

The Senate

Economics
Legislation Committee

Additional estimates 2019–20

March 2020

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Senate Economics Legislation Committee

Members

Senator Slade Brockman (<i>Chair</i>)	Western Australia, LP
Senator Kimberley Kitching (<i>Deputy Chair</i>)	Victoria, ALP
Senator Andrew Bragg	New South Wales, LP
Senator Jenny McAllister	New South Wales, ALP
Senator Susan McDonald	Queensland, NP
Senator Rex Patrick	South Australia, CA

Senators in attendance

Senator the Hon Eric Abetz	Tasmania, LP
Senator the Hon Matthew Canavan	Queensland, NP
Senator Claire Chandler	Tasmania, LP
Senator the Hon Kim Carr	Victoria, ALP
Senator Perin Davey	New South Wales, NP
Senator Patrick Dodson	Western Australia, ALP
Senator Katy Gallagher	Australian Capital Territory, ALP
Senator Nita Green	Queensland, ALP
Senator Sue Lines	Western Australia, ALP
Senator Deborah O'Neill	New South Wales, ALP
Senator James Paterson	Victoria, LP
Senator Louise Pratt	Western Australia, ALP
Senator Gerard Rennick	Queensland, LP
Senator Janet Rice	Victoria, GRN
Senator Malcolm Roberts	Queensland, PHON
Senator Tony Sheldon	New South Wales, ALP
Senator Marielle Smith	South Australia, ALP
Senator Glenn Sterle	Western Australia, ALP
Senator Larissa Waters	Queensland, GRN
Senator Murray Watt	Queensland, ALP
Senator Peter Whish-Wilson	Tasmania, GRN

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Chapter 1

Overview

1.1 The Senate Economics Committee (committee) examined the 2019–20 proposed additional expenditure of the Industry, Science Energy and Resources Portfolio (Industry Portfolio) and the Treasury Portfolio at its estimates hearings held on 4 and 5 March 2020.

1.2 This report provides an overview of the matters considered by the committee during its hearings. The Senate determined that the committee will report on its consideration of the 2019–20 proposed additional expenditure on 24 March 2020.¹

Referral of documents

1.3 On 13 February 2020, the Senate referred the following documents to the committee for examination and report in relation to the Industry Portfolio and the Treasury Portfolio:

- particulars of proposed additional expenditure in respect of the year ending on 30 June 2020 [Appropriation Bill (No. 3) 2019–2020];
- particulars of certain proposed additional expenditure in resp.
- ect of the year ending on 30 June 2020 [Appropriation Bill (No. 4) 2019–2020];
- final budget outcome 2018–19—Report by the Treasurer (the Hon Josh Frydenberg MP) and the Minister for Finance (Senator the Hon Mathias Cormann); and
- advance to the Finance Minister—Report on advances provided under the annual Appropriation Acts for 2018–19.²

1.4 The Portfolio Additional Estimates Statements (PAES) 2019–20 for the Industry Portfolio and the Treasury Portfolio were tabled in the Senate on 13 February 2020.^{3 4}

Portfolio allocation

1.5 The committee is responsible for examining the expenditure and outcomes of the Industry Portfolio (excluding matters relating to energy and small business) and the Treasury Portfolio.⁵

1 *Journals of the Senate*, No. 27, 14 November 2019, pp. 851–852.

2 *Journals of the Senate*, No. 42, 13 February 2020, pp. 1283–1284.

3 *Journals of the Senate*, No. 42, 13 February 2020, p. 1284.

4 PAES provides information on the new measures, in each Government and their impact on the financial and/or non-financial planned performance of programs supporting those outcomes.

5 *Journals of the Senate*, No. 42, 13 February 2020, pp. 1268–1269.

1.6 Since the committee's previous round of estimates (Supplementary Budget Estimates 2019–20), a new Administrative Arrangements Order introduced several machinery-of-government changes.⁶ This included the transfer of:

...energy and climate changes functions, with the exception of science and adaptation, from the former Department of the Environment and Energy, and the small business function from the Department of Employment, Skills Small and Family Business into the renamed Department of Industry, Science, energy and Resources (DISER).⁷

1.7 allocation of matters relating to energy and small business to the (renamed) Department of Industry, Science, Energy and Resources (DISER). For portfolio allocation purposes, the Senate agreed to retain energy and small business matters with the committees to which those matters were previously allocated.⁸

Hearings

1.8 The Senate set 4 and 5 March 2020 as the dates for the committee to hold its 2019–20 Additional Budget Estimates hearings.⁹ The committee examined departmental outcomes and portfolio agencies at the hearings, as follows.

Industry Portfolio—4 March 2020

- DISER—Program 1.1: Supporting science and commercialisation (Sub-programs 1.1.1 and 1.1.2);
- DISER—Program 1.2: Growing business investment and improving business capability (Sub-programs 1.2.1, 1.2.2 and 1.2.3);
- Commonwealth Scientific and Industrial Research Organisation;
- Office of the Chief Scientist;
- Australian Institute of Marine Science;
- Australian Nuclear Science and Technology Organisation;
- Geoscience Australia;
- DISER—Program 1.2: Growing business investment and improving business capability (Sub-programs 1.2.4 and 1.2.5);
- National Offshore Petroleum Titles Administrator;

6 Commonwealth of Australia, *Administrative Arrangements Order*, 5 December 2019, <https://www.legislation.gov.au/Details/C2020Q00002> (accessed 18 March 2020).

