³⁷
- the Exploration Development Incentive and Geoscience's capacity to support its greenfields program;³⁸
- the discovery of rocky outcrops off the Kimberley coast prompting a redrawing of the Western Australian maritime boundaries;³⁹ and
- staffing levels, graduate recruitment and contracts with recruitment firms.⁴⁰

Anti-Dumping Commission

1.33 During its examination of the Commission, the committee canvassed the following matters:

- the strengthening of the anti-dumping system in Australia a positive outcome for Australian industry;⁴¹
- the transfer of anti-dumping responsibilities from Customs to the Department of Industry, which in the Commissioner's view, provides a stronger policy alignment, delivering a more effective and efficient anti-dumping regime for Australian industry;⁴²

32 *Committee Hansard*, 2 June 2014, p. 30.

33 *Committee Hansard*, 2 June 2014, p. 31.

34 *Committee Hansard*, 2 June 2014, pp. 31–32.

35 *Committee Hansard*, 2 June 2014, p. 32.

36 *Committee Hansard*, 2 June 2014, p. 33.

37 *Committee Hansard*, 2 June 2014, p. 33.

38 *Committee Hansard*, 2 June 2014, p. 33.

39 *Committee Hansard*, 2 June 2014, p. 33.

40 *Committee Hansard*, 2 June 2014, p. 34.

41 *Committee Hansard*, 2 June 2014, p. 36.

42 *Committee Hansard*, 2 June 2014, pp. 36–37.

- the Commission's investigation into the dumping of Chinese A4 copy paper;⁴³
- reason for the Commission's slow response to the dumping of Chinese solar panels in Australia compared to the United States and Europe's quicker response time in dealing with Chinese manufactured solar panels;⁴⁴
- the different processes between jurisdictions and in Australia where there is a requirement that an application against an alleged anti-dumping be made and the commissioner is satisfied that the tests under the act are met;⁴⁵
- progress update on the investigation into the dumping of quicklime exports from Thailand;⁴⁶ and
- staffing levels and recruitment of staff from within the APS.

Australian Institute of Marine Science)

1.34 During the Australian Institute of Marine Science's (AIMS) appearance before the committee, it was asked about the divergence of interpretation of its report about the Great Barrier Reef.

1.35 The Chief Executive Officer, Mr Gunn, provided the following comment:

It is an interesting question. I grabbed a few of the headlines from different newspapers. There is one press release, pretty clear we hope, which had 'Rivers seen as a big risk for the Great Barrier Reef' as a headline. 'AIMS report shows farming run-off hurting the Great Barrier Reef health'—that was not a subject of the paper. 'Barrier Reef research a blessing for the mining industry'; '10 years of satellite data shows land management key to protecting the reef'—that was by far the best headline that we read, because it certainly fitted the paper—and 'GBR health depends on better land management'. [T]his is a cameo of the type of challenge you face when you put research results out into a public space—the media would like to grab a headline, and different advocates on different sides take a different perspective.⁴⁷

1.36 Mr Gunn further noted the agency's educative role in explaining its research:

[AIMS's] position is very much to report science as we see it and then to work with the various advocates or proponents to really deepen their understanding of that matter. So be it the Great Barrier Reef paper that we did two years ago or this one, we are not surprised at the range of

43 *Committee Hansard*, 2 June 2014, p. 37.

44 *Committee Hansard*, 2 June 2014, p. 38.

45 *Committee Hansard*, 2 June 2014, p. 38.

46 *Committee Hansard*, 2 June 2014, p. 40.

47 *Committee Hansard*, 2 June 2014, pp. 43–44.

interpretations. [AIMS's] task now is to go and work with those different groups to try to explain to them exactly what that paper meant.⁴⁸

1.37 As part of AIMS's adaptation strategies, Mr Gunn advised the committee:

[AIMS will] make sure that we service our key clients be they the Commonwealth, state governments, foundations or industry. I could not countenance us winding back our effort on the offshore oil and gas industries [as they make up a major source of revenue].⁴⁹

1.38 Other related matters covered included:

- the value of how much marine industries are worth to Australia over the 2011–12 financial year, which was estimated to be about \$47 billion, an increase of seven per cent on the previous year and approximately double the value of 10 years ago;⁵⁰
- AIMS's involvement with the oil and gas industry, including its close collaboration and partnerships with the CSIRO, universities, and companies to undertake baseline studies and risk assessments;⁵¹ and
- options available to AIMS in its effort to adapt to the savings measure of \$7.84 million.⁵²

National Offshore Petroleum Safety and Environment Management Authority

1.39 During National Offshore Petroleum Safety and Environment Management Authority's (NOPSEMA) examination, NOPSEMA was asked about the changes to its processes as result of amendments to the environment regulations in the Offshore Petroleum and Greenhouse Gas Storage Act.

1.40 NOPSEMA's Chief Executive Officer, Ms Cutler, advised the committee:

[...] Following changes to the environment reg[ulation]s under our legislation on 28 February this year [...] an assessment and an acceptance under [NOPSEMA's] legislation will count as also meeting the requirements of the Environment Protection and Biodiversity Conservation Act [EPBC], in effect moving a layer of approvals that was at its heart duplicative. [The] elements that were not duplicative were augmented by the changes to the environment reg[ulation]s under our act. [I]n practical terms, all petroleum activities need to have an environment plan accepted by NOPSEMA before they can proceed—exploration, appraisal and development. In addition, new development proposals require assessment of an offshore project proposal, or OPP, under [NOPSEMA's] legislation as well. That is an early-stage assessment to determine in broad terms whether

48 *Committee Hansard*, 2 June 2014, p. 44.

49 *Committee Hansard*, 2 June 2014, p. 45.

50 *Committee Hansard*, 2 June 2014, p. 44.

51 *Committee Hansard*, 2 June 2014, p. 44.

52 *Committee Hansard*, 2 June 2014, p. 45.

a development—a longer-term activity—is acceptable from an environmental perspective.⁵³

1.41 Other matters examined by the committee included:

- NOPSEMA's management of potential conflict between its statutory role to protect the environment and to uphold occupational health and safety standards and the increasing push for deregulation;⁵⁴
- whether 'appraisal' refers to exploration activities and is therefore excluded from the requirement to provide an offshore project proposal (OPP);⁵⁵
- concerns about the level of public consultation and scrutiny prior to NOPSEMA's acceptance of an environment plan;⁵⁶ and
- the difference between an environment plan and an OPP.⁵⁷

1.42 In explaining the difference between an environment plan and an OPP, Ms Cutler commented:

The environment plan covers all petroleum activity. Every petroleum activity has to have an environment plan. For very-long-term projects, and a development project may take five to 10 years to get up and running, and then it may run for another five to 40 years, there is an additional requirement of an Offshore Project Proposal, which typically should be undertaken at the early stage of project planning to tease out and understand the potential effects on the environment. It is an acceptability test. [NOPSEMA] cannot accept it unless there is a case that the impacts are acceptable.⁵⁸

Australian Skills Quality Authority

1.43 Since the Australian Skills Quality Authority's (ASQA) inception on 1 July 2011 and as at 31 March 2014, it has issued 273 written notices to cancel or suspend registration (and made 130 decisions to cancel or suspend registration) and refused to reregister 113 existing registered training organisations (RTOs). These decisions have affected 283 individual RTOs (given an RTO can have multiple decisions made against it).⁵⁹

1.44 As at 31 March 2014, 62.9 per cent of the 283 affected RTOs were listed as 'current' on the national register and 37.1 per cent of the remaining 105 RTOs listed as either 'cancelled' or 'not-current'. There were 94 finalised matters before the

53 *Committee Hansard*, 2 June 2014, p. 48.