7 Commonwealth of Australia, *Industry, Science, Energy and Resources Additional Estimates Statements 2019–20*, p. 3.

8 In accordance with the Senate's resolution of 13 February 2020 to allocate portfolios to committees, matters relating to energy are considered by the Senate Standing Committees on Environment and Communications, and matters relating to small business are allocated to the Senate Standing Committees on Education and Employment.

9 *Journals of the Senate*, No. 27, 14 November 2019, pp. 851–852.

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- Office of Northern Australia;
 - Northern Australia Infrastructure Facility; and
 - National Offshore Petroleum Safety and Environmental Management Authority.

1.9 The Office of Innovation was released by the committee without questions.

Treasury Portfolio—4 and 5 March 2020

- Reserve Bank of Australia;
- Financial Adviser Standards and Ethics Authority;
- Australian Bureau of Statistics;
- Australian Competition and Consumer Commission and Australian Energy Regulator;
- Department of the Treasury—Macroeconomic Group and corporate matters (including the Treasury Secretary);
- Department of the Treasury—Fiscal Group;
- Department of the Treasury—Revenue Group;
- Australian Taxation Office;
- Australian Charities and Not-for-profits Commission;
- Department of the Treasury—Markets Group;
- Foreign Investment Review Board;
- Australian Securities and Investments Commission;
- Australian Prudential Regulation Authority; and
- National Housing Finance and Investment Corporation.

1.10 The Productivity Commission was released by the committee without questions.

1.11 Evidence was provided at the hearings by the following Ministers: Senator the Hon Michaelia Cash; Senator the Hon Jonathan Duniam; Senator the Hon Jane Hume; Senator the Hon Mathias Cormann; and Senator the Hon Zed Seselja. Evidence was also provided by senior officers of the Treasury Portfolio, led by Dr Steven Kennedy PSM, Secretary to the Treasury, and Mr David Fredericks PSM, Secretary of DISER.

1.12 The committee thanks the Ministers and officers who providing evidence at the committee's hearings.

Questions on notice

1.13 In accordance with Senate Standing Order 26, the committee agreed to fix 30 April 2020 as the date for the return of answers to questions taken on notice (QoNs). The committee subsequently agreed to extend its QoNs due date to 8 May 2020, noting the impact of the coronavirus (COVID-19) situation on the operations of Government departments and agencies. The committee also agreed that

senators should lodge their written QoNs with the Committee Secretary no later than 16 March 2020.

1.14 Responses to QoNs which are provided to the committee are published on the committee's estimates webpage, and tabled in the Senate.¹⁰

Timeliness of answers from the 2019–20 Supplementary Budget estimates

1.15 At its previous 2019–20 Supplementary Budget estimates, the committee asked a total of 983 QoNs, for which answers were returned by departments and agencies as follows:

- Treasury Portfolio—of the 660 questions taken on notice, 392 answers were provided by the committee's set due date; and
- Industry Portfolio—of the 323 questions taken on notice, 321 answers were provided by the committee's set due date.

1.16 The committee notes the vast majority of the Industry Portfolio's QoN answers were provided on time and the committee thanks DISER the timely answers.

1.17 The committee also notes that a significant proportion of the Treasury Portfolio's QoN answers were provided after the due date. The committee considers that when the Department of Treasury becomes aware that a large proportion of the portfolio's QoN answers will not be available by the due date, it would be beneficial if the department notify the committee of the delay, and provide information on when the answers will be available.

Public interest immunity claims

1.18 On 13 May 2009, the Senate passed an order relating to public interest immunity (PII) claims.¹¹ The order sets out the processes to be followed if a witness declines to answer a question. The full text of this order has previously been provided to departments and agencies and was incorporated in the Chair's opening statement at the commencement of each hearing.

1.19 The committee notes that no PII claims were made by witnesses during its 2019–20 Additional Budget Estimates hearings. However, the committee did consider whether instances of witnesses declining to answer particular questions should have required a PII claim to be made.

Hansard and tabled documents

1.20 A verbatim record of the committee's hearings is made via the *Committee Hansard*. The *Committee Hansard* is published on the committee's estimates webpage. References in this report are to the proof Committee Hansard. Page numbers may differ between the proof and the final versions of the *Committee Hansard*.

10 Answers to Questions on Notice will be published on the following committee https://www.aph.gov.au/Parliamentary_Business/Senate_estimates/Economics/2019-20_Additional_estimates.

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

1.21 A list of the documents tabled during the committee's hearings is available at *Appendix 1*. Tabled documents are published on the committee's estimates webpage.

Report structure

1.22 This report is structured as follows:

- Chapter 1—provides an overview of the committee's hearings;
- Chapter 2—reports on the key issues considered by the committee during the hearings; and
- Appendix 1—lists the documents tabled during the committee's hearing.

1.23 This report does not seek to comprehensively analyse the evidence provided to the committee, rather the report is intended to inform the Senate of the key issues considered by the committee during the course of the hearings.

Chapter 2

Industry Portfolio—4 March 2020

2.1 At its 2019–20 Additional Budget Estimates hearings, the Senate Economics Legislation Committee (committee) considered the additional expenditure and operations of Industry, Science and Energy and Resources Portfolio (Industry Portfolio) and the Treasury Portfolio.