54 *Committee Hansard*, 2 June 2014, p. 49.

55 *Committee Hansard*, 2 June 2014, p. 51.

56 *Committee Hansard*, 2 June 2014, p. 52.

57 *Committee Hansard*, 2 June 2014, p. 52.

58 *Committee Hansard*, 2 June 2014, p. 52.

59 Tabled document No.1, Opening statement, received from Dr Dianne Orr, Acting Chief Commissioner and CEO, Australian Skills Quality Authority (ASQA) on 2 June 2014.

Administrative Appeals Tribunal and of these, only two resulted in successful appeals.⁶⁰

1.45 During the ASQA's examination by the committee, officers were questioned about the point at which ASQA can commence an inquiry into a non-compliance issue⁶¹.

1.46 Professor Lavarch advised that ASQA can act on its own initiative. He further noted:

Generally speaking, in the decision to take a particular regulatory action or to commence an investigation we will either rely on complaints—we might get an individual complaint—or we have memorandums of understanding with various government agencies, state regulators and the like—state police forces and the like—and that might mean that we come into possession of information which results in us commencing activity. But we are not bound only to respond to a complaint.

If we were concerned about a particular activity, however we came to it, we are able to take action as we see fit⁶².

1.47 Other related matters examined included:

- a report undertaken on dishonest and deceptive marketing, the report's recommendations, the government's response to the report and the report's availability to the public;⁶³
- the 22.1 per cent of existing RTOs audited by ASQA between 1 October 2013 and 31 March 2014 that were found to be fully compliant with National Standard No. 15 (Training and Assessment) and following rectification, 77.2 per cent of RTOs audited found to be compliant;⁶⁴
- the number of dual-sector providers registered with ASQA as well as Tertiary Education Quality Standards Agency (TEQSA) not compliant with ASQA;⁶⁵
- whether the efficiency dividend applied to ASQA has an effect on the agency;⁶⁶ and
- ASQA's general staffing levels.⁶⁷

60 Tabled document No.1, 'Federal and state bodies join forces', The Examiner, dated 3 June 2014, received from Senator Whish-Wilson on 2 June 2014.

61 *Committee Hansard*, 2 June 2014, p. 54.

62 *Committee Hansard*, 2 June 2014, pp. 54–55.

63 *Committee Hansard*, 2 June 2014, p. 55.

64 Tabled document No.1, Opening statement, received from Dr Dianne Orr, Acting Chief Commissioner and CEO, Australian Skills Quality Authority (ASQA) on 2 June 2014.

65 *Committee Hansard*, 2 June 2014, p. 56.

66 *Committee Hansard*, 2 June 2014, p. 57.

Department of Industry [Cross-portfolio]

1.48 Under examination by the committee, the Department of Industry [cross-portfolio] was questioned about the effect of the budget on the Department of Industry's capabilities as well as on staffing levels and the continuation, reduction or cessation of various programs.⁶⁸

1.49 In relation to questioning about any staffing reduction in the automotive section, the department advised that despite some staff changes, the staffing level in the automotive section remained the same.⁶⁹

1.50 On the basis of information contained in *Budget Paper No. 2*, the Secretary advised the department had \$845 million savings from closing programs, and other savings in the areas of cooperative research centres and clean technology.⁷⁰

1.51 In providing the committee with the net reduction figure of \$279 million, the Secretary noted the need to acknowledge the current department did not exist last year and changes made to the department has made it more difficult to compare like with like. The figure has included new spending initiatives.⁷¹

Other areas of examination by the committee included:

- questions about tender, and in particular about particular contracts on the AusTender list to the value of \$17,600 and \$25,000;⁷²
- legal advice sourced from the legal services multi-use list administered by the Attorney-General's Department;⁷³
- whether the department's deregulation unit requested from community groups and external stakeholders, who are in receipt of grants from the department, to submit written or verbal reports on the effect of complying with program requirements;⁷⁴ and
- the staffing level in the regulatory reform unit, which has 19 people, and has reported \$64 million worth of red-tape reductions.⁷⁵

67 *Committee Hansard*, 2 June 2014, p. 58.

68 *Committee Hansard*, 2 June 2014, pp. 61-64.

69 *Committee Hansard*, 2 June 2014, p. 66.

70 *Committee Hansard*, 2 June 2014, p. 67.

71 *Committee Hansard*, 2 June 2014, pp. 67-68.

72 *Committee Hansard*, 2 June 2014, p. 68.

73 *Committee Hansard*, 2 June 2014, p. 68.

74 *Committee Hansard*, 2 June 2014, p. 70.

75 *Committee Hansard*, 2 June 2014, p. 71.

Department of Industry [Programme 1—Building Skills and Capability]

1.52 During Department of Industry's [Programme 1] examination, the department provided information on the trade support loans, which make up to \$20,000 available for apprentice training in an identified area of priority on the national skills list.⁷⁶

1.53 The department confirmed some of the features of the loans included:

- apprentices who successfully complete their applications can have an amount borrowed reduced by 20 per cent;⁷⁷
- the threshold income for repayment is set at \$53,000 for the next financial year which is similar to the threshold for Higher Education Loan Programme (HELP) loans;⁷⁸
- the trade support loans is indexed to the consumer price index (CPI) and does not attract an interest rate;⁷⁹ and
- school-based students being eligible for the loan.⁸⁰

1.54 Other related matters canvassed included:

- the repayment loan arrangements applying to recipients of these loans;⁸¹
- whether the scheme will seek recoupment through deceased estates;⁸²
- the intention to outsource the payments of the loans to financial institutions as the most efficient option available to the government;⁸³
- any study or monitoring undertaken to assess whether the previous Tools for Your Trade funding was abused;⁸⁴
- if measures are in place to protect apprentices from employer pressure to take out loans to purchase tools or a vehicle to undertake their work;⁸⁵
- follow-up questions related to responses provided at the additional estimates in February 2014;⁸⁶ and

76 *Committee Hansard*, 2 June 2014, pp. 75-76.

77 *Committee Hansard*, 2 June 2014, p. 76.

78 *Committee Hansard*, 2 June 2014, p. 76.

79 *Committee Hansard*, 2 June 2014, p. 76.