2.2 The key issues considered by the committee are reported in this chapter. A verbatim record of the evidence provided to the committee is available in the *Committee Hansard*.¹

Department of Industry, Science, Energy and Resources

2.3 The Department of Industry, Science, Energy and Resources (DISER) is responsible for four portfolio outcomes, which are relevant to the portfolio responsibilities of two other Senate legislation committees.² DISER was called by the committee to give evidence in relation to its first outcome:

Enabling growth and productivity for globally competitive industries through supporting science and commercialisation, growing business investment and improving business capability and streamlining regulation.³

2.4 The evidence provided by officers of DISER was led by the department's secretary, Mr David Fredericks PSM. Mr Fredericks commenced as secretary of the department on 1 February 2020.⁴

Cooperative Research Centres

2.5 The committee's consideration of DISER began with senators' questions on the operation of the Cooperative Research Centres (CRC) Program. The committee heard evidence regarding whether certain companies in receipt of CRC Program funding were able to meet their stock exchange disclosure obligations and whether the Bushfire and Natural Hazards CRC would be able to continue operating under current funding arrangements for the CRC Program.⁵

1 The *Committee Hansard* is published on the following committee webpage:
https://www.aph.gov.au/Parliamentary_Business/Senate_estimates/Economics/2019-20_Additional_estimates.

2 Matters relating to energy are considered by the Senate Standing Committees on Environment and Communications, and matters relating to small business are allocated to the Senate Standing Committees on Education and Employment.

3 Commonwealth of Australia, *Industry, Science, Energy and Resources Additional Estimates Statements 2019–20*, p. 4.

4 Department of Industry, Science, Energy and Resources, *Our executive team*, <https://www.industry.gov.au/about-us/our-structure/our-executive-team> (accessed 18 March 2020).

5 *Proof Committee Hansard*, 4 March 2020, p. 5–7.

Research and development tax incentive

2.6 Senators questioned the operation of the research and development (R&D) tax incentive scheme, in particular: the process undertaken by Government for developing recent proposals for legislative reform; rates of utilisation of the tax incentive by industry participants; and the challenges associated with enforcing compliance measures for the initiative.⁶

2.7 The committee noted that its inquiry into the Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019 [Provisions], in accordance with estimates conventions, prevented senators from asking detailed questions about the bill. For that reason, some aspects of senators' questions were not addressed during the hearings.⁷

2.8 DISER also provided evidence on several other Government measures which promote innovation by Australian business.⁸ In particular, DISER highlighted the Business Research and Innovation Initiative (BRII) for solving public policy challenges through collaboration with SMEs and researchers. Ms Jane Urquhart, Head of the Science and Commercialisation Policy Division, explained the operation and benefits of the BRII:

Government agencies develop and articulate those [public policy] challenges. They are publicly released for SMEs and researchers to consider possible solutions. Applications are then put in, with a proposed solution outlined. There are then two stages of the process—feasibility and proof of concept—where businesses compete for the opportunity to validate and prototype solutions. The program really enables sharing of the risks and benefits of research and development with businesses to maximise incentives for wider commercialisation of solutions post program. As you'll appreciate, challenges that might be mounted by Australian government departments are very likely to be challenges faced by governments the world over, let alone at other levels of government in Australia. So of course a business responding to a challenge articulated by an Australian government entity is very likely then at the end of the process to have done considerable work on a solution that then has a ready market more broadly, both in Australia and internationally.⁹

Decision to retire the Holden car brand in Australia

2.9 The committee sought information from DISER on the anticipated impacts of General Motors' (GM) decision to retire the Holden car brand in Australia. The committee heard that the decision would impact 185 car dealerships, including, as estimated by the dealers association, up to 9000 dealership employees, and 600 direct

6 *Proof Committee Hansard*, 4 March 2020, p. 7–13, 17–23.

7 *Proof Committee Hansard*, 4 March 2020, p. 10.

8 *Proof Committee Hansard*, 4 March 2020, p. 14.

9 *Proof Committee Hansard*, 4 March 2020, p. 14.

employees of General Motors in Australia.¹⁰ Further evidence was received regarding the re-employment prospects for GM Australia's staff, particularly skilled engineering and design staff, and limited instances of vehicle manufacturing in Australia.¹¹

Commonwealth Scientific Industrial Research Organisation

2.7 Evidence was provided to the committee by officers of the Commonwealth Scientific Industrial Research Organisation (CSIRO), led by the Chief Executive Officer, Dr Larry Marshall.

2.10 The committee considered a document produced by the CSIRO, titled *The 2019–20 bushfires explained*. Of particular interest to the committee were variations between the draft and final versions of that document. The committee queried the process by which CSIRO amended, or removed, information from the final document, which included: statements on the mean maximum temperatures being the warmest on record, and the relationship between climate change and increasing very high weather days.¹²

2.11 The CSIRO provided evidence to the committee on a range of other topics, including:

- declarations of conflicts of interests by CSIRO scientists, particularly in relation to work undertaken at the Centre for Southern Hemispheric Oceans Research, a joint project between CSIRO and China's Qingdao National Laboratory for Marine Science and Technology, including reporting of CSIRO's processes for managing foreign influences;¹³
- the CSIRO's input to an Intergovernmental Panel on Climate Science report, *United in Science*, which projected that global mean temperatures may rise between 2.9 to 3.4 degrees by 2100, under current national determined contributions;¹⁴ and
- work to combat the impact of COVID-19, including international research supported by the Australian Animal Health Laboratory and capabilities that allow for the fast-tracked development and manufacturing of vaccines.¹⁵

Office of the Chief Scientist

2.12 Australia's Chief Scientist, Dr Allan Finkel AO, provided evidence to the committee on the importance of hydrogen as a clean energy source. Dr Finkel noted the three leading future roles that clean hydrogen could have in Australia:

10 *Proof Committee Hansard*, 4 March 2020, pp. 31–32.

11 *Proof Committee Hansard*, 4 March 2020, pp. 33–34.

12 *Proof Committee Hansard*, 4 March 2020, pp. 42–49.

13 *Proof Committee Hansard*, 4 March 2020, pp. 49–52, 57–60.

14 *Proof Committee Hansard*, 4 March 2020, pp. 54–56.

15 *Proof Committee Hansard*, 4 March 2020, pp. 68–70.

- *fuel for transport*—there are strong indications that large vehicles, such as interstate trains, trucks, and international vessels, could be powered by hydrogen, particularly if there is a desire for those vehicle types to run on zero-emissions fuel;
- *industrial applications*—hydrogen may be used as a power source in industrial processes, such as a replacement for metallurgical grade coal used in the steel fabrication process, noting that metallurgical coal used in steel fabrication accounts for around 7 per cent of the world's total emissions; and
- *energy export*—Australia could use solar or wind energy to crack water to make hydrogen, which could then be liquefied and exported around the world as a long-term zero emissions energy export industry.¹⁶

2.13 Dr Finkel also provided evidence in relation to the use of natural gas as a transition fuel, whilst wind and solar sources energy generation sources are further developed.¹⁷

Australian Nuclear Science and Technology Organisation

2.14 Dr Adi Paterson, Chief Executive Officer, Australian Nuclear Science and Technology Organisation (ANSTO), provided evidence on the proposal to establish a new, dedicated site for the management of Australia's radioactive waste. Dr Paterson explained that ANSTO supported the development of a new facility, based on its national engagement with issues relating to nuclear waste holdings, and suggested that 'it makes sense from a national perspective to have a whole-of-life-cycle view of any waste.'¹⁸ Dr Paterson also emphasised the international context for the proposed waste facility:

There is a general principle, which is agreed internationally by the International Atomic Energy Agency, the global mandating and discussion forum that sets standards in relation to nuclear waste. There's a global consensus, which has been established for a significant period of time, that full life-cycle management of nuclear materials into waste is a responsible thing for nations to do. Australia has a seat at the main committee of the International Atomic Energy Agency. Therefore, we've been involved not just in the general discussions but, over a number of decades, in very substantive engagement around how this can be done in a way that is practical, predictable and effective for nations that aspire to have nuclear medicine facilities like ours and also, for example, nations that have nuclear power. So that consensus, I think, is well established. I think it's the responsible thing to do, as a nation that does sit in a senior role in the International Atomic Energy Agency, to take the consensus view forward in our own country.¹⁹

16 *Proof Committee Hansard*, 4 March 2020, p. 72.

17 *Proof Committee Hansard*, 4 March 2020, pp. 73–74.

18 *Proof Committee Hansard*, 4 March 2020, p. 78.

19 *Proof Committee Hansard*, 4 March 2020, p. 78.

2.15 ANSTO also provided evidence in relation to: processes for transporting nuclear material; uranium deposits in Australia; and ANTSO's contribution to design studies for generation IV reactors.²⁰

Australian Institute of Marine Science

2.16 Dr Paul Hardisty, the Chief Executive Officer of the Australian Institute of Marine Science (AIMS) provided an opening statement to the committee on the health of the Great Barrier Reef and the Western Australian reefs. Dr Hardisty told the committee that global ocean heat has reached record levels, and that warming conditions are now driving current reef situations:

Early on this summer, the concern was the possibility of bleaching on Western Australia reefs, while the Great Barrier Reef looked to be faring well. Over the course of a few weeks, as local conditions changed, the situation reversed. Last week, the Bureau of Meteorology released their temperature outlook for the next month, and it suggests that the north will be warmer than average. At present, Western Australia reefs look as if they may avoid significant bleaching. But, as we speak, coral reefs along the Queensland coast are experiencing heat stress and are close to—and in some cases are already starting to—bleach. If we get some cooler weather in the next few days, things will improve. Again, this is happening without the additional warming effects of El Nino. When the next big El Nino comes—and it will—the risk of mass bleaching and widespread coral mortality is extreme.²¹

2.17 Further, Dr Hardisty warned that '[c]limate change is the biggest threat to our reefs' and that '[c]urrent projections of the fate of reefs under business-as-usual emissions trajectories are dire, with the majority likely to die out by around mid-century.'²² Dr Hardisty noted that reducing global emissions, coupled with strong adaption techniques, can help our reefs better survive marine heatwaves, however cautioned that adaption and emissions reduction 'must go hand in hand'.²³

2.18 The committee considered a range of other matters relating to AIMS' work, including: modelling of the economic impacts of mass coral bleaching; sources of funding for research projects; and modelling of reef impacts for varying global warming scenarios.²⁴

Geoscience Australia

2.19 Geoscience Australia provided the committee with an overview of the work it has done in supporting DISER with the site selection process for a proposed radioactive waste facility. Geoscience Australia assured the committee that the chosen

20 *Proof Committee Hansard*, 4 March 2020, pp. 80–81.

21 *Proof Committee Hansard*, 4 March 2020, p. 82.

22 *Proof Committee Hansard*, 4 March 2020, p. 82.

23 *Proof Committee Hansard*, 4 March 2020, p. 82.