80 *Committee Hansard*, 2 June 2014, p. 77.

81 *Committee Hansard*, 2 June 2014, p. 79.

82 *Committee Hansard*, 2 June 2014, p. 79.

83 *Committee Hansard*, 2 June 2014, p. 79.

84 *Committee Hansard*, 2 June 2014, p. 80.

85 *Committee Hansard*, 2 June 2014, p. 80.

86 *Committee Hansard*, 2 June 2014, p. 95.

- the Australian Workforce and Productivity Authority's (AWPA) current staff, who will leave by 1 July when they transfer back to the department.⁸⁷

Department of Industry [Programme 2—Supporting Science and Innovation]

1.55 During the Department of Industry's Programme 2 appearance, the department was questioned about investment in the science sector. The Secretary, Ms Beauchamp, advised:

Overall, there is an investment in science and science agencies, per annum, of I think about \$8.2 billion. That is made up of competitive grants and research and development, and about \$2 billion for government research agencies. Of that, the portfolio itself has over \$5 billion worth of investment in science and science agencies. We heard about a lot of that this morning through CSIRO, ANSTO, AIMS, Geoscience Australia, but then of course we have Questacon, the National Measurement Institute, the Australian Astronomical Observatory and a range of other science programs in the portfolio, including cooperative research centres, the SKA project and the like.

There is a big investment going into science—you would have heard from the chief scientist this morning about the development of a strategy through the Prime Minister's Science Council and the like to make sure the science investment is well targeted, and targeted on outcomes. Certainly, from Minister Macfarlane's point of view, he is wanting to make sure that the science this portfolio is responsible for absolutely delivers productivity benefits for the economy.⁸⁸

1.56 Other topics examined by the committee included:

- questions related to the Commission of Audit and the decision taken not to have a Science Minister;⁸⁹
- \$28 million for Questacon to run the Science for Australia's Future program and what the money will fund;⁹⁰
- areas within the department where changes and/ or efficiencies have been made;⁹¹
- whether the department continues to invest in blue-sky opportunities;⁹²
- recent Organisation for Economic Cooperation and Development (OECD) reports that indicate Australia's research system is well funded by international standards and the country is rated 11 out of 34 countries;⁹³

87 *Committee Hansard*, 2 June 2014, p. 99.

88 *Committee Hansard*, 2 June 2014, p. 101.

89 *Committee Hansard*, 2 June 2014, p.103.

90 *Committee Hansard*, 2 June 2014, p.103.

91 *Committee Hansard*, 2 June 2014, p. 103.

92 *Committee Hansard*, 2 June 2014, p. 103.

- updates on the progress of the SKA Pathfinder, international SKA project office, Australia's representative on the committee and the clarification on funding arrangements and Australia's contribution as a host country;⁹⁴
- funding arrangements and Commonwealth granting guidelines around co-operative research centres (CRCs) and the recommendations of the CRC committee;⁹⁵

1.57 The Director of Questacon, Professor Durant, informed the committee the Science for Australia's Future measure is a continuation of the Inspiring Australia Initiative, which received bipartisan support over many years. The Director added:

Included in [the Science for Australia's Future program] are the Prime Minister's prizes for science, which have been running since 2000, and National Science Week, which also has a long history and is Australia's largest festival, with last year over 1,800 events in just about every part of Australia. The new element this year is some funding for the Questacon smart skills program, which is a national initiative to improve technology, learning and skill development in young Australians, helping them develop creativity, problem solving and entrepreneurship skills. Finally, as part of that Questacon component, there is an element to increase access to Questacon resources, focusing on regional areas and other areas of need. So we have a very great opportunity to continue the very good work of the past few years.⁹⁶

1.58 In relation to where changes and/or efficiencies have been made in the department, the Secretary outlined:

In the portfolio, one of the things I would like to see is more partnerships with industry and researchers. We are doing that, and the government has allocated funding to do it, through the Entrepreneurs Infrastructure Fund. But some of the things that do go on in our science agencies probably do need to get more of a profile in terms of success stories. I would like to see more of those things profiled across the portfolio. There is some absolutely fantastic work and great science going on. It is that translation to targeted, value-for-money real outcomes that this portfolio is absolutely focused on.⁹⁷

Department of Industry [Programme 3—Encouraging Investment]

Australian Renewable Energy Agency)

1.59 During Australian Renewable Energy Agency's (ARENA) appearance before the committee, the Chief Executive Officer, Mr Frischknecht, clarified its relationship with the Department of Industry:

93 *Committee Hansard*, 2 June 2014, p. 103.

94 *Committee Hansard*, 2 June 2014, pp. 107–112.

95 *Committee Hansard*, 2 June 2014, pp. 107–110.

96 *Committee Hansard*, 2 June 2014, p. 103.

97 *Committee Hansard*, 2 June 2014, p. 103.

[ARENA is its] own independent agency in the sense that [it has its] own act and a commercially oriented independent board, although the board members are appointed by the minister and the secretary is also on board. There are two employees—you are looking at both of them [the Chief Executive Officer and the Chief Financial Officer]—and the remainder of our employees are made available by the department. We are physically housed within a departmentally owned building⁹⁸.

1.60 Mr Frischknecht explained the complementary relationship between ARENA and the CEFC:

ARENA is focused on the innovation side of renewable energy, so in the long term, bringing the costs down, and we support the entire breadth of technologies across the development pathway—so desktop research through to near commercial. We do so effectively as an equity investor and we take a substantial amount of risk in the outcome. The Clean Energy Finance Corporation is very much focused on the more mature technologies. They are interested in typically taking a debt interest ...⁹⁹

1.61 Until the repeal legislation passes through both houses of parliament, Mr Frischknecht confirmed that ARENA is operating on a business as usual basis;¹⁰⁰

1.62 ARENA was also examined on a range of other related matters, including:

- the government's energy white paper that will focus on securing Australia's energy security and needs;¹⁰¹
- impact of proposed projects and programs following the government's decision to abolish ARENA and have some of its functions rolled back into the department;¹⁰²
- whether particular projects will be at risk of not proceeding as a result of policy changes affecting ARENA and CEFC;¹⁰³
- of the \$1 billion allocated to current projects by ARENA, the matching spend from industry is \$1.8 billion, with the total spend on projects worth \$2.8 billion;¹⁰⁴ and
- of the 189 total number of projects, 175 projects are active and 18 projects have been completed.¹⁰⁵

98 *Committee Hansard*, 3 June 2014, p. 25.

99 *Committee Hansard*, 3 June 2014, p. 30.

100 *Committee Hansard*, 3 June 2014, p. 25.

101 *Committee Hansard*, 3 June 2014, p. 25.

102 *Committee Hansard*, 3 June 2014, p. 25.

103 *Committee Hansard*, 3 June 2014, pp. 27–32.

104 *Committee Hansard*, 3 June 2014, p. 31.

105 *Committee Hansard*, 3 June 2014, p. 32.