24 *Proof Committee Hansard*, 4 March 2020, pp. 83–88.

site, in Napandee, South Australia, is accessed as suitable for development of the waste facility, contingent on the implementation of mitigation strategies to address issues relating to groundwater, rainfall and geophysical hazards of the site.²⁵

2.20 Geoscience Australia also provided the committee with an update on the work undertaken in relation to the Better GPS for Regional Australia and Better GPS for business projects, including the development of the satellite based augmentation system, which has the potential to improve the accuracy of positioning data to 10cm or less.²⁶

Northern Australia Infrastructure Facility

2.21 The committee heard evidence from the Northern Australian Infrastructure Facility (NAIF) that, since its establishment in 2016, it has made investments of \$88.5 million. The committee noted the NAIF has a total lending facility \$5 billion. NAIF also provided the committee with an update on the status of certain loans it had made; and the quantum of bonuses it had paid to its senior staff.²⁷

2.22 Senators questioned NAIF in relation the impartiality and professionalism of one of its board members, noting that the board member concerned appeared to have made numerous social media posts which could be construed as partisan in nature, or reflecting adversely on matters relating to climate change responses.²⁸

National Offshore Petroleum Titles Administrator

2.23 The National Offshore Petroleum Titles Administrator provided evidence regarding the operation of the Australian Domestic Gas Security Mechanism and petroleum licenses in the Great Australian Bight.²⁹

National Offshore Petroleum Safety and Environmental Authority

2.24 The National Offshore Petroleum Safety and Environmental Authority (NOPSEMA) provided evidence to the committee on the regulatory action NOPSEMA had taken in the relation to the safe operation of the *Northern Endeavor* floating production storage and offloading vessel. Following NOPSEMA's issuance of a prohibition notice, operations on the *Northern Endeavor* were required to cease, until such time as safety concerns were resolved. The committee noted that the company operating the *Northern Endeavor* went into liquidation, in part due to the lack of capital arising from the vessel's non-production, and that the Government is seeking funding to maintain the vessel in a safe state, as an interim measure.³⁰

25 *Proof Committee Hansard*, 4 March 2020, pp. 88–89.

26 *Proof Committee Hansard*, 4 March 2020, pp. 89–90.

27 *Proof Committee Hansard*, 4 March 2020, pp. 91–93.

28 *Proof Committee Hansard*, 4 March 2020, pp. 93–94.

29 *Proof Committee Hansard*, 4 March 2020, pp. 99–104.

30 *Proof Committee Hansard*, 4 March 2020, pp. 105–108.

Other topics

2.25 The committee considered a range of other matters when examining the Industry Portfolio, including:

- concerns raised by industry regarding the COVID-19 situation causing restrictions to supply chains relied on for domestic manufacturing processes;³¹
- the lack of a department-wide email subscription service for DISER, particularly in relation to press releases and policy consultations;³²
- operation of the building products certification register by the Joint Accreditation System of Australia and New Zealand, and the Australian Building Codes Board's capacity to audit the quality of the register and building product certifications;³³
- establishment of Australian Space Agency (ASA) facilities in South Australia, and the anticipated impacts of the ASA's work on investments in business and technologies;³⁴
- DISER's administration of the Communities Environment Program grants process, particularly communication of grant criteria to applicants;³⁵
- wait times for business support services provided through the Centre for Defence Industry Capacity;³⁶
- status of aluminium smelter operations on Australia's east coast;³⁷
- Australia's reduction in emissions following the Kyoto Protocol;³⁸
- location and research priorities for CSIRO research centres outside of metropolitan areas;³⁹
- research activity indicating an adverse impact of rising ocean temperatures on Australian fishery stocks;⁴⁰ and
- development and commercialisation of FutureFeed, a feed supplement designed to reduce methane emissions from cattle.⁴¹

31 *Proof Committee Hansard*, 4 March 2020, pp. 23–26.

32 *Proof Committee Hansard*, 4 March 2020, pp. 26–28.

33 *Proof Committee Hansard*, 4 March 2020, pp. 28–31.

34 *Proof Committee Hansard*, 4 March 2020, pp. 35–39.

35 *Proof Committee Hansard*, 4 March 2020, pp. 39–40.

36 *Proof Committee Hansard*, 4 March 2020, pp. 40–41.

37 *Proof Committee Hansard*, 4 March 2020, p. 42.

38 *Proof Committee Hansard*, 4 March 2020, pp. 56–57, 65–66

39 *Proof Committee Hansard*, 4 March 2020, pp. 61–62.

40 *Proof Committee Hansard*, 4 March 2020, pp. 52–54.

41 *Proof Committee Hansard*, 4 March 2020, pp. 67–68.

Treasury Portfolio—4 March 2020

Australian Competition and Consumer Commission

2.26 The committee commenced its consideration of the Treasury Portfolio by calling on the Australian Competition and Consumer Commission (ACCC), led by its Chair, Mr Rod Simms. The ACCC's evidence to the committee covered a range of topics, indicative of its broad remit, including:

- an ACCC investigation relating to the safety of button battery products, noting that at least 20 children present at hospital emergency departments each week having ingested button batteries;⁴²
- work undertaken by the ACCC relating to consumer protections for primary producers, including in relation to eliminating unfair contract terms in various agricultural sectors;⁴³ and
- issues reducing competition in the banking sector, particularly between the large banks and smaller financial institutions and fintechs.⁴⁴

Reserve Bank of Australia

2.27 The committee welcomed Dr Guy Debelle, Deputy Governor, and Mr Ellis Connolly, representing the Reserve Bank of Australia (RBA), to provide evidence to the committee. In doing so, the committee recognised the independence of the RBA under the *Reserve Bank Act 1959*, particularly in relation to the RBA's setting on monetary policy.⁴⁵

2.28 Senators canvassed several issues during the RBA's appearance, including:

- the RBA's downgrading of near-term forecasts for the economy and the current macro-economic trends;⁴⁶
- economic impacts of the 2019-20 bushfires and COVID-19;⁴⁷
- effectiveness of monetary policy and the anticipated impact of unconventional policy measures;⁴⁸
- impact of climate risk in economic models;⁴⁹ and
- obligations of members of the RBA Board.⁵⁰

42 *Proof Committee Hansard*, 4 March 2020, pp. 112–114.

43 *Proof Committee Hansard*, 4 March 2020, pp. 114–116.

44 *Proof Committee Hansard*, 4 March 2020, pp. 117–118.

45 *Proof Committee Hansard*, 4 March 2020, p. 121.

46 *Proof Committee Hansard*, 4 March 2020, p. 121.

47 *Proof Committee Hansard*, 4 March 2020, pp. 122–123.

48 *Proof Committee Hansard*, 4 March 2020, pp. 123, 125–126.

49 *Proof Committee Hansard*, 4 March 2020, pp. 126–128.

Australian Bureau of Statistics

2.29 The committee heard evidence from officers of the Australian Bureau of Statistics (ABS), including the new Australian Statistician, Dr David Gruen. The ABS advised the committee on its process for determining the questions which will be asked in the 2021 Census.⁵¹

Financial Adviser Standards and Ethics Authority

2.30 The Financial Adviser Standards and Ethics Authority (FASEA) provided the committee with an update on its work overseeing the conduct of the financial advisers. In particular, FASEA provided evidence on new standards and codes which apply to advisers, and whether the timeframes in which the standard and code are being implemented provide a reasonable opportunity to advisers to comply with the new requirements.⁵²

Treasury Portfolio—5 March 2020

Department of the Treasury—Macroeconomic Group and corporate matters

2.31 The committee continued its consideration of the Treasury Portfolio on 5 March 2020, commencing with an opening statement from the Treasury Secretary, Dr Steven Kennedy PSM.⁵³ Dr Kennedy provided the committee with an overview of the international and domestic economic outlook, with a particular emphasis on the anticipated impacts of the 2019–20 bushfires and the novel coronavirus (COVID-19) situation. In summary, Dr Kennedy noted that:

- *international conditions*—at the time of the 2019–20 MYEFO, global economic growth was exhibiting widespread weakness, including for Australia's major trading partners in Asia, and that global growth was anticipated to pick up in late 2019. The International Monetary Fund forecasted global growth would rise from 2.9 per cent to 3.3 per cent, and activity was expected to be supported by accommodative monetary policy, or fiscal policy in some jurisdictions. By the start of 2020, world merchandise trade volumes had increased 0.5 per cent throughout the preceding year and unemployment rates were close to record lows in the United States, Europe and Japan;⁵⁴
- *domestic conditions*—at the time of the 2019–20 MYEFO, factors which were affecting domestic growth, such as falling house prices, drought, and low housing turnover, were expected to wane. GDP grew by 0.5 per cent in 2019, to

50 *Proof Committee Hansard*, 4 March 2020, pp. 128–130.

51 *Proof Committee Hansard*, 4 March 2020, pp. 131–134.

52 *Proof Committee Hansard*, 4 March 2020, pp. 135–139.

53 *Proof Committee Hansard*, 5 March 2020, pp. 5–8.

54 *Proof Committee Hansard*, 5 March 2020, pp. 5–6.

be 2.2 per cent higher than the previous year. Employment growth remained at around two per cent and the participation rate had reached record highs;⁵⁵

- *bushfires*—the 2019–20 bushfires have had significant negative environment, social and economic impacts. Approximately 12.7 million hectares of land were burnt, an estimate one billion wildlife killed, and a projected reduction of 0.2 percentage points in GDP growth between the December 2019 and March 2020 quarters;⁵⁶
- *COVID-19*—the widespread outbreak of novel coronavirus had impacted the services sector in China and resulted in manufacturing plants temporally ceasing, or reducing, operations. China's purchasing managers' index fell 14.3 points in February 2020, and the OECD has forecasted that China's GDP growth will be reduced by approximately 0.8 per cent. There is a high degree of uncertainty regarding the economic impacts of COVID-19, however Treasury's preliminary assessment was that the virus will reduce the growth rate by at least half a per cent in the March 2020 quarter;⁵⁷ and
- *impact of economic shock*—at the time of the 2019–20 MYEFO, the forecast for the year was a surplus, however the bushfires and coronavirus will have a negative impact on Australia's financial position. An economic shock may a decrease revenue from company taxation, and increase expenditure associated with social security payments if the financial position of households deteriorates. COVID-19 is impacting both supply and demand sides. Supply side impacts are observed in the delays to business inputs due to disrupted transport arrangements. Demand side shocks, are observed in the education and tourism sectors, and will likely surpass the supply side impacts.⁵⁸

2.32 Senators asked a range of questions relating to the impact of bushfires and COVID-19.⁵⁹ The committee notes that since Dr Kennedy appeared before the committee, the global coronavirus (COVID-19) situation has significantly worsened. From the time of Dr Kennedy's statement to 23 March 2020, the number of people infected had increased from approximately 95 324 to 332 930, and the number of people who have died from the virus has risen from approximately 3281 to 14 510.⁶⁰

Department of the Treasury—Fiscal Group

2.33 The committee heard evidence from officers of the Fiscal Group on the work it has undertaken on the Government's Retirement Income Review (review). In

55 *Proof Committee Hansard*, 5 March 2020, p. 6.

56 *Proof Committee Hansard*, 5 March 2020, p. 6.

57 *Proof Committee Hansard*, 5 March 2020, p 7.

58 *Proof Committee Hansard*, 5 March 2020, pp. 7–8.

59 *Proof Committee Hansard*, 5 March 2020, pp. 8–13, 16–17, 20–23, 26, 29–30.