1.63 In relation the expected outcomes of these 200 projects, the Chief Executive Officer provided the committee with the following:

We have numerous exciting projects along the breadth of the innovation chain. Let me touch on just one—the AGL one. It is our largest; it is about a \$450 million project and 155 megawatts in two solar farms—one at Nyngan and one at Broken Hill. In the long term what we expect these large-scale projects to do is bring down the cost of solar. There are a lot of early-mover disadvantages: for example, the costs of borrowing are higher; the costs of development are higher; the contingency margins for construction are higher. That is simply because nobody has done it before in Australia. All of those costs—which we estimate are at least 30 per cent of the total cost of the project or approximately our subsidy—should go away once we have done a handful of projects. So that is how at the large scale we measure it. We have different success measurements at the low end. There are, of course, some that do not succeed. We expect that either because they cannot find matching funding or because they fail technically, but that it part of the innovation process. One thing we have been able to do is claw back some of that money from the projects that are not heading in the right direction in total saving the government over \$½ billion.¹⁰⁶

1.64 The department's Secretary, Ms Beauchamp, assured the committee existing contracts will not be at risk following the abolition of ARENA:

I will just confirm the government's intention to commit and honour contracts that have been entered into to the value of about \$1.2 billion. The government also provided departmental funds to ensure those contracts and milestone payments are managed in accordance with existing arrangements.¹⁰⁷

1.65 This was also confirmed by the Chief Executive Officer:

...in the event of the repeal legislation being passed, the funding remains unchanged as funding has already been allocated by the budget as an existing project.¹⁰⁸

Programme 3— Encouraging Investment [Resources and Energy combined]

1.66 During the Department of Industry's [Programme 3 Resources and Energy] examination, the department was questioned on a range of matters, including:

- \$100 million available for the exploration development incentive aimed at junior explorers who make the most greenfields discoveries but also often make a loss due to their exploration expenditure and no income;¹⁰⁹
- questions related to the One Million Solar Roofs scheme;¹¹⁰

106 *Committee Hansard*, 3 June 2014, p. 32.

107 *Committee Hansard*, 2 June 2014, p. 27.

108 *Committee Hansard*, 3 June 2014, p. 29.

109 *Committee Hansard*, 3 June 2014, p. 35.

110 *Committee Hansard*, 3 June 2014, p. 39.

- the committee sought information about any meetings with either Origin, AGL, or Energy Australia in relation to the renewable energy target (RET) and the RET review prior to or after the commencement of the Warburton review;¹¹¹
- \$23 million allocated to the development of long-term national solution for radioactive waste;¹¹² and
- activities which generate nuclear waste include: research and science activity that go toward some vital medical, industrial and agricultural uses; and medical applications that rely on nuclear medicine, with one in three people in Australia receiving medical treatment that is reliant on radioactive or nuclear material.¹¹³

Programme 3— Encouraging Investment [Industry]

1.67 During the Department of Industry's [Programme 3 Industry] examination, the department was questioned on a range of matters, including:

- reduced funding for automotive assistance contained in the PBS and how this would impact on the industry and component manufacturers;¹¹⁴
- the committee sought information on the department's latest thinking on the spread of automotive employment across Australia;¹¹⁵
- \$100 million allocated to the growth fund to provide investment in new jobs and economic growth in South Australia and Victoria, where the majority of the automotive industry or automotive-related industries were located;¹¹⁶
- the Tasmanian Major Projects Approval Agency and what progress has been made in the establishment of this agency;¹¹⁷
- advice the department provided to the Department of Foreign Affairs and Trade (DFAT) and the negotiators of concerns from the automotive industry about Australia's free trade agreements, particularly with respect to the agreement with Thailand;¹¹⁸
- questions relating to the reduction in funding for the ATS at a period when the need will be greater to allow for transition and transformation;¹¹⁹

111 *Committee Hansard*, 3 June 2014, p. 38.

112 *Committee Hansard*, 3 June 2014, p. 39.

113 *Committee Hansard*, 3 June 2014, p. 39.

114 *Committee Hansard*, 3 June 2014, pp. 46–47.

115 *Committee Hansard*, 3 June 2014, p. 50.

116 *Committee Hansard*, 3 June 2014, pp. 49–56.

117 *Committee Hansard*, 3 June 2014, p. 60.

118 *Committee Hansard*, 3 June 2014, pp. 67–69.

119 *Committee Hansard*, 3 June 2014, p.69.

- questions on Australian Industry Participation plans, the Entrepreneurs Infrastructure Program, Industry Capability Network, and Buy Australia at Home and Abroad.¹²⁰

1.68 In relation to the committee's request for information about the primary aim of the Tasmanian Major Projects Approval Agency and the money allocated to realise this aim, the department advised:

Over the next three years funding for 2014–15 is \$0.926 million; in 2015–16 it will be \$0.904 million and in 2016–17, \$0.901 million. In terms of the activities, the aim of the Tasmanian Major Projects Approval Agency is to help inform major project proponents of all the regulations or approvals that they need to do across the Commonwealth. [The department] hope[s] to work with the Office of Coordinator-General to identify the state and local ones. Then the aim is to attempt to map those in terms of when they need to be done, when the milestones need to be achieved, to look at any overlaps and to see what might be the critical path through those, and to try to streamline them if possible.

Certainly, the aim is not to usurp any of the regulations or approvals—they are in place—but it is to try to identify them and make sure that people do not miss the ones that they need to meet. And the aim is to coordinate them, if there are any ways of doing that.¹²¹

1.69 The Minister representing the Minister for Industry added:

The overall objective of the agency is to facilitate private sector investment in Tasmania, and to create an environment which will aid investment attraction to the state. In particular, it will aim to improve the speed and efficiency of Commonwealth and state regulatory approvals in Tasmania for new projects that require some form of Commonwealth regulatory approval or compliance-reporting processes; ensure that the proponent is aware, up front, of all approval requirements and time lines; and manage all approval processes for projects that intend to invest a minimum aggregated total of \$50 million in new gross fixed capital within Tasmania by no later than 2020.¹²²

Matters raised—Treasury Portfolio

1.70 On 3, 4 and 5 June 2014, the committee examined the estimates for:

- Australian Bureau of Statistics (ABS)
- Australian Prudential Regulation Authority (APRA);
- Commonwealth Grants Commission (CGC);
- Australian Office of Financial Management (AOFM);
- Royal Australian Mint (RAM);

120 *Committee Hansard*, 3 June 2014, pp. 79–85.

121 *Committee Hansard*, 3 June 2014, p.61.

122 *Committee Hansard*, 3 June 2014, p.61.

- Australian Securities and Investments Commission (ASIC);
- Australian Competition and Consumer Commission (ACCC);
- National Competition Council (NCC);
- Productivity Commission;
- Treasury [Fiscal Group] with the Clean Energy Finance Corporation (CEFC);
- Treasury [Macroeconomic Group and Corporate Strategy and Services Group];
- Treasury [Revenue Group] with the Australian Taxation Office (ATO), Australian Valuation Office and Australian Charities and Not-for-profit Commission (ACNC); and
- Treasury [Markets Group].

Australian Bureau of Statistics

1.71 The committee examined the Australian Bureau of Statistics on the following main topics:

- recent reports in the media about the alleged illegal use of key economic-sensitive Australian Bureau of Statistics (ABS) data and the security measures the ABS had in place prior to and following this incident to prevent illegal releases of its data;¹²³
- labour force data collection and changes in the survey group resulting in changes in statistics for unemployment and the ABS's belief that its process of refreshing its sample, all other things being equal, will lead to a more accurate result over time;¹²⁴
- the committee sought information in regards to whether official unemployment numbers in other countries are subject to such significant revisions, especially from the country's major trading partners;¹²⁵
- staffing levels and voluntary redundancies and the impact of reduced staff on the ABS's work;¹²⁶
- the ABS's award-winning Run That Town app and its Stats app, which attracts a large user base.¹²⁷

Australian Prudential Regulation Authority

1.72 During Australian Prudential Regulation Authority's (APRA) examination, the following range of issues were covered:

123 *Committee Hansard*, 3 June 2014, pp. 91–93.

124 *Committee Hansard*, 3 June 2014, pp. 94–95.

125 *Committee Hansard*, 3 June 2014, p. 95.

126 *Committee Hansard*, 3 June 2014, pp. 95–96.

127 *Committee Hansard*, 3 June 2014, p. 96.

- how APRA's breach notices system works in relation to super funds;¹²⁸
- outline of where APRA is up to in relation to the implementation of the Basel III capital and liquidity reforms for banks;¹²⁹
- APRA's response to criticism that APRA is pursuing a tougher version or interpretation of the new requirements than other jurisdictions and that APRA is tougher than its co-regulators in other major jurisdictions;¹³⁰
- risk rates that are set against residential mortgage lending;¹³¹ and
- whether APRA has sufficient resources to do its monitoring work in order to fulfil its statutory obligations in light of the cumulative effect of reductions in its budget.¹³²

1.73 The committee wished Dr Laker, the Chairman, well in his retirement. It acknowledged the tremendous service Dr Laker provided to Australia, including his contribution to the committee's hearings, his responses to questions from all sides, and the critical advice he and his organisation have provided to the government of the day during the global financial crisis (GFC).¹³³

Commonwealth Grants Commission

1.74 During the Commonwealth Grants Commission's (CGC) appearance before the committee, officers were questioned on the following matters:

- what role the CGC plays in providing advice to government at redistribution models for the goods and services tax (GST);¹³⁴
- the main findings of the CGC contained in the 2014 GST relativities report are published and available online, with a useful summary near the beginning of the report;¹³⁵
- the Treasurer's acceptance of all of the recommendations in the 2014 report on GST relativities;¹³⁶ and
- the reasoning behind the CGC's decision to include the comment 'fiscal capacity increasing to record highs' into the CGC's report.¹³⁷

128 *Committee Hansard*, 3 June 2014, p. 102.

129 *Committee Hansard*, 3 June 2014, p. 104.

130 *Committee Hansard*, 3 June 2014, pp. 105–106.

131 *Committee Hansard*, 3 June 2014, p. 108.

132 *Committee Hansard*, 3 June 2014, p. 108.

133 *Committee Hansard*, 3 June 2014, p. 102.

134 *Committee Hansard*, 5 June 2014, p. 114.

135 *Committee Hansard*, 5 June 2014, p. 114.

136 *Committee Hansard*, 5 June 2014, p.115.

137 *Committee Hansard*, 5 June 2014, p. 116.

Australian Office of Financial Management

1.75 The committee covered the following topics during its examination of the Australian Office of Financial Management (AOFM):

- updated bond yields;¹³⁸
- international demand for Australian bonds are driven by a number of factors, including reserve managers looking to diversify their asset management and all with a AAA mandate, Australia is a AAA sovereign, and the Australian dollar becoming more liquid in the local currency markets;¹³⁹ and
- whether Australia is too exposed to international markets because the country does not have a big pool of domestic savings.¹⁴⁰

Royal Australian Mint

1.76 The committee welcomed the Royal Australian Mint's (RAM) inaugural appearance before the committee.

1.77 During the RAM's examination, it was questioned on a range of matters, including:

- Poland being the only country to have privatised their mint;¹⁴¹
- a scoping study, including the possible privatisation of the RAM;¹⁴²
- staffing levels and where these staff are located;¹⁴³
- the RAM, which produces Australia's circulating coins exclusively, with 255 million pieces produced annually and about five billion coins in circulation at any point in time;¹⁴⁴
- the cost to produce coins—a \$2 coin is about 20 cents, a 50 cent coin will cost between 12 to 15 cents to produce, while a 5 cent piece will cost 6 cents to produce¹⁴⁵;
- about \$110 million worth of coins are lost each year;¹⁴⁶ and
- the decline in demand for coins due to changes in technology and spending patterns means the review process is timely.¹⁴⁷

138 *Committee Hansard*, 3 June 2014, pp. 119–120.

139 *Committee Hansard*, 3 June 2014, p. 120.

140 *Committee Hansard*, 3 June 2014, p. 121.

141 *Committee Hansard*, 3 June 2014, p. 124.

142 *Committee Hansard*, 3 June 2014, p. 124.

143 *Committee Hansard*, 3 June 2014, p. 125.

144 *Committee Hansard*, 3 June 2014, p. 125.

145 *Committee Hansard*, 3 June 2014, pp. 126–127.

146 *Committee Hansard*, 3 June 2014, pp. 126–127.

Australian Securities and Investments Commission

1.78 The Australian Securities and Investments Commission (ASIC), in its opening statement, provided the committee with an update on its budget situation, including a reduction of \$44 million (12 per cent) from its operating budget and the effect this has on its staffing level, on its workload and shift in work priorities.¹⁴⁸

1.79 ASIC's Chairman, Mr Medcraft, advised that while ASIC can still perform its statutory functions with reduced funding, and would continue to achieve its strategic priorities, the lower level of resources mean:

[ASIC has] had to adjust [its] risk appetite from focusing on those areas that [it has] assessed as medium risk and higher to those better than medium-high risk. [ASIC] will rely more on intelligence [it gets] from misconduct reports and complaints [it] receive[s]. [It] will limit [its] risk-based approach to focus on those entities or activities which actually have the greatest market impact, but where [it does] find someone has intentionally broken the law [it] will continue to do [its] best to basically enforce the law and make sure that the consequences are severe.