60 World Health Organisation, *Coronavirus disease (COVID-2019) situation reports*, <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/situation-reports/> (accessed 24 March 2020).

particular, the committee heard evidence of the modelling used to develop an understanding of the retirement income experiences of individuals in different circumstances, including discrepancies between retirement income based on gender.⁶¹

2.34 Mr Robert Preston, Principal Adviser, Retirement Income Division informed the committee that aspects of the review's analysis work had been commissioned from external research entities, including to the: Tax and Transfer Policy Institute, for the relationship between wages growth and changes to the superannuation guarantee; Monash University, for the relationship between voluntary savings and the superannuation guarantee; and Bankwest, for the relationship between the age pension assets test and pre-retirement savings behaviour.⁶²

Department of the Treasury—Revenue Group

2.35 The committee considered matters relating to Treasury's work on digital services tax proposals, which are being progressed a multilateral consensus basis through the OECD/G20 Inclusive Framework on base erosion and profit shifting, which incorporates over 135 participating countries and jurisdictions.⁶³ Ms Maryanne Markovich, Deputy Secretary, Revenue Group, outlined the work:

...the impetus for the work is actually to provide an alternative to a whole series of unilateral measures in the digital services tax base. Basically a number of countries have either started to announce or have implemented digital services taxes. The [OECD] steering group to the inclusive framework, and indeed the inclusive framework itself, has basically said rather than having a series of unilateral measures we should actually be looking at the whole concept of the way that the corporate tax system is working in a digitalised world... a number of countries—and not surprisingly the US is one of the key ones—have said you can't ring-fence the digital economy and that basically digital services are permeating a broad range of other lines of business. So they have been specifically keen—but in fact there is broad based support—for the idea of looking at whether or not you can think about how you might tweak the corporate tax system. In fact, even some of the proposals go to really changing some of the rules around the way that the corporate tax system works to essentially recognise the role of value created by consumers.⁶⁴

Australian Taxation Office

2.36 The Australian Taxation Office (ATO) provided evidence to its approach to applying penalties in instances of tax avoidance by large companies, including for companies using inappropriate transfer pricing arrangements.⁶⁵ The ATO also provided information on its compliance program for reviewing the auditors of self-

61 *Proof Committee Hansard*, 5 March 2020, pp. 40–41.

62 *Proof Committee Hansard*, 5 March 2020, p. 43.

63 *Proof Committee Hansard*, 5 March 2020, pp. 49–52.

64 *Proof Committee Hansard*, 5 March 2020, pp. 49–50.

65 *Proof Committee Hansard*, 5 March 2020, pp. 54–59.

managed super funds. Mr O'Halloran, Deputy Commissioner, Superannuation and Employer Obligation, described this work:

With respect to self-managed super funds, I think there are always two elements to it: one is the use of a self-managed super fund that breaches its regulatory obligations as a trustee or a member; and then there's obviously the use of a self-managed super fund as a vehicle for what I might call other mischief, which actually is around the abuse perhaps of tax or concessionary arrangements. With the focus on the top 50 self-managed super funds or the top hundred auditors et cetera, we are predominantly looking at their professional obligations, of which there are offences under the SI(S) Act to refer them to ASIC or, for us, if it's a self-managed super fund, to deregister the self-managed super fund... a self-managed super fund might in fact be carrying out the avoidance of tax or minimisation of tax and, in the normal course of an investigation across the office, that's also looked at at the same time. The normal pattern—and I say normal in a small amount of cases—is quite often the tax mischief is identified and then we work across the office to also not forget to apply what is really a firm sanction, to deregister or disqualify the trustee from ever being able to be a self-managed super fund trustee again, and we do disqualify some 300 of those a year.⁶⁶

2.37 The committee also noted evidence from the ATO relating to: companies which were described as systemic non-payers of tax;⁶⁷ tax avoidance behaviour through personal deductions;⁶⁸ and tax support measures for drought support and natural disaster assistance.⁶⁹

Australian Charities and Not-for-profits Commission

2.38 The Hon Gary Johns, Commissioner, Australian Charities and Not-for-profits Commission (ACNC), responded to questions from the committee in relation to a charity, with a deductible gift recipient registration, which appeared to have called for donations through an advertisement which had strong political overtones.⁷⁰

2.39 Dr Johns also provided evidence relating to: the process taken when revoking the charity status of Aussie Farms Inc;⁷¹ the ACNC's role in overseeing charities who were providing support during 2019–20 bushfire season;⁷² and the whether the conduct of a particular charity may be considered as engaging in an illegal purpose.⁷³

66 *Proof Committee Hansard*, 5 March 2020, p. 5.

67 *Proof Committee Hansard*, 5 March 2020, pp. 58–60.

68 *Proof Committee Hansard*, 5 March 2020, pp. 61–62.

69 *Proof Committee Hansard*, 5 March 2020, pp. 62–63.

70 *Proof Committee Hansard*, 5 March 2020, pp. 70–71.

71 *Proof Committee Hansard*, 5 March 2020, pp. 71–73, 78–79.

72 *Proof Committee Hansard*, 5 March 2020, pp. 76–77.

73 *Proof Committee Hansard*, 5 March 2020, pp. 79–80.

Foreign Investment Review Board

2.40 Senators sought information from officials representing the Foreign Investment Review Board (FIRB) regarding FIRB's engagement with Treasury when accessing foreign acquisitions, particularly in relation to the decision making powers assigned to the Treasurer; the confidentiality and veracity of information used by FIRB during an acquisition assessment processes; market reaction to foreign investment; and the application of the national interest test principle in FIRB's assessment processes.⁷⁴

2.41 During FIRB's appearance, the senators noted their concern regarding instances of witnesses being unwilling or unable to provide requested information.