Some examples of the changes in [its] consumer cluster are the deposit takers, credit and insurance team. There will be reduced proactive surveillance. As a result, they will focus on activity by entities that have the greatest market impact at the expense of smaller entities that have a smaller customer basis. In [ASIC's] markets cluster [it] will be doing less proactive surveillance of debenture issuers and fewer document reviews, for example prospectuses. In [its] registry businesses there will be reduced levels of service to [its] registry customers and fewer process improvements such as online services.¹⁴⁹

1.80 Other related matters covered during the committee's examination included:

- an update, by Mr Medcraft, on Commonwealth financial planning¹⁵⁰ and the Commonwealth Bank owned financial planning firm Financial Wisdom Limited;¹⁵¹
- the proposed changes to the Future of Financial Advice (FOFA) legislation;¹⁵²
- the scoping study on the potential sale of the business register;¹⁵³

147 *Committee Hansard*, 3 June 2014, pp. 127–128.

148 *Committee Hansard*, 4 June 2014, pp. 8–9.

149 *Committee Hansard*, 4 June 2014, p. 9.

150 *Committee Hansard*, 4 June 2014, p. 9.

151 *Committee Hansard*, 4 June 2014, pp. 9–20.

152 *Committee Hansard*, 4 June 2014, p. 20.

153 *Committee Hansard*, 4 June 2014, pp. 24–25.

- self-managed superannuation funds and whether ASIC superannuation scrutinises auditors as it has responsibility for auditor registration;¹⁵⁴ and
- the reason for ASIC's late answers to some questions on notice from last estimates, noting that the response to these questions was a simple 'no'.¹⁵⁵

1.81 In relation to Commonwealth financial planning, the committee sought further information from ASIC in relation to why the new licence conditions imposed on CBA could not cover the following:

- the entire file history on all the clients of advisers who worked with, under or above Mr Nguyen and Mr Sheriff and why they could not be reviewed and recommendations made by an independent expert, appointed by the ASIC Chairman; and
- all clients of advisers at any time classified as high risk or critical risk, by the Commonwealth Bank or other organisations, and why they could not have their entire file system similarly reviewed.¹⁵⁶

Australian Competition and Consumer Commission

1.82 During the Australian Competition and Consumer Commission's (ACCC) appearance, the committee also examined the following matters:

- the current financial position of the ACCC and staffing levels;¹⁵⁷
- whether the ACCC will put in a submission to the root-and-branch review;¹⁵⁸
- work the ACCC has undertaken on the Active Retail Collaboration program and whether investigations are continuing;¹⁵⁹
- misleading claims relating to broadband internet speed claims;¹⁶⁰
- the ACCC's intention to reach a position paper on outlining how it would implement a broadband performance monitoring reporting program;¹⁶¹
- complaints from Australia's honey industry in relation to misleading labelling of products allowed into Australia and an update on the complaints lodged by the Australian Honey Bee Industry Council to the ACCC;¹⁶² and

154 *Committee Hansard*, 4 June 2014, pp. 28–29.

155 *Committee Hansard*, 4 June 2014, p. 29.

156 *Committee Hansard*, 4 June 2014, pp. 20–21.

157 *Committee Hansard*, 4 June 2014, pp. 32–33.

158 *Committee Hansard*, 4 June 2014, p. 45.

159 *Committee Hansard*, 4 June 2014, p. 45.

160 *Committee Hansard*, 4 June 2014, p. 36–38.

161 *Committee Hansard*, 4 June 2014, p. 39.

162 *Committee Hansard*, 4 June 2014, p. 40–41.

- follow-up questions from last estimates relating to engineered wood products that were not compliant with Australian standards but were imported into the country.¹⁶³

National Competition Council

1.83 During the National Competition Council's (NCC) appearance before the committee, the NCC was questioned on the following matters:

- the secretariat for the NCC being merged into the ACCC as an efficiency savings due to the irregular nature of the NCC's work;¹⁶⁴
- the approach taken to merge the NCC into the ACCC;¹⁶⁵
- the independence of the NCC following its merge with the ACCC and the steps the NCC has arranged with the ACCC to bolster its independence;¹⁶⁶ and
- the Commission of Audit's recommendation that the NCC be merged into the Productivity Commission rather than the ACCC.¹⁶⁷

Productivity Commission

1.84 During the Productivity Commission (PC) examination, the matters raised included:

- the PC's inquiry into the auto manufacturing industry and the release of its report;¹⁶⁸
- the modelling the PC included in its preliminary report and whether the PC will make available the methodology, the inputs and the analysis from which its report's conclusions will be drawn;¹⁶⁹
- the PC's research on the issue of an ageing population and the question of lifting the pension age to 70 by 2035;¹⁷⁰
- whether the worked example also considered increasing the investing age for superannuation to 70;¹⁷¹
- whether the PC's consideration of structural adjustment within the automotive industry take into account the level of government assistance to

163 *Committee Hansard*, 4 June 2014, p. 40–41.

164 *Committee Hansard*, 4 June 2014, p. 47.

165 *Committee Hansard*, 4 June 2014, p. 47.

166 *Committee Hansard*, 4 June 2014, pp. 47–48.

167 *Committee Hansard*, 4 June 2014, p. 48.

168 *Committee Hansard*, 4 June 2014, p. 48.

169 *Committee Hansard*, 4 June 2014, pp. 48–49.

170 *Committee Hansard*, 4 June 2014, p. 50.

171 *Committee Hansard*, 4 June 2014, p. 50.

allow for the adjustment contained in the ATS and federal or state assistance;¹⁷² and

- the PC's redundancy funding.¹⁷³

Treasury [Fiscal Group] and the Clean Energy Finance Corporation

Clean Energy Finance Corporation (CEFC)

1.85 The Chief Executive Officer of the Clean Energy Finance Corporation (CEFC), Mr Yates, in response to the committee's question about CEFC board's obligations and duties when dealing with potential investors during the election period, provided the following summary of CEFC's legal obligations:

[The CEFC is] an institution which is obviously created through an act of parliament. That act requires us to follow statutory obligations that are imposed on me, a statutory officer, and on our board pursuant to the act. Until such time as the act is revoked we must continue to comply with those statutory obligations.¹⁷⁴

1.86 Other main topics dealt with during the examination of the CEFC included:

- the Australian Office of Financial Management issuing the Commonwealth government securities and providing the CEFC with a regular report on its benchmark rate, which is set out in the investment mandate;¹⁷⁵
- the CEFC operating like a bank in that it is actually lending out to the market at a rate of around seven per cent, which is almost twice the government's borrowing rate and with portfolio assets that are profitable;¹⁷⁶
- the current investment figures on the amount invested through the CEFC is a total of \$2.5 billion, with approximately \$700 million from the CEFC's budget, an increase from the previous figures of \$500 million and \$2.4 billion;¹⁷⁷
- any transitional arrangements in place with Treasury to manage the CEFC's assets;¹⁷⁸ and
- approximately 150 projects are in the pipeline with a value of \$11 billion seeking about \$4 billion finance from the CEFC.¹⁷⁹

172 *Committee Hansard*, 4 June 2014, p. 54.

173 *Committee Hansard*, 4 June 2014, p. 56.

174 *Committee Hansard*, 4 June 2014, p. 57.

175 *Committee Hansard*, 4 June 2014, p. 58.

176 *Committee Hansard*, 4 June 2014, p. 58.

177 *Committee Hansard*, 4 June 2014, pp. 60–61

178 *Committee Hansard*, 4 June 2014, pp. 62–63.

179 *Committee Hansard*, 4 June 2014, p. 64.

1.87 With regard to the types of projects the CEFC has in its portfolio, Mr Yates advised:

Wind is probably around 26 per cent of our portfolio at most. Most of our activity happens to be in energy efficiency. Under the act, 50 per cent of it needs to be in renewable energy, so we are restricted in that, but a lot of our activity happens to be in energy efficiency areas and productivity areas. So that means over half of our activity really stems from continuing the work that has been done in this sector through organisations like Low Carbon Australia, for example. We have been building up aggregation vehicles. We are working with smaller manufacturers. Of the transactions we are doing, I am thinking about Nightingale apples and refrigeration for apple farms. We have been doing biogas facilities in meatworks. Our mandate is, in essence, to ensure that the private sector, be it big or small, can access capital to become more productive. By becoming more productive, they reduce their energy consumption and, by reducing their energy consumption, they reduce their carbon emissions. So our activities are very broad. It is all over Australia and it is very broad from large to small companies and it is also all the way through to councils. We have invested with five to six councils, I think, and in nearly all our transactions we also have a corresponding proportion of debt coming from the private sector. The private sector tends to match off on what we have done.¹⁸⁰

Fiscal Group

1.88 The main topics covered during the examination of the Fiscal Group included:

- whether Treasury has undertaken any distributional analysis that looks at the budget's impact on family income type;¹⁸¹
- an article in *The Australian* erroneously reported that Treasury modelling refuted NATSEM modelling;¹⁸² and
- whether Treasury had undertaken any modelling with regards to the Medicare co-payment.¹⁸³

Treasury [Macroeconomic Group and Corporate Strategy and Services Group]

1.89 Dr Gruen, Executive Director, Macroeconomic Group (Domestic), provided the committee with a summary of the national accounts, which were released in the morning by the ABS.

1.90 Highlighting some of the information released, Dr Gruen noted:

- real GDP growth of 1.1 per cent in the March quarter and 3.5 per cent over the year;¹⁸⁴

180 *Committee Hansard*, 4 June 2014, pp. 58–59.

181 *Committee Hansard*, 4 June 2014, p. 119.

182 *Committee Hansard*, 4 June 2014, p. 127.

183 *Committee Hansard*, 4 June 2014, pp. 101–102.

184 *Committee Hansard*, 4 June 2014, p. 72.

- the national accounts and the capital expenditure survey confirms that business investment in the resources sector is beginning to fall and expected to decline further in the coming financial year and a modest increase in investment in the non-resources sector;¹⁸⁵
- dwelling investment grew by 4.7 per cent in the quarter and 10.4 per cent over the year¹⁸⁶; and
- while state final demand in Western Australia has fallen for the previous two quarters, exports and particularly resources exports were at record levels.¹⁸⁷

1.91 Topics covered during the committee's examination of the Treasury included:

- the strong growth in exports since 2000—primarily attributed to the mining phase shifting from the construction phase to the export phase¹⁸⁸;
- the likelihood the budget could be returned to surplus and the debt repaid through stronger growth alone;¹⁸⁹ and
- constraints on the economy from achieving sufficiently strong and sustained growth, and what would need to happen to deliver a doubling in productivity growth, taking into account the structure of the Australian economy.¹⁹⁰

1.92 At the broad picture level, Dr Gruen explained why growth has been strong:

[T]he huge increase we have seen in the capital stock in the mining sector—by our estimates we have had a quadrupling of the capital stock in the mining sector—is beginning to bear fruit, and we are seeing very large increases in mining exports. [This is reflected in the fall in investment but increased income flowing from mining exports].¹⁹¹

1.93 Other related matters covered included:

- in the absence of economic growth providing a solution to getting out of debt, the options available to raise additional revenue or to act on outlays growth;¹⁹²
- effect on Australia's living standard if no actions were taken to lift the productivity growth rate;¹⁹³

185 *Committee Hansard*, 4 June 2014, p. 72.

186 *Committee Hansard*, 4 June 2014, p. 72.

187 *Committee Hansard*, 4 June 2014, p. 72.

188 *Committee Hansard*, 4 June 2014, p. 72.

189 *Committee Hansard*, 4 June 2014, p. 73.

190 *Committee Hansard*, 4 June 2014, p. 74.

191 *Committee Hansard*, 4 June 2014, pp. 72–73.

192 *Committee Hansard*, 4 June 2014, p. 75.

193 *Committee Hansard*, 4 June 2014, p. 76.

- the current unemployment rate and the change in methodology to arrive at the current rate compared to the previous methodology in the mid-year economic and fiscal outlook (MYEFO);¹⁹⁴
- MYEFO showing the structural budget balance with a deficit in the order of 3 percentage points of Gross Domestic Product (GDP) and remaining in deficit over the forward estimates and the medium-term projection period and closing towards the end of the medium-term at one per cent of GDP;¹⁹⁵
- the process by which Treasury engages with the International Monetary Fund (IMF) in regards to the preparation of the Article IV consultation report¹⁹⁶; staffing levels and voluntary redundancies;¹⁹⁷
- Treasury's unhelpful response to question on notice 3015 in which Treasury, in its response, declined to provide some information on the basis that 'it would require significant resources to undertake this work';¹⁹⁸
- decision on the indexation changes and the reduction over the period to 2023 of \$80 billion in schools and hospitals and when Treasury undertook calculations of this type;¹⁹⁹
- payments to states made under the Federal Financial Relations Act, in accordance with the various agreements that are established between the Commonwealth and the states;
- previous funding to hospitals under the Howard government, which occurred in blocks of five or six years;²⁰⁰
- pension decisions in relation to eligibility and indexation;²⁰¹ and
- \$11.6 billion Infrastructure Growth Package in the current budget as new money and the total Commonwealth spend at \$50 billion over the period through to 2019–20.²⁰²

194 *Committee Hansard*, 4 June 2014, pp. 88–89.

195 *Committee Hansard*, 4 June 2014, p. 95.

196 *Committee Hansard*, 4 June 2014, p. 91.

197 *Committee Hansard*, 4 June 2014, pp. 94–95.

198 *Committee Hansard*, 4 June 2014, p. 111.

199 *Committee Hansard*, 4 June 2014, pp. 113 and 131.

200 *Committee Hansard*, 4 June 2014, p. 123.

201 *Committee Hansard*, 4 June 2014, p. 133.

202 *Committee Hansard*, 4 June 2014, p. 136.