Australian Securities and Investments Commission

2.42 The committee heard evidence from the Australian Securities and Investments Commission (ASIC), led by its Chair, Mr James Shipton. At the beginning of ASIC's evidence, Mr Shipton tabled an update of ASIC's work between September 2019 to February 2020, and provided the committee with a short brief on ASIC's recent work responding to the COVID-19 situation.⁷⁵

2.43 Senators questioned ASIC on range of topics, including: an investigation into and charges brought against Mr Clive Palmer regarding alleged conduct involving companies which Mr Palmer was associated with; enforcement action taken by ASIC in relation to consumer leasing companies; ASIC's investigation of a large industry super fund's disclosure that it would be applying a new fee to its members' superannuation accounts; and ASIC's role in regulating the banking sector.⁷⁶

Australian Prudential Regulation Authority

2.44 In the Australian Prudential Regulation Authority's (APRA) opening statement to the committee, Mr Wayne Byres, Chair, emphasised to the committee the importance of the insurance sector in supporting the response to the 2019–20 bushfires. Mr Byres noted that, in APRA's view, the insurance sector is well-capitalised to provide this support.⁷⁷ In relation to the COVID-19 situation, APRA advised the committee that finance institutions are aware of the risks posed to their businesses, and those institutions are undertaking appropriate scenario planning. Mr Byres also noted that the build-up of resilience in the finance system meant that the system is well positioned to respond to short-term market volatility, and that if there is longer-term disruption that would require 'a fair bit of vigilance' from APRA.⁷⁸

2.45 During APRA's appearance, the committee heard evidence on: a speech given by an APRA representative regarding challenges facing the private health insurance

74 *Proof Committee Hansard*, 5 March 2020, pp. 82–97.

75 *Proof Committee Hansard*, 5 March 2020, p. 99.

76 *Proof Committee Hansard*, 5 March 2020, pp. 99–112.

77 *Proof Committee Hansard*, 5 March 2020, pp. 99–112.

78 *Proof Committee Hansard*, 5 March 2020, p. 112.

(PHI) industry; APRA's role in managing systemic risks in the financial system; and APRA's role in regulating the PHI and concerns regarding industry sustainability.⁷⁹

National Housing Finance and Investment Corporation

2.46 In appearing before the committee, the Chief Executive Office of the National Housing Finance and Investment Corporation (NHFIC), Mr Nathan Dal Bon, provided evidence on the operation of the First Home Loan Deposit Scheme, including on the number of loan places allocated to the institutions participating in the scheme. The committee heard that of the 10 000 loan places available through the scheme, half of those places were made available to large banks and the other half to smaller lenders. NHFIC advised that more than 7000 allocations were on hold or had guarantees issued, and that of there are approximately 2940 places still available for this financial year, which were largely allocated to smaller lenders.⁸⁰

Other topics

2.47 The committee considered a range of other matters when examining the Treasury Portfolio, including:

- the impact of interest rate reductions on household consumption;⁸¹
- addressing systemic climate change related risks in economic systems;⁸²
- modelling of the economic impacts of emissions reductions targets and climate change scenarios by the Treasury;⁸³
- factors impacting on wage growth, productivity and macroeconomic conditions in Australia;⁸⁴
- process taken for the preparation of the *Intergenerational Report*, including relevant timeframes and report content;⁸⁵ and
- reforms to superannuation system for increasing members' savings and fee increased applied by certain superannuation funds.⁸⁶

Senator Slade Brockman Chair

79 *Proof Committee Hansard*, 5 March 2020, pp. 112–126.

80 *Proof Committee Hansard*, 5 March 2020, pp. 126–129.

81 *Proof Committee Hansard*, 5 March 2020, p. 13.

82 *Proof Committee Hansard*, 5 March 2020, pp. 14–15.

83 *Proof Committee Hansard*, 5 March 2020, pp. 17–20.

84 *Proof Committee Hansard*, 5 March 2020, pp. 27–34.

85 *Proof Committee Hansard*, 5 March 2020, pp. 36–39, 47.

86 *Proof Committee Hansard*, 5 March 2020, pp. 41–42.

Appendix 1

Tabled documents

Industry Portfolio

1. Building product conformity certificates, tabled by Senator Patrick.
2. Building product conformity certificates, tabled by Senator Patrick.
3. Opening statement, tabled by Dr Larry Marshall, Chief Executive Officer, Commonwealth Scientific and Industrial Research Organisation (CSIRO).
4. CSIRO document titled *The 2019-20 bushfires: a CSIRO explainer* (February 2020), tabled by Senator McAllister.
5. CSIRO document titled *The 2019-20 bushfires explained*, tabled by Senator McAllister.
6. Response by Dr Larry Marshall to an article published in *The Australian*, tabled by Senator Carr.
6. Response from the CSIRO to a letter from Senator Roberts, tabled Dr Larry Marshall.
7. Opening statement, tabled by Mr Chris Wade, Chief Executive Officer, Northern Australia Infrastructure Facility.

Treasury Portfolio

8. Opening statement, tabled by Dr Steven Kennedy PSM, Secretary of the Department of the Treasury.
9. Australian Securities and Investments Commission (ASIC) update: September 2019 to February 2020—tabled by Mr James Shipton, Chair, ASIC.
10. Opening statement, tabled by Mr Wayne Byres, Chair, Australian Prudential Regulation Authority.