Treasury [Revenue Group] with the Australian Taxation Office, Australian Valuation Office and Australian Charities and Not-for-profit Commission

Treasury [Revenue Group]

1.94 During the examination of the Treasury [Revenue Group], the committee examined the following matters:

- the temporary budget repair levy to increase the effective top marginal tax rate, including the Medicare levy from 47 per cent to 49 per cent;²⁰³
- interactions between the temporary levy on the top of the marginal tax rate and the fringe benefits tax (FBT);
- comparison between the flood levy and the FBT;²⁰⁴
- the differential rate between the FBT and the marginal tax rate as an incentive to rearrange a person's tax affairs to avoid the top marginal tax rate or to reduce a person's income and pay at the lower FBT rate;²⁰⁵
- the lead agency for the paid parental leave scheme and how the paid parental leave levy will work;²⁰⁶
- the fuel tax credit scheme;²⁰⁷
- deductible gift recipient (DGR) status for various organisations;²⁰⁸ and
- the total amount of mining tax refunds is \$237 million.²⁰⁹

Australian Taxation Office (ATO)

1.95 During the Australian Taxation Office's (ATO) appearance before the committee, a range of matters were canvassed, including:

- a reduction of 3,000 staff, with 2,100 in the budget plans and 900 from the efficiency dividend the previous year;²¹⁰
- members applying to access their superannuation early based on financial hardship and how the ATO assesses the authenticity of such hardship applications;²¹¹

203 *Committee Hansard*, 5 June 2014, pp. 5–6.

204 *Committee Hansard*, 5 June 2014, p. 8.

205 *Committee Hansard*, 5 June 2014, pp. 8–9.

206 *Committee Hansard*, 5 June 2014, p. 20.

207 *Committee Hansard*, 5 June 2014, p. 23.

208 *Committee Hansard*, 5 June 2014, p. 27.

209 *Committee Hansard*, 5 June 2014, p. 28.

210 *Committee Hansard*, 5 June 2014, p. 31.

211 *Committee Hansard*, 5 June 2014, p. 46.

- breaches of the Income Tax Assessment Act 1997 involving a person making a significant donation to an organisation which has DGR status to obtain a service intended from the outset to be for the benefit of the third organisation that does not have DGR status;²¹²
- update on where the ATO's enterprise agreement negotiations are at, and whether the ATO has discussed with the Administrative Services Union (ASU) and Community and Public Sector Union (CPSU) their log of claims;²¹³
- follow-up questions relating to an Australian National Audit Office (ANAO) report on managing compliance of high wealth individuals—reported that in half of the objection cases individuals who objected to an ATO audit decision have been successful in their appeal, either in part or full²¹⁴;
- the relationship between the number of staff and the tax revenue gained for the Commonwealth²¹⁵;
- the ATO's different approach to the way it has been doing things, including the duplicative functions within its different groups, eliminating a number of middle management layers, devolving some of the approval processes, outsourcing some activities, and moving to lighter interactions with people via the increased use of technology.²¹⁶

Australian Valuation Office

1.96 During the Australian Valuation Office's (AVO) appearance before the committee, officers were questioned on the following matters:

- update on the measure to close the AVO office;²¹⁷
- the staffing level at the AVO, currently at 100 and when they are expected to leave;²¹⁸
- the AVO staff as a self-contained business unit within the ATO²¹⁹; and
- AVO's valuation of assets for pensioners for the Department of Human Services to be outsourced to another agency or a private sector firm.²²⁰

212 *Committee Hansard*, 5 June 2014, pp. 46–47.

213 *Committee Hansard*, 5 June 2014, pp. 68–69.

214 *Committee Hansard*, 5 June 2014, pp. 69–70..

215 *Committee Hansard*, 5 June 2014, p. 73.

216 *Committee Hansard*, 5 June 2014, p. 74.

217 *Committee Hansard*, 5 June 2014, p. 79.

218 *Committee Hansard*, 5 June 2014, p. 79.

219 *Committee Hansard*, 5 June 2014, p. 79.

220 *Committee Hansard*, 5 June 2014, pp. 79–80.

1.97 The committee noted Ms Quigley's departure from the organisation and acknowledged her contribution and her assistance over the years.²²¹

Australian Charities and Not-for-profit Commission

1.98 The main topics covered during the committee's examination of the Australian Charities and Not-for-profit Commission (ACNC) included:

- staffing levels for the ACNC—currently 94.47 full-time equivalent (FTE), with 72.35 ongoing and the remainder a mix of non-ongoing and 16 secondments from the ATO;²²²
- whether the AVO is provided with a contingency plan if the government is unable to abolish it;²²³
- the budget provided to the ACNC in the forward estimates and the ACNC's first meeting in relation to any potential transition planning;²²⁴
- whether some charities have been provided with advice that they do not have to comply with legislative requirements as the ACNC will soon be abolished;²²⁵
- the ACNC's contact with the Minister concerning its abolition;²²⁶
- the ACNC operations in light of legislation intended to abolish it;²²⁷ and
- feedback from not-for-profit organisations regarding the difficulty of meeting the ACNC's compliance requirements.²²⁸

Treasury [Markets Group]

1.99 The committee examined the Treasury [Markets Group] on the following main topics:

- update on the consultation process in relation to the government's commitment to extend unfair contract term legislation to protect small business;²²⁹
- informal feedback on the content of the consultation paper that Treasury released;²³⁰

221 *Committee Hansard*, 5 June 2014, p. 80.

222 *Committee Hansard*, 5 June 2014, p. 80.

223 *Committee Hansard*, 5 June 2014, p. 80.

224 *Committee Hansard*, 5 June 2014, p. 80.

225 *Committee Hansard*, 5 June 2014, p. 81.

226 *Committee Hansard*, 5 June 2014, p. 81.

227 *Committee Hansard*, 5 June 2014, p. 82.

228 *Committee Hansard*, 5 June 2014, p. 84.

229 *Committee Hansard*, 5 June 2014, p. 84.

230 *Committee Hansard*, 5 June 2014, p. 85.

- root and branch competition review and feedback from stakeholders;²³¹
- consultations in relation to the Future of Financial Advice legislation;²³²
- superannuation intra-fund advice and whether the government has sought advice or the department has undertaken any work on options to make changes to the intra-fund advice regime;²³³
- implications of the grandfathering provisions under the fair work legislation for superannuation default funds;²³⁴
- obligations on operators of funds with default members when the grandfathering arrangements terminates under the Fair Work Act 2009;²³⁵ and
- whether Treasury has considered the potential upheaval that would occur in the superannuation markets as the grandfathering comes off.²³⁶

**Senator David Bushby
Chair**

231 *Committee Hansard*, 5 June 2014, pp. 85–86.

232 *Committee Hansard*, 5 June 2014, pp. 87– 90.

233 *Committee Hansard*, 5 June 2014, p. 88–89.

234 *Committee Hansard*, 5 June 2014, pp. 103–104.

235 *Committee Hansard*, 5 June 2014, p. 108.

236 *Committee Hansard*, 5 June 2014, pp. 105–106